OECD
ECONOMIC SURVEYS

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

TURKEY

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

DECEMBER 1970

BASIC STATISTICS OF TURKEY

THE LAND

Area (1 000 km²)	781
Agricultural area (1 000 km²)	544
Forests (1 000 km²)	106
Major cities, 1970 (1 000 inhabitants) :	
Istanbul	2 248
Ankara	1 209

THE PEOPLE

Population, 1969 (1 000)	34 778
No. of inhabitants per km²	46
Net population increase :	
(annual average 1965-1970)	855
— per 1 000 inhabitants	26
Labour force, 1968 (1 000)	13 395
Agriculture, forestry, fishing	9 251
Industry	1 585
Construction	488
Services	2 071

PRODUCTION

GNP, 1969 (TL million)	117 148
per head (US dollars)	374
Gross fixed investment, average 1968-1969 (TL million)	22 432
per cent of GNP	20
per head (US dollars)	73
Origin of NDP, 1969 (per cent) :	
Agriculture, forestry, fishing	32
Industry	20
Construction	7
Services	41

THE GOVERNMENT

Public consumption, 1969 (per cent of GNP)	12
Central government current revenue, 1969 (per cent of GNP)	20
Public debt, 1969 (per cent of central government, current revenue)	133
Internal	70
External	63

LIVING STANDARDS

Calories per head, per day (1967)	3 100
Electricity production, (kwh per head) 1969	228
No. of passenger cars in use, 1969 (per 1 000 inhabitants)	5
No. of radio sets in use, 1969 (per 1 000 inhabitants)	143
No. of telephones in use, 1968 (per 1 000 inhabitants)	9
Illiteracy rate, 1966 (per cent of population aged 11 or more)	48
School attendance rates, 1968-1969 (per cent of population aged 6-18)	60
Central government expenditure on education per head, 1969 (US dollars)	12

FOREIGN TRADE

Commodity exports, 1968-1969 (per cent of GNP)	4.1
Main exports (per cent of total exports) :	
Cotton	24
Tobacco	17
Fruits and nuts	26
Livestock, fish, wool	5
Commodity imports, 1966-1967 (per cent of GNP)	6.3
Main imports (per cent of total imports) :	
Machinery and equipment, excl. transport equipment	30.5
Transport equipment	11.0
Base metals	8.9
Minerals fuels	8.0

THE CURRENCY

Monetary unit : Turkish Lira.	
Currency units per US dollar	15.00

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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The Organisation for Economic Co-operation and Development (OECD), was set up under a Convention signed in Paris on 14th December, 1960, which provides that the 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 ;*

— *to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.*

The Members of OECD are Austria, Belgium, Canada, Denmark; Finland, France, the Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

The annual review of Turkey
by the OECD Economic and Development Review
Committee took place on 12th November 1970.

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INTRODUCTION

The most outstanding feature of economic developments in Turkey during 1969-1970 was the devaluation of the Turkish Lira and the announcement of a far-reaching stabilization programme by the government in August 1970. During 1969, an election year, the economic situation had become increasingly more critical and this trend continued up to the summer of 1970, half a year after the new government had taken power, as aggregate demand outpaced supply capacities under the pressure of public authorities' deficit spending and the development of a speculative atmosphere in the private sector, which affected both consumption and investment.

Circumstances did not permit the immediate implementation after the election in November 1969 of the measures which were finally announced in August this year. The Government's energies were fully absorbed, on the economic front, by the task of getting the budget for the present fiscal year through Parliament. The budget was finally voted at the end of May but, for the first three months of the fiscal year (since 1st March 1970) only a provisional budget was in force. The Treasury continued to borrow heavily from the Central Bank as revenue receipts flagged and despite a more rigorous attempt by the authorities to check the rise in public expenditure. The budget as finally voted allowed more room than had previously been intended for higher current expenditures, especially salaries, as the need to compensate for the erosion of inflation on the pay structure in the public service became irresistible. Despite less buoyant demand conditions, the waiting period for transfers of foreign exchange in respect of import requests lengthened further as speculation that the existing parity for the Turkish lira could not be held increased. As a result, large amounts of advance and guarantee deposits required of importers were immobilised in the Central Bank, and this exercised a welcome contractionary influence on total credit availabilities. The Government was successful in securing Parliamentary approval in July for an important series of tax increases and, this indispensable prelude to the change of parity having been secured, the new programme was made public on 10th August 1970.

The following paragraphs are divided into two parts : Part One discusses economic trends up to the summer ; Part Two deals with the new measures and their first results.

PART ONE

ECONOMIC TRENDS

(a) *Supply and use of resources*

GNP in 1969 is officially estimated to have risen by 6.3 per cent, which is below the annual target of 7 per cent aimed for in the Second Five-Year Plan. The increase in available resources for domestic purposes which came to 6.1 per cent was considerably lower than last year, when it amounted to 7.5 per cent, a figure which was made possible by a large increase of net imports in 1968. The disappointing performance of agriculture was compensated in part by a better-than-average increase in the output of industry and the service sectors... Private consumption is estimated to have risen slightly less than in 1968, whereas public consumption rose considerably more. Investment trends too were mixed, with a notably smaller increase in the investment expenditures of the public sector which was compensated in part by a somewhat higher increase in private investment.

The official targets for 1970, which were prepared last Autumn, envisage a further rise of GNP of 7 per cent in volume, a pick-up in public sector investment and the maintenance of the same rate of growth of consumption expenditures as in 1969. As the declared policy during the first half of the year was one of restraint and the stabilization programme in August requires further economic vigilance, it is difficult to envisage that these targets will be achieved ; real growth is more likely to reach 5 per cent. On the agricultural front, weather conditions in some areas were not too favourable during the first half of 1970 and an average yield for most crops can be expected. As to industry, the difficulties which have been experienced for some time in procuring necessary imports have hampered production and, although several basic industry branches are reported to have sizeable production increases over the same period last year, the industrial sector as a whole will probably show a less spectacular rate of growth when the final calculations become available than in most previous years.

(i) *Agriculture*

The performance of agriculture in 1969, when the overall level of output is officially reported to have stagnated, was clearly a disappointment. The cereal crop on the Anatolian plateau suffered from spells of high winds and drought. The area sown with the new Mexican-type wheat on the coastal plains was three-quarters of a million instead of the million hectares that had been hoped for, and yields were down on those achieved in 1968. Turkey had to import 650 000 tons of wheat and the intention was to import 850 000 tons in 1970. The hopes expressed a few years ago, during a run of good harvests the country experienced in the mid-1960's, that Turkey had freed herself of the need to import cereals, have thus unfortunately not materialised.

Production trends for Turkey's main export crops during the last season were mixed. Output of cotton, tobacco and olive oil was lower. In the case of cotton, producers sowed less because other crops, notably the new high-yield wheat, offered a more attractive rate of return. Given the large unsold stocks of tobacco, the fall in production has not had serious repercussions. Hazelnuts and citrus fruits showed good results. If existing stock levels are taken into account, the 1969-1970 export season has not been hampered by problems on the supply side.

The new wheat crop is reported to fall short again of requirements, and imports may have to be even higher than the amount imported for the 1969-1970 season. But good sultana and hazelnut yields are reported. The cotton crop is said to be of above average quality ; although acreages devoted to cotton have been reduced, it is expected that production will reach last year's level. Likewise, citrus production is forecast to be around last year's outturn. Provisional estimates for 1970 forecast a decline of agricultural production by 2 per cent.

(ii) *Industry*

Preliminary national accounts data for 1969 suggest that industria output rose by little more than 9 per cent and thus slightly less rapidly than during the year before. There were substantial increases in production of electricity, cement, chemicals, tyres. textiles, and electrical appliances.

A severe bottleneck developed for supplies of iron and steel which domestic plants could not provide in sufficient quantities and emergency imports had to be arranged which somewhat alleviated the situation. In general, it seems that the most rapid increases in output last year were achieved by those branches of manufacturing industry which are the least dependent upon imported supplies.

The trend in industrial production during 1970 points towards similar developments as in the previous year. Many industries relying on imported raw materials and parts were hampered by slow importing procedures. As this obstacle has now been removed, it may be expected that there will be an upsurge of activities in these sectors as supplies become more plentiful. However, for most industries the new measures will come too late to have any sizeable effect on this year's output and the increase in total industrial production during 1970 will be considerably less than the target figure of 11.8 per cent.

(iii) *Investment*

Total fixed investment in 1969 is provisionally reported to have risen by 11 per cent, nearly 14 per cent in the private sector and 9 per cent in the public sector (Table 1).

The rise reported for private sector investments is noticeably more rapid than during the previous two years. This situation is quite comprehensible given the various incentive schemes to encourage businessmen to invest, which have been a feature of government policy in recent years and which have been described in previous Surveys by the OECD[1]. A new element in the situation is the decision of the Constitutional Court dated November 1969 to abrogate the sections of the plan implementation law passed in 1967 under which investment incentives on a generous scale were being offered. This decision has certainly had an unsettling effect upon businessmen. So much so that, together with the more restrictive policy towards imports of capital goods by the private sector, which is described later, it is rather unlikely that the expected buoyancy in private investment activity, which was expected when the 1970 Annual Programme was drawn up, has materialised. New legislation intended to re-establish the investment incentives lost will be submitted to Parliament in the near future.

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1 See in the OECD Economic Surveys: Turkey, August 1969.

Table 1. Supply and Use of Resources

	1969 TL billion 1965 prices	1966	1967	1968	1969	1970 Annual Progr.	1970 Estim. Actual
		Percentage volume change from previous year					
Output :							
Agriculture, forestry and fishing	26.4	11.4	0.9	1.9	-0.1	3.9	-2.0
Industry	17.2	10.6	12.3	10.0	9.4	11.8	5.7
Construction	5.4	12.8	7.0	10.3	8.8	7.1	8.2
Transport and communications	5.8	7.5	7.0	8.0	8.8	7.0	6.7
Housing	3.2	8.5	9.0	9.2	9.1	5.9	9.1
Commerce	8.4	8.7	8.0	8.3	7.4	—	7.8
Other	16.2	10.9	5.3	8.6	8.6	6.0	
Domestic income (at factor cost)	83.1	10.7	5.7	6.6	5.8	6.8	4.3
GNP (market prices)	97.1	10.3	6.1	6.7	6.3	7.0	4.8
Expenditure on GNP (at market prices)							
Public consumption	12.2	17.4	6.8	8.6	9.8	8.5	11.7
Public gross fixed investment	10.6	19.7	9.6	19.1	9.1	11.0	4.4
Private gross fixed investment	9.0	22.2	10.7	11.4	13.7	14.3	7.9
Stock changes	1.3	—	—	0.0	-30.7	4.3	-5.9
Private consumption	65.9	4.3	4.2	5.8	5.2	5.2	4.4
Total Expenditure	99.0	11.2	5.5	7.5	6.1	7.0	5.4
Less							
Net imports of goods and services	1.9	1.8*	1.2*	2.2*	2.0*	1.5*	2.7*
Gross National Product (at market prices)	97.1	10.3	6.1	6.7	6.3	7.0	4.8

* As a percentage of GNP.

Source : State Planning Organisation, Ankara.

As to the public sector, the 1970 Annual Programme has looked forward to quite an acceleration with gross fixed investment growing by 11 per cent. This must now be considered to have been written off. Due to the tight budget situation caused in part by a fall in tax revenue from import and connected duties, the disbursement of funds from the Treasury has been delayed and the new stabilization programme will continue to cut back or delay public investment expenditure. Provisional estimates now put public gross fixed investment at between 4 and 5 per cent.

It is nevertheless the hope that a number of important investment projects will either begin this year, or will enter into an active stage of implementation. Special stress is being given to the energy sector. It is hoped that the Cukorova and Hopa thermal power stations and the Harsit and Kovada hydroelectric plants will begin functioning this'year. Work on a number of dams—including the largest at Keban—will continue. The third steel plant is also to be situated at Iskenderun with the financial assistance of the Soviet Union. In the manufacturing sector, the large paper plant being built at Dalaman has become operative, as well as other paper plants at Caycuma and Aksu. The cement factories at Erzurum and Ankara will be completed in 1970. Three very large continuing projects in the industrial sector are the Black Sea copper project, the Izmir refinery and the aluminium complex. A large new project started this year is the bridge over the Bosphorus at Istanbul.

