# OECD
## ECONOMIC SURVEYS

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

# TURKEY

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

NOVEMBER 1974

# BASIC STATISTICS OF TURKEY

## THE LAND

| | | | |
|---|---|---|---|
| Area (1 000 km²) | 781 | Major cities, 1970 (1 000 inhabitants): | |
| Agricultural area (10 000 km²) | 544 | Istanbul | 2 780 |
| Forests (1 000 km²) | 106 | Ankara | 1 425 |
| | | Izmir | 917 |

## THE PEOPLE

| | | | |
|---|---|---|---|
| Population 1974 (1 000) | 39 348 | Labour force, 1973 (1 000) | 13 810 |
| No. of inhabitants per km² 1974 | 51 | Agriculture, forestry, fishing | 8 760 |
| Net population increase: | | Industry | 1 615 |
| (annual average 1965-1970) | | Construction | 480 |
| per 1 000 inhabitants | 25.2 | Services | 2 825 |

## PRODUCTION

| | | | |
|---|---|---|---|
| GNP, 1973 (TL million) | 303 499 | Origin of NDP, 1973 (per cent): | |
| per head (US dollars) | 566 | Agriculture, forestry, fishing | 28.6 |
| Gross fixed investment, | | Industry | 21.7 |
| average 1970-1973 (TL million) | 38 012 | Construction | 6.1 |
| per cent of GNP | 17.3 | Services | 43.6 |
| per head (US dollars) 1973 | 97 | | |

## THE GOVERNMENT

| | | | |
|---|---|---|---|
| Public consumption, 1973 | | Public debt, 1973 (per cent | |
| (per cent of GNP) | 12.5 | of central government current revenue) | 5.2 |
| Central government current revenue, | | Internal | 4.7 |
| 1973 (per cent of GNP) | 20.3 | External | 0.5 |

## LIVING STANDARDS

| | | | |
|---|---|---|---|
| Calories per head, per day (1972) | 2 900 | Illiteracy rate, 1973 | |
| Electricity production | | (per cent of population aged 6 or more) | 48 |
| (kWh per head) 1973 | 320 | School attendance rates, 1973 | |
| No. of passenger cars in use, 1970 | | (per cent of population aged 7-18) | 62.3 |
| (per 1 000 inhabitants) | 4 | Central government expenditure | |
| No. of radio sets in use, 1972 | | on education per head, 1973 | |
| (per 1 000 inhabitants) | 106 | (US dollars) | 29 |
| No. of telephones in use, 1972 | | per student, 1973 (US dollars) | 155 |
| (per 1 000 inhabitants) | 13 | | |

## FOREIGN TRADE

| | | | |
|---|---|---|---|
| Commodity exports, 1970-1973 | | Commodity imports, 1970-1973 | |
| (per cent of GNP) | 5.2 | (per cent of GNP) | 10.3 |
| Main exports (per cent of total exports): | | Main imports (per cent of total imports): | |
| Cotton | 23.2 | Machinery and equipment | 31.1 |
| Tobacco | 10.1 | Transport equipment | 8.3 |
| Fruit and vegetables | 19.7 | Base metals | 11.8 |
| Livestock, fish, wool | 4.0 | Mineral fuels | 10.5 |

## WORKERS' REMITTANCES
## (US $ millions)

| | | | |
|---|---|---|---|
| 1972 | 740.0 | 1973 | 1 183.1 |

## THE CURRENCY

| | | |
|---|---|---|
| Monetary unit: Turkish Lira | Currency units per US dollar | 13.85 |

OECD ECONOMIC SURVEYS

# TURKEY

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;*
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*The Socialist Federal Republic of Yugoslavia is associated in certain work of the OECD, particularly that of the Economic and Development Review Committee.*

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The annual review of Turkey
by the OECD Economic and Development Review Committee
took place on 16th July 1974.
The present Survey has been updated subsequently.

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# INTRODUCTION

The outcome of the General Elections in late 1973 has led to a new phase in Turkish parliamentary democracy. The government which took office in February 1974 declared it will base its programme on greater social justice, notably in respect of income distribution, without, however, sacrificing the long-standing main goal of rapid industrialisation that has also been the principal aim of all Turkish governments since the introduction of formal economic planning in 1963. One of the first measures taken was a sizeable increase in minimum wages and agricultural support prices. Other important features of the government's programme, including those relating to the mobilisation of human and financial resources for the development of the "people's sector"—which can be broadly defined as policies designed to spread the benefits of economic development more evenly throughout the country—were in the process of elaboration at the time of the discussion of Turkey's economic policy by the EDR Committee in mid-July 1974.

The government, however, had also met difficult short-run economic problems, notably a high rate of domestic inflation and a potential threat to the balance of payments by the higher price of Middle East oil and imported industrial supplies, which required vigorous remedial action. The economic policy decisions announced and implemented since mid-July 1974 are too recent to permit an analysis here of their effects. Only some measures announced since then have been recorded briefly.

Turkey's Third Five Year Plan, 1973-1977, in the context of her new long-term development strategy (1973-1995), started to be implemented in the period covered by this report. Part I gives an overview of the main targets and issues for development in the Third Plan in the perspective of the first two Plans; the report then discusses in Part II the current economic trends and policies before looking more closely at the problem of inflation in Part III.

# I LONGER-TERM TRENDS AND DEVELOPMENT POLICIES

The Turkish economy in the mid-1970s presents a very different picture from the situation which pertained a decade earlier. The last ten years have witnessed substantial progress in raising and diversifying production and in strengthening the balance of payments. This has been done despite formidable obstacles due to geography and natural resources, to the need to remodel the institutional framework of economic agencies of government and to invest heavily in human resources. As is natural, the achievements of the past have thrown up new problems calling for solutions and the international context today is different from the one that pertained in the early 1960s. Two examples of changes in the latter that are of particular importance for Turkey are the entry into application of the treaty of association with the European Economic Community and the presence of three-quarters of a million Turkish workers in Western Europe.

Earlier reports in the present series have analysed and described the successive stages in the development of the Turkish economy over the last decade. The aim of the following paragraphs is to attempt to take a broader view in order to pinpoint the most significant trends of a longer-term, and more durable, nature which help to put into perspective the present aims of economic policy.

### (a) *The Third Five Year Plan (1973-1977)*

Turkey's intention to join the European Economic Community as a full Member after 1995, with the commensurate obligation to reduce gradually protection of its industry—as laid down in the Annex Protocol for the transitional period signed in Ankara on 23rd November 1970—has given new urgency to the need to create a viable domestic industry and to reach an economic structure not too dissimilar from those in existence in other countries of the European Community. The Third Five Year Plan is seen as the first phase of a new strategy resulting from this review. Turkey's main target is to increase GNP per capita from less than $400 in 1972 to $1 500 in 1995. The relative share of agriculture in GDP is planned to fall from 28 per cent to 12 per cent and the share of industry to increase from 23 per cent to 37 per cent. The proportion of national income to be saved and invested is planned to come close to one third, a ratio which incidentally is considerably higher than the OECD average of the past five years. Although these would be impressive changes, it should not be overlooked that to achieve them the Plan allows 22 years. By the end of the period, as an illustration, per capita income would be equal to that of present-day Italy.

In order to achieve these social objectives and quantitative targets for 1995 a number of principles are set forth in the strategy which are to guide policy-makers over the coming years. First and foremost, sweeping reforms in the public sector, central and local administration and State Economic Enterprises, are considered to be essential conditions for attaining the desired goals. Emphasis is given to coherence of administration by effective vertical and horizontal co-ordination. As fiscal performance during the First and Second Plans had been somewhat disappointing, the Strategy specifically calls for the review of budgeting and other public accounting methods, the introduction of a separate tax administration and more effective fiscal control and jurisdiction in order to increase tax yield. The need to re-organise the State Economic Enterprises along the lines of modern managerial practices has once again been stressed.

The State is expected to continue to be mainly responsible for attaining the goals of rapid industrialisation as it is assumed that the private sector is still financially too weak to take on large investment projects. The State thus has the responsibility of establishing industries which are capital intensive and require an advanced state of technology, involve an undue amount of risk, which concern national defence or which are considered necessary for purposes of regional development. Priority will be given to increasing productive capacity in intermediate and investment goods industry, in particular chemical and petro-chemical products, machinery and vehicle construction, metals and metal products and electronic equipment. In respect of agriculture, the aim is to secure adequate food supplies for an increasing population and for export. Efforts will continue to raise productivity and improve quality by extending irrigation and through technical advice to farmers. The establishment of co-operatives—which had been neglected by previous Plans—will be encouraged. New organisations will be set up to improve production and marketing of livestock, one of the major bottlenecks in achieving autonomy in food supply.

A substantial increase of domestic savings will be called for. Financial and monetary circuits will be improved to this end, and it is hoped to attract a higher share of the saving of Turkish workers abroad into productive investment. Private foreign capital imports will be welcomed to

Table 1 **Growth and Structure of Resources and Expenditure, 1972-1995**

| | 1972-77 | 1972-87 | 1972-95 |
|---|---|---|---|
| | *Average rates of growth in %* | | |
| GNP | 7.9 | 8.6 | 8,9 |
| Population | 2.4 | 2.5 | 2.4 |
| GNP per capita | 5.4 | 5.9 | 6.3 |
| Investment | 12.7 | 10.2 | 10.9 |
| Consumption | 6.3 | 7.5 | 8.1 |
| Domestic savings | 13.6 | 11.8 | 11.2 |
| GDP (at factor cost) | 7.5 | 8.4 | 8.9 |
| Agriculture | 3.7 | 4.4 | 4.8 |
| Industry | 11.2 | 11.4 | 11.2 |
| Services | 7.7 | 8.5 | 9.0 |

| | 1972 | 1977 | 1987 | 1995 |
|---|---|---|---|---|
| | *Share of total in %* | | | |
| GNP | 100.0 | 100.0 | 100.0 | 100.0 |
| External deficit | 1.4 | 0.6 | −0.2 | −0.1 |
| Total resources | 101.4 | 100.6 | 99.8 | 99.9 |
| Investment | 21.0 | 26.0 | 30.3 | 31.6 |
| Consumption | 80.4 | 74.6 | 69.5 | 68.3 |
| Domestic savings | 19.6 | 25.4 | 30.5 | 31.7 |
| GDP at factor cost | 100.0 | 100.0 | 100.0 | 100.0 |
| Agriculture | 28 | 23 | 16 | 12 |
| Industry | 23 | 27 | 34 | 37 |
| Services | 49 | 50 | 50 | 51 |

*Source:* New Strategy, 1973-1995; State Planning Organisation.

Table 2 **Population and Labour Force, 1972-1995**

| | 1972 | 1977 | 1987 | 1995 |
|---|---|---|---|---|
| | *Million* | | | |
| Population | 37.5 | 42.1 | 54.5 | 64.9 |
| Labour force | 14.3 | 16.0 | 21.0 | 26.0 |
| Agricultural | 8.8 | 8.6 | 8.0 | 6.2 |
| Non-agricultural | 5.5 | 7.4 | 13.0 | 19.8 |
| Labour demand | 12.6 | 14.2 | 18.5 | 25.2 |
| Agricultural | 7.9 | 7.9 | 7.5 | 6.2 |
| Non-agricultural | 4.7 | 6.3 | 11.0 | 19.0 |
| *of which* Industry | 1.5 | 2.1 | 3.4 | 5.6 |
| Unemployment* | 1.7 | 1.8 | 2.5 | 0.8 |
| Agricultural* | 0.9 | 0.7 | 0.5 | – |
| Non-agricultural | 0.8 | 1.1 | 2.0 | 0.8 |
| | *Per cent* | | | |
| Rural population | 62 | 53 | 38 | 25 |
| Urban population | 38 | 47 | 62 | 75 |
| Total population | 100 | 100 | 100 | 100 |

*Source:* New Strategy, 1973-1995; State Planning Organisation.
* Including disguised unemployment.

cover the domestic savings gap, provided they introduce advanced technology and training of qualified manpower and open up export markets. A major departure from previous Plans is the admission of foreign commercial credits for financing productive investments. Until 1971—when the country was still paying for a commercial and public debt contracted in the fifties which had to be rescheduled in 1963 and again in 1965—Turkey had refrained from having recourse to this form of external financing. In view of the country's high foreign exchange reserves, the Turkish authorities consider that there is less danger now of the situation of ten years ago being repeated.

Although the strategy contains broad guidelines for policy in respect of education, health, housing and aspects of urbanisation, these are mainly seen in the context of industrialisation, social stability and welfare. Such policies will be implemented only to the extent that they do not conflict with the main targets of rapid industrialisation. This apparent choice of austerity on the social front may call for reconsideration in view of the critical situation with regard to the complex of problems related to urbanisation.

The Turkish Third Five Year Plan (1973-1977) closely follows the targets indicated in this new 22-year Perspective. The Plan aims to raise the annual rate of growth of GNP from 7 per cent to 7.9 per cent; the highest rate of growth of output is planned to be achieved in industry (11.2 per cent) followed by services (7.7 per cent). The rate in agriculture is 3.7 per cent. In industry, the main effort to raise output will be exerted in the mining, intermediate goods and investment goods sub-sectors where production is planned approximately to double, as is energy production. Consumer goods' output is expected to increase by less than one third. The share of investment goods in the total, although relatively modest in 1972 (16 per cent) would increase to 21 per cent. In relation to total GDP, industrial output will rise from 23 per cent to 27 per cent and the share of agricultural production will decline by five points to 23 per cent. When considering these figures it must be borne in mind not only that, as with all economic plans the frontier between firm targets, backed up by implementation measures capable of achieving them, and estimates and hypotheses about the future, is not always easy to draw. Furthermore, and more specifically in the present Turkish context, the recent trends in domestic output and expenditures, in prices and, above all, in the balance of payments, have altered significantly the numeric values of the quantitative parameters which were set down as a basis for drawing up the targets written into the Third Five Year Plan.

The Third Plan foresees an annual rate of growth of fixed investment by 12.8 per cent against an average of 9.2 per cent realised during the five years between 1967 and 1972. This larger investment volume finds its corollary in higher domestic savings. The contribution of abroad to total savings is expected to drop to 0.6 per cent by 1977, whilst the share of

**Table 3 Value Added by Sector**
In 1971 prices

| | 1972* | | 1977 | | % increase | |
|---|---|---|---|---|---|---|
| | TL million | % of GDP | TL million | % of GDP | Five year s | Annual average |
| Agriculture | 46 450 | 28.1 | 55 703 | 23.4 | 19.92 | 3.7 |
| Farming | 31 423 | 19.0 | 37 389 | 15.7 | 18.99 | 3.5 |
| Animal husbandry & fishing | 13 817 | 8.4 | 16 615 | 7.0 | 20.25 | 3.8 |
| Forestry | 1 210 | 0.7 | 1 699 | 0.7 | 40.41 | 7.0 |
| Industry | 37 472 | 22.6 | 63 700 | 26.8 | 69.99 | 11.2 |
| Mining | 3 064 | 1.8 | 5 745 | 2.4 | 87.50 | 13.4 |
| Manufacturing | 32 376 | 19.6 | 54 131 | 22.8 | 67.19 | 10.8 |
| Consumption goods | 14 280 | 8.6 | 18 423 | 7.8 | 29.01 | 5.3 |
| Intermediate goods | 12 893 | 7.8 | 24 549 | 10.3 | 90.41 | 13.8 |
| Investment goods | 5 203 | 3.2 | 11 159 | 4.7 | 114.47 | 16.5 |
| Power | 2 032 | 1.2 | 3 824 | 1.6 | 88.19 | 13.5 |
| Services | 81 580 | 49.3 | 118 347 | 49.8 | 45.07 | 7.7 |
| GDP (factor cost) | 165 502 | 100.0 | 237 750 | 100.0 | 43.65 | 7.5 |
| Indirect taxes minus subsidies | 20 811 | 12.6 | 36 000 | 15.1 | 72.99 | 11.6 |
| GDP (mkt. prices) | 186 313 | 112.6 | 273 750 | 115.1 | 46.93 | 8.0 |
| Foreign factor income | 4 914 | 2.9 | 5 780 | 2.4 | 17.62 | 3.3 |
| GNP (mkt. prices) | 191 227 | 115.5 | 279 530 | 117.5 | 46.18 | 7.9 |

*Source:* Third Five Year Plan.
* Estimate.

domestic savings in GNP will increase from about 20 per cent to 25 per cent. As a result, total consumption expenditure will see its share reduced from 80 per cent to 75 per cent although, relatively speaking, the annual rate of increase of consumption would be 6.3 per cent.

The public sector will carry out over 56 per cent of total investment during the Third Plan. Thus, whilst such investments totalled TL 83 billion (at 1971 prices) during the Second Plan, they are scheduled to nearly double in the following five years and reach TL 158 billion. The increase planned for private investment is around TL 50 billion. The problem of financing the planned increase in investment is thus a central issue on which the success of the Third Plan will depend to a considerable degree and the Plan assumes that the existing savings deficit in the public sector (including the State Economic Enterprises) will be gradually phased out during the Third Plan from its present level of TL 4.7 billion. By contrast, the present surplus of savings over investment of the private sector of TL 2.1 billion is expected to turn into a deficit of almost the same order at the end of the Third Plan. One of the results of this calculation is that the overall savings gap that must be filled by external financing will be somewhat reduced but will not entirely disappear.

This arithmetic depends primarily on two assumptions: first, profits of State Economic Enterprises are to increase sharply in the next few years, so that this sector will become largely independent from subsidies of the public budget; second, revenue receipts under the consolidated budget will increase as planned.

As a major target of the Third Plan is to lessen the Turkish economy's dependence on external resources, industrial exports are to be encouraged and the policy of import substitution is to continue. These measures are seen as being complementary to each other; their combined results should be to decrease gradually the relative importance of the visible trade gap. Industries in which Turkey intends to become largely independent of foreign supplies are iron and steel, chemicals, metals and transport equipment. The overall rate of growth of exports per annum has been estimated at 9.4 per cent. This target should not be impossible to achieve as Turkish exports and in particular industrial exports have shown relative buoyancy in the past three years, a trend that is continuing also in 1974. Much will evidently depend on the movement of the terms of trade. Up to the middle of 1973 Turkey had been able to stay abreast of changes in relative prices resulting from inflation and currency revaluations; more recently, and despite rising prices for some of Turkey's major exports, the worldwide boom in commodity prices, in particular of fertilisers and crude oil but also of the cost of imported machinery has upset this relative balance. The growth rate of imports has been put at 7.1 per cent per annum. Compared with the period 1967-1972, this is considerably less than previously planned and actually realised, and the trend of current imports is considerably higher than the Plan target, even allowing for inflation.

The Third Plan assumes an acceleration of the increase of net revenues from tourism; receipts from this source are to increase by $65 million over the Five Year period as a whole. Whilst this is a small amount compared to the foreign exchange earnings from tourism by Greece, Italy or

**Table 4 Resources and Expenditures, Third Five Year Plan**
In 1971 prices, TL millions

| | Years | | | | | | | Average annual % increase | % of GNP | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1972* | 1973 | 1974 | 1975 | 1976 | 1977 | 1973-77 total | | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 |
| | 1 | 2 | 3 | 4 | 9 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| *Resources* | | | | | | | | | | | | | | |
| 1 GDP (m.p.) | 186 313 | 200 300 | 215 908 | 233 400 | 252 550 | 273 750 | 1 175 908 | 8.0 | 97.4 | 97.4 | 97.5 | 97.7 | 97.8 | 97.9 |
| 2 Income from abroad | 4 914 | 5 360 | 5 480 | 5 600 | 5 720 | 5 780 | 27 940 | 3.3 | 2.6 | 2.6 | 2.5 | 2.3 | 2.2 | 2.1 |
| 3 GNP (m.p.) | 191 227 | 205 660 | 221 388 | 239 000 | 258 270 | 279 530 | 1 203 848 | 7.9 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 4 External savings | 2 548 | 2 410 | 2 240 | 2 050 | 1 950 | 1 820 | 10 470 | –6.5 | 1.4 | 1.2 | 1.0 | 0.8 | 0.8 | 0.6 |
| 5 Total resources | 193 775 | 208 070 | 223 628 | 241 050 | 260 220 | 281 350 | 1 214 318 | 7.7 | 101.4 | 101.2 | 101.0 | 100.8 | 100.8 | 100.6 |
| *Expenditures* | | | | | | | | | | | | | | |
| 1 Investment | 40 100 | 45 230 | 51 000 | 57 480 | 64 690 | 72 800 | 291 200 | 12.7 | 21.0 | 22.0 | 23.0 | 24.0 | 25.1 | 26.0 |
| Fixed | 38 400 | 43 830 | 49 350 | 55 530 | 62 390 | 70 000 | 281 100 | 12.8 | 20.1 | 21.3 | 22.3 | 23.2 | 24.2 | 25.0 |
| Stock changes | 1 700 | 1 400 | 1 650 | 1 950 | 2 300 | 2 800 | 10 100 | 10.5 | 0.9 | 0.7 | 0.7 | 0.8 | 0.9 | 1.0 |
| 2 Consumption | 153 675 | 162 840 | 172 628 | 183 570 | 195 530 | 208 550 | 923 118 | 6.3 | 80.4 | 79.2 | 78.0 | 76.8 | 75.7 | 74.6 |
| Private | 124 575 | 131 540 | 138 928 | 147 170 | 156 130 | 165 800 | 739 568 | 5.9 | 65.2 | 64.0 | 62.8 | 61.6 | 60.4 | 59.3 |
| Public | 29 100 | 31 300 | 33 700 | 36 400 | 39 400 | 42 750 | 183 550 | 8.0 | 15.2 | 15.2 | 15.2 | 15.2 | 15.3 | 15.3 |

*Source:* Third Five Year Plan.
* Estimate.

Table 5 **Investment Targets 1973-1977**
In 1971 prices

| Sectors | Second Plan | | | | | | Third Plan | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Outturn TL billions | | | Increase over 1st Plan % | | | Targets TL billions | | | Increase over 2nd Plan % | | |
| | Pub. | Pri. | Tot. | Pub. | Pri. | Tot. | Pub. | Pri. | Tot. | Pub. | Pri. | Tot. |
| Agriculture | 11.0 | 8.2 | 19.2 | 18.8 | 51.7 | 30.9 | 17.4 | 15.6 | 33.0 | 58.2 | 90.2 | 71.9 |
| Mining | 4.2 | 1.1 | 5.3 | 5.6 | –7.2 | –0.4 | 13.4 | 2.9 | 16.3 | 219.0 | 163.6 | 207.5 |
| Manufacturing | 17.6 | 22.6 | 40.2 | 186.5 | 78.2 | 113.7 | 43.0 | 44.7 | 87.7 | 144.3 | 97.8 | 118.2 |
| Energy | 12.4 | 1.0 | 13.4 | 120.1 | 332.6 | 128.0 | 22.1 | 1.9 | 24.0 | 78.2 | 90.0 | 79.1 |
| Transport & Communications | 18.2 | 8.3 | 26.5 | 60.1 | 127.0 | 76.3 | 31.9 | 8.7 | 40.6 | 75.3 | 4.8 | 53.2 |
| Housing | 3.0 | 29.1 | 32.1 | 71.8 | 47.1 | 49.1 | 2.2 | 41.8 | 44.0 | –26.7 | 43.6 | 37.1 |
| Education | 7.1 | 0.2 | 7.3 | 15.3 | 95.0 | 16.5 | 13.3 | 0.7 | 14.0 | 87.3 | 250.0 | 91.8 |
| Health | 2.2 | 0.2 | 2.4 | 36.7 | 164.7 | 42.8 | 3.8 | 0.2 | 4.0 | 72.7 | — | 66.7 |
| Tourism | 1.0 | 2.1 | 3.1 | 191.4 | 139.6 | 154.2 | 1.7 | 2.8 | 4.5 | 70.0 | 33.3 | 45.2 |
| Commerce & Professions | 6.0 | 2.7 | 8.7 | 52.1 | 64.2 | 51.9 | 1.5 | 3.5 | 5.0 | | | |
| Government services | — | — | — | — | — | — | 8.0 | — | 8.0 | 53.2 | 29.6 | 46.1 |
| Development fund | 0.2 | — | 0.2 | — | — | — | — | — | — | | | |
| Total | 82.9 | 75.5 | 158.4 | 64.8 | 64.7 | 64.8 | 158.4 | 122.7 | 281.1 | 91.1 | 62.5 | 77.5 |

*Source:* Third Five Year Plan.

Spain, it would nevertheless constitute a considerable and welcome improvement. Workers' remittances are expected to grow only moderately but the precise figures in the Plan have already been overtaken by events.

