OECD ECONOMIC SURVEYS

TURKEY

OECD
OCDE
1993

OECD ECONOMIC SURVEYS

1992-1993

TURKEY

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Pursuant to Article 1 of the Convention signed in Paris on 14th December 1960, and which came into force on 30th September 1961, the Organisation for Economic Co-operation and Development (OECD) shall promote policies designed:

- to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;
- to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development; and
- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

The original Member countries of the OECD are Austria, Belgium, Canada, Denmark, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The following countries became Members subsequently through accession at the dates indicated hereafter: Japan (28th April 1964), Finland (28th January 1969), Australia (7th June 1971) and New Zealand (29th May 1973). The Commission of the European Communities takes part in the work of the OECD (Article 13 of the OECD Convention).

Publié également en français.

Contents

Tables

Diagrams

BLANK PAGE

BASIC STATISTICS OF TURKEY

THE LAND

Area (thousand sq.km)	781	Major cities, 1990 (thousand inhabitants)	
Agricultural area (thousand sq.km)	280	Istanbul	7 427
Forests (thousand sq.km)	202	Ankara	3 236
		Izmir	2 680

THE PEOPLE

Population, 1991 (thousands)	57 700	Civilian labour force, 1991 (thousands)	19 438
Per sq.km, 1991	74	Civilian employment	17 898
Annual average rate of change		Agriculture, forestry, fishing	8 713
of population, 1991	2.4	Industry	2 836
		Construction	905
		Services	444

PRODUCTION

GNP, 1991 (TL billion)	453 256	Origin of GDP, 1991 (per cent)	
Per head (US$)	1 884	Agriculture, forestry, fishing	16.5
Gross fixed investment, 1991		Industry	26.9
(TL billion)	102 393	Construction	5.5
Per cent of GNP	22.6	Services	51.1
Per head (US$)	42.6		

THE GOVERNMENT

Public consumption, 1991		Public debt, end-1991 (per cent of GNP)	56.0
(per cent of GNP)	15.9	Domestic	25.8
Central government current revenue,		Foreign	30.2
1991 (per cent of GNP)	21.3		

FOREIGN TRADE

Commodity exports, 1991, fob		Commodity imports, 1991, cif	
(per cent of GNP)	12.6	(per cent of GNP)	19.4
Main exports (per cent of total exports)		Main imports (per cent of total imports)	
Agriculture	19.8	Machinery and equipment	26.7
Mining	2.1	Transport equipment	7.4
Industry	78.1	Base metals	11.9
		Oil	11.7

THE CURRENCY

Monetary unit: Turkish lira	Currency unit per US$,	
	average of daily figures:	
	1990	2 607.62
	1991	4 169.85
	1992	6 860.59

Note: An international comparison of certain basic statistics is given in an annex table.

This Survey is based on the Secretariat's study prepared for the annual review of Turkey by the Economic and Development Review Committee on 8th February 1993.

•

After revisions in the light of discussions during the review, final approval of the Survey for publication was given by the Committee on 22nd February 1993.

•

The previous Survey of Turkey was issued in July 1992.

Introduction

When the Committee examined Turkey in April 1992, the economy was emerging from the stagnation of 1991 as political uncertainties were dissipating and household incomes were boosted by large wage gains and increases in agricultural revenues. Positive effects on aggregate demand notwithstanding, big wage settlements and generous agricultural support prices fuelled inflationary pressures both directly and indirectly through their impact on the budget deficit, which was largely monetised. Macroeconomic policies accommodated a rise in inflation, but with the Turkish lira allowed to depreciate in real terms the current external balance remained roughly unchanged abstracting from the effects of the Gulf War-related grants.

On presently known policy intentions of the government and a gradual projected recovery in the world economy, output could continue to grow at something like 4½ per cent, with the external position remaining solid. Inflation is projected to come down modestly but only insofar as the budgetary situation is put under tight control. The government has been marking time in putting into place fundamental reforms of the economic system, and without these, lasting improvement in living standards would be difficult to attain.

The present Survey first reviews the economic situation in 1992 and presents an outlook to 1994. Chapter II discusses main features of policy developments. This is followed by an overview of the labour market in Turkey, which differs from that found in most OECD countries in many respects. The Survey concludes with a discussion of key policy issues.

I. The economy in 1992 and near-term prospects

Revival of economic activity

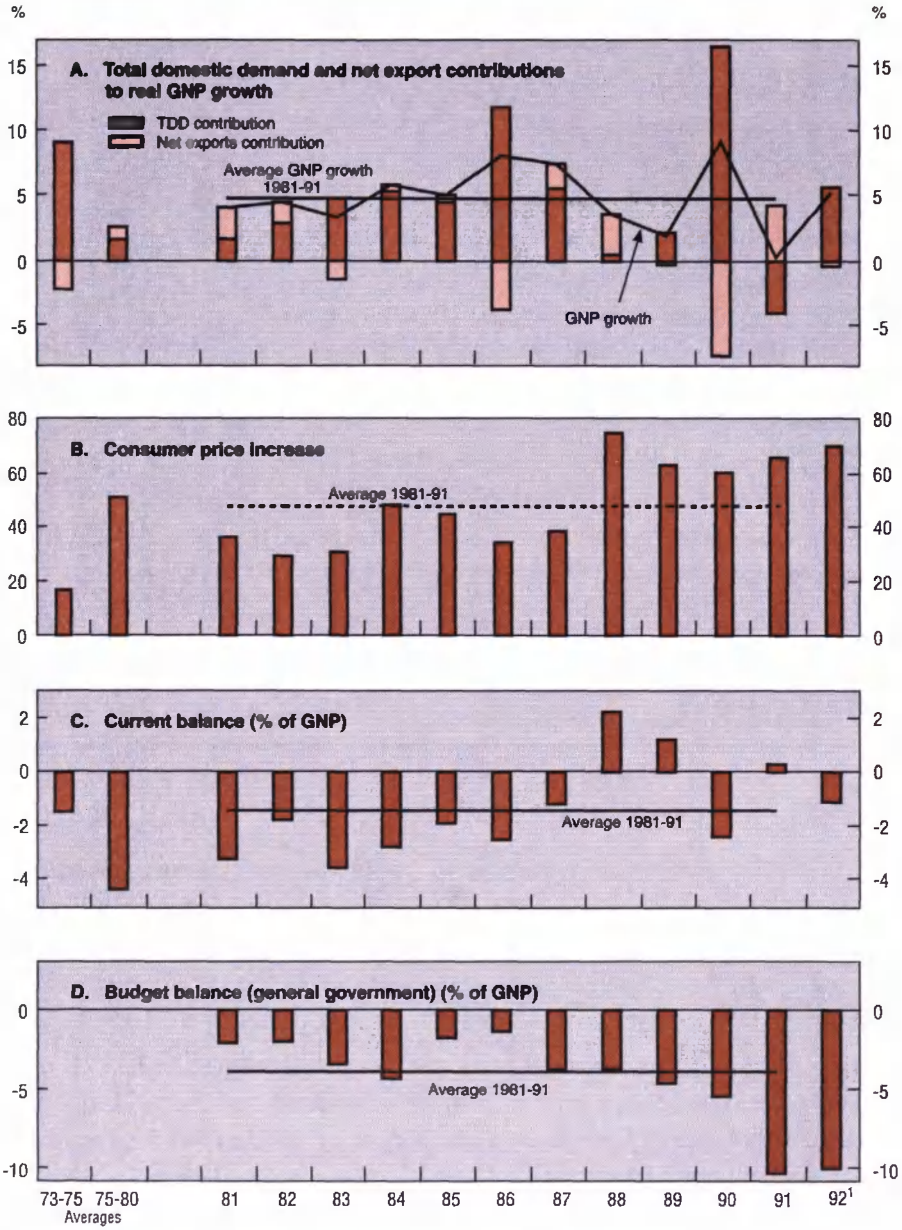
With uncertainties related to the Gulf War as well as to the October 1991 parliamentary elections fading away, economic activity recovered strongly from the stagnation of 1991 (Diagram 1). In the first three quarters of 1992, real value-added was up 6 per cent from the same period of the previous year for the whole economy and 7 per cent for industry. Agricultural output rebounded from the drought-affected low level of 1991, and activity in services too regained strength. Current official estimates put the overall GNP growth for 1992 at 5½ per cent.

The recovery was led by private consumption which was fuelled by large real-wage increases and a strong rise in agricultural revenues, still a substantial source of household income given the high proportion (nearly 50 per cent) of rural population. Growth of both public consumption and investment has been restrained (Table 1). But the large public-sector deficit as well as difficulties in financing it have continued to be a major cause of high interest rates, thereby acting as an underlying drag on business investment. Private fixed investment remained sluggish during the first half of 1992, although it is likely to have strengthened in the second half after the delayed announcement of the new Investment Incentive Regime. Growth of import volumes resumed with the recovery of activity. Although exports of goods and services continued to perform well, the net contribution of external transactions to GDP growth is likely to have been negative in 1992.

Solid external position

The current account deficit, $582 million during the first eleven months of 1992, is estimated to have reached $¾ billion by the end of the year, a swing of

Diagram 1. **MACROECONOMIC PERFORMANCE**



1. Estimates.

Source: Data submitted by the State Planning Organisation, and OECD estimates.

Table 1. **Supply and use of resources**

Percentage volume change

	1991 Per cent of GNP in current prices	1990	1991	1992 Estimate	1993 Programme
Supply					
Agriculture	16.7	7.1	–1.5	3.5	3.0
Industry	26.5	8.7	2.6	6.6	6.0
Construction	6.5	–0.1	–1.6	..	..
Services	49.9	12.1	1.1	4.6	4.5
GDP	99.6	9.6	0.9	4.9	4.7
GNP (market prices)	100.0	9.2	0.3	5.4	5.0
Demand					
Private consumption	61.7	10.4	2.1	10.6	3.9
Public consumption	15.9	17.0	1.0	1.9	4.9
Private investment	12.2	18.8	–3.5	1.4	6.8
Public investment	10.4	8.0	3.8	1.1	–1.2
Final domestic demand	100.2	11.8	1.4	7.6	3.9
Stockbuilding [1]	–0.4	4.1	–4.0	–0.1	1.2
Total domestic demand	99.8	16.0	–2.4	7.5	5.0
Exports of goods and services	26.0	8.7	11.4	3.5	8.8
Imports of goods and services	28.4	32.0	–2.1	10.5	7.9
Foreign balance [1]	–0.2	–6.5	2.8	–2.2	–0.2
GNP price deflator		54.8	57.3	62.1	51.0

1. Contribution to GNP growth.

Source: State Planning Organisation and State Institute of Statistics.

about $1 billion from a small surplus in 1991. Most of this turnaround can be accounted for by a reduction in official transfers received from the allies in the Gulf War (Table 2). The balance on goods and services is likely to have remained roughly unchanged, with some increase in the trade deficit offset by improvements on tourism account and a reduction of net interest payments.

Helped by the real depreciation of the Turkish lira since mid-1991, exports of manufactured goods are estimated to have increased by about 16 per cent in volume in 1992. Exports of ready-wear and other textile products (nearly one-third of total exports), electrical appliances, cement and non-electrical machinery rose particularly vigorously. Sales to Germany (Turkey's biggest single country market, with one-fourth of total exports), France, the United Kingdom and the United States were robust. Trade with Eastern and Central European countries,

Table 2. **Balance of payments**

$ million

	1989	1990	1991	1992 Novembre	1993 Programme
Current account					
Exports (fob)[1]	11 780	13 026	13 672	13 359	17 100
Imports (fob)[1]	–15 999	–22 581	–20 998	–20 503	–25 790
Trade balance	–4 219	–9 555	–7 326	–7 144	–8 690
Services and income, credit	7 098	8 933	9 315	9 506	12 100
Tourism	2 557	3 225	2 654	3 518	5 000
Investment income	1 266	1 658	1 635	1 777	2 350
Other	3 275	4 050	5 026	4 211	4 750
Services and income, debit	–5 476	–6 496	–6 816	–6 635	–8 200
Tourism	–565	–520	–592	–741	–1 000
Interest payments	–2 907	–3 264	–3 430	–2 904	–3 600
Other	–2 004	–2 712	–2 794	–2 990	–3 600
Private transfers, net	3 135	3 349	2 854	2 823	3 050
Official transfers, net	423	1 144	2 245	868	580
Invisibles balance	5 180	6 930	7 598	6 562	7 530
Current balance	961	–2 625	272	–582	–1 160
Capital account					
Direct investment	663	700	783	699	1 300
Portfolio investment	1 586	547	648	1 810	1 350
Credit utilisation	2 620	3 679	3 784	3 095	4 300
Dresdner Bank scheme, net	518	49	–497	283	300
Debt repayments	–4 023	–3 938	–4 095	–4 301	–4 000
Capital balance	1 364	1 037	623	1 586	3 250
Basic balance	2 325	–1 588	895	1 004	2 090
Short-term capital	–584	3 000	–3 020	1 371	–90
Assets	371	–409	–2 563	–1 436	0
Credits extended	390	156	–811	–371	500
Bank reserves	–19	–565	–1 752	–1 065	–500
Liabilities	–955	3 409	–457	2 807	–90
Credits received	–1 227	2 520	590	3 116	–90
Deposits	272	889	–1 047	–309	0
Errors and omissions	971	–468	926	–1 421	0
Counterpart items	50	364	170	0	0
Overall balance	2 762	1 308	–1 029	954	2 000
Change in official reserves	–2 762	–1 308	1 029	–954	–2 000
Official reserves	–2 510	–1 255	1 029	–954	–2 000
IMF	–252	–53	0	0	0

1. Including transit trade.

Source: Central Bank of Turkey, *Quarterly Bulletin.*

Eastern Asian countries and newly independent Asian Republics also expanded. Exports to Iraq resumed, but from levels far below those once attained. Exports of agricultural products were stagnant due to difficulties in transportation to Western Europe caused by the war in Yugoslavia. A pick-up in imports was concentrated largely in machinery, motor vehicles and transport equipment, and crude oil. Gold imports also surged due to falling prices and resurgence of re-exports to Iran.

With the end of the Gulf War, Turkey once again became an attractive place for tourists, particularly from OECD countries. Tourist arrivals are estimated to have reached 7.5 million in 1992, a 35 per cent increase over the previous year. As more tourists came from OECD countries, average spending per visitor rose to $536 from $480 in 1991. Tourism receipts are thus likely to have risen by $1.4 billion to $4 billion in 1992. Interest income is likely to have reached $1 billion; whereas interest payments may have dropped to $3.3 billion reflecting a fall in interest rates on loans denominated in foreign currency, notably the dollar and the yen. Discouraged by real depreciation of the Turkish lira (5 per cent during the first three quarters of 1992), workers' remittances are unlikely to have increased much.

Large capital inflows (some $900 billion of direct investment and $6 billion of borrowings and bond issues) are likely to be more than sufficient to finance a small current-account deficit and debt repayments of some $4.3 billion. As a result, foreign currency reserves of the Central Bank and deposit money banks are expected to rise by $2.2 billion. The ratio of foreign debt to GNP may have increased from 44 per cent in 1991 to 50 per cent at the end of 1992.

Inflation-prone economy

Increases in nominal wages of nearly 150 per cent in the private sector and by close to 120 per cent in the public sector in 1991 led to substantial real wage increases for the third consecutive year, outstripping by far any gains in labour productivity. Although wage statistics only refer to unionised workers, who are covered by collective bargaining agreements (approximately 1.8 million in 1992), the marked rise in unit labour cost is certain to have imparted a strong cost-push effect on the general price level. Hence, together with post-election adjustments in public-sector prices, there was a sharp rise in inflation in early 1992 (Table 3).

Table 3. Prices[1]

Percentage change over previous year, annual and quarterly averages

	Wholesale prices							Consumer prices	
	General index			Agriculture	Mining	Manufacturing	Energy	General	Food
	Total	Public	Private						
	Base year 1987 = 100							Base year 1987 = 100	
Weights	(100.0)	(27.74)	(72.26)	(23.03)	(2.54)	(69.80)	(4.62)	(100.0)	(32.1)
1988	70.5	70.3	70.5	44.1	64.1	81.5	40.9	73.7	83.2
1989	64.0	64.2	63.9	71.7	65.0	61.6	69.2	63.2	69.3
1990	52.3	56.7	50.6	70.6	48.7	46.9	56.5	60.3	64.3
1991	55.3	61.3	53.0	50.8	63.2	55.3	75.1	66.0	66.6
Q1	49.7	59.4	46.0	42.8	56.3	50.9	64.5	62.6	63.1
Q2	56.5	65.5	53.0	48.4	74.5	58.2	61.7	63.2	59.3
Q3	57.5	69.2	52.8	44.7	70.1	59.5	82.3	68.7	69.0
Q4	56.7	53.0	58.2	65.6	54.8	52.6	88.6	68.1	74.8
1992	62.1	65.2	60.8	62.7	61.6	59.7	97.7	70.1	71.3
Q1	68.7	66.5	69.5	91.1	62.9	59.0	111.6	78.4	90.2
Q2	60.1	61.8	51.3	67.4	56.5	55.1	103.6	69.8	72.0
Q3	58.2	62.9	56.2	47.3	65.0	58.9	90.7	66.4	63.7
Q4	62.4	69.0	59.7	50.4	57.4	64.6	90.3	67.9	64.3

1. In January 1990, the State Institute of Statistics introduced new weights for both wholesale and consumer price indices, and shifted the base year of the consumer price index from 1978-79 to 1987. In January 1991, the base year for the wholesale index was shifted from 1981 to 1987.

Source: State Institute of Statistics, *Price Indices Monthly Bulletin.*

Inflation in the consumer price and wholesale price indices picked up to 68 and 79 per cent in March (over the previous twelve months) from 59 and 71 per cent in December 1991, respectively. The settlements of the 1992 wage round displayed some degree of moderation relative to the three preceding years and are estimated to have led to a rise in real wages broadly in line with labour productivity in the private, but not in the public sector. A good harvest and a surge in imports attenuated inflationary pressures somewhat during the summer, but inflation has since reaccelerated. For 1992 as a whole the rise in the consumer price index was 70 per cent, compared with 66 per cent in 1991.

Put in a longer-term perspective, the trend of inflation in Turkey has not stopped rising. Consumer price inflation averaged 6 per cent in the 1960s, 28 per cent in the 1970s and 48 per cent between 1978 and 1987 before jumping to some 65 per cent in the last five years. Such high rates of inflation are out of comparison not only with other OECD members but also other rapidly industrialising countries in Asia (average CPI inflation for the four NIEs in East Asia was 6 per cent during the same period).

Brief periods of attempts at disinflation have been followed by longer periods of policy loosening which led to yet higher inflation. Inflationary forces are now firmly ingrained in the economic system, and it would be difficult to reverse the trend without incurring substantial costs in terms of lost output and jobs. But if inflation continues to ratchet up, increased uncertainty and high and volatile interest rates are likely to choke off productive investment and hence reduce the long-term growth potential of the economy.

OECD's analysis in earlier Surveys has pointed to the public-sector deficit and its monetisation as the principal culprit for the persistently high inflationary pressures in Turkey. Lower budget deficits should facilitate the Central Bank's control over liquidity, but control over monetisation of credit to the business sector is also important. Higher real interest rates and real currency appreciation, with consequent pressures on interest-rate and exchange-rate sensitive sectors, almost always accompany monetary stabilisation. The more forceful the budget correction the less severe and shorter this painful phase tends to be.

Prospects

The projections presented below assume that the government will now attempt to establish discipline in all areas of economic policy, but that progress

Table 4. **Short-term projections**

	1987 Current prices TL billion	Per cent of GNP	Percentage volume change over previous year		
			1992	1993	1994
			Estimate	Forecast	
Private consumption	39 209	66.9	7.0	3.0	4.0
Public consumption	5 263	9.0	2.2	4.5	3.3
Private investment	6 549	11.2	1.4	6.0	6.8
Public investment	7 480	12.8	1.3	–1.7	1.5
Final domestic demand	58 501	99.9	5.5	3.1	4.0
Stockbuilding[1]	754	1.3	0.0	1.6	1.2
Total domestic demand	59 254	101.2	5.5	4.7	5.2
Exports of goods and services	14 491	24.3	8.7	5.6	6.3
Imports of goods and services	15 180	25.7	9.2	6.1	6.8
Foreign balance[1]	–689	–1.2	–0.4	–0.3	–0.4
GNP, market prices	58 565	100.0	5.3	4.5	5.0
GNP price deflator			62.1	60.0	58.0
Consumer prices			70.1	66.0	63.0
			$ million		
Balance of payments					
Exports (fob)			15 000	15 860	17 050
Imports (fob)			–23 000	–23 925	–26 300
Trade balance			–8 000	–8 065	–9 250
Invisibles			6 750	6 665	7 600
Current balance			–1 250	–1 400	–1 650
As per cent of GNP			–1.1	–1.1	–1.3

1. Contribution to GNP growth.

Source: OECD.

will not be sufficient to bring about a significant fall in inflation. Greater restraint on public spending is expected, particularly for State economic enterprises (SEEs). New tax reform proposals, if approved by Parliament, would raise tax revenues significantly in 1993 and help contain public-sector deficits. Less monetisation of public deficits is also envisaged.

Growth of real GNP could decelerate slightly in 1993 if policy is tightened as assumed. Household consumption is likely to slow because of decelerating real labour incomes. Recent data for building permits suggest a recovery of residential investment. With improved business confidence, growing demand and slowing real labour costs, business investment is projected to remain strong. Exports are expected to be supported by the recent real effective depreciation of the Turkish lira and some pickup of market growth. But with a normalisation of net invisible revenues after the ending of Gulf crisis-related grants, the current external account may remain in deficit by around 1½ per cent of GNP over the projection period. The inflow of foreign capital is projected to be sufficient to finance the current external deficit and foreign debt repayments of the order of $4 billion per year. Inflation could decelerate somewhat, but would remain unacceptably high (Table 4).

The projection depends heavily on the government's economic programme and on its speed of implementation. Slippage in the reduction of public-sector deficits would risk undermining business confidence and negatively affect the climate for private investment. Failure to contain monetary financing of government deficits would result in inflation higher than projected. On the other hand, a more determined effort to tighten monetary conditions, in conjunction with firm budgetary control, could bring inflation down substantially and begin to establish a more stable financial climate for sustained growth.

II. Economic policy

The new government has been slow in implementing essential policy reforms, notably in taxation, agricultural support, regulation of public monopolies and privatisation of state-owned companies. A move towards integration of extra-budgetary funds into the general budget was a positive step. But while the public-sector deficit is estimated to have been reduced somewhat in 1992 from its high level of 1991, this was partly due to a cyclical recovery in tax revenues. Monetary policy was geared towards maintaining orderly conditions in the foreign-exchange market, though allowing the Turkish lira to depreciate in real terms and thereby accommodating inflationary pressures.

Main features of public-sector operations in 1992

No fundamental change in the public-sector financial position

The public-sector borrowing requirement (PSBR) is estimated to have been 12.6 per cent of GNP in 1992 (or possibly less according to the Turkish authorities), down from 14.4 per cent in 1991 (Table 5). It is difficult to call this an achievement. When economic activity recovers as strongly as it did in Turkey in 1992, reduction in the PSBR/GNP ratio comes easily in most OECD countries, though in Turkey a reduction has not always been realised in these circumstances. Aside from cyclical factors, part of the increase in tax revenue in 1992 is ascribable to the tax amnesty law. And the recovery in the financial position of the SEEs is largely due to debt consolidation, faster-than-projected destocking, and transfers from the central government budget (the latter leave the PSBR unaffected). Overall, the underlying public-sector deficit position has probably improved only a little in 1992.

Table 5. **Public sector borrowing requirements**

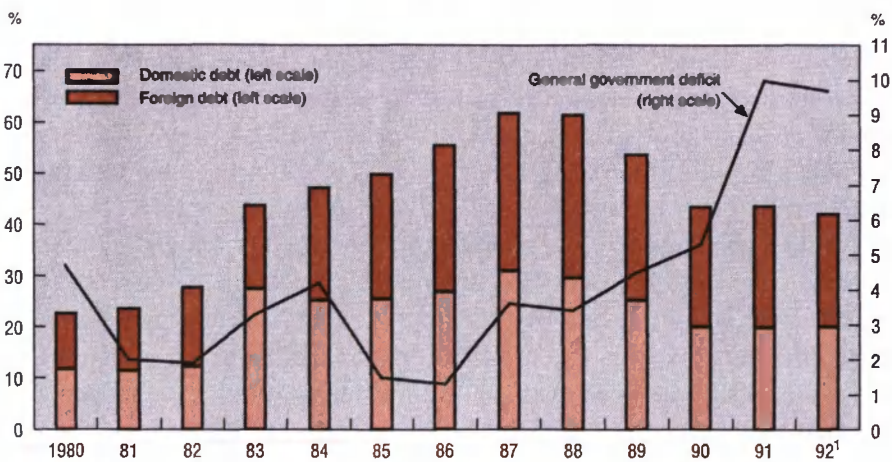
	1989	1990	1991	1992 Programme	1992 Estimate[1]	1993 Programme
Public sector deficit (TL billion)	–12 184	–30 085	–65 372	–63 970	–97 439	–110 242
General government	–7 764	–15 117	–45 429	–39 574	–73 976	–77 867
State economic enterprises (SEEs)	–4 420	–14 968	–19 943	–24 396	–23 463	–32 375
Public sector deficit/GNP	–7.1	–10.5	–14.4	–8.8	–12.6	–9.0
General government	–4.5	–5.3	–10.0	–5.5	–9.7	–6.4
Central government	–4.5	–4.2	–7.4	–4.4	–7.3	–4.3
Local administrations	–0.2	–0.3	–0.6	–0.4	–0.4	–0.3
Revolving funds	0.5	0.4	–0.2	0.2	–0.3	–0.1
Extra-budgetary funds[2]	–0.3	–1.2	–1.8	–0.9	–1.7	–1.6
SEEs	–2.6	–5.2	–4.4	–3.3	–3.0	–2.6
Sources of financing (per cent of total)						
Central Bank	3.7	1.1	16.4	20.8	20.6	24.5
Foreign borrowing, net	15.5	11.9	3.8	–7.3	1.8	6.8
Domestic borrowing, net[3]	80.8	87.0	79.8	86.5	77.6	68.7
Memorandum items						
Public debt/GNP						
General government	53.7	43.5	43.7			
Domestic	25.3	20.2	20.0			
Foreign	28.4	23.3	23.7			
SEEs						
Domestic	..	..	..			
Foreign	5.1	4.4	4.5			
General government primary deficit/GNP	0.9	0.1	–4.3	1.3	–3.3	0.0

1. Estimate made in October 1992.
2. Including State economic enterprises in the process of privatisation.
3. Including short-term borrowing.
Source: Data provided by the State Planning Organisation, and OECD estimates.

This represents a slippage compared with the intention of the authorities to tighten the budgetary position. Assessment of the degree of slippage needs to take account of the large upward revision to the PSBR for 1991. While the 1992 Programme envisaged a cut in the PSBR by 3.8 percentage points to 8.8 per cent of GNP, it was set against the provisional estimate for 1991 of 12.6 per cent. Thus, a slippage in terms of the difference between the planned and (estimated) actual reductions in PSBR would be some 2 percentage points of GNP – 3.8 as opposed to 1.8 percentage-point cuts. The failure to achieve budgetary goals is largely attributable to higher-than-planned expenditure by the central government. The civil servants' pay bill rose by 89 per cent and interest payments by 94 per cent, exceeding the programme targets by 18 and 21 percentage points, respectively. Another major source of over-spending were transfers to SEEs.

Elements of a vicious circle between inflation, interest rates and the budget deficit are detectable in the Turkish economic situation. The larger-than-budgeted salary increases for civil servants were a direct result of higher inflation, which pushed up the pay increase granted in July 1992, the second of the regular six-monthly wage adjustments. The underprediction of interest payments in the central government budget is another manifestation of higher-than-projected inflation as well as the budget overrun in the preceding year. The 1992 Budget was prepared on the assumption that nominal interest rates would average 65 per cent and inflation 52 per cent. Fuelled by higher inflation and oversupply of Treasury debt, interest rates rose about 12 percentage points more than envisaged in the 1992 Budget. In all, although inflation did attenuate the rise in the ratio of government debt to GNP (Diagram 2), extra interest payments contributed impor-

Diagram 2. **GENERAL GOVERNMENT DEFICIT AND DEBT**
As per cent of GNP



1. Estimates.
Source: Data provided by the Turkish authorities.

tantly to the budget slippage in 1992, which through its monetary financing sowed the seeds for yet higher inflation, wage growth, interest rates and hence budget deficits in the years to come.

One reason for a relatively strong revenue outcome for 1992 was, as mentioned above, the tax amnesty law, which essentially forgives a large part of the interest liabilities and penalties on false declarations in exchange for payment of all taxes due. Such a measure is often justified on the ground that collection expenses exceed the value of receivables, and this may well be true in certain cases given the inefficiency of the revenue service. But as a tax amnesty has been given every two years since 1981, it is not difficult to imagine that moral hazard plays an important role in deferring tax payments. Moreover, high rates of inflation have no doubt been a deterrent to tax payments as they have meant large negative real interest rates on tax liabilities when combined with amnesties. Since the amnesty requires only 30 per cent of fees and interest liabilities to be paid, it would (in present circumstances) be beneficial to defer payments whenever inflation exceeds 25.2 per cent (or the interest rate of 84 per cent times 0.3).

State economic enterprises

State economic enterprises (SEEs) continue to be a drag on budgetary consolidation. In the absence of major policy action to reform the SEEs, their financial performance worsened. Although the SEEs' borrowing requirement declined from 5.2 per cent of GNP in 1991 to 3.6 per cent in 1992, this was largely due to a larger-than-budgeted rise in transfers from the central government and a debt consolidation exercise. Accumulated debts to social security institutions (TL 4.5 trillion), the Treasury (TL 5.3 trillion) and the Central Bank (TL 12.2 trillion) and tax arrears (TL 7.6 trillion) have been written off as well as TL 14 trillion pending duty-loss payments by the Treasury, improving the aggregate SEEs' accounts by some TL 20 trillion. The ensuing operating loss is estimated at about 14 per cent of operating revenues, 4 percentage points lower than in 1991 but almost double the 1992 Programme target. Operating revenues increased thanks to the sales of the inventory stocks of the Soil Products Office (TMO), and a considerable hike in SEE prices and tariffs. A majority of the wage settlements being completed in 1991, the increase in the wage bill could be contained to around 61 per cent in 1992. Owing to the debt consolidation operation, interest payments were significantly eased and increased by only

15 per cent. Despite a substantial rise in agricultural support prices, particularly for tobacco (+126 per cent), total operating expenditures of SEEs are estimated to have risen by 64 per cent, 8 percentage points below the rate of increase in revenues. Budget transfers contributed as much as 2 per cent of GNP as compared to 2.8 per cent in 1991. The Monopoly Administration and the TMO together accounted for 32.5 per cent of the SEEs' aggregate deficit and received almost 80 per cent of budget transfers.