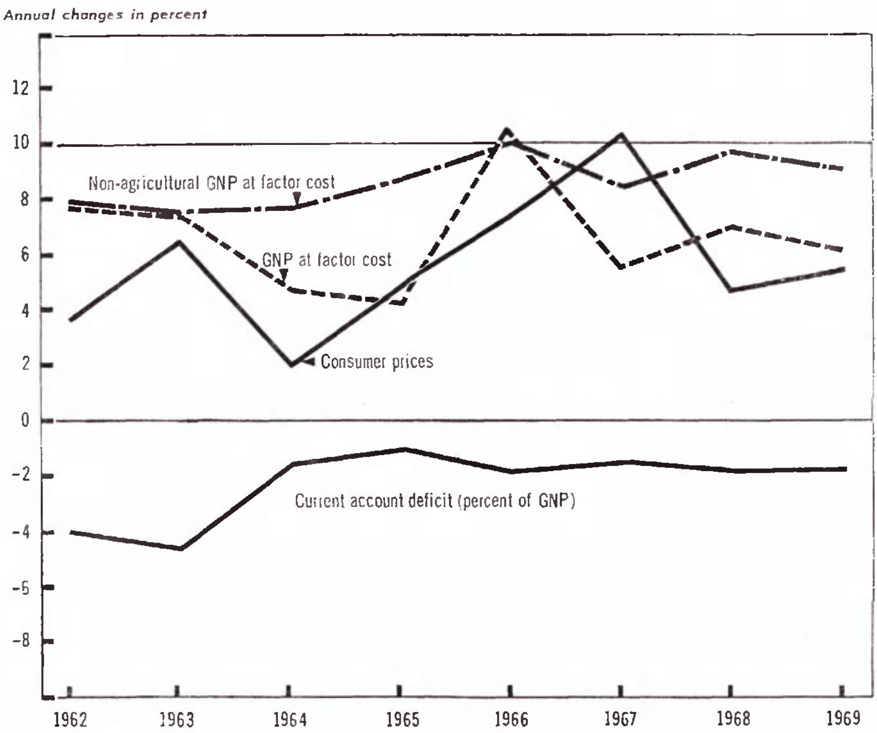
In the agricultural sector—in addition to the dams already mentioned, and which contribute to agricultural development by providing water for irrigation—mention should be made of projects to develop exporting of fresh fruit and vegetables and to expand cattle raising for production of meat. The production of fertilizer has lagged behind the growth in its use and the difference has had to be made up by large recourse to imports. A number of new fertilizer plants—Samsun, Elazig—will start production this year and a big project for producing fertilizer from oil will be put in hand, with the aid of finance from Kuwait, at Mersin. The two regional projects at Dilek and Side on the Aegean coast are particularly important because of their potential contribution to earnings of foreign exchange from tourism.

Practically every one of the above-mentioned investment projects, and many more beside, are being implemented either wholly or in part with funds lent from abroad on concessional terms. All in all, some 15 per cent of gross fixed investments in productive non-service sectors of the economy were financed in this way in 1969.

(iv) *Consumption expenditure*

Private and public consumption exerted strong pressures on the capacity of the Turkish economy during the period under review. In 1969 private consumption in real terms rose by more than 5 per cent for the second year in succession, due to strongly expanding incomes in the farming community and for urban labourers. The increase in agricultural incomes must be considered to have been one of the main forces behind the inflationary expansion of private demand ; whereas net production in this sector is reported to have not grown at all, total nominal income accruing to agriculture is estimated to have risen by 6.0 per cent. Consumer demand was probably also stimulated by a very substantial increase in workers' remittances from abroad which rose by $ 33.3 million. The trend underlying the development of private consumption is continuing during 1970. Industrial wages and salaries continue to rise and the government has announced that civil service salaries, which are particularly low, will be increased substantially during the current year. Workers' remittances are also increasing strongly ; compared with the first ten months of 1969, transfers from Turkish workers abroad from January to October were almost 90 per cent higher, and are expected to amount to more than $ 220 million for the year as a whole. Public consumption at constant prices rose by 10 per cent in 1969 and was thus higher than the plan target. For 1970, the anticipated increase of public consumption had been set at 8.5 per cent. Current expenditures under the consolidated budget accounts during the first seven months of the fiscal year were no higher than last year ; however, among other things payments of higher wages and salaries are expected to put the annual increase of public consumption at somewhat more than 11 per cent.

Diagram 1 Economic Growth



Source : Turkish Memorandum.

(b) *Prices and incomes*

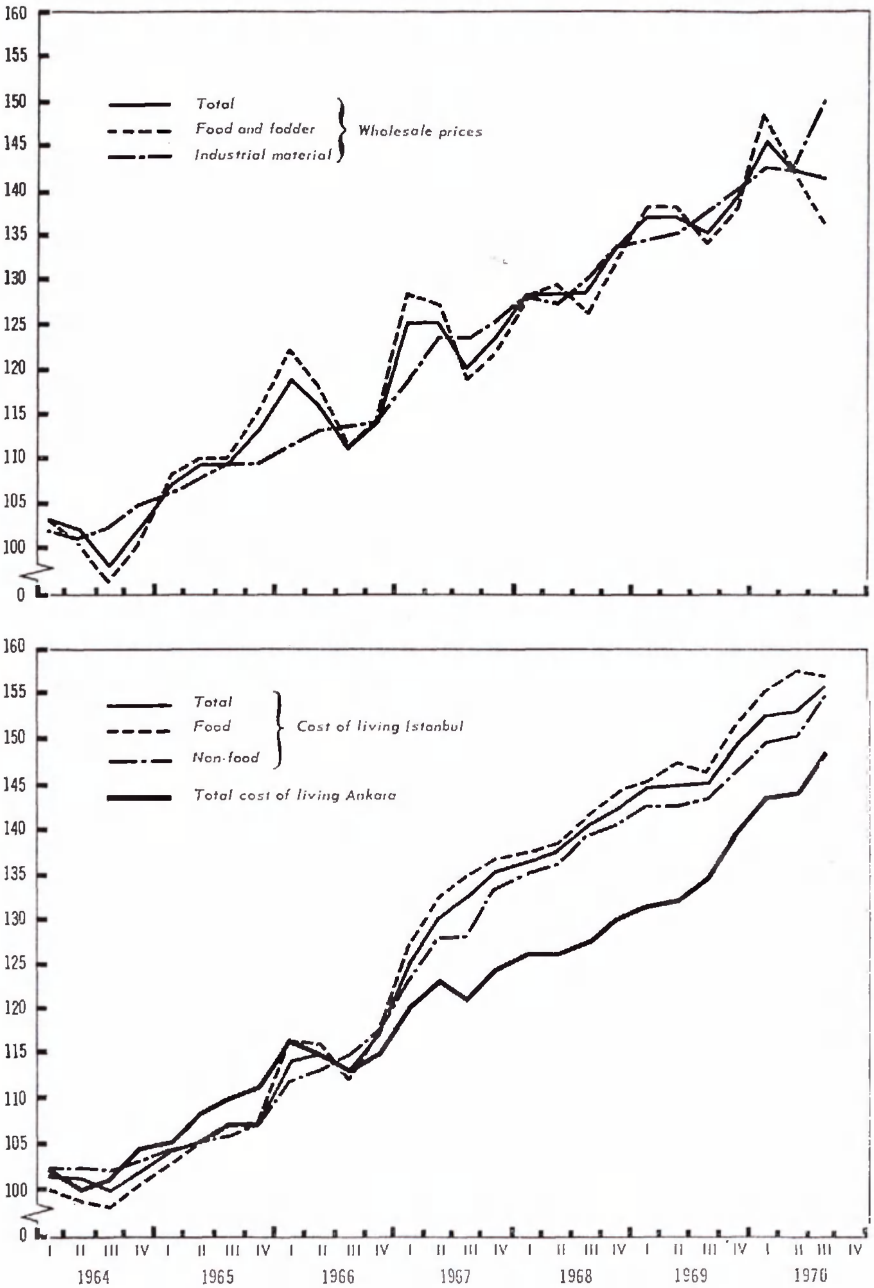
In 1969, there was a decided acceleration in the rise in prices. Speculative influences played a part, as did the rather average harvests ; but, in the main, the pressure on prices translated a state of excess demand stemming from a growing deficit in the accounts of the public sector and a too rapid growth of commercial bank credit. For the year as a whole, the average rise in wholesale prices was 6 per cent compared with 4.6 per cent in 1968. The increases in each of the two components—food and fodder and industrial products and raw materials—were 6.5 per cent and 5.2 per cent respectively. As the coverage of this index leaves something to be desired—for example, it includes hardly any finished products—movements in it cannot be taken as a reliable guide to the general trend in prices. A better indicator from this point of view is the implicit price deflator used for calculating GNP at constant prices. This shows a rise of just over 6 per cent in 1969, or almost twice the rise that took place the year before. Turning to the cost of living, the story is similar with increases of 5.6 and 4.8 per cent respectively last year in the two main cities, Ankara and Istanbul. Inflation continued during the first six months of the current year ; the cost of living index for Ankara was 10.1 per cent higher compared with the same period last year, and for Istanbul 6.9 per cent. Wholesale prices did not quite follow this trend ; they have remained almost stagnant since the beginning of the year and showed a slight decline in July. It remains to be seen whether the cost of living from now on will increase at a slower rate. The effect of the devaluation has to work itself out yet, and is likely to add 10 per cent or so to the index.

Table 2 Prices

	Annual averages Percentage changes					Jan.-June, (av.) % changes	
	1965	1966	1967	1968	1969	1969-68	1970-69
Wholesale prices:							
General index	8.1	4.8	7.6	4.6	6.0	6.7	5.7
Food	10.1	5.4	6.6	3.8	6.5	7.3	5.6
Industrial raw materials	5.0	4.1	9.0	6.0	5.2	5.7	5.8
Cost of living:							
Ankara (total)	6.8	5.3	6.4	4.1	5.6	4.4	10.1
of which: food prices		4.3	7.5	4.9	4.5	4.1	9.5
Istanbul (total)	4.6	8.7	14.0	6.2	4.8	5.4	6.9
of which: food prices		9.0	15.3	5.1	5.6	6.4	7.0
Implicit price deflator for GNP	—	6.2	4.5	2.1	6.3	—	
Implicit price deflator for investment goods	—	4.1	2.8	3.8	4.8		

Source: Monthly Economic Indicators.

Diagram 2 Prices
Indice 1963 = 100



Source : Main Economic Indicators.

In 1969, the average daily earnings of insured workers, the indication of trends in wages that is published, rose by about 10 per cent, and thus faster than the rise in prices as measured by the available indices. One very important category of wage and salary earners whose nominal incomes have not kept pace with the rise in prices over the last two years is civil servants, including teachers. Partly in order to reconstitute the purchasing power of civil servants and partly to make employment conditions in government services more attractive, it has been decided to raise salaries of public employees substantially in 1970. More workers in private industry and in the State Economic Enterprises are covered today by collective wage agreements (600 000 persons out of some 4 million persons in the non-agricultural labour force). A large number of agreements was negotiated in 1968 covering 378 000 workers and, as the general practice is to sign agreements valid for two years, 1970 will be an important year for collective bargaining. In view of the rise in prices in the meantime, it may prove impossible to avoid substantial increases in wages this year and, indeed, the statistics of average daily wages for insured workers for the first four months of 1970 show an increase over the same period last year by almost 15 per cent.

(c) *Foreign trade*

(i) *Exports*

After their disappointing performance in 1968, Turkey's exports picked up during the second half of 1969 and reached $ 537 million; a rise of just over 8 per cent, for the year as a whole. This figure is only $ 15 million higher than two years earlier and is thus notably off-course compared with the aim of the Second Five-Year Plan which is to reach an average annual rate of increase of exports of over 7 per cent. The highly seasonal character of Turkey's export trade, which is related to the high share in the total of agricultural crops, sometimes makes annual comparisons difficult as the peak season is astride two years, from October to March. Available data for the first six months of 1970 indicate that growth of exports will be somewhat higher than last year, i.e. in the range of 10 per cent. The figures for 1969, and the first six months of 1970, are shown in Table 3.

The group of unprocessed agricultural products, especially cotton, tobacco, hazelnuts and dried fruit, makes up three-quarters of total exports and showed no increase in 1969. Exports of tobacco and cotton were, in fact, lower than in the previous year. Minerals and quarrying products as well were at practically the same level as a year before. So the whole of the increase of $ 40 million in total exports was due to bigger sales of a few products in the processed and manufactured group, in particular olive oil, sugar, textiles and chemicals. As for the first two of these commodities—olive oil and sugar—the explanation of the high level of sales is to be found in the usual bi-annual abundant olive crop and in the decision of the Turkish authorities to export at a loss part of the domestic surplus stocks of sugar. The very welcome pick-up in exports in 1969 must, therefore, be seen as due in no small part to rather exceptional factors.

The biggest rise in exports last year was to the Common Market countries, an increase of one-third, mainly due to higher sales of hazelnuts and textiles.