**Table 6 Savings and Investment Balances**
In 1971 prices, TL billions

| | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 |
|---|---|---|---|---|---|---|
| Public Sector Savings | 16.6 | 21.0 | 25.7 | 30.0 | 34.5 | 39.5 |
| Investment | 21.3 | 25.6 | 28.8 | 32.3 | 35.9 | 39.6 |
| Difference | –4.7 | –4.6 | –3.1 | –2.3 | –1.4 | +0.1 |
| Private Sector Savings | 20.9 | 21.8 | 23.1 | 25.4 | 28.3 | 31.5 |
| Investment | 18.8 | 19.6 | 22.2 | 25.2 | 28.8 | 33.2 |
| Difference | + 2.1 | +2.2 | –0.9 | +0.2 | –0.5 | –1.7 |
| Total Deficit = External Savings | 2.6 | 2.4 | 2.2 | 2.1 | 1.9 | 1.8 |

*Source:* Third Five Year Plan.

**Table 7 Balance of Payments Projections**
US $ millions

| | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 |
|---|---|---|---|---|---|---|
| I Current Account | | | | | | |
| A Foreign trade | | | | | | |
| 1 Exports | 750 | 825 | 910 | 1 000 | 1 090 | 1 175 |
| 2 Imports | –1 315 | –1 430 | –1 532 | –1 637 | –1 749 | –1 850 |
| *Trade Balance* | *–565* | *–605* | *–622* | *–637* | *–659* | *–675* |
| B Invisible items | | | | | | |
| 1 Interest payments | –79 | –79 | –80 | –80 | –81 | –85 |
| 2 Tourism & travel (net) | 20 | 30 | 43 | 56 | 70 | 85 |
| 3 Workers' remittances | 510 | 540 | 555 | 570 | 585 | 600 |
| 4 Profit transfers | –40 | –41 | –46 | –50 | –55 | –60 |
| 5 Service payments for project credits | –40 | –40 | –40 | –40 | –40 | –42 |
| 6 Other invisibles (net) | 5 | 13 | 20 | 25 | 31 | 37 |
| *Invisible transactions (net)* | *376* | *423* | *452* | *481* | *510* | *535* |
| C Infrastructure and off-shore | 7 | 10 | 10 | 10 | 10 | 10 |
| *Current Account Balance* | *–182* | *–172* | *–160* | *–146* | *–139* | *–130* |
| II Capital Transactions | | | | | | |
| 1 Debt repayments | *–202* | *–200* | *–150* | *–135* | *–125* | –125 |
| 2 TL grain imports | 18 | 20 | 22 | 24 | 26 | 28 |
| 3 Private foreign capital | 40 | 42 | 45 | 48 | 51 | 55 |
| 4 Project and programme credits | 296 | 278 | 209 | 172 | 146 | 127 |
| 5 Imports with waiver | 30 | 32 | 34 | 37 | 41 | 45 |
| *Capital Account Balance* | *182* | *172* | *160* | *146* | *139* | *130* |
| Overall Balance | — | — | — | — | — | — |

*Source:* Third Five Year Plan.

(b) *Growth and structure of output*

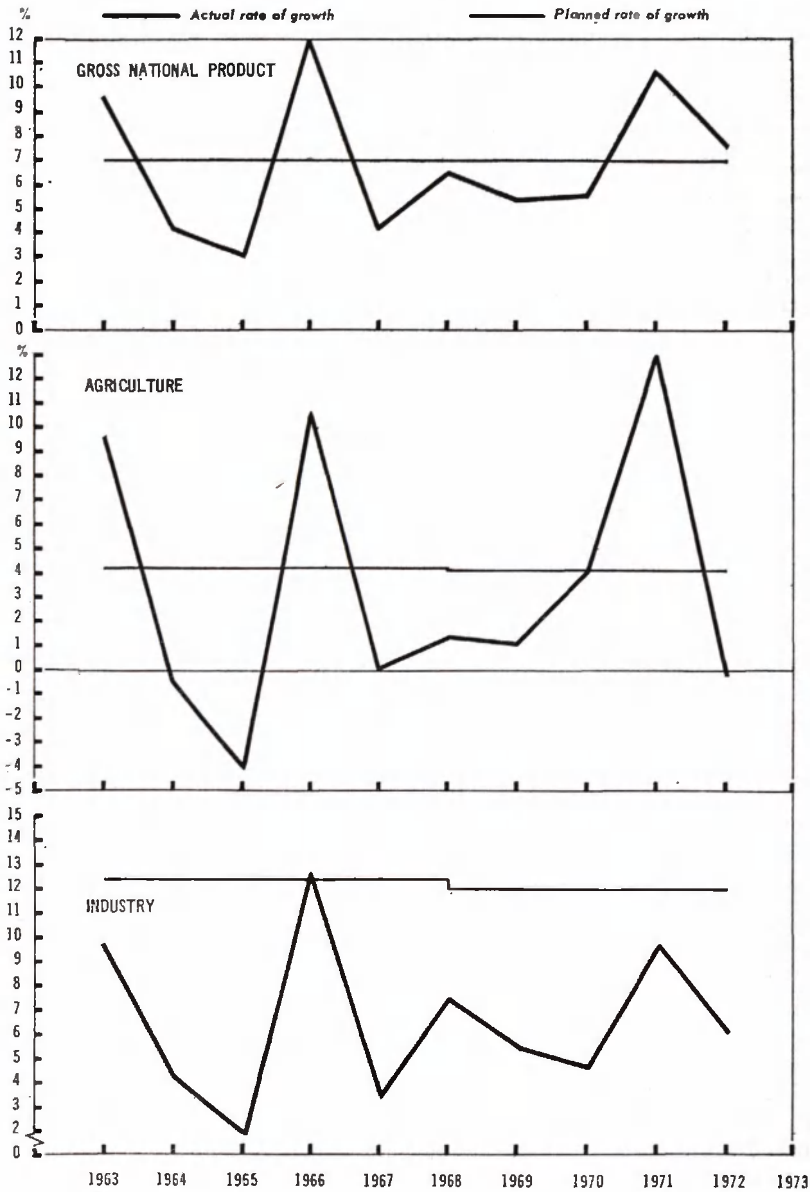
In 1962, Turkey first set herself an explicit growth target of 7 per cent a year, a figure which has been reached, on an average, over the period since then though with rather wide annual swings due, mainly, to changes in agricultural production, in particular cereals, but also at times to difficulties in keeping domestic industry supplied with needed imports. This performance was markedly better than during the 1950s when the average did not exceed 5 per cent growth of GNP. But in a country starting from such a low level of GNP per head, and with a population growing by 2.5 per cent a year, it could hardly be considered to be more than the minimum required. Indeed, the 1960s and the early 1970s could be seen, hopefully, as a period during which the economy was being geared-up to achieve a higher rate of growth subsequently. To say this, is not to attach a virtue to the overall growth rate of GNP, which the latter does not possess as an indicator of development in the broader connotation which attaches to that word.. But it is clear that none of the social and qualitative improvements which are to be hoped for in Turkey over coming years can be made without a rapid rise in production, as the latter is measured by GNP. The fact that the growth of GNP has been sustained on average over the last 12 years or so at a fairly high level and, in any event, at a level higher than the one recorded before that, is encouraging as a sign that a dynamic of growth exists in the economy. The task for the future is to foster that dynamic further.

Looking at two successive five-year periods (1963-1967 and 1968-1972), which correspond to the first two Five Year Plans, it seems that the average growth of GNP was 6.7 per cent during the first and 7.1 per cent during the second. The graph in Diagram 1 shows that, in the short run, rather large deviations occurred.

This instability of the growth rate of GNP can be attributed to many factors. But the largest single cause was variations in weather conditions and their influence on agricultural production. Most of Turkey's wheat is grown by peasant farmers on the Anatolian plateau by traditional dry-farming methods and, since agricultural output still accounts for a high share of GNP, swings of 20 per cent in the cereal harvest, which occur not infrequently from one year to the next, can produce a change of several percentage points in the overall GNP figure. Big annual changes in the level of production of the primary sector (and the development of farmers' incomes) were bound to influence industrial output. The processing of agricultural products (e.g. sugar beet, olives, tobacco, wool and cotton) plays a large role in Turkish industrial structure and the swings in the purchasing power of farmers affect demand for industrial products. Industrial production was also affected by recurrent periods of stringency in making imports of needed supplies, including spare parts, and by credit restrictions imposed to dampen the over-heating of the economy at times. Foreign credits on concessional terms greatly eased the balance-of-payments bottleneck but were not always available in the amounts and on terms that would have made them easily usable.

Since 1971, the foreign exchange reserve position has improved very greatly and there have been no problems with securing needed imports. In

*Diagram 1* **Planned and Actual Rates of Growth of Gross National Product, Agriculture and Industry**




terms of the GNP, large and growing receipts from foreign workers have pushed up the overall GNP growth rate by about one percentage point. Like most other oil importing countries, however, Turkey has now been faced with the problem of finding the additional foreign exchange revenue to pay for a much larger import bill for crude and oil derivatives. So long as no adequate solution to this global problem is found, future prospects for external equilibrium are less bright.

**Table 8 Structure of Production**
Percentage share of net product by sectors in GDP at factor cost

| | 1962 | 1967 | 1972 | 1977 |
|---|---|---|---|---|
| Agriculture | 38.1 | 32.5 | 28.2 | 23.4 |
| Industry[1] | 15.4 | 19.0 | 21.8 | 26.8 |
| Mining | (1.7) | (1.8) | (1.7) | (2.4) |
| Manufacturing | (12.7) | (16.2) | (18.8) | (22.8) |
| Energy | (1.1) | (1.2) | (1.4) | (1.6) |
| Construction | 6.5 | 7.0 | 6.4 | 49.8 |
| Services | 40.0 | 41.5 | 43.6 | |
| GDP | 100.0 | 100.0 | 100.0 | 100.0 |

*Source:* State Planning Organisation.
1 Subtotals may not add up due to rounding.

The large share in total output held by agriculture in the early 1960s has been considerably reduced from 37 per cent of GDP in 1962 to 28 per cent as industry, starting from a lower base, has increased its share from 16 per cent to 23 per cent, the share of services remaining more or less constant. Within industry, there has been a shift towards larger and more modern units, both in the public and the private sector. And there has been a relative increase in the production of intermediary and investment goods, which now account for more than one half of total manufacturing output. This latter structural change reflects, in large measure, the activities of the new plants built under the ægis of the public sector but there has also been a diversification of private industry to include such lines of production in addition to the more traditional emphasis on the simpler types of consumer goods and upon assembly plants using imported components. Many of the new manufacturing enterprises are, however, still in the infant industry stage and, in view of the relatively small size of the home market and the limited financial strength of their owners, they still tend to need the protection of high customs barriers and trade restrictions on competing products to survive. The real test for the Turkish effort to sustain high rates of growth in industry under conditions of international competition is therefore still to come. Success will depend not only on Turkey's ability to increase the size of the home market to permit financially viable operation of plant, but also on the country's ability to take greater advantage of international division of labour and co-operation in an enlarged European Community which it strives to join as a full Member by 1995.

### (c) *Population and employment*

The average annual rate of increase of the population has for a long time been around 2.5 per cent, with the result that Turkey's population which was 18 million inhabitants in 1940 will be approaching the 40 million mark in 1974. The rise in population numbers was accompanied by an increase in the dependency rate and by heavy migration from rural areas to the cities. In the short run, the problems posed by the population explosion consist of rapidly increasing demand for social services—education, and health services, and investments in social overhead capital such as housing, water and energy supply and transport facilities. Resources used for this purpose evidently are not available for the industrialisation drive. Demand for basic consumer goods—in particular for food—has accelerated more quickly than domestic production. Rural unemployment and underemployment are serious if difficult to measure and show no signs of becoming less so. Emigration has only scratched the surface of the problem of creating job opportunities for a population which is increasing by around one million inhabitants each year.

Industrialisation has been seen by the Turkish authorities as holding the key to a solution to the employment problem but Turkey meets here the familiar conflict between the desire to install new plant which is modern and technologically advanced, and thus is slanted towards saving labour, and the hope that factory and ancillary industrial employment opportunities will rise fast enough at least to prevent unemployment and underemployment getting worse. The present plans which stress industrialisation in technologically-advanced sectors need supplementing, it seems, by a more vigorous policy to generate employment in rural areas.

Some efforts have been made to spread knowledge of family planning techniques and these could certainly have been more vigorous. But the experience of other countries has shown that achieving a notable reduction in the birth rate in a society which is still largely agricultural is a long-term task for which no easy solution exists.

A related aspect of the Turkish population problem is how to make the best use of labour migration to Western Europe which at present is a gain for the balance of payments but of less obvious value socially. In this respect the agreement between Turkey and Germany regulating the selection and the training of Turkish workers going to that country might serve as a useful model for similar agreements with other European countries. To be fully effective, however, such plans must be based on a detailed and realistic assessment of longer-term labour demand and supply by sector so that Turkey can make the most of the skills acquired abroad by workers returning to Turkey.

### (d) *Trends in expenditures*

There have been big changes in the pattern of expenditures since the early 1960s with investment and public expenditure rising as shares of the total and private consumption declining, though the latter has nevertheless risen when calculated on a per head basis. As the external balance-of-payments deficit had practically disappeared by 1972, domestic savings were nearly financing gross investment whilst, in 1962, the current account deficit had amounted to 3 per cent of GNP. The statistical basis of the national accounts notably on the expenditure side is not sufficiently firm for the various components of total domestic expenditure to be measured with any great degree of precision but the general picture shown in Table 9 is undoubtedly indicative of the trend.

Table 9 **Resources and Expenditures, First and Second Plans**
In 1968 prices

| | 1962 | | 1967 | | 1972 | |
|---|---|---|---|---|---|---|
| | m. TL | Per cent of GNP | m. TL | Per cent of GNP | m. TL | Per cent of GNP |
| GNP | 76 754 | 100.0 | 105 461 | 100.0 | 149 119 | 100.0 |
| Deficit on current account | 2 205 | 2.9 | 1 026 | 1.0 | 80 | 0.1 |
| Total resources | 78 959 | 102.9 | 106 487 | 101.0 | 149 199 | 100.1 |
| Investment | 11 394 | 14.8 | 19 433 | 18.4 | 27 486 | 18.4 |
| Fixed investment | 10 363 | 13.5 | 17 469 | 16.5 | 25 245 | 16.9 |
| public | 5 071 | 6.6 | 9 334 | 8.8 | 12 568 | 8.4 |
| private | 5 292 | 6.9 | 8 135 | 7.7 | 12 677 | 8.5 |
| Stocks | 1 031 | 1.3 | 1 964 | 1.9 | 2 240 | 1.5 |
| Consumption | 67 565 | 88.1 | 87 054 | 82.6 | 121 713 | 81.6 |
| public | 8 729 | 11.4 | 12 416 | 11.8 | 19 200 | 12.9 |
| private | 58 536 | 76.7 | 74 638 | 70.8 | 102 513 | 68.7 |
| Domestic savings | 9 189 | 11.9 | 18 407 | 17.4 | 27 406 | 18.4 |

*Source:* State Planning Organisation, new revised series.

It is noteworthy that investment expenditure, which was at a low ebb in 1962, had risen by 1967 from 15 to 18 per cent of GNP, but was still only 18 per cent in 1972 although the latter was, as just noted, practically financed out of domestic savings.

In Turkey, in common with generally accepted views as to the key role of a higher level of investment in achieving a faster rate of economic growth, great stress has been laid on raising the share of investment in GNP. This proved easier to do during the first Five Year Plan than during the Second as certain demands for current expenditure became more insistent, both private and public, and more difficult to compress. Whether the shortfall, by 1972, in investment expenditure as compared with the aim of the Second Five Year Plan was very detrimental to Turkey's growth prospects and, equally importantly, whether holding public and private consumption on such a tight rein as would have been implied by such an aim was desirable, are questions it is difficult to give answers to. It would appear, in any event, that the aim of the Third Five Year Plan of jacking-up the investment rate by several percentage points which—as it is hoped to keep the current account deficit quite small—amounts to planning on a rise of similar proportions in domestic savings will not be easy to achieve and may not be of the same priority as to bring about a more efficient use of existing resources for investment.

(e) *Trade and balance of payments*

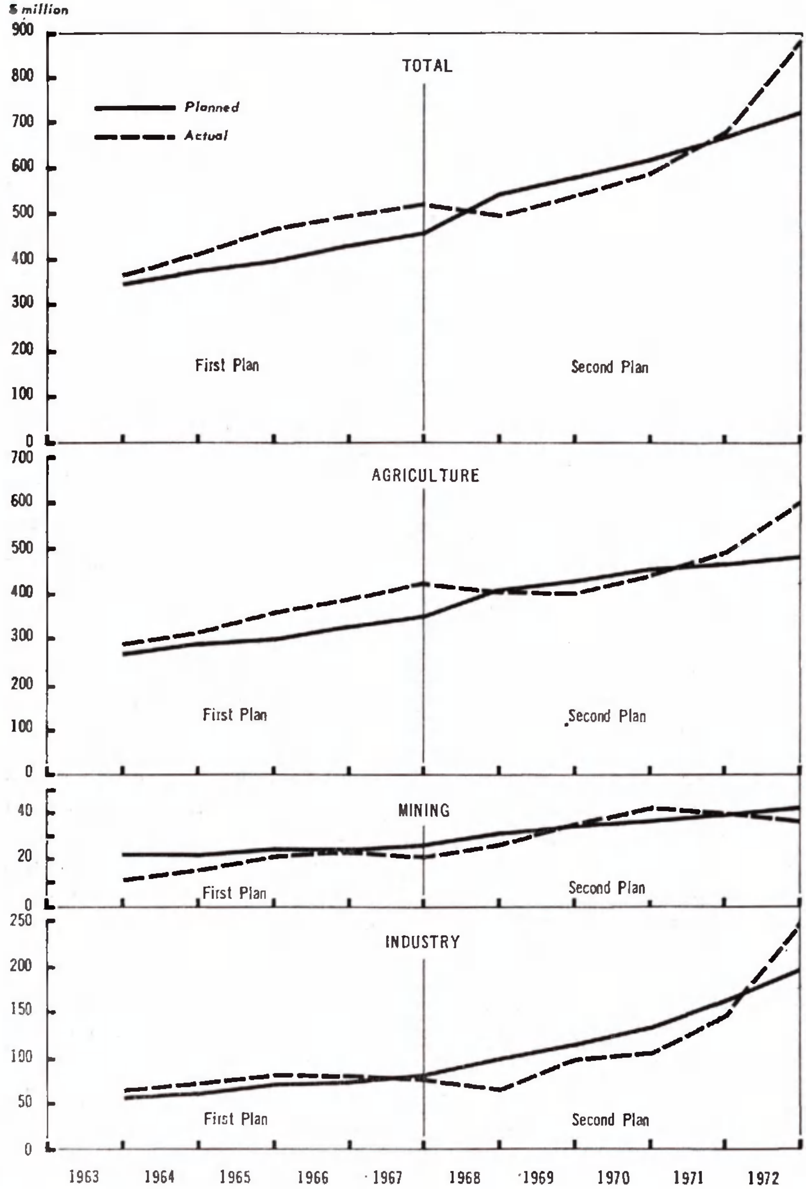
Turkey's inability to service a rising short-term foreign debt and to pay for basic imports through exports of goods and services was the most serious bottleneck which had to be overcome in the early 1960s. The country's Five Year Plans were therefore focused strongly on the balance of payments, with the aim of achieving external viability by stepping up the growth of exports of goods and services and by giving preference to investments leading to import substitution. The spectacular rise in emigrant workers' remittances was not envisaged at that time and the main stress was placed upon an improvement in the merchandise trade balance.

The export targets fixed for the First Plan (1963-1967) were exceeded thanks to a better-than-expected performance of agricultural exports and somewhat higher industrial sales abroad. Only mining exports fell short of the predicted trend (Diagram 2). Subsequently, an over-valued exchange rate, despite a growing level of subsidies, was increasingly a handicap with the inevitable result that producers neglected exports in favour of sales on the home market. From 1971 onwards, exports of industrial products rose strongly and reached 31 per cent of total exports. The increase was due, in a large measure, to sales of such traditional products as textiles, leather goods and processed agricultural products: but new items have also made their entry on Turkey's export lists.

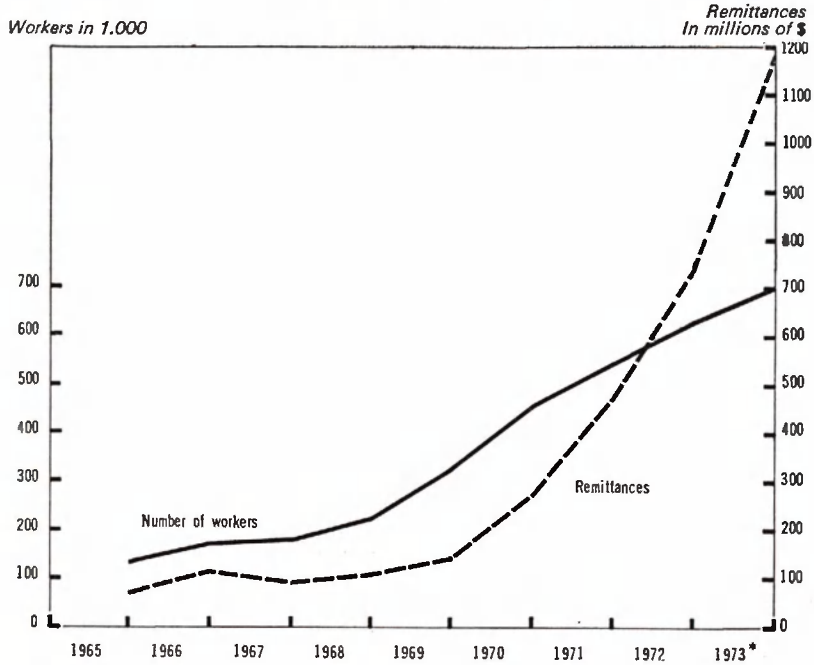
Imports have been rather erratic from one year to the next, due to a chronic shortage of foreign exchange which necessitated repeated cuts in the import programmes. Consequently, it is not easy to assess Turkey's need for imports in a situation where most foreign supplies can be procured as demand requires and a declining share of imports is subject to quotas. The easier foreign exchange situation has only prevailed for the last two years. What has to be allowed for, in addition to the volume of imports, is the crucial importance for price competition on the domestic market and for improvements in industrial efficiency—due to lower stock levels and higher, and more regular, levels of plant capacity use—of a relatively free import regime.

Whilst Turkey's visible trade gap proved difficult to reduce, the invisibles balance showed an improvement which was unexpected in its size and strength. For receipts from tourism during both Five Year Plans to come up to expectations would have called for bigger efforts to ameliorate infrastructure and to promote the industry generally. But remittances of foreign exchange by Turkish workers abroad, as a combined result of the devaluation in August 1970, and of sharply increasing emigration of Turkish workers in recent years, are now contributing almost as much to the balance of payments as visible and other invisible export receipts. To a certain degree the spectacular rate of growth of remittances in recent years was due to special factors, notably the successive revaluations of the German D.Mark. Also, the recent ban by Germany and other countries on the

*Diagram 2* **Planned and Actual Exports**
Millions of $




immigration of foreign workers has considerably slowed down labour emigration from Turkey; all this suggests that in future the other export items will have to bear the main brunt of paying for Turkey's imports and of servicing foreign debts alongside new borrowing abroad. Fortunately, *Diagram 3* **Number of and Remittances from Turkish Workers Abroad**



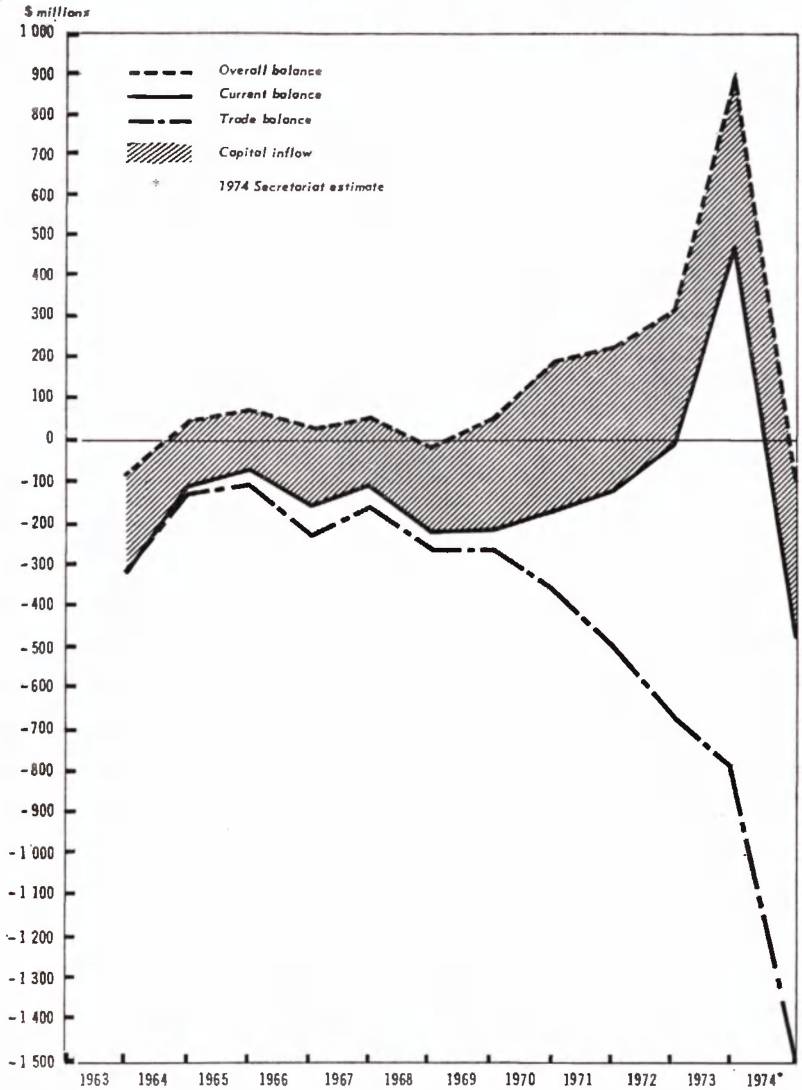

* Estimate.