Extra-budgetary funds

A notable change took place in 1992 towards rationalisation of numerous extra-budgetary funds (EBFs) and their integration to the central government budget. Many of the EBFs have outlived their original mandate, and those which are still active have gained quasi-independence and largely escaped the scrutiny of the budgetary process. Thus, in 1992, revenues of all EBFs were collected in a common fund account at the Central Bank and each EBF was required to obtain the authorisation of the Treasury and the Ministry of Finance before making withdrawals from the common fund account. For 1993, the government decided to merge 63 EBFs with the consolidated budget – with the major exception of the Defence Industry Fund (DIF), the Social Solidarity Fund (SSF) and the Research Fund (RF) – and liquidated several small funds. Under the new scheme, EBFs' aggregate revenues will be transferred to the consolidated budget, and in turn, EBFs will be allocated appropriations from the budget, recorded under "transfers". Privatisation revenues of the Public Participation Fund (one-half of which is automatically retained by the budget as the Treasury's share), yields on financial investment by EBFs and other receivables to reach maturity in 1993 will not be transferred to the budget. If the revenues exceed the initial projection foreseen for each fund the difference may be used by the fund, with the approval of the Ministry of Finance.

For those funds which are integrated into the government budget the consolidation of their revenues is a way of weakening earmarking, so that excess revenues can be used to finance other budget items. However, unless strict rules are imposed on these funds' borrowing, the net impact on the PSBR could be very small since revenue-withholding as such may not induce sufficient discipline on spending. Moreover, as noted, three big and several small funds will continue to operate outside the formal budgetary process.

Financing the deficit

Public sector financing needs in 1992 were met mainly from domestic sources. The net contribution of foreign financing is very small, around 2 per cent of the total borrowing requirement. The net borrowing by the Treasury from domestic markets increased by 66 per cent, to TL 33 trillion. In order to shift the maturity structure of government debt towards the longer term and to ease somewhat the burden of interest payments on the current budget, the Treasury significantly increased the issue of one-year maturity bonds at the beginning of 1992. Central government borrowing from the Central Bank exceeded the programme target; in addition, the TMO's recourse to Central Bank sources continued. As a result, the limit of TL 11 trillion provided for in the Central Bank monetary programme for public sector financing was substantially surpassed. The debt consolidation operation reduced the financing needs of the SEEs significantly. But the securitisation of the consolidated debt will worsen the Treasury's debt obligations. TL 12.2 trillion of the SEEs' debt to the Central Bank and cooperatives' debt to the Agricultural Bank – estimated at about TL 8 trillion – have been taken over by the Treasury in the form of long-term government paper.

The 1993 Budget

For 1993, the combined borrowing requirement of general government and SEEs is planned to be reduced to some 9 per cent of GNP. Detailed budget figures are presented with some commentary in Annex I. If realised, the envisaged reduction in the PSBR/GNP ratio by 3.6 percentage points would imply some improvement in the underlying budget position. But the outcome could fall short of this. Broadly, the Secretariat's assessment is that tax revenue estimates look reasonable overall. Corporate income tax revenue could even turn out to be higher: recent changes in the law put a floor on the effective corporate income tax rate at half the statutory rate, and the revenue impact of these changes appears to be underestimated. On the other hand, estimates of non-tax revenues, namely revenues of the EBFs and from privatisation appear too optimistic, as in the past.

There is a non-negligible risk that central government expenditures again turn out to be much higher. The likely sources of spending underprediction, linked closely to persistently strong inflationary pressures, remain unchanged. The civil servants' pay bill is likely to exceed the budgeted rise unless inflation is brought down to some 50 per cent in 1993. Interest payments assumed in the budget would then turn out to be too low despite the adoption of new debt management techniques to smooth out Treasury bond issues through the year. Finally, transfers to the SEEs could be larger than budgeted. A large number of wage settlements are due in 1993 and there is no guarantee that the growth of the total wage bill for the SEEs will be contained within the anticipated limit of about 57 per cent. In addition, the deficit of the TMO and the Monopoly Administration could be higher than in the programme, depending on the level of support prices and the volume of wheat and tobacco stocks. Moreover, the burden on the Treasury may rise, given the extension of the product range covered under the agricultural price support scheme in recent years, the open-ended nature of the support system and uncertainties about support price increases.

Privatisation

At the beginning of 1992, the new government proposed a more comprehensive approach to privatisation. The main feature of the new proposal was the establishment of a new institution, the Turkish Autonomisation, Reorganisation and Privatisation Board (TÖYÖK), as the sole authority to enforce the privatisation programme as well as to reorganise those SEEs which were listed to be maintained or to be eventually liquidated. In fact, TÖYÖK was designed to be given more power and more autonomy than the Public Participation Administration (PPA), which had been in charge of privatisation since 1986, and which TÖYÖK would replace. It was planned to leave management of TÖYÖK to professional administrators, recruited by the government among successful managers in both the private and public sectors. The TÖYÖK bill, after being extensively discussed at the government level, was submitted to Parliament in mid-1992, and is still under discussion by parliamentary commissions. Although the objectives of the TÖYÖK proposal were clearly defined, it is not clear yet how the new mechanism would operate. As it stands now, the draft bill has not won the full support of the Parliament and it seems rather unlikely that the institution will be established in the form initially planned.

Meanwhile, privatisation under the jurisdiction of the PPA made some progress. In December 1991, in order to speed up the decision-making process, the authority on privatisation issues was shifted from the High Planning Council to a new body, the Public Participation Administration High Council, a smaller and higher-level group.

Between 1986, the year when privatisation started, and the end of 1991, 8 per cent of shares of PETKIM (petrochemical industry), 1.6 per cent of Turkish Airlines, 1.6 per cent of TÜPRAS (refineries), and 4 per cent of the Petroleum Office were sold to workers in these SEEs or to the public. During this period, privatisation revenues amounted to $863 million. The current privatisation list comprises 8 SEEs, 29 subsidiaries, and 75 public participations. In 1992, public shares in IPRAGAZ, a liquid gas company, in the ÇAYBANK, a small regional bank, in TAT, a canned-food company, in the Nigde cement factory, in RAY insurance, in the Türk tractor plant, in TRAKMAK (light machinery industry) and finally six cement factories were sold either through block sales or public offering. Privatisation in the first eight months of 1992 brought receipts of some $143 million; privatisation receipts are estimated to have attained about $424 million by the end of 1992. For 1993, the government aims at an ambitious privatisation programme of the order of about $1.5 billion.

Monetary policy

The strategy

The medium-term strategy established by the Central Bank in 1990 consists principally of controlling the volume and structure of its own balance sheet – both on the asset and liabilities side – as a prerequisite for controlling money supply. A major element of this approach is to contain the growth of the – illiquid – "devaluation account" [1] and to keep the rate of growth of the Bank's total assets and liabilities below the growth rate of nominal GNP. Moreover, it is sought to reshape the Central Bank's balance sheet from a negative net foreign exchange position and large holdings of low or non-interest-bearing domestic assets (mainly the devaluation account) to a positive net foreign asset position in the course of 1992, and to achieve a 25 per cent share of net foreign assets in the overall Central Bank balance sheet in 1994. Annual monetary programmes are formulated on the basis of the medium-term strategy. No monetary programme was announced for 1991 due to the upheaval in financial markets caused by the Gulf crisis. But in spite of the vigorous expansion of total assets and liabilities in

1991, some further steps were made towards the restructuring of the Central Bank's balance sheet.

The 1992 monetary programme and its realisation

The monetary programme for 1992 presented in January was based on the assumption that the central government budget deficit would not exceed TL 32 trillion (4½ per cent of projected GNP) and that the end-year wholesale-price inflation would run at a 12-month rate of about 43 per cent. TL 11 trillion of the government deficit was planned to be financed through Central Bank advances to the Treasury, which would have been below the realised TL 13.6 trillion in 1991 and, hence, would have implied a substantial reduction of monetary deficit financing when adjusted for inflation.

The 1992 Programme envisaged an increase in the Central Bank balance sheet of between 37 and 47 per cent, below the projected 55 per cent growth of nominal GNP. Growth in the range of 38 to 48 per cent and 27 to 39 per cent for total domestic liabilities and net domestic assets, respectively, were also foreseen for 1992. After an 83 per cent rise in 1991, the expansion of the Central Bank money stock (CBM) was projected to slow to a rate between 40 and 50 per cent, which would have been broadly in line with projected inflation during 1992.

However, at the end of 1992, the central government budget deficit as well as the PSBR turned out to be substantially higher than projected. And since the relatively small size of the Turkish financial sector limits the scope for the financing of public sector deficits through borrowing in markets, Central Bank advances to the Treasury accelerated to an extraordinary pace since mid-1991 – to a peak annual growth rate of nearly 400 per cent in the first half of 1992 – and approached around TL 31 trillion by the end of the year, compared with the envisaged amount of TL 24 trillion (Table 6). Central Bank credits to the TMO also accelerated substantially – in particular by mid-1992, to meet the cash need of the TMO for seasonal crop purchases – so that total credits to the public sector rose by some 100 per cent in 1992. Given the comparatively low weight of Central Bank credits to the banking system, which expanded at the rather modest rate of some 50 per cent during 1992, and in spite of the growth of the devaluation account broadly in accordance with the medium-term strategy, total assets

Table 6. **Central Bank credits**

End of period	1991	1992[1]	1989	1990	1991				1992			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4[1]
	TL billion		Percentage change over corresponding period of previous year									
Credits to public sector	18 453	37 419	0.6	27.7	107.7	69.0	190.5	314.8	369.9	410.4	216.8	102.8
Central government	13 605	26 592	9.2	21.0	141.0	69.7	121.6	283.6	336.7	393.7	266.6	95.5
Public enterprises	4 848	10 827	–29.2	63.1	20.2	65.9	470.7	437.5	544.4	482.6	138.0	123.3
Credits to banking system	4 522	8 681	35.2	3.6	48.1	24.1	22.3	17.6	15.2	30.0	52.4	92.0
Deposit money banks [2]	3 967	7 899	37.3	0.8	56.9	29.6	26.5	28.0	21.7	37.0	62.9	99.1
Others	555	782	25.6	17.4	12.8	–0.8	3.3	–25.7	–21.5	–11.0	–5.7	40.9
Total credits	22 976	46 101	15.9	15.3	77.4	48.1	110.6	177.0	219.3	262.0	171.4	100.7

1. Provisional.
2. Including credits to agricultural co-operatives.
Source: Central Bank of Turkey, *Quarterly Bulletins* and *Weekly Statements*.

and liabilities of the Central Bank rose by more than 90 per cent during 1992, about double the upper limit set by the 1992 monetary programme (Table 7). And rather than slowing its expansion, CBM roughly doubled in 1992.

Since CBM was largely boosted by liabilities to banks arising from open-market operations and rising public-sector deposits,[2] reserve money grew by much less than CBM and broadly in line with nominal GNP. Reserve money growth may have been damped also by the recent development of new financial instruments which are not subject to reserve requirement and which increasingly replace traditional bank deposits (see next section). The monetary aggregate M1 did not follow the strong acceleration of the CBM either; but the broader aggregates M2 and M2X[3] accelerated in 1992 owing to the strong interest-induced expansion of time deposits and foreign exchange deposits, respectively (Table 8). Foreign exchange holdings, especially deposits in Deutschemarks, seemed partic-

Table 7. **Assets and liabilities of the Central Bank**

As per cent of total

End of period	1989	1990	1991	1992 Q1	1992 Q2	1992 Q3	1992 Q4[1]
Assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Foreign assets	36.6	41.9	40.0	34.3	35.2	39.5	42.7
Domestic assets	63.4	58.1	60.0	65.7	64.8	60.5	57.3
Credits	20.1	14.8	26.5	40.4	41.2	37.8	37.7
Public sector	16.0	8.7	23.7	37.1	37.9	34.6	35.3
Banking sector	6.3	8.7	5.0	5.4	4.7	4.3	5.3
Other items, net	–2.2	–2.7	–2.7	–2.1	–1.4	–1.1	–3.0
Devaluation account	43.3	43.3	33.5	25.3	23.6	22.7	19.6
Liabilities	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Foreign currency liabilities	62.2	60.9	54.5	52.6	53.4	52.4	50.4
– to non-residents	42.2	42.8	40.9	37.5	36.0	35.4	34.6
– to residents	20.0	18.1	14.9	15.1	17.4	17.0	15.8
FX deposits	9.6	7.6	5.4	5.9	8.0	7.2	6.1
FX deposits at banks	10.4	10.5	9.5	9.2	9.4	9.8	9.7
TL liabilities (Central Bank money)	37.8	39.1	45.5	47.4	46.6	47.6	49.6
Currency issues	17.1	23.1	22.0	19.7	19.3	19.8	20.8
Banks' deposits	15.9	14.6	14.6	13.5	12.9	13.1	13.0
Other Central Bank money	4.8	1.4	8.8	14.2	14.4	14.8	15.7

1. Provisional.

Source: Central Bank of Turkey, *Quarterly Bulletins.*

Table 8. **Money and credit**

End of period	1991	1992 June[1]	1989	1990	1991 Q1	1991 Q2	1991 Q3	1991 Q4	1992 Q1	1992 Q2[1]	1992 Q3[1]
	TL billion		Percentage change over corresponding period of previous year								
Reserve money	43 919	58 193	67.9	40.1	41.9	36.8	75.4	84.0	102.9	96.4	62.1
Currency in circulation	17 449	22 759	99.7	66.3	67.5	34.9	44.4	53.4	50.7	43.3	50.1
Sight deposits	29 326	27 206	61.3	57.4	35.2	40.3	47.6	46.6	62.5	59.4	62.6
Central Bank deposits	18	39	98.4	10.0	142.2	225.4	79.2	–31.6	–36.1	–2.5	–12.0
M1	46 793	49 965	72.9	60.5	48.9	37.7	45.6	49.0	56.4	51.4	52.3
Time deposits	70 325	89 808	73.7	45.6	44.4	52.0	63.2	75.1	82.9	76.5	71.7
M2	117 118	139 773	73.3	51.8	46.1	46.0	55.8	63.6	72.7	66.6	62.2
Foreign exchange deposits	50 936	79 331	48.6	54.2	80.6	110.2	167.9	133.7	183.6	191.8	194.3
M2X	168 054	219 104	66.9	52.4	52.8	57.8	77.5	80.0	98.2	97.3	93.9
Domestic credits	143 856	193 901	55.3	66.0	72.3	63.7	68.0	74.7	90.3	96.3	83.2
by: Deposit banks	105 456	136 841	64.5	77.5	67.0	60.5	56.1	57.2	74.8	80.4	76.4
Investment banks[2]	15 242	16 883	68.0	51.6	109.4	112.3	124.0	121.6	58.4	43.1	25.2
Central Bank	22 976	40 177	15.9	15.3	77.4	48.1	110.6	177.0	219.3	261.9	169.2
to: Treasury	19 021	33 857	60.0	21.0	110.7	71.8	88.8	215.5	233.0	204.0	n.a.
Public enterprises	14 185	18 395	–14.7	92.1	65.1	68.0	95.9	70.6	94.8	103.5	n.a.
Private sector	110 651	141 649	69.7	68.8	69.7	62.5	62.9	62.7	71.4	74.6	n.a.
			Percentage distribution								
Domestic credits			100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
by: Deposit banks			76.2	78.5	78.4	80.2	81.5	76.1	76.8	74.5	73.9
Investment banks[2]			9.3	9.7	9.2	8.6	8.5	11.8	11.9	11.8	7.7
Central Bank			14.5	11.8	12.4	10.9	10.1	12.1	11.2	13.7	18.4
to: Treasury			10.1	7.6	8.3	7.1	7.3	9.2	8.7	8.0	n.a.
Public enterprises			8.7	9.7	8.9	10.1	10.1	9.3	9.2	11.7	n.a.
Private sector			81.2	82.8	82.8	82.8	82.6	81.5	82.2	80.3	n.a.

1. Provisional.
2. Including the Turkish Eximbank which, originally, was the State Investment Bank and given the present status in August 1987.

Source: Central Bank of Turkey, *Quarterly Bulletins.*

Table 9. **Restructuring the Central Bank balance sheet**[1]

Per cent of balance sheet

	1989 Outcome	1990		1991		1992		1993 Programme	1994 Programme
		Programme	Outcome	Programme	Outcome	Programme	Outcome		
Assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Foreign assets	36.6	40.0	41.9	42.0	40.0	44.0	42.7	47.5	50.0
Domestic assets	63.4	60.0	58.1	58.0	60.0	56.0	57.3	53.0	50.0
Credits	20.1	20.0	14.8	26.0	26.5	30.0	37.7	33.0	36.0
Devaluation account	43.3	40.0	43.3	32.0	33.5	26.0	19.6	20.0	14.0
Liabilities	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Foreign currency	62.2	55.0	60.9	47.0	54.5	40.0	50.4	32.0	25.0
– to non-residents	42.2	40.0	42.8	35.0	40.9	32.0	34.6	28.0	25.0
– to residents	20.0	15.0	18.1	12.0	14.9	8.0	15.8	4.0	0.0
TL liabilities (CBM)	37.8	45.0	39.1	53.0	45.5	60.0	49.6	68.0	75.0
Currency	17.1	25.0	23.1	27.0	22.0	32.0	20.8	38.0	44.0
Bank deposits	15.9	15.0	14.6]	26.0	14.6]	28.0	13.0]	30.0	31.0
Other CBM	4.8	5.0	1.4]		8.8]		15.7]		

1. Medium-term balance sheet targets announced in January 1990.

Source: Central Bank of Turkey.

ularly attractive as they offered prospective gains from appreciation *vis-à-vis* the Turkish lira on top of high interest rates.

Despite the marked growth of foreign assets, their share in the Central Bank's balance sheet fell short of what was projected by the medium-term programme for 1992 because of the strong rise in the Central Bank's domestic assets. Moreover, foreign exchange liabilities rose much faster than foreign assets: contrary to the objective of reducing them, foreign currency liabilities to residents grew strongly. Therefore, the *net* foreign asset position remained negative, missing the target projection for 1992 (Table 9).

The strong expansion of foreign currency deposits held by residents points to a rise in the degree of currency substitution; this not only suggests declining confidence in domestic money, but also complicates the control of monetary

Table 10. **Deposit interest rates**

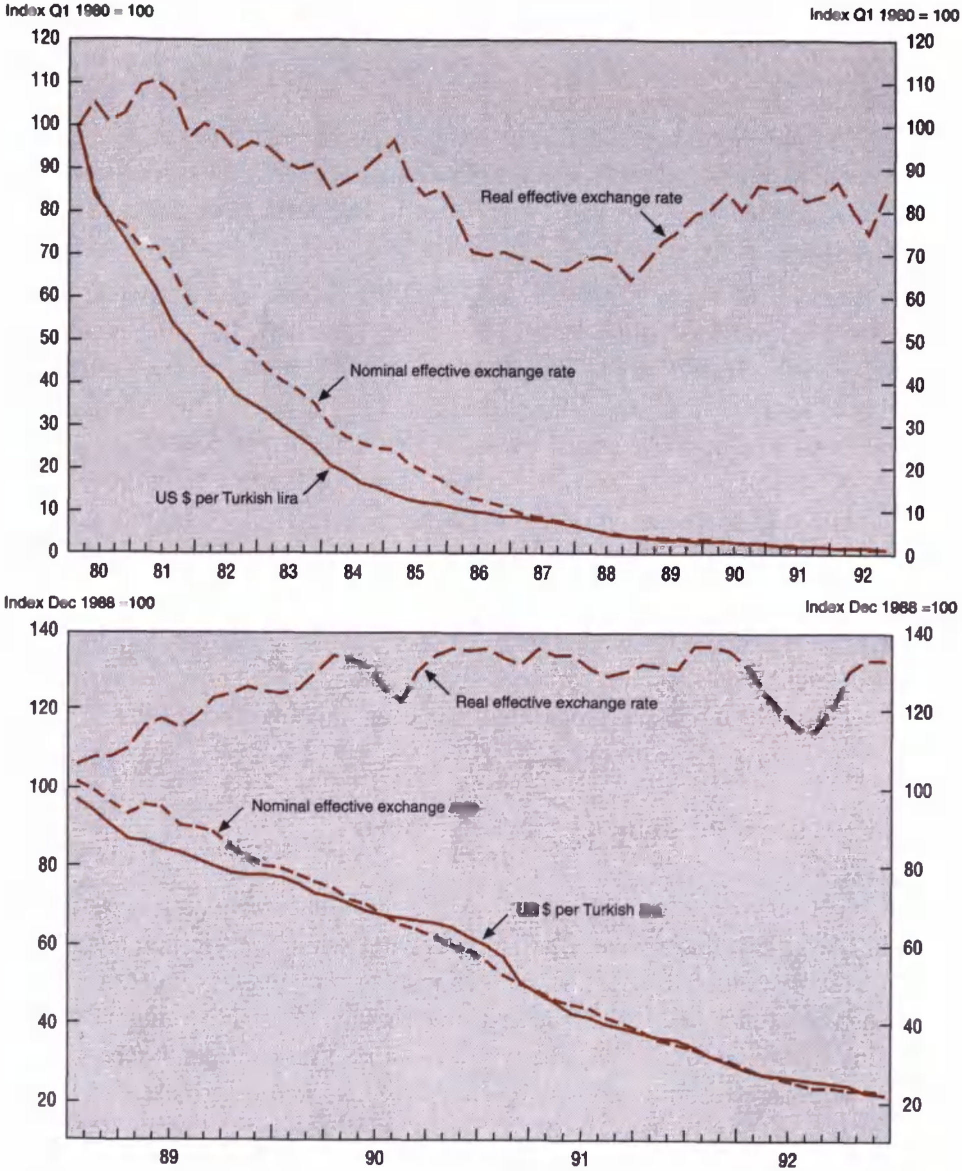
Per cent per annum

	1990		1991				1992			
	Sep.	Dec.	March	June	Sep.	Dec.	March	June	Sep.	Dec.
TL deposit rates [1]										
Nominal rates										
Sight deposits	12	12	12	12	12	12	12	12	11	11
Time deposits [2]										
3 months	47	50	59	61	68	70	68	70	68	69
6 months	49	53	60	62	69	71	69	69	68	69
1 year	57	59	64	62	71	73	72	74	74	74
Real rates [3]										
Time deposits										
3 months	–7.5	–6.3	–2.0	–2.4	–1.1	–0.6	–6.0	0.1	0.2	1.8
6 months	–7.1	–5.2	–2.0	–2.5	–1.1	–3.4	–8.8	–4.5	–4.8	1.8
1 year	–1.5	–0.9	1.0	–1.8	0.1	1.1	–4.7	5.4	4.2	4.8
Government bond rates (1 year)	51	55	67	70	74	73	71	77	77	77
Memorandum item										
Foreign currency deposit rates (1 year)										
DM	8.7	8.7	8.7	8.7	8.7	8.7	8.3	8.0	7.5	7.6
US$	8.6	8.5	7.0	6.5	6.5	6.5	5.8	4.8	4.4	4.2

1. Maximum rates, freely determined by banks.
2. Weighted averages.
3. Nominal rates are deflated by the consumer price index of the State Institute of Statistics.

Source: Central Bank of Turkey, *Quarterly Bulletins.*

Diagram 3. **EXCHANGE RATE DEVELOPMENTS**[1]



1. Monthly averages of daily figures.
Source: OECD.

aggregates. Moreover, currency substitution is liable to lead to higher inflation for a given budget deficit because an increase in the use of foreign currency in domestic transactions, *ceteris paribus,* decreases the base over which the inflation tax can be levied.[4]

Deposit interest rates remained high and broadly unchanged during 1992 (Table 10). Increased bond issues to finance the larger-than-expected budget deficit entailed a marked rise in bond[5] rates throughout 1992, and an extraordinarily high real bond rate of some 17 per cent in the autumn, if deflated by the wholesale price index.

As a result of surging inflation in early 1992, when State economic enterprises were allowed to adjust their prices to higher costs, the lira appreciated strongly in real effective (trade-weighted) terms (Diagram 3). But with inflation returning to its trend thereafter while the nominal effective exchange rate kept on depreciating steadily, the external value of the Turkish lira fell by an annual average of some 5 per cent in real effective terms in the first three quarters of 1992, after a real appreciation of about 1¾ per cent in 1991. This indicates that monetary policy accommodated inflationary pressures during most of 1992.

In sum, monetary policy succeeded in maintaining orderly conditions in foreign exchange and money markets in 1992, but failed to prevent inflation rates from accelerating in the face of surging unit labour costs and growing public sector deficits. No monetary programme has been announced for 1993.

Recent progress in financial market reform

A wide-ranging reform of capital market laws and regulations was put in place in May 1992. The new legislation gives permission – in addition to banks – to non-bank institutional investors such as insurance companies, venture-capital funds, pension funds and real-estate investment funds to establish mutual investment funds. In order to diversify the type of available instruments, issues of non-voting shares, convertible bonds, depository receipts and asset-based securities are now allowed. At the same time, the banks' minimum capital requirement has been increased from TL 5 billion to TL 20 billion, and banks were required to submit their balance sheets to the Capital Market Board. The scope for portfolio management was enlarged by permitting new tools like short-selling, margin trading and futures markets. Penalties for insider trading and fraud were also made more severe.

The new legislation also includes provisions which legalise and regulate repurchase "repo" transactions, which have been used extensively by commercial banks. Repo transactions allow commercial banks or other financial intermediaries to collect non-deposit funds which are not subject to legal or liquidity reserve requirements.[6] Another attractive feature of repo transactions in government bonds is that interest earnings on government bonds are not liable to corporate taxation. The new regulations enforce the actual change of ownership of papers used in repo transactions, so that the repeated use of the same securities is prohibited.

The new law also allows commercial banks and those finance companies which issue securities based on their claims arising from consumer credits, housing credits, leasing and factoring activities and other receivables related to companies' production. Securitisation of claims seems to be very attractive to banks as it provides them and their clients with cheaper funds by avoiding required reserve holdings with the Central Bank. From August to November 1992, asset-backed issues by banks, including public banks like the Agricultural Bank and the Emlâk Bank, exceeded TL 13 trillion, almost 10 per cent of total deposits. About one-half of the securitisation was based on consumer credits, 17 per cent on housing loans and 18 per cent on agricultural credits. Consumer credits, which are relatively new to the Turkish banking system, have more than doubled since the beginning of 1992. There also seem to be signs that funds are being shifted from deposits to asset-backed securities.

Although these legislative changes may reduce the current high costs of financial intermediation and may improve the efficiency of financial markets in general, there is also a risk that the erosion of reserve requirement obligations makes monetary control even more difficult for some time. Moreover, to the extent that financial market reform reduces the ratio of base money to GNP ("demonetisation" of the economy), it raises the inflationary effects of financing government deficits through Central Bank lending. Hence, financial market reform makes the control of public-sector deficits and avoidance of their monetary financing even more urgent.

III. The labour market

Introduction

Until recently, labour market problems have not been the most pressing issues in the Turkish policy-making framework. The first four Five-Year Plans (1963-82) assumed that strong economic growth would create sufficient employment for the rapidly growing population. The fifth and the sixth Five-Year Plans (1985-94), which were drawn up against the background of the Stabilisation and Structural Adjustment Programme introduced in January 1980, foresaw that the reorientation of economic policy towards export promotion would alleviate labour market imbalances. But as actual employment creation regularly fell short of the rapid expansion of population and labour force in recent years, there is growing concern in the Turkish public opinion about the gravity of the unemployment problem.[7] However, full understanding of the functioning of the Turkish labour market is impeded by the severe lack of reliable statistics, despite efforts made in recent years. Where data exist (cf. Annex II), they rather often give conflicting indications of labour market developments, which limit their use for many standard and well-established quantitative analyses. In any event, application of such analytical approaches will have to take into account the specific characteristics of the structure of the Turkish labour market, which differs markedly from most OECD countries. Therefore this chapter has been confined to a rough sketch of what is in reality a very complex picture, highlighting its distinct features.

Main features of the labour market

The labour market is probably the area where the dissimilarities between Turkey and most OECD members are the greatest. The high growth rates of population and labour force, the relatively low level of educational attainment, an unbalanced skill composition of the work force, the dominant share of agriculture in total employment, the low labour productivity in agriculture as well as in the so-called informal sector in urban areas, the small share of wage-earners in the work force, and massive shifts in the sectoral distribution of the labour force through rural-urban migration are among the major structural characteristics.

Another key feature of the Turkish labour market is the extremely low level of female participation rates in urban areas, which points to a sizeable "discouraged" (or "disguised") work force and suggests the importance of cultural and gender issues in explaining labour market phenomena. Likewise, the resort to child labour in both agriculture and the informal sector, sharp differences in the regional distribution of income, and the existence of seasonal migration in agriculture on a significant scale are further factors to be taken into account for understanding the functioning of the labour market. The fact that many members of the urban labour force in some form still retain their economic as well as social links with agriculture as their sector of origin also warrants special attention. Another salient feature is the big share of the public sector in total urban employment.

Labour supply

Overview

The labour force totalled 19.4 million in 1991, corresponding to 59 per cent of the population aged 15-64 years (Table 11). The participation rate has fallen for several decades, due mainly to movement out of work in family farms, but also to insufficient job creation in the "modern sector". The rate of unemployment is now about 8 per cent according to Household Labour Force Surveys, and almost as many are underemployed, with low and often unreported wages (not counting family workers who do not earn cash wages). Only about 7 million workers have the status of paid employees, regular or casual (with short-term contracts). There is severance payment for dismissals, but no unemployment insurance, an issue which is now under discussion (cf. below). For the labour supply, factors of primary importance are the population of working age, trends in participation rates and migration.