Table 3. **Exports**
US $ millions

	1968	1969	1969 Jan.-June	1970 Jan.-June
I *Agricultural products:*				
Total	406.6	405.1	188.7	207.5
(*a*) Cereals	9.7	6.8	1.9	1.2
(*b*) Fruits and vegetables	126.8	161.6	52.2	47.7
Hazelnuts	74.1	107.6	33.0	32.8
Dried fruit	29.5	29.6	12.5	10.6
Citrus fruits	8.6	10.2	2.5	1.0
Others	14.6	14.2	4.2	3.3
(*c*) Industrial and forest products	240.1	204.1	120.5	143.3
Tobacco	94.8	81.5	54.7	50.9
Cotton	139.1	113.6	62.0	88.3
Other	6.2	9.0	3.8	4.1
(*d*) Live animals and animal products	25.6	26.7	10.9	10.7
Live animals	10.6	11.4	4.3	5.3
Mohair and wool	8.7	6.5	2.3	1.7
Others	6.3	8.8	4.3	3.7
(*e*) Sea products	4.4	5.9	3.2	4.6
II *Mining and quarrying products:*				
Total	42.8	43.9	19.6	21.9
Chrome	9.6	12.8	5.8	5.5
Copper	16.7	9.0	13.8	16.4
Others	16.5	22.1		
III *Processed et manufactured products:*				
Total	47.0	87.8	36.6	40.0
(*a*) Processed agricultural products	22.9	44.2	17.6	11.6
Olive oil	0.8	12.7	5.1	—
Sugar	2.3	13.9	2.9	1.7
Oil cake	19.8	17.6	9.6	9.9
(*b*) Manufactured products	24.1	43.6	19.0	28.4
Textiles and clothing	8.0	15.9	6.1	12.8
Hides and leather industry	0.3	1.0	0.2	1.2
Forestry industry	2.0	2.1	0.9	1.1
Chemical industry	4.5	9.2	4.3	4.6
Glass and ceramics	1.0	0.4	0.1	0.4
Metal products and machinery	0.2	0.9	0.2	1.3
Electrical equipment and products	..	0.1	..	..
Other	8.1	14.0	7.2	7.0
IV Overall total	496.4	536.8	244.9	269.4

Source: Ministry of Finance.

Exports to other OECD countries declined, in the case of sales to the United States quite markedly, due to lower exports of cotton and tobacco. Turkey's efforts in recent years to step up her exports to other Eastern Mediterranean countries produced a big increase percentage-wise which, as the absolute level of trade is still low, was equal nevertheless to only $ 5 million.

Export performance during the first six months of the current year was better compared with the same period 1969. Exports of agricultural products increased by 10 per cent. However, this was caused mainly by a substantial increase of cotton exports whereas most other groups of products remained at the level of the same period in the previous year or somewhat below this. An exceptional improvement occurred in the exports of fish and live animals, though their incidence on total Turkish export performance is small. Exports of industrial products rose by 10 per cent ; this was due mainly to exports of textiles, which rose by $ 6.7 million, and of products of the hides and leather industry, which increased by $ 1 million. Total export value in the period from January to June 1970 was $ 25 million higher than a year earlier ; devaluation has put Turkish products at a premium in world markets and indications are that export sales of cotton, sultanas, dry figs and pistachio are buoyant ; it is likely, therefore, that the target of $ 600 million will be achieved in 1970.

(ii) *Imports*

The Turkish authorities had counted on an import total of $ 860 million in 1969 ; the actual outturn, however, was $ 801 million. The shortfall was not due to slack demand but, on the contrary, to a shortage of foreign exchange for liberalised and quota imports, and lower imports under project credits as planned. The slowing down of imports was particularly remarkable during the last quarter of the year. During the first half of 1970, this tendency was reversed as the flow of project credits increased and also foreign private investment in Turkey picked up. Furthermore, the authorities somewhat eased the severe restrictions imposed on programme imports in order to alleviate the shortage of industrial raw materials and parts, which had threatened to halt industrial expansion. Last but not least, there was an increase in imports with waiver as workers employed abroad took advantage of the existing preferential regulations. The overall result of those influences was a marked

Table 4. **Imports by Types of Financing**
US $ millions

	1966	1967	1968	1969	1969 Jan.-June	1970 Jan.-June
Liberalised lists	293	326	361	344	184.6	194.8
Global quotas	217	196	202	181	94.5	95.2
Bilateral quotas	94	105	108	104	57.7	55.6
Total Programme imports	604	627	671	629	336.8	345.6
NATO Infrastructure	4	3	2	3	1.7	3.8
Project credits	60	38	63	87	42.7	66.2
Private foreign capital imports	21	4	6	10	5.5	20.2
Imports with waiver	11	12	17	20	12.8	20.5
Other	1	1	5	—	13.9	3.1
Wheat and fats concessional imports	17	—	—	52	(..)	24.5
Overall total	718	685	764	801	413.4	483.9

Source: Ministry of Finance, State Planning Organisation.

acceleration of imports in the early months of the current year which, as time wore on, became more moderate. Total imports for the first half-year of 1970 were nevertheless 17 per cent higher than a year earlier. As new investment projects are entering the implementation stage and import liberalisation is one of the main objectives of the new economic reform programme, it is likely that the programme target of $ 880 million will be exceeded.

(d) *Balance of Payments*

The current accounts balance in 1969 ended with a deficit of $ 221 million, which was more or less equal to the deficit experienced in 1968. This was compensated by the positive item of $ 270 million in the capital transaction balance. Prospects for 1970 will most likely include, as has already been mentioned in the previous section, a sharp rise of the deficit in the trade balance due to an increase of imports which will not be offset by a similar movement in Turkish exports. This is borne out by the data for the first six months of 1970 which show an increase in the deficit of the trade balance of $ 47 million, or 28 per cent more than the figure reached twelve months earlier. The invisibles balance should profit from the effect of devaluation as official receipts from tourism are likely to rise in the remaining months of the year as a result of the devaluation and the abolition of multiple exchange rates which had led to a black market in convertible currency, of which foreigners were the prime suppliers. Demand for foreign exchange by Turks wishing to travel abroad is not likely to be affected much by the change in parity as the tax on the purchase of convertible currency, which had previously raised the price of the tourist dollar for Turkish citizens to 13.50 Lira, has been abolished.

In the section on private consumption, reference has already been made to the considerable increase of foreign currency sent back to Turkey by workers abroad. This item has also played a substantial role in easing the strain on the balance of payments. Whereas in 1968, workers' remittances amounted to $ 107 million, they increased to $ 141 million in 1969—due in part to a renewed upswing of economic activity in Germany, which led to increased demand for foreign workers and a rise in wage levels, and partly also because of the revaluation of the Deutschmark. Workers' remittances during the first ten months of 1970 were again up by almost 90 per cent, compared to the same period last year, and reached $ 195 million at the end of October.

Private foreign capital, which had been slow in forthcoming and never reached the figures targeted in previous years, is nevertheless assuming somewhat greater importance. In 1969 this item contributed $ 24 million to the capital balance and may double this figure in the current year, as receipts from this source were already $ 27 million by the end of June. The government intends to reinstate as soon as possible the investment incentives that had been revoked as unconstitutional under existing legislation by the Constitutional Court in November 1969 ; a bill to this effect will be submitted to Parliament when it reopens in the autumn. This is counted on to add new impetus to foreign investments in Turkey and as the new economic programme will, no doubt, increase confidence in the stability of the Turkish economy and make investment more attractive, one would expect a sustained improvement in capital inflow on this item.

TABLE 5. **Balance of Payments**
US $ millions

	1966	1967	1968	1969	First half 1969	First half 1970
Commodity trade	–228	–162	–268	–264	–168	–215
Imports cif	–718	–685	–764	–801	–413	–484
Exports fob	490	523	496	537	245	269
Services and transfers, net	45	32	27	35	10	25
Foreign travel, net	–14	–14	–9	–5	–8	–10
Profit transfers	–16	–25	–32	–32	–15	–19
Interest payments (gross)	–31	–35	–41	–45	–14	–19
Workers'remittances	115	93	107	141	49	75
Other services, net	–9	13	2	–24	–2	–2
Infrastructure and offshore receipts	19	14	10	8	5	4
Total current balance	–164	–115	–231	–221	–153	–186
Capital transactions, net	172	170	218	270	97	122
Private, total	41	29	35	44	21	40
Workers' imports	11	12	22	20	10	13
Direct investments	30	17	13	24	11	27
Official, total	255	247	274	319	121	128
Project assistance	56	84	127	174	76	71
Programme assistance incl. EMA credits and debt relief	182	163	147	104	36	24[1]
Agricultural surpluses	17	—	—	41	9	33
Debt repayments, gross	–124	–106	–91	–93	–45	–46[1]
Balancing item	–47	–38	–20	61	95	36
Official monetary position (— = increase)	39	–17	33		–39	28
Gold and convertible currency	33	–20	1		–39	29
Non-convertible currencies	6	–5	5			
Change in IMF net position	—	8	27	–12	—	–1[2]

1 Does not include $ 45 million, repayment of which has been postponed by the European Fund.
2 Turkey used its $ 18.0 million SDRs and repurchased $ 19 million.
Source: Ministry of Finance, Ankara.

As in previous years, the major source of official capital flows was the Turkish Aid Consortium which is coordinated by the OECD. Disbursements of project aid, which had already substantially increased in 1968, rose again considerably and reached the high level of $ 174 million. This figure included $ 40 million from non-Consortium sources, particularly the USSR, Japan and Poland. Available data for this year indicate that, with new projects reaching the implementation stage and a shift in concessional aid to project aid, there may be a further increase in this item. Disbursements in programme aid were somewhat lower in 1969 compared with the previous year and came to $ 104 million. Food aid, which had not been needed during the preceding two years, rose to the high level of $ 41 million. Turkey's net position vis-à-vis the International Monetary Fund improved by $ 12 million, as repurchases exceeded drawings.

Turkey's foreign exchange reserves were conspicuously low at the beginning of 1969 ; from April the reserve position improved due to a new agreement by the Central Bank with its foreign correspondents which had the effect of shortening the lead in import payments, but this was not the only influence which helped to raise reserves to $ 200 million by the end of the year. The restriction of imports towards the last quarter which lasted until January 1970 also played its part. As imports were again allowed to increase, official reserves rapidly fell to $ 128 million at the end of July, just before devaluation.

(e) *Public Finance*

The budget for the fiscal year 1969, which ended on 28th February, showed a 17 per cent increase in expenditure over the previous year. The total amount of expenditures corresponded almost exactly to the budget as planned (25.9 billion TL compared with 26.1 billion TL as voted) ; available resources, however, fell once more short of expectations, due mainly to an overestimation of revenue receipts. As a result, the budget deficit rose to almost 2.5 billion TL, which was financed mainly by borrowing from the Central Bank.

The development of the public accounts in recent years has been rather deceptive. After allowing for such extraordinary items as receipts from the sale of forced savings bonds and from counterpart funds, the remaining deficit which was 0.3 billion TL in 1967 rose by 1.2 billion TL in 1968, and increased by a further 1.0 billion TL to reach an all-time high in 1969. Almost ten per cent of public expenditure were thus underfinanced last year.

On the revenue side, receipts from direct taxation were 19 per cent higher than in 1968 and almost reached the target of 7.0 billion TL. Indirect taxes, which rose by 17 per cent, were nevertheless 2 billion TL short of the budget as voted. The main reason for this was the deliberate policy of restraining imports from the second half of 1969 onwards. As the Turkish tax structure is heavily biased in favour of indirect taxation, such as import duties, stamp taxes on imports, etc., any fluctuation in the import volume automatically shows up as a corresponding change in public revenue receipts.

The budget for 1970 was not voted until May, i.e. several months later than usual. In the interim the government exercised a policy of severe restraint. Public investment expenditure had to bear the brunt of these measures as it is rather difficult to reduce current outlay which consists to a large extent of contractual payments to civil servants. The policy of restraint was continued after the budget had finally been passed by Parliament. Neverthless, expenditures as voted were allowed to rise in comparison with the previous year's outturn by 4 billion TL to almost 30 billion TL.

Unlike previous years, however, the items which were allowed to increase the most were not investments and transfers but current expenditures, in view of the higher salaries promised to civil servants. Investments were scheduled to rise by only 0.3 billion TL at current prices, which implies a fall in real terms by 4 to 5 per cent. The rise in expenditure was to be met by higher revenues from new taxes.

In the event, the budget was already out of date a short while later. The anticipated new taxes were not voted before the end of July and insufficient revenues did not permit immediate payment of the higher salaries as envisaged. Investment expenditure continued to be tightly controlled, while it appeared that transfer payments to State Economic Enterprises and the agricultural sector reached the normal level for this time of year. Nevertheless, on balance the Treasury was able to show a small surplus at the end of July.

(f) *Money and Banking*

Money supply rose by 16 per cent in 1969. The increase did not, however, fully reflect the overheated atmosphere reigning in the economy, as there was also a higher demand for bank notes and an increase in the circulation velocity of money.

A better measure of the inflationary situation which the authorities permitted to develop was the increase in the credit volume. Both the commercial banks and the Central Bank significantly stepped up their lending in comparison to previous periods. The driving force behind commercial credits, which increased by 5.6 billion TL against 4.2 billion TL a year earlier, was the booming demand for imports and, paradoxically, the attempt by the Central Bank to discourage imports through raising advance deposits rates and immobilising these funds for extended periods by lengthening the waiting list for the allocation of foreign exchange. Importers, fearing inadequate supplies or anxious to increase speculative stocks, plied the commercial banks for more credit than they would otherwise have needed. This process, however, sooner or later had to come to a halt when banks had reached their liquidity limits and private borrowers had exhausted their personal credit lines. Thus, commercial bank credit contracted by 474 million TL between December 1969 and June 1970.