Turkey is able to count upon a continued inflow of foreign credits at concessional terms to meet the continued need for imports so as to invest for development purposes.

(f) *Performance of the public sector*

Since the early 1930s the public sector has been expected to take the lead in introducing economic and social change. With the advent of development planning this role has, if anything, been reinforced. The Turkish public sector today includes ownership of more than one half of the capital invested in industry and practically all the big investment projects carried out have been done by publicly-owned companies. It follows that efficiency in the management of these bodies and their profitability have been key factors determining the degree of success of Turkey's development efforts. The need for reform in the public sector—in general administration as well as State Enterprises—was given wide coverage in the Five Year Plans, and a series of measures towards achieving better administrative efficiency in the public sector have since been introduced. The Ministry of Finance has recently introduced programme budgeting methods in the hope that this will give more effective control over funds spent by the different State agencies and administrations. The role of the Central Bank in monetary manage-

*Diagram 4* **Balance of Payments**




ment has also been strengthened by the new Central Bank law of 1970. But there is a widespread feeling in Turkey—which finds its expression in the relevant chapters of the new Third Five Year Plan—that measures taken so far have been inadequate and much still remains to be done to increase the efficiency of government and administrative machinery to a level commensurate with the economic and social importance of the public sector.

The Plan targets assigned to the State sector are considered as binding on the government, whilst those for the private sector are indicative. The

**Table 10 Public Sector Revenue[1] and Expenditure[2]**
Ratio to GNP

| | Tax revenue | | Total regular revenues | | Current expenditures | | Investment expenditures | | Transfer payments | | Total expenditures | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | pl. | act. | pl. | act. | pl. | act. | pl. | act. | pl. | act. | pl. | act. |
| 1963 | 16.0 | 13.3 | 17.7 | 15.4 | 16.1 | 15.6 | 10.3 | 7.5 | — | .. | 26.4 | 23.1 |
| 1964 | 16.7 | 13.7 | 18.4 | 15.5 | 15.5 | 15.8 | 10.9 | 8.0 | — | .. | 26.4 | 23.8 |
| 1965 | 16.9 | 14.1 | 18.6 | 16.0 | 15.5 | 16.2 | 11.0 | 8.3 | — | .. | 26.5 | 24.5 |
| 1966 | 17.1 | 14.5 | 18.7 | 16.0 | 15.9 | 15.5 | 11.3 | 9.2 | — | .. | 27.2 | 24.7 |
| 1967 | 17.3 | 15.6 | 18.9 | 19.3 | 16.1 | 15.8 | 11.4 | 9.4 | — | .. | 27.5 | 25.2 |
| 1968 | 17.3 | 14.6 | 18.7 | 16.7 | 13.1 | 11.4 | 10.9 | 10.2 | 3.9 | 4.3 | 27.9 | 25.9 |
| 1969 | 17.8 | 15.8 | 19.1 | 17.1 | 13.2 | 11.3 | 11.2 | 10.6 | 3.9 | 4.8 | 28.3 | 26.7 |
| 1970 | 18.1 | 16.3 | 19.4 | 20.3 | 13.4 | 12.4 | 11.7 | 10.6 | 4.2 | 6.8 | 29.3 | 29.9 |
| 1971 | 18.5 | 17.2 | 19.7 | 20.1 | 13.6 | 14.2 | 12.4 | 9.3 | 4.7 | 7.4 | 30.8 | 31.0 |
| 1972 | 19.1 | 17.4 | 20.4 | 20.1 | 13.7 | 11.9 | 12.3 | 8.4 | 5.3 | 6.0 | 31.3 | 26.1 |

*Source:* Third Five Year Plan.

1 General and Annexed Budgets.
2 Including Local Administrations and SEEs (net).

shortage of funds for transfer from the government budget to the State Enterprises, as the latter's investment activity rose without a sufficient improvement in their self-financing ability, has often necessitated cutbacks in public investment programmes. Tax revenues have risen by some four percentage points of GNP during the period since the first Five Year Plan to reach over 17 per cent of GNP. This is a low figure compared with most OECD countries but the effort made to raise more tax revenues should not be underestimated. In particular, it should be recalled that the tax base in Turkey, where the private corporate section is very small, is more limited and that taxation of peasants and small traders is notoriously difficult in all countries.

Turkey still has an untapped potential for increasing further the tax ratio by introducing a more effective system for collecting income tax, by improving the control system and by extending its coverage. This is explicitly recognised in the Third Plan. It is intended to introduce a general sales tax. However, customs duties are likely to be less buoyant in future as a source of revenue, if only because of the agreement with the Common Market to begin soon to cut some tariffs.

## II CURRENT ECONOMIC TRENDS AND POLICIES

### A Supply and use of resources

#### (a) *National accounts data*

In 1973—the first year of the Third Five Year Plan—GNP (at constant prices) rose by 5.5 per cent, i.e. considerably less than the target figure of 7.5 per cent. As often in the past, the shortfall was due to a disappointing agricultural year as a result of inadequate rains during the growing season. By contrast, industrial output was up by almost 13 per cent; construction activity was also very lively and recorded a rate of growth of 10 per cent. A further contributing factor to growth was the continuing boom in trade and commerce.

For the current year 1974, all indications are that total growth of production will reach or even exceed the programmed figure of 7.6 per cent. Weather conditions during the spring were near normal and output of Turkey's major agricultural crops—cereals, cotton, hazelnuts and fresh fruit and vegetables—are expected to attain record levels. By contrast, there seems some doubt whether last year's high rate of growth of production in industry and the building trades can be maintained. Some industrial sectors, notably the chemicals industry, have been working below capacity for some time because of difficulties in obtaining raw material supplies from abroad. Expansion of activity in the private sector is also hampered by a shortage of medium and short-term credit, following the increase in the commercial banks' compulsory reserves with the Central Bank at the end of November 1973; but credit restraint is the necessary price to be paid if inflationary trends are gradually to be reduced.

## Table 11 Supply and Use of Resources

| | 1973** TL million 1968 prices | 1968 | 1969 | 1970 | 1971 | 1972 | 1973** | 1974 Pro-gramme | 1974 Esti-mate |
|---|---|---|---|---|---|---|---|---|---|
| | | Percentage volume change from previous year | | | | | | | |
| *Output:* | | | | | | | | | |
| Agriculture, forestry & fishing | 32 808 | 1.4 | 1.1 | 4.1 | 13.1 | –0.2 | –10.7 | 3.7 | 9.7 |
| Industry | 31 983 | 13.3 | 10.5 | 3.1 | 10.2 | 11.5 | 12.8 | 11.2 | 10.1 |
| Construction | 9 166 | 11.1 | 2.8 | 8.3 | –4.5 | 7.2 | 10.0 | | 5.3 |
| Wholesale & retail trade | 18 121 | 9.5 | 7.6 | 4.5 | 12.1 | 12.5 | 12.1 | | 9.7 |
| Transport & communications | 12 217 | 14.6 | 8.7 | 6.7 | 8.7 | 6.4 | 7.1 | | 12.4 |
| Financial institutions | 3 362 | 13.3 | 11.1 | 8.1 | 8.5 | 8.8 | 9.1 | 7.7 | 8.8 |
| Private professions & services | 7 032 | 7.0 | 5.9 | 4.9 | 9.8 | 6.5 | 4.7 | | 8.9 |
| Ownership of dwellings | 6 810 | 5.1 | 5.4 | 6.1 | 6.3 | 5.7 | 6.2 | | 6.1 |
| Government, health, education | 13 734 | 6.6 | 6.2 | 7.9 | 6.2 | 5.2 | 6.7 | | 5.1 |
| Gross domestic product at factor cost | 135 233 | 7.5 | 5.1 | 5.1 | 9.4 | 6.1 | 4.0 | 7.5 | 9.0 |
| Gross national product at market prices | 157 364 | 6.7 | 5.4 | 5.6 | 10.7 | 7.6 | 5.5 | 7.6 | 8.8 |
| *Expenditure on GNP:* | | | | | | | | | |
| Gross fixed investment | 27 983 | 16.0 | 11.1 | 5.9 | –4.1 | 10.5 | 10.8 | 25.9 | |
| — Public | 13 829 | 19.6 | 9.0 | 3.4 | –8.6 | 9.2 | 10.0 | 37.6 | |
| — Private | 14 154 | 11.9 | 13.6 | 8.7 | 0.9 | 11.8 | 11.7 | 14.4 | |
| Stock changes | 800 | 2.1* | 1.2* | 1.3* | 2.0* | 1.6* | 0.5* | 0.5* | |
| Consumption | 125 656 | 5.7 | 4.9 | 4.9 | 12.4 | 6.8 | 3.2 | 5.5 | |
| — Public | 19 600 | 5.2 | 10.3 | 6.5 | 18.9 | 4.0 | 2.1 | 17.9 | |
| — Private | 106 056 | 5.8 | 4.0 | 4.7 | 11.2 | 7.3 | 3.5 | 3.4 | |
| Total expenditures | 154 439 | 7.5 | 5.3 | 5.2 | 10.1 | 6.9 | 3.5 | 8.5 | |
| Current Account Balance | +2 925 | –2.2* | –2.0* | –2.0* | –0.7* | –0.1* | +1.8* | +0.4* | |
| Gross national product at market prices | 157 364 | 6.7 | 5.4 | 5.6 | 10.7 | 7.6 | 5.5 | 7.6 | |

*Source:* State Planning Organisation, revised new series.

* As % of GNP.

** Provisional.

On the expenditure side, lower growth of domestic production in 1973 was matched by a sharp contraction in the rate of growth of private and public consumption. The rate of increase of public current expenditure on goods and services in real terms fell from 4 per cent in 1972 to 2.1 per cent in 1973, and that of private consumption, which had grown by as much as 7.3 per cent under the influence of increased workers' remittances and relatively high agricultural incomes in 1972, expanded by only 3.5 per cent. Investment remained buoyant and is reported to have attained an overall rate of growth of 11 per cent. The expansion was as marked as in 1972 and of equal strength in the private and public sector. Nevertheless, public investment expenditure was significantly lower than originally planned and projects not realised last year have been carried forward into fiscal year 1974/1975.

Turkey had a current balance-of-payments' surplus in 1973, thanks to the large inflow of workers' remittances, and as a result foreign exchange reserves increased by more than half, from $1.3 billion to $2 billion. This feat is not likely to be repeated in the current year because of the increased burden on cost of imports of crude oil and other raw materials, and the slower growth of workers' remittances following Germany's ban on immigration of foreign workers.

### *Agriculture*

Whilst Turkey had experienced relatively good harvests both in 1971 and 1972, thanks to adequate rainfalls, weather conditions were less favourable for agriculture in 1973. The wheat harvest only reached 10 million tons, over 2 million tons less than in 1972; similar declines were reported for barley and rye. The output of other major crops, sugar beet, oil seeds, cotton and sultanas, also fell, and Turkey imported large quantities of foodstuffs in order to prevent shortages in domestic supplies and a too rapid rise in the cost of living. The situation shows the progress which remains to be accomplished in this major sector of activity.

Although physical production of most of Turkey's major crops was lower during the 1973 agricultural season than a year earlier, incomes of farmers overall were higher due to substantial increases in prices. Ending the dual, and less favourable, foreign exchange rate for major agricultural exports gave farmers an increase of 8 per cent in terms of domestic currency for every dollar earned; guaranteed prices for cereals and other major crops were raised between 15 and 20 per cent in the summer, whilst free market prices went up in even greater proportions (in the case of wheat and cotton by over 100 per cent). Thus most guaranteed price levels became floor prices and, in the case of cereals, their main purpose was to allow the official buying agency to procure sufficient amounts.

Prospects for agricultural production in the current year are bright as the wheat harvest, in particular, is expected to attain a high level. Guaranteed prices have been significantly raised again in order to take account of domestic inflation and the current high level of world agricultural prices. The prospect of a substantial increase in farmers' purchasing power this year is not without danger for the government's declared policy to check inflation, in particular as wages and salaries in the non-agricultural sectors are also expected to rise. In addition, the need to finance a higher volume of support purchases will require additional credit creation by the Central Bank.

*Industry*

In step with the revival in investment activity during the last two years, industrial output continued to rise at a high rate in 1973. Whilst the rate of increase was 11.5 per cent in 1972, it attained 12.8 per cent in 1973. However, developments in industry were not uniform, notably growth in the mineral and metal mining industries was disappointing, attaining 4.3 per cent. Mining output has persistently lagged behind targets of Five Year Plans. Production of iron and steel products, artificial fertiliser, paper and woollen fabrics actually fell below the previous year's level, partly because of strikes (as in the case of iron and steel), partly because of supply problems. By contrast substantial increases occurred in output of cement, newsprint, glass, alcoholic beverages and petro-chemical products.

The increases in production where they occurred were partly due to the coming on-stream of new plant capacity. The continued high rate of granting of investment authorisations to the private sector, and the number of public investment projects nearing completion would seem to indicate that the present improved trend of industrial output will continue. Nevertheless, there was a slowdown in demand for new building in the first quarter of 1974 as steeply rising building costs were beginning to bite; and several industries, notably in the chemical sector, are reporting difficulties in obtaining raw material supplies on a tight world market.

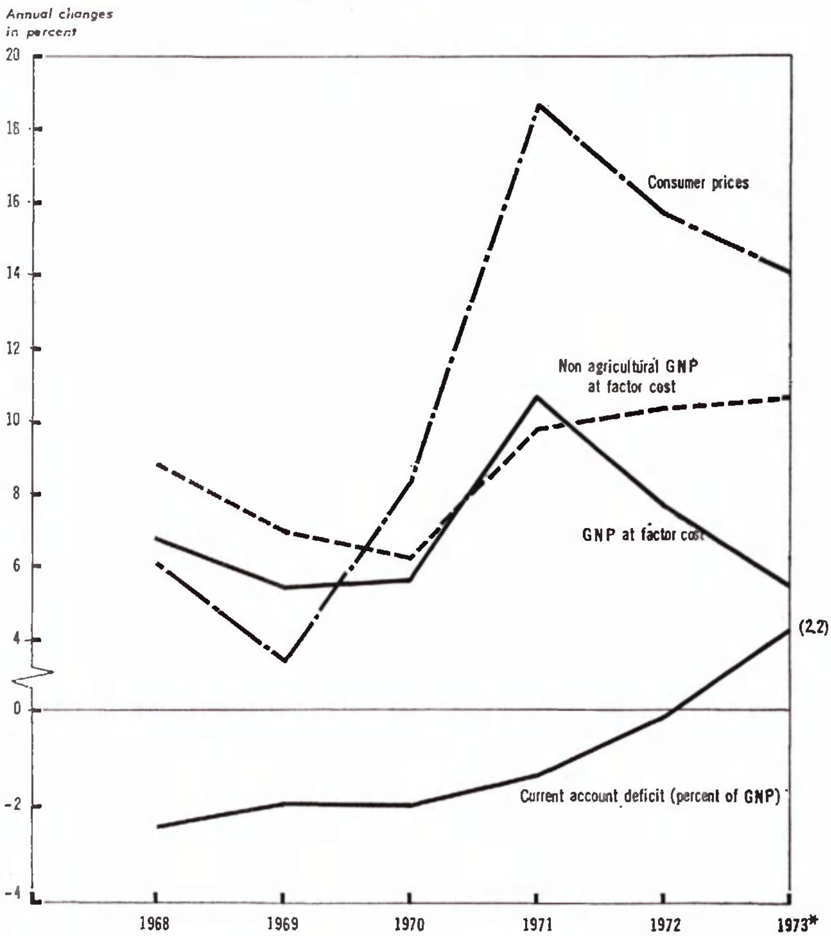
*Investment and consumption*

Turkey's principal concern under successive development plans has been to accelerate investment and thus set going a process of self-sustaining economic growth. But investment plans proved difficult to realise in practice for a variety of reasons, not the least of which has been the inability to generate an adequate amount of domestic savings, although political uncertainty was also a factor during the last two years of the Second Five Year Plan. Thus, in 1971 gross fixed investment actually declined and the growth of investments by 11 per cent in 1972 and 1973, though substantial by most standards, represented only one-half of the postulated rates of increase.

The shortfall was attributable mainly to the public sector for which investment targets had been set that were evidently too high under the circumstances. But it also signalled, in part, a change in short-term demand-management policy when it became apparent that regular revenues of the public budget would not be adequate to finance the larger volume of current expenditures on wages and salaries and income transfers that had become inevitable with inflation. By contrast, the relatively modest projected rate of growth of private investment of 9.1 per cent was surpassed in 1973 due to the continued boom in industrial fixed asset formation, and residential and business construction. Housing, which accounts for approximately 40 per cent of all private investment outlay, has risen by 25 per cent over the level of 1972. Judging by construction permits issued during the first quarter of the current year (which have fallen by 3.5 per cent in terms of building volume authorised) it is to be expected that total private investment is likely to grow less vigorous over the next few months. But inflation is a powerful argument for investment in real assets and once the temporary shortage in building materials has been overcome private investment activity may accelerate again. Public investment has been programmed to increase by 38 per cent and would thus appear to be a strong motor of growth of overall demand; but it remains to be seen whether this goal can, in fact, be attained.

Total consumption expenditure (in constant prices) rose substantially less (3.2 per cent) than targeted for 1973. This, however, was clearly desir-

*Diagram 5* **Economic Growth**




* Provisional.
*Source:* State Planning Organisation.

able from the point of view of resources management. In the two preceding years consumption, both private and public, had expanded too fast for an economy programmed for stepping up the domestic savings rate and investment. This had been mainly the result of two factors: the substantial increase in real incomes of consumers following successive wage and salary increases and rising agricultural prices since the devaluation of the Turkish lira in 1970, and rapidly increasing workers' remittances from abroad which were practically all spent. Although these factors continued to be at work also in 1973, the rate of increase of real consumption fell by more than half from 1972 as there was evidently a link between the development of agricultural production (which fell by 10 per cent in 1973) and of private consumption in an economy in which a large part of the population still depends on subsistence farming for a livelihood.

Because of the favourable harvest expected for 1974, the higher guarantee prices for agriculture, and the substantial salary increases granted, or yet to be awarded, to workers and employees, there is a strong probability that consumer demand will increase sharply in the next six to twelve months. This also has to be reckoned with in formulating anti-inflationary policies.

(b) *Foreign trade and payments*

A notable feature of Turkey's foreign trade in the last two years has been the rapid improvement in export performance. Overall, Turkey's exports increased by more than $400 million in 1973. Unfortunately, imports have risen even more so that, from the point of view of the trade balance, Turkey has to run very fast if she is not to slip behind as regards exports. The fact that merchandise exports rose in value by 31 per cent in 1972 and 49 per cent during 1973, reflected for the most part the rise in prices in world markets. Volume estimates, to the extent they exist, show that world inflation and the boom in raw material prices meant that, despite domestic inflation, the competitive situation of Turkish exporters, following the devaluation of the lira in 1970 and the policy of encouraging exports followed by the government, was preserved. In 1973 the rise in sales abroad was particularly marked for exports of fruit and vegetables (+ 31 per cent), cotton (+ 60 per cent), processed agricultural products (+ 71 per cent) and manufactures (+ 90 per cent).

Turkey's exports could have expanded more than they did but for the fact that some items, such as textiles, were in short supply on the domestic market too. In the case of cement, and certain food products, the Turkish authorities had to resort to a temporary halt to exports in 1973 in an attempt to curb domestic price rises. The results of the first four months of the 1974 export season show that international demand factors still tend to be favourable to Turkish exports, thus overall exports rose in value by 54 per cent. Nevertheless, in the case of cotton and some other export items, the high prices obtained on world markets in 1973 are not likely to be repeated. Despite this reservation, however, 1974 is likely to turn out another year of record export growth.

In spite of this encouraging development of exports, the visible trade gap has grown wider, increasing from $494 million in 1971 to $678 million

Table 12 **Exports**
US $ millions

| | | | | Jan-June | |
|---|---|---|---|---|---|
| | 1971 | 1972 | 1973 | 1973 | 1974 |
| I *Agricultural products:* | | | | | |
| *Total* | *487.3* | *607.2* | *832.9* | *410.1* | *521.2* |
| (a) *Cereals* | *13.8* | *36.1* | *64.2* | *36.0* | *11.4* |
| (b) *Fruit & vegetables* | *145.3* | *197.3* | *258.9* | *108.2* | *130.1* |
| Hazelnuts | 84.1 | 116.5 | 121.7 | 49.6 | 77.6 |
| Dried fruit | 39.3 | 46.8 | 82.8 | 33.1 | 27.7 |
| Citrus fruit | 17.8 | 17.6 | 25.5 | 11.9 | 12.7 |
| Others | 4.1 | 16.3 | 28.9 | 13.6 | 12.1 |
| (c) *Industrial crops & forest products* | *288.5* | *337.6* | *456.8* | *242.6* | *346.3* |
| Cotton | 193.1 | 191.3 | 305.8 | 73.8 | 125.1 |
| Tobacco | 85.9 | 130.8 | 132.9 | 160.2 | 215.3 |
| Others | 9.5 | 15.4 | 18.1 | 8.6 | 5.9 |
| (d) *Live animals & sea products* | *39.7* | *36.2* | *53.0* | *23.3* | *33.4* |
| II *Mining & quarrying products: Total* | *40.1* | *35.0* | *41.7* | *18.9* | *35.8* |
| Chrome | 16.8 | 11.6 | 13.2 | 6.3 | 10.9 |
| Others | 23.3 | 23.4 | 28.5 | 12.6 | 24.9 |
| III *Processed & manufactured products: total* | *149.2* | *242.7* | *443.3* | *192.2* | *325.2* |
| (a) *Processed agricultural products: Total* | *54.0* | *87.3* | *149.1* | *73.6* | *69.9* |
| Olive oil | 0.9 | 2.9 | 47.8 | 31.0 | 13.6 |
| Sugar | 3.2 | 23.5 | 1.0 | 0.1 | — |
| Food & beverages | 49.9 | 60.9 | 100.3 | 42.5 | 56.3 |
| (b) *Manufactured products* | *95.2* | *155.4* | *294.3* | *118.6* | *255.3* |
| Textiles & clothing | 37.5 | 52.0 | 105.6 | 41.6 | 93.0 |
| Hides & leather industry | 10.6 | 21.5 | 45.2 | 2.4 | 15.0 |
| Forestry industry | 4.9 | 4.9 | 8.0 | 15.1 | 31.0 |
| Chemical industry | 9.5 | 11.2 | 18.3 | 8.6 | 17.5 |
| Petroleum products | 2.5 | 22.7 | 49.2 | 20.6 | 45.7 |
| Glass & ceramics | 2.7 | 3.7 | 6.6 | 10.6 | 4.8 |
| Cement | 8.8 | 15.1 | 14.7 | 3.1 | 5.1 |
| Non-ferrous metals industry | 8.7 | 11.2 | 22.3 | 6.3 | 20.5 |
| Metal products & machinery | 2.4 | 4.1 | 8.6 | 3.7 | 10.2 |
| Electrical equipment & products | 0.6 | 0.8 | 1.5 | 1.1 | 0.5 |
| Others | 7.0 | 8.2 | 14.3 | 5.5 | 12.0 |
| IV *Total* | 676.6 | 884.9 | 1 318.0 | 621.2 | 882.2 |

*Source:* State Planning Organisation.

in 1972, to reach $782 million in 1973. The increase of merchandise imports has been made possible by a large and rapidly growing surplus on invisible accounts, but whether this is a viable structure for Turkey's balance of payments in the medium-term is a matter of some doubt. Remittances of Turkish workers living abroad increased from $471 million in 1971 to $1.2 billion in 1973. However in 1973, it was a correct move, in view of the buoyancy of the current account, to relax controls on foreign exchange allocations and to raise import quotas for such things as investment goods and industrial supplies. Today, Turkish importers find—in contrast to the situation only two years ago—that there are very few effective quantitative restrictions on importing industrial supplies, though they may lack the domestic funds to make the most of this newly won freedom.