Table 11. **Main labour market indicators**[1]

	Thousand						Percentage change over previous year				
	1970	1980	1988	1989	1990	1991	Annual averages		1989	1990	1991
							1970-78	1981-88			
Population	35 605	44 737	54 074	55 260	56 473	57 700	2.5	2.3	2.2	2.2	1.5
Population, age 15-64	19 152	25 023	31 395	31 805	32 464	32 927	2.9	3.1	1.3	2.1	1.4
Participation ratio (per cent)	75	62	61	61	60	59					
Civilian labour force	14 375	15 620	19 154	19 596	19 487	19 438	2.2	2.8	2.3	–0.6	–0.3
Civilian employment	12 583	13 813	17 591	17 955	17 935	17 898	2.2	1.6	2.1	–0.1	–0.2
As percentage share											
Agriculture	67.6	54.8	49.3	48.5	48.5	48.3	0.5	–0.2	–0.4	–0.2	–0.4
Mining and energy	1.1	1.4	0.1	0.1	0.1	0.1	5.3	3.9	–13.6	9.0	–11.6
Manufacturing	9.6	10.1	13.7	13.9	13.8	14.4	3.9	2.4	2.8	–0.3	4.6
Construction	3.4	5.1	5.3	5.0	4.6	4.8	3.9	3.0	–7.0	–6.7	4.1
Transport	2.7	3.2	4.1	4.3	4.5	4.1	5.2	3.3	6.2	4.4	–8.1
Trade[2]	3.6	4.2	10.9	10.6	10.5	10.8	5.5	5.6	–0.5	3.5	2.5
Other services	12.0	21.2	16.6	17.6	17.0	17.5	5.7	1.6	1.2	6.2	–1.5
Unemployed	1 792	1 807	1 563	1 641	1 552	1 540					
Unemployment ratio (per cent)	12.5	11.2	8.2	8.4	8.0	7.9					
Urban	..	..	13.2	13.3	12.4	12.1					
Rural	..	..	4.9	5.5	5.2	5.1					
Memorandum item											
Unemployment ratio including under-employment	n.a.	n.a.	15.1	14.7	14.9	14.5					

1. In 1988, the State Institute of Statistics started a bi-annual Household Labour Force Survey. The labour market statistics for the period of 1978-87 were revised on the basis of the 1988 Survey, sectoral value-added and productivity estimates. From 1988 onwards, survey results have been used. Annual figures are averages of the April and October Surveys.
2. From 1988 onwards, trade includes tourism services too.

Source: State Institute of Statistics, *Household Labour Force Surveys*, and data provided by the State Planning Organisation.

Demographic trends

From 1927, the first year for which data are available, to 1991 the Turkish population more than quadrupled, from 13.6 million to 57.7 million. In recent years, the population increased by over 1 million per annum (2.2 per cent). The main factors behind this rapid growth are a high birth rate and a declining mortality rate (Table 12). Since the 1960s birth rates seem to be on a downward trend, but fertility remained very high in spite of various population control and family planning schemes and of a number of public and private organisations campaigning on the merits of small families and offering advice on family planning. Fertility rates vary by region from over six children per woman in Eastern provinces to below three in Istanbul. Mortality rates have come close to average OECD levels.

The growth rate of working-age population (15 to 64 years) has remained high during the past two decades, fluctuating slightly around 3 per cent per annum with a weak tendency to be on a lower side during recent years.[8] Bigger fluctuations were registered in the labour force which – after growing at an average annual rate of 2.8 per cent during 1980-88 – recorded a growth rate of 2.3 per cent in 1989 and fell by 0.6 and 0.3 per cent in 1990 and 1991, respectively.

As a consequence of its rapid growth, the population has a high share of lower age groups. For example, the cohort below 14 years accounted for more than a third of the total population in 1989 compared to the average of less than one-fifth in high income OECD countries (Table 13). As well, rapid rural-urban migration led to a sharp rise of the share of urban population, from 25 per cent in 1950 to 60 per cent in 1990.

Participation rates

A dampening influence on labour supply and thus on reported unemployment came from the decline in the average labour force participation rate in recent years (Diagram 4). In part, the pronounced downward trend in participation rates is the result of the growing educational involvement, which delays the entry of school leavers into the labour market. The government's objective of extending the length of compulsory education from five to eight years as well as raising enrolment rates at secondary and tertiary levels is likely to have a similar

Table 12. **Main demographic indicators, 1927-90**

	Total population Million	Share of urban population Per cent	Annual averages, per cent		
			Population growth rate	Birth rate	Death rate
1927	13.6	24.2			
1935	16.2	23.5	2.1		
1940	17.8	24.4	1.7		
1945	18.8	24.9	1.1		
1950	20.9	25.0	2.2		
1955	24.1	28.8	2.8		
1960	27.8	31.9	2.9	4.7	2.1
1965	31.4	34.4	2.5	4.5	1.8
1970	35.6	38.5	2.5	4.1	1.4
1975	40.3	41.8	2.5	3.4	1.0
1980	44.7	43.9	2.1	3.2	1.0
1985	50.7	53.0	2.5	3.1	0.9
1990	56.5	59.0	2.2	3.0	0.8

Source: State Institute of Statistics, *Statistical Year Book,* 1990.

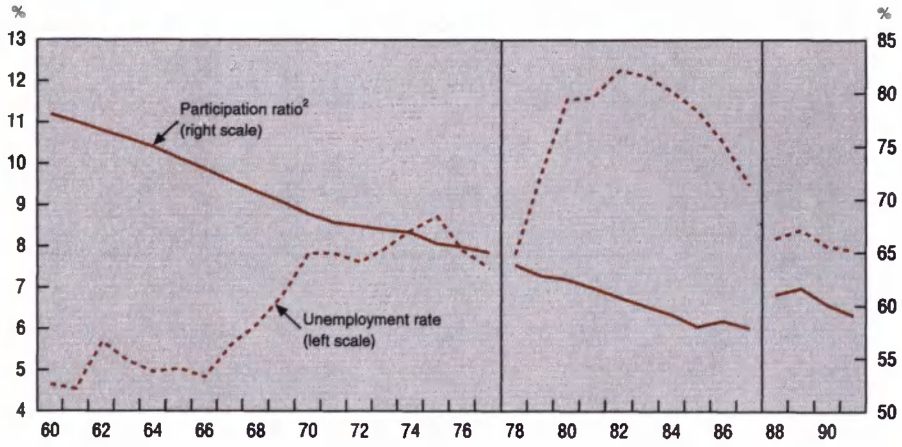
Table 13. **Growth and structure of the population**

Per cent

	Turkey	Spain	Portugal	Greece	OECD[1]
Population, 1989 (million)	55.3	38.9	10.3	10.0	
Average annual growth rate of population, 1980-89	2.4	0.4	0.6	0.4	0.7
Crude birth rate, 1989	2.9	1.2	1.2	1.1	1.3
Crude death rate, 1989	0.8	0.8	0.9	0.9	0.9
Share of urban population in total population, 1989	60	78	33	62	77
Share of 0-14 age group in total population, 1989	35.1	20.9	21.3	19.5	19.9
Average annual growth rate of labour force, 1983-89	2.9	1.5	0.4	0.5	1.4
Projected annual growth rate of population, 1989-2000	2.0	0.4	0.4	0.2	0.5

1. Excluding Turkey, Spain, Portugal, Greece.
Source: World Bank, *World Development Report 1992*, and OECD, *Employment Outlook*, July 1992.

Diagram 4. **LABOUR FORCE PARTICIPATION AND UNEMPLOYMENT**[1]



1. The labour-market statistics were revised in 1978 and in 1988. See note Table 11.
2. Labour force as a share of population between 15-64 years of age.

Source: State Institute of Statistics, *Household Labour Force Surveys;* OECD, *Labour Force Statistics,* and OECD estimates.

impact once it is achieved. On the other hand, the envisaged shortening of military service, as well as the introduction of various exemption schemes in exchange for the payment of fees, are likely to increase the participation rate for males in the 20-22 age group.

Another major factor behind the falling participation rates is the compositional change in the labour force away from agriculture towards non-agricultural activities. Measured participation rates are substantially higher in rural than in urban areas due mainly to the high female labour participation in agriculture largely as unpaid family workers (Table 14). At about 15 per cent, measured female labour force participation is very low in urban sectors since household work is not counted. Even in service sectors, only one employee in four is a woman.

An indirect measure of the gender disparity is provided by literacy statistics. Illiteracy in Turkey is nowadays essentially a female problem. At 28 per cent in 1991 the illiteracy rate for women is three times as high as that for men.[9] This represents a substantial improvement compared with 1975, when the reported

Table 14. **Male and female participation rates**

Per cent

	1988			1991		
	Total	Male	Female	Total	Male	Female
Participation rate	55.6	76.5	34.9	52.5	72.2	32.9
Urban	45.4	72.9	16.9	42.4	69.8	13.9
Rural	65.6	80.4	51.8	63.8	80.4	53.2

Source: State Institute of Statistics, Household Labour Force Surveys, October 1988 and October 1991.

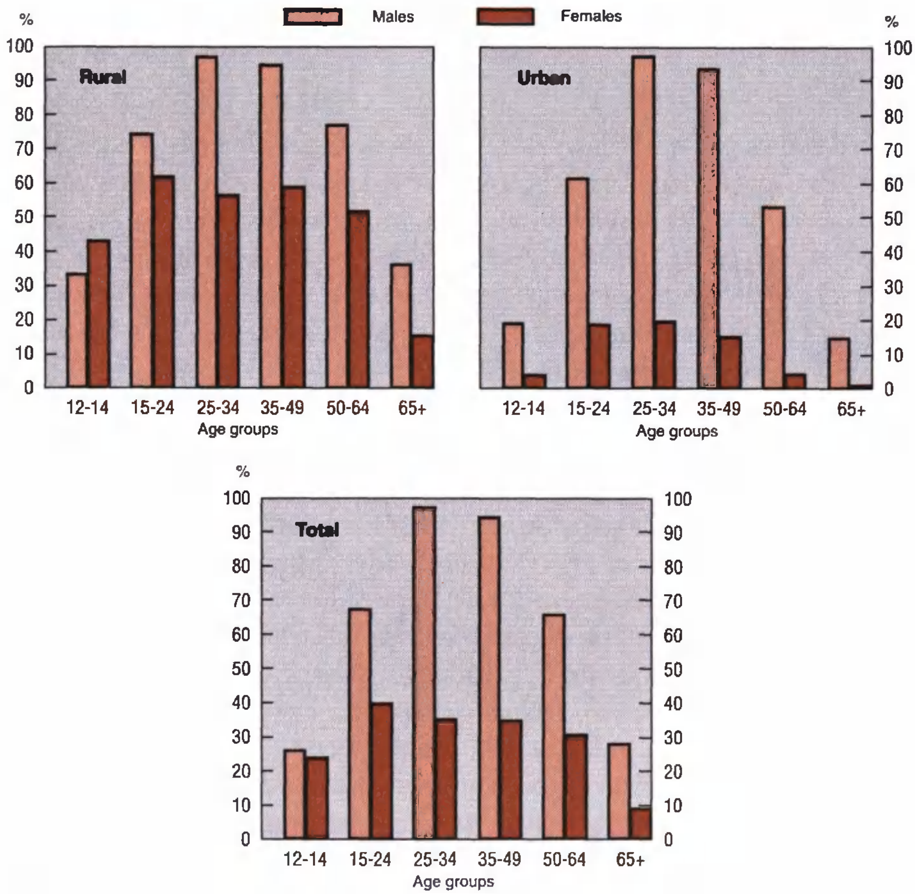
illiteracy rate was 49 per cent for women and 24 per cent for men, but the relative disadvantage of women has not been reduced. Moreover, the difference in literacy between men and women is similar in all age groups and in all provinces, even though the situation for each sex is relatively good among the young and in the Western provinces.[10]

In the Turkish culture, men are firmly established as the foremost breadwinner, so that women take a background role in a slack labour market, a tendency which is reinforced by attitudes of employers. It may not, therefore, be unreasonable to assume that a large share of the "inactive" female population in urban areas represents hidden unemployment. The speed with which higher levels of educational attainment and better labour-market conditions would attract these women into the labour market is hard to reckon. As a 1988 survey of TÜSIAD has shown, about one-quarter of the women interviewed in several large urban centres cited disapproval by their fathers and/or husbands as the main reason for their reluctance to participate in the labour force. These attitudes are likely to change with the increasing length of residence in an urban setting.

Although the paucity of statistics stands in the way of more thorough analysis, various institutional arrangements have probably added to the general decline in participation rates, among them several early retirement schemes which have been introduced in the 1980s. Early-retirement payments amount to a high proportion of pre-retirement earnings upon completion of a stipulated minimum tenure and are therefore a rather attractive option. Recently, the minimum age requirement for retirement has been abandoned: under the new legislation, women are eligible for retirement after 20 years of active work and men after 25 years, regardless of age.

The relatively high labour force participation of some 25 per cent in the 12-14 age group is a reflection of the economic role that children play in the

Diagram 5. **PARTICIPATION RATES BY AGE GROUPS**[1]



1. Labour force as a share of population in the relevant age group in October 1991
Source: State Institute of Statistics, *October 1991 Labour Force Survey.*

agricultural sector, although law prohibits formal employment of children under 15. Hence, rural participation rates for this age group exceed urban rates by a big margin (Diagram 5). This is corroborated by the high share of children under 16 years of age among seasonal workers in agriculture. But even these recorded high rates may not reflect adequately the full extent of child employment. It is also well known that children under 12 are employed in agriculture. Furthermore, children are engaged in economic activity also in urban areas, particularly in services and in various informal forms of apprenticeship. Hence, the 12 per cent participation rate recorded for the 12-14 age group for urban areas in the Household Labour Force Survey of April 1991 is likely to be on the low side.

Migration

In previous decades, labour supply trends were heavily influenced by migration abroad. But the rapid flow of Turkish workers into Western Europe in the 1960s and early 1970s virtually came to a halt after the recession there in the mid-1970s. The labour migration to the Islamic countries (mostly in the Middle East) in the 1980s has been on a much smaller scale, with the number of migrants averaging 46 000 per annum during 1987-91 as compared to a yearly average of 108 000 to Western Europe at its peak during 1969-73.

These migratory movements differed in some important respects. While the large number of Turkish residents in Western Europe induced members of their families to follow them, migration to the Middle East was closely related to the activities of Turkish contractors in that region. In terms of the pattern of return migration, the two types of migratory flows have different implications for the labour market. Those who returned from Western Europe, either by utilising the German government's return incentive scheme or at their own initiative, have reached significant proportions.[11] As various studies on the subject have shown, however, these returnees have seldom sought wage employment on their return, preferring self-employment instead (cf. Martin, 1991). On the basis of the past record of the return movement, neither would one expect employment creation by the returnees to reach significant proportions. As future returnees may be even closer to retirement age, one would expect a similar tendency in the years ahead with no significant pressure on labour supply (Keyder and Aksu-Koc, 1988). In contrast, return movement from the Middle East – although unlikely to reach massive proportions given its initial size – would be liable to aggravate labour-market pressures, especially if migrants fail to remain on the payroll of the same firm following their return. In addition, labour supply has been boosted in recent years by the inflow of a large number of refugees from Bulgaria (estimated at around 300 000 in 1989) and – to a lesser extent – from Iraq in 1991 in the wake of the Gulf War.

Labour demand

Overview

Available data leave little scope for detailed analysis of employment by category. Most statistics refer to the 7 million wage and salary earners in industry and services who accounted for roughly one-third of the total employment of about 19 million in 1991 (Table 15). Among the paid employees, slightly over

Table 15. **Employment by sectors and status**

Thousand, October 1991

Status	Agriculture	Manufacturing	Construction	Trade, tourism	Transport, communication	Other services	Total
Employer	118	243	62	338	38	161	960
Male	118	239	62	333	37	148	937
Female	0	4	0	5	1	13	23
Self-employed	2 738	289	99	879	331	254	4 590
Male	2 424	192	97	861	329	245	4 148
Female	314	97	2	18	2	9	442
Regular employee	125	1 838	272	665	355	2 780	6 035
Male	109	1 544	267	577	321	2 247	5 965
Female	16	294	5	88	34	533	970
Unpaid family workers	5 733	135	28	207	34	45	6 182
Male	1 405	98	28	182	31	32	1 776
Female	4 328	37	0	25	3	13	4 406
Casual workers	346	143	499	103	15	145	1 251
Male	207	132	497	89	15	100	1 040
Female	139	11	2	14	0	45	211
Total employment	9 060	2 648	960	2 192	773	3 385	19 018
Male	4 263	2 205	951	2 042	733	2 772	12 966
Female	4 797	443	9	150	40	613	6 052

Source: State Institute of Statistics, *Household Labour Force Survey*, October 1991.

5 million (including some 1.6 million civil servants)[12] are registered for compulsory health and pension insurance. This figure may be considered a rough measure of the "modern" labour-market segment, to which income taxation and the collection of insurance contributions are confined in general and for which therefore wage data are available.

Little information is available on unpaid family workers and self-employed, who represent, respectively, another one-third and one-quarter of total employment. The high weight of non-wage earners in the labour market is largely due to agriculture's accounting for nearly one-half of total employment. The share of self-employment in non-agricultural civilian employment is the highest in OECD countries.[13] Over 90 per cent of the self-employed are males. Wholesale and retail trade, restaurants and hotels accounted for nearly one-half (47 per cent) of the non-agricultural self-employment in 1991.

The importance of agriculture

Estimates of agricultural employment suggest a level of around 9 million for the period from 1955 to now, with little variation. The low overall level of labour productivity in Turkey is due in large part to the dominating employment share of agriculture, where productivity is one-fifth to one-fourth of that in manufacturing. Using the official estimate, the share of agriculture in total employment fell from about 68 per cent in 1970 to 48 per cent in 1991. However, according to Bulutay (1992), labour force censuses are subject to extensive "editing" which leads to recording many people as employed in agriculture who actually work in other economic activities so that the "true" share of agricultural employment could be lower than suggested by the official statistics.

Agriculture essentially falls outside the modern labour market, but given its dominant share in total employment a brief characterisation[14] may be in order, notwithstanding the lack of quantitative information on this sector. Turkish farms are largely of the family type. Each family typically owns the land it cultivates. Other types of economic organisation, like tenant farming and share-cropping, have played some role in a few regions – *e.g.* in the South-East – but have almost disappeared. The only forms of dependent employment of any significance at the moment seems to be small-scale exchange of work in villages and temporary work in cotton farms, mainly in two regions in the South. Due to the limited supply of temporary labour, wages in the cotton harvest tend to be relatively high – many times the minimum wage.

According to Keyder (1989), the following three types of farming appear to coexist:

i) *Subsistence production.* Villages where this is the norm are the main source of permanent out-migration, primarily to Turkish cities but also to Germany. The population in these villages has stagnated and has an unfavourable age distribution, with many old people and also many children and women whose husbands work elsewhere. A high proportion – sometimes as much as one-third – of household incomes are remittances from workers employed elsewhere and pensions of persons who returned after having worked elsewhere.

ii) *Diversified commodity production.* This group – believed to be more numerous than the first one – is marked by a diversified production strategy based on several alternative sources of income for each household. As one of these income sources, villages where this is common account for most of the supply of temporary labour to cotton farms. Permanent out-migration is low in these villages.

iii) *Specialised commodity production.* Households in this type of village predominantly produce a single crop which is marketed. They may also expand their land holdings to absorb the work capacity of their members. The size of families is a constraint to production, so it is common to engage outsiders for temporary work. This temporary work is usually informal and often consists of exchange of services between families in a village.

Keyder argues that this classification represents three different stages of development. Most farms in each village seem to belong to the same group, due to local interrelationships. By and large, the first group is now concentrated in the East while the last one may have become dominating in the West. Hence the classification may be interpreted both as a time scale, with perhaps a few decades between the types, and as a geographic movement from East to West. In order to slow down the migration from East to West and to reduce income disparities, a number of regional policy measures have been implemented.[15] Among them the South-Eastern Anatolian Project (GAP) stands out, which is projected to triple the electricity production of Turkey and to increase the irrigated area by 50 per cent.

Employment in industry

The rising share of non-agricultural employment was primarily due to a strong increase in the weight of services in total employment, which grew by 15½ percentage points to 37¼ per cent between 1970 and 1991. During the 1960s and the early 1970s, the growth of employment in manufacturing exceeded 5 per cent per annum and was thus much higher than in any other OECD country; it slowed down in the second half of the 1970s. Over the last two decades the contribution of manufacturing to overall employment rose by some 5 percentage points, to 14¼ per cent in 1991. The strong increase in Turkish manufacturing employment was in large part due to the adoption of an import-substitution strategy, which was accompanied by an overvalued Turkish lira and negative real interest rates and which entailed comparatively unfavourable productivity developments.

When this development strategy proved unsustainable, as revealed by growing financial instability, accelerating inflation, bitter industrial conflicts and severe balance-of-payments difficulties, a new Stabilisation and Structural Adjustment Programme was introduced in 1980. This programme aimed at restructuring the economy through a shift in the economic strategy from import substitution to export promotion and the adoption of more market-oriented policies. The realignment of the external value of the Turkish lira through prolonged real devaluations, the establishment of positive real interest rates and declining real wages until 1988 represented a dramatic reversal of earlier policies and went a long way in correcting relative price distortions.

As a result of the new orientation of economic policy, the Turkish economy was able to maintain high growth rates of real GNP and of manufacturing output in the 1980s on average, while during the same period the average OECD growth slowed substantially. The efficiency-enhancing nature of the Structural Adjustment Programme is revealed in particular by an average annual increase of labour productivity in manufacturing of nearly 6 per cent between 1981 and 1987 and 2¾ per cent thereafter[16] (Table 16). Average employment in manufacturing increased by 2½ per cent per annum during the period from 1980 to 1987, in contrast to the average decline in OECD manufacturing employment.

Table 16. **Employment and productivity in the long run**

Percentage change

	Total economy			Manufacturing		
	Real GNP	Employment [1]	Productivity	Production	Employment [1]	Productivity
1963-70 annual average	5.7	2.1	3.5	10.1	5.4	4.5
1971-78 annual average	6.4	2.2	4.1	8.4	3.9	4.3
1979	–0.4	1.4	–1.8	–6.1	1.2	–7.2
1980	–1.1	–0.1	–1.1	–3.9	1.1	–4.9
1981	4.1	0.4	3.7	9.4	0.6	8.7
1982	4.5	0.6	3.9	6.4	3.0	3.3
1983	3.3	0.9	2.4	7.5	3.4	4.0
1984	5.9	2.1	3.7	9.3	2.3	6.8
1985	5.1	2.2	2.8	5.7	3.5	2.2
1986	8.1	3.1	4.8	10.5	1.5	8.9
1987	7.5	2.0	5.4	10.1	3.0	6.9
1988	3.6	1.4	2.2	1.8	6.3	–4.2
1989	1.9	2.3	–0.4	3.1	2.8	0.3
1990	9.2	–0.6	9.9	10.0	–0.3	11.0
1991	0.3	–0.3	0.6	3.0	4.6	–1.5
1981-87 annual average	5.5	1.6	3.8	8.4	2.4	5.8
1988-91 annual average	3.7	0.4	3.3	5.2	2.3	2.8

1. In 1988, the State Institute of Statistics started a bi-annual Household Labour Force Survey. The labour market statistics for the period of 1978-87 were revised on the basis of the 1988 Survey, sectoral value-added and productivity estimates. From 1988 onwards, survey results have been used. Annual figures are averages of the April and October Surveys.

Source: OECD, National Accounts and Labour Force Statistics.

Employment in the public sector

Contrary to the stated objective of reducing the size of the public sector, available statistics suggest that total public-sector employment – including central and local government and State economic enterprises – increased rather than declined, from about 2 million in 1979 to 2.5 million by 1990. Most of this increase probably occurred in State economic enterprises (SEEs). In the first two years of the Stabilisation and Structural Adjustment Programme a number of jobs in SEEs were slashed. Later on, the central approach to cope with the SEEs' overstaffing was to fill job vacancies only partly. In 1990-91, SEEs were ordered to confine new recruitments to 70 per cent of those who resign or retire and this share was reduced further to 20 per cent in 1992. It is, however, unclear to what extent these limits were respected in practice.

Table 17 shows that employment in SEEs fell in 1980-81, but rose again later on, particularly vigorously in 1983, a general election year. The sharp increase in 1984 was due to the state take-over of some private firms and inclusion of the Monopoly Administration in SEEs. SEE employment stabilised at a high level from 1985 to 1987. The recorded fall in SEE employment in recent years resulted largely from taking several state-owned enterprises which are earmarked for privatisation out of the group of SEEs and putting them under the control of the Public Participation Fund. It appears also that around the time of the general elections in 1991 the upper limit for hiring in SEEs was exceeded by substantial margins. Hence, in spite of improvements in the SEEs' productivity performance during the 1980s, the average annual labour productivity gain of about 3¾ per cent in the 1981-88 period was significantly below the estimate of a labour productivity growth of some 6 per cent per annum in the private manufacturing sector. Altogether, public-sector employment is often subject to political interference, resulting in almost complete job security and substantial and persistent overstaffing. This is the more so as SEEs are the main employers in some less developed regions – the Black Sea and the East and South-East provinces.

Table 17. **Employment in State economic enterprises**

Thousand

	Total employment	Technical personnel and civil servants	Workers
1980	527	161	366
1981	505	155	350
1982	514	164	355
1983	565	178	387
1984 [1]	641	191	450
1985	635	191	444
1986	653	197	456
1987	602	197	405
1988 [2]	607	202	405
1989	602	205	397
1990 [2]	574	198	376
1991	562	199	363

1. Including nationalised private companies and the Monopoly Administration, which was given SEE status in 1984, and excluding the State Radio and Television Agency.
2. Excluding State economic enterprises listed for privatisation.
Source: State Planning Organisation, *1992 Annual Programme* and *1993 Annual Programme.*

Unemployment

Among the three sources of data on unemployment (cf. Annex II), the Household Labour Force Survey (HLFS) appears to provide the most meaningful current statistics. It adopts, in principle, the ILO definition of unemployment and includes persons of 12 years and older who have not worked at all (paid or unpaid) during the reference week, have actively sought employment during the past six months and are ready to take up employment in 15 days. For October 1991, for example, the number of unemployed was 1.6 million (8.3 per cent of the labour force of 15 years old and over). But in a slack labour market with a large number of discouraged workers, there is little doubt that the data from the HLFS understate the full extent of unemployment. Moreover, the HLFS definition excludes a large number of underemployed persons, *i.e.* individuals with short working hours and/or low incomes, and is therefore likely to result in a substantial downward bias of the measured under-utilisation of labour. When unofficial estimates for underemployed were included in a broader definition of the unemployment rate, the rate could be expected to have been close to 16 per cent for 1991.

The low and relatively stable rates of unemployment presented by official statistics are in some contrast with other – more casual – indicators of labour-market slack. One of them is the large number of applications to the Turkish Labour Office (TLO) waiting for placement abroad, which rose sharply in 1991, when reported unemployment decreased in spite of economic slump. Similarly, the fact that even a rumour of job openings abroad prompts a sizeable number of applications suggests the existence of a large pool of labour ready for migration. The extraordinarily high number of applicants that modern-sector job openings attract – especially those in the public sector – as widely reported in the Turkish press,[17] points to the same direction.

The unemployment rate measured by the HLFS varies a great deal by sector and gender with considerably higher levels in urban than in rural areas for both sexes (Table 18). While aggregate data show little difference between male and female unemployment rates, female rates are much higher than those of males in urban areas. The high rates of out-migration in the least developed regions of Eastern and South-Eastern provinces suggest that unemployment in these regions is particularly high.

The structure of unemployment as revealed by the official data bears a close resemblance to that in some developing countries: in 1991, more than 80 per cent of the unemployed lived in urban areas; around one-half of the unemployed were in the 15-24 age group and more than one-half of the job-seekers had only primary-school education. This mirrors the fact that the tuition of a vast majority of the population ends at the primary school. Largely as a result of demographic developments, the number of first-time job-seekers is relatively high: 38 per cent of total unemployment and 54 per cent of the unemployed in the 15-24 age group (Diagram 6). The heavy concentration of unemployment on the younger age groups may be a reflection not only of the rapid growth of the labour force but also of a high degree of job security of the employed. The high share of males among the unemployed mirrors the low female participation rates. Long-term unemployment is a particularly serious problem: more than 40 per cent of the unemployed were jobless for more than one year.

Table 18. **Male and female unemployment**

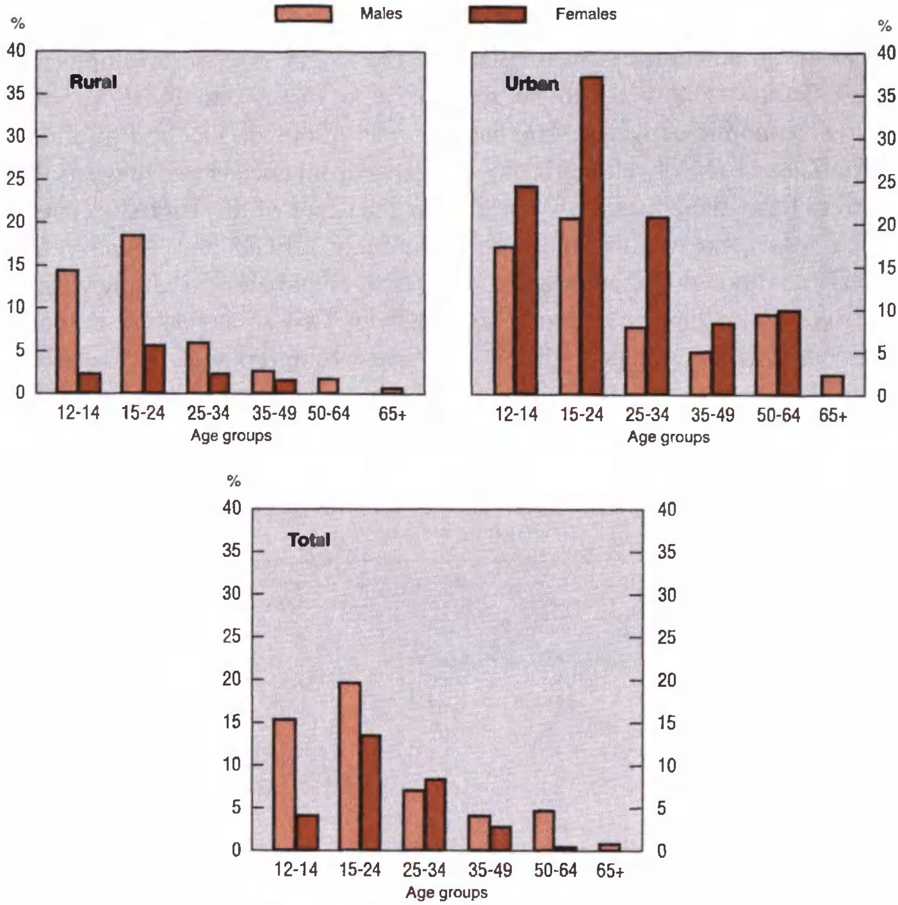
Per cent

	1988			1991		
	Total	Male	Female	Total	Male	Female
Unemployment rate	8.3	7.7	9.6	8.3	8.8	7.1
Urban	13.2	9.8	28.5	12.1	10.0	23.0
Rural	4.9	5.7	3.9	5.4	7.5	2.6

Source: State Institute of Statistics, *Household Labour Force Surveys*, October 1988 and October 1991.