Advances to the public and private sector by the Central Bank also rose substantially in 1969 and—in contrast to private bankers' credit—continued to rise up to the end of July 1970. Advances to the Treasury increased by 876 million TL in 1969 and by 1 151 million TL during the following seven months. In 1969, the Treasury also lent heavily to the Monopoly Administration, to agricultural sales co-operatives and to commercial banks. However, lending to these sectors came to a standstill or actually declined in the first half of 1970. Reliance by the government on Central Bank borrowing

Table 6. **Money Supply and Prices**

End of year	Money Supply	Annual Increase	Wholesale Prices (average)	Annual Increase	Annual increase in GNP
1965	16 434	17.3	109	8.1	4.6
1966	19 780	20.4	115	4.8	10.3
1967	22 862	15.6	123.4	7.6	6.1
1968	25 968	13.6	129.1	4.6	6.7
1969	30 127	16.0	136.9	6.0	6.3
1970 (first half)	28 048	9.0 (over f.h. 69)	144.4	5.7 (over f.h. 69)	

Table 7. **Central Government Consolidated Budget**

TL million

		1967 Actual	1968 Actual	1969		1970 As voted	March-July	
				As voted	Actual		1969	1970
I	*Revenues*	16 991	18 593	23 327	21 573	26 980	9 077	10 645
	Direct taxes	5 070	5 695	6 950	6 798	8 900	3 429	4 102
	Indirect taxes	9 812	10 544	14 299	12 343	15 160	4 513	5 322
	Other revenues	1 199	1 728	1 293	1 705	2 070	639	637
	Savings Bonds	910	626	785	727	850	496	584
II	*Counterpart Funds*	1 101	1 299	1 170	1 018	1 280	756	169
III	*Net revenues from annexed budgets*	719	776	973	842	1 033	278	340
IV	*Total resources* (I + II + III)	18 811	20 668	25 470	23 433	29 293	10 111	11 154
V	*Expenditures*	19 126	22 329	26 070	25 916	29 893	10 480	10 974
	Current expenditures	9 736	11 017	11 808	12 328	14 997	4 502	4 486
	Investment expenditures	5 098	6 058	6 938	6 659	6 991	2 105	2 555
	Transfer payments and capital formation exp.	4 292	5 254	7 324	6 929	7 905	3 873	3 933
VI	*Deficit* (—) *or surplus* (+)	–315	–1 661	–600	–2 483	–600	–369	+180
VII	*Financing of deficit*							
	Domestic borrowing	500	500	600	600	600		
	Change in Treasury balances and deferred payments	–561	626	—	292	—		
	Borrowing from the Central Bank	376	535	—	1 591	—		

Source : Ministry of Finance, Ankara.

went counter to its declared intention in the Annual Programme of 1969 and 1970. There were, however, circumstances at work during this period which made the application of the principle of a balanced budget impracticable. There were two principal tendencies towards deficit financing and therefore credit expansion which gave the government hardly any choice to act otherwise : the first relates to the government's policy towards agriculture which required incomes support measures in view of disappointing production, as well as the need for increased credits to finance the modernisation of the smallholder sector and new irrigation projects ; and the second is imposed by the structure of Turkish industry. The State Economic Enterprises are notoriously inefficient and as a group require huge transfer payments from the Treasury to finance their operating deficits. In addition, there is the growing volume of public investment necessary for overcoming the backward state of the Turkish economy ; as an increasing number of projects are entering the implementation stage, the volume of credits also tends to rise.

Table 8. **Money and Credit**
TL million

	Outstanding		Increases	
	1968 December	1969 December	Dec 68/ June 69	Dec 69/ June 70
Central bank	10 168	12 920	719	957
Public sector, total	5 676	7 140	756	987
of which :				
Treasury short-term advances	2 181	3 057	571	1 077
Monopoly Administration	1 210	1 750	250	—
Soil Products Office	1 020	950	–195	–50
Sugar factories	654	734	130	–25
Other SEEs	201	239	—	—
Private sector, total	4 492	5 780	–37	–30
of which :				
Agricultural Sale Co-operatives	1 213	1 617	–334	–738
Other	3 016	3 910	307	722
Bank liquidations fund	263	253	–10	–14
Commercial banks, total	27 575	33 182	2 602	–474
Commercial credits	16 296	19 864	2 131	–290
Mortgages	2 139	2 295	–27	27
Agricultural credits	7 115	8 554	240	–386
Industrial credits	1 248	1 498	137	96
Other (artisans, small traders)	777	971	121	79
13 Commercial banks, total	16 851	19 928	1 976	390
Money supply	25 968	30 127	–241	–2 079

Source: Central Bank of Turkey.

The inflationary situation which had developed by the end of 1969 clearly called for corrective action of a farreaching nature. Though the 1970 Annual Programme had stressed that " rationalisation of economic policy emerges as a fundamental problem requiring close attention ", including institutional reform, sound budgetary policy and appropriate monetary measures, the envisaged stabilization programme, including an adjustment of the foreign exchange value of the Turkish currency, could not be realised perhaps as early as foreseen. As a result the situation tended to deteriorate further in the first half of 1970.

Part Two

ECONOMIC POLICY

(a) *The new economic programme*

The analysis in Part I of this report has shown the extent to which the Turkish economy was subject to growing strains during the last two years. The main sources of imbalance were growing financial deficits in the public sector, an excessive rate of credit creation, particularly agricultural credits, increasing difficulties in financing a large investment programme, from non-inflationary sources and an over-valued exchange rate which, as inflation gathered pace, was increasingly hampering exporting and encouraging importing. In these circumstances the Turkish authorities took the step of devaluing the Turkish Lira from its previous official rate of 9 TL per US dollar to 15 TL per US dollar. The devaluation was accompanied, as it had to be, by a series of measures designed to correct the imbalances just mentioned.

The comprehensive nature of the new programme, given sufficient determination by the Turkish authorities in implementing all its parts, together with the very substantial financial support which the programme has received from the international monetary organisations and the Consortium, will provide the basis for a continuation of balanced growth during the 1970's. The key features of the programme are summarised below :

— A prominent place among the structural policy changes introduced is given to foreign trade. On the basis of the new foreign exchange rate it is aimed to achieve ultimately a substantial measure of effective import liberalisation. To this end foreign exchange restrictions on " liberalised list " imports will be lifted fairly rapidly. The backlog of unsatisfied demands for foreign exchange by importers will be cleared, and the rate of guarantee deposit requirements for new requests has been reduced. Likewise, the stamp duty on imports has been lowered and will eventually be eliminated completely. The existing multiple exchange rates have been abolished factually, with the exception of certain agricultural products for which export demand is relatively inelastic and for which the full increase in price expressed in Turkish Lira due to the devaluation would tend to lead to undue profits and possibly over-production. The Lira difference thus earned due to this lower parity for such agricultural goods will be channelled into a fund for export promotion. Subsidies for exports through the existing tax rebate system have been reduced and the administrative procedures simplified.

— Measures in the monetary and credit field relate to more effective control by the Central Bank over money supply and the operation of banks. The new Central Bank Act passed in January 1970 had already introduced new measures designed to improve the functioning of the banking system. Under this law, the Central Bank took over the functions of the Bank Credit Regulation Committee, and acquired greater powers in relation to monetary policy. The new stabilization programme introduces higher discount and loan rates and more attractive interest rates for savings and time deposits, while preserving preferential rates for certain sectors such as agriculture, crafts and selected industries. Shortly, these measures will be completed by legislation designed to develop the capital market.

— New fiscal and budgetary policy will aim at reducing the consolidated budget deficit and will eventually create a surplus to pay back the large accumulated short-term debt. An important step in this direction was taken with the tax bill voted by Parliament shortly before devaluation, which is expected to yield an additional revenue of 2.5 billion TL in the current fiscal year. The government has the firm intention of tightly controlling public expenditure, and a renewed effort will be made to reduce the operational deficits of State Economic Enterprises.

(i) *The change in parity*

The official per value of the Turkish Lira had remained unchanged at 1 US dollar = 9 TL since August 1960. However, the exchange rate remained unitary only until June 1961, when a special tax of 50 per cent was levied on the purchase of foreign exchange for travel abroad, including the cost of transportation. In February 1966 another multiple rate was added to the Turkish exchange system in the form of an immediate payment of three years' interest on foreign exchange remitted by Turkish workers abroad. A third rate was added in 1968, when foreign tourists were accorded a 33⅓ per cent premium on the official rate for foreign currency exchanged by banks or their agents. In 1968, this privilege was extended to non-residents, including foreign diplomatic staff in Turkey. A fourth rate was introduced late in 1969 by applying a premium of 25 per cent to purchases of convertible currencies acquired by residents for the purchase of travel tickets.

The measures taken on 10th August 1970 were intended to restore a unitary exchange rate for the Turkish Lira and to take account of the depreciation of the currency through creeping inflation notably in the past three years ; the new exchange rate was fixed at 1 US dollar = 15 TL. At this rate it is thought that Turkish industry would regain the cost advantage necessary to stimulate expansion of manufactured exports, without putting up costs of imported supplies prohibitively. The rate would also favour agriculture and create needed savings for its modernisation. The new rate will make Turkey more attractive to foreign tourists and, together with improving invisible earnings of the balance of payments, should provide for more employment in the service sector. Last but not least, it is hoped that the artificial measures increasingly resorted to in past years to stimulate exports, such as multiple and largely arbitrary tax rebates and subsidies, can be abolished and competition be restored as the main agent for allocating scarce resources.

For technical reasons, the new exchange rates for remittances by Turkish workers and for the purchases of foreign exchange by Turkish residents travelling abroad have been fixed temporarily below the new official rate in order to allow for the premiums and taxes still in force. Thus the exchange rate for remittances by Turkish workers is 1 US dollar = 11.25 TL, which, with the interest bonus, comes to 15 TL. Similarly, purchases of foreign exchange by residents are effected at the rate of 1 US dollar = 10 TL, which, with the 50 per cent tax, puts the effective rate at the new parity. When Parliament has repealed the respective laws, as it is expected to do shortly, the new official rate will be applied to both kinds of transaction.

While the existing multiple rates have thus been abolished, an exception has been deliberately created for certain types of traditional agriculture exports. The foreign exchange proceeds from exports of cotton, tobacco, hazelnuts, seed lessraisins, dried figs, olive oil, oil seed cakes and molasses, will be exchanged against Turkish Lira at the rate of 1 US dollar = 12 TL. Demand for these products is relatively inelastic and the application of the new official parity would result in relatively high profits and stimulate production, which would have the disadvantage of increasing unwanted stocks. The Turkish authorities therefore decided to establish a lower exchange rate for these products, with a view to closing the gap between the official parity gradually over the next few years.

(ii) *Reform of the system of trade and payments*

Perhaps the most important measure announced under the new economic programme is the intention to make trade liberalisation fully effective. Although a substantial part of Turkish imports were liberalised in name, they were not so in fact due to a chronic shortage of convertible exchange. It had been the practice of the Turkish government in recent years to cut off imports under the liberalised lists towards the end of the period without warning in order not to exceed the amounts fixed under the Annual Programmes. This practice translated itself into an ever-growing backlog of requests for foreign exchange lodged by importers with their banks, and this despite the obligation to pay in advance the total of the Turkish Lira equivalent and guarantee deposits which in some cases reached 150 per cent. The result was a vicious circle, with import requests exceeding the current needs of importers as the latter tried to protect themselves against an interruption of supplies. In addition, speculators appeared trying to make a quick profit by ceding their place in the queue and by accumulating stocks in anticipation of devaluation. By August 1970 the so-called waiting room had built up to $ 300 million, and some import requests had been waiting for over a year.

The Turkish authorities consider that it is indispensable to restore a prompt system of payments for imports, and the aim is to reach such a situation by the beginning of 1971. It has been announced that requests for foreign exchange transfers lodged with banks before the end of May 1970 will be met immediately. Importers have the option either to withdraw their request without penalty or to deposit the difference between the old exchange rate and the new within 15 days ; in the latter case the transfer will be effected within two or three weeks.

The import guarantee deposits have been reduced generally by 50 per cent. In particular, the new rate for high priority raw materials and investment goods on the liberalised lists is now 45 per cent instead of 90 per cent previously ; for other goods in general the rate has been halved to 60 pe cent ; however, the rates for fertilizers and breeding animals remain as low as before, i.e. 20 per cent and 1 per cent, respectively. Imports under global quotas now require guarantee deposits of 25 per cent for traders and 10 per cent for industrialists. A further measure to free imports from restriction has been the reduction of the stamp tax from 25 per cent to 10 per cent. It is envisaged abolishing this tax completely, as soon as this becomes feasible.

The new economic programme has simplified the export rebate system. From now on, only four commodity lists will apply, enabling exporters to obtain a tax refund from 15 to 40 per cent. In certain cases exporters whose annual export sales are below $ 1 million will receive only a reduced refund. This measures is intended to stimulate mergers or the forming of co-operatives. The new export rebate system replaces an old system which with time had become very cumbersome, leaving much room for argument over which rebate should apply, and leading to administrative delay. Some former rebates were also arbitrarily high and bore no resemblance to the taxes actually paid or due.

Exports will be indirectly aided by the creation of an exchange equalisation fund, which collects the profits in Turkish Lira accruing from the sales and purchases of exchange at different rates. This fund will be used to subsidise the interest cost of export credits and to finance development projects with an export potential.

(iii) *Measures to maintain internal stability*

A major concern of the Turkish authorities has been the growing rate of inflation over the past few years. Since 1965, the annual increase of the wholesale price index fluctuated between 5 and 8 per cent, and the implicit price deflator of GNP which, in the absence of an adequate coverage of the wholesale price index, is the most reliable indicator of price movements in Turkey, has risen by four percentage points last year, reaching almost 7 per cent.