The official 1974 import programme postulates overall imports to rise by \$1.4 billion to \$3,036 million. However, this figure has already been overtaken by events, due largely to the oil price increase. Current unofficial estimates are that total imports are likely to reach more than \$3.5 billion, of which approximately \$1.2 billion, or one-third are made up of imports of crude oil and oil-based chemical products. As there is a structural energy shortage in Turkey, the country's means of checking demand for imported fuel are limited so that also in the medium-term the price of crude oil on world markets will be a crucial factor in determining the size of Turkey's import bill. This situation is expected to ease only when several more of the planned lignite-based power stations and hydroelectrical schemes are coming onstream towards the end of the current decade.

Compared to the spectacular rise of workers' remittances, other items on invisible account continue to play only a marginal role. Though net receipts from tourism are gradually improving (\$78 million in 1973), considering Turkey's potential for developing the tourism industry this item nevertheless appears modest besides the foreign exchange generated from this source in other Mediterranean countries.

In 1972 the current account of the balance of payments was in balance with a small deficit of \$8 million; as a result of the trends noted earlier, this was transformed into an overall surplus of \$471 million for 1973. On capital account, Turkey received \$381 million gross official aid credits and

**Table 13 Imports by Types of Financing**
US \$ millions

| | 1971 | 1972 | 1973 | Jan-June 1973 | Jan-June 1974 | Programme 1973 | Programme 1974 |
|---|---|---|---|---|---|---|---|
| Liberalised lists | 533 | 708 | 1 162 | 472 | 1 060 | 720 | 1 250 |
| Global quotas | 260 | 412 | 478 | 250 | 320 | 450 | 1 236 |
| Bilateral quotas | 110 | 100 | 78 | 38 | 88 | 115 | 100 |
| Total Programme Imports | *903* | *1 220* | *1 718* | *760* | *1 468* | *1 285* | *2 586* |
| NATO infrastructure | 7 | 10 | 21 | 7 | 11 | 10 | 15 |
| Project credit imports | 148 | 249 | 295 | 158 | 147 | 235 | 300 |
| Private foreign capital imports | 29 | 28 | 15 | 9 | 7 | 25 | 45 |
| Imports with waiver | 83 | 55 | 50 | 26 | 30 | 45 | 90 |
| *of which:* Grants | 56 | 16 | — | — | — | — | — |
| Wheat and fats concessional imports | — | — | — | — | — | — | — |
| Others | 1 | 1 | 1 | — | 1 | 50 | — |
| *Total* | *1 171* | *1 563* | *2 099* | *960* | *1 664* | *1 650* | *3 036* |

*Source:* Ministry of Finance.

other bilateral capital inflows and the total of gross private flows came to $129 million in 1973. Against this must be set repayments of $77 million on Turkey's longer-term debt and of some $200 million in short-term capital. The latter item represents a running-down of non-resident convertible lira accounts. These balances were built up, principally during 1972, when domestic bank liquidity was tight and interest rates in Turkey were comparatively advantageous as a means for foreign and Turkish-owned companies to secure financing through back-to-back loans in Turkish lira. The regulations concerning convertible lira accounts were revised and generally made tighter in 1973 and, as a result, one half of this short-term capital again left the country when the domestic loans were paid back.

**Table 14 Balance of Payments**
**US $ millions**

| | 1970 | 1971 | 1972 | 1973 | Jan.-June 1973 | Jan.-June 1974* |
|---|---|---|---|---|---|---|
| *Commodity trade* | *–360* | *–494* | *–678* | *–782* | *–339* | *–782* |
| Imports cif | –948 | –1 171 | –1 563 | –2 099 | –960 | –1 664 |
| Exports fob | 588 | 677 | 885 | 1 317 | 621 | 882 |
| *Services and transfers, net* | *180* | *379* | *640* | *1 235* | *410* | *637* |
| Foreign travel, net | 4 | 21 | 44 | 78 | 15 | 23 |
| Profit transfers | –33 | –36 | –35 | –35 | –19 | –18 |
| Interest payments (gross) | –48 | –60 | –62 | –59 | –31 | –38 |
| Workers' remittances | 273 | 471 | 740 | 1 183 | 448 | 565 |
| Other services, net | –16 | –30 | –47 | 68 | –3 | 105 |
| *Infrastructure and off shore receipts* | *8* | *6* | *30* | *18* | *6* | *14* |
| *Total current balance* | *–172* | *–122* | *–8* | *471* | *77* | *–131* |
| *Capital transactions, net* | *366* | *347* | *320* | *433* | *159* | *181* |
| Private, total | *92* | *72* | *82* | *129* | *60* | *91* |
| Workers' imports[1] | 34 | 27 | 39 | 50 | 23 | 30 |
| Direct investment | 58 | 45 | 43 | 79[3] | 37[3] | 81[3] |
| Official, total | *420* | *400* | *368* | *381* | *133* | *136* |
| Project assistance | 179 | 219 | 244 | 328 | 105 | 134 |
| Programme assistance inc. EMA credits and debt relief | 158 | 126 | 108 | 53 | 28 | 2 |
| Agricultural surpluses | 83 | 55 | 16 | — | — | — |
| Debt repayments (gross) | *–146* | *–125* | *–130* | *–77* | *–34* | *–46* |
| *Overall balance* | *194* | *225* | *312* | *904* | *236* | *50* |
| *Balancing item* | *–24* | *121* | *–295* | *48* | *178* | *–10* |
| *Official monetary position* | *–170* | *–346* | *–17* | *–952* | *–414* | *–40* |
| Reserves movement | –236 | –345 | –235 | –728 | –414 | –39 |
| Change in IMF net position[2] | 66 | –1 | –116 | — | — | –1 |
| Short term capital | (...) | (...) | 334 | –224 | (...) | (...) |

*Source:* Ministry of Finance.
* Provisional.
1 Imports with waiver.
2 Including SDR.
3 Including short and medium term private credits.

As a consequence of the different factors at work in Turkish external trade and payments, the country's gold and convertible currency reserves continued to rise from $1.3 billion in 1972 to $2.1 billion at the end of 1973. But in the first six months of 1974 the growth in Turkey's foreign exchange reserves slowed down substantially as the result of the rising deficit on visible trade. Even compared to present imports these reserves must still be considered to be at a relatively comfortable level. Turkey is free today from short-term repayment obligations to the IMF after advanced repayments of her standby credits made in the course of 1972, and can thus apply for new short-term loan facilities from the Fund should this prove necessary. Nevertheless, there is no doubt that the higher price of oil and other international commodities, in particular of nitrogenous and chemical fertiliser and other chemical raw materials for industry, will exact a heavy toll of Turkey's foreign exchange earnings from now on.

The additional cost of imported crude oil alone will probably add $700 million to Turkey's import bill in 1974. Despite expected increased export earnings, the trade deficit is likely to more than double and to come close to $2 billion. As there is every indication that invisible earnings will cease to rise as quickly as in recent years because of a slowdown in workers' emigration to Western Europe, the current balance of payments may, once again, show a subtantial deficit of as much as $500 million. Taking into account official capital transactions which may amount to a net inflow of $250 million, and a further $100 million private capital imports Turkey could need to run down her foreign exchange reserves by some $200 million in 1974, or to start building up new commercial foreign debt.

The Turkish authorities' aim has consistently been to keep up a high rate of domestic investment and to promote industrialisation as Part I of this report shows. In the past, one of the bottlenecks of development has been the inadequacy of the level and rate of growth of Turkey's exports of goods and services. The favourable trends on this score since 1970—though helped by tax and credit incentives—have owed more to developments in the domestic economies of the rest of the OECD area which have. notably. imported manpower from Turkey but have also kept world markets buoyant for Turkey's exports. The enumeration of events in recent years given in the preceding paragraphs provides numerous examples of this. From now on, with a vastly increased import bill for oil and some other indispensable products, such as fertilisers, and with less buoyant domestic demand prospects in the major OECD industrial countries, the going is likely to be much more difficult.

## B. Economic policies

### (a) *Public finance*

Provisional estimates indicate that the Central government budget for fiscal year 1973, which ended on 28th February 1974, closed with a small deficit (about TL 1 billion). The actual shortfall in normal revenues in 1973-74 compared with initial appropriations was no doubt considerably higher (probably some TL 4 billion). The difference was made good by receipts of TL 2.9 billion from the sale of government bonds which carried the attractive rate of interest of 9 per cent (tax free), which was better than the return on bank deposits though still negative compared with the rise in prices, and a further small increase of short-term advances from the Central Bank (TL 375 million). Original appropriations called for current expenditures of TL 30.8 billion, i.e. TL 6.7 billion more than the previous year's outturn. This figure was apparently somewhat surpassed in view of the necessity to pay out a salary backlog dating from 1970 and to raise the salary scales of the lower civil service grades owing to the accelerating increase in the overall cost of living. For this, and other unforeseen expenditures, a total of TL 11.5 billion additional appropriations was authorised at the end of the fiscal year.

Public investment outlay through the government budget which was scheduled to grow by almost two-thirds in current prices over 1972 to TL 12.1 billion probably fell short of the target by approximately 20 per cent. In view of a substantial rise in construction costs during 1973, the shortfall of public investment expenditure compared to the target was very substantial in real terms. As investments by State Economic Enterprises also did not attain the prescribed levels, the volume of public sector investment in 1973 remained considerably below the plans. Shortfalls of this kind compared with targets must be attributed to inadequate reconciliation of spending plans with likely revenue yields as well as to difficulties in the preparation and administration of public investment projects.

By contrast, tranfer payments, which are to a considerable measure transfers to State Enterprises, have probably surpassed the programmed figure of TL 19 billion. This budget item is now by far larger than consolidated budget investments and has attained more than one-third of total appropriations in recent years, and this despite reported attempts to make the State Economic Enterprises more competitive by allowing their prices to rise moroe in line with inflation, and through rationalisation. But these attempts have been piecemeal and the general reform of this sector is yet to materialise.

Due to the fact that the formation of a new government after the general elections in late 1973 took some time, a temporary budget was in force for three months until May 1974. The new budget was voted retroactively on 30th May 1974 with total appropriations of TL 83.1 billion, thus exceeding the reported 1973 budget expenditures by one-third. Though this appears to be a rather large increase from one year to the next, these figures are less impressive when set against the context of increases in the cost of living by almost 20 per cent on a yearly basis, and even higher increases in the prices of goods and services purchased by the government. There is a safeguard as regards demand management needs as, like previous years, the budget law authorises the government to impose overall cuts of up to 10 per cent—and in certain cases, such as transfer payments, of up to 20 per cent of appropriations—if the situation warrants it.

Current expenditures in fiscal year 1974 are planned to increase to TL 40.4 billion, both because of a further substantial increase in public employees' salaries and because of higher defence expenditures. The relatively largest increase, however, is scheduled for public investment (up by 54 per cent compared to initial appropriations and more than 80 per cent higher compared to realised investments in 1973). Also a relatively large increase is again foreseen in transfer payments (+ TL 4.7 billion, or 24 per cent) and this despite price increases decreed for State Economic Enterprises in February 1974, which were expected to improve their financial situation by some TL 3 billion.

Public revenues are thought to increase less fast than expenditures due to the fact that no increase in the rates of the principal revenue yielding taxes is envisaged. Thus, total revenues are expected to increase to TL 74.9 billion, by TL 17.9 billion, or by 31 per cent. The largest addition to revenues will come from indirect taxes (+ TL 9.9 billion), followed by direct taxes (+ TL 6 billion). In view of the large rise in personal incomes expected in 1974 throughout the economy, the estimates for direct taxes might be on the conservative side. If this turns out to be the case, the government will have less need for domestic borrowing, which has now been estimated to amount to TL 6 billion.

Although the Central government budget as voted in Parliament is formally balanced with the excess of expenditure over revenue receipts financed by long-term borrowing from the public, the size of the planned

**Table 15 Central Government Consolidated Budget**
TL millions

| | | 1971 | 1972 | 1973 | | 1974 |
|---|---|---|---|---|---|---|
| | | | | Approved | Est. act. | Approved |
| I | *Revenues* | *37 852* | *46 128* | *56 323* | *56 938* | *74 858* |
| | Direct taxes | 12 090 | 20 923 | 20 828 | 21 898 | 27 880 |
| | Indirect taxes | 19 330 | 18 090 | 27 494 | 29 824 | 39 698 |
| | Other revenues | 5 247 | 6 206 | 8 000 | 5 216 | 7 280 |
| | Savings bonds | 1 185 | 909 | 1 | — | — |
| II | *Counterpart funds* | *1 547* | *419* | *700* | *342* | *800* |
| III | *Net revenues from annexed budgets* | *1 417* | *1 112* | *1 256* | *1 489* | *1 433* |
| IV | *Total resources* | *40 816* | *47 459* | *58 279* | *58 769* | *77 091* |
| V | Expenditures | *47 345* | *51 827* | *62 279* | *63 091* | *83 091* |
| | Current expenditures | 22 172 | 24 131 | 30 800 | n.a. | 40 363 |
| | Investment expenditures | 7 894 | 8 290 | 12 100 | n.a. | 18 609 |
| | Transfer payments & cap. formation | 17 279 | 19 406 | 19 379 | n.a. | 24 119 |
| VI | *Deficit (—) or surplus (+)* | *–6 529* | *–4 168* | *–4 000* | *–4 322* | *–6 000* |
| VII | *Financing of deficit* | | | | | |
| | Domestic borrowing | 800 | 4 000 | 4 000 | 2 886 | 6 000 |
| | Change in treasury bal. & deficit payments | 4 000 | –500 | — | 1 061 | — |
| | Borrowing from Central Bank | 1 729 | 668 | — | 375 | — |

*Source:* Ministry of Finance.

increase of expenditure from the last fiscal year (some 7 per cent of GDP) is such that, if realised, it would have far-reaching repercussions on the pattern of the flow of resources. A large part of the postulated increase of public expenditure is of a current nature (transfer payments within the State sector to make good operating losses of State enterprises, and relatively substantial salary increases to public employees) and thus would tend to add to an already high overall current consumption. In this context the government's intention to use the authorisation to cut overall expenditures by some 10 per cent is clearly welcome, as inflation—if not tackled by appropriate and determined policies at this juncture—may become much more difficult to control in future.

But war against the price rises of the last twelve months would require to be waged on a broader front than aiming at a balanced budget or even a small surplus (this point will be treated more explicitly in Part III of the report). Nevertheless, in respect of public revenues it may seem appropriate to relieve lower income groups of certain fiscal charges which weigh heavily in family budgets rather than giving in to unjustified claims for wage increases by the labour unions. There is also still substantial scope for taxing groups of the population which so far have largely escaped paying income tax through the existing system of exemptions or because of deficiencies in tax collection, e.g. farmers, merchants and liberal professions. It might furthermore be of advantage to review the various forms of tax refunds and allowances granted to encourage certain types of economic activities of which some have lost their reason for being under changed conditions.

In respect of public expenditure it is evident that greater vigilance, and closer scrutiny of spending plans by the different ministries and other public bodies, could produce significant results in terms of checking the growth of public sector outlay within the general authorisation to reduce 1974 budget expenditures by a margin of 10 per cent. The changeover in the public accounts to a functional budget system, introduced a few years ago could greatly aid in this process. One area in which economies appear possible is State-owned enterprises. Though there will no doubt always be a need for subsidies from the public budget in cases where considerations of social justice predominate, or where there are other compelling policy reasons, as now for example in fighting inflation, the actual burden of those expenditures on the budget, as has been pointed out in previous reviews, has become rather heavy over the years. For example, by supplying State subsidies more selectively and by combining these with incentives to seek economies and raise efficiency, there would appear to be grounds for the expectation that those enterprises could be made less dependent on State support.

Another field in which reductions appear possible is the public investment programme. Though there is clearly a need to enlarge a social infrastructure which has become manifestly inadequate for Turkey's fast-rising population, supply bottlenecks, technical constraints and the likelihood of administrative difficulties to cope anyway with a larger programme combine in calling for a careful choice to be made in the investments permitted to go forward this year. Last but not least, the proposed changes in the personnel law appear to permit considerable latitude in determining salary scales and allowances, notably in respect of so-called priority project sectors; also, the envisaged lowering of the compulsory retirement age for civil servants would lead to higher gratuity payments and an increase in payment of pensions. The consequences of this—both in the short and medium term—for the financial burden on the State as well as in respect of inflation are likely to be considerable. Clear guidelines are called for in respect of the amount of the permissible increase of the public sector salary bill and in order to prevent a wage and salary escalation of different categories of civil servants in the process of applying the new regulations.

### (b) *Money and banking*

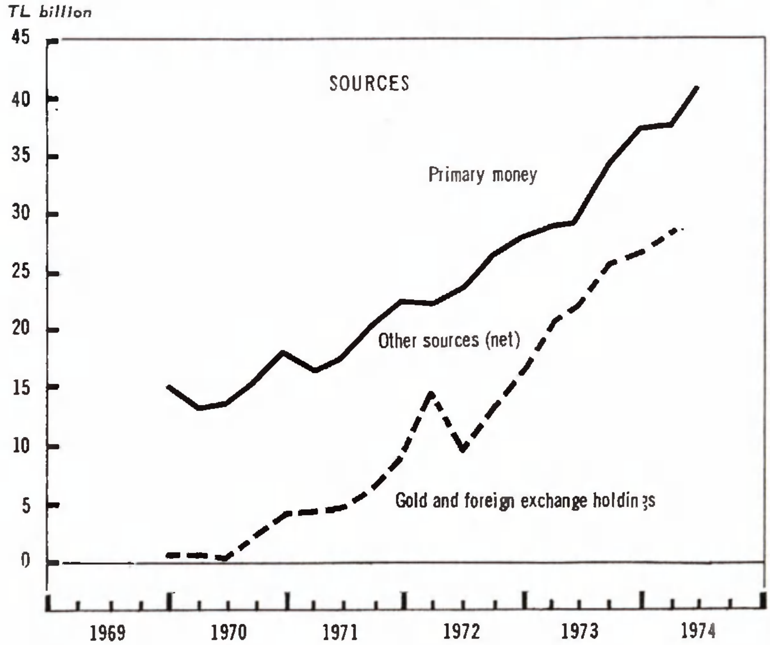
As in the immediately preceding period, in 1973 money supply rose again sharply under the influence of primary money creation by the Central Bank. The increase (+ 32 per cent) was due in the first instance to considerably higher remittances by Turkish workers abroad, but it was also caused by a further substantial rise in Central Bank credit mainly to the private sector. Unlike the situation in previous years, when Central Bank credit rose mainly as a result of heavy short-term borrowing by the Treasury, its expansion in 1973 was principally caused by the need to finance a larger volume of trade in agricultural products and pay for emergency imports of wheat, sugar and other essential raw materials which were in short supply. There was also a noticeable increase in medium-term investment credits to preferential sectors which rose by nearly TL 2.3 billion. During the first six months of 1974 money supply continued to expand at about the same rate as the year before as most of the factors influencing primary money creation in 1973 were present to almost the same extent.

**Table 16 Money and Credit**
TL millions

| | Dec. 1971 | Dec. 1972 | Dec. 1973 | March 1974 | June 1974 |
|---|---|---|---|---|---|
| Money Supply | 43 587 | 53 253 | 70 528 | 72 956 | 73 769 |
| Notes and coins | 13 917 | 15 978 | 20 700 | 21 933 | 22 918 |
| Bank money | 29 670 | 37 275 | 49 828 | 50 023 | 50 851 |
| Bank Deposits | 48 476 | 62 994 | 80 392 | 81 023 | 82 256 |
| Public | 5 785 | 7 913 | 10 498 | 10 511 | |
| Private | 42 691 | 55 081 | 69 894 | 71 229 | |
| Bank Credits | 42 834 | 55 993 | 75 068 | 75 049 | 76 712 |
| Public | 4 234 | 5 124 | 7 881 | 8 185 | |
| Private | 38 600 | 50 869 | 67 187 | 66 864 | |
| 13 Banks Deposits | 33 307 | 45 944 | 51 344 | 55 135 | 55 013 |
| 13 Banks Credits | 26 843 | 36 287 | 48 563 | 49 307 | 51 377 |

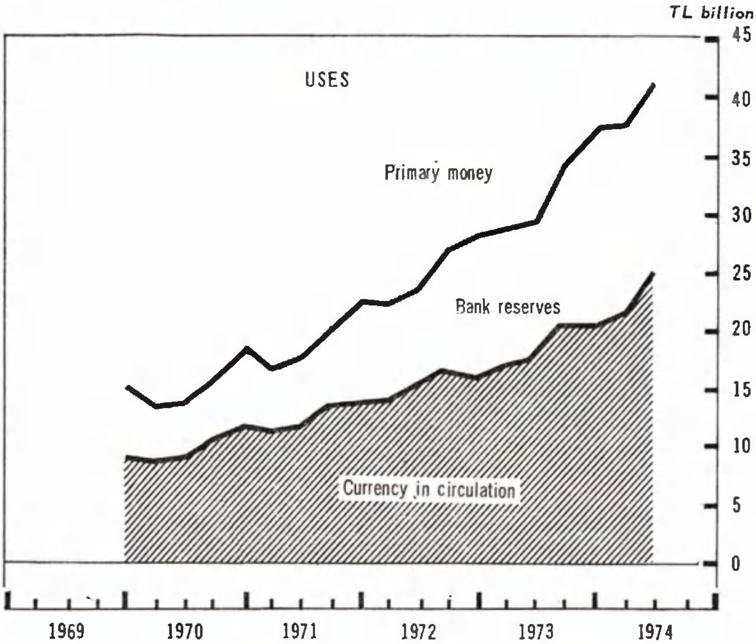
*Source:* Central Bank.

*Diagram 6* **Primary Money and G**




On balance, the monetary authorities aimed to maintain a restrictive course, though the sharp expansion of Central Bank money and hence bank deposits as the more or less automatic result of the balance-of-payments surplus made it difficult to check expansion of credit to the private sector. Although the Central Bank had raised the reserve ratio of commercial banks by five points to 25 per cent in November 1972, this appeared to have had only a marginal effect on total credit expansion in the months that followed the introduction of this measure, mainly because at the same time Central Bank credit to the private sector continued to grow and banks found a source of additional liquidity in borrowing in the Euro-currency market using the device of convertible lira deposits by foreigners. To eliminate this unwanted source of primary liquidity (which also tended to inflate Turkey's short-term foreign exchange liabilities) the use of convertible bank accounts by non-residents was severely restricted in January 1973. In addition, some excess liquidity was absorbed by the sale of public bonds in the spring and autumn of 1973, totalling over TL 2 billion. On the other hand, in order to lower the cost of money, rediscount rates were reduced by up to one and one-half points in March. Commercial banks reacted, however, by allowing their liquidity ratio to fall, with the result that credit to the private sector continued to expand at a rate of well over 30 per cent on an annual basis.

nd Foreign Exchange Holdings




At the end of November 1973, anticipating a sharp increase in the seasonal borrowing needs of agricultural co-operatives, private exporters and public market regulating agencies, the Central Bank decreed a further rise in the commercial banks' compulsory deposits by five points[1], thus neutralising some TL 3 billion, and raised rediscount rates on average by one point. On the other hand, at the beginning of 1974, because of the persistent operating deficits of State enterprises and the burden this causes for the public budget, the Turkish authorities decided to create a new medium-term credit facility for foreign exchange purchases by State Economic Enterprises at the Central Bank by permitting the relending of 50 per cent of the commercial bank's compulsory reserve position, which is approximately TL 19 billion. By the summer of 1974 some TL 3 billion had been utilised under this facility for financing imports of strategic raw materials, basic foodstuffs and for repaying loans from abroad.