To sum up, the large number of the underemployed, especially in agriculture, and the evidence of substantial hidden unemployment, raises doubt on the meaningfulness of the concept of the unemployment rate in a country like Turkey. It therefore does not appear to make sense to compare Turkish unemployment rates with those of most other OECD members. The available data may at best be used to monitor changes in the labour market over time.

Diagram 6. **UNEMPLOYMENT BY AGE GROUPS**



Source: State Institute of Statistics, *October 1991 Labour Force Survey.*

Education

The quality of labour

The importance of activities that use relatively little in the way of formal skills or training inputs is still high in Turkey. To some extent, this is reflected in the prevailing low levels of educational attainment and formal training. Nevertheless, improving formal education constitutes an important issue for Turkish policy makers. First, education appears to affect other outcomes such as fertility rates and health of the general population, although understanding of the linkages between these outcomes is incomplete. In the longer run, as development progresses, Turkey will want to be positioned to move into more knowledge-intensive economic activities. The basic human resources required to effect this transition need to be developed today. Evidence from one survey suggests that, in its current form, the education system meets the needs of the Turkish economy to a much lesser extent than those of most other OECD and Asian countries (Table 19). Although the willingness of Turkish employees to learn new skills or a new profession appears largely in line with OECD standards, companies' investment in training appears to be insufficient by international comparison. It

Table 19. **Indicators of the quality of labour**

0 = low, 100 = high

	Skilled labour [1]	Qualified engineers [2]	Worker motivation [3]	Receptiveness to learning [4]	Education [5]	Training [6]
Australia	56	63	41	53	46	58
Canada	56	58	48	58	42	46
Denmark	79	80	67	66	65	69
Germany	55	58	62	60	70	72
Japan	49	54	81	77	69	82
New Zealand	58	63	51	58	42	50
Sweden	60	64	54	64	50	65
Switzerland	45	45	63	57	70	73
Turkey	53	60	47	60	36	46
United Kingdom	48	43	45	51	30	41
Singapore	46	57	63	70	76	69
Taiwan	55	58	56	71	62	64
Korea	54	52	59	61	59	71
Malaysia	48	50	56	65	57	60
Thailand	42	17	52	62	38	57
Memorandum item						
Highest OECD rating	81	83	81	77	75	82

1. Extent to which skilled labour is easy to get in the economy.
2. Extent to which there are enough qualified engineers on the market.
3. Extent to which workers identify with company objectives.
4. Degree of willingness of employees to learn new skills or a new profession.
5. Extent to which the education system meets the needs of a competitive economy.
6. Extent to which companies invest sufficiently in training their employees.

Source: World Economic Forum, *The World Competitiveness Report 1992*, Geneva.

seems, however, that there is no particular shortage of skilled labour or qualified engineers.

In spite of the progress made in the past, especially in fighting illiteracy, the rate of general participation in formal education in Turkey is still clearly behind all the other OECD countries (Table 20). Turkish enrolment rates at the primary, secondary and tertiary level of education are below the average of middle-income developing economies. A particularly large difference is revealed for enrolment rates at the tertiary level.[18] According to the Household Labour Force Survey of April 1991 more than one-fifth of the labour force (21 per cent) failed to complete primary school education while nearly three-fifths (58 per cent) had attended primary school only. Although this is in large part due to the low levels of educational attainment of the agricultural population, urban areas do not present a much better picture. Data for 1991 indicate that only 39 per cent of the urban labour force had obtained qualifications beyond primary school. Another striking result of the HLFS is that the female population lags considerably behind males in all indicators of educational attainment.

Some characteristics of the education system

The education system is dominated by the state which centrally determines school curricula and aims at a standardised system of diplomas. Although private activities in education are encouraged in principle[19] – in line with the general orientation of present economic policy – the share of private schools in total formal education is still very small.[20] There has been, however, a growing role of private tuition since the early 1980s, but mainly at the pre-school stage, and to a lesser extent at the secondary stage. An experimental phase with private universities in the 1960s and early 1970s was followed by a period from 1973 until 1983 when state universities once again had a monopoly. Although private universities are now allowed again in principle, the state universities still predominate with only one private university reaching national acclaim so far.

There was a rapid expansion in higher education which saw the number of students rise from 237 000 in 1980-81 to 645 000 in 1989-90. Entry into university education is, however, highly restricted with only some 16 per cent of applicants getting a place. Given this excess demand for higher education, an expansion of private initiatives appears particularly promising in this field. The case of Korea shows, for example, that private education can decisively contrib-

Table 20. **Educational attainment: an international comparison**

1988

	Ratio of persons to population aged 2-29	Ratio of full-time public and private upper secondary enrolment to population in theoretical age group[1]									Ratio of first-time entrants into full-time public and private tertiary education to population in theoretical starting age enrolled								
		Total			General			Vocational, technical, apprenticeship			Non-university tertiary			Higher education (university)			Total		
		B+G	Boys	Girls	B+G	Boys	Girls	B+G	Boys	Girls	M+W	Men	Women	M+W	Men	Women	M+W	Men	Women
Comprehensive schools throughout secondary education																			
Japan	57.2	94.0	92.4	95.7	67.5	64.9	70.1	26.6	27.3	25.8	26.8	16.4	37.7	24.6	34.5	14.1	51.4	51.0	51.9
United States	54.9	90.2	88.0	92.6	–	–		–	–		22.0	18.3	25.8	47.5	49.4	45.6	69.5	67.7	71.5
Comprehensive lower secondary and differentiated upper secondary schools																			
Australia	57.1	91.5	106.7	75.6	65.6	61.8	69.4	26.0	44.9	6.2	–	–		50.4	48.8	52.0	–	–	
Canada	57.4	97.8	96.6	99.1	–	–		–	–		–	–		–	–		–	–	
Denmark	53.7	104.1	104.2	104.0	32.4	26.4	38.7	71.7	77.9	65.3	15.5	11.9	19.5	27.6	29.8	25.2	43.1	41.7	44.7
Finland	54.6	119.6	104.4	135.5	54.5	43.8	65.6	65.1	60.6	69.8	24.0	16.5	31.9	28.0	29.0	27.0	52.1	45.5	58.9
France	62.0	84.9	82.8	87.1	37.1	30.6	43.8	47.8	52.2	43.3	13.3	–	–	23.1	–	–	36.4	–	–
New Zealand	57.6	66.6	64.6	68.7	64.6	63.6	65.6	2.0	1.1	3.0	–	–		18.6	20.2	17.0	–	–	
Norway	53.6	91.8	86.8	97.1	40.5	35.2	46.0	51.3	51.6	51.1	–	–		15.6	15.1	16.1	–	–	
Sweden	48.5	83.8	80.3	87.4	19.4	13.3	25.9	64.3	67.0	61.5	36.1	33.6	38.8	13.7	13.7	13.6	48.9	46.5	51.4
Turkey	34.0	34.0	41.4	26.1	19.8	21.9	17.6	14.2	19.5	8.5	2.4	3.3	1.4	12.1	15.6	8.4	14.5	19.0	9.9
Spain	59.6	93.9	87.6	100.7	53.2	48.6	58.1	40.8	39.0	42.6	–	–		15.6	15.1	16.1	–	–	
United Kingdom	53.3	76.9	74.7	79.2	63.0	62.2	63.9	13.5	12.1	15.0	6.2	6.1	6.4	15.0	16.0	14.0	21.2	22.1	20.4
Italy	50.3	60.2	59.2	61.3	19.1	14.0	24.3	41.2	45.3	36.9	1.0	0.8	1.1	27.3	27.7	27.0	28.3	28.5	28.1
Differentiated lower and upper secondary schools																			
Ireland	57.2	98.9	88.2	220.2	81.6	75.6	87.8	17.4	12.5	22.5	15.1	16.1	14.1	15.8	15.6	15.9	30.9	31.8	30.0
Germany	54.4	118.1	123.5	112.5	24.0	23.6	24.5	94.1	99.9	88.0	9.2	7.2	11.4	19.5	22.6	16.2	28.7	29.8	27.5
Netherlands	58.2	91.1	98.8	83.1	30.7	28.8	32.7	60.4	70.0	50.4	18.3	19.5	17.1	12.3	14.0	10.6	29.9	32.6	27.0
Portugal	44.2	48.3	42.3	54.6	35.7	31.0	40.7	12.6	11.3	14.0	n.a.	n.a.	n.a.	16.0	n.a.	n.a.	n.a.	n.a.	n.a.
Luxembourg	43.4	72.4	73.9	70.8	25.3	22.8	27.9	47.0	50.1	43.9	5.1	–	–	10.3	–	–	15.4	–	–

Switzerland	49.6	81.9	88.6	74.9	18.9	16.7	21.1	63.0	71.9	53.7	10.4	13.1	7.6	12.3	14.6	9.8	22.7	27.7	17.4
Austria	51.0	78.9	85.2	72.3	19.2	19.1	19.2	59.7	66.0	53.1	4.4	2.8	6.2	18.1	18.1	18.1	22.6	20.9	24.3
Belgium	–	–		–	–		–	–		–	19.8	21.9	17.7	–	–				

1. The enrolment ratio is calculated as the number of students of any age in the respective education category divided by the population in the relevant age range. Hence, in certain countries, the resulting ratio may exceed the 100 per cent threshold.

Source: OECD, Centre for Educational Research and Innovation, Education at a Glance, 1992.

ute to the rapid expansion of the education system even when the initial per capita income is low and without accompanying strains on government budget. This can be achieved by virtue of the superior efficiency of a privately organised education system (reflected in low per-student cost) and through shifting a large share of the financial burden to private households.[21]

A major shortcoming of the Turkish education system, with a close bearing on the labour market, has been the strong emphasis on general curriculum schools and the severe neglect of technical and vocational schools. Only a small proportion of the labour force has received any technical and vocational training. Nearly one-half of the 7 to 21 age group and nearly three-quarters of the 15 to 21 age group are out of school and are therefore obvious candidates for technical and vocational schools. But this great potential remains largely unused as indicated by the roughly unchanged relative importance of vocational schools during the past three decades (cf. Adem, 1992). So far, private initiative plays little role in vocational training. This may be because of the high initial investment required for such schools, as well as a bias of the whole education system to prepare students for university education.

The deficiency of the formal education system in providing technical and vocational training is accompanied by the lack of training schemes outside formal schooling. The public sector provides only relatively few traineeships. In the 220 Apprenticeship Training Centres that were active in 1990-91, there were 180 000 young persons receiving such training, hence only about 7 per cent of the relevant age group of 2.5 million (Adem, 1992). Although during 1988-91 the labour-force training courses initiated by the TLO have expanded rapidly – from a very low basis – the number of participants in these courses still represented a very small portion of the potential number of participants (only some 14 000 persons attended in 1991). Altogether, it has been estimated that the total number of persons receiving vocational training through various schemes introduced by the public sector has averaged around 700 000 during the period from 1987 to 1992 as opposed to around 7 million persons staying outside the formal school system in the relevant age group (Kutal, 1992).

Until recently, the high importance the government attaches to educational attainment was not reflected in a commensurately high share of education in public spending. Total expenditure in education was only some 2 per cent of GNP in 1988, by far the lowest in the OECD (Table 21). However, by 1992, the

Table 21. **Expenditure on education by international comparison**[1]

Per cent

	Spending on education/GDP		Students/population	Public spending per student/GDP per capita
	Public	Private		
Turkey	1.9	n.a.	20.3	8.8
Australia	4.8	0.4	20.7	23.2
Austria	5.6	–	17.8	27.9
Belgium	6.1	–	21.9	24.6
Canada	6.4	0.8	24.4	26.0
Denmark	6.8	0.1	20.0	33.3
Finland	6.8	0.5	21.7	32.9
France	5.1	0.7	24.2	20.5
Germany	4.3	1.9	19.4	21.8
Greece	2.6	0.2	20.6	12.8
Ireland	5.8	0.4	27.8	20.5
Italy	4.8	–	20.1	23.7
Japan	3.8	1.2	21.2	17.4
Netherlands	6.3	0.3	21.8	26.4
New Zealand	5.4	–	25.5	21.2
Norway	6.6	0.2	21.7	31.3
Spain	3.9	1.1	26.1	15.0
Sweden	5.7	–	18.7	32.7
Switzerland	5.1	–	15.5	27.8
United Kingdom	4.7	–	18.7	22.2
United States	5.0	0.7	24.8	22.0

1. 1988. Countries are listed according to the public spending/GDP ratio.
Source: OECD, Centre for Educational Research and Innovation, *Education at a Glance*, 1992.

corresponding figure seems to have doubled. Nevertheless, the expansion of the education system may not have been matched by a corresponding improvement in quality. Indeed, it has been argued that quantitative expansion at all levels has been at the expense of quality (Baloglu, 1990). Although qualitative aspects of education systems are hard to measure, in terms of such indicators as pupil/teacher ratios,[22] the availability of teaching aids and facilities like laboratories, the educational system appears notoriously deficient (Baloglu, 1990). The average standard of teaching is reportedly low with faculties specialising in teacher training failing to attract the best candidates.

The wage formation process

The evolution of industrial relations

About 2.3 million workers, hence two-thirds of the 3.7 million workers who are in the health and pension insurance system, are organised in trade unions. This is to a large extent the effect of regulations which make union membership a condition for being covered by collective agreements.

The evolution of industrial relations during the past three decades has been strongly influenced by varying degrees of openness of the political regime and consequently by the scope the labour market legislation provided for unions to play a role in the wage determination process. The Constitution of 1961 paved the way for a liberal political climate in general, and the enactment of the Laws on Trade Unions and Collective Bargaining in 1963 laid the base for a strong influence of unions on wage settlements. This was reflected in a vigorous increase in the number of trade unions and in union membership, but also in the growing number of labour disputes and days lost through strikes (Table 22). Growing trade union militancy is considered to have contributed crucially to strongly rising real wages, especially after the establishment of the leftist DISK trade union in 1968. When trade union activity reached new peaks in the first eight months of 1980, employers' organisations became increasingly vociferous in calling for restrictive legislation to curb trade union power. A military government which seized power in September 1980 suspended all trade union activity

Table 22. **Indicators of industrial relations**

	1963	1970	1980	1985	1988	1989	1990	1991
Rate of unionisation[1] (per cent)	10.8	29.6	58.2	61.5	63.2	64.6	55.0	58.1
Number of workers involved in collective bargaining agreements (thousand)	..	..	330	919	629	829	483	1 089
Number of strikes	..	..	220	21	156	171	458	398
Number of workers involved in strikes (thousand)	..	..	33	2	30	39	166	165
Days lost in strikes (thousand)	..	..	4 298	194	1 892	2 911	3 466	3 809

1. Ratio of union members to the number of workers in January of each year.

Source: Turkish Confederation of Employers Associations, Isveren, No. 12, September 1992, and Ministry of Labour and Social Security, Calisma Hayati Istatistikleri, various issues.

and banned the DISK. New labour legislation was introduced which represented a major reversal from the generally liberal environment of the preceding two decades. From 1980 to 1984, wage settlements were reached through the Supreme Arbitration Board which based its decisions on the government's target rate of inflation without any subsequent adjustment even when actual price increases turned out to be higher than projected, as was regularly the case. There was a gradual return towards more liberal collective bargaining regulations from 1985 onward, but workers' demands for higher real wages were strongly discouraged in practice through an extremely bureaucratic collective bargaining process and strike procedures. As an outcome of these policies there was a sharp fall in real wages during the 1980-88 period (Table 23).

The social hardship from restrictive wage policies was cushioned – at least partly – by a ban on worker dismissals during the 1980-84 period. Although it is not clear how firmly this interdiction was respected, most observers appear to

Table 23. **Real wages and real labour cost**[1]

Index 1981 = 100

	Real wages		Real labour cost	
	Public	Private	Public	Private
1981	100	100	100	100
1982	89	96	90	97
1983	86	88	88	90
1984	74	83	76	85
1985	62	78	65	80
1986	54	76	57	77
1987	55	86	68	85
1988	46	81	58	81
1989	64	107	85	104
1990	83	124	106	122
1991[2]	109	186	140	181
1992[3]	119	190	153	185

1. Nominal wages are deflated by the consumer price index of the State Institute of Statistics.
2. Provisional.
3. Estimate.

Source: State Planning Organisation, *1993 Annual Programme*. Public sector wage figures are from reports of the Supreme Auditing Board. For the private sector, statistics of the Turkish Confederation of Employers Association are used; they include social security premiums.

agree that without it the severe stabilisation policies adopted in particular between 1980 and 1982 would have led to a large number of layoffs.

The gradual liberalisation of political life from late 1983 on went in parallel with a slow but sustained increase in trade union influence. Several factors account for the revival of trade union militancy – and rising real wages – since the late 1980s. When there were further steps of political liberalisation after the 1987 general elections, trade unions found it easier to by-pass the restrictive clauses of the labour legislation through a variety of non-strike activities. The ongoing labour market liberalisation reflects the government's resolve to bring labour legislation fully into line with international norms.

Collective bargaining

At present, collective bargaining is organised by industries with trade unions and employers' unions being in charge of wage negotiations. Agreements are concluded for periods of one to three years with separate clauses for each successive six months. Wage settlements are normally based on the rate of past inflation plus what is called the "welfare increment". No documentation is available as to what determines this increment. Earlier estimates of the OECD Secretariat, however, suggest a statistical relationship between wages, (adaptive) price expectations and unemployment (*i.e.* an expectations-augmented Phillips curve) which attributes a relatively low impact of unemployment on nominal wages.[23] In other words, the estimates point to low real wage flexibility with respect to labour-market slack (or high real wage rigidity).

Hence, it appears that employed workers exert the dominant influence on wage demands. The apparent lack of concern of trade unions with unemployment may be related to the relatively high degree of job security, especially in State economic enterprises, which some observers consider entrenched in the Turkish culture and which is reflected in a system of redundancy or severance payments. This system obliges employers by law to pay severance benefits to workers who are dismissed at the employer's initiative (except disciplinary dismissals) and to those who retire. These benefits reached very high levels in the 1970s when unions were very powerful, but were made subject to a ceiling during the military rule. Currently the severance payment is a lump sum corresponding to one month's salary for each completed year of service, paid at the wage level prevailing at the time of leaving, with ceilings of 30 years and TL 7.7 million per month in the first half of 1993.

The severance payment system is perceived as unduly expensive by employers and provides a disincentive for dismissals. The system is also likely to have some unintended negative side-effects for employees as employers have an incentive to dismiss workers before one year of service when no severance benefit is due or just before the date in any year when wage scales are revised upward.

Civil servants, who account for a major portion of total public-sector employment, are not allowed to engage in collective bargaining. Although the right of this section of the labour force to unionise was subject to much controversy, unions formed by civil servants have grown in number with a total membership now estimated at some 150 000 (about one-tenth of the total).

Civil servants' salaries are determined unilaterally by the government in January and July of every year without any formal principles or guidelines about the salary determination process. However, factors like past price inflation, wage settlements in collective bargaining agreements in both private and public companies in industry, and the proximity of general elections appear to have played an important role in the past. Moreover, the growing size and militancy of civil servants' trade unions in recent years seems to have had at least some indirect impact on their wage settlements.

Minimum wages

According to official estimates, some 700 000 workers receive the minimum wage. Other estimates arrive at a figure of more than 4 million workers whose earnings are probably closely related to the minimum wage. On the other hand, there is also some evidence that especially in small establishments a large number of workers who are registered as minimum-wage earners – in order to contain social security contributions – may in fact receive substantially higher wages.

In 1974, the system of separate minimum wages for different regions and sectors has been replaced by two wages for industry (including services) and agriculture, which are valid throughout Turkey. Since 1988, the same minimum wage has been applied both for agriculture and industry, with lower rates only for workers younger than sixteen years. Minimum wages are determined annually by a committee comprising representatives from trade unions, employers, and various governmental bodies. Although official analyses are being carried out to reckon the minimum subsistence requirements of workers, in practice these results seem of lesser importance in setting minimum wages. Instead, wage earnings elsewhere in the economy, the rate of price inflation and various political considerations appear to be the dominant factors.

What triggered the "wage explosion" between 1989 and 1991?

Naturally, the substantial decline in real wages from 1980 to 1988 provided the main justification for trade unions to press for higher wages. Moreover, during this period popular support for the governing political party was decreasing as reflected in heavy losses of the government party in the local elections of March 1989. Hence, when in 1989 collective bargaining took place for public-sector workers, the government conceded substantial pay increases. Consequently, pressure built up in the private sector to arrive at similarly high wage settlements in the 1989 and 1990 wage rounds. These concessions were facilitated by high private-sector profitability, especially in some export sectors. Exporting firms, having gained shares in foreign markets, appear to have had a strong preference for social peace, in order to consolidate their success abroad. But with an early general election in sight, wages continued to increase sharply in the 1991 wage round, taking real wages substantially beyond their levels of 1980. Latest estimates are for real wage increases in the public and private sectors of 31 and 50 per cent, respectively, in 1991.

Hence, the private sector, faced with real labour cost increases far beyond productivity gains, may in the past three years have felt for the first time since the late 1970s that labour has re-emerged as a major cost item. This, in addition to the negative demand effect of the Gulf crisis in 1990-91, is certain to have put a large number of firms under financial strain.

The employers' response to surging wages

The employers responded to the "wage explosion" with labour shedding on a large scale and increased hiring of temporary, fixed-contract workers who are not covered by collective bargaining agreements and who are eligible for no or much smaller severance payments in the case of dismissals. Another business reaction to surging wages has been progressive resort to sub-contracting of certain activities. Data on labour shedding provided by a major trade union put it at some 136 000 lost jobs in 1991 and about 34 000 in the first half of 1992. Recent estimates for the sample of the 500 largest firms suggest a small rise in employment (by ½ per cent) in private industry in 1990, but a decrease by 5½ per cent in 1991. This is reckoned to have boosted productivity by 15½ per cent in 1990 and by 16 per cent in 1991. The state-owned industries in this sample reduced employment by 4½ per cent in 1990 and by a further 1 per cent in 1991, which resulted in a small productivity gain in 1990 and a loss of a similar magnitude in 1991.

Moreover, it seems that entrepreneurs seized the opportunity of the major import liberalisation measures of 1990 to substitute capital for labour, which seems corroborated by the sharp increase in imports of machinery and equipment in that year. The slow growth of total employment in 1990 in spite of vigorous output growth points in the same direction.

Recent labour market issues

The introduction of unemployment insurance and the reform of the employment protection legislation are currently under discussion. This reflects the new government's commitment to reform social policies. The introduction of unemployment insurance had been envisaged in every Five Year Plan for three decades without being turned into reality, largely because of the absence of strong political support. Partly, this is because strong social networks – family and village ties – provide a safety net for most people. Moreover, many workers seem to have been against unemployment insurance for fear that it might replace severance payments. The latter is a lump-sum payment to dismissed workers, which corresponds to one month's gross salary for each year worked in the same company. The employers' associations argue that the existing severance payment scheme provides a sufficient safeguard against unemployment and that, if unemployment insurance were added, it would increase their reluctance to hire new workers.

An unemployment insurance scheme typically draws on contributions from employers, employees and the government. Whether such a system is successful in alleviating the hardship which unemployment causes, and at the same time in minimising its potential disincentives to work as well as limiting the drain on the government budget depends - of course - on its concrete design. Experience in other OECD countries suggests that in this respect three aspects are of particular importance.

A first consideration is to avoid unemployment benefit or income support which is open-ended, in order not to create long-term dependency, which would discourage the full development of the unemployed persons' potential. Secondly, unemployment assistance should be subjected to stringent work availability and search tests to increase the efficiency of job search and to avoid abuse of the scheme. And thirdly, the design of a benefit scheme should avoid the emergence of implicit high marginal taxation of labour income in case a benefit recipient takes up work again. It has not been unknown among the OECD countries that when an unemployed person takes up a job his net after-tax income goes down, a phenomenon often referred to as the unemployment trap. Ideally, to avoid these disincentives to work, tax and benefit systems should be integrated into a unified system.

The current employment protection legislation seems to leave scope for additional provisions which could ensure stricter application of existing regulations. Moreover, it appears that there is also room for clarifying the rules which specify the conditions under which workers may be dismissed. At present, when terminating an appointment, employers as well as employees have to observe a period of notice of between two and eight weeks, depending on the length of the appointment. Employers may, however, lay off workers immediately if they pay wages covering the notification period. The Labour Office has to be informed in the case of dismissals of more than ten workers, but a justification of the decision is not required.

IV. Conclusions

The Turkish economy grew at some 5½ per cent in 1992, the highest rate among the OECD countries, and this was achieved without substantial recourse to foreign borrowing. The borrowing requirement of the public sector was reduced in relation to GNP by some 1½ percentage points to 12½ per cent (or possibly less, according to the latest indicators), and the levels of both domestic and foreign debt are not high either. A closer look at the situation indicates, however, that it is not as benign as it appears. The public-sector borrowing requirement remains extraordinarily large, and – while it is difficult to make precise estimates – its reduction was partly due to a cyclical increase in tax revenues so that the underlying budgetary position probably improved only a little. The rate of consumer price inflation stayed at around 70 per cent during 1992. High growth does not, however, have to be accompanied by high inflation, as examples of the rapidly growing Asian economies amply demonstrate. Rather, the presence of stubbornly high inflationary pressures raises doubts about the sustainability of rapid output growth over a longer time horizon, a *sine qua non* for raising living standards and generating employment opportunities for a fast-rising work force.

Looking over a somewhat longer period, it is worrying that the rate of inflation has been ratcheting up since the 1970s. It shows that on balance macroeconomic policies have accommodated inflationary pressures rather than creating a stable economic environment. This must be changed. As discussed in the main body of the report, there are elements of a vicious circle in the current situation. Higher inflation is slowing the process of fiscal consolidation by raising public-sector wages and interest payments and discouraging tax payments. Higher public-sector deficits (than otherwise) are in turn feeding inflation through their monetary financing. A worrying consequence of very high inflation is a loss of confidence in national currency. The increasing relative importance of foreign currency deposits held by residents suggests that currency substitution is on the rise, eventually undermining the ability of monetary authorities to control the amount of liquidity in the economy. An important drawback of very high inflation is that it reduces people's planning horizon by raising future uncertainty. It is striking that so-called long-term bonds in Turkey have a maturity of only 12 months. It is not difficult to imagine that in these circumstances company investment decisions are likely to be motivated by earning quick trading profits rather than by longer-term strategic considerations, and so would bank lending decisions. Such behaviour obviously undermines the long-term growth potential of the economy.

There is no choice but to tighten policies if the growth and development of the Turkish economy is to be put on a secure footing. The government has indeed announced its intention to do so, and on this and other customary assumptions the economy could continue to grow at a rate close to 5 per cent without hitting external constraints, and inflation could come down somewhat. The 1993 Programme envisages a reduction in the public-sector borrowing requirement by $3\frac{1}{2}$ percentage points to 9 per cent of GNP. This is a reasonable target as a first step and no slippage should be tolerated. The government must demonstrate its determination to achieve the budgetary targets in a concrete manner, such as reinforcing tax collection, resisting excessive pay rises for civil servants, rationalising loss-making state-owned companies, accelerating asset sales and dealing with the open-ended nature of agricultural price support.

Lower budget deficits will facilitate the task of the Central Bank in controlling the amount of liquidity in the economy. But even if fiscal balance is attained, with a rapid deregulation of financial markets the Turkish Central Bank will be faced with the same sort of difficulties as have its counterparts elsewhere in steering the course of monetary policy. Under these conditions it makes sense, as has been the case since 1991, to pay more attention than hitherto to exchange rates as both a key channel of transmission of monetary policy and an indicator of financial conditions. Given the large inflation differentials *vis-à-vis* its trading partners it is normal for the Turkish lira to depreciate, but there seems little justification for it to depreciate more than these differentials and thereby accommodate domestic inflationary pressures. As stated in last year's Survey, it would be desirable for an explicit inflation target to be set jointly by the Central Bank and the government, and to make the Bank accountable for the outcome: this would mean that any overshooting of the public-sector deficit would not be accommodated by the Central Bank, thereby causing interest rates to rise and/or the real exchange rate to appreciate. But it is the government, not the Central Bank, that should be responsible for whatever negative consequences on economic activity monetary non-accommodation might then entail.

The impact of disinflation on jobs and output will be reduced if a more clearly articulated medium-term financial strategy is put in place and the resolve of the government to respect it made credible, for example through an introduction of a sequestration procedure. Without such a policy environment it is difficult to foresee lower inflationary expectations and hence wage moderation. The current high rate of inflation finds its origin in the wage explosion which began in 1989. The very high wage increases in the "modern" segment of the labour market from 1987 to 1991 seem to have more than offset real wage losses incurred earlier in the 1980s and caused substantial labour shedding in the private sector. Given a significant labour-cost gap, real wages will need to grow less than productivity for some time to come.

Important labour-related issues currently under discussion are the possible introduction of an unemployment insurance scheme and a strengthening of employment protection. Considerable income protection already exists in the informal social safety net provided by families and villages as well as the severance payment system, but there is no doubt that the desirability of a formal unemployment insurance system will increase with the modernisation of the labour market. The design of an unemployment insurance system should seek to minimise incentives faced by both workers and firms to enlarge the pool of unemployed collecting benefits. Experience in other OECD countries shows that such a task involves limiting the open-endedness of benefit payments, making assistance subject to stringent work-availability and search tests, and avoiding fiscal disincentives to take up work. If not accompanied by commensurate wage moderation, unemployment insurance also raises labour costs and may exert a dampening effect on employment. As regards employment protection, present regulations provide a certain degree of legal protection against arbitrary dismissals, but there seems to be scope for both stricter application of existing regulations as well as establishing clearer rules specifying the conditions under which workers may be made redundant.