The constant increase in the price level has its root in a state of excess demand created to a large measure by the structure and volume of public expenditure. Subsidies and transfers to State Economic Enterprises and to the agricultural sector constitute a large part of budgetary expenditure and, as regular revenues have not been adequate, a substantial part of the public deficit has been financed by short-term borrowing, mainly from the Central Bank. Increasing workers' remittances although a necessary and therefore welcome contribution to invisible receipts of the balance-of-payments, have also tended to inflate demand in the consumer sector.

Interest rates, which had not been changed since 1960, did not reflect in recent years the true return to capital, thus discouraging savings and stimulating credit expansion. The immediate success of a number of private bond issues at 13 per cent interest showed that the officially fixed rates were inadequate to direct the flow of capital to the best use.

The stabilizing measures adopted by the Turkish authorities have a two-pronged approach. The first consists in continuing the reform of the money and capital markets which had already been started with the introduction of the new Central Bank law at the beginning of 1970 and the drafting of a capital market bill, yet to be voted. The new economic programme has introduced a more flexible interest rate structure and higher interest rates in order to make savings more attractive. The Central Bank has also taken steps to limit bank credit that could be used to finance import requests so as to discourage the increase of import demand, beyond the real needs of the economy.

The maximum interest rate for bank loans has been raised by one point and now stands at 11½ per cent ; the preferential rates for agriculture, exporters, craftsmen and certain industries have also been adjusted upwards but retain their preferential character. Furthermore, there has been a shift in the interest rates for various categories of deposits, favouring savings and time deposits of 6 months or longer. Deposits with maturities of more than 12 months, for example, saw the interest rate raised from 6½ per cent to 9 per cent, i.e. by 2½ points. At the other end of the scale, rates for official and commercial sight deposits and time deposits with maturity under four months have been lowered from 2 per cent to 1 per cent.

The second set of stabilizing measures aims at balancing the public budget. An important step in this direction had been taken a few days before devaluation was announced with the adoption of a tax law which introduced new indirect taxes and increased the coverage of existing ones. With Law No. 1318 of 29th July 1970, purchase tax on motor vehicles, sales tax, increased value tax on real estate and a football pools tax were introduced and revisions were made in other taxes, such as the expenditure tax, inheritance tax, stamp tax, real estate purchase tax, and various licensing fees. Notably the coverage of the expenditure tax has been enlarged to include, for example, construction activities and assembly industries.

While the new taxes will have the tendency to augment once again the already considerable weight of indirect taxation in the Turkish fiscal system, they will nevertheless help to broaden the tax base and reduce the reliance on import duties and other taxes connected with imports. The new taxes will also aid to a certain extent a more equitable distribution of the tax burden among social classes. After devaluation, tax rates on petroleum products were increased and the stamp duty on imports reduced from 25 to 10 per cent. It is estimated that the new taxes will yield approximately 4 billion TL in a full fiscal year.

As current public expenditure is bound to rise when the new salary rates for civil servants are made effective, the new taxes may not be sufficient to achieve a balance between expenditures and revenue receipts in the longer term. While the Turkish authorities have not stated, and indeed cannot determine with accuracy, what other measures will be needed in order to prevent the recurrence of a deficit in the public accounts, it is nevertheless clear that such measures would include the reduction or checking of the growth of investment expenditure and of transfer payments. A new approach to the management of State Economic Enterprises must therefore be part of the general package of structural and institutional reform measures yet to be defined.

Last but not least, for purposes of short-term demand management, the Turkish government was given in July 1970 the possibility of increasing or decreasing the general expenditure tax by simple decree.

The increase of the " regulator " is limited to double its present rate. Since this is a new policy instrument in Turkey, it has yet to be seen whether it can be effectively used to regulate demand or whether it will be blocked by circumstances after it has reached its upper ceiling. But, even so, the authorisation represents a measure held in ready reserve in case a balanced budget cannot be achieved by other means.

(b) *First results of the new economic programme*

The effects of the devaluation and of the introduction of economic reforms can be split into those which will have an immediate influence on the economic situation, and those whose impact will become evident in the more distant future. The most immediate concern devaluation has raised was, and still is, its effect on the internal price level and the balance-of-payments ; both issues are interrelated.

The Turkish authorities take the view that the small share of imports in GNP and the fact that a large volume of imports consists of investment goods are factors which should limit the impact on domestic prices of the higher foreign exchange rate. It is estimated that the effect upon the price level will be in the region of 10 per cent.

Immediately after the announcement of the new measures—which included also higher impositions on gasoline, sugar, and on certain goods under the production tax, and higher support prices for major agricultural products—there was a spate of price increases by manufacturers, inclusing state-owned enterprises. In some cases these were unavoidable due to the combined incidence of new or higher taxes and higher prices for imported materials and parts ; as for example in the automobile assembly industry. But in most cases the increases were prompted mainly by psychological factors and the authorities took the necessary action to convince entrepreneurs that higher prices were not justified. Many of the announced price changes were consequently withdrawn and it appears that the danger of an inflationary psychosis in the economy has now been avoided. Nevertheless, the authorities are keeping the situation on the price front under continual surveillance.

As the Turkish foreign exchange reserves were at their lowest point just before devaluation, the authorities had little armoury left to put into effect for any length of time the trade liberalisation announced. The so-called " waiting room " for imports stood at $ 300 million and exceeded reserves by far. However, it was crucial to the restoration of confidence—and therefore to the success of the whole operation—to fill immediately the pent-up demand for imports and to abolish the quantitative restrictions on foreign exchange for liberalised imports for good.

Following a request by Turkey at the beginning of August, the International Monetary Fund agreed immediately to furnish a stand-by credit of

$ 90 million ; among the bilateral donors of aid through the Turkish Consortium the United States made available an additional programme loan of $ 25 million ; Germany agreed to a debt postponement of $ 12 million, most of which would have been due in 1970 ; and several other countries concluded their loan agreements with Turkey earlier than usual, thus likewise relieving the current balance-of-payments situation. In September, the World Bank promised $ 40 million quick-acting project credit and the European Monetary Fund agreed to postpone repayments of a current debt of $ 75 million, as well as to grant a fresh short-term credit of $ 40 million. Together with the previously granted aid on concessional terms by the Turkish Consortium for 1970, the new credit lines will be largely sufficient to meet the outstanding requests for imports.

The development of demand for imports in the three months following the devaluation has been indeed encouraging. The pre-devaluation requests for import transfers in the " waiting-room " have been practically fully processed by the Central Bank, while new requests have sharply fallen off. This could be taken as an indication that the situation appears to be returning to normal and future import demand will be devoid of the speculative element which was in evidence last year. Notably the present hump in the transfer obligations of the Central Bank should be seen as a temporary phenomenon which will disappear once the backlog of import transfers has been liquidated.

Taking a somewhat longer-term view, it is hoped that exports of agricultural and manufactured goods will be stimulated by the devaluation, and that invisible earnings from tourism will increase. Since the devaluation, receipts under workers' remittances have risen notably, as was pointed out in the preceding discussions. Market reports suggest also that a spurt of agricultural exports this season—especially cotton—may be expected. As the parallel market for foreign exchange has now become unattractive, more exchange will be channelled through banks and thus further bolster up invisible earnings. The combined result of these influences on the receipts side is likely to be a reduction of the payments gap ; nevertheless, since the volume of imports is also likely to rise as the economy expands, it will be essential to take a fresh look at the potential for overall economic growth along an equilibrated path.

The firm intentions of the Turkish authorities to balance the public budget and to exercise a policy of monetary restraint are in themselves an indication that the diverse plan targets may need to be readjusted. As, for many years to come, Turkey's first economic priority will be a high rate of growth in order to raise the per capita income of a growing population—and this can be brought about only by a high rate of capital investment—it would seem essential to raise the rate of domestic savings while checking the growth of private and public consumption. It is in the nature of things in Turkey that public investment will continue to play a decisive role in respect of total fixed asset formation, so long as the private sector is still relatively underdeveloped. An immediate target should therefore be to generate an equivalent amount of public savings, in order to hold down the risk of renewed inflation. The new economic programme, and specifically the measures announced to maintain internal stability, if pursued with the necessary energy, would no doubt go a long way to make this an attainable objective.

CONCLUSIONS

The measures taken in 1970 and culminating in the devaluation and economic programme made public in August are to be welcomed as a very positive step and as a pre-condition for attaining the twin aims of economic policy which Turkey has fixed for herself during the 1970's, viz. sustained economic growth and external viability so that the country can dispense with foreign aid on concessional terms. The last devaluation dates back to 1960 and, since then, the Turkish economy has made much progress. Infrastructure has been vastly improved ; encouraging signs of diversification and rizing productivity are to be noted in agriculture ; manufacturing industry, in particular private industry, has been notably expanded and diversified ; but growth during the 1960's has had the major drawback of being too inward-looking and the strengthening and diversification of domestic structures of production has unfortunately not been paralleled by a similar strengthening of the structure of the balance of payments. Import needs are still outrunning the growth of exports ; invisible receipts, apart from remittances sent home by Turkish workers abroad, remain consistently disappointing ; the aim of increasing the inflow of private foreign capital in the form of direct investment has not been fully reached.

The new economic programme should be seen at one and the same time as a contribution to a consolidation of the very substantial gains of the past and to an adaptation of economic conditions to the new needs of the modern economy which Turkey hopes to become during the 1970's. In this sense, the measures announced this year are the beginning rather than the completion of a programme of reform.

One overriding necessity will dominate Turkish economic policy over the coming months. It is to ensure that the devaluation is allowed to produce its first effects by reversing the previous trend towards a widening foreign trade gap. To the extent that fiscal and monetary policy are conducive to a slower growth of domestic demand there should be some much-needed relief in 1971 as regards demand for imports. If excess demand is thus avoided there will also undoubtedly be a favourable effect on exports now that price relationships have been put on an appropriate footing. Internal stability will, no doubt, also be aided by the measures taken to increase domestic savings, such as the introduction of higher interest rates reflecting more closely the true cost of capital and various measures under consideration to channel the savings of households into national circuits, for example, the institution of a postal savings system and the setting up of savings and credit co-operatives in rural areas. However, while these measures represent an important step forward, it is hoped that they will be only the beginning of a series of institutional changes which will ultimately lead to the establishment of an efficient capital market in Turkey. Confidence in the success of the new programme will depend above all upon the determination with which the Turkish authorities themselves pursue current policies of restraint, however unpopular some of them may be in the short run. Confidence has also been strengthened by the very substantial support secured from international financial institutions and bilaterally since the August measures as a result of which Turkey has at her disposal adequate foreign exchange resources to meet all legitimate import needs. In addition, it should be possible to expect more foreign exchange receipts due to the disappearance of speculation against the Turkish Lira, which deprived the official reserves of large sums during the period before August 1970.

It is not too early to envisage already how the transition to a new phase of growth can be managed once the initial aim of strengthening the balance of payments and eliminating such negative features as long delays in authorising imports and speculation has been reached. The announced intention of the Turkish authorities to ensure, henceforth, that the investment programme leans much more than in the past towards projects making a direct contribution to exports is clearly correct. It would seem indeed that the renewed growth of investment, which is essential in an economy at Turkey's level of development, should take place through a judicious selection of such export-promoting projects in agriculure, raw material production, and manufacturing. Such a programme should make it possible to ensure that the present pause in the pace of growth of demand is of relatively short duration.

Growth of agricultural production more often than not has lagged behind the targets ascribed to it, and the performance of this sector has been notably disappointing in the past two years, with the result that the country again had to resort to substantial wheat imports. To increase production in a sector which is characterised in the main by a preponderance of small-holders is not an easy task. It would thus be even more essential to concentrate efforts on the creation of efficient units and the application of irrigation for new types of cash-crops, such as fruit and vegetables, as well as fodder crops in conjunction with livestock schemes. This also requires the reorganisation of agricultural marketing and the supply of adequate credit. Similar recommendations have been made in the past and it should be food for throught that the schemes undertaken so far have not yielded better results ; clearly some rethinking and redirection of effort in the agricultural sector may be called for.

Many of the new measures should be beneficial to the further growth of private industry, notably the intention to create more medium-term credit and to establish a capital market. A large part of Turkish industry consists of relatively small units and it would be essential not to create new artificial barriers against a natural selection process brought about by the forces of competition. Mergers and other forms of partnership should be encouraged in order to take advantage of economies of scale. Evidently, enterprises whose value-added is negligible in comparison with the import content of their products should be the first to lose their shelter. But competition must also extend to State Economic Enterprises, which in the past have had a bad performance record. Where this is not possible, as in the case of public utilities such as the railways, etc., management must be improved to take operating accounts out of the red and thus relieve the public budget of some of its more onerous charges.

In the past, tourism has been relatively neglected as a foreign exchange earning factor. Turkey is practically the only European country with an important coastline on the Mediterranean sea which has not systematically attempted to exploit the holiday potential of its climate and scenery. The new exchange rate should favour the inflow of foreign visitors but, in order to take full advantage of the possibility to increase invisible earnings, measures must be taken to improve the infrastructure, such as access roads, touristic circuits, holiday resorts and hotels. It would appear that policy measures intended to stimulate the growth of export industries should include this sector.