As a result of the various factors at work, public sector loans have risen by TL 3.4 billion from the beginning of the current year to the end of June 1974, whereas loans to private industry (apart from medium-term credits which rose by TL 600 million or about 20 per cent) via the redis-

1 The new rates against demand and sight savings deposits were 30 per cent and for time deposits of more than one year 25 per cent of the commercial banks' liabilities.

Table 17 **Central Bank Credits by Sectors**
TL millions

| | 1970 | 1971 | 1972 June | 1972 Dec. | 1973 June | 1973 Dec. | 1974 March | 1974 June |
|---|---|---|---|---|---|---|---|---|
| I *Public Sector* | *8 088* | *11 795* | *13 100* | *13 705* | *12 824* | *14 227* | *16 705* | *17 599* |
| (*a*) Advances to Treasury | 4 359 | 6 088 | 7 571 | 7 469 | 7 539 | 7 844 | 8 962 | 9 335 |
| (*b*) Monopoly Admin. | 1 750 | 1 750 | 1 750 | 1 750 | 1 750 | 2 259 | 2 236 | 2 270 |
| (*c*) Soil Products Office | 1 125 | 3 000 | 2 800 | 3 350 | 2 200 | 2 700 | 3 400 | 3 800 |
| (*d*) Others | 854 | 957 | 979 | 1 136 | 1 335 | 1 424 | 2 107 | 2 194 |
| II *Private Sector* | *6 155* | *4 186* | *3 006* | *5 566* | *7 974* | *13 424* | *11 901* | *13 831* |
| (*a*) Agriculture | 2 296 | 1 990 | 1 071 | 1 966 | 2 741 | 2 501 | 2 616 | 3 348 |
| (*b*) Agricultural sales co-op. | 1 419 | 227 | 204 | 1 314 | 1 185 | 3 855 | 3 305 | 2 958 |
| (*c*) Commerce | 318 | 391 | 186 | 178 | 259 | 441 | 471 | 697 |
| (*d*) Export trade | 772 | 576 | 363 | 684 | 1 141 | 1 841 | 1 321 | 1 347 |
| (*e*) Industry | 804 | 599 | 445 | 482 | 783 | 1 128 | 946 | 1 319 |
| (*f*) Medium term credits to preferential sectors | — | — | 191 | 496 | 1 336 | 2 792 | 2 632 | 3 411 |
| (*g*) Small artisans and traders | 490 | 359 | 503 | 399 | 438 | 421 | 441 | 512 |
| (*h*) Others | 56 | 44 | 43 | 47 | 91 | 445 | 169 | 236 |
| III *Bank Liquidation Fund* | *322* | *292* | *263* | *263* | *235* | *235* | *235* | *200* |
| Total | *14 565* | *16 273* | *16 369* | *19 534* | *21 033* | *27 886* | *28 841* | *31 630* |

*Source:* Central Bank.

Table 18 **Commercial Bank Credits by Sector**
TL millions

| | 1970 | 1971 | 1972 June | 1972 Dec. | 1973 June | 1973 Dec. |
|---|---|---|---|---|---|---|
| I Public Sector | 3 209 | 4 234 | 4 555 | 5 124 | 6 329 | 7 880 |
| II Private Sector | 33 796 | 38 600 | 41 853 | 50 869 | 55 557 | 67 181 |
| (*a*) Agriculture | 9 030 | 8 867 | 8 208 | 9 778 | 10 557 | 14 267 |
| (*b*) Industry | 10 217 | 12 437 | 14 260 | 16 971 | 18 474 | (22 000) |
| TSKB-SYBK | 2 132 | 2 389 | 2 579 | 2 788 | 3 152 | 3 763 |
| Other Banks | 8 085 | 10 048 | 11 681 | 14 183 | 15 322 | (18 237) |
| (*c*) Construction | 2 342 | 2 517 | 2 509 | 2 714 | 2 757 | 3 075 |
| (*d*) Small enterprises | 1 108 | 1 267 | 1 417 | 1 538 | 1 801 | 1 972 |
| (*e*) Commerce and trade | 11 099 | 13 512 | 15 459 | 19 868 | 21 968 | 25 867 |
| *of which* foreign trade | 4 064 | 4 648 | 4 716 | 6 360 | 6 138 | (9 000) |
| Total | 37 005 | 42 834 | 46 408 | 55 993 | 61 886 | 75 061 |

*Source:* Central Bank.

count facility for commercial banks have more or less stagnated. The commercial banks had been forced by events to reduce overall credit engagements by some TL 2 billion in the first quarter of the year. Most of the reduction came from a repayment of export credits granted in the previous year. More generally, in 1974, it has been the aim of the authorities to safeguard financing of private production and investment.

A factor contributing to the rapid rise in primary liquidity in recent years is the fact that the commercial banks, not being permitted to hold any significant balance of foreign currencies, are in the habit of turning over to the Central Bank their receipts from workers abroad. The existence of more latitude in this respect would help to take some of the pressure off the creation of domestic liquidity whilst the commercial banks are building up their net foreign positions. A policy decision in this regard would be a desirable ingredient of a more liberal attitude to receipts of, and payments in, foreign currencies. But any further substantial progress in this direction would now have to await the outcome of the oil crisis.

(c) *Foreign exchange policy*

In the foreign exchange field the Turkish authorities, though the Turkish pound is theoretically not floating, seek to maintain a realistic parity with the currencies of Turkey's main trading partners and adjust buying and selling rates from time to time. Following the drastic devaluation of the lira by 67 per cent in the summer of 1970 the monetary authorities chose to stay with the US dollar; consequently Turkey adjusted the exchange rate against other currencies downwards when the dollar was devalued by 10 per cent in February 1973. This brought the rate to TL 14 = $1 US, i.e. the rate already applied to certain agricultural exports, and put an end to the multiple exchange rate system. In 1974, a series of small adjustments were made to take account of changes in the value of the dollar, French franc and other major currencies; thus the dollar value has been fixed for the time being at TL 13.85.

The problem for a controlled currency such as the Turkish lira in a world context where all the major currencies are floating more or less against each other is illustrated by the disparity which developed during the summer of 1973 when the value of the dollar declined, as did that of the pound sterling. With a fixed rate of TL 14 = $1 US it was possible to make a profit out of successive exchange operations which led the banks to limit their purchases of dollars. Subsequently, new rates for the Turkish pound were fixed. An aim for Turkish policy in the foreign exchange field would seem to be to move towards a situation where a genuine foreign exchange market emerges for the pound. The creation of a foreign exchange market among the commercial banks, if the latter came to have more sizeable net foreign positions, as noted above, would help in this direction it seems.

The measure adopted at the beginning of January 1973 to abolish the right of non-residents to hold convertible lira accounts was justified in the short run as Turkish interest rates were considerably above those abroad on the Euro-market, and Turkey had no need, from a foreign exchange reserves point of view, to attract volatile capital from abroad. In order not to cut Turkish industry entirely from access to foreign credits, new rules were drawn up permitting the entry of foreign commercial credit with prior approval of the Ministry of Finance. Initially these applied only to so-called "cash credits" but in August 1973 they were extended to foreign suppliers' credits in general. The loans must have a maturity of medium term and be oriented towards investments in sectors which enjoy a high priority according to Turkey's development plans or Annual Programmes. There is no government repayment guarantee as such, but the Ministry of Finance would normally extend a transfer guarantee for payments of interest and principal. The credit must also not cost less to the borrower than a similar domestic credit; in the case of a higher domestic prevailing rate of interest the differential must be paid into an "interest equalisation fund" established at the Central Bank. To ensure that overall cost and bank-handling charges remain at a reasonable level the decree prescribes that the interest rate should not be higher than one percentage point over the going Euro-currency rate, and banks are not allowed to charge a commission in excess of 1 per cent on this kind of transaction. Regulations on the amount borrowed stipulate that no more than 60 per cent of the total cost of a project may consist of a foreign commercial credit; for investments in specially designated development regions the ceiling exceptionally has been raised to 80 per cent. By September 1973, foreign loans totalling nearly $50 million for eleven ventures had been authorised by the Ministry of Finance, mainly for investments in textile factories, glass and cement production. The maturity of these commercial credits ranged from 2½ to 20 years. For 1974 fresh credits are expected to reach some $50 million.

It is difficult to determine at this stage at what rate new private medium-term credits from abroad could safely be admitted without danger from a balance-of-payments' point of view. Turkey's official debt service obligations are relatively high compared to current merchandise exports—on average some $200 million or 12 per cent of current exports. Whilst, before the oil crisis, with foreign exchange reserves in excess of current needs, it could be argued that some $50-60 million of new commercial debt a year could be accommodated balance-of-payments-wise, this conclusion can no longer be taken for granted. But it would seem that, as the members of the Turkish Consortium, including the World Bank, are continuing to make available credits at favourable terms and as Turkey's foreign exchange reserves are at a fairly comfortable level whilst her drawing rights with the IMF are intact, there is no need at present to link the gradual opening of the door to suppliers' credits for the private sector with eventual balance-of-payments problems in the near future.

In the past few years the relative shortage of domestic sources of medium-term funds has acted to encourage recourse to foreign financing even when there was no compelling need to seek foreign exchange. There is a clear link here with the needed modernisation of the foreign trade and payments regime and the financial institutions granting domestic credit. A modest start has been made as regards the latter by the directives to commercial banks to increase the volume of medium-term credit to at least

10 per cent of total loans and by making rediscount facilities for this kind of credit more attractive. Evidently, the structural problem of an inadequate supply of savings vis-à-vis strong demand for medium-term credit will not be solved easily. Part of the difficulty is that the banking system is primarily geared to granting credit on short term against collateral. A second handicap is the absence of a capital market of adequate proportions and the tendency among the population to keep part of its wealth in hoards outside the banking system or to invest in real estate. A capital market bill creating the necessary legal and institutional environment in which a larger volume of business shares can be created and traded easily has been before Parliament for several years; its fate, however, is still undecided. Likewise, the attempt to attract a larger amount of Turkish workers' savings held abroad into domestic financial investment has only been modestly successful up to now. The government's intention to provide savings incentives and to create greater investment opportunities in rural areas through appropriate institutional support and thus recycle idle funds or monetize unproductive hoards is clearly a step in the right direction and could become an important tool in raising the overall savings ratio.

## III THE PROBLEM OF INFLATION

Since approximately the end of 1969 the Turkish economy has been subject to inflationary tendencies which, as in other OECD countries, have become much more marked in the last two years. Some corrective policy action has been attempted but the accelerated rise in prices shows that much more is needed. In Turkey, as in other countries, there is the familiar dilemma for policy between pushing anti-inflationary policy to the point where it really begins to bite, on the one hand, and slowing down the growth of production and investment on the other. It would seem rather artificial, however, to see this problem as a clear-cut option for, from a social point of view alone, anti-inflationary policy would score high marks, not to mention the disorder inflation has been creating in the accounts of the State and all publicly-owned bodies. A comprehensive policy package against inflation was introduced at the end of August and is noted further below.

### (a) *Developments in recent years*

Not since the second half of the fifties when price levels persistently rose between 10-15 per cent per annum has Turkey seen such steep rates of growth of prices as in the last two to three years. Thus, whilst the average annual rise of consumer prices in Ankara during the ten years from 1960 to 1969 was approximately 5 per cent, this figure accelerated to 12 per cent in 1970, and 22 per cent in 1971. In 1972 and 1973 the price rise slowed down somewhat but with 16 per cent it was clearly still excessive. At present, the rise in consumer prices is accelerating again, tending towards the 20 per cent mark and possibly beyond. Measured in terms of the wholesale

Table 19 Prices

| | Annual average percentage changes | | | | | | March | June |
|---|---|---|---|---|---|---|---|---|
| | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974/73 | 1974/73 |
| *Wholesale prices:* | | | | | | | | |
| General Index | 3.2 | 7.2 | 6.7 | 15.9 | 18.0 | 20.5 | 31.8 | 34.0 |
| Food | 1.9 | 8.1 | 3.2 | 14.2 | 15.2 | 21.6 | 34.3 | 36.9 |
| Industrial raw materials | 5.3 | 6.0 | 12.5 | 18.6 | 22.1 | 19.0 | 28.3 | 29.8 |
| *Cost of Living:* | | | | | | | | |
| Ankara (total) | 4.1 | 5.7 | 11.8 | 21.8 | 15.3 | 15.8 | 15.4 | 14.4 |
| *of which:* Food prices | 4.9 | 4.5 | 10.5 | 17.0 | 12.5 | 15.7 | 14.5 | 11.7 |
| Istanbul (total) | 6.2 | 4.8 | 7.9 | 19.0 | 15.4 | 14.0 | 21.4 | 24.7 |
| *of which:* Food prices | 5.1 | 5.6 | 7.2 | 16.0 | 15.8 | 14.7 | 17.9 | 20.8 |
| Implicit price deflator for GNP | 3.9 | 5.3 | 11.4 | 18.1 | 15.9 | 17.5 | | |
| Implicit price deflator for investment goods | 3.7 | 4.9 | 9.4 | 22.9 | 13.9 | 15.7 | | |

*Source:* Monthly Economic Indicators.

price index inflation was even more pronounced; averaging 13 per cent in January 1973 it rose to 29 per cent in December and to 35 per cent in the first five months of the current year. Although in the context of the current world-wide rate of inflation Turkey's experience in this regard is by no means unique, it nevertheless stands out that the upward climb of prices in Turkey is among the most rapid in OECD countries.

The origins of the current inflationary trend can be traced back as far as 1969 when the government stepped up public expenditures. As overall demand rose sharply, supply shortages began to develop throughout the economy and Turkey's slim foreign exchange reserves rapidly dwindled under the impact of rising demand for imports. Although the Central Bank steered a restrictive monetary course, consumer prices began to climb rapidly from the last quarter of 1969, and by the time of the devaluation of the lira in August 1970 the price rise amounted to 12 per cent a year.

From August 1970 to the present time prices have not stopped rising at an accelerated pace for a variety of reasons. Initially, the devaluation caused costs of imports to rise (despite partially offsetting reductions in stamp duty tax on imports), and salary increases for civil servants, as well as higher guarantee prices to farmers, decreed in late 1970, created new demand and cost constellations which led to a series of wage and price adjustments throughout the economy in the following twelve months.

Once these policy decisions in respect of wages and agricultural prices had been taken—and in the absence of a clearly deflationary fiscal policy stance—there was little the Central Bank could do to check the rise of prices. Credit restraint was limited to the private sector, as the government continued to borrow heavily on short term from the Central Bank for its own needs and those of the public sector. Rapidly rising workers' remittances since the devaluation, and short-term credits by the IMF and the European Fund (which Turkey needed to back up its policy of greater trade liberalisation), began to swell Turkey's convertible foreign exchange reserves, and this despite a considerable increase in imports. Most of the increase in primary money apparently found its way into consumption, as the recipients of remittances spent them, thus reinforcing domestic demand pressures in an area of relatively inelastic supply. It is by no means clear that even severe budget retrenchment would have been sufficient in this inflationary context, a step which, in any event, was out of the question for political and social reasons. However, in retrospect, the decision taken in 1971 to step up public investment expenditures was not well timed and, as events showed, could not be implemented.

Following the rise, in 1971, of 22 per cent in consumer prices, the Turkish authorities adopted a more cautious attitude to deficit budget financing during 1972. In addition, most agricultural support prices were kept frozen despite strong lobbying by farmers to get them increased once again. Whilst this particular mix of demand management policy clearly went in the right direction, it was not strong enough to reverse the price trend. Developments in 1973 were characterised on the one hand by a continued cautious—but not really restrictive—stance in fiscal and monetary policies, as described earlier, but external factors (higher prices on world markets and a fresh rise in workers' remittances) continued to operate and, domestically, the drought sent food prices soaring. As was to be expected, organised labour claimed, and in many cases won, substantial cost of living increases and civil servants received a substantial sum in back pay which had been frozen in 1970.

In the period 1969-1971, inflation seems to have been due mainly to excess demand generated by the deficit of the public budget and an unco-ordinated incomes policy which were added to the expected rise in prices following the devaluation. From about 1971 onwards, monetary factors were a decisive factor behind the price rise; in particular the large increase of primary money issued by the Central Bank prompted by rising workers' remittances and inflows of short-term capital which created additional demand for consumer goods and industrial supplies that could only partially be satisfied by larger imports.

More recently, inflationary pressures due to factors outside the control of the Turkish authorities have become more apparent. The devaluation of the lira against most foreign currencies, and the current boom in commodity prices have made the cost of imports greater. Although, in relation to GNP, the volume of Turkey's imports is small (about 10 per cent), higher prices for imported goods have probably had a snowballing effect on other prices throughout the economy. Furthermore, in recent years, world market prices have risen substantially for practically all of Turkey's traditional exports (cotton, tobacco, olive oil, fresh and dried fruit), in some cases, e.g. cotton, by more than 100 per cent. This has also put incomes and prices up in the domestic market. It is difficult to determine with any accuracy the contribution of imported inflation on the rise in price levels, but it could have accounted for about one-half of the price rise during the last 18 months.

These cumulative pressures made adjustments in administrative prices (agricultural support prices and prices of goods and services provided by State Economic Enterprises) on a broad front finally inevitable, and the first six months of 1974 saw substantial increases in a large range of prices controlled by the State. The higher cost of imported oil in this context was only a contributory factor and not the principal cause, all the more as increased costs have not yet been fully passed on in higher prices.

(b) *Recent measures against inflation*

Recent policy has concentrated to a large measure on relieving supply bottlenecks by increasing import programmes and—in specific cases—on restricting exports of goods in short supply on the home market. This has been coupled with a simplification of administrative procedures for procuring import licences and by the virtual abolition of import duties for goods which are considered to be important for domestic costs. This concession amounts, on average, to about 40-50 per cent of the c.i.f. price. The import programme for 1973, which was increased by $350 million over the previous year's level to $1,650 million, was handled liberally by the authorities and imports were allowed to exceed the original targets. This policy is also being followed in the current year and as a result imports, other than oil, may rise in value by more than 50 per cent.

Even without the specific purpose of combatting inflation in mind it is evidently desirable for Turkey to move closer to a system of import liberalisation, as in the longer run the economy would stand to gain from greater competition and integration of trade and payments in a world context. In the short term, the more liberal handling of a traditionally very restrictive import regime is clearly necessary to relieve growing supply bottlenecks for consumer and investment goods, and strategic industrial imports, as economic expansion and notably the pace of industrialisation, with their accompanying structural changes in demand and supply relationships, quicken. But, evidently, such a policy finds its limits in a country's capacity to procure the additional convertible foreign currency required to pay for a rising volume of imports. In this regard, the underlying trend of the development of Turkey's foreign exchange reserves, which, as has been seen, had risen substantially in recent years as a result of a strong increase in workers' remittances, now seems to be pointing towards a steady decline, and thus imports cannot much longer expand at the rate of the last few years. Moreover, as an anti-inflationary device the policy to encourage specific imports and lowering the heavy import duties and related charges would only be of lasting effect if at the same time adequate measures are taken to eliminate the cause of excess demand.

Part of the inflationary problem is attributable to the large inflow of workers' remittances whose lira counterpart has tended to swell private consumption. The Turkish authorities have attempted to switch part of these funds into direct investment which would thus be limited to imports. Although a number of ventures of this sort—where emigrants of an area have established small manufacturing enterprises or workshops in their native town—are reported to have been successful, their overall impact in terms of expanded industrial production and national savings has been slight. A new attempt has recently been made in this direction through the government's policy in favour of the "people's sector". Though the policy has not yet been fully made public, its main thrust will be the encouragement of co-operative ventures and the development of rural centres. Apart from the rural population, emigrants and workers returning from abroad will be encouraged to invest their savings in local ventures approved and partly supported by the State.

The Turkish authorities also made an attempt to halt inflation by direct price controls. A Price Controls Committee was created in September 1973 whose purpose was to examine requests by industrial firms to raise their prices and to take action against unauthorised price increases. The terms of reference of this body were rather vague and, with prices rising fast throughout the economy, the instrument proved to be inadequate for efficient policy action. The system was reorganised in March 1974. Products for which prior approval is needed have been clearly defined and the period for rendering decisions by the Committee has been considerably shortened. These controls affect most manufactured consumer goods apart from certain basic materials for which official prices have always been set. As regards price policy for the manufacturing sector the main aim of the government is to prevent speculation and unjustified price increases. Prices of key basic commodities will be kept stable as far as possible, if need be by public subsidies.

Policies adopted in the monetary and credit field, as described earlier, may be summarised as having had for their aim to check the growth of overall liquidity in the economy, and in this they have been partly successful. But, as primary money creation was largely the dual result of a substantial net inflow of foreign currencies and of the policy to provide adequate finance for agriculture and the government, the Bank's freedom of action was clearly limited. The impact of the credit restrictions was felt mainly by the private sector. At the end of August 1974 a series of monetary and credit measures were taken which included the raising of interest rates for bank deposits and credits. To ease the overall tight credit situation the reserve ratio of banks was lowered by 3 points for July and August and to encourage medium-term bank credits to industry, so that this sector should be able to see its financing situation eased, reserve requirements for credits of more than two years' duration for specific projects were reduced from 20 per cent to 5 per cent.

Deflationary fiscal policy measures (apart from the countercyclical effect of "fiscal drag" acting as an automatic stabiliser, which however is difficult to measure due to wide-spread tax evasion, deficiencies in the tax collection system, and because of the existence of a flexible system of tax kick-backs) have by and large been absent both in 1973 and the first half of 1974. True, there has been some voluntary—and no doubt also some involuntary—restraint in public spending in specific areas, particularly in public investment. The 1974 budget authorises the government to impose cuts of 10 per cent (in certain cases, such as transfer payments, 20 per cent) in public expenditure. There would appear to be some chance to reduce domestic pressure on prices by allowing fiscal drag to operate on revenues. Evidently, the practice of leaving income tax rates unchanged during times of inflation is not without problems, especially the longer the interval between adjustment lasts, as the latter may then become too difficult to manage from the Treasury's point of view. Thus reliance on fiscal drag can only be a short-term measure and eventually needs to be replaced by a restructuring of the tax system in order to increase overall budget revenues to a level commensurate with planned public sector spending. Such restructuring also seems to be called for—as pointed out earlier—to reduce heavy fiscal charges, both in the field of direct and indirect taxation, for tax-payers in the lower income brackets, and increase the tax burden for those groups of the population which have as yet escaped paying a just share.

Equally important as controlling the growth of demand is the prevention of an acceleration of the cost-price spiral via an appropriate incomes policy. Although last year's acceleration of inflation has undeniably eroded the purchasing power of the large masses of Turkey's farmers and of wage and salary earners, it should not be overlooked that, on the whole, the government's price policy for the agricultural sector and the activities of the labour unions have succeeded in keeping average real incomes on an upward trend. The current year will see a substantial increase in agricultural output and hence of real incomes in rural areas; at the same time, as more food-stuffs become available, the pressure on consumer prices from this source will also become less strong. There would thus seem to be no need for additional measures to boost farmers' incomes and for exceptionally high wage increases, apart from those clearly aimed at providing adequate purchasing power at the bottom of the income pyramid.

## MAIN POLICY CONCLUSIONS

For the moment, the main policy issue facing Turkey as other OECD countries is the urgent need to bring the high rate of inflation under control. To the extent that, in recent years, strong inflationary impulses were being imported from abroad there was too little room for anti-inflationary policy to be really effective in a country in Turkey's position. Fortunately, there are some signs that the international commodity boom is levelling off, if not, in fact, subsiding, though higher wholesale prices have yet to work fully through to consumers. However, it has to be borne in mind that the prices of manufactured imports, which are an important element in the cost structure of a country like Turkey, are still rising. The slowdown in the growth of foreign exchange receipts from workers' remittances and some running down of the country's foreign exchange reserves as the current account surplus moves, as seems likely, to a deficit, will both exert a moderating influence upon domestic credit expansion. Lower prices for some agricultural exports (cotton and tobacco, for example) will also dampen the growth of domestic purchasing power.

Investment planning and implementation in the public sector are in need of review to increase efficiency. These problems are not new but they are no less urgent for that. Some reshaping of investment priorities is no doubt called for in the light of the likely supply conditions for imported oil and of the need to attain a broad measure of self-sufficiency in food production and to expand exports of products where Turkey has certain natural advantages. Overall, it would clearly be inappropriate to seek to push public investment projects forward at a pace which in any case, as past experience has shown, cannot be implemented in practice due to administrative, technical and financial constraints.