Since improving the quality of the labour force – the stock of "human capital" – is a key to raising productivity to levels in other OECD countries, more investment in education and training is highly desirable. In 1988, the expenditure for education relative to GNP was the lowest in the OECD. Since then, there has been a substantial increase, resulting in a doubling of this ratio by 1992. Greater emphasis should now be placed on improving the quality of education. In any event, as more public funds are allocated to the education system, it is all the more important to reduce public consumption expenditures, subsidies and transfers so as to facilitate budget consolidation. As the experience in other OECD countries shows, fiscal strains from education expenditures could be alleviated by laying more emphasis on private education, especially at the secondary and tertiary level. This could also strengthen the human-capital-development dimension of education. Given the nature of the illiteracy problems in Turkey (which retain a strong regional and gender component), the state must continue to upgrade its efforts to provide better education for a broad cross-section of citizens. Moreover, with a particular view to the high level of youth unemployment, there appears to be a scope for more vocational and technical training. Further development of the apprenticeship system, which has been highly successful in keeping youth unemployment low and developing a skilled work force in several OECD countries, should be encouraged.

In the longer term, the formidable task of closing the gap between supply of and demand for labour would be greatly alleviated if the growth of the population could be brought down from its very high current rate. This is the more so as the role to date of external migration and of rising public sector employment as important buffers of labour market imbalances will from now on probably diminish.

In contrast to the relatively slow pace of labour-related reform, financial markets have undergone a rapid transformation towards a deregulated environment since 1987. Steps taken in 1992 – including the introduction of a wide range of new financial instruments and the securitisation of credits – will contribute to a further widening and deepening of the financial system as well as to lower costs of financial intermediation. Experience of other OECD countries shows, however, that these moves typically render monetary control difficult during the transition period. Moreover, to the extent that financial market reform reduces the ratio of base money to GNP, the inflationary impact of Central Bank financing of budget deficits is likely to be magnified. This is yet another reason why it is necessary to reduce public-sector deficits and their monetisation.

These and other reform measures notwithstanding, the little progress made in reforming the State economic enterprises is disappointing. Privatisation has been slow, but this is just one of many areas needing bold reform action which was spelt out in last year's Survey. In addition to changing the status of the SEEs to that of a joint-stock company, regulatory reform needs to be initiated in public utilities, telecommunications and rail transport. Agricultural policy reform is also called for, at a minimum to limit the open-ended price support scheme. This will help reduce the public-sector borrowing requirement. Serious efforts in structural reform are also necessary to facilitate further adjustment on the way to the customs union with the EC envisaged for 1995. Combining these efforts with more disciplined macroeconomic policies is the most promising route to long-term prosperity.

Notes

1. This account represents the exchange rate depreciation loss on net foreign liabilities of the Central Bank, which is entered as a claim on the Treasury. The devaluation account bears a zero interest rate and is thus a major source of the rapidly deteriorating net worth of the Central Bank. For additional details see the 1990/1991 and 1991/92 OECD *Economic Survey of Turkey,* Chapter II.
2. Reserve money is the sum of banknotes issued and net reserves held by commercial banks at the Central Bank. The Central Bank money stock is the sum of reserve money and liabilities to banks arising from open-market operations, unused public-sector credit lines and public-sector deposits.
3. The aggregate M2X covers foreign exchange deposits with Turkish banks, though not – for lack of data – cash holdings of foreign currency.
4. There are, however, potential favourable effects: for example, it may be argued that currency substitution provides the economy with an attractive means of payment, thereby increasing the total liquidity of the economic system and having a positive impact on domestic trade and output, and thus (partly) reducing the inflationary impact of fiscal disequilibria.
5. Note that government bonds are of a maturity of one year only. With inflation being high and variable, longer-term bonds would require to include a substantial risk premium to be accepted by investors.
6. The technique consists of selling bonds with a promise of repurchase at a certain time and at a certain price – or at an imputed interest rate which is regularly higher than the relevant deposit rate. These transactions are carried out usually in government bonds and occasionally also in other debt instruments.
7. A survey conducted in 1992 by one of the major business organisations, TÜSIAD, among its members has shown unemployment at the top of the list of major problems that need to be addressed in the years to come, well ahead of inflation.
8. Cf. OECD *Employment Outlook 1992,* Annex Table C.
9. According to the April 1991 Labour Force Survey, 28 per cent of Turkish women aged 12 years or more were illiterate, while for men the percentage was 8 per cent (assuming that all persons with primary school education were literate).
10. The April 1991 Labour Force Survey estimated illiteracy in the 12-24 years age group at 12 per cent for women and 6 per cent for men, measured as the share of persons who attended

less than five years of primary school. In 1985, regional illiteracy rates for women varied between 26 and 92 per cent.

11. It has been estimated that between 500 000 and 900 000 migrants have so far returned, including over 150 000 migrants who returned in 1983-84 through the German government's repatriation scheme. See Martin (1991).

12. The category "civil servants" includes the SEEs' white-collar employees, but not their blue-collar workers.

13. Cf. OECD *Employment Outlook 1992,* Table 4.3.

14. This follows Keyder (1989), who made a series of case studies of Turkish villages.

15. For an overview see OECD (1988), *Regional problems and policies in Turkey,* Paris.

16. A break in the employment series in 1988 rules out the calculation of the average employment and productivity growth in the 1980s.

17. According to the daily newspaper Milliyet, on 11 October 1992, there were 9 500 applicants for only 350 job openings in the General Directorate of Highways and 10 000 applicants for only 121 job openings in the Ministry of Labour.

18. See World Bank, *World Development Report 1992,* World Development Indicators: Table 29.

19. Cf. *Fifth Five Year Plan, 1985-1989.*

20. Cf. OECD, Centre for Educational Research and Innovation (1992), *Education at a Glance,* Paris, Table P10.

21. Details of the design of the Korean education system can be found in Mason *et al.* (1980). The encouraging experience with private schools in Japan is documented in James and Benjamin (1988).

22. In 1988, the pupil/teacher ratio in primary education was 31.1 in Turkey compared to an OECD average of 18.5 and an average of middle-income developing countries of 28. For secondary education the 1988 ratio for Turkey was 22.7 compared with an OECD average of 15. See OECD, *Education at a Glance, op. cit.,* Table P16, and World Bank, *World Development Report 1992,* World Development Indicators: Table 29.

23. See the 1989/90 OECD *Economic Survey of Turkey,* footnote 2, and the 1986/87 OECD *Economic Survey of Turkey,* Annex I. It remains, however, uncertain to what extent these estimates represent a reliable model of the Turkish wage formation process, given the paucity of the data and the change in the wage formation procedures during the 1980s.

References

Adem, M., *National Policy on Education* (in Turkish), Proceedings of Third Economic Congress in Izmir, 1992.

Baloglu, Z. (1990), *Education in Turkey* (in Turkish), TÜSIAD, Istanbul.

Bulutay, T. (1992), *A General Framework for Employment in Turkey,* State Institute of Statistics, Ankara.

James, E., and G. Benjamin (1988), *Public Policy and Private Education in Japan,* Macmillan Press, London.

Keyder, C. (1989), "Social Structure and the Labour Market in Turkish Agriculture", *International Labour Review,* Vol. 128, No. 6.

Keyder, C. and A. Aksu-Koc (1988), *External Labour Migration from Turkey and its Impact,* International Development Research Centre, Ottawa.

Kutal, M. (1992), *Vocational and Technical Education as a Modern Instrument of Finding Work* (in Turkish), Turkish Labour Office, Ankara.

Martin, P.L. (1991), *The Unfinished Story: Turkish Labour Migration to Western Europe,* International Labour Office, Geneva.

Mason, E. S. *et al.* (1980), *The Economic and Social Modernization of the Republic of Korea,* Harvard University Press, Cambridge (Mass.)

OECD (1992), *Employment Outlook,* Paris, July.

OECD (1992), Centre for Educational Research and Innovation, *Education at a Glance,* Paris.

Republic of Turkey (1984), *Fifth Five Year Plan: 1985-1989,* Ankara.

World Bank (1992), *World Development Report 1992,* Oxford University Press, New York.

Annex I

Public-sector accounts

Central government

The 1992 Budget

Because of the general elections in October 1991, the 1992 central government budget – normally voted in December – was deferred and approved by Parliament only in April 1992. The budget deficit was planned to fall from 7.1 per cent of GNP in 1991 to 4.4 per cent in 1992. Provisional estimates indicate a higher deficit, 5.6 per cent of GNP. If Gulf crisis-related foreign grants are excluded, the estimate is 5.9 per cent of GNP. However, the cash deficit was much higher, 7.2 per cent of GNP, as part of the interest expenditures along with some other payments were recorded as advance payments. The primary (non-interest) budget balance, positive since 1984, turned negative in 1992.

Expenditures

The 1992 Budget Programme foresaw a slowdown in expenditure growth to 61 per cent (Table A1). Personnel expenditures were planned to increase by 69 per cent and interest payments by 73 per cent. Based on incomplete data, total expenditures appear to have expanded by about 71 per cent. As in 1991, the government wage bill – almost 40 per cent of total spending – rose by 89 per cent, pushed up by the carry-over effect of the generous civil servants' salary increases in the pre-election period of 1991. The overrun in investment outlays originated mainly in the wage component of investment expenditures. Hence, the total wage bill of the central government budget, including the wage components in other transfers, now accounts for more than half of the total budget outlays. Total interest payments rose particularly fast, by 94 per cent to TL 46.7 trillion, reflecting the rise in domestic interest rates and the higher nominal depreciation of the Turkish lira as well as the rapid increase in the domestic debt stock. Another factor which contributed to the rise in interest payments was the short-term nature of the budget financing. However, as the 1992 Budget appropriations for interest payments were not sufficient to cover the actual interest expenditures, TL 6.4 trillion – TL 2.9 trillion interest on foreign debt and TL 3.5 trillion on domestic debt – were recorded as advance payments and will be budgeted in the 1993 Budget. Transfers to State economic enterprises (SEEs) were below the level of 1991, though not as much as planned. Other

Table A–1. **Central government budget**

TL trillion

	1989	1990	1991 Chiffres provisoires	1992 Programme	1992 Estimate	1993 Programme	1989	1990	1991 Provisional	1992 Estimate	1993 Programme[1]
							Percentage change over previous year				
Revenues	30.4	55.2	96.7	175.9	179.5	344.4	78.5	81.8	75.1	85.5	101.1
Tax revenues	25.6	45.4	78.6	139.8	141.9	243.6	79.5	77.7	73.2	80.5	72.7
Direct taxes	13.7	23.7	41.1	70.2	71.6	119.0	93.1	73.4	73.7	74.2	65.9
Indirect taxes	11.9	21.7	37.6	69.5	70.3	124.6	66.1	82.6	72.7	87.0	79.8
Non-tax revenues	4.3	7.5	8.7	33.5	32.0	97.9	73.6	76.4	15.7	267.8	262.6
Grants	0.1	1.6	8.4	1.7	1.7	0.9	181.8	1 325.9	415.7	–80.0	–59.1
Annex budget	0.4	0.7	0.9	1.0	3.9	2.0	55.8	50.6	42.9	333.3	100.0
Expenditures	38.1	67.2	130.3	207.9	223.1	397.7	81.1	76.6	93.9	71.2	74.9
Personnel expenditures	12.5	26.5	49.3	83.0	93.1	145.0	148.1	111.1	86.3	88.8	58.5
Other current expenditures	4.1	6.9	11.1	20.3	20.0	35.0	70.1	70.0	60.7	80.0	75.0
Interest payments[2]	8.3	14.0	24.1	42.0	40.3	73.0	65.9	69.1	72.4	67.2	57.6
Foreign borrowing	3.1	4.4	7.1	11.5	9.8	20.0	72.9	38.4	63.8	38.0	60.0
Domestic borrowing	5.1	9.6	16.9	30.5	30.5	53.0	61.9	87.9	76.2	80.4	56.7
Investment	5.1	8.9	17.2	26.9	32.2	47.0	61.3	75.7	92.6	87.2	57.9
Transfers to SEEs	1.2	1.3	12.2	5.9	8.2	20.0	19.4	2.4	873.7	–32.8	111.9
Other transfers	6.9	9.7	16.5	29.7	29.3	77.7	56.1	40.6	69.7	77.5	155.7
Budget balance	–7.7	–12.0	–33.5	–32.0	–43.6	–53.3					
Excluding grants	–7.8	–13.6	–42.0	–33.6	–45.3	–54.2					
Primary balance (excl. interest payments)	0.6	2.0	4.0	10.0	–3.3	19.7					
Deferred payments	0.0	1.2	3.6	–	–0.9	–					
Advance payments[2]	–0.7	–1.6	–3.5	–	–11.1	–					
Cash balance	–8.3	–12.4	–33.4	–32.0	–55.6	–53.3					
Financing											
Foreign borrowing	–0.2	0.0	1.9	–2.1	3.9	1.3					
Receipts from loans	3.6	5.5	10.9	11.0	19.6	23.4					
Payments on loans	–3.8	–5.5	–9.0	–13.1	–15.7	–21.1					
Domestic borrowing	6.0	8.0	2.3	8.0	15.5	49.0					
Receipts from loans	9.0	12.5	11.5	23.3	35.7	95.0					
Payments on loans	–3.0	–4.6	–9.2	–15.3	–20.2	–46.0					
Central Bank, net	0.5	0.3	10.7	11.0	17.4	27.0					
Treasury bills, net	1.0	1.9	12.8	15.1	24.0	–24.0					

Other borrowing	1.1	2.1	5.7	–	–5.2	–
Memorandum items (per cent of GNP)						
Revenues	17.8	19.2	21.3	24.1	23.2	28.1
Tax revenues	15.0	15.8	17.4	19.2	18.3	19.8
Expenditures	22.3	23.4	28.7	28.5	28.8	32.4
Budget balance	–4.5	–4.2	–7.4	–4.4	–5.6	–4.3
Excluding grants	–4.6	–4.7	–9.2	–4.6	–5.9	–4.4
Cash balance	–4.9	–4.3	–7.1	–4.4	–7.2	–4.3
Debt service (principal + interest)	8.7	7.2	10.5	12.8	10.6	10.7
of which:						
Foreign	4.1	3.4	3.6	3.4	3.7	3.3

1. Percentage changes are based on the 1992 Budget estimates available in October 1992 when the 1993 Budget was prepared.
2. In 1992, in addition to TL 40.3 trillion, interest payments of TL 2.9 trillion on foreign debt and TL 3.5 trillion on domestic debt are recorded as advanced payments.
Source: Data provided by the State Planning Organisation.

transfers also accelerated: wage-earners' tax rebates were boosted by inflation, and the new early-retirement scheme increased the Treasury funding of the Pension Fund.

Revenues

As in 1991, central government revenues rose faster than nominal GNP, increasing the share of revenues in GNP by about 2 percentage points to 23.2 per cent in 1992, against the budget projection of 24 per cent. The growth of tax revenues was higher than budgeted, but the rise in non-tax income missed the budget target of 100 per cent by some 10 per cent (Table A2). Tax revenues benefited from the recovery in economic activity in 1992. The increase in personal income tax revenues reflected in part the higher-than-planned wage and salary increases. However, corporation tax revenues fell short of what was budgeted. This may have been caused partly by shrinking profits. Apparently, the taxpayers' response to tax amnesty also fell short of expectations and the additional tax collection from this source is estimated to be not more than TL 5 to 6 trillion against TL 8 trillion foreseen in the 1992 Budget. Indirect tax revenues were boosted by higher inflation. The general VAT rate remained at 12 per cent and the proposed increases in VAT rates for basic food stuff from 6 to 8 per cent were again deferred to 1993, but the VAT rate on petroleum was raised and a larger share (75 per cent) of the petroleum consumption tax, which was earmarked for the Support and Price Stability Fund, was transferred to central government. The motor vehicle purchase tax, several fees and tax-penalty rates were raised. Supplementary VAT rates on monopoly products were revised upward on several occasions in 1992, but the Monopoly Administration retained part of the tax collected. Altogether, taxes on goods and services rose by 92 per cent, close to the target. As a result of reduced import tariffs, tax intake from foreign trade remained modest, in spite of the expanded tax base due to the rapid nominal depreciation of the Turkish lira and increased imports.

The shortfall in non-tax revenues resulted primarily from lower privatisation revenues. Recent estimates suggest that the actual revenue intake from this source would be less than one-third of the budget projection of TL 7.2 trillion. The remaining part of the Gulf crisis-related official grants contributed TL 1.7 trillion, only one-fifth of the amount obtained in 1991. In 1992, transfers from extra-budgetary funds (EBFs) were combined in a common fund account. This new facility provided the Treasury an easy access to revenues of all EBFs, including the small funds for the first time. The Treasury used some TL 21 trillion out of total fund revenues, some TL 15 trillion from eleven large funds and another TL 6 trillion from small funds.

The 1993 Budget

The budget for 1993 foresees a reduction in the cash deficit from TL 56 trillion in 1992 (7.3 per cent of GNP) to TL 53 trillion in 1993 (4.3 per cent of projected GNP). The government plans to finance this deficit almost entirely from domestic sources.

Expenditures

Expenditures are projected to rise by 75 per cent, raising their share in GNP by about 3 percentage points to about 32 per cent. The 1993 Budget appropriations comprise a new element – transfers to EBFs – reported in other transfers. Excluding these, the

Table A-2. **Central government budget revenues**

TL trillion

	1989	1990	1991	1992 Programme	1992 Estimate	1993 Programme	1989	1990	1991	1992 Estimate	1993 Programme [1]
							Percentage change over previous year				
Taxes on income	13.5	23.3	40.4	69.1	70.4	117.0	94.7	72.6	73.9	74.2	66.0
Personal income tax	9.9	18.6	33.4	58.0	60.3	102.0	105.6	88.5	79.2	80.5	68.6
Corporate income tax	3.6	4.6	7.1	11.1	10.1	15.0	69.9	28.9	52.3	42.3	50.0
Taxes on wealth	0.2	0.4	0.7	1.1	1.3	2.0	19.8	132.9	64.6	85.7	62.6
Taxes on goods and services	7.6	13.7	24.7	46.4	47.4	84.3	70.3	78.9	80.6	91.9	77.6
Taxes on foreign trade	4.2	8.1	12.9	23.1	22.8	40.3	58.9	89.8	59.7	77.5	84.6
Total tax revenues	25.6	45.4	78.6	139.8	141.9	243.6	79.5	77.7	73.2	80.4	72.7
Non-tax regular revenues [2]	2.4	4.3	3.9	16.2	10.8	26.1	80.5	75.0	–8.0	176.9	207.1
Special revenues and funds	1.8	3.3	4.8	17.3	21.2	71.8	65.3	78.4	46.5	341.7	288.1
Grants	0.1	1.6	8.4	1.7	1.7	0.9	180.5	1 325.9	415.8	–80.0	–50.0
Total non-tax revenues	4.4	9.2	17.2	35.1	33.7	98.8	75.4	109.1	87.0	95.9	238.4
Annex budget revenues	0.4	0.7	0.9	1.0	3.9	2.0	56.0	50.8	42.8	290.0	100.0
Total consolidated budget revenues	30.4	55.2	96.7	175.9	179.5	344.4	78.5	81.8	75.1	85.5	101.1

1. Percentage changes are based on the 1992 Budget estimates available in October 1992 when the 1993 Budget was prepared.
2. In 1990, 1991, 1992 and 1993, privatisation revenues are included.

Source: Data provided by the Ministry of Finance and Customs.

increase in total budget outlays would be around 60 per cent. Personnel expenditures are budgeted to increase by 59 per cent. Since wage increases of 28 per cent have been conceded already for the first half of 1993, it will depend on the wage settlements in June 1993 whether these appropriations will be realised. The rise in other current expenditures is mainly for new universities. Investment expenditures are estimated to grow by less than total spending. As in 1992, a large part of the budget appropriations for investment – about one-third – are in fact wage and salary payments.

A substantial slowdown is expected in interest payments – particularly on domestic debt – in line with the new debt-management strategy the government plans to adopt in 1993. The new borrowing plan aims at smoothing out debt repayments by issuing only longer-term (at least twelve-months maturity) bonds. Thus, interest payments on new bond issues will largely be shifted to 1994. In order to stimulate the demand for longer-term securities, the composition of the banks' liquidity requirement may be altered to oblige banks to hold more longer-term government paper. This new approach, however, risks to entail higher interest rates, at least during the initial period. Furthermore, until the system will be solidly installed, the Treasury's recourse to Central Bank sources may accelerate, especially in the early months of 1993, when the Treasury's cash needs will be particularly high.

After having been somewhat contained in 1992, transfers to SEEs (capital increases, duty losses, aids and subsidies) are expected to be doubled in 1993. In addition, there are transfers to the Monopoly Administration in the order of TL 5 trillion recorded under other transfers. In 1993, TL 6.5 trillion out of TL 20 trillion transfers foreseen for the SEEs will be retained by the Treasury to compensate for unpaid debt of SEEs to the Treasury – which is recorded under non-tax revenues. The item "other transfers" is budgeted to increase from some TL 30 trillion in 1992 to TL 78 trillion in 1993 (+156 per cent). TL 30 trillion of this item are earmarked for EBFs, a novelty in the 1993 Budget. Other major components are wage earners' tax rebates, state subsidies to the Pension Fund, transfers to "investment acceleration funds" and to autonomous government agencies, mainly for financing their wage bill.

Revenues

Revenues are budgeted to grow by 101 per cent, 25 percentage points faster than expenditures; this would raise the revenue share in GNP to 28 per cent. In line with the anticipated price-and-wage disinflation underlying the budget, the growth of revenues from both direct and indirect taxes is expected to slow down to 73 per cent in 1993 from 81 per cent estimated for 1992. Depending on the actual price and wage inflation in 1993 and the realisation of the government's tax reform proposal[1], the actual tax collection, in particular from income and corporation taxes, could exceed budget projections. In order to conform better with the EC tax system, it is planned to introduce a single-tariff system, abolishing all other taxes on foreign trade. Stamp duty, wharf duty and municipality fees would be unified in a single tax rate. On the other hand, several foreign trade levies earmarked for EBFs are to continue in 1993.

The achievement of the budgeted total revenues crucially depends on the realisation of non-tax revenue projections. Non-tax revenues are planned to rise more than two-fold, increasing their share in total central government revenues to 28 per cent in 1993 from

17 per cent in 1992. The biggest absolute contribution is expected to come from extra-budgetary fund revenues which are expected to jump from TL 18.5 trillion in 1992 to TL 71.8 trillion in 1993. Revenues from privatisation of SEEs and the sale of other state property are planned to be boosted by a more dynamic privatisation strategy. But as in the previous year, the 1993 non-tax revenue projections appear very optimistic and actual outcomes may turn out to be much lower.

The deficit

The planned degree of government expenditure restraint may not be realised in 1993. It is likely that upward pressures on wages and salaries will be stronger than envisaged, entailing higher-than-estimated personnel expenditures. Moreover, a higher-than-currently-estimated deficit in 1992 could increase the debt stock and interest payments in 1993. In addition, slippage in the government's new borrowing strategy of lengthening the maturity of debt could raise interest payments to levels higher than expected. Combined with a likely short-fall in revenues, particularly from non-tax sources, the budget deficit in 1993 may exceed the projected 4.3 per cent of GNP.

State economic enterprises[2]

In 1991, the financial performance of the SEEs weakened further (Table A3). Their operating expenditures rose by 90 per cent, exceeding the growth of current revenues by 25 percentage points; as a result, the operating loss jumped to 19 per cent of operating revenues from 3.2 per cent in 1990, the highest loss over the last decade. The increase in sales revenues was hampered by the retarded adjustment of prices until after the general elections in October 1991. As in the two preceding years, the SEEs' expenditures were boosted by strong increases in the wage bill (+116 per cent) and interest payments (+122.8 per cent). In accordance with government policy, the SEEs' real fixed investment dropped by about 23 per cent. Inventory accumulation in agricultural SEEs – the Soil Product Office (TMO), the Monopoly Administration and the Sugar Corporation – which was extraordinarily strong in 1990, also continued in 1991. Thanks to transfers from the consolidated budget, the borrowing requirement of the SEEs was cut down to 5.2 per cent of GNP (8 per cent, excluding transfers).

In 1992, no major policy action for the structural reform of the SEEs has been initiated. In order to accommodate their worsening financial position, the government accorded a debt consolidation in the order of TL 34 trillion.

The financing of the SEEs' borrowing requirement has been burdened by the debt repayment plan. In addition to net repayments to foreign creditors it is planned to reimburse a large portion of their debt to commercial banks. In 1991 and throughout 1992, Central Bank credits had been used again, particularly to meet the financing needs of the TMO. Outstanding short-term debt to the Central Bank was taken over by the Treasury at the end of 1992 and converted into a long-term debt. It appears that the resulting cash financing requirement has been covered by deferring payment obligations and by additional borrowing from the Treasury in the form of advances. Altogether, so-called "deferred payments" (tax arrears, pending payments to contractors or EBFs, and short-term trade credits) and advance payments (of which the TL 6.5 trillion by the

Table A–3. **Financial account of the State economic enterprises**[1]

TL billion

	1989	1990	1991	1992 Estimation	1993 Programme
Operating revenues	51 407	81 554	134 309	230 463	356 667
Operating expenses	50 532	84 150	160 436	263 506	391 359
of which:					
Wages and salaries	7 445	16 158	35 067	57 706	90 746
Interest payments	2 781	4 569	11 327	13 123	22 832
Operating surplus	875	–2 596	–26 127	–33 043	–34 692
Direct tax payments	962	1 192	1 644	2 248	4 905
Income after taxes	–87	–3 788	–27 771	–35 291	–39 597
Transfers from budget	1 329	1 749	12 537	11 071	22 620
Other funds available	6 259	8 673	21 941	26 056	31 199
Cash flow	7 501	6 634	6 707	1 836	14 222
Investment expenditures	11 695	23 362	30 292	30 016	51 646
of which:					
Fixed investment	7 094	10 028	14 576	23 336	26 113
Changes in stocks	3 967	12 908	13 931	4 946	22 757
Financing requirement	–4 195	–16 728	–23 584	–28 180	–37 423
Deferred payments	5 562	13 034	25 068	38 618	44 034
Advance payments	–3 201	–4 436	–12 398	2 498	–8 118
Cash finance requirement	–1 834	–8 130	–10 915	12 936	–1 508
Financing					
Foreign borrowing, net	1 010	2 391	–241	–3 540	–1 715
Loans	4 112	7 010	6 794	6 989	10 241
Repayments	–3 103	–4 619	–7 035	–10 529	–11 956
Domestic bank lending, net	2 045	5 900	11 021	–11 267	983
Central Bank	0	0	3 829	–3 113	0
State Investment Bank (Eximbank)	–382	142	–11	–417	–173
Commercial banks	2 427	5 758	7 204	–7 737	1 155
Change in cash/bank	–1 221	–161	135	1 870	2 240
Memorandum items					
Operating surplus/operating revenues	1.6	–3.2	–19.5	–14.3	–9.7
Financing requirement/GNP	–2.5	–5.8	–5.2	–3.6	–3.0
Excluding budget transfers	–3.2	–6.4	–8.0	–5.1	–4.9

1. Including the State economic enterprises in the process of privatisation.

Source: Data provided by the State Planning Organisation.

Treasury) are estimated to amount to over TL 40 trillion, almost 5.5 per cent of GNP in 1992.

The programme for 1993 foresees a reduction of the operating loss of the SEEs, brought about mainly by a slower growth of operating expenditures (+48.5 per cent), and by containing the growth of the wage bill (+57.3 per cent). Since a very small decrease in employment (from 620 000 to 618 000) is expected, this means a real wage gain of about 4.5 per cent. A large number of wage settlements being due in 1993, it is uncertain as to how the wage increases will be kept at the anticipated level. Fixed capital investment is projected to increase only by 12 per cent (falling by 30 per cent in real terms) but, contrary to 1992, the cost of stock financing will increase by more than three-fold, bringing a sizeable additional burden on total resources. The 1993 financing requirement of SEEs is cut back by ½ percentage point to 3 per cent of GNP which will be covered by domestic borrowing and a further increase in deferred payments.

Extra-budgetary funds

In 1991, the consolidated balance of the eleven largest EBFs further deteriorated, their borrowing requirement increasing from 1.2 per cent of GNP in 1990 to 1.7 per cent (1.8 per cent including SEEs listed for privatisation and moved to the Public Participation Fund (PPF)) (Table A4). Growth in tax revenues – particularly levies on imports earmarked for EBFs – remained modest, reflecting the slowdown in economic activity and sluggish imports, but house sales by the Housing Fund (HF) and privatisation revenues boosted non-tax revenues somewhat. Main sources of expenditure overruns were higher payments for expropriations and the high level of investment by the PPF, but investment expenditures by other EBFs did not rise as much as envisaged. Transfers to the consolidated budget, TL 4.6 trillion, were also less than the programme projection. As in the past, a large part of the deficit of the EBFs stemmed from the PPF and the Defence Industry Fund (DIF). The PPF utilised a substantial portion of the proceeds of the Saving Encouragement Scheme. Foreign credit utilisation both by the PPF and the DIF also increased substantially.

Provisional data for 1992 suggest that the consolidated account of the eleven largest EBFs yielded a negative balance in the order of 1.5 per cent of GNP, mainly owing to a sizeable deficit by the PPF (TL 11 trillion). Tax revenues almost doubled, reflecting the upswing in economic activity and rising foreign trade. Non-tax revenues fell short of expectations as the privatisation programme was not fully implemented, and house sales by the HF were delayed. The high deficit of the PPF was due to large investment projects such as highways and the reconstruction of the town of Erzincan after the 1992 earthquake. Transfers to the consolidated budget are estimated to have exceeded the initial projection of TL 8.3 trillion as the EBFs' tax revenues were higher than the programme target[3].