ANNEX

FISCAL POLICY EXPERIENCE IN TURKEY

The use of fiscal policy in Turkey as an instrument of short-term demand management has already been discussed in a previous survey[1]. The scope of this note will therefore be limited to recalling the difficulties of its effective implementation, taking recent improvements into account and proposing further ones in line with the Recommendation made in the report of the Group of Experts on Fiscal Policy.[2]

The principal economic aim of the Turkish authorities has understandably been the attainment of a high rate of growth and the encouragement of a structural shift towards industralisation. This has resulted in the use of fiscal—and monetary—policy to encourage maximum expansion. But high dependence on agriculture and on foreign capital at concessionary terms makes it more difficult in Turkey than in developed countries to counteract temporary imbalances when necessary. Spontaneous deflationary trends have been rare in Turkey during the 1960's and, in fact, as in most OECD countries, Turkey's short-term management problem has been one of keeping expansionary forces within the limits set by the need to ensure reasonable price stability and balance of payments equilibrium.

Although significant improvements have been made recently, much in the way of institutional and administrative reform still needs to be accomplished before fiscal policy can become an effective tool of demand management policy. Three groups of subjects will be discussed :

(*a*) Economic information and forecasting
(*b*) Policy co-ordination
(*c*) Flexibility in budgetary and fiscal instruments.

I *Economic information and forecasting*

Short-term economic research and forecasting, especially in the fiscal field, have not yet been given in Turkey the importance and the means they deserve.

A first difficulty arises from the insufficient quality of statistical information. Data on production and capacity utilisation are not adequate and precise information on private consumption and stocks does not exist at present. Only the Central Bank balance sheet and price statistics are rapidly available. Much could therefore be done to improve the collection and presentation of basic economic statistics.

The Annual Programme, prepared by the State Planning Organisation, draws a useful picture of the economic situation, but the objectives set for the

1 See " Turkey ", OECD Paris 1969
2 " Fiscal Policy for a Balanced Economy ", OECD Paris 1968

coming year do not always take sufficient account of the material possibilities of their realisation, in part because of an inadequate statistical base.

The necessary efforts have not yet been made to set up a central unit for short-term analysis and forecasting. This task is performed by the State Planning Organisation, the Ministry of Finance and the Central Bank for their respective fields.

The Expert Group report also states that the eseential data on which governments base their decisions should be made fully available to the public. That is the case in Turkey, where economic data are regularly published. The Annual Programme and the Budget are widely discussed in the news media.

The Budget is still considered, however, more as an instrument of administrative accountability and control than a tool for regulation of demand. Therefore it is not accompanied by any presentation which would provide a basis for meaningful economic analysis. There is a general evaluation in summary form, but no detail is provided. As a result, the budgetary presentation does not lend itself to an analysis of its economic impact, and, while the Budget debate in Parliament is conducted in an effort to view the Budget in its overall economic context, the possibilities for so doing are limited by deficiencies of presentation and data. Some work of an experimental nature has been done to improve presentation, but to achieve real progress it should be taken up on a regular basis by government departments. A line of attack on this problem is offered by the recent introduction of performance budgeting techniques in public administration.

II *Policy co-ordination*

Policy co-ordination in Turkey is under the responsibility of the State Planning Organisation as far as programming is concerned. Short-term policy co-ordination is usually dealt with by committees at the highest administrative level. Decisions taken by the committees are reviewed by the High Planning Council when necessary.

Budgetary and fiscal policy co-ordination is somewhat complicated by the division of responsibilities between the Ministry of Finance and the State Planning Organisation. The broader perspective of the work of the latter results in its defining a policy, the implementation of which becomes the responsibility of the Ministry of Finance. Investment expenditures and the global level of current expenditure are estimated by the Planning Office, and detailed current expenditures by the Ministry. The frequent over-estimation of receipts in past years probably results partly from insufficient co-ordination between the two organisations.

In theory, there should be no problem in co-ordinating monetary and fiscal policy but, in practice, the absence of money and capital markets, and the resulting close tie between fiscal imbalance and monetary behaviour, creates difficulties for both. For this reason, the upper limit to Treasury borrowing from the Central Bank is fixed as a percentage of each year's budget appropriations. Implementation of the recent Central Bank law and the current reconsideration of fiscal and budgetary policies might help solve the problem of co-ordination, which will be further eased when a capital market is organised.

The interaction of both policies during the year also raises problems of timing. Thus, substantial income and profit tax payments by individuals and companies are made in the spring, at a time when the agricultural purchasing organisations are repaying their seasonal loans from the Central Bank. The result is a serious overall credit squeeze which does not ease until after the financing of the new grain harvest in July. A better spacing out of tax payments would render monetary conditions more even throughout the year.

Co-ordinating the activities of the central government and of local authorities represents no problem, as the latter have no real financial independence. Their expenditures, which are a very small part of total public expenditure, are determined in the Annual Programme. Nevertheless, local investment needs are considerable and are not covered fully by local taxes, thus requiring support from the Treasury. The yield from taxes on real property is small, as real estate is, at present-day prices, undervalued. Recent legislation stipulates, however, that real estate be re-estimated and as this tax has become progressive the situation should improve in the course of the next few years.

III *Flexibility in fiscal and budgetary instruments*

Flexibility will be discussed as to expenditure and revenues. While there are favourable traits in both respects, substantial improvements are nevertheless still necessary to enable effective demand management.

A. *Expenditure*

Public spending programmes are " planned ahead over a period of years on the basis of medium-term projections of economic developments and future allocation of national resources " (Recommendation No. 23) in the Five-Year Plan. But the objectives sought tend to exceed the means available to attain them, with the result that the annual determination of receipts and expenditures tends to be accomplished without reference to a longer-term point of view.

The pressure of demand for government services and expenditures in general, coupled with the inaccuracy of budget forecasts already noted, leaves little or no room for expenditure flexibility. When revenues have been over-estimated or demand shows signs of bunching up, the only choice open to the authorities is to curtail public expenditures, especially public investment outlay—often abruptly. This procedure is applied quite frequently and affects all categories of expenditure except salaries and debt repayments.

A possible approach to detect overspending before it becomes serious is offered by the use now being made in Turkey of regular quarterly reviews of budget revenues and expenditures, so that the latter can be adjusted in time to the trend in government receipts, thus avoiding emergency cuts in the closing months of the fiscal year. But present methods of control of public expenditures, in particular the expenditures of the administrations that come under the annexed budgets, will no doubt need tightening up if short-term changes in budget spending for stabilisation purposes are to be effective.

B. *Revenue*

The Expert Group recalls that " effective demand policies presuppose a tax system sufficiently broad-based to allow a choice among particular tax instruments, or combinations of several of them " (Recommendation No. 16). Until recently the Turkish fiscal system was not well enough equipped to enable such policies to be put into effect.

Direct taxes represent one-third of central government receipts, and their impact varies greatly depending upon whether the taxable income derives from wages and salaries or from other sources. In particular, agricultural incomes are accorded special and generous treatment which leaves many opportunities for tax evasion. While it is admittedly difficult, for political and other reasons, to impose adequate taxes on agricultural income, a more vigorous application of existing regulations would significantly increase public revenues from this source. As long as this is not the case, action on taxes on wages and salaries, however easy it might be technically, will not be possible. Nevertheless, determined efforts are made by the Turkish authorities to improve tax collection and to use new indirect taxes as a means to tax incomes otherwise difficult to assess. A case in point is the introduction of real estate taxes which have, in fact, an incidence on the profits of speculators and landlords. Corporation taxation is a small source of government revenue as the corporate sector is still quite small, apart from the State Economic Enterprises, and the latter do not make much profit. Studies are at present being carried out on the payment of tax during the year in which profit is made and on introducing an advance payments method.

Indirect taxes suffered until recently from two deficiencies : their low income elasticities and the preponderance of import duties. Taxes on production and on expenditure were imposed on a limited range of widely consumed products and did not affect consumer durables, except automobiles and personal services. As is shown in Part II of the report, recent legislation has corrected this defect by broadening the domestic indirect tax base. This will also decrease the share of taxation on imports in the total, all the more so as the stamp duty on imports has been reduced.

Retro-activity of tax laws is not allowed by the Turkish Constitution. It is, therefore, impossible to avoid time lags between proposals and enactments. However, the Government is now authorised to alter the rate of expenditure tax within large limits. That procedure clearly gives the Government some power to counteract rapidly the business cycle when warranted.

Public debt management raises peculiar problems in Turkey due to the limited range of sources available for financing Treasury needs. In the absence of an organised capital market, the long-term debt is small and consists mainly of forced savings bonds, bond issues of public enterprises and some consolidated debts with the Central Bank. As stated above a legal limit is imposed on the Treasury's short-term borrowing from the Central Bank. Such a restriction should no longer be necessary when the measures taken to set up a national capital market are effective.

Last, recommendations concerning flexibility in social security systems and debt management may be less relevant in the Turkish case. The social insurance system is still quite small and notably does not cover the agricultural sector.

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STATISTICAL ANNEX

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Table I. **National product**
TL millions

	Current Prices					Constant 1965 Prices					1970 Programme
	1965	1966	1967	1968	1969	1965	1966	1967	1968	1969	
Agriculture, forestry, fishing	23 040	27 314	28 395	29 884	31 677	23 140	25 663	25 906	26 402	26 388	33 572
Industry	11 492	13 434	15 664	17 301	20 069	11 492	12 710	14 279	15 714	17 199	22 225
Construction	3 716	4 462	5 181	6 066	6 867	3 716	4 192	4 487	4 951	5 389	
Wholesale and retail trade	6 131	6 988	7 820	8 551	9 680	6 131	6 664	7 200	7 801	8 382	
Transport and communications	4 307	4 719	5 436	6 165	7 040	4 307	4 630	4 956	5 354	5 828	
Financial Institutions	4 854	5 595	6 485	7 480	8 572	4 854	5 281	5 740	6 237	6 757	49 407
Ownership of dwellings	2 295	2 548	2 841	3 263	3 716	2 295	2 490	2 716	2 967	3 238	
Government, health, education	6 772	7 897	8 724	9 854	10 859	6 772	7 348	7 983	8 713	9 476	
Net domestic product at factor cost	62 606	72 958	80 546	88 564	98 481	62 606	68 978	73 267	78 140	82 658	105 204
plus: net income from abroad	214	599	277	304	496	214	571	262	286	447	360
plus: indirect taxes	7 090	8 471	10 324	11 599	13 091	7 090	7 657	8 309	8 845	9 601	
plus: depreciation	3 229	3 662	4 083	4 554	5 081	3 299	3 540	3 802	4 089	4 406	
Gross national product at market prices	73 209	86 589	95 230	105 020	117 148	73 209	80 746	85 640	91 360	97 111	126 350

Sources: The State Planning Organisation.

Table II. **National account statistics**
TL billions

	In Current Prices							Second Five-Year Plan (1965 Prices)				
	1963	1964	1965	1966	1967	1968	1969	1968	1969	1970	1971	1972
1 GNP	63.3	68.0	73.2	84.9	95.2	105.0	117.1	91.1	97.4	104.3	116.6	119.4
2 Total consumption	55.9	58.4	61.9	71.3	77.2	84.5	94.7	74.1	78.4	82.8	87.0	92.4
Public consumption	7.2	7.8	8.6	10.7	11.5	12.5	14.8	13.0	13.9	15.0	16.6	18.3
Private consumption	48.7	50.7	53.3	58.6	65.7	70.0	79.9	61.1	64.5	67.8	70.4	74.1
3 Total gross investment	10.1	10.5	12.0	15.1	19.1	22.5	24.8	18.8	29.0	23.6	26.6	29.0
Public	5.1	5.7	6.5	8.2	9.0	11.2	12.8	9.4	10.3	11.6	13.3	14.0
Private	5.0	4.8	5.5	6.9	7.9	9.1	10.8	8.1	9.3	10.5	11.7	13.3
Changes in stocks	n.a.	n.a.	n.a.	n.a.	2.2	2.2	1.2	1.3	1.4	1.5	1.6	1.7
4 Deficit on current account	2.7	1.0	0.7	1.5	1.0	2.0	2.4	1.8	2.0	2.1	2.0	2.0
5 Domestic savings	7.4	9.5	11.3	13.6	18.1	20.0	21.7	17.0	19.0	21.5	24.6	27.0
Public	2.9	3.4	3.7	6.0	8.8	9.7	10.5	8.6	9.7	11.4	13.8	15.2
Private	4.5	6.2	7.6	7.6	9.3	10.3	11.2	8.4	9.3	10.1	10.8	11.8
6 Depreciation	2.7	3.0	3.3	3.7	4.1	4.6	5.1					
	Percentage Shares											
1 GNP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2 Total consumption/GNP	88.3	86.0	84.6	84.0	81.1	78.6	80.9	81.3	80.5	79.4	78.0	77.4
Public consumption/GNP	11.4	11.5	11.8	12.6	12.1	11.9	12.6	14.3	14.3	14.4	14.9	15.3
Private consumption/GNP	76.9	74.5	72.8	69.0	69.0	66.7	68.2	67.1	66.2	65.0	63.1	62.1
3 Total gross investment/GNP	16.0	15.4	16.4	17.8	20.1	21.4	21.2	22.0	23.0	24.0	25.2	25.7
Public	8.1	8.4	8.9	9.7	9.5	10.7	10.9	10.3	10.6	11.1	11.4	11.7
Private	7.9	7.0	7.5	8.1	8.3	8.7	9.2	10.3	10.0	11.5	12.4	12.6
Changes in stocks/GNP	n.a.	n.a.	n.a.	n.a.	2.3	2.0	1.0	1.4	1.4	1.4	1.4	1.4
4 Current account deficit/GNP	4.3	1.5	1.0	1.8	1.1	1.9	2.0	2.0	2.0	2.0	1.8	1.7
5 Domestic savings/GNP	11.7	14.0	15.4	16.0	19.0	19.0	18.5	18.7	19.5	20.6	22.0	22.6
Public savings/GNP	4.6	5.0	5.1	7.1	9.2	9.2	9.0	9.4	10.0	10.9	12.4	12.7
Private savings/GNP	7.1	9.0	10.3	8.9	9.8	9.8	9.6	9.2	9.5	9.7	9.7	9.9
6 Depreciation	4.3	4.4	4.5	4.4	4.3	4.4	4.4					
7 Central Government revenue/GNP	16.0	16.3	16.6	17.0	18.6	18.4	19.1	19.5	20.0	20.4	20.8	21.3
8 Central Government current expenditure/GNP	10.3	10.1	10.4	10.2	10.2	10.4	10.5	11.3	11.5	11.7	11.9	12.1

NOTE Total Investment includes changes in stocks.
Source: State Planning Organisation.