Some increases in wages and salaries are inevitable but the forthcoming wage round, in which the State-owned industries play a key role, needs, it seems, some authoritative statement of guidelines by the government—which would also apply to State employees in central and local government service—to ensure that the less-paid groups receive the largest increases and that escalation of wage claims is avoided. Some selective use of price control of key commodities—if necessary by reducing indirect taxes, or by introducing subsidies in selected cases, and strictly limited in time, would help to stabilize the cost of living. There would seem to be room for tax increases in areas, and in selected groups of the population, which would not have adverse effects on either prices or wage and salary claims.

The substantial foreign exchange earnings from workers' remittances in the past few years have masked the inadequacy of Turkey's export performance when measured in terms of the country's fast-growing import needs. A considerable part of the improvements in Turkey's exports in the past has occurred in the industrial sector, aided by the government's policy in promoting export growth through tax benefits and access to preferential credit. It would appear sound policy to continue stimulating the development of export industries.

Turkey's substantial foreign exchange reserves must be expected to fall in the next year or so. This in itself would not be an undesirable trend as long as reserves are not spent in an unco-ordinated manner on an import spree reflecting more inflationary conditions than the real needs of the domestic economy. There are limits to a policy of deliberately increasing import quotas and redressing customs to put pressure on domestic prices unless the causes of inflation are being tackled at the same time. What would be more productive would be to begin a thorough overhaul of the import and foreign exchange allocation machinery so as to introduce modernisation and strengthening of procedures so that Turkey's foreign trade and exchange control regimes begin to move closer to those of the OECD countries.

Turkey would seem to be well placed, thanks to a policy of active foreign trade promotion, to supply a more substantial range than hitherto of consumer and investment goods to Middle East and North African countries whose rising oil revenues have now substantially enlarged their capacity to import. The centre of gravity of Turkey's foreign trade (both imports and exports) is traditionally in Western European and North American markets. It is incumbent on those countries, with some of which Turkey has special relationships, such as the Common Market, to remove as far as possible impediments to Turkey's exports to them. The development of export industries could no doubt be speeded up by closer international co-operation at the enterprise level, notably through the establishment of joint ventures and, where local manufacturing enterprise is strong enough, the conclusion of patent agreements. So far Turkey has not made use of these facilities to the same extent as other countries in a similar position, an omission which was perhaps of less consequence in the past than it will no doubt be in the future, in view of Turkey's commitment gradually to dismantle all trade barriers vis-à-vis the European Community during the next two decades; this would leave its industry in a vulnerable position if the state of technology and the financial and market strength of domestic firms is not commensurate with that of their European competitors.

The fact that Turkey's economic position has improved substantially since the early 1960s is a cause for satisfaction and of hope for an accelerated rate of development in the future, commensurate with the country's still critical position as regards employment and living standards. It is clear that this relative improvement in Turkey's economic strength does not imply any lessening of Turkey's need for some time to come to have access to development aid credits at concessional terms. However, such credit will, it seems, be directed more or less exclusively from now on to financing specific investment projects rather than, as in a recent past, providing general balance-of-payments' support, at least so long as the level of her foreign exchange reserves remains relatively high.

The most crucial longer-term economic and social policy issue is no doubt acute and hidden unemployment, both in rural areas and in the cities, and, with continued rapid growth of the population, this problem is unlikely to be alleviated unless the employment-creating effects of development policy receive adequate stress.

Again, most pople live and work in rural areas and not in towns and their needs have to be catered for as well as those of the industrial sector.

Finally, the rapid growth of a few big urban centres has found the local authorities largely unprepared and ill-equipped to deal with the multiple problems of urbanisation on a big scale (transport, water, electricity, sewage and so on). Living conditions in the large towns are deteriorating as the influx of people, and the growth of the suburbs, place intolerable strain on existing facilities. The resources required to bring this process to a halt, and to begin to reverse the trend, will be substantial and, it seems, larger than present estimates of future availabilities and uses of resources allow for.

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*Annex 1*

# CHRONOLOGY OF MAJOR ECONOMIC POLICY EVENTS

## 1973

*January*

The regulations concerning Convertible Lira Accounts and their utilisation as a basis for loans by commercial banks are modified. The right of non-residents to hold such accounts is abolished, but Turkish residents and workers abroad may continue to open foreign currency accounts in Turkish banks. Interest rates for these deposits are also made less attractive.

In order to facilitate the financing of approved industrial development projects new rules are announced for foreign commercial credits. Turkish public and private companies and foreign-owned firms in Turkey may be authorised by the Ministry of Finance to have recourse to foreign private loans. The amount of credit is restricted to 60 per cent of the total cost of a project; 80 per cent for investments in underdeveloped regions; an interest equalisation tax is levied.

The 1973 Import Regime introduces a greater degree of effective liberalisation. Price control and registration procedures are simplified. The guarantee deposit rate for imports under Liberalised List II is lowered from 40 per cent to 20 per cent, and for importers' and industrialists' quota from 25 per cent to 10 per cent, and 20 per cent to 5 per cent, respectively.

*February*

Domestic interest rates are reduced with effect from 1st March 1973. The standard rate of interest for bank loans is lowered from 11½ per cent to 10½ per cent; other loan rates are reduced, on average, by 1.5 points.

Following the devaluation of the US dollar by 10 per cent, Turkey devalues the lira proportionally. It is announced that the remaining dual exchange rate for agricultural exports will be abolished in July 1973.

Tax rebates for exports—which amount to 25 to 40 per cent—are lowered by 5 percentage points.

*March*

Parliament approves the public budget for the 1973/74 fiscal year.

*April*

The Petroleum Reform Bill is promulgated. The new Law amends Law 6326 dated 16th March 1954. The act contains provisions granting priority to the Turkish Petroleum Corporation in the fields of exploration and exploitation. An Agency for Petroleum Affairs is established with authority for petroleum policy.

*June*

The Land Reform Bill is promulgated. The bill sets the maximum size of agricultural holdings between 75 and 250 acres for irrigated areas and 119 to 500 acres for non-irrigated areas.

The 1973 Export Regime introduces more liberal provisions with regard to price control and registration formalities. Professional organisations which had lost this function in 1971 are once again given administrative responsibility in the application of the export regime.

*July*

Import guarantee deposits are reduced by half for Liberalised Lists I and II, the new rates now stand at 25 and 10 per cent, respectively. Facilities for imports with waiver and service payments are extended; the foreign travel allowance is raised from $400 to $800 a year.

*August*

The Turkish authorities take a number of measures to check price increases. In the field of exports, several commodities are excluded from export rebate, whilst rebates for other items are reduced. Exports of some basic products are made subject to licence or banned altogether. In order to meet the shortage of food and of raw materials, an additional import quota of $250 million is made available. Customs duties on imports of strategic goods are substantially reduced. Pre-import price control is abolished.

Regulations concerning foreign supplier credits are amended. Such credits are no longer subject to Law 6224 (Foreign Private Investment Encouragement Law). The decree's provisions are identical to the decree on "Foreign Commercial Loans" promulgated in January.

In order to stop currency speculation, the Central Bank limits the amount of dollar purchases from tourists and workers and decrees that exports to EMA countries must be effected in the currency of the country of destination. Turkish workers abroad are authorised to open convertible investment-savings accounts with Turkish banks for the purchase of equity in domestic enterprises.

Support prices for main agricultural goods are raised between 20 and 60 per cent.

*October*

As a further measure against inflation an interministerial Price Control Committee is established. In future price rises for industrial goods require prior government approval.

Measures are introduced for the utilisation of blocked accounts for foreigners. Under the new regulations, foreign companies are authorised to borrow for investment purposes up to 75 per cent against accounts blocked in the Central Bank.

*November*

The Central Bank increases the commercial banks' compulsory reserve ratio by 5 points to 30 per cent for sight deposits and to 25 per cent for time deposits over one year.

Rediscount rates which were reduced early in the year are raised with effect from 26th November:

— the general rediscount rate from 8 to 8.75 per cent;
— the rate on credit for export financing, credit to small tradesmen and artisans, and for agricultural credit from 6 to 7 per cent;
— the rate for medium-term credit to agriculture is increased by one point to 7 per cent, whilst the 8 per cent preferential rate introduced in March 1973 in respect of medium-term credit for priority sectors (which are enumerated in the General Incentives Tables of Annual Programmes) is abolished;
— for advances against bonds and gold discount rate is increased by one point to 11 and 7 per cent respectively.

## 1974

*January*

The new import regime for 1974 continues the trend towards more liberalisation of imports. Besides a substantial increase in the amount of imports admitted under Liberalised Lists, administrative procedures are further simplified. Guarantee deposit rates—which had been lowered substantially in 1973—remain the same, with the exception of merchandise imported under Liberalised List I where the advance deposit is lowered from 25 to 20 per cent.

*February*

The 1974 budget bill prepared by the outgoing government is withdrawn and a provisional budget for three months starting from 1st March is approved by Parliament.

Prices of basic goods produced by the State Economic Enterprises are increased: sugar by 38 per cent; cement by 52 per cent; iron and steel products by 48 to 90 per cent; paper by 50 per cent; petroleum by 68 to 80 per cent.

A fuel oil price stabilization fund is set up to regulate differences between the domestic and import price.

Additional appropriations, totalling TL 11.4 billion for fiscal year 1973/74 are approved by Parliament, of which TL 8.2 billion additional personnel expenditure. Thus, total appropriations for fiscal year 1973/74 reach TL 75.9 billion.

Floor prices for tobacco purchases are raised by 80-100 per cent.

*March*

A fund is established to finance the SEEs' credit needs in respect of imports and connected foreign exchange purchases. Its ceiling is flexible and based on commercial banks' compulsory deposits at the Central Bank, which is authorised to relend up to 50 per cent of these deposits.

A Price Adjustment and Support Fund is formed at the Central Bank. Profits made on stocks as a result of the price increases announced in February will be utilised to regulate differences in domestic and import prices for certain products.

The Price Control Committee, which was first formed in October 1973, is reorganised, and now only the government and the Inter-Ministerial Economic Council decide which goods will be subject to the Committee's jurisdiction. For changes in prices of basic products such as cement, iron, fertiliser, etc., the Committee's approval is no longer necessary.

*April*

Private foreign cash credits are no longer admitted for domestic procurement; only imports of investment goods can be financed from this source.

*May*

The Turkish lira is revalued against the United States dollar, from TL 14 to TL 13.50 = $1.

Support prices for cereals are increased by 90 to 110 per cent over 1973 prices.

The Budget for fiscal year 1974/75 is approved by Parliament.

*June*

Support prices for hazelnuts for the 1974 season are increased by 42 per cent. For the first time meat and silk cocoon are taken into the scheme of minimum support prices.

With effect from 1st July, minimum wage rates are unified and fixed at TL 40; the increases over previous levels range from 40 to 60 per cent.

*July*

The prices for chemical fertilisers are raised by some 250 to 300 per cent. Support prices for dried figs, sultanas and pistachios are increased 35 to 50 per cent.

*August*

A series of measures are taken in respect of credit. The standard rate for bank loans is raised by 1 point to 11.5 per cent, and for loans to agriculture and exporters by 1.5 points to 10.5 per cent. The rate for long and medium-term loans is increased to 14 per cent, and for medium-term loans which are exempt from production tax to 12.5 per cent.

Interest rates on bank deposits are also adjusted upwards:

| | *Old rates (%)* | *New rates (%)* |
|---|---|---|
| Official deposits | 0.5 | 1.0 |
| Commercial deposits | — | 2.0 |
| Sight saving deposits | 2.5 | 3.0 |
| Time deposits: | | |
| From 3 to 12 months | 4.0 | 6.0 |
| From 1 to 2 years | 7.0 | 9.0 |
| Over 2 years | 9.0 | free |

In order to improve the commercial banks' liquidity position, the reserve ratio for demand deposits and for time deposits up to one year is lowered by 3 points to 27 per cent for July-August. The equivalent in deposits of medium-term credit extended by commercial banks' benefits from a preferential reserve ratio of 5 per cent (previously 20 per cent).

The interest rate for government bonds is raised from 9 to 11 per cent (tax free).

Joint stock companies are authorised to issue profit-sharing bonds with a maturity of up to 5 years.

Furthermore it is announced that commercial banks will be allowed to build up foreign exchange positions and to grant loans in convertible currencies to Turkish firms within limits to be determined by the Central Bank.

*September*

The value of the Turkish lira against the US dollar is changed from TL 13.50 to TL 13.85 = $1.

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# *STATISTICAL ANNEX*

**Table A National Product**
TL millions

| | Current Prices | | | | | In 1968 factor costs | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1969 | 1970 | 1971 | 1972 | 1973* | 1969 | 1970 | 1971 | 1972 | 1973* |
| Agriculture, forestry, fishing | 33 234 | 39 014 | 50 483 | 59 510 | 73 694 | 31 288 | 32 558 | 36 829 | 36 745 | 32 808 |
| Industry | 22 704 | 25 573 | 34 413 | 42 794 | 55 916 | 22 368 | 23 071 | 25 429 | 28 355 | 31 983 |
| Construction | 8 332 | 9 463 | 10 031 | 12 273 | 15 632 | 7 528 | 8 151 | 7 780 | 8 344 | 9 166 |
| Wholesale and retail trade | 12 845 | 14 842 | 19 617 | 24 817 | 32 667 | 12 265 | 12 820 | 14 373 | 16 160 | 18 121 |
| Transport and communications | 9 659 | 11 002 | 13 949 | 16 204 | 21 634 | 9 236 | 9 858 | 10 715 | 11 402 | 12 217 |
| Financial institutions | 2 547 | 3 023 | 3 468 | 4 254 | 5 473 | 2 416 | 2 610 | 2 832 | 3 082 | 3 362 |
| Ownership of dwellings | 5 836 | 5 642 | 7 464 | 8 604 | 10 386 | 5 379 | 5 706 | 6 066 | 6 412 | 6 811 |
| Private professions and services | 5 729 | 6 690 | 8 655 | 10 407 | 13 234 | 5 475 | 5 745 | 6 306 | 6 716 | 7 031 |
| Government, health, education | 10 827 | 14 113 | 19 419 | 24 608 | 29 202 | 10 670 | 11 518 | 12 233 | 12 868 | 13 734 |
| Gross domestic product at factor cost | 111 713 | 130 262 | 167 399 | 203 471 | 257 838 | 106 625 | 112 037 | 122 563 | 130 084 | 135 233 |
| *Plus:* net income from abroad | 422 | 2 285 | 5 469 | 8 694 | 15 057 | 426 | 1 477 | 3 004 | 4 414 | 6 029 |
| *Plus:* indirect taxes - subsidies | 12 758 | 14 373 | 19 168 | 25 595 | 30 604 | 11 542 | 11 728 | 13 015 | 14 621 | 16 102 |
| Gross national product at market prices | *124 893* | *146 920* | *192 036* | *237 760* | *303 499* | *118 594* | *125 242* | *138 582* | *149 119* | *157 364* |

*Source:* State Institute of Statistics, revised New Series.

* Provisional.

**Table B National Account Statistics**
TL millions

| | In current Prices[1] | | | | | Third Five Year Plan Targets (1971 prices) Annual Percentage Increases[2] | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1969 | 1970 | 1971 | 1972 | 1973* | 1973 | 1974 | 1975 | 1976 | 1977 | 1973-1977 Average |
| 1 GNP | 124 893 | 146 919 | 192 036 | 237 760 | 294 886 | 7.5 | 7.6 | 7.9 | 8.1 | 8.2 | 7.9 |
| 2 Total Consumption | 101 661 | 119 622 | 157 674 | 193 709 | 234 986 | 5.9 | 6.0 | 6.3 | 6.5 | 6.6 | 6.3 |
| Public Consumption | 14 750 | 17 653 | 24 922 | 27 950 | 34 000 | 7.5 | 7.7 | 8.0 | 8.2 | 8.5 | 8.0 |
| Private Consumption | 86 911 | 101 969 | 132 752 | 165 759 | 200 986 | 5.6 | 5.6 | 5.9 | 6.1 | 6.2 | 5.9 |
| 3 Total Gross Investment | 25 158 | 29 253 | 35 997 | 44 173 | 53 300 | 12.8 | 12.8 | 12.7 | 12.5 | 12.5 | 12.7 |
| Public Investment | 12 763 | 14 442 | 16 229 | 20 200 | 25 600 | 23.0 | 12.5 | 11.6 | 11.0 | 10.0 | 13.6 |
| Private Investment | 10 845 | 12 900 | 16 000 | 20 373 | 26 200 | 3.6 | 13.2 | 13.7 | 14.1 | 15.0 | 11.8 |
| Changes in stocks | 1 550 | 1 911 | 3 768 | 3 600 | 1 500 | 17.7 | 17.8 | 18.2 | 17.9 | 21.7 | 10.5 |
| 4 Deficit on Current Account | 1 926 | 1 956 | 1 635 | 122 | –6 600 | 9.1 | 2.2 | 2.2 | 2.1 | 1.0 | 3.3 |
| 5 Domestic Savings | 23 232 | 27 297 | 34 362 | 44 051 | 59 900 | 14.0 | 13.9 | 13.7 | 13.2 | 13.1 | 13.6 |
| Public Savings | | | | 22 145 | 30 426 | 26.6 | 22.2 | 16.9 | 14.7 | 14.5 | 18.9 |
| Private Savings | | | | 21 906 | 29 474 | 4.1 | 5.8 | 10.1 | 11.4 | 11.4 | 8.5 |
| | *Percentage Shares* | | | | | | | | | | |
| 1 GNP | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | |
| 2 Total Consumption/GNP | 81.4 | 81.4 | 82.1 | 81.5 | 79.7 | 79.2 | 78.0 | 76.8 | 75.7 | 74.6 | |
| Public Consumption/GNP | 11.8 | 12.0 | 13.0 | 11.7 | 11.5 | 15.2 | 15.2 | 15.2 | 15.2 | 15.3 | |
| Private Consumption/GNP | 69.6 | 69.4 | 69.1 | 69.8 | 68.2 | 64.0 | 62.8 | 61.6 | 60.4 | 59.3 | |
| 3 Total Gross Investment/GNP | 20.1 | 19.9 | 18.7 | 18.6 | 18.1 | 22.0 | 23.0 | 24.1 | 25.0 | 26.0 | |
| Public Investment/GNP | 10.2 | 9.8 | 8.4 | 8.5 | 8.7 | 12.2 | 12.7 | 13.2 | 13.6 | 13.8 | |
| Private Investment/GNP | 8.7 | 8.8 | 8.3 | 8.6 | 8.9 | 9.1 | 9.5 | 10.0 | 10.6 | 11.2 | |
| Changes in stocks/GNP | 1.2 | 1.3 | 2.0 | 1.5 | 0.5 | 0.7 | 0.8 | 0.9 | 0.8 | 1.0 | |
| 4 Current Account Deficit/GNP | 1.5 | 1.3 | 0.8 | + | 2.2 | 1.2 | 1.0 | 0.9 | 0.7 | 0.6 | |
| 5 Domestic Savings/GNP | 18.6 | 18.6 | 17.9 | 18.5 | 20.3 | 20.8 | 22.0 | 23.2 | 24.3 | 25.4 | |
| Public Savings/GNP | | | | 9.3 | 10.3 | 10.2 | 11.6 | 12.6 | 13.3 | 14.1 | |
| Private Savings/GNP | | | | 9.2 | 10.0 | 10.6 | 10.4 | 10.0 | 11.0 | 11.3 | |

*Source:* 1 State Institute of Statistics, new revised series.
2 Third Five Year Plan.

* Provisional.

## Table C Agricultural Production

| | Unit | Average 1950-1955 | Average 1956-1963 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cereals:** | | | | | | | | | | | |
| Wheat | 1 000 tons | 5 120 | 8 126 | 9 600 | 10 000 | 9 520 | 10 500 | 10 000 | 13 500 | 12 200 | 10 000 |
| Barley | — | 2 820 | 3 486 | 3 800 | 3 800 | 3 560 | 3 740 | 3 250 | 4 170 | 3 725 | 2 900 |
| Maize | — | 807 | 924 | 1 000 | 1 050 | 1 000 | 1 000 | 1 040 | 1 135 | 1 030 | 1 100 |
| Rye | — | 590 | 698 | 850 | 900 | 820 | 817 | 630 | 895 | 755 | 690 |
| Others | — | 1 001 | 1 119 | 1 161 | 1 119 | 982 | 1 044 | 963 | 1 099 | 928 | 913 |
| Pulses | — | 443 | 576 | 589 | 610 | 596 | 593 | 564 | 619 | 665 | 583 |
| Potatoes | — | 879 | 1 396 | 1 750 | 1 760 | 1 805 | 1 936 | 1 915 | 2 100 | 2 200 | 2 200 |
| Sugar Beet | — | 1 232 | 2 885 | 4 422 | 5 253 | 4 714 | 3 354 | 4 253 | 5 956 | 5 896 | 5 095 |
| Tobacco | — | 101 | 118 | 164 | 182 | 161 | 142 | 147 | 173 | 173 | 180 |
| Cotton | — | 145 | 196 | 382 | 396 | 435 | 400 | 400 | 522 | 543 | 512 |
| Oilseeds | — | 480 | 537 | 611 | 634 | 740 | 1 072 | 1 121 | 1 427 | 1 535 | 1 479 |
| Wool | — | 35 | 43 | 44 | 46 | 48 | 47 | 47 | 47 | 58 | 61 |
| **Fruit and Nuts:** | | | | | | | | | | | |
| Grapes | — | 1 750 | 2 859 | 3 100 | 3 500 | 3 725 | 3 635 | 3 850 | 3 853 | 3 434 | 3 118 |
| Figs | — | 104 | 167 | 215 | 232 | 215 | 215 | 214 | 195 | 216 | 195 |
| Nuts | — | 70 | 101 | 190 | 71 | 138 | 170 | 255 | 166 | 190 | 253 |
| Citrus fruit | — | 118 | 283 | 456 | 545 | 678 | 496 | 536 | 693 | 728 | 706 |
| **Livestock:** | | | | | | | | | | | |
| Cattle (inc. buffalo) | Thousands | 11 667 | 13 533 | 15 022 | 15 413 | 15 018 | 14 367 | 13 873 | 13 679 | 14 084 | 13 863 |
| Sheep and goats | — | 46 413 | 54 886 | 55 595 | 56 537 | 57 224 | 56 618 | 55 954 | 55 623 | 57 269 | 56 223 |
| Poultry | — | 22 922 | 27 789 | 30 245 | 32 160 | 33 975 | 34 336 | 34 289 | 36 690 | 38 531 | 39 900 |

*Source:* Turkish submission to the OECD.

Table D **Industrial Production**

| | Unit | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 |
|---|---|---|---|---|---|---|---|---|---|
| Total industrial production* | Index 1962 = 100 | *157.3* | *120.5* | *189.6* | *212.5* | *217.1* | *239.8* | *267.7* | *302.6* |
| Mining | | 158.1 | 149.3 | 153.6 | 178.7 | 173.1 | 189.5 | 195.1 | 203.9 |
| Manufacturing | | 157.3 | 173.9 | 195.1 | 218.0 | 223.6 | 246.9 | 278.0 | 318.0 |
| Energy | | 154.9 | 157.4 | 170.3 | 189.4 | 197.0 | 221.4 | 241.0 | 262.9 |
| Mining, fuel, energy: selected products | 10 000 tons | | | | | | | | |
| Coals | | 736.9 | 745.7 | 749.4 | 773.1 | 759.8 | 784.6 | 786.2 | 784.1 |
| Lignite (ungraded product) | | 638.4 | 657.7 | 868.1 | 861.4 | 924.6 | 724.0 | 716.0 | 753.7 |
| Chrome ore | | 68.9 | 61.4 | 58.7 | 67.4 | 74.7 | 90.8 | 64.9 | n.a |
| Iron ore | | 166.1 | 148.5 | 190.5 | 252.4 | 308.4 | 215.7 | 207.4 | 212.0 |
| Copper | | 2.7 | 2.5 | 2.4 | 1.9 | 1.9 | 1.7 | 1.7 | 2.6 |
| Crude petroleum | | 185.4 | 272.8 | 309.2 | 359.0 | 354.2 | 345.2 | 338.8 | 350.4 |
| Petroleum products | | 451.8 | 532.1 | 513.1 | 637.9 | 703.9 | 793.6 | 925.7 | 1 125.8 |
| Electric power | Billion kWh | 5.4 | 6.1 | 6.9 | 7.8 | 8.6 | 9.8 | 11.1 | 12.3 |
| Manufacturing: selected products | 1 000 tons | | | | | | | | |
| Pig iron | | 736.1 | 846.6 | 909.8 | 948.3 | 1 033.6 | 879.5 | 1 132.1 | |
| Steel ingots | | 842.0 | 993.0 | 1 109.8 | 1 169.7 | 1 311.9 | 117.8 | 1 422.0 | 1 163.1 |
| Sheets and pipes | | 217.0 | 287.6 | 353.6 | 337.1 | 427.0 | 171.1 | 204.2 | 274.4 |
| Cement | | 3 858.2 | 4 238.2 | 4 727.2 | 5 795.3 | 6 373.2 | 7 552.5 | 7 835.9 | 8 947.7 |
| Coke | | 1 440.0 | 1 362.2 | 1 431.0 | 1 594.8 | 1 536.0 | 1 231.9 | 1 194.2 | 939.9 |
| Superphosphate | | 222.1 | 205.1 | 187.1 | 150.8 | 194.5 | 370.8 | 591.8 | 546.3 |
| Glass | | 35.2 | 47.0 | 51.8 | 75.5 | 80.4 | 56.5 | 70.1 | 83.5 |
| Paper | | 106.2 | 108.6 | 115.8 | 115.9 | 117.6 | 63.0 | 63.0 | 83.4 |
| Sugar | | 600.7 | 609.2 | 717.7 | 587.3 | 592.3 | 607.1 | 853.2 | 873.2 |
| Olive oil | | 155.0 | 80.0 | 159.0 | 54.0 | 165.0 | 51.5 | 148.7 | 56.7 |
| Woollen and cotton yarns | | 138.0 | 151.0 | 68.7 | 39.1 | 49.9 | 38.2 | n.a. | n.a. |
| Woollen and cotton fabrics | Million metres | 666.0 | 727.0 | 295.6 | 206.1 | 224.4 | 236.3 | 232.2 | 223.3 |

*Source:* Turkish submission to the OECD.