The programme for 1993 envisages the EBFs' borrowing requirement remaining at 1.7 per cent, nearly the level of 1992. The deficit will be financed through domestic and foreign borrowing. Total revenues and expenditures are expected to grow by about 60 per cent, to TL 60 trillion and TL 75 trillion, respectively. Under the new system, the two-way transfers, from funds to the budget and then from the budget back to funds, makes

Table A–4. **Consolidated account of extra-budgetary funds** [1]

TL trillion

	1989	1990	1991	1992 Estimate	1993 Programme
Revenues	7.9	14.0	20.7	37.0	59.6
Tax revenues	5.8	11.2	16.0	32.6	53.1
Direct taxes	0.4	1.0	0.4	2.3	3.5
Indirect taxes	5.4	10.2	15.7	30.3	49.6
Non-tax revenues	2.0	2.8	4.7	4.3	6.3
Expenditures	8.8	16.5	26.6	46.8	74.7
Personnel	+	+	+	0.1	0.1
Other current expenditures	0.5	1.4	2.3	3.2	7.2
Fixed investment	2.9	5.1	8.4	13.6	23.1
Transfers	5.4	9.9	15.9	29.9	44.4
of which: To budget	0.9	1.9	4.6	9.0	..
Net lending [2]	0.6	0.9	1.6	2.2	6.1
Balance	–1.5	–3.3	–7.5	–12.0	–21.6
Financing					
Foreign borrowing	0.6	0.1	0.0	0.7	4.0
Drawing	0.7	0.5	1.6	2.8	7.2
Repayment	–0.1	–0.4	–1.5	–2.1	–3.2
Domestic borrowing, net	2.1	4.2	7.6	9.9	16.9
Change in cash/bank	–1.2	–1.0	–0.1	1.4	0.4
Memoramdum items					
Revenues/GNP	4.6	4.9	4.6	4.8	4.9
Tax revenues/GNP	3.4	3.9	3.5	4.2	4.3
Expenditures/GNP	5.1	5.7	5.8	6.0	6.1
Net lending/GNP	0.4	0.3	0.4	0.3	0.5
Balance/GNP	–0.9	–1.2	–1.7	–1.5	–1.7

1. State economic enterprises listed for privatisation are not included.
2. Credits by the Housing Fund, advance payments to contractors, and net change in other receivables.

Source: State Planning Organisation.

the assessment of the consolidated fund account very difficult. Some TL 50 trillion of the revenues are transfers to the budget – total revenues of the eight EBFs directly earmarked to the consolidated budget and usual transfers from the DIF. Eight funds will receive back about TL 18 trillion from the budget – TL 7.9 trillion for the Support and Price Stability Fund, TL 4 trillion for the Housing Fund and TL 1.5 trillion for the Public Participation Fund.

Notes

1. A draft bill containing a broad range of amendments in tax laws has been proposed by the government. One of the main features of the bill is to strengthen the tax administration and to make sure that the current system of tax exemptions does not lead to large-scale tax evasion.
2. All figures used include also SEEs which are in the process of privatisation.
3. In addition to the transfers of some TL 15 trillion from the eleven EBFs, another TL 6 trillion of the smaller EBFs' revenues are also allocated to the consolidated budget from the common fund account.

Annex II

Turkish labour market statistics

Employment and unemployment

Labour force data stem from three main sources: a census, the Turkish Labour Office (TLO) and the Household Labour Force Survey (HLFS). Censuses are carried out every five years and provide detailed information on demographic variables and on the economically active population, together with basic information on migratory trends. But because of their five-year intervals, they cannot be used to monitor short-term labour market developments; they also appear to result in implausibly low levels of unemployment. According to the 1985 census, for example, 1.02 million persons were unemployed, only 6 per cent of the labour force.

The unemployment data collected by the TLO refers to the stock of persons actively seeking employment by registering themselves at the TLO. But in the absence of an unemployment insurance scheme and without comprehensive registration of vacancies, it is likely that many job-seekers do not consult with the TLO.[1]

Starting in 1988, the State Institute of Statistics (SIS) carries out the biannual HLFS. In principle, the HLFS adopts definitions of the International Labour Organisation (ILO): it registers as unemployed persons of 12 years and older who have not worked at all (paid or unpaid) during the reference week, have actively sought employment during the past six months and are ready to take up employment in 15 days. For 1991, for example, the number of unemployed was 1.55 million as measured by the HLFS, compared with an estimate of the TLO of 826 000. The unemployment rate estimated by the HLFS was about 8 per cent in 1991 and 1992.

Before 1988, Labour Force Surveys were conducted at longer intervals only, but on their basis, the SIS derived annual estimates for labour force, employment and unemployment back to 1978. But in October 1990, a changed wording of one question on employment in the HLFS has caused a substantial change in the number of employed, requiring the revision of earlier data.[2]

Wages

For many years, data on workers insurance premiums provided by the Social Insurance Institute was the only major source of wage data. Its main deficiency is that it covers only insured workers; besides, there are gaps in the series. More recently, average earnings per employee in manufacturing are derived from the census of manufacturing, but this is conducted at long intervals only. The monthly, quarterly, and annual surveys of manufacturing provide another source for wage data, but for large manufacturing enterprises only. The data of the State Planning Organisation on public sector wages come from the High Control Board of the Prime Ministry and are based on wages in State economic enterprises. The Turkish Confederation of Employers Association (TISK) also publishes data on wages and labour costs on a regular basis. Although the reliability of this series has been challenged by a major trade union, it provides a uniform and internally consistent set, albeit biased heavily towards relatively larger enterprises. There are in addition wage series produced and published by independent researchers and by various trade unions. The basic data on industrial relations covers areas like collective bargaining agreements, union membership and strikes, and is supplied by the Ministry of Labour and Social Security. Questions have been raised on the reliability of the data, especially those on trade union membership which yield considerably higher figures than other independent estimates.

Notes

1. Plans to reorganise the TLO within the framework of a World Bank project involve its transformation into a modern employment organisation with computerised data systems and highly-trained staff. It is intended to enhance placement efforts of this organisation and to offer employment counselling and training. The new TLO is also planned to administer the unemployment insurance scheme which the government intends to introduce. In order to further improve the flow of information and the transparency of the labour market, the establishment of private employment agencies will be encouraged.
2. The addition of the sentence "even if you are a housewife, student or retired" to the question on employment has led to an increase in employment by 1.1 million in 1990. For details see the Household Labour Force Survey of April 1991, p. 184.

Annex III

Calendar of main economic events

1992

January

The general guidelines of the government's economic programme are announced.

Civil servants' salaries are increased by 30 per cent for the first half of 1992.

The withholding tax rate on interest earnings on short-term Treasury bills is increased from 10 to 15 per cent.

The scope of lump-sum taxation is narrowed by shifting salesmen of consumer durables to the income declaration system.

It is announced by the Central Bank that the average maturity of government securities held in commercial banks' liquidity requirement must not be less than 210 days.

February

The surcharge on gasoline earmarked for the Support and Price Stabilisation Fund is raised from 10 to 41.25 per cent and the share allocated to the budget is increased from 24 to 40 per cent.

The 1992 export regime is announced. Under the new regime, the Under-Secretariat of the Treasury and Foreign Trade is authorised to regulate the trade with former USSR republics. Exports will be encouraged at the level of production. The Eximbank will provide new export financing facilities to replace direct subsidies, which have been suspended. For that purpose, 50 per cent of the revenues of the Support and Price Stability Fund will be transferred to the Eximbank. Domestic sales to export goods-producing industries will also be considered as exports and will benefit from the incentive scheme provided for exports.

Surcharges and customs duties on several imports are increased.

Customs duties on several items imported from EC countries are lowered by 10 per cent.

March

The Tax Amnesty Law is approved by Parliament. Under the provisions of this new law, taxpayers are allowed to pay the principal tax obligation and only 30 per cent of fees and interest due in four equal instalments in 1992. If total payments exceed the initial tax liability by more than 100 per cent, this portion will be remitted. Moreover, if a taxpayer raises his tax base for pending tax payments for the years 1987 to 1990 by 40, 35, 30 and 20 per cent, respectively, a tax rate of 40 per cent will be applied for income tax and 50 per cent for corporate tax. The new law also cancels some unpaid fees and traffic penalties below TL 200 000.

April

The Capital Market Law is amended. Under the provisions of the new law the Capital Market Board is given more authority to regulate financial markets, e.g. issuing new securities, underwriting, short-selling and repo transactions. Penalties for insider trading and other offences are substantially increased. In addition to joint-stock companies, State economic enterprises (SEEs) and municipalities are also enabled to raise funds in domestic financial markets.

The minimum capital requirement for deposit banks is raised from TL 5 billion to TL 20 billion.

May

A foreign-exchange-based rediscount credit system is introduced by the Central Bank.

June

Income tax and corporation tax laws are amended. The government is authorised to raise the special tax allowance to the level of minimum wage. Investment income from new securities issued by new finance funds will be deductible from entrepreneurial income. Actual corporation tax payments, after accounting for all tax exemptions, may be no less than 23 per cent, half of the statutory rate of 46 per cent. Commercial units of social foundations are made subject to corporation tax law.

The Debt Consolidation Law is approved by Parliament. Several kinds of debt between SEEs are written off. SEEs' and agricultural co-operatives' debts to the Central Bank, the Agricultural Bank and the Treasury are taken over by the Treasury and converted to long-term debt.

July

Minimum wages in industry, agriculture and services are increased by 81 per cent to TL 1 449 000 per month.

Financial leasing rules are simplified. The ceiling on financial leasing is increased from the 15-fold to the 30-fold of company equities. Depending on the sector, the maturity of leasing contracts may be shorter than the standard maturity of four years.

Surcharges on several imported raw materials or investment goods used for manufactured export goods are abolished.

August

Subsidies on fertilisers are raised.

Cotton, hazel-nut, peanut, sunflower seed, soya-bean, pistachio-nut and raisins are included in the support-price scheme.

September

The maturity of rotating export credits by the Turkish Eximbank is extended from 90 to 120 days, and the TL 5 billion ceiling imposed for each firm is raised to TL 10 billion.

October

Exports of manufactures are granted new incentives. If the cost of energy accounts for more than 5 per cent of the total cost of production, custom duties, all fees and charges and the oil consumption tax on the fuel in the production process are exempted, and the electricity charges will be lowered by 25 per cent.

December

The 1993 Budget is approved by Parliament.

Several tax laws are amended. The decision taken in December 1991 to raise the value-added tax (VAT) rate on basic food stuff in 1993 and to lower the banking tax rate from 5 to 1 per cent is delayed again for another year. Several goods are re-defined as luxury goods and their VAT rates are raised from 12 to 20 per cent. The motor vehicle purchase tax and the annual motor vehicle taxes are increased by 60 per cent. In the context of agreements with the EC, taxes on foreign trade are unified to a single tax. Stamp duty, wharf duty and municipality fees are abolished but levies earmarked for several extra-budgetary funds (EBFs) are to continue. The corporation tax rate on income from exports of manufactured goods, fresh fruit, flower and vegetable is lowered to 5 per cent. The rate will be zero for shipment and tourism revenues in foreign currency, construction activities in foreign countries, and other income benefiting from investment allowance incentives. These new rates will be applied on the 1993 income declarations to be made in 1994. Several lumpsum-income taxes are also increased. The minimum income for small farmers who are tax-exempt is fixed at TL 60 million a year. The taxation of income from the long-term investment funds is also modified. If investment funds' holdings of stocks registered at the Istanbul stock exchange are at least 25 per cent of their portfolio, the income tax rate for individuals will be zero and for companies 10 per cent. Income tax brackets are amended to take account of inflation:

Annual income brackets		Income tax rates
Old	New	Per cent
Up to TL 20 million	Up to TL 32 million	25
TL 20 to 40 million	TL 32 to 64 million	30
TL 40 to 80 million	TL 64 to 128 million	35
TL 80 to 160 million	TL 128 to 256 million	40
TL 160 to 320 million	TL 256 to 512 million	45
TL 320 million and more	TL 512 million and more	50

The 1993 Import Regime is announced. Aiming at the harmonisation with the EC, a single-tariff system is introduced by combining several taxes on imports. However, levies for EBFs will be maintained. Some tax concessions are granted for imports from EFTA and EC countries. According to the agreement with the EC, tariffs for certain imports are lowered by 10 per cent. A special import list is established for investment goods imports with incentive certificates.

BLANK PAGE

STATISTICAL AND STRUCTURAL ANNEX

Table A. **National product**

TL billion

	1982	1983	1984	1985	1986	1987	1988	1989	1990
	Current prices								
Agriculture, forestry, fishing	1 679	2 118	3 397	4 790	6 586	9 532	16 023	25 366	45 612
Industry	2 192	3 096	5 110	8 061	11 353	16 848	29 727	47 609	73 742
Construction	357	448	697	951	1 411	2 152	3 563	6 013	10 091
Wholesale and retail trade	1 370	1 907	3 140	4 397	6 093	9 326	16 143	26 973	44 563
Transports and communications	842	1 136	1 785	2 711	3 662	5 323	9 308	15 556	25 589
Financial institutions	157	203	467	740	1 027	1 468	2 596	4 660	9 617
Ownership of dwellings	352	450	726	1 056	1 509	2 208	4 074	7 317	12 500
Private professions and services	446	598	971	1 380	1 914	2 852	4 980	8 329	13 866
Government, health, education	687	861	1 057	1 441	2 073	3 219	5 327	9 666	16 153
Gross domestic product at factor costs	8 081	10 817	17 349	25 526	35 628	52 929	91 741	151 488	251 732
Net income from abroad	115	20	163	245	82	266	–244	2 955	4 067
Indirect taxes minus subsidies	540	714	863	2 026	3 660	5 371	9 085	15 969	31 455
Gross national product at market prices	8 735	11 552	18 375	27 797	39 370	58 565	100 582	170 413	287 254
	Percentage volume change, 1968 prices								
Agriculture, forestry, fishing	6.4	–0.2	3.5	2.4	8.0	2.0	8.2	–10.9	11.6
Industry	4.8	8.0	10.1	6.2	8.8	9.5	3.2	3.1	9.0
Construction	0.8	0.8	1.5	3.0	8.8	6.7	1.9	1.2	1.2
Wholesale and retail trade	4.6	6.8	8.0	4.7	9.6	9.8	3.7	6.1	12.8
Transports and communications	2.1	3.1	7.6	4.7	4.5	6.5	3.2	2.4	2.7
Financial institutions	2.0	0.0	5.8	1.8	5.4	3.4	3.3	3.2	4.6
Ownership of dwellings	2.9	2.9	2.8	1.8	3.5	4.3	4.1	3.9	4.5
Private professions and services	4.1	3.9	5.7	5.4	8.5	7.0	4.4	0.0	9.1
Government, health, education	5.1	4.4	2.6	3.3	3.6	4.7	6.3	6.6	3.6
Gross domestic product at factor costs	4.5	3.9	6.0	4.1	7.4	6.4	4.7	0.6	8.2
Gross national product at market prices	4.5	3.3	5.9	5.1	8.1	7.5	3.6	1.9	9.2

Source: State Institute of Statistics and State Planning Organisation, *Main Economic Indicators.*

Table B. **Supply and use of resources**

Percentage volume change over previous year

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Gross national product at market prices	4.1	4.5	3.3	5.9	5.1	8.1	7.5	3.6	1.9	9.2	0.3
Foreign balance [1]	–2.5	–1.7	–1.3	–0.6	–0.7	–3.3	–1.3	–3.2	–0.6	–6.5	2.8
Total domestic demand	1.6	2.8	4.7	5.2	4.4	11.4	6.0	0.4	2.5	16.0	–2.4
Fixed capital investment	1.7	3.5	3.0	0.4	16.9	11.0	5.4	–1.3	–1.0	13.9	–0.4
Public	9.4	2.2	1.9	–4.7	23.1	7.5	–3.7	–13.7	–5.8	8.0	3.8
Private	–8.7	5.5	4.7	8.4	8.2	16.4	18.6	13.5	3.3	18.8	–3.5
Stock changes [1]	–0.8	–1.0	–0.2	–0.4	–0.6	–0.6	–0.1	–1.3	–0.2	4.1	–4.0
Consumption	0.6	3.9	4.7	6.2	1.5	10.9	6.3	2.7	4.1	11.2	2.0
Public	0.9	2.0	1.7	2.1	3.1	6.6	3.8	1.9	3.3	7.0	1.0
Private	0.6	4.2	5.0	6.8	1.3	11.5	6.6	2.8	4.2	10.4	2.1

1. Contribution to GNP growth.

Source: State Planning Organisation, *Main Economic Indicators.*

Table C. **Gross fixed investment by sector**

	1991	1984	1985	1986	1987	1988	1989	1990	1991
	Share in current prices	Percentage changes, volume							
Private sector									
Agriculture	4.3	2.1	–16.4	–12.2	20.5	–12.3	–25.7	46.1	–11.7
Mining	1.3	4.3	25.4	7.9	35.1	7.7	2.1	5.0	0.5
Manufacturing	27.7	5.9	6.1	13.9	–4.2	0.7	–4.3	63.7	–1.4
Energy [1]	1.5	12.8	–9.1	145.0	–7.2	65.8	29.4	10.9	12.6
Transports and communications	13.1	13.8	9.2	–5.9	3.9	–5.5	–0.7	55.0	3.7
Tourism	6.1	88.8	81.7	61.8	48.2	44.4	37.8	9.9	–5.0
Housing	40.7	8.8	14.9	36.7	44.6	29.2	6.3	–8.0	–8.7
Education	0.7	9.0	103.2	35.1	27.5	5.5	27.0	24.6	15.9
Health	1.3	7.0	140.2	44.5	20.0	–17.6	51.3	58.9	45.6
Other services	3.4	10.1	8.7	8.6	8.5	3.9	4.5	12.5	0.6
Total	100 (54)	8.4	8.2	16.4	18.6	13.5	3.3	18.8	–3.5
Public sector									
Agriculture	11.3	–5.0	–6.2	13.6	26.7	–3.8	6.3	–5.5	18.5
Mining	3.5	–4.1	32.0	–27.5	–44.2	–7.0	–33.2	12.6	2.3
Manufacturing	5.1	–17.1	7.3	–19.8	–40.3	–25.7	–27.6	5.8	19.7
Energy [1]	17.0	–10.6	9.1	14.2	–8.7	–2.1	4.2	–21.9	–20.0
Transports and communications	37.0	2.8	42.7	13.9	10.4	–23.4	–3.6	20.7	11.1
Tourism	1.5	45.5	27.1	141.6	–10.1	–17.6	–33.3	18.9	31.9
Housing	2.1	41.4	28.0	–9.4	–23.9	3.8	–1.9	121.5	–45.2
Education	6.5	–14.8	43.2	5.6	27.6	3.3	2.8	23.0	1.3
Health	2.5	–9.3	–1.2	15.0	26.7	4.2	16.9	38.6	–4.2
Other services	13.4	26.4	56.2	41.0	5.8	–20.9	–24.5	25.7	25.0
Total	100 (46)	–4.7	23.1	7.5	–3.7	–13.7	–5.8	8.0	3.8
Total gross fixed investment	100	0.4	16.9	11.0	5.4	–1.3	–1.0	13.9	–0.4

1. Electricity, gas and water.
Source: State Planning Organisation, *Monthly Indicators.*

Table D. **Industrial production**

Percentage changes, volume

Index 1986 = 100, value-added weighted

	1986	1987	1988	1989	1990	1991	1992 Q1	1992 Q2	1992 Q3
Total industry	11.7	10.5	1.6	3.7	9.5	2.6	10.7	5.2	3.8
Public	7.9	12.8	3.0	0.9	7.9	3.9	4.6	4.2	3.6
Private	15.1	8.7	0.5	6.0	10.6	1.6	16.2	5.9	3.9
Mining	10.5	5.1	–5.2	12.6	6.0	10.1	3.8	–2.3	–0.9
Public	11.2	7.2	–6.4	17.2	13.1	13.7	2.6	–3.8	–4.4
Private	8.9	0.2	–2.2	1.6	–13.5	–2.7	9.3	5.1	12.9
Energy	4.9	11.7	8.4	8.1	10.8	3.8	15.9	12.8	10.4
Public	4.9	11.9	8.3	10.4	11.4	5.1	13.8	8.4	9.3
Private	–	10.6	7.8	–10.3	3.8	–10.4	44.5	80.6	27.6
Manufacturing	10.9	10.7	0.9	2.1	9.5	1.8	10.2	4.4	2.8
Public	8.8	14.0	2.1	–5.5	5.5	1.5	–0.5	3.8	1.7
Private	12.2	8.9	0.4	6.6	11.6	1.9	15.5	4.4	3.3
of which:									
Foods, beverages, tobacco	–0.6	3.5	4.5	6.7	6.8	9.2	4.0	–1.0	–4.8
Public	–8.1	–1.0	3.1	2.8	3.1	11.5	1.2	–5.9	–5.7
Private	10.0	9.5	6.3	11.0	10.9	6.8	7.5	3.5	–3.9
Textile, clothing, leather	11.9	8.4	1.8	3.2	2.3	–8.6	3.4	0.4	0.9
Public	7.2	18.7	–8.5	–15.4	20.2	–24.3	–11.2	–9.6	–6.8
Private	12.5	7.0	3.5	5.5	0.4	–6.6	4.9	1.5	1.8
Forestry products	10.1	4.4	–2.8	2.0	17.4	–6.2	2.3	9.6	9.5
Public	7.4	–5.4	6.6	1.9	6.8	–6.7	2.5	1.5	2.2
Private	12.6	10.4	–7.8	2.2	23.8	–6.0	2.2	13.0	13.1
Paper and printing	6.7	14.1	–7.3	2.6	15.3	–5.9	9.4	12.9	14.6
Public	2.8	15.4	–26.6	20.5	11.0	–13.3	38.3	20.9	28.4
Private	10.5	13.7	–1.2	–1.5	16.4	–4.0	3.0	11.0	11.5
Chemicals, petroleum	12.4	15.1	2.6	0.4	3.3	–0.6	1.8	6.4	3.6
Public	13.8	24.9	6.2	–8.8	1.6	–1.1	–2.6	9.4	6.0
Private	10.7	6.0	–1.1	11.5	4.9	–0.2	6.0	3.8	1.5
Soil products	16.3	12.9	6.1	4.7	3.8	4.6	11.8	30.2	5.4
Public	18.2	14.1	–4.3	10.1	–4.2	12.9	–7.0	12.3	14.6
Private	15.7	12.7	8.0	3.9	5.2	3.3	13.7	34.0	3.7
Basic metals	18.5	12.1	–0.2	1.2	16.8	–7.8	9.2	–5.8	10.0
Public	16.7	2.9	3.0	–15.4	30.9	–7.6	1.8	–2.4	–0.9
Private	20.2	18.6	–2.1	12.0	9.9	–7.9	13.6	–5.8	16.1
Machinery and transport equipment	10.9	8.5	–6.7	–1.2	31.8	11.8	40.4	0.1	3.7
Public	13.4	8.1	–28.6	–0.6	23.2	15.2	9.7	1.7	–12.2
Private	10.6	8.5	–4.4	–1.3	32.6	11.5	43.2	0.1	5.0
Other manufacturing	n.a.	11.4	–17.4	72.9	34.3	–22.7	24.2	45.6	20.8
Public	n.a.	96.6	24.6	87.6	–17.9	44.7	174.5	302.0	–4.9
Private	n.a.	9.8	–18.9	72.1	37.3	–25.0	21.5	37.9	22.6

Source: State Institute of Statistics, *Quarterly Industrial Production Index.*

Table E. Prices[1]

Percentage change over previous year, annual averages

	Wholesale prices							Consumer prices	
	General index			Agriculture	Mining	Manufacturing industry	Energy	General	Food
	Total	Public	Private						
	Base year 1981 = 100, 1981 weights							Base year 1978-79 = 100	
Old series									
(Weights)	(100)	(28.55)	(71.45)	(30.39)	(2.98)	(64.25)	(2.38)	(100)	(45.30)
1982	27.0	28.8	26.3	24.5	49.3	26.5	45.7	34.1	29.7
1983	30.5	27.3	31.7	31.2	20.5	31.2	25.7	31.4	26.0
1984	50.3	47.7	51.4	57.5	41.2	46.5	75.3	48.4	57.1
1985	43.2	53.3	39.4	37.4	63.9	41.9	97.6	45.0	40.6
1986	29.6	27.6	30.4	25.3	13.6	32.6	35.6	34.6	30.4
1987	32.0	23.1	35.8	29.7	35.7	33.6	23.4	38.9	39.8
1988	68.3	68.9	68.1	51.0	70.0	77.8	40.2	75.4	71.1
1989	69.6	67.9	70.2	81.4	84.1	64.6	66.0	69.6	70.6
	Base year 1987 = 100, 1987 weights							Base year 1987 = 100	
New series									
(Weights)	(100)	(27.74)	(72.26)	(23.03)	(2.54)	(69.80)	(4.62)	(100)	(32.10)
1988	70.5	70.3	70.5	44.1	64.1	81.5	40.9	73.7	83.2
1989	64.0	64.2	63.9	71.7	65.0	61.6	69.2	63.2	69.3
1990	52.3	56.7	50.6	70.6	48.7	46.9	56.5	60.3	64.3
1991	55.3	61.3	53.0	50.8	63.2	55.3	75.1	66.0	66.6
1992	62.1	65.2	60.8	62.7	61.6	59.7	97.7	70.1	71.3

1. In January 1990, the State Institute of Statistics introduced new weights for both wholesale and consumer prices indices, and shifted the base year of the consumer price index from 1978-79 to 1987. In January 1991, the base year for the wholesale index is shifted from 1981 to 1987.

Source: State Institute of Statistics, *Price Indices Monthly Bulletin.*

Table F. Imports by commodities[1]

$ million

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
I. Agriculture and livestock	50	125	176	138	417	375	457	782	499	1 041	1 319	808
II. Mining and quarrying	4 006	4 098	3 961	3 864	3 908	4 186	2 440	3 400	3 204	3 387	4 795	3 945
Oil	3 862	3 878	3 749	3 665	3 637	3 612	2 008	2 956	2 777	2 950	4 324	3 410
Crude oil	2 952	3 258	3 528	3 242	3 373	3 321	1 808	2 711	2 434	2 456	3 519	2 456
Oil products	910	620	221	423	264	291	200	245	343	494	805	954
Other	144	220	212	199	271	574	432	444	427	437	471	535
III. Industrial products	3 759	4 640	4 658	5 177	6 432	7 052	8 302	10 101	10 580	11 325	16 189	16 285
Agriculture-based processed products	301	228	176	203	434	486	480	720	738	843	1 401	1 162
Industrial products	3 458	4 412	4 482	4 974	5 998	6 565	7 822	9 381	9 842	10 482	14 788	15 123
Chemicals	727	919	839	1 032	1 212	1 111	1 263	1 638	1 781	1 710	2 083	2 150
Fertiliser	395	280	51	119	128	183	159	299	203	395	369	314
Rubber and plastics	181	240	237	251	359	343	372	488	525	485	804	841
Textiles	79	78	103	98	117	146	161	204	260	297	579	557
Glass and ceramics	35	40	34	57	63	63	96	117	141	126	182	181
Iron and steel	462	605	591	675	862	1 060	1 028	1 537	1 655	2 217	1 931	2 011
Non-ferrous metals	87	141	122	195	220	224	230	418	412	421	537	451
Metal products	23	23	37	30	34	38	51	56	62	57	106	120
Machinery	843	1 223	1 309	1 432	1 618	1 551	2 304	2 454	2 400	2 188	3 754	3 756
Electrical appliances	270	336	374	398	573	664	892	940	1 075	1 028	1 570	1 858
Motor vehicles	223	356	594	478	517	812	768	550	690	795	1 603	1 558
Other industrial products	133	171	191	209	295	370	498	680	638	763	1 270	1 326
IV. Imports with waiver	94	69	49	56	–	–	–	–	–	–	–	–
Total	7 909	8 932	8 844	9 235	10 757	11 613	11 199	14 283	14 283	15 753	22 303	21 038

1. Excluding transit trade.

Source: State Institute of Statistics, *Monthly Indicators*.