Table III. **Agricultural production**

	Unit	Average 1950-1955	Average 1956-1963	1964	1965	1966	1967	1968	1969
Cereals:									
Wheat	1 000 tons	5 120	8 126	8 300	8 500	9 600	10 000	9 520	10 500
Barley		2 820	3 486	3 200	3 300	3 800	3 800	3 560	3 740
Maize		807	924	1 000	945	1 000	1 050	1 000	1 000
Rye		590	698	735	775	850	900	820	817
Other		1 001	1 119	1 153	1 150	1 161	1 119	982	1 044
Pulses		443	576	583	589	589	610	596	579
Potatoes		879	1 396	1 700	1 680	1 750	1 760	1 805	1 396
Sugar Beet		1 232	2 885	4 706	3 421	4 422	5 253	4 714	3 354
Tobacco		101	118	194	132	164	182	161	142
Cotton		145	196	326	325	382	396	435	400
Oilseeds		480	537	529	527	611	634	740	310
Wool		35	43	43	43	44	46	n.a.	n.a.
Fruits and Nuts:									
Grapes		1 750	2 859	2 790	3 350	3 100	3 500	3 725	3 635
Figs		104	167	206	210	215	232	215	215
Nuts		70	101	195	62	190	71	138	120
Citrus fruits		118	283	325	425	456	545	678	496
Eggs	Millions	1 027	1 277	1 360	1 479	1 455	1 536	n.a.	n.a.
Livestock:									
Cattle (inc. buffalo)	Thousands	11 667	13 533	14 414	14 419	15 022	15 413	15 066	14 367
Sheep and goats		46,413	54,886	53,816	54,187	55,595	56,537	57,388	51,687
Poultry		22,922	27,789	30,064	31,023	30,245	32,160	34,000	34,336

Sources: " Konjonktür ", Ministry of Commerce, Agricultural Statistics, State Statistical Institute

Table IV. **Industrial production**

	Unit	1964	1965	1966	1967	1968	1969
Total industrial production	Index 1962 = 100	119.9	136.2	156.0	184.3	202.2	221.6
Mining		126.3	146.0	166.8	186.0	200.0	204.4
Manufacturing		118.8	135.2	154.7	184.9	203.0	223.9
Energy		124.3	133.9	154.3	174.1	190.6	216.3
Mining, fuel, energy: selected products	10 000 tons						
Coals		714.1	700.7	736.9	745.7	749.4	773.1
Lignite (ungraded product)		587.6	629.6	638.4	657.7	868.1	861.4
Chrome ore		41.3	58.2	68.9	61,4	58.7	67.4
Iron ore		96.8	154.6	166.1	148.5	190.5	252.4
Copper		2.6	2.6	2.7	2.5	2.4	1.9
Crude petroleum		88.2	147.3	185.4	272.8	309.2	359.9
Petroleum products		400.3	403.6	451.8	532.1	513.1	595.3
Electric power	Billion KwH	4.3	4.9	5.4	6.1	6.9	7.8
Manufacturing: Selected products	1 000 tons						
Pig iron		293.1	499.7	736.1	846.6	909.8	948.3
Steel ingots		404.7	581.2	842.0	993.0	1 109.8	1 169.7
Sheets and pipes		41.8	117.7	217.0	287.6	353.6	337.1
Cement		2 936.5	3 239.0	3 858.2	4 238.2	4 727.2	5 795.3
Coke		1 044.3	1 187.0	1 440.0	1 362.2	1 431.0	1 594.8
Superphosphate		155.0	221.3	222.1	205.1	187.1	150.8
Glass		33.9	34.9	35.2	47.0	51.8	83.2
Paper		98.5	97.9	106.2	108.6	115.8	116.2
Sugar		660.6	599.7	600.7	609.2	717.7	588.2
Olive oil		121.9	60.0	155.0	80.0	159.0	54.0
Woollen and cotton yarns		120.5	126.0	138.0	151.0	n.a.	n.a.
Woollen and cotton fabrics	Million metres	591.6	623.9	666.0	727.0	n.a.	n.a.

Source: Turkish submission to the OECD.

Table V. Prices
Indices 1963 = 100

	1965	1966	1967	1968	1969	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III	1969 IV	1970 I	1970 II	1970 III
Wholesale Prices:																
Total	109	115	123	129	137	128	128	128	133	137	137	135	139	145	144	141
Food and feeding stuffs	110	116	124	129	137	128	129	126	132	138	138	134	138	148	144	136
Cereals	112	115	114	121	130	119	121	118	126	129	131	130	130	133	132	130
Livestock	117	127	153	155	152	165	165	149	141	156	160	145	148	186	185	173
Livestock products	112	122	138	135	142	132	130	132	144	142	139	139	146	157	147	144
Industrial and semi-manufactured	108	112	122	130	136	128	127	130	133	134	135	137	140	142	144	150
Fuel	100	101	118	156	179	147	145	162	171	173	174	179	187	184	174	177
Minerals	110	116	126	129	131	129	129	129	130	130	130	131	131	131	152	171
Chemicals and pharmaceuticals	111	130	140	141	143	141	141	141	141	142	143	143	144	143	189	211
Building materials	—	—	128	132	135	129	131	133	134	138	139	140	143	145	151	155
Textiles	106	107	117	116	118	118	116	115	116	116	118	119	119	123	123	121
The Cost of Living:																
Ankara, total	109	115	122	127	134	126	126	127	130	131	132	134	139	143	144	148
Istanbul, total	105	115	131	139	145	136	137	140	142	144	145	145	149	152	153	156
Food	106	115	133	140	147	137	138	141	144	145	147	146	151	155	157	157
Heating and light	101	104	108	124	125	123	124	125	125	125	125	125	125	125	125	128
Clothing	104	114	125	134	139	131	134	135	135	137	138	139	142	147	149	154
Other	103	110	132	140	146	139	140	143	142	145	144	145	149	152	156	165

Source: Turkish submission to the OECD.

Table VI. **Merchandise imports and exports**
US $ millions

	1965	1966	1967	1968	1969
	Imports cif				
Total	571.6	718.6	684.7	763.7	801.1
Basic materials	313.0	365.0	380.0	420.0	425.0
Investment goods	197.0	289.0	260.0	294.0	299.0
Consumer goods	62.0	64.0	44.7	50.0	77.0
of which:					
Surplus agricultural commodities	29.0	17.0	—	—	32.3
Cereals	27.0	18.8	2.0	—	
Fats and oils	5.0	17.0	5.2	3.2	5.0
Mineral fuels	56.7	55.0	53.5	64.0	60.8
Chemical	36.2	41.1	48.2	56.8	64.7
Plastic materials	10.9	18.2	18.1	19.1	16.9
Rubber and products	15.3	16.0	19.4	19.2	14.9
Paper	11.2	10.4	20.7	21.2	21.8
Textiles	37.6	41.0	42.0	42.2	38.4
Base metals	72.5	83.6	64.7	62.7	76.8
Machinery, electrical equipment	165.4	226.9	227.8	253.8	224.0
Transport equipment	45.5	74.4	59.7	84.9	86.0
Other	88.3	116.2	123.4	136.9	159.5
	Exports fob				
Total	463.7	490.5	522.7	496.4	536.8
Agricultural commodities	399.5	415.7	461.3	434.3	447.6
Unprocessed :	351.2	376.8	416.0	400.6	398.4
Cotton	102.7	129.0	132.0	139.1	113.6
Tobacco	90.3	106.6	118.0	94.8	81.5
Hazelnuts	60.2	54.8	82.7	74.1	107.6
Figs, sultanas	28.3	28.7	29.9	29.5	29.6
Cereals, pulses	10.6	9.7	7.6	9.7	6.8
Citrus fruits	3.9	5.4	6.6	8.6	10.2
Livestock, fish, wool	35.5	24.7	24.2	30.0	32.6
Other	19.7	16.9	15.0	6.2	26.5
Processed :	48.3	38.9	45.3	27.7	49.2
Animal feeding stuffs	20.8	20.9	25.4	19.8	17.6
Sugar and products	8.9	8.1	7.8	1.5	12.2
Olive oil	11.5	2.2	6.7	0.8	12.7
Hides and skins	7.1	7.7	5.4	5.6	6.7
Mining products	21.0	23.2	20.7	26.1	34.9
Chrome ore	9.5	10.4	7.2	9.6	12.8
Other	11.5	12.8	13.5	16.5	22.1
Other Exports	43.2	51.6	49.7	36.0	54.3
Copper	17.2	24.8	16.0	16.7	9.0
Petroleum products	5.6	4.4	0.5	1.7	4.0
Cotton textiles	2.5	0.5	0.5	8.0	15.9
Glass products	0.6	0.2	0.3	1.0	0.4
Ferrochrome	1.7	2.2	1.5	2.5	—
Other	15.6	19.5	21.9	6.1	25.5

Source : Turkish submission to the OECD.

Table VII Merchandise Trade by area
US $ millions

	1965	1966	1967	1968	1969
	Imports cif				
Total	576.7	724.7	690.7	764.0	801.1
OECD countries	437.5	561.4	521.9	588.4	627.7
European OECD countries	262.0	368.7	379.1	445.6	455.5
EEC	164.4	238.6	240.0	284.4	284.7
of which: Germany	84.7	113.7	134.8	157.0	147.6
Italy	36.9	54.3	50.5	67.7	80.0
EFTA	95.7	127.7	136.6	158.1	160.9
of which: United Kingdom	55.9	79.4	88.8	99.3	94.7
Other	1.9	3.4	2.5	3.1	9.9
North America and Japan	173.7	192.8	142.8	142.8	183.9
Third countries	141.1	163.2	168.8	175.6	173.4
Eastern Block countries	57.6	84.9	91.3	99.0	93.5
Middle East	56.8	48.2	44.3	52.8	47.1
Other	26.7	30.1	33.2	23.8	32.8
	Exports fob				
Total	458.9	490.5	522.3	496.4	536.8
OECD countries	337.4	370.4	396.1	353.8	383.1
European OECD countries	250.0	281.1	275.4	263.5	308.5
EEC	155.4	171.4	176.3	164.1	214.8
of which: Germany	71.5	76.5	83.9	86.4	111.4
Italy	30.0	31.8	36.2	24.1	42.5
EFTA	82.6	92.1	88.1	85.1	81.0
of which: United Kingdom	41.2	46.8	34.2	33.9	30.0
Other	12.0	17.6	11.0	14.3	12.7
North America and Japan	87.4	89.3	120.7	90.3	74.6
Third countries	121.4	120.1	126.2	142.6	153.6
Eastern Block countries	69.0	74.5	87.9	91.1	90.5
Middle East	36.4	34.6	30.6	38.9	36.8
Other	16.1	11.0	7.7	12.6	26.3