* The series of industrial production index have been compiled by the National Income Accounting Group in the State Institute of Statistics.

**Table E  Prices**
Indices 1963 = 100

| | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1972 | | | | 1973 | | | | 1974 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | I | II | III | IV | I | II | III | IV | I | II |
| Wholesale prices : | | | | | | | | | | | | | | | | |
| *Total* | *129* | *137* | *146* | *169* | *199* | *240* | *193* | *195* | *201* | *208* | *221* | *230* | *243* | *265* | *291* | *314* |
| *Food and feeding stufls* | *129* | *137* | *141* | *161* | *185* | *225* | *182* | *186* | *184* | *191* | *210* | *218* | *225* | *248* | *282* | *305* |
| Cereals | 121 | 130 | 131 | 141 | 156 | 200 | 155 | 156 | 154 | 163 | 175 | 189 | 207 | 234 | 262 | 312 |
| Livestock | 155 | 152 | 179 | 255 | 327 | 348 | 322 | 337 | 349 | 338 | 376 | 356 | 329 | 337 | 413 | 410 |
| Livestock products | 135 | 142 | 150 | 172 | 190 | 226 | 186 | 177 | 185 | 201 | 212 | 221 | 232 | 258 | 272 | 275 |
| *Industrial semi-manufactured* | *130* | *136* | *154* | *182* | *222* | *265* | *210* | *214* | *228* | *268* | *239* | *250* | *273* | *293* | *307* | *330* |
| Fuel | 156 | 179 | 179 | 216 | 293 | 327 | 271 | 271 | 313 | 315 | 315 | 315 | 328 | 348 | 349 | 349 |
| Minerals | 129 | 131 | 156 | 184 | 194 | 201 | 194 | 194 | 194 | 194 | 194 | 195 | 202 | 211 | 247 | 316 |
| Chemicals & pharmaceuticals | 141 | 143 | 200 | 328 | 345 | | 342 | 347 | 348 | 346 | 317 | 306 | | | | |
| Building materials | 132 | 140 | 151 | 166 | 187 | 208 | 179 | 183 | 189 | 198 | 203 | 208 | 210 | 211 | 236 | 255 |
| Textiles | 116 | 118 | 124 | 158 | 190 | 276 | 180 | 185 | 199 | 198 | 209 | 238 | 301 | 346 | 350 | 355 |
| The Cost of Living: | | | | | | | | | | | | | | | | |
| *Ankara, total* | *127* | *133* | *148* | *181* | *208* | *241* | *199* | *202* | *211* | *221* | *227* | *233* | *247* | *258* | *263* | *271* |
| *Istanbul, total* | *139* | *144* | *156* | *185* | *214* | *244* | *204* | *209* | *219* | *224* | *227* | *235* | *247* | *265* | *276* | *295* |
| Food | 140 | 147 | 158 | 183 | 212 | 243 | 198 | 206 | 219 | 224 | 228 | 236 | 248 | 259 | 269 | 291 |
| Heating & lighting | 124 | 125 | 127 | 180 | 242 | 268 | 242 | 242 | 242 | 242 | 242 | 242 | 259 | 326 | 338 | 338 |
| Clothing | 134 | 135 | 153 | 182 | 199 | 238 | 198 | 195 | 198 | 204 | 213 | 225 | 242 | 274 | 292 | 308 |
| Other | 140 | 146 | 162 | 204 | 229 | 245 | 227 | 229 | 230 | 231 | 233 | 237 | 246 | 263 | 271 | 293 |

*Source:* Turkish submission to OECD.

## Table F Exports by Commodities

US $ millions

| | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 |
|---|---|---|---|---|---|---|---|
| I *Agricultural products* | *424.5* | *397.6* | *400.9* | *439.8* | *487.3* | *607.2* | *832.9* |
| (*a*) Cereals | *6.7* | *7.7* | *4.5* | *9.8* | *13.8* | *36.1* | *64.2* |
| (*b*) Fruit and vegetables | *132.4* | *126.8* | *161.7* | *137.5* | *145.3* | *197.3* | *258.9* |
| Hazelnuts | 82.7 | 74.1 | 107.6 | 87.0 | 84.1 | 116.5 | 121.7 |
| Dried fruit | 32.6 | 25.9 | 32.4 | 35.6 | 39.3 | 46.8 | 82.8 |
| Citrus fruit | 6.6 | 8.6 | 10.2 | 7.7 | 17.8 | 17.6 | 25.5 |
| Others | 10.5 | 18.2 | 11.5 | 7.2 | 4.1 | 16.3 | 28.9 |
| (*c*) Industrial crops and forestry products | *254.0* | *238.2* | *201.7* | *258.7* | *288.5* | *337.6* | *456.8* |
| Cotton | 132.0 | 139.1 | 113.6 | 173.2 | 193.1 | 191.3 | 305.8 |
| Tobacco | 118.0 | 94.8 | 81.5 | 78.6 | 85.9 | 130.8 | 132.9 |
| Others | 4.0 | 4.3 | 6.6 | 6.9 | 9.5 | 15.4 | 18.1 |
| (*d*) Live animals and sea products | 31.4 | *30.3* | *33.0* | *33.8* | *39.7* | *36.2* | *53.0* |
| II *Mining and quarrying products* | *20.7* | *26.0* | *34.9* | *39.4* | *40.1* | *35.0* | *41.7* |
| Chrome | 7.2 | 9.6 | 12.8 | 15.7 | 16.8 | 11.6 | 13.2 |
| Others | 13.5 | 16.4 | 22.1 | 23.7 | 23.3 | 23.4 | 28.5 |
| III *Processed and manufactured products* | *77.1* | *72.8* | *104.2* | *109.3* | *149.2* | *242.7* | *443.4* |
| (*a*) Processed agricultural products | *54.3* | *32.6* | *70.1* | *41.6* | *54.0* | *87.3* | *149.1* |
| Olive oil | 6.7 | 0.8 | 12.7 | 0.2 | 0.9 | 2.9 | 47.8 |
| Sugar | 6.2 | 1.4 | 12.2 | 3.9 | 3.2 | 23.5 | 1.0 |
| Food and beverages | 41.4 | 30.4 | 45.2 | 37.5 | 49.9 | 60.9 | 100.3 |
| (*b*) Manufactured products | *22.8* | *40.2* | *34.1* | *67.7* | *95.2* | *155.4* | *294.3* |
| Textiles and clothing | 3.1 | 8.0 | 15.9 | 25.8 | 37.5 | 52.0 | 105.6 |
| Hides and leather industry | 0.2 | 0.3 | 1.0 | 4.6 | 10.6 | 21.5 | 45.2 |
| Forestry industry | 1.6 | 1.8 | 2.0 | 2.8 | 4.9 | 4.9 | 8.0 |
| Chemical industry | 2.8 | 3.3 | 6.3 | 7.3 | 9.5 | 11.2 | 18.3 |
| Rubber and plastic industry | + | + | 0.5 | 1.6 | 0.9 | 0.9 | 1.0 |
| Petroleum products | 0.3 | 1.3 | 2.6 | 0.6 | 2.5 | 22.7 | 49.2 |
| Glass and ceramics | 0.5 | 1.3 | 0.8 | 1.3 | 2.7 | 3.7 | 6.6 |
| Cement | — | — | — | 2.7 | 8.8 | 15.1 | 14.7 |
| Iron and steel industry | 0.1 | 0.1 | 1.3 | 0.2 | 0.3 | 2.0 | 2.0 |
| Non-ferrous metals industry | 4.4 | 18.5 | 12.6 | 14.7 | 8.7 | 11.2 | 22.3 |
| Metal products and machinery | 0.2 | 0.2 | 1.3 | 2.0 | 2.4 | 4.1 | 8.6 |
| Electrical equipment and products | + | + | 0.5 | 0.3 | 0.6 | 0.8 | 1.5 |
| Others | 9.6 | 5.4 | 10.7 | 3.8 | 5.8 | 5.3 | 11.3 |
| Total | 522.3 | 496.4 | 536.8 | 588.5 | 676.6 | 884.9 | 1 318.0 |

*Source:* State Planning Organisation.

Table G **Imports by Commodities**
US $ millions

| | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 |
|---|---|---|---|---|---|---|
| I Agricultural products | 3.8 | 68.9 | 87.8 | 66.2 | 25.2 | 46.6 |
| (*a*) Crops | 2.9 | 36.2 | 80.5 | 54.4 | 16.1 | 40.4 |
| Cereals | — | 32.3 | 71.0 | 47.6 | 6.8 | 26.6 |
| Coffee, tea, spices | 1.9 | 1.4 | 7.1 | 3.0 | 5.1 | 11.0 |
| Others | 1.0 | 2.5 | 2.4 | 3.8 | 4.2 | 2.8 |
| (*b*) Livestock and products | 0.9 | 32.7 | 7.3 | 11.8 | 9.1 | 6.2 |
| Livestock | 0.3 | 30.2 | 1.1 | 0.4 | 0.7 | 3.4 |
| Livestock products | 0.6 | 2.5 | 6.2 | 11.4 | 8.4 | 2.8 |
| II Industrial products | 697.2 | 655.5 | 741.3 | 937.1 | 1 347.9 | 1 741.7 |
| (*a*) Raw materials and finished products | 342.4 | 330.3 | 337.1 | 478.8 | 619.6 | 814.6 |
| POL | 64.1 | 60.8 | 66.7 | 121.7 | 154.9 | 210.7 |
| Fertilisers | 48.1 | 52.0 | 31.4 | 32.3 | 62.4 | 131.5 |
| Textiles | 42.2 | 38.4 | 37.2 | 40.7 | 36.4 | 52.9 |
| Chemical products | 56.8 | 64.7 | 74.5 | 88.6 | 113.3 | 160.0 |
| Paper raw materials and paper | 21.2 | 21.8 | 15.0 | 34.5 | 21.2 | 22.6 |
| Animal and vegetable oil | 3.2 | 4.9 | 6.5 | 16.9 | 21.0 | 3.9 |
| Others | 106.8 | 87.7 | 105.8 | 144.1 | 210.7 | 233.0 |
| (*b*) Equipment, machinery | 354.8 | 325.2 | 404.2 | 458.3 | 728.3 | 927.2 |
| Boilers and machinery | 253.8 | 224.0 | 247.2 | 326.7 | 517.2 | 652.8 |
| Optical and measuring tools | 16.1 | 15.2 | 17.3 | 24.4 | 32.3 | 40.5 |
| Transportation | 84.9 | 86.0 | 139.7 | 107.2 | 178.8 | 233.9 |
| III Minerals | 62.7 | 76.8 | 118.5 | 167.6 | 189.5 | 310.5 |
| Total | *763.7* | *801.2* | *947.6* | *1 170.9* | *1 562.6* | *2 098.8* |

*Source:* State Institute of Statistics.

**Table H Foreign Trade by Area**
**US $ millions**

| | Imports | | | | | Exports | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1969 | 1970 | 1971 | 1972 | 1973 | 1969 | 1970 | 1971 | 1972 | 1973 |
| Tota | *801.1* | *947.6* | *1 170.8* | *1 562.7* | *2 098.9* | *536.8* | *588.5* | *676.6* | *885.0* | *1 317.0* |
| I *OECD Countries* | *626.3* | *742.1* | *904.7* | *1 214.6* | *1 604.6* | *383.2* | *429.7* | *491.8* | *648.2* | *1 032.7* |
| 1 European OECD countries | *462.5* | *520.7* | *701.8* | *1 008.2* | *1 339.2* | *307.9* | *351.6* | *421.7* | *542.7* | *881.4* |
| EEC | 284.7 | 325.3 | 455.7 | 652.6 | 923.6 | 214.8 | 239.1 | 266.6 | 347.0 | 611.5 |
| *of which:* Germany | 147.5 | 168.8 | 208.2 | 301.5 | 437.4 | 112.4 | 117.5 | 130.7 | 186.6 | 221.2 |
| Italy | 75.0 | 70.1 | 120.7 | 165.9 | 170.2 | 43.0 | 39.0 | 42.3 | 52.3 | 115.4 |
| EFTA | 160.9 | 164.6 | 214.2 | 301.8 | 415.6 | 81.0 | 104.4 | 131.5 | 163.5 | 269.9 |
| *of which:* United Kingdom | 94.6 | 88.1 | 111.4 | 170.2 | 223.9 | 30.3 | 33.8 | 31.3 | 59.8 | 100.5 |
| Others | 16.9 | 30.8 | 31.9 | 53.8 | 191.7 | 12.1 | 8.1 | 23.6 | 32.2 | 169.4 |
| 2 North America and Japan | *163.8* | *221.4* | *202.9* | *206.4* | *265.4* | *75.3* | *78.1* | *70.1* | *105.5* | *151.3* |
| II *Third Countries* | *174.8* | *205.5* | *266.1* | *348.1* | *494.3* | *153.6* | *158.8* | *184.8* | *336.8* | *284.3* |
| Eastern Block | 98.9 | 115.1 | 113.5 | 162.4 | 174.5 | 90.3 | 82.0 | 81.2 | 87.3 | 103.9 |
| Others | 75.9 | 90.4 | 152.6 | 185.7 | 319.8 | 63.3 | 76.8 | 103.6 | 149.5 | 180.4 |

*Source:* Ministry of Finance.

Table I Money and Banking
TL millions, end of period

| | 1969 | 1970 | 1971 | 1972 I | 1972 II | 1972 III | 1972 IV | 1973 I | 1973 II | 1973 III | 1973 IV | 1974 I | 1974 II* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **MONEY:** | | | | | | | | | | | | | |
| Supply of money, total | 30 127 | 35 268 | 43 587 | 43 346 | 44 985 | 48 382 | 53 253 | 54 657 | 55 482 | 62 519 | 70 528 | 71 956 | 73 769 |
| Notes and coins | 9 081 | 11 850 | 13 917 | 14 004 | 15 348 | 16 884 | 15 978 | 17 155 | 17 619 | 20 658 | 20 700 | 21 933 | 22 918 |
| Commercial sight deposits[1] | 6 028 | 6 599 | 8 754 | 8 156 | 8 466 | 9 694 | 12 346 | 12 091 | 11 964 | 13 802 | 16 772 | 15 878 | 16 448 |
| Saving sight deposits | 15 018 | 16 819 | 20 916 | 21 186 | 21 171 | 21 804 | 24 929 | 25 411 | 25 899 | 28 059 | 33 056 | 34 145 | 34 403 |
| Supply of quasi money, total | 10 891 | 15 141 | 21 134 | 22 770 | 22 981 | 24 676 | 27 681 | 29 010 | 29 773 | 29 843 | 32 967 | 33 489 | n.a. |
| Public sight deposits | 2 455 | 3 031 | 4 748 | 5 160 | 5 402 | 5 868 | 6 524 | 6 851 | 7 721 | 7 851 | 8 999 | 8 930 | n.a. |
| Private time deposits | 7 272 | 9 805 | 14 108 | 15 395 | 16 243 | 17 347 | 19 640 | 20 390 | 20 298 | 20 427 | 22 307 | 23 249 | n.a. |
| Deposits with Central Bank | 1 164 | 2 305 | 2 278 | 2 215 | 1 336 | 1 461 | 1 517 | 1 769 | 1 754 | 1 565 | 1 661 | 1 310 | 1 802 |
| **CENTRAL BANK:** | | | | | | | | | | | | | |
| Deposits, total | 6 181 | 7 712 | 11 016 | 12 236 | 10 843 | 12 752 | 16 663 | 17 788 | 17 571 | 17 936 | 20 955 | 22 810 | 23 478 |
| Public authorities | 455 | 729 | 912 | 1 019 | 1 163 | 1 280 | 1 335 | 1 581 | 1 554 | 1 356 | 1 424 | 1 065 | 1 546 |
| Counterpart of aid | 9 | 5 | 4 | 5 | 5 | 4 | 5 | 4 | 4 | 10 | 4 | 4 | 4 |
| IMF | 584 | 1 416 | 1 228 | 1 053 | 28 | 28 | 28 | 28 | 26 | 26 | 26 | 26 | 27 |
| Banks | 5 003 | 5 399 | 8 688 | 9 877 | 9 351 | 11 060 | 14 701 | 15 501 | 15 075 | 15 631 | 18 552 | 21 038 | 20 732 |
| Unclassified | 130 | 163 | 184 | 282 | 296 | 380 | 595 | 664 | 912 | 913 | 949 | 677 | 1 169 |
| Lending, total | 12 920 | 14 565 | 16 273 | 15 469 | 16 369 | 16 976 | 19 534 | 18 628 | 21 033 | 22 899 | 27 886 | 28 841 | 31 630 |
| Treasury | 3 405 | 4 359 | 6 088 | 7 234 | 7 571 | 7 622 | 7 469 | 7 621 | 7 539 | 7 762 | 7 844 | 8 962 | 9 335 |
| SEEs and State Monopolies | 3 735 | 3 729 | 5 707 | 5 753 | 5 529 | 6 471 | 6 236 | 6 046 | 5 285 | 5 628 | 6 383 | 7 743 | 8 265 |
| Banks' liquidation fund | 253 | 322 | 292 | 284 | 263 | 263 | 263 | 263 | 235 | 235 | 235 | 235 | 200 |
| Private sector | 5 527 | 6 155 | 4 186 | 2 198 | 3 006 | 2 620 | 5 566 | 4 698 | 7 974 | 9 274 | 13 424 | 11 901 | 13 830 |
| **BANKS:** | | | | | | | | | | | | | |
| Deposits, total | 30 759 | 36 246 | 48 476 | 49 753 | 51 126 | 54 482 | 62 994 | 64 235 | 65 140 | 69 399 | 80 392 | 81 740 | 82 256 |
| Public | 3 288 | 3 933 | 5 785 | 6 217 | 6 496 | 7 000 | 7 913 | 8 309 | 9 079 | 9 239 | 10 498 | 10 511 | n.a. |
| Private | 27 471 | 32 313 | 42 691 | 43 536 | 44 630 | 47 482 | 55 081 | 55 926 | 56 061 | 60 160 | 69 894 | 71 229 | n.a. |
| Lending, total | 33 182 | 37 005 | 42 834 | 44 031 | 46 408 | 48 617 | 55 993 | 57 392 | 61 886 | 67 512 | 75 068 | 75 049 | 76 712 |
| Public | 2 997 | 3 209 | 4 234 | 4 338 | 4 555 | 4 619 | 5 124 | 5 269 | 6 329 | 7 028 | 7 881 | 8 185 | n.a. |
| Private | 30 185 | 33 796 | 38 600 | 39 693 | 41 853 | 43 998 | 50 869 | 52 123 | 55 557 | 60 484 | 67 187 | 66 864 | n.a. |
| **TOTAL BANK LENDING:** | | | | | | | | | | | | | |
| Gross lending, total | 46 102 | 51 570 | 59 107 | 59 500 | 62 777 | 65 593 | 75 527 | 76 020 | 82 919 | 90 411 | 102 954 | 103 890 | 108 342 |
| Public | 10 390 | 11 619 | 16 321 | 17 609 | 17 918 | 18 975 | 19 092 | 19 199 | 19 388 | 20 653 | 22 343 | 25 125 | n.a. |
| Private | 35 712 | 39 951 | 42 786 | 41 891 | 44 859 | 46 618 | 56 435 | 56 821 | 63 531 | 69 758 | 80 611 | 78 765 | n.a. |
| *Less:* Central Bank advances (to the Banks) | –5 766 | –6 300 | –4 434 | –2 645 | –3 248 | –2 904 | –5 993 | –5 118 | –8 296 | –9 422 | –14 119 | –12 715 | –14 917 |
| Net lending | 40 336 | 45 270 | 54 673 | 56 855 | 59 529 | 62 689 | 69 534 | 70 902 | 74 623 | 80 989 | 88 835 | 91 175 | 93 425 |

1 Including commercial sight deposits with the Central Bank.
*Source:* Central Bank of Turkey.
* All but Central Bank figures are provisional.

Table J  **Banknotes Issued by Months**
TL millions

| | 1970 | % increase 1970/ 1969 | 1971 | % increase 1971/ 1970 | 1972 | % increase 1972/ 1971 | 1973 | % increase 1973/ 1972 | 1974 | % increase 1974/ 1973 |
|---|---|---|---|---|---|---|---|---|---|---|
| January | 10 612 | 29.5 | 13 122 | 23.6 | 17 042 | 29.9 | 19 551 | 14.7 | 24 294 | 24.2 |
| February | 10 703 | 13.6 | 13 244 | 23.7 | 16 508 | 24.6 | 19 305 | 16.9 | 24 335 | 26.1 |
| March | 10 234 | 7.6 | 13 032 | 27.3 | 16 439 | 26.1 | 20 163 | 22.6 | 25 470 | 26.3 |
| April | 10 252 | 9.4 | 13 561 | 32.3 | 16 815 | 29.0 | 19 659 | 16.9 | 24 975 | 27.0 |
| May | 10 493 | 8.9 | 13 391 | 27.6 | 16 308 | 21.8 | 19 219 | 17.8 | 25 385 | 32.1 |
| June | 10 441 | 8.6 | 13 760 | 31.8 | 17 942 | 30.4 | 20 650 | 15.1 | 26 823 | 29.9 |
| July | 10 919 | 11.4 | 15 110 | 38.4 | 18 051 | 19.5 | 21 510 | 19.9 | 31 193 | 45.0 |
| August | 11 516 | 12.1 | 15 521 | 34.8 | 18 396 | 18.5 | 23 042 | 25.2 | | |
| September | 12 303 | 17.0 | 16 117 | 31.0 | 19 828 | 23.0 | 24 586 | 24.0 | | |
| October | 13 213 | 20.4 | 17 114 | 29.5 | 19 971 | 16.5 | 26 482 | 32.6 | | |
| November | 13 433 | 21.9 | 16 969 | 26.3 | 19 637 | 15.7 | 25 586 | 30.3 | | |
| December | 13 915 | 26.8 | 17 032 | 22.4 | 20 055 | 17.7 | 25 268 | 26.0 | | |

*Source:* Central Bank of Turkey.