Table G. **Exports by commodities**[1]

$ million

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
I. Agricultural products	1 672	2 219	2 141	1 881	1 749	1 719	1 886	1 853	2 341	2 127	2 349	2 683
Cereals	181	326	337	376	267	234	246	266	441	315	342	280
Fruits and vegetables	754	795	649	591	646	561	820	800	867	789	1 068	1 240
Industrial crops and forestry products	606	813	741	531	492	659	495	431	696	693	667	895
Live animals and sea products	131	285	414	382	343	265	325	356	337	330	272	268
II. Mining and quarrying products	191	194	175	189	240	244	247	272	377	377	331	286
III. Processed and manufactured products	1 047	2 290	3 430	3 658	5 144	5 995	5 324	8 065	8 944	9 088	10 284	10 629
Processed agricultural products	209	412	569	670	808	647	667	954	885	919	940	1 212
Manufactured products	838	1 878	2 861	2 988	4 336	5 348	4 657	7 111	8 059	8 169	9 344	9 417
Textiles and clothing	424	803	1 056	1 299	1 875	1 790	1 851	2 707	3 201	3 509	4 061	4 328
Hides and leather	50	82	111	192	401	484	345	722	514	605	748	620
Forestry	4	20	33	15	24	106	52	32	22	16	21	16
Chemicals	76	94	148	120	173	266	350	527	734	774	616	464
Rubber and plastics	16	72	60	77	97	108	141	258	352	313	236	316
Petroleum products	39	107	343	232	409	372	178	232	331	254	287	277
Glass and ceramics	36	102	104	108	146	190	158	205	233	258	329	359
Cement	40	198	207	81	56	44	27	7	7	34	77	111
Iron and steel	34	100	362	407	576	969	804	852	1 458	1 349	1 613	1 452
Non-ferrous metals	18	30	45	79	86	116	111	134	226	266	262	174
Metal products and machinery	30	85	143	122	134	450	263	788	383	219	230	265
Electrical equipment and products	11	26	75	69	100	119	130	293	294	234	438	533
Other	60	159	174	187	259	334	247	354	304	340	426	502
Total	2 910	4 703	5 746	5 728	7 133	7 958	7 457	10 190	11 662	11 627	12 959	13 598

1. Excluding transit trade.

Source: State Institute of Statistics, *Monthly Indicators.*

Table H. Geographic distribution of foreign trade[1]

$ million

	Imports (cif)						Exports (fob)					
	1987	1988	1989	1990	1991	1992 Jan.-Oct.	1987	1988	1989	1990	1991	1992 Jan.-Oct.
OECD countries	9 031	9 237	9 908	14 225	14 055	12 360	6 444	6 707	7 184	8 810	8 856	7 691
EEC countries	5 668	5 894	6 059	9 332	9 221	7 969	4 867	5 098	5 416	6 893	7 042	6 302
of which:												
France	609	829	748	1 341	1 227	1 067	500	499	598	737	688	654
Germany	2 110	2 054	2 205	3 500	3 231	2 946	2 184	2 149	2 177	3 064	3 413	3 022
Italy	1 076	1 006	1 070	1 727	1 845	1 515	851	955	978	1 106	972	807
United Kingdom	697	739	728	1 014	1 166	971	541	576	616	745	676	659
Other OECD countries	3 363	3 343	3 849	4 893	4 834	4 391	1 577	1 609	1 768	1 917	1 814	1 389
of which:												
Japan	666	555	530	1 119	1 092	847	150	209	233	239	226	130
Switzerland	365	344	412	537	489	582	356	265	175	293	246	190
United States	1 363	1 520	2 088	2 283	2 241	2 176	713	761	970	968	913	694
Eastern European countries	969	1 102	1 493	2 256	2 066	1 677	334	609	1 029	987	1 262	1 045
Middle East and North Africa	3 152	2 935	2 927	3 939	3 188	2 729	3 084	3 530	2 876	2 498	2 729	2 249
of which:												
Iran	947	660	233	578	68	283	440	546	561	496	487	375
Iraq	1 154	1 441	1 650	1 047	0	1	945	986	446	214	122	100
Kuwait	75	89	81	54	0	23	248	199	168	92	16	34
Libya	305	79	286	487	281	367	141	218	227	220	237	224
Saudi Arabia	168	229	212	724	1 829	1 345	408	359	365	338	475	382
Other countries	1 131	1 100	1 435	1 886	1 729	1 422	328	816	539	665	750	987
Total	14 283	14 374	15 763	22 306	21 038	18 188	10 190	11 662	11 628	12 960	13 597	11 972

1. Excluding transit trade and non-monetary gold imports.

Source: State Institute of Statistics, *Monthly Indicators.*

Table I. **Balance of payments** [1]

$ million

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Current account											
Exports, fob	4 703	5 890	5 905	7 389	8 255	7 583	10 322	11 929	11 780	13 026	13 672
Imports, fob	–8 567	–8 518	–8 895	–10 331	–11 230	–10 664	–13 551	–13 706	–15 999	–22 581	–20 998
Trade balance	–3 864	–2 628	–2 990	–2 942	–2 975	–3 081	–3 229	–1 777	–4 219	–9 555	–7 326
Services and income, credit	1 316	2 038	2 041	2 366	3 162	3 338	4 195	6 026	7 098	8 933	9 315
Tourism	380	373	420	548	1 094	950	1 476	2 355	2 557	3 225	2 654
Interest	0	110	81	146	544	642	680	748	1 266	1 658	1 635
Other	936	1 555	1 540	1 672	1 524	1 746	2 039	2 923	3 275	4 050	5 026
Services and income, debit	–1 946	–2 639	–2 734	–2 945	–3 184	–3 646	–4 162	–4 812	–5 476	–6 496	–6 816
Tourism	–103	–149	–128	–277	–324	–313	–448	–358	–565	–520	–592
Interest	–1 443	–1 565	–1 511	–1 586	–1 753	–2 134	–2 387	–2 799	–2 907	–3 264	–3 430
Other	–400	–925	–1 095	–1 082	–1 107	–1 199	–1 327	–1 655	–2 004	–2 712	–2 794
Private transfers, net	2 559	2 189	1 549	1 885	1 762	1 703	2 066	1 827	3 135	3 349	2 854
Workers' remittances	2 490	2 140	1 513	1 807	1 714	1 634	2 021	1 776	3 040	3 246	2 819
Other	69	49	36	78	48	69	45	51	95	103	35
Official transfers, net	–1	88	211	197	222	221	324	332	423	1 144	2 245
Invisibles balance	1 928	1 676	1 067	1 503	1 962	1 616	2 423	3 373	5 180	6 930	7 598
Current balance	–1 936	–952	–1 923	–1 439	–1 013	–1 465	–806	1 596	961	–2 625	272
Capital account											
Direct investment	95	55	46	113	99	125	106	354	663	700	783
Portfolio investment	0	0	0	0	0	146	282	1 178	1 586	547	648
Credit utilisation	2 287	2 632	2 438	2 953	2 185	2 552	3 385	3 124	2 620	3 679	3 784
Debt repayments	–1 289	–1 603	–2 136	–1 907	–2 208	–2 173	–2 687	–3 927	–4 023	–3 938	–4 095
Dresdner Bank scheme, net	0	0	358	568	186	662	755	594	518	49	–497
Capital balance	1 093	1 084	706	1 727	262	1 312	1 841	1 323	1 364	1 037	623
Basic balance	–843	132	–1 217	288	–751	–153	1 035	2 919	2 325	–1 588	895
Short-term capital	121	98	798	–652	1 479	812	50	–2 281	–584	3 000	–3 020
Assets	360	–181	177	–1 625	127	–313	–945	–1 428	371	–409	–2 563
Liabilities	–239	279	621	973	1 352	1 125	995	–853	–955	3 409	–457
Errors and omissions	649	–75	409	469	–837	–118	–506	515	971	–468	926
Counterpart items	68	13	161	–171	233	249	390	–263	50	364	170
Overall balance	–5	168	151	–66	124	790	969	890	2 762	1 308	–1 029
Change in official reserves	5	–168	–152	66	–124	–790	–969	–890	–2 762	–1 308	1 029
IMF	268	133	77	–138	–104	–245	–320	–469	–252	–53	0
Official reserves	–263	–301	–229	204	–20	–545	–649	–421	–2 510	–1 255	1 029

1. The Central Bank revised balance-of-payments statistics in 1989. In the new series, interest and debt repayments and credit utilisation figures include debt relief adjustments.

Source: Central Bank of Turkey, *Quarterly Bulletin.*

Table J. **External debt of Turkey**[1]

Disbursed debt – End of period, $ milion

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992 Q2
Medium- and long-term debt	16 104	17 479	20 717	25 752	32 605	34 305	36 006	39 536	39 544	40 758
Multilateral organisations	4 916	5 020	6 309	7 839	9 802	9 192	8 740	9 564	9 684	9 630
IMF	1 572	1 426	1 326	1 085	770	299	48	0	0	0
World Bank, IDA, IFC	2 488	2 590	3 661	4 917	6 550	6 421	6 137	6 435	6 194	6 174
European Investment Bank	393	394	453	571	675	583	561	604	602	597
European Resettlement Fund	399	554	815	1 216	1 757	1 836	1 918	2 439	2 806	2 778
Islamic Development Bank	22	12	12	12	15	22	51	68	68	68
OPEC Fund	40	40	35	30	25	20	15	10	5	4
International Fund for Agricultural Development	2	4	7	8	10	11	10	8	9	9
Bilateral credits	6 560	7 242	8 122	9 646	11 680	11 382	11 431	12 984	13 658	13 993
OECD countries	5 607	5 998	6 647	8 049	10 086	10 038	9 992	11 652	12 287	12 639
OPEC countries	535	761	915	1 013	1 066	886	697	564	426	402
Other countries	418	483	560	584	528	458	742	768	945	952
Commercial banks	3 262	3 541	4 159	4 969	6 391	8 891	10 269	10 721	10 478	11 299
Private lenders	1 366	1 676	2 127	3 298	4 732	4 840	5 566	6 267	5 724	5 836
Dresdner Bank scheme	758	1 326	1 858	3 069	4 569	4 723	5 500	6 255	5 700	5 826
Short-term debt	2 281	3 180	4 759	6 349	7 623	6 417	5 745	9 500	9 117	10 203
Commercial banks	486	1 006	1 495	2 673	3 725	2 950	1 841	3 845	4 144	4 383
Private lenders	1 795	2 174	3 264	3 676	3 898	3 467	3 904	5 655	4 973	5 820
Foreign exchange deposits	576	996	1 562	1986	2 619	2 433	2 795	3 976	2 983	2 912
Total debt	18 385	20 659	25 476	32 101	40 228	40 722	41 751	49 036	48 661	50 961
Memorandum items (per cent)										
Total debt/GNP	35.6	41.0	47.5	54.7	59.0	57.5	52.0	44.5	44.6	..
Medium- and long-term debt/GNP	31.2	34.7	38.6	43.8	47.8	48.4	44.8	36.9	36.2	..
Short-term debt/GNP	4.4	6.3	8.9	10.9	11.2	9.1	7.2	8.6	8.4	..
Short-term debt/total debt	12.4	15.4	18.7	19.8	18.9	15.8	13.7	19.4	18.7	..
Total debt/exports of goods and services	196.9	177.2	193.2	255.8	243.5	207.6	186.3	185.3	173.1	..
Total debt by borrower										
General government	54.6	53.3	50.4	51.3	52.3	56.8	57.3	52.2	54.6	53.5
SEEs	8.7	6.9	8.3	9.2	9.2	9.8	9.9	12.6	9.8	9.4
Central Bank	28.5	27.3	26.4	23.7	23.9	20.6	18.9	16.6	14.5	13.7
Private sector	8.2	12.5	14.9	15.8	14.6	12.8	13.9	18.6	21.1	23.4

1. The Turkish authorities have recently issued a new series of external debt statistics, starting from 1984. Revised series reflect the adjustment for valuation changes in World Bank loans arising from the World Bank's currency pool system and the reclassification of the Dresdner Bank accounts according to maturities. Foreign Military Sales (FMS) refinancing credits are also included. In 1988, $1503 million and in 1989, $403 million FMS loans were rescheduled by a group of US bank under US Treasury guarantee. Other military debt is excluded.

Source: Data provided by the Under-Secretariat of the Treasury and the Foreign Trade, and Central Bank of Turkey.

Table K. **Money and banking**

TL billion, end of period

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Money supply[1]										
M1	1 407.0	2 083.9	2 447.6	3 420.0	5 357.5	8 682.3	11 311.5	19 560.1	31 398.7	46 793.9
Notes and coins	411.9	547.5	735.5	1 011.4	1 415.2	2 274.7	3 425.6	6 840.6	11 377.5	17 448.8
Sight deposits	991.8	1 516.9	1 680.3	2 388.7	3 926.5	6 400.8	7 873.8	12 694.0	19 993.7	29 326.3
Deposits with Central Bank	3.3	19.5	31.8	19.9	15.8	6.8	12.1	25.5	27.5	18.8
M2	2 679.0	3 477.0	5 492.7	8 539.7	12 276.4	17 702.0	27 195.2	47 142.1	71 571.2	117 120.0
Time deposits	1 272.0	1 393.1	3 045.1	5 119.7	6 918.9	9 019.7	15 883.7	27 582.0	40 172.5	70 326.1
M4	3 174.2	3 978.6	5 933.1	9 185.1	13 111.2	19 050.3	29 465.3	49 741.0	76 129.2	123 150.7
Central Bank										
Deposits, total[2]	866.4	993.0	1 278.8	1 630.4	1 760.3	10 836.1	20 714.3	30 852.9	42 173.2	63 046.5
Public sector	303.7	209.6	68.9	139.1	116.1	610.9	1 256.8	1 829.9	4 548.5	5 239.7
Banks	462.2	645.5	1 061.9	1 455.8	1 605.1	3 920.2	7 468.0	12 118.0	14 315.0	19 744.0
IMF and counterpart of aid	97.8	134.5	113.6	0.9	0.8	1.1	4.6	3.2	3.7	6.1
Other	2.7	3.4	34.4	34.6	38.3	6 303.9	11 984.9	16 901.8	23 306.0	38 056.7
Credits, total	910.5	1 234.1	880.0	1 299.6	1 828.0	3 438.6	5 142.3	6 699.1	8 294.4	22 976.1
Treasury	266.2	338.6	528.4	794.5	1 051.5	1 406.6	2 081.9	2 564.6	2 900.9	13 589.4
State Economic Enterprises	256.4	250.5	36.9	122.4	213.3	763.3	1 082.1	1 321.9	1 565.0	5 436.4
Deposit money banks	301.3	541.5	242.5	290.9	424.2	989.0	1 351.3	2 050.8	3 081.8	3 395.2
Agricultural co-operatives	42.6	61.7	35.7	42.1	55.0	134.7	148.8	148.8	0.0	0.0
Other	44.0	41.8	36.5	49.7	84.0	145.0	478.2	613.0	746.7	555.1
Deposit money banks										
Deposits, total[2]	2 357.6	3 083.1	4 980.8	7 998.9	11 533.8	16 440.8	25 238.9	41 967.7	63 678.0	102 789.1
Public	93.7	173.1	255.4	490.5	688.4	1 020.3	2 977.5	4 163.2	7 740.9	9 062.6
Private	2 263.9	2 910.0	4 725.4	7 508.4	10 845.4	15 420.5	22 261.4	37 804.5	55 937.1	93 726.5
Lending, total	1 800.5	2 417.5	3 149.3	5 567.9	10 052.7	16 033.6	22 771.1	37 049.5	65 648.2	102 239.5
Public	167.1	216.3	220.8	691.2	1 572.2	2 916.8	4 201.0	5 618.5	9 890.1	14 057.6
Private	1 633.4	2 201.2	2 928.5	4 876.7	8 480.5	13 116.8	18 570.1	31 431.0	55 758.1	88 181.9
Investment and development banks										
Lending, total	345.4	428.2	535.0	646.0	1 047.4	1 465.3	2 734.4	4 597.3	6 974.5	15 423.6
Public	239.5	281.9	299.3	330.7	511.7	609.0	1 065.1	2 057.4	757.6	1 852.4
Private	105.9	146.3	235.7	315.3	535.7	856.3	1 669.3	2 539.9	6 216.9	13 571.2
Total bank lending (net of Central Bank advances to the banks)	2 668.6	3 426.4	4 231.8	7 114.8	12 354.8	19 659.6	28 668.0	43 942.8	75 301.4	131 839.0
Public	929.3	1 087.3	1 067.7	1 938.8	3 348.7	5 695.8	8 430.1	10 276.4	15 759.4	33 204.0
Private	1 739.3	2 339.1	3 164.1	5 176.0	9 006.1	13 963.8	20 237.9	33 666.4	59 542.0	98 635.0

1. Following the reclassification of official and other deposits, the Central Bank revised M1 and M2 series from 1979 onwards.
2. Starting from 1987, foreign exchange deposits are included.

Source: Central Bank of Turkey, *Quarterly Bulletin.*

Table L. **Public sector borrowing**

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Public sector deficit (TL billion)	–374	–687	–1 194	–1 267	–1 869	–4 563	–6 235	–12 184	–30 085	–65 372
General government	–168	–385	–773	–397	–549	–2 093	–3 430	–7 764	–15 117	–45 429
State economic enterprises (SEEs)	–206	–302	–421	–870	–1 320	–2 470	–2 805	–4 420	–14 968	–19 943
Public sector deficit/GNP	–4.3	–6.0	–6.5	–4.6	–4.7	–7.8	–6.2	–7.1	–10.5	–14.4
General government	–1.9	–3.3	–4.2	–1.5	–1.3	–3.6	–3.4	–4.5	–5.3	–10.0
Central government	–1.8	–2.7	–5.3	–2.9	–3.6	–4.5	–4.0	–4.5	–4.2	–7.4
Local administrations	0.1	0.0	0.1	0.1	0.3	–0.6	–0.5	–0.2	–0.3	–0.6
Revolving funds	–0.2	–0.6	0.0	0.5	0.4	0.8	0.3	0.5	0.4	–0.2
Extra-budgetary funds [1]	-	-	1.0	0.8	2.2	0.7	0.7	–0.3	–1.2	–1.8
SEEs	–2.4	–2.7	–2.3	–3.1	–3.4	–4.2	–2.8	–2.6	–5.2	–4.4
Sources of financing (per cent of total)										
Central Bank	8.7	10.5	11.2	27.3	14.1	20.4	15.8	3.7	1.1	16.4
Foreign borrowing, net	56.1	16.6	54.1	1.7	58.0	44.2	43.3	15.5	11.9	3.8
Domestic borrowing, net [2]	35.2	72.9	34.5	71.0	27.9	35.4	40.9	80.8	87.0	79.8
Memorandum items										
Public debt/GNP										
General government	27.9	43.8	47.3	49.9	55.5	61.9	61.6	53.7	43.5	43.7
Domestic	12.3	27.5	25.3	25.6	27.0	31.0	29.7	25.3	20.2	20.0
Foreign	15.6	16.3	22.0	24.3	28.5	30.9	31.9	28.4	23.3	23.7
SEEs										
Domestic	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Foreign	3.3	3.1	3.0	3.9	5.6	6.4	5.6	5.1	4.4	4.5
General government primary deficit/GNP	–0.6	–0.7	–2.3	0.4	1.6	0.7	3.0	0.9	0.1	–4.3

1. Including State economic enterprises in the process of privatisation.
2. Including short-term borrowing.
Source: Data provided by the State Planning Organisation, and OECD estimates.

Table M. **Central government budget**

TL billion

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Revenues	1 445	2 300	2 805	4 515	6 754	10 089	17 016	30 379	55 239	96 744
Tax revenues	1 305	1 935	2 372	3 829	5 972	9 051	14 232	25 550	45 400	78 644
Non-tax revenues	140	366	433	685	782	1 038	2 784	4 829	9 839	18 100
Expenditures	1 602	2 613	3 784	5 313	8 165	12 696	21 006	38 051	67 194	130 263
Current expenditures	721	1 068	1 490	2 095	3 051	4 537	7 444	16 607	33 381	60 403
Personnel	443	670	896	1 275	1 840	2 996	5 053	12 539	26 465	49 291
Investment	333	473	691	1 030	1 624	2 296	3 141	5 067	8 902	17 146
Transfers	548	1 071	1 603	2 188	3 490	5 864	10 421	16 378	24 911	52 714
of which: SEEs	224	302	275	181	138	445	1 014	1 214	1 252	12 191
Interest payment	87	211	441	675	1 331	2 266	4 978	8 260	13 966	24 073
Budget balance	–157	–313	–979	–798	–1 412	–2 607	–3 990	–7 673	–11 955	–33 519
Deferred payments	93	159	73	62	227	910	36	38	1 161	3 556
Advance payments	–102	–28	–120	–178	–424	–878	–117	–677	–1 561	–3 465
Cash balance	–166	–182	–1 026	–915	–1 609	–2 575	–4 071	–8 312	–12 355	–33 428
Borrowing	96	259	764	863	2 027	2 976	6 478	12 571	18 012	22 399
Domestic	54	199	195	670	1 269	2 045	3 816	8 983	12 523	11 510
Foreign	42	60	569	193	758	931	2 662	3 588	5 489	10 889
Repayments	–88	–180	–294	–592	–1 557	–2 346	–3 738	–6 798	–10 029	–18 199
Domestic	–34	–30	–58	–172	–793	–1 150	–1 383	–3 001	–4 581	–9 231
Foreign	–54	–150	–236	–420	–764	–1 197	–2 355	–3 797	–5 448	–8 968
Short-term borrowing (net)	97	–24	473	498	925	1 268	1 064	1 452	2 263	23 508
Central Bank	32	72	190	266	257	355	675	457	331	10 719
Treasury bills	65	–96	284	232	668	913	389	995	1 932	12 789
Other borrowing [1]	61	127	82	147	214	677	266	1 086	2 109	5 718

1. Including errors and omissions and change in cash/bank.

Source: Data submitted by the State Planning Organisation.

Table N. **Central government budget revenues**

New classification[1], TL billion

	1984	1985	1986	1987	1988	1989	1990	1991
Taxes on income	1 341	1 772	3 053	4 425	6 919	13 469	23 246	40 418
Personal income tax	1 069	1 324	2 104	3 093	4 801	9 871	18 609	33 355
Corporate income tax	272	448	949	1 332	2 118	3 598	4 637	7 063
Taxes on wealth	41	54	53	68	147	177	411	676
Real estate tax[2]	26	30	–	–	–	–	–	–
Motor vehicles tax	9	17	43	51	121	134	329	539
Inheritance and gift tax	6	7	10	17	26	43	82	137
Taxes on goods and services	602	1 098	1 853	2 768	4 487	7 641	13 668	24 678
Domestic value-added tax (VAT)	174	567	1 040	1 563	2 661	4 176	7 650	14 541
Supplementary VAT (monopoly products)	172	124	178	264	288	461	373	605
Petroleum consumption tax	..	46	54	71	159	657	1 224	2 370
Motor vehicles purchase tax	14	21	43	74	127	215	585	986
Banking and insurance tax	59	58	94	155	374	643	1 164	2 119
Stamp duty	106	181	250	379	534	876	1 497	2 457
Fees	77	101	194	262	344	613	1 175	1 600
Taxes on foreign trade	370	746	993	1 777	2 672	4 245	8 057	12 864
Customs duty	148	217	286	425	589	710	1 055	1 032
Customs duty on petroleum	14	6	6	6	11	14	8	4
VAT on imports	143	384	528	1 004	1 517	2 285	4 721	8 291
Stamp duty imports	18	74	117	259	439	968	1 554	2 526
Wharf duty	41	62	54	81	114	252	685	945
Other	6	3	2	2	2	16	34	66
Abolished taxes	18	159	20	13	7	18	18	7
Total tax revenues	2 372	3 829	5 972	9 051	14 232	25 550	45 400	78 643
Non-tax regular revenues	294	359	502	809	1 273	2 439	4 267	3 926
Corporate profits and State shares	23	28	33	45	63	111	206	318
Revenues of State property[3]	19	31	69	110	245	454	1 828	869
Interests and claims	16	37	59	88	109	348	246	267
Fines	45	75	111	165	328	522	698	853
Other revenues	191	188	230	401	528	1 004	1 289	1 619
Special revenues and funds	77	125	83	19	1 187	1 835	3 274	4 796
Grants	–	99	73	15	41	115	1 635	8 434
Total non-tax revenues	371	583	658	843	2 501	4 389	9 176	17 156
Annex budget revenues	63	114	128	206	283	440	663	947
Total consolidated budget revenues	2 806	4 526	6 758	10 100	17 016	30 379	55 239	96 746

1. With the introduction of value-added tax (VAT) in January 1985, the following taxes were abolished: sales, communications and advertisement tax, production tax, production tax on petroleum and monopoly products.
2. From 1986 onwards real estate tax is collected by municipalities.
3. In 1990 and in 1991, privatisations revenues are included.

Source: Ministry of Finance and Customs.

Table O. Financial account of the State economic enterprises[1]

TL billion

	1985	1986	1987	1988	1989	1990	1991
Operating revenues	9 319	12 199	17 351	30 222	51 407	81 554	134 309
Sales of goods and services	9 297	12 122	16 893	29 663	50 609	81 005	133 013
Other sales revenues	22	77	458	559	798	549	1 296
Operating expenses	8 486	11 405	16 342	29 078	50 532	84 150	160 436
of which:							
Wages and salaries	973	1 283	2 031	3 075	7 445	16 158	35 067
Interest payments	289	527	1 103	2 252	2 781	4 569	11 327
Operating surplus	833	794	1 009	1 144	875	–2 596	–26 127
Direct tax payments	257	526	676	760	962	1 192	1 644
Income after taxes	576	268	333	384	–87	–3 788	–27 771
Other funds available	884	1 490	2 142	5 131	7 588	10 422	34 478
Depreciation	375	778	1 284	2 478	4 245	5 767	8 525
Subsidies	248	159	27	37	406	587	977
Transfers from budget	199	156	470	1 053	1 329	1 749	12 537
Provisions	33	47	87	141	249	711	1 326
Provisions for exchange rate differences	29	349	254	1 393	1 339	1 613	10 346
Dividends paid	0	0	0	–77	–163	–362	–250
Other income	0	1	20	106	183	357	1 017
Cash flow	1 460	1 758	2 475	5 515	7 501	6 634	6 707
Investment expenditures	2 319	3 105	5 057	8 221	11 695	23 362	30 292
Fixed investment	1 708	2 406	3 316	5 330	7 094	10 028	14 576
Changes in stocks	536	580	1 351	2 316	3 967	12 908	13 931
Changes in fixed assets	32	29	315	502	437	150	1 469
Equity investment	18	20	10	–4	59	80	52
Funds	25	70	65	77	138	196	264
Financing requirement	–859	–1 347	–2 582	–2 706	–4 194	–16 728	–23 585
Deferred payments	836	870	2 088	3 284	5 562	13 034	25 068
Advance payments	–844	–585	–1 993	–2 457	–3 201	–4 436	–12 398
Cash finance requirement	–867	–1 062	–2 487	–1 878	–1 833	–8 130	–10 915
Financing							
Foreign borrowing, net	429	887	1 282	1 491	1 009	2 391	–241
Loans	731	1 339	1 912	2 634	4 112	7 010	6 794
Repayments	–302	–452	–630	–1 143	–3 103	–4 619	–7 035
Domestic bank lending, net	609	674	1 374	757	2 045	5 900	11 022
Central Bank	80	6	576	308	0	0	3 829
State Investment Bank (Eximbank)	19	56	44	93	–382	142	–11
Commercial banks	510	612	754	356	2 427	5 758	7 204
Change in cash/bank	–171	–499	–169	–371	–1 221	–161	135

1. Including the State economic enterprises in the process of privatisation.
Source: Data provided by the State Planning Organisation.

Table P. **Consolidated account of extra-budgetary funds**[1]

TL billion

	1984	1985	1986	1987	1988	1989	1990	1991
Revenues	195	507	2 098	2 286	4 782	7 859	14 027	20 665
Tax revenues	75	297	1 114	1 527	3 178	5 815	11 199	15 995
Direct taxes	0	0	79	127	163	403	979	425
Indirect taxes	75	297	1 035	1 400	3 015	5 412	10 220	15 570
Non-tax revenues	120	210	984	759	1 604	2 044	2 828	4 670
Expenditures	86	294	1 247	1 855	4 035	8 752	16 450	26 610
Personnel	+	+	+	1	3	7	16	18
Other current expenditures	+	1	2	2	92	449	1 402	2 272
Fixed investment	3	139	389	489	852	2 932	5 110	8 428
Transfers	83	154	856	1 363	3 088	5 364	9 922	15 892
of which: to budget	0	0	0	0	744	893	1 937	4 600
Net lending[2]	85	172	265	495	439	613	925	1 602
Balance	24	41	586	–63	308	–1 506	–3 348	–7 545
Financing								
Foreign borrowing	0	0	0	644	305	558	126	62
Drawing	0	0	1	713	460	653	537	1 566
Repayment	0	0	–1	–69	–155	–95	–411	–1 504
Domestic borrowing, net	10	140	–225	0	–256	2 136	4 227	7 601
Change in cash/bank	–34	–181	–361	–581	–357	–1 188	–1 005	–118
Memorandum items								
Revenues/GNP	1.1	1.8	5.3	3.9	4.8	4.6	4.9	4.6
Tax revenues/GNP	0.4	1.1	2.8	2.6	3.2	3.4	3.9	3.5
Expenditures/GNP	0.5	1.1	3.2	3.1	4	5.1	5.7	5.8
Net lending/GNP	0.1	0.6	0.7	0.8	0.4	0.4	0.3	0.4
Balance/GNP	0.6	0.2	1.5	–0.1	0.8	–0.9	–1.2	–1.7
Balance, inc.[3]	–	–	–	–	0.7	–0.3	–1.2	–1.8

1. State economic enterprises listed for privatisation are not included.
2. Credits by the Housing Fund, advance payments to contractors, and net change in other receivables.
3. State economic enterprises listed for privatisation are included.

Source: State Planning Organisation.

Table Q. **Dollar exchange rate of the Turkish lira**

TL per $

7th September 1946	2.80	
23rd August 1960	9.00	
10th August 1970	14.85	
28th December 1971	14.00	
16th February 1973	13.85	
15th August 1973	14.00	
14th May 1974	13.50	
20th September 1974	13.85	
17th April 1975	14.00	
8th July 1975	14.25	
8th August 1975	14.50	
28th August 1975	14.75	
28th October 1975	15.00	
15th March 1976	15.50	
4th April 1976	16.00	
27th October 1976	16.50	
1st March 1977	17.50	
21st September 1977	19.25	
1st March 1978	25.00	
10th April 1979	26.50	(47.10)[1]
10th May 1979	26.50	(42.10)[1]
10th June 1979	47.10[2]	
25th January 1980	70.00	(55.00)[3]
2nd April 1980	73.70	(57.90)[3]
9th June 1980	78.00	(61.30)[3]
4th August 1980	80.00	(62.87)[3]
11th October 1980	82.70	(65.19)[3]
26th October 1980	84.80	(72.50)[3]
9th November 1980	87.95	(77.50)[3]
10th December 1980	89.25	(78.66)[3]
27th January 1981	91.90	(79.41)[3]
5th February 1981	95.95	(83.38)[3]
24th March 1981	95.65	(83.12)[3]
15th April 1981	98.20	
May 1981	101.92[4]	
1981	**110.16**	
Q 1	93.67	
Q 2	101.99	
Q 3	117.85	
Q 4	127.13	
1982	**160.76**	
Q 1	140.83	
Q 2	151.54	
Q 3	169.83	
Q 4	180.86	
1983	**223.80**	
Q 1	192.51	
Q 2	210.81	
Q 3	233.06	
Q 4	258.83	

1984	**364.85**
Q 1	307.41
Q 2	341.15
Q 3	385.87
Q 4	419.44
1985	**518.34**
Q 1	468.23
Q 2	516.48
Q 3	536.02
Q 4	556.51
1986	**669.03**
Q 1	598.51
Q 2	666.40
Q 3	676.87
Q 4	733.95
1987	**854.63**
Q 1	761.30
Q 2	807.90
Q 3	889.40
Q 4	960.20
1988	**1 420.76**
Q 1	1 141.23
Q 2	1 294.44
Q 3	1 499.81
Q 4	1 730.52
1989	**2 120.78**
Q 1	1 911.80
Q 2	2 192.76
Q 3	2 187.96
Q 4	2 299.26
1990	**2 607.62**
Q 1	2 386.28
Q 2	2 558.86
Q 3	2 685.18
Q 4	2 794.83
1991	**4 169.85**
Q 1	3 215.42
Q 2	3 984.94
Q 3	4 519.43
Q 4	4 959.61
1992	**6 860.59**
Q 1	5 682.68
Q 2	6 666.19
Q 3	7 096.68
Q 4	7 996.79

1. Premium rate for workers' remittances and tourism revenues.
2. For exports of traditional agricultural goods and imports of petroleum and its products and fertiliser raw materials $ parity is kept at TL 35.00.
3. For imports of fertiliser and agricultural pesticides.
4. Since 1st May 1981, the exchange rate has been adjusted on a daily basis. The figures shown are averages of the daily exchange rates.