Source: Turkish submission to the OECD

Table VIII. **Money and banking**
TL millions, end of period

	1965	1966	1967	1968				1969				1970	
				I	II	III	IV	I	II	III	IV	I	II
MONEY:													
Supply of money, total	16 434	19 780	22 682	21 880	22 443	23 278	25 968	25 391	25 727	26 981	30 127	28 389	28 048
Notes and coins	6 326	7 164	8 714	7 995	8 086	8 412	8 237	8 411	8 473	9 126	9 081	8 977	9 177
Commercial sight deposits[1]	2 580	3 206	3 678	3 171	3 397	3 693	4 931	4 102	4 266	4 497	6 028	4 747	4 588
Saving sight deposit	7 528	9 410	10 390	10 714	10 960	11 173	12 800	12 878	12 988	13 358	15 018	14 665	14 283
Supply of quasi money, total	5 637	6 634	7 927	8 544	8 758	8 712	9 595	10 140	10 444	10 253	10 891	11 329	11 431
Public sight deposits	1 536	1 650	1 979	2 193	2 138	1 928	2 182	2 405	2 551	2 348	2 455	2 581	2 636
Private time deposits	3 163	4 245	5 084	5 317	5 608	5 774	6 207	6 420	6 693	6 720	7 272	7 536	7 637
Deposits with the Central Bank	938	739	864	1 034	1 012	1 010	1 206	1 315	1 200	1 185	1 164	1 212	1 158
CENTRAL BANK:													
Deposits, total	2 526	3 070	3 484	3 985	4 288	4 447	5 131	5 194	5 205	5 326	6 181	5 848	5 347
Public authorities	250	265	311	488	481	319	339	475	369	414	455	503	582
Counterpart of aid	81	41	34	33	35	41	35	36	24	16	9	9	11
IMF	358	358	434	433	405	558	676	687	689	630	584	561	417
Banks	1 563	2 306	2 604	2 941	3 211	3 422	3 920	3 875	3 955	4 137	5 003	151	156
Unclassified	274	100	101	90	156	107	161	121	168	129	130	4 624	4 181
Lending, total	4 665	6 671	8 776	8 825	8 753	9 445	10 168	10 600	10 887	11 965	12 920	13 267	13 877
Treasury	1 484	1 786	2 299	2 319	2 323	2 522	2 529	3 175	3 100	3 245	3 405	4 362	4 467
SEEs and State Monopolies	1 495	2 182	2 627	2 902	2 894	3 261	3 147	3 224	3 332	3 557	3 735	3 656	3 660
Banks' liquidation fund	205	236	269	269	264	264	263	263	253	253	253	253	239
Private sector	1 481	2 467	3 581	3 335	3 272	3 398	4 229	3 938	4 202	4 910	5 527	4 996	5 511
BANKS:													
Deposits, total	14 782	18 486	21 015	21 385	22 038	22 553	26 115	25 801	26 448	26 919	30 759	29,517	29,140
Public	2 048	2 233	2 644	2 853	2 875	2 688	2 959	3 163	3 317	3 105	3 288	3 425	3 502
Private	12 734	16 253	18 371	18 532	19 163	19 865	23 156	22 638	23 131	23 814	27 471	26 092	25 638
Lending, total	16 100	20 191	23 368	23 681	24 488	25 508	27 575	28 703	30 177	31 090	33 182	32 683	32 708
Public	2 539	2 574	2 777	2 742	2 621	2 750	2 671	2 694	2 852	3 052	2 997	2 696	2 686
Private	13 561	17 617	20 591	20 939	21 867	22 758	24 904	26 009	27 325	28 038	30 185	29 987	30 022
TOTAL BANK LENDING:													
Gross lending, total	20 765	26 862	32 144	35 506	33 241	34 953	37 743	39 303	41 064	43 055	46 102	45 950	46 585
Public	5 723	6 778	7 972	8 232	8 102	8 797	8 610	9 093	9 537	10 107	10 390	10 967	11 052
Private	15 042	20 084	24 172	24 274	25 139	26 156	29 133	30 210	31 527	32 948	35 712	34 983	35 533
Less: Central Bank advances to the Banks	–1 583	–2 578	–3 777	–3 504	–3 433	–3 749	–4 427	–4 342	–4 649	–5 742	–5 766	–5 743	–6 251
Net lending	19 182	24 284	28 367	29 002	29 808	31 204	33 316	34 961	36 415	37 313	40 336	40 207	40 334

1 Including commercial sight deposits with the Central Bank.

Sources: Monthly Bulletin and Summary of Money and Credit Statistics, Central Bank of Turkey.

Table IX Sources and uses of funds in the banking system

Consolidated Balance-Sheets of the Central Bank and Banks

All banks excluding the State Investment Bank

TL millions

	Amounts						Changes					
	1964	1965	1966	1967	1968	1969	1964	1965	1966	1967	1968	1969
I *Sources of Funds:*												
Money held by the public	13 999	13 434	19 780	22 682	25 968	30 127	1 832	2 435	3 346	2 906	3 286	4 159
Banknotes	5 664	6 174	6 990	8 513	8 010	8 861	892	510	816	1 523	–503	851
Coins	171	152	174	201	227	220	17	–19	22	27	26	–7
Deposit money	8 164	10 108	12 616	13 968	17 731	21 046	923	1 944	2 508	1 352	3 763	3 315
held by the public sector	587	545	518	660	1 007	1 104	235	–42	–27	142	347	97
held by the private sector	7 577	9 553	12 098	13 308	16 724	19 942	688	1 986	2 535	1 210	3 416	3 218
Quasi money and other liabilities	15 994	18 023	20 376	22 566	26 559	30 510	1 383	2 029	2 353	2 190	3 399	3 951
to public sector	4 978	5 455	5 929	6 602	7 437	8 330	–91	477	474	673	834	93
to private sector	11 016	12 568	14 447	15 964	19 122	22 180	1 474	1 552	1 879	1 517	3 158	3 058
Reserves (compulsory or not)	2 580	3 385	4 573	5 243	7 377	9 659	608	805	1 188	670	2 134	2 282
ASSETS = LIABILITIES	32 573	37 842	44 729	50 491	59 904	70 296	3 823	5 259	6 887	5 762	9 413	10 392
II *Uses of funds:*												
Credits	15 967	19 170	24 277	28 360	33 313	40 336	2 216	3 203	5 107	4 083	4 953	7 023
To public sector	4 376	5 404	6 424	7 500	8 146	9 898	753	1 038	1 020	1 076	646	1 752
by Central Bank	2 405	2 865	3 850	4 723	5 475	6 901	613	460	985	873	752	1 426
by banks	1 961	2 539	2 574	2 777	2 671	2 997	140	578	35	203	–106	326
To private sector	11 601	13 766	17 853	20 860	25 167	30 438	1 463	2 165	4 087	3 007	4 307	5 271
by Central Bank	1 735	1 800	2 821	4 053	4 693	6 019	376	65	1 021	1 232	640	1 326
by banks	9 866	11 966	15 032	16 807	20 474	24 419	1 087	2 100	3 066	1 775	3 667	3 945
Net gold and foreign exchange reserves (convertible or not)	466	759	403	546	636	n.a.[1]	130	293	–356	143	90	–630
Other claims (Central Bank and banks)	13 560	14 528	15 476	16 342	18 578	20 295	869	968	948	866	2 736	1 717
From public sector	10 136	10 987	11 438	12 247	12 098	12 727	458	851	451	809	–149	629
From private sector	3 424	3 541	4 038	4 095	6 480	7 568	411	117	497	57	2 385	1 088
Counterpart of reserves	2 500	3 385	4 573	5 243	7 377	9 659	608	805	1 188	670	2 143	2 282
Currency held by the banking system	1 013	1 245	1 429	1 500	1 984	2 183	136	232	184	71	484	199
Deposits of banks with Central Bank	434	455	562	522	981	1 321	206	21	107	–40	459	340
Compulsory reserves	1 133	1 685	2 582	3 221	4 412	6 155	266	552	897	639	1 191	1 743
cash reserve requirements	616	1 101	1 741	2 084	2 935	3 676	25	485	640	343	851	741
import guarantee deposits	517	584	841	1 137	1 477	2 479	241	67	257	296	340	1 002

1 Due to the change in the accounting rules of foreign exchange operations, it was not possible to calculate the comparable figure for 1969.

Source: Central Bank of Turkey; cf. Annual Report 1967 and 1968.

Table X **Financial position of the State Economic Enterprises**
TL millions

	Outcome				Programme	
	1966	1967	1968	1969	1969	1970
Investment finance:						
Total investments by the SEEs	3 068	3 083	3 828	4 898	4 000	4 943
By Pension and Insurance Funds (self-financed)	334	176	394	490	210	593
By productive SEEs	2 734	2 907	3 434	4 408	3 790	4 350
Financed by:						
Own sources	878	69	–60	–1 253	–1 266	–337
State Investment Bank	927	2 075	2 230	3 057	2 820	2 530
Government Budget	721	613	807	1 660	1 536	1 900
Counterpart loans	37	—	—	—	—	—
Direct project financing from abroad	171	150	457	944	700	850
Net cash position:						
Current gross profits or losses (—)	448	656	641	523	752	1 024
State Railways	–256	–468	–480	–687	–470	–428
Coal industries	–90	1	–105	14	–154	–146
Nitrogen industry	–41	–48	–46	–51	—	—
Other productive SEEs	835	1 171	1 272	1 247	1 376	1 598
Depreciation allowances	782	918	1 036	1 154	1 152	1 356
Net balance of short-term flows	652	7	917	908	–602	652
Total resources	1 882	1 581	2 594	2 585	1 302	3 032
Less:						
direct taxes	215	280	364	379	351	481
debt repayment	657	1 232	2 290	3 459	2 217	4 148
Net cash position	878	69	–60	–1 253	–1 266	1 597

Source: Ministry of Finance.

Table XI **Summary of assistance provided in the framework of the Consortium[1] from 1963 to the end of 1969**

Agreements signed, disbursements and pipeline

US $ millions

	Pipeline as of end-1962	1963		1964		1965		1966		1967		1968		1969		7 yr. total 63-69		Pipeline as of end 1969[1]
		Agreements signed	Disbursements	Agreements signed	Disbursements	Agreements signed	Disbursements	Agreements signed	Disbursements	Agreements signed	Disbursements	Agreements signed	Disbursements	Agreements signed	Disbursements	Agreements signed	Disbursements	
Total financial Assistance	207	208	248	297	200	334	271	337	242	250	259	327	253	254	219	2 007	1 692	518
Programme Assistance	34	151	138	158	134	119	126	100	105	126	125	112	110	87	91	853	829	54
Project Assistance	173	31	84	103	41	40	56	203	63	124	86	186	109	159	117	846	556	462
Debt relief	—	26	26	36	25	175	89	34	74	—	48	29	34	8	11	308	307	2

1 Includes assistance provided through the European Funds (EMA) in the form of programme assistance ($ 35 million in 1963, $ 20 million in 1964, $ 25 million in 1967, 25 million in 1968 and $ 15 million. n 1969) and debt relief ($ 15 million in 1963, $ 10 million in 1964, $ 50 million in 1965 and $ 20 million in 1966) but excludes technical assistance and PL 480 deliveries.

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The indicators selected cover national accounts, industrial production, deliveries, stocks and orders, construction, retail sales, labour, wages, prices, domestic and foreign finance, interest rates, trade and payments. Quarterly supplements provide additional material on consumer prices and industrial production.

FOREIGN TRADE STATISTICS BULLETINS: SERIES A, B, and C

Series A - Overall trade by countries (quarterly) provides an overall picture of the total trade of O.E.C.D. countries (without commodity breakdown) analysed into flows with countries and country groupings of origin and destination.
The analysis is in terms of a standard geographical classification, in tables covering the latest available four years, twelve quarters and sixteen months. A monthly supplement brings the tables up to date in between successive quarterly issues.
Series B - Trade by commodities, Analytical abstracts (quarterly) is designed for a general analysis of the pattern of trade flows of O.E.C.D. countries, individually and in groups, by main commodity categories and partner areas and countries. Both the commodity categories and the partner countries and areas are defined in terms of standard nomenclatures, but for each reporting country only those which are significant are shown. The series is issued in six booklets, each covering several countries, in the order of availability of the basic data.
Series C - Trade by commodities, Market summaries (half-yearly) provides detailed information on the trade of O.E.C.D. countries by main commodities and partner countries. The series appears in three volumes, respectively covering trade by major commodity categories (values only) and by S.I.T.C. groups, sub-groups and items (quantities and values, one volume for exports and one for imports).
Data are arranged in synoptic tables, bringing together the countries comprising the market for a given commodity, as outlets and/or sources of supply, both within the O.E.C.D. area and in trade between O.E.C.D. countries and the rest of the world.

STATISTICAL YEARBOOKS

Historical Statistics (every two years) bring together, in two volumes, quarterly and monthly data over the last decade for all series shown in *Main Economic Indicators* and its *Industrial Production* supplement, respectively.
In addition, both volumes show annual data over a longer time-span, and a selection of calculated rates of change. In between two issues they are kept up to date by supplements inserted into current issues of *Main Economic Indicators.*
National Accounts of O.E.C.D. countries (annual) shows for each O.E.C.D. country and for major groups of Member countries the main national accounting aggregates, in a standardized form, over the last decade (occasionally, over a longer time-span).
In addition, special tables contain various analytical measurements, such as growth triangles, price and volumes indices, and ratios of selected aggregates to totals.
Labour force statistics (annual) gives an overall view, on the basis of standardized data, of the manpower and employment situation over the last decade in the O.E.C.D. countries. Data are shown, in particular, for total population, components of population changes, age structures, total and civilian manpower, unemployment, and employment (both in total and with a breakdown by activity and professional status and—in the case of wage and salary earners— by industry).

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Each July and December the OECD ECONOMIC OUTLOOK surveys the latest economic developments in the OECD area and, by means of an integrated set of quantitative forecasts, assesses future prospects. In addition, there are frequently special studies designed to assist the interpretation of economic trends.