Source: Central Bank of Turkey, *Quarterly Bulletin.*

BASIC STATISTICS:

INTERNATIONAL COMPARISONS

BASIC STATISTICS

BASIC STATISTICS: INTERNATIONAL COMPARISONS

	Units	Reference period[1]	Australia	Austria	Belgium	Canada	Denmark	Finland	France	Germany	Greece	Iceland	Ireland	Italy	Japan	Luxembourg	Netherlands	New Zealand	Norway	Portugal	Spain	Sweden	Switzerland	Turkey	United Kingdom	United States
Population																										
Total	Thousands	1990	17 085	7 718	9 967	26 620	5 141	4 986	56 420	63 232	10 140	255	3 503	57 647	123 540	382	14 951	3 379	4 241	9 859	38 959	8 559	6 796	56 473	57 411	251 523
Inhabitants per sq. km	Number	1990	2	92	327	3	119	15	103	254	77	2	50	191	327	147	366	13	13	107	77	19	165	72	235	27
Net average annual increase over previous 10 years	%	1990	1.5	0.2	0.1	1	0	0.4	0.5	0.3	0.5	1.1	0.3	0.2	0.6	0.5	0.6	0.7	0.4	0	0.4	0.3	0.6	2.4	0.2	1
Employment																										
Total civilian employment (TCE)[2]	Thousands	1990	7 850	3 412	3 726	12 572	2 638	2 457	21 732	27 946	3 677	126	1 115	21 123	62 500	189	6 268	1 472	1992	4 474	12 578	4 508	3 563	19 209	26 577	117 914
Of which : Agriculture	% of TCE		5.6	7.9	2.7	4.2	5.6	8.4	6.1	3.4	24.5	10.3	15	9	7.2	3.2	4.6	10.6	6.5	17.8	11.8	3.3	5.6	47.8	2.1	2.8
Industry	% of TCE		25.4	36.8	28.3	24.6	27.5	31	29.9	39.8	27.4	30.2	28.6	32.4	34.1	30.7	26.3	24.6	24.8	34.8	33.4	29.1	35	19.9	29	26.2
Services	% of TCE		69	55.3	69	71.2	66.9	60.6	64	56.8	48.2	59.5	56.4	58.6	58.7	66.1	69.1	64.8	68.8	47.4	54.8	67.5	59.5	32.3	68.9	70.9
Gross domestic product (GDP)																										
At current prices and current exchange rates	Bill US $	1990	294.1	157.4	192.4	570.1	129.3	137.3	1 190.8	1 488.2	66	5.9	42.5	1 090.8	2 940.4	8.7	279.1	44	105.7	59.7	491.2	228.1	224.8	108.4	975.1	5 392.2
Per capita	US $		17 215	20 391	19 303	21 418	25 150	27 527	21 105	23 536	6 505	22 907	12 131	18 921	23 801	22 895	18 676	13 020	24 924	6 085	12 609	26 652	33 085	1 896	16 985	21 449
At current prices using current PPP's[3]	Bill US $	1990	271.7	127.4	163	510.5	85.2	82.2	980.4	1 151.6	74.3	4.1	37.2	919.7	2 179.9	7.3	234.8	45.8	68	82	457.3	144.6	142.1	189.7	911.8	5 392.2
Per capita	US $		15 900	16 513	16 351	19 179	16 570	16 487	17 376	18 212	7 323	16 158	10 627	15 953	17 645	19 282	15 708	13 564	16 033	8 364	11 738	16 896	20 911	3 318	15 882	21 449
Average annual volume growth over previous 5 years	%	1990	3.1	3.1	3.2	3	1.5	3.4	2.9	3.1	1.7	2.7	4.4	3	4.6	4.3	2.7	0.4	1.6	4.6	4.5	2.1	2.8	5.9	3.2	3
Gross fixed capital formation (GFCF)	% of GDP	1990	22.9	24.3	20.3	21.4	17.7	26.3	21.2	21.2	19.7	19.4	19.1	20.2	32.2	25.3	21.5	19.8	18.8	26.4	24.6	20.7	27.1	22.7	19.2	16.1
Of which: Machinery and equipment	% of GDP		9.7	10.1	10.4	7.2	8.1	10	9.7	9.8	8.7	6.2	9.3	10	13.7	11	10.7	9.9	6.8	13.1	8.1	8.9	9.1	11.7 (87)	8.5	7.8 (89)
Residential construction	% of GDP	1990	4.8	4.6	4.3	6.8	3.7	7.1	5.2	5.6	5	4.4	4.2	5.2	6.1	5	5.1	4.8	2.8	4.5	5	5.5	17.9[9]	5.8 (87)	3.4	4.4 (89)
Average annual volume growth over previous 5 years	%	1990	2.4	4.6	9.5	5.8	0.8	4.8	5.8	5.2	2.3	2.1	4.4	4.3	9	11.7	5.1	2.7	−2.8	10.4	11.7	4.9	6	4.7	5.8	2.7
Gross saving ratio[4]	% of GDP	1990	19.7	26	21.8	17.4	18	23.1	21	25.2	13.8	16	23.4	19.3	34.6	60.9	25.4	16.1	24.1	26.6	22.1	17.3	33	22.2	15.6	14.4
General government																										
Current expenditure on goods and services	% of GDP	1990	17.3	18	14.3	19.8	25.2	21.1	18	18.4	21.2	18.8	15.7	17.3	9.1	16.3	14.8	16.7	21	16.7	15.2	27.1	13.3	19.4	19.9	18.1
Current disbursements[5]	% of GDP	1990	34.9	44.9	53.1	44	56.5	37.5	46.2	42.6	50.9	31.5	49.9 (87)	48.1	26.2	45 (86)	51.7	..	51.6	39.3	35.5 (88)	59.1	30.7	..	38.1	34.6 (89)
Current receipts	% of GDP	1990	35.1	46.7	49.5	41.6	56.1	41.2	46.5	43.4	34.7	34.9	43.7 (87)	42.1	34.6	52.9 (86)	49.5	..	56.2	37.6	36.3 (88)	63.9	34.2	..	40	31.8 (89)
Net official development assistance	Mill US $	1990	0.34	0.25	0.45	0.44	0.93	0.64	0.79	0.42	0.07	0.03	0.16	0.32	0.31	0.29	0.94	0.22	1.17	0.23	0.16	0.9	0.31	..	0.27	0.21
Indicators of living standards																										
Private consumption per capita using current PPP's[3]	US $	1990	9 441	9 154	10 119	11 323	8 639	8 602	10 482	9 841	5 298	9 824	5 886	9 866	10 122	11 017	9 241	8 475	8 174	5 278	7 326	8 748	11 933	1992	10 051	14 465
Passenger cars per 1 000 inhabitants	Number	1989	570	416	416	613	370	439	494	526	234	488 (85)	278	458	455	546	399	549	459	181	347	462	479	37	449	748
Telephones per 1 000 inhabitants	Number	1989	550 (85)	540	500 (88)	780 (88)	880 (88)	620 (85)	610 (85)	680 (88)	360 (88)	525 (83)	265 (85)	510 (88)	555 (85)	413 (85)	660 (88)	720 (88)	622 (84)	220 (88)	396 (87)	889 (83)	880 (88)	120 (88)	524 (84)	650 (84)
Television sets per 1 000 inhabitants	Number	1988	217	484 (89)	255	586	526	486	399	379	175	306	260	419	589	250	478	296	350	160	380	395	408	172	435	812
Doctors per 1 000 inhabitants	Number	1990	2.3	2.1	3.4	2.2	2.7 (87)	1.9	2.6 (89)	3 (89)	3.3 (89)	2.8 (89)	1.5 (88)	1.3 (89)	1.6 (88)	1.9 (88)	2.5	1.9 (89)	3.1	2.9	3.7 (89)	3.1 (89)	2.9 (89)	0.9	1.4 (89)	2.3
Infant mortality per 1 000 live births	Number	1990	8.2	7.8	7.9	7.2 (89)	7.5 (89)	6.1 (89)	7.2	7.5 (89)	9.1 (89)	5.9	7.6 (89)	8.5	4.6 (89)	9.9	6.9	8.3	7.9 (89)	11	7.8 (89)	5.9	7.3	6.5 (89)	7.9	9.2
Wages and prices (average annual increase over previous 5 years)																										
Wages (earnings or rates according to availability)	%	1990	5.6	5	3	4.3	6	8.2	3.7	4.2	16	..	5.6	6.1	3.7	..	1.7	8.1	8.7	..	8.2	8.2	..	..	8.5	2.6
Consumer prices	%	1990	7.9	2.2	2.1	4.5	3.9	5	3.1	1.4	17.4	20.2	3.3	5.7	1.3	1.7	0.7	9.4	6.2	11.3	6.5	6.2	2.5	53.7	5.9	4
Foreign trade																										
Exports of goods, fob*	Mill US $	1990	39 813	40 985	118 291[7]	127 334	34 988	26 583	216 157	409 620	8 014	1 589	23 796	170 330	287 358	..[8]	131 778	9 533	33 905	16 338	55 289	57 422	63 847	12 836	185 710	393 812
As % of GDP	%		13.5	26	61.5	22.3	27.1	19.4	18.2	27.5	12.2	27.1	56	15.6	9.8	..	47.2	21.7	32.1	27.4	11.3	25.2	28.4	11.8	19	7.3
Average annual increase over previous 5 years	%		11.9	19.1	17.1	7.8	15.6	14.3	16.5	17.6	11.8	14.2	18.1	16.6	10.2	..	14	10.6	11.2	23.5	18	13.7	18.4	9.9	12.9	13.1
Imports of goods, cif*	Mill US $	1990	38 907	48 914	120 330[7]	116 561	31 647	26 950	225 260	344 454	19 831	1 648	20 687	181 863	235 407	..	126 215	9 458	27 218	24 874	87 373	54 659	69 811	22 224	225 327	494 842
As % of GDP	%		13.2	31.1	62.5	20.4	24.5	19.6	18.9	23.1	30.1	28.1	48.7	16.7	8	..	45.2	21.5	25.7	41.7	17.8	24	31	20.5	23.1	9.2
Average annual increase over previous 5 years	%		11	18.6	16.5	8.8	11.8	15.3	16.8	16.9	14.1	12.7	15.7	14.8	12.6	..	14.1	9.6	11.9	26.5	24	14	17.8	14.2	15.5	7.4
Total official reserves[6]	Mill SDR's	1990	11 432	6 591	8 541[7]	12 544	7 445	6 779	25 851	47 729	2 398	307	3 672	44 232	55 179	..	12 289	2 902	10 777	10 182	36 008	12 644	20 541	4 252	25 201	50 791
As ratio of average monthly imports of goods	ratio		3.5	1.6	0.9	1.3	2.8	3	1.4	1.7	1.5	2.2	2.1	2.9	2.8	..	1.2	3.7	4.8	4.9	4.9	2.8	3.5	2.3	1.3	1.2

* At current prices and exchange rates.
1. Unless otherwise stated.
2. According to the definitions used in OECD Labour Force Statistics.
3. PPP's = Purchasing Power Parities.
4. Gross saving = Gross national disposable income minus Private and Government consumption.
5. Current disbursements = Current expenditure on goods and services plus current transfers and payments of property income.
6. Gold included in reserves is valued at 35 SDR's per ounce. End of year.
7. Including Luxembourg.
8. Included in Belgium.
9. Including non-residential construction.
10. Federal Government Statistics.

Sources: Population and Employment: OECD Labour Force Statistics.
GDP, GFCF, and General Government: OECD National Accounts, Vol. I and OECD Economic Outlook, Historical Statistics.
Indicators of living standards: Miscellaneous national publications.
Wages and Prices: OECD Main Economic Indicators.
Foreign trade: OECD Monthly Foreign Trade Statistics, series A.
Total official reserves: IMF International Financial Statistics.

August, 1992

EMPLOYMENT OPPORTUNITIES

Economics Department, OECD

The Economics Department of the OECD offers challenging and rewarding opportunities to economists interested in applied policy analysis in an international environment. The Department's concerns extend across the entire field of economic policy analysis, both macro-economic and micro-economic. Its main task is to provide, for discussion by committees of senior officials from Member countries, documents and papers dealing with current policy concerns. Within this programme of work, three major responsibilities are:

- to prepare regular surveys of the economies of individual Member countries;
- to issue full twice-yearly reviews of the economic situation and prospects of the OECD countries in the context of world economic trends;
- to analyse specific policy issues in a medium-term context for theOECD as a whole, and to a lesser extent for the non-OECD countries.

The documents prepared for these purposes, together with much of the Department's other economic work, appear in published form in the *OECD Economic Outlook, OECD Economic Surveys, OECD Economic Studies* and the Department's *Working Papers* series.

The Department maintains a world econometric model, INTERLINK, which plays an important role in the preparation of the policy analyses and twice-yearly projections. The availability of extensive cross-country data bases and good computer resources facilitates comparative empirical analysis, much of which is incorporated into the model.

The Department is made up of about 75 professional economists from a variety of backgrounds and Member countries. Most projects are carried out by small teams and last from four to eighteen months. Within the Department, ideas and points of view are widely discussed; there is a lively professional interchange, and all professional staff have the opportunity to contribute actively to the programme of work.

Skills the Economics Department is looking for:

a) Solid competence in using the tools of both micro-economic and macro-economic theory to answer policy questions. Experience indicates that this normally requires the equivalent of a PH.D. in economics or substantial relevant professional experience to compensate for a lower degree.

b) Solid knowledge of economic statistics and quantitative methods; this includes how to identify data, estimate structural relationships, apply basic techniques of time series analysis, and test hypotheses. It is essential to be able to interpret results sensibly in an economic policy context.

c) A keen interest in and knowledge of policy issues, economic developments and their political/social contexts.

d) Interest and experience in analysing questions posed by policy-makers and presenting the results to them effectively and judiciously. Thus, work experience in government agencies or policy research institutions is an advantage.

e) The ability to write clearly, effectively, and to the point. The OECD is a bilingual organisation with French and English as the official languages. Candidates must have excellent knowledge of one of these languages, and some knowledge of the other. Knowledge of other languages might also be an advantage for certain posts.

f) For some posts, expertise in a particular area may be important, but a successful candidate is expected to be able to work on a broader range of topics relevant to the work of the Department. Thus, except in rare cases, the Department does not recruit narrow specialists.

g) The Department works on a tight time schedule and strict deadlines. Moreover, much of the work in the Department is carried out in small groups of economists. Thus, the ability to work with other economists from a variety of cultural and professional backgrounds, to supervise junior staff, and to produce work on time is important.

General Information

The salary for recruits depends on educational and professional background. Positions carry a basic salary from FF 262 512 or FF 323 916 for Administrators (economists) and from FF 375 708 for Principal Administrators (senior economists). This may be supplemented by expatriation and/or family allowances, depending on nationality, residence and family situation. Initial appointments are for a fixed term of two to three years.

Vacancies are open to candidates from OECD Member countries. The Organisation seeks to maintain an appropriate balance between female and male staff and among nationals from Member countries.

For further information on employment opportunities in the Economics Department, contact:

Administrative Unit
Economics Department
OECD
2, rue André-Pascal
75775 PARIS CEDEX 16
FRANCE

Applications citing "ECSUR", together with a detailed *curriculum vitae* in English or French, should be sent to the Head of Personnel at the above address.

MAIN SALES OUTLETS OF OECD PUBLICATIONS
PRINCIPAUX POINTS DE VENTE DES PUBLICATIONS DE L'OCDE

ARGENTINA – ARGENTINE
Carlos Hirsch S.R.L.
Galería Güemes, Florida 165, 4° Piso
1333 Buenos Aires Tel. (1) 331.1787 y 331.2391
Telefax: (1) 331.1787

AUSTRALIA – AUSTRALIE
D.A. Information Services
648 Whitehorse Road, P.O.B 163
Mitcham, Victoria 3132 Tel. (03) 873.4411
Telefax: (03) 873.5679

AUSTRIA – AUTRICHE
Gerold & Co.
Graben 31
Wien I Tel. (0222) 533.50.14

BELGIUM – BELGIQUE
Jean De Lannoy
Avenue du Roi 202
B-1060 Bruxelles Tel. (02) 538.51.69/538.08.41
Telefax: (02) 538.08.41

CANADA
Renouf Publishing Company Ltd.
1294 Algoma Road
Ottawa, ON K1B 3W8 Tel. (613) 741.4333
Telefax: (613) 741.5439
Stores:
61 Sparks Street
Ottawa, ON K1P 5R1 Tel. (613) 238.8985
211 Yonge Street
Toronto, ON M5B 1M4 Tel. (416) 363.3171

Les Éditions La Liberté Inc.
3020 Chemin Sainte-Foy
Sainte-Foy, PQ G1X 3V6 Tel. (418) 658.3763
Telefax: (418) 658.3763

Federal Publications
165 University Avenue
Toronto, ON M5H 3B8 Tel. (416) 581.1552
Telefax: (416) 581.1743

Les Publications Fédérales
1185 Avenue de l'Université
Montréal, PQ H3B 3A7 Tel. (514) 954.1633
Telefax : (514) 954.1633

CHINA – CHINE
China National Publications Import
Export Corporation (CNPIEC)
16 Gongti E. Road, Chaoyang District
P.O. Box 88 or 50
Beijing 100704 PR Tel. (01) 506.6688
Telefax: (01) 506.3101

DENMARK – DANEMARK
Munksgaard Export and Subscription Service
35, Nørre Søgade, P.O. Box 2148
DK-1016 København K Tel. (33) 12.85.70
Telefax: (33) 12.93.87

FINLAND – FINLANDE
Akateeminen Kirjakauppa
Keskuskatu 1, P.O. Box 128
00100 Helsinki Tel. (358 0) 12141
Telefax: (358 0) 121.4441

FRANCE
OECD/OCDE
Mail Orders/Commandes par correspondance:
2, rue André-Pascal
75775 Paris Cedex 16 Tel. (33-1) 45.24.82.00
Telefax: (33-1) 45.24.81.76 or (33-1) 45.24.85.00
Telex: 640048 OCDE

OECD Bookshop/Librairie de l'OCDE :
33, rue Octave-Feuillet
75016 Paris Tel. (33-1) 45.24.81.67
(33-1) 45.24.81.81

Documentation Française
29, quai Voltaire
75007 Paris Tel. 40.15.70.00

Gibert Jeune (Droit-Économie)
6, place Saint-Michel
75006 Paris Tel. 43.25.91.19

Librairie du Commerce International
10, avenue d'Iéna
75016 Paris Tel. 40.73.34.60

Librairie Dunod
Université Paris-Dauphine
Place du Maréchal de Lattre de Tassigny
75016 Paris Tel. 47.27.18.56

Librairie Lavoisier
11, rue Lavoisier
75008 Paris Tel. 42.65.39.95

Librairie L.G.D.J. - Montchrestien
20, rue Soufflot
75005 Paris Tel. 46.33.89.85

Librairie des Sciences Politiques
30, rue Saint-Guillaume
75007 Paris Tel. 45.48.36.02

P.U.F.
49, boulevard Saint-Michel
75005 Paris Tel. 43.25.83.40

Librairie de l'Université
12a, rue Nazareth
13100 Aix-en-Provence Tel. (16) 42.26.18.08

Documentation Française
165, rue Garibaldi
69003 Lyon Tel. (16) 78.63.32.23

Librairie Decitre
29, place Bellecour
69002 Lyon Tel. (16) 72.40.54.54

GERMANY – ALLEMAGNE
OECD Publications and Information Centre
August-Bebel-Allee 6
D-W 5300 Bonn 2 Tel. (0228) 959.120
Telefax: (0228) 959.12.17

GREECE – GRÈCE
Librairie Kauffmann
Mavrokordatou 9
106 78 Athens Tel. 322.21.60
Telefax: 363.39.67

HONG-KONG
Swindon Book Co. Ltd.
13–15 Lock Road
Kowloon, Hong Kong Tel. 366.80.31
Telefax: 739.49.75

HUNGARY – HONGRIE
Euro Info Service
kázmér u.45
1121 Budapest Tel. (1) 182.00.44
Telefax : (1) 182.00.44

ICELAND – ISLANDE
Mál Mog Menning
Laugavegi 18, Pósthólf 392
121 Reykjavik Tel. 162.35.23

INDIA – INDE
Oxford Book and Stationery Co.
Scindia House
New Delhi 110001 Tel.(11) 331.5896/5308
Telefax: (11) 332.5993

17 Park Street
Calcutta 700016 Tel. 240832

INDONESIA – INDONÉSIE
Pdii-Lipi
P.O. Box 269/JKSMG/88
Jakarta 12790 Tel. 583467
Telex: 62 875

IRELAND – IRLANDE
TDC Publishers – Library Suppliers
12 North Frederick Street
Dublin 1 Tel. 74.48.35/74.96.77
Telefax: 74.84.16

ISRAEL
Electronic Publications only
Publications électroniques seulement
Sophist Systems Ltd.
71 Allenby Street
Tel-Aviv 65134 Tel. 3-29.00.21
Telefax: 3-29.92.39

ITALY – ITALIE
Libreria Commissionaria Sansoni
Via Duca di Calabria 1/1
50125 Firenze Tel. (055) 64.54.15
Telefax: (055) 64.12.57

Via Bartolini 29
20155 Milano Tel. (02) 36.50.83

Editrice e Libreria Herder
Piazza Montecitorio 120
00186 Roma Tel. 679.46.28
Telefax: 678.47.51

Libreria Hoepli
Via Hoepli 5
20121 Milano Tel. (02) 86.54.46
Telefax: (02) 805.28.86

Libreria Scientifica
Dott. Lucio de Biasio 'Aeiou'
Via Coronelli, 6
20146 Milano Tel. (02) 48.95.45.52
Telefax: (02) 48.95.45.48

JAPAN – JAPON
OECD Publications and Information Centre
Landic Akasaka Building
2-3-4 Akasaka, Minato-ku
Tokyo 107 Tel. (81.3) 3586.2016
Telefax: (81.3) 3584.7929

KOREA – CORÉE
Kyobo Book Centre Co. Ltd.
P.O. Box 1658, Kwang Hwa Moon
Seoul Tel. 730.78.91
Telefax: 735.00.30

MALAYSIA – MALAISIE
Co-operative Bookshop Ltd.
University of Malaya
P.O. Box 1127, Jalan Pantai Baru
59700 Kuala Lumpur
Malaysia Tel. 756.5000/756.5425
Telefax: 757.3661

MEXICO – MEXIQUE
Revistas y Periodicos Internacionales S.A. de C.V.
Florencia 57 - 1004
Mexico, D.F. 06600 Tel. 207.81.00
Telefax : 208.39.79

NETHERLANDS – PAYS-BAS
SDU Uitgeverij
Christoffel Plantijnstraat 2
Postbus 20014
2500 EA's-Gravenhage Tel. (070 3) 78.99.11
Voor bestellingen: Tel. (070 3) 78.98.80
Telefax: (070 3) 47.63.51

NEW ZEALAND
NOUVELLE-ZÉLANDE
Legislation Services
P.O. Box 12418
Thorndon, Wellington Tel. (04) 496.5652
Telefax: (04) 496.5698

NORWAY – NORVÈGE
Narvesen Info Center – NIC
Bertrand Narvesens vei 2
P.O. Box 6125 Etterstad
0602 Oslo 6 Tel. (02) 57.33.00
Telefax: (02) 68.19.01

PAKISTAN
Mirza Book Agency
65 Shahrah Quaid-E-Azam
Lahore 54000 Tel. (42) 353.601
Telefax: (42) 231.730

PHILIPPINE – PHILIPPINES
International Book Center
5th Floor, Filipinas Life Bldg.
Ayala Avenue
Metro Manila Tel. 81.96.76
Telex 23312 RHP PH

PORTUGAL
Livraria Portugal
Rua do Carmo 70-74
Apart. 2681
1117 Lisboa Codex Tel.: (01) 347.49.82/3/4/5
Telefax: (01) 347.02.64

SINGAPORE – SINGAPOUR
Information Publications Pte. Ltd.
41, Kallang Pudding, No. 04-03
Singapore 1334 Tel. 741.5166
Telefax: 742.9356

SPAIN – ESPAGNE
Mundi-Prensa Libros S.A.
Castelló 37, Apartado 1223
Madrid 28001 Tel. (91) 431.33.99
Telefax: (91) 575.39.98

Libreria Internacional AEDOS
Consejo de Ciento 391
08009 – Barcelona Tel. (93) 488.34.92
Telefax: (93) 487.76.59

Llibreria de la Generalitat
Palau Moja
Rambla dels Estudis, 118
08002 – Barcelona
(Subscripcions) Tel. (93) 318.80.12
(Publicacions) Tel. (93) 302.67.23
Telefax: (93) 412.18.54

SRI LANKA
Centre for Policy Research
c/o Colombo Agencies Ltd.
No. 300-304, Galle Road
Colombo 3 Tel. (1) 574240, 573551-2
Telefax: (1) 575394, 510711

SWEDEN – SUÈDE
Fritzes Fackboksföretaget
Box 16356
Regeringsgatan 12
103 27 Stockholm Tel. (08) 690.90.90
Telefax: (08) 20.50.21

Subscription Agency-Agence d'abonnements
Wennergren-Williams AB
P.O. Box 1305
171 25 Solna Tél. (08) 705.97.50
Téléfax : (08) 27.00.71

SWITZERLAND – SUISSE
Maditec S.A. (Books and Periodicals - Livres et périodiques)
Chemin des Palettes 4
Case postale 2066
1020 Renens 1 Tel. (021) 635.08.65
Telefax: (021) 635.07.80

Librairie Payot S.A.
4, place Pépinet
1003 Lausanne Tel. (021) 341.33.48
Telefax: (021) 341.33.45

Librairie Unilivres
6, rue de Candolle
1205 Genève Tel. (022) 320.26.23
Telefax: (022) 329.73.18

Subscription Agency - Agence d'abonnement
Dynapresse Marketing S.A.
38 avenue Vibert
1227 Carouge Tel.: (022) 308.07.89
Telefax : (022) 308.07.99

See also – Voir aussi :
OECD Publications and Information Centre
August-Bebel-Allee 6
D-W 5300 Bonn 2 (Germany) Tel. (0228) 959.120
Telefax: (0228) 959.12.17

TAIWAN – FORMOSE
Good Faith Worldwide Int'l. Co. Ltd.
9th Floor, No. 118, Sec. 2
Chung Hsiao E. Road
Taipei Tel. (02) 391.7396/391.7397
Telefax: (02) 394.9176

THAILAND – THAÏLANDE
Suksit Siam Co. Ltd.
113, 115 Fuang Nakhon Rd.
Opp. Wat Rajbopith
Bangkok 10200 Tel. (662) 251.1630
Telefax: (662) 236.7783

TURKEY – TURQUIE
Kültür Yayinlari Is-Türk Ltd. Sti.
Atatürk Bulvari No. 191/Kat 13
Kavaklidere/Ankara Tel. 428.11.40 Ext. 2458
Dolmabahce Cad. No. 29
Besiktas/Istanbul Tel. 260.71.88
Telex: 43482B

UNITED KINGDOM – ROYAUME-UNI
HMSO
Gen. enquiries Tel. (071) 873 0011
Postal orders only:
P.O. Box 276, London SW8 5DT
Personal Callers HMSO Bookshop
49 High Holborn, London WC1V 6HB
Telefax: (071) 873 8200
Branches at: Belfast, Birmingham, Bristol, Edinburgh, Manchester

UNITED STATES – ÉTATS-UNIS
OECD Publications and Information Centre
2001 L Street N.W., Suite 700
Washington, D.C. 20036-4910 Tel. (202) 785.6323
Telefax: (202) 785.0350

VENEZUELA
Libreria del Este
Avda F. Miranda 52, Aptdo. 60337
Edificio Galipán
Caracas 106 Tel. 951.1705/951.2307/951.1297
Telegram: Libreste Caracas

Subscription to OECD periodicals may also be placed through main subscription agencies.

Les abonnements aux publications périodiques de l'OCDE peuvent être souscrits auprès des principales agences d'abonnement.

Orders and inquiries from countries where Distributors have not yet been appointed should be sent to: OECD Publications Service, 2 rue André-Pascal, 75775 Paris Cedex 16, France.

Les commandes provenant de pays où l'OCDE n'a pas encore désigné de distributeur devraient être adressées à : OCDE, Service des Publications, 2, rue André-Pascal, 75775 Paris Cedex 16, France.

02-1993

PRINTED IN FRANCE

•

OECD PUBLICATIONS
2 rue André-Pascal
75775 PARIS CEDEX 16
No. 46517
(10 93 27 1) ISBN 92-64-13847-1
ISSN 0376-6438

•

OECD ECONOMIC SURVEYS

Latest Surveys Available:

AUSTRALIA, *APRIL 1992*

AUSTRIA, *APRIL 1992*

BELGIUM-LUXEMBOURG, *JULY 1992*

CANADA, *SEPTEMBER 1992*

DENMARK, *FEBRUARY 1993*

FINLAND, *AUGUST 1992*

FRANCE, *JUNE 1992*

GERMANY, *JULY 1992*

GREECE, *AUGUST 1992*

ICELAND, *JUNE 1992*

IRELAND, *MAY 1991*

ITALY, *DECEMBER 1992*

JAPAN, *NOVEMBER 1992*

NETHERLANDS, *DECEMBER 1991*

NEW ZEALAND, *JANUARY 1993*

NORWAY, *MARCH 1993*

PORTUGAL, *JANUARY 1992*

SPAIN, *MARCH 1992*

SWEDEN, *JULY 1992*

SWITZERLAND, *OCTOBER 1992*

TURKEY, *APRIL 1993*

UNITED KINGDOM, *JANUARY 1993*

UNITED STATES, *NOVEMBER 1992*

Surveys of "Partners in Transition" Countries

HUNGARY, *JULY 1991*

CZECH AND SLOVAK FEDERAL REPUBLIC, *DECEMBER 1991*

POLAND, *JULY 1992*

Non-member Country

MEXICO, *SEPTEMBER 1992*

(10 93 27 1) ISBN 92-64-13847-1
ISSN 0376-6438

Per issue: FF 80
1993 Subscription: FF 950