Table K Sources and uses of funds in the banking system. Consolidated Balance-Sheets of the Central Bank and Banks

All banks excluding the State Development Bank

*TL millions*

| | Amounts | | | | | Changes | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1969 | 1970 | 1971 | 1972 | 1973 | 1969 | 1970 | 1971 | 1972 | 1973 |
| **I Sources of Funds:** | | | | | | | | | | |
| Money held by the public | 30 127 | 35 268 | 43 587 | 53 253 | 70 528 | 4 159 | 5 141 | 8 319 | 9 666 | 17 275 |
| Banknotes | 8 861 | 11 601 | 13 640 | 15 650 | 20 328 | 851 | 2 740 | 2 039 | 2 010 | 4 678 |
| Coins | 220 | 2 49 | 277 | 328 | 372 | –7 | 29 | 28 | 51 | 44 |
| Deposit money | 21 046 | 23 418 | 29 670 | 37 275 | 49 828 | 3 315 | 2 372 | 6 252 | 7 605 | 12 553 |
| held by the public sector | 1 104 | 961 | 1 174 | 1 664 | 1 910 | 97 | –143 | 213 | 490 | 246 |
| held by the private sector | 19 942 | 22 457 | 28 496 | 35 611 | 47 918 | 3 218 | 2 515 | 6 039 | 7 115 | 12 307 |
| Quasi money and other liabilities | 30 510 | 31 668 | 43 164 | 52 101 | 62 794 | 3 951 | 1 158 | 11 469 | 8 937 | 10 693 |
| to public sector | 8 330 | 8 653 | 10 901 | 14 092 | 17 541 | 893 | 323 | 2 248 | 3 191 | 3 449 |
| to private sector | 22 180 | 23 015 | 32 263 | 38 009 | 45 253 | 3 058 | 835 | 9 248 | 5 746 | 7 244 |
| Reserves (compulsory or not) | 9 659 | 9 783 | 13 736 | 20 552 | 24 861 | 2 282 | 124 | 3 953 | 6 816 | 4 309 |
| ASSETS + LIABILITIES | 70 296 | 76 719 | 100 487 | 125 906 | 158 183 | 10 392 | 6 423 | 23 768 | 25 419 | 32 277 |
| **II Use of Funds:** | | | | | | | | | | |
| Credits | 40 336 | 45 270 | 54 673 | 69 534 | 88 835 | 7 023 | 4 934 | 9 403 | 14 861 | 19 301 |
| To public sector | 9 898 | 11 152 | 15 781 | 18 402 | 21 413 | 1 752 | 1 254 | 4 629 | 2 621 | 3 011 |
| by Central Bank | 6 901 | 7 943 | 11 547 | 13 278 | 13 532 | 1 426 | 1 042 | 3 604 | 1 731 | 254 |
| by banks | 2 997 | 3 209 | 4 234 | 5 124 | 7 881 | 326 | 212 | 1 025 | 890 | 2 757 |
| To private sector | 30 438 | 34 118 | 38 892 | 51 132 | 67 422 | 5 271 | 3 680 | 4 774 | 12 240 | 16 290 |
| by Central Bank | 6 019 | 6 622 | 4 726 | 6 256 | 14 354 | 1 326 | 603 | –1 896 | 1 530 | 8 098 |
| by banks | 24 419 | 27 496 | 34 166 | 44 876 | 53 068 | 3 945 | 3 077 | 6 670 | 10 710 | 8 192 |
| Net gold and foreign exchange reserves (convertible or not) | 6[1] | 1 247 | 6 665 | 6 824 | 13 294 | –630 | 1 241 | 5 408 | 159 | 6 470 |
| Other claims (Central Bank and others) | 20 295 | 20 419 | 25 413 | 28 996 | 31 193 | 1 717 | 124 | 4 994 | 3 583 | 2 197 |
| from public sector | 12 727 | 14 879 | 19 038 | 21 438 | 23 009 | 629 | 2 152 | 4 159 | 2 400 | 1 571 |
| from private sector | 7 568 | 5 540 | 6 375 | 7 558 | 8 184 | 1 088 | –2 028 | 835 | 1 183 | 626 |
| Counterpart of reserves | 9 659 | 9 783 | 13 736 | 20 552 | 24 861 | 2 282 | 124 | 3 953 | 6 816 | 4 309 |
| Currency held by the banking system | 2 183 | 2 385 | 3 461 | 4 482 | 5 082 | 199 | 202 | 1 076 | 1 021 | 600 |
| Deposits of banks with Central Bank | 1 321 | 1 106 | 1 732 | 2 674 | 2 277 | 340 | –215 | 626 | 942 | –397 |
| Compulsory reserves | 6 155 | 6 292 | 8 543 | 13 396 | 17 502 | 1 743 | 137 | 2 251 | 4 853 | 4 106 |
| cash reserve requirements | 3 676 | 4 293 | 6 956 | 12 027 | 16 275 | 741 | 617 | 2 663 | 5 071 | 4 248 |
| import guarantee deposits | 2 479 | 1 999 | 1 587 | 1 369 | 1 227 | 1 002 | –480 | –412 | –218 | –142 |

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.

**Table L Financial Position of the State Economic Enterprises**

TL millions

*Outcome*

| | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 Est. | 1974 Revised programme |
|---|---|---|---|---|---|---|---|---|---|
| Investment finance: | | | | | | | | | |
| Total investments by the SEEs | 3 068 | 3 083 | 3 828 | 4 898 | 6 173 | 7 245 | 10 671 | 12 947 | 19 970 |
| By Pension and Insurance Funds (self-financed) | 334 | 176 | 394 | 490 | 333 | 586 | 690 | 346 | 1 651 |
| By productive SEEs | 2 734 | 2 907 | 3 434 | 4 408 | 5 840 | 6 659 | 9 981 | 12 601 | 18 319 |
| *Financed by:* | | | | | | | | | |
| Own sources | 878 | 69 | –60 | –1 253 | –1 105 | –43 | –862 | –1 965 | –164 |
| State Investment Bank | 927 | 2 075 | 2 230 | 3 057 | 2 555 | 1 402 | 2 206 | 4 341 | 11 272 |
| Government Budget | 721 | 613 | 807 | 1 660 | 1 783 | 3 819 | 6 723 | 6 918 | 5 680 |
| Counterpart loans | 37 | — | — | — | — | — | — | — | — |
| Direct project financing from abroad | 171 | 150 | 457 | 944 | 2 607 | 2 067 | 2 604 | 3 653 | 3 182 |
| Net cash position: | | | | | | | | | |
| Current gross profits or losses (—) | 448 | 656 | 641 | 523 | 617 | 812 | 1 451 | 873 | –529 |
| State Railways | –256 | –468 | –480 | –687 | –991 | –784 | –784 | –725 | –903 |
| Coal industries | –90 | 1 | –105 | 14 | –240 | –71 | –97 | –367 | –715 |
| Nitrogen industry | –41 | –48 | –46 | –51 | –108 | 8 | 20 | 23 | –6 |
| Other productive SEEs | 835 | 1 171 | 1 272 | 1 247 | 722 | 1 659 | 2 312 | 1 942 | 1 905 |
| Depreciation allowances | 782 | 918 | 1 036 | 1 154 | 1 456 | 2 159 | 2 454 | 2 833 | 3 408 |
| Net balance of short-term flows | 652 | 7 | 917 | 908 | 2 152 | 1 896 | 3 220 | 1 087 | 3 131 |
| Total resources | 1 882 | 1 581 | 2 594 | 2 585 | 4 225 | 4 867 | 7 125 | 4 793 | 6 012 |
| *Less:* | | | | | | | | | |
| Direct taxes | 215 | 280 | 364 | 379 | 354 | 242 | 576 | 857 | 709 |
| Debt repayment | 657 | 1 232 | 2 290 | 3 459 | 4 976 | 4 962 | 8 077 | 6 173 | 6 005 |
| Net cash position | 878 | 69 | –60 | –1 253 | –1 105 | –337 | –1 528 | –2 237 | –702 |

*Source:* Ministry of Finance.

Table M **Summary of Assistance Provided in the Framework of the Consortium from 1963 to 1973**[1]

Agreements signed, Disbursements and Pipeline

*US $ millions*

| | Pipeline as of end-1962 | 1963 | | 1964 | | 1965 | | 1966 | | 1967 | | 1968 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Agreements signed | Disbursements | Agreements signed | Disbursements | Agreements signed | Disbursements | Agreements signed | Disbursements | Agreements signed | Disbursements | Agreements signed | Disbursements |
| Total financial assistance | *207* | *208* | *248* | *296* | *200* | *333* | *271* | *337* | *242* | *250* | *259* | *327* | *253* |
| Programme assistance | 34 | 151 | 138 | 157 | 134 | 118 | 126 | 100 | 105 | 126 | 125 | 112 | 110 |
| Project assistance | 173 | 31 | 84 | 103 | 41 | 40 | 56 | 203 | 63 | 124 | 86 | 186 | 109 |
| Debt relief | — | 26 | 26 | 36 | 25 | 175 | 89 | 34 | 74 | — | 48 | 29 | 34 |

| | 1969 | | 1970 | | 1971 | | 1972 | | 1973 | | Total 1963-1973 | | Pipeline as at end 1973 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Agreements signed | Disbursements | Agreements signed | Disbursements | Agreements signed | Disbursements | Agreements signed | Disbursements | Agreements signed | Disbursements | Agreements signed | Disbursements | |
| Total financial assistance | *257* | *219* | *380* | 306 | *238* | *315* | *474* | *249* | *280* | *157* | *3 380* | *2 719* | *785* |
| Programme assistance | 87 | 91 | 158 | 94 | 69 | 74 | 25 | 72 | 10 | 32 | 1 113 | 1 101 | 15 |
| Project assistance | 159 | 117 | 127 | 146 | 145 | 189 | 292 | 132 | 265 | 120 | 1 675 | 1 143 | 657 |
| Debt relief | 11 | 11 | 95 | 66 | 24 | 52 | 157 | 45 | 5 | 5 | 592 | 475 | 113 |

1 Includes assistance provided through the European Fund (EMA) in the form of programme assistance ($35 million in 1963, $20 million in 1964. $25 million in 1967, $25 million in 1968, $15 million in 1969 and $40 million in 1970) and debt relief ($15 million in 1963, $10 million in 1964, $50 million in 1965, $20 million in 1966, $75 million in 1970, $12.4 million in 1971 and $35 million in 1972) but excludes technical assistance and PL 480 deliveries.

2 Because of changes in some parities, cumulative data do not add up exactly to the pipeline at the end of 1973.

*Source:* Consortium Secretariat.

*INTERNATIONAL COMPARISONS*

| | Period | Unit | Australia | Austria | Belgium | Canada | Denmark | Finland |
|---|---|---|---|---|---|---|---|---|
| **Population** | Mid-1972 | Thousands | 12 959 | 7 487 | 9 711 | 21 848 | 4 992 | 4 624 [1] |
| Net average annual increase | 1962 to 1972 | % | 1.93 | 0.49 | 0.52 | 1.61 | 0.72 | 0.29 |
| **Employment** Total civilian | 1971 | Thousands | 5 425 | 3 176 | 3 788 | 8 079 | 2 338 | 2 139 |
| Agriculture | | % of total | 8.0 | 17.3 | 4.4 | 7.5 | 10.9 | 21.2 |
| Industry [7] | | % of total | 38.8 | 41.9 | 44.2 | 31.0 | 37.2 | 35.2 |
| Other | | % of total | 53.2 | 40.8 | 51.4 | 61.5 | 51.9 | 43.6 |
| **Production** GDP [4] per head | 1971 | $ [8] | 3 170 | 2 210 | 2 980 | 4 340 | 3 510 | 2 450 |
| GDP by sector: Agriculture | 1971 | % of total | 7.2 [2 15] | 6.0 [11] | 3.9 | 4.4 | 7.5 | 13.7 |
| Industry | | % of total | 38.1 [2 15] | 49.0 [11] | 43.8 | 37.0 | 38.7 | 42.3 |
| Other | | % of total | 54.7 [2 15] | 45.0 [11] | 52.3 | 58.6 | 53.8 | 44.0 |
| GDP [4 23] annual volume growth | 1971 | % | 3.0 [15] | 5.6 | 3.7 | 5.5 | 4.0 | 2.3 |
| | 1966 to 1971 | % | 5.0 [15] | 5.2 | 5.0 | 4.4 | 4.9 | 5.2 |
| **Indicators of living standards** | | | | | | | | |
| Private consumption per head | 1971 | $ | 1 880 | 1 230 | 1 810 | 2 480 | 2 080 | 1 280 |
| Public expenditure on education | 1970 | % of GNP | 4.00 [9] | 4.60 [2] | 5.40 [2] | 9.10 [2] | 7.00 | 6.30 |
| Dwellings completed, per 1 000 inhabitants | 1971 | Number | 11.0 | 6.0 | 4.4 [22] | 8.9 [22] | 10.1 | 10.8 |
| Passenger cars, per 1 000 inhabitants | 1970 | Number | 306 | 162 | 211 | 312 | 219 | 137 |
| Television sets, per 1 000 inhabitants | 1971 | Number | 227 [13] | 213 | 216 [13] | 349 | 277 | 230 |
| Telephones, per 1 000 inhabitants | 1971 | Number | 324 | 207 | 224 | 468 | 356 | 270 |
| Doctors, per 1 000 inhabitants | 1970 | Number | 1.18 [19] | 1.85 | 1.55 [2] | 1.41 [2] | 1.45 [18] | 1.02 |
| **Gross fixed investment** [23] Total | 1967-71 average | % of GDP [4] | 26.5 [15] | 28.0 | 20.8 | 21.7 [24] | 23.3 | 24.1 |
| Machinery and equipment | | % of GDP [4] | 11.7 | 12.1 | 9.0 | 8.0 | 11.9 | 8.8 |
| Residential construction | | % of GDP [4] | 5.1 | 15.8 [28] | 4.8 | 4.2 | 11.4 [28] | 5.6 |
| Other construction | | % of GDP [4] | 9.7 | — [28] | 7.0 | 9.5 | — | 9.7 |
| **Gross saving** | 1967-71 average | % of GDP [4] | 25.7 | 28.5 | 24.6 | 22.5 | 18.5 | 29.1 |
| **Public sector** [30] Total current revenue | 1971 | % of GDP [4] | 29.5 | 37.0 | 35.5 | 35.7 | 44.6 | 37.6 |
| **Wages/Prices** Hourly earnings [32] | Annual increase 1966 to 71 | % | 6.9 [34] | 8.5 [16] | 8.7 | 7.9 [34] | 11.7 [35] | 10.7 |
| Consumer prices | Annual increase 1966 to 71 | % | 3.7 | 3.8 | 3.5 | 3.7 | 6.3 | 5.3 |
| GDP [4] deflator | Annual increase 1966 to 71 | % | 4.6 | 3.8 | 4.0 | 3.8 | 5.7 | 5.9 |
| **Foreign trade** Imports [46] | 1971 | $ million [8] | 5 870 [15] | 5 060 | 12 020 | 19 550 | 5 350 | 3 190 |
| | | % of GDP [4] | 14.5 | 30.7 | 41.6 | 21.1 | 30.7 | 28.1 |
| Exports [46] | | $ million [8] | 6 310 [15] | 5 030 | 12 670 | 21 020 | 5 080 | 2 970 |
| | | % of GDP [4] | 15.7 | 30.5 | 43.9 | 22.7 | 29.1 | 26.1 |
| **Balance of payments** Current balance | 1967-71 average | % of GNP | –3.2 [15] | –0.3 | 1.9 [21] | 0.0 | –2.6 | –1.3 |
| Official reserves [47], end-1972: per cent of imports of goods in 1972 | | % | 129.9 | 52.6 | 25.0 [21] | 32.0 | 17.0 | 23.7 |
| Change | May 1973 - May 1974 | Mill. SDR's | –365 | –204 | –407 [21] | 79 | –257 | 21 |
| **Net flow of resources to developing countries** [50] | 1972 | % of GNP | 0.96 | 0.54 | 1.12 | 0.95 | 0.57 | — [51] |
| **Export performance** [53] Growth of markets [54] | 1971 to 1972 | % | 16.7 | 17.9 | 19.8 | 18.3 | 19.7 | 21.1 |
| | 1960-61 to 1970-71 (average) | % | .. | 11.5 | 11.5 | 13.5 | 10.3 | 10.6 |
| Gains or losses of market shares [55] | 1971 to 1972 | % | 10.9 | 4.8 | 10.2 [21] | –4.1 | –0.3 | 3.9 |
| | 1960-61 to 1970-71 (average) | % | .. | –1.5 | 0.5 [21] | –2.0 | –1.6 | –2.0 |

| | France | Germany | Greece | Iceland | Ireland | Italy | Japan |
|---|---|---|---|---|---|---|---|
| Population, Mid-1972 (Thousands) | 51 700 | 61 669 | 8 866 | 209 | 3 014 | 54 344 [3] | 106 960 [6] |
| Net average annual increase, 1962 to 1972 (%) | 0.96 | 0.82 | 0.48 | 1.39 | 0.63 | 0.67 | 1.19 |
| Employment: Total civilian, 1971 (Thousands) | 20 518 | 26 673 | 3 275 | 79 [13] | 1 063 | 18 700 | 51 140 |
| Agriculture (% of total) | 13.4 | 8.4 | 37.3 | 18.8 [13] | 26.5 | 19.5 | 15.9 |
| Industry [7] (% of total) | 38.6 | 50.1 | 24.6 | 36.8 [13] | 30.9 | 44.1 | 36.0 |
| Other (% of total) | 48.0 | 41.5 | 38.1 | 44.4 [13] | 42.6 | 36.4 | 48.1 |
| Production: GDP [4] per head, 1971 ($ [8]) | 3 180 | 3 550 | 1 190 | 2 920 | 1 530 | 1 880 | 2 150 |
| GDP by sector: Agriculture, 1971 (% of total) | 6.0 [11 13] | 2.8 [11] | 19.5 | .. | 16.4 | 11.5 | 5.9 [11] |
| Industry (% of total) | 48.4 [11 13] | 53.5 [11] | 30.5 | .. | 35.6 | 40.5 | 44.3 [11] |
| Other (% of total) | 45.6 [11 13] | 43.7 [11] | 50.0 | .. | 48.0 | 48.0 | 49.8 [11] |
| GDP [4 23] annual volume growth, 1971 (%) | 5.1 | 2.7 | 7.6 | 9.9 | 3.8 | 1.5 | 6.3 |
| 1966 to 1971 (%) | 5.7 | 4.7 | 7.5 | 1.9 | 5.1 | 5.0 | 11.3 |
| Private consumption per head, 1971 ($) | 1 870 | 1 910 | 810 | 1 860 | 1 040 | 1 210 | 1 120 |
| Public expenditure on education, 1970 (% of GNP) | 4.70 | 3.50 | 2.00 [2] | 4.30 | 4.90 [2] | 4.20 [2] | 4.00 [2] |
| Dwellings completed, per 1 000 inhabitants, 1971 | 9.3 | 9.0 | 14.0 | 6.6 | 5.1 | 6.3 | 14.4 [13] |
| Passenger cars, per 1 000 inhabitants, 1970 | 245 | 237 | 22 | 200 | 122 | 187 | 85 |
| Television sets, per 1 000 inhabitants, 1971 | 227 | 299 | 10 [2] | 196 | 164 | 191 | 222 |
| Telephones, per 1 000 inhabitants, 1971 | 185 | 249 | 137 | 360 | 109 | 188 | 282 |
| Doctors, per 1 000 inhabitants, 1970 | 1.33 | 1.69 [2] | 1.55 [2] | 1.41 | 1.09 [2] | 1.80 | 1.11 [2] |
| Gross fixed investment [23] Total, 1967-71 average (% of GDP [4]) | 26.1 | 25.4 | 27.2 [25] | 29.2 | 23.4 | 19.9 | 37.8 |
| Machinery and equipment | 11.7 | 11.8 | 10.5 | 8.6 | 11.6 | 8.2 | 31.3 [27] |
| Residential construction | 6.5 | 5.3 | 7.4 | 5.5 | 4.2 | 6.1 | 6.5 |
| Other construction | 7.8 | 8.3 [29] | 9.4 | 15.1 | 7.7 | 5.6 | — [27] |
| Gross saving, 1967-71 average (% of GDP [4]) | 27.3 | 27.2 | 22.0 [25] | .. | 20.4 | 23.3 | 39.1 |
| Public sector [30] Total current revenue, 1971 (% of GDP [4]) | 37.7 | 38.4 | 27.4 [13] | 33.3 [18] | 34.2 | 33.7 | 22.3 |
| Hourly earnings [32], annual increase 1966 to 71 (%) | 10.2 [36] | [illegible] [34] | 8.8 [34] | 12.9 [37] | 12.1 [34] | 10.1 [38] | 15.2 [39] |
| Consumer prices (%) | 4.9 | 3.0 | 2.1 | 12.0 | 6.5 | 3.4 | 5.7 |
| GDP [4] deflator (%) | 5.2 | 4.2 | 2.5 | 13.4 | 7.1 | 4.4 | 4.7 |
| Imports [46], 1971 ($ million [8]) | 26 180 | 43 900 | 2 090 [13] | 290 | 1 960 | 18 670 | 20 720 |
| (% of GDP [4]) | 16.1 | 20.2 | 22.3 | 48.0 | 43.3 | 18.5 | 9.2 |
| Exports [46] ($ million [8]) | 27 390 | 47 010 | 1 000 [13] | 250 | 1 640 | 19 770 | 27 010 |
| (% of GDP [4]) | 16.8 | 21.6 | 10.7 | 41.4 | 36.3 | 19.6 | 12.0 |
| Current balance, 1967-71 average (% of GNP) | –0.3 | 0.9 | –3.7 | –5.5 | –3.3 | 2.2 | 1.3 |
| Official reserves [47], end-1972: per cent of imports of goods in 1972 (%) | 37.7 | 59.8 | 44.1 | 36.7 | 53.6 | 31.5 | 78.2 |
| Change, May 1973 - May 1974 (Mill. SDR's) | –2 872 | 2 533 | –124 | –17 | –35 | –573 | –2 241 |
| Net flow of resources to developing countries [50], 1972 (% of GNP) | 1.06 | 0.67 | — [51] | — [51] | — [51] | 0.46 | 0.93 |
| Growth of markets [54], 1971 to 1972 (%) | 18.8 | 18.6 | 14.7 | .. | 22.4 | 19.5 | 14.8 |
| 1960-61 to 1970-71 (average) | 9.6 | 10.8 | 11.5 | .. | 8.5 | 10.9 | 10.1 |
| Gains or losses of market shares [55], 1971 to 1972 (%) | 6.6 | –0.2 | 16.8 | .. | 0.5 | 3.1 | 4.3 |
| 1960-61 to 1970-71 (average) | 1.0 | 1.0 | 0.3 | .. | 1.2 | 2.8 | 7.9 |

| | Luxembourg | Netherlands | Norway | Portugal | Spain | Sweden | Switzerland | Turkey | United Kingdom | United States | Yugoslavia [17] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Population, Mid-1972 (Thousands) | 347 | 13 330 | 3 933 | 8 590 | 34 365 | 8 127 | 6 385 | 37 536 | 55 877 | 208 842 | 20 770 |
| Net average annual increase, 1962 to 1972 (%) | 0.78 | 1.22 | 0.78 | –0.41 | 1.06 | 0.72 | 1.20 | 2.49 | 0.45 | 1.14 | 0.99 |
| Employment: Total civilian, 1971 (Thousands) | 148 | 4 604 | 1 497 [13] | 3 033 | 12 442 | 3 860 | 3 063 | 13 260 | 24 329 | 79 120 | 7 651 [5 12] |
| Agriculture (% of total) | 10.2 | 6.9 | 13.9 [13] | 31.1 | 28.6 | 7.8 | 7.2 | 66.1 | 2.7 | 4.3 | 50.4 |
| Industry [7] (% of total) | 47.3 | 38.0 | 37.3 [13] | 36.3 | 37.5 | 37.6 | 47.5 | 10.9 | 45.7 | (31.0) | 49.6 |
| Other (% of total) | 42.5 | 55.1 | 48.8 [13] | 32.6 | 33.9 | 54.6 | 45.3 | 23.0 | 51.6 | (64.7) | |
| Production: GDP [4] per head, 1971 ($ [8]) | 3 180 | 2 820 | 3 350 | 760 | 1 070 | 4 410 | 3 780 | 367 | 2 430 | 5 130 | 760 |
| GDP by sector: Agriculture, 1971 (% of total) | 4.1 [13] | 6.2 [13] | 5.3 | 16.2 | 13.5 | 4.4 [11] | 6.4 [10] | 30.2 | 2.9 [14] | 2.9 [11] | 19.3 [13] |
| Industry (% of total) | 56.9 [13] | 42.0 [13] | 37.8 | 44.3 | 34.4 | 39.3 [11] | 49.6 [10] | 20.6 | 43.5 [14] | 33.1 [11] | 41.1 [13] |
| Other (% of total) | 39.1 [13] | 51.8 [13] | 56.9 | 39.5 | 52.1 | 56.2 [11] | 44.0 [10] | 49.2 | 53.6 [14] | 63.9 [11] | 39.6 [13] |
| GDP [4 23] annual volume growth, 1971 (%) | 0.7 | 4.5 | 5.0 | 6.2 | 4.5 | 0.2 | 3.8 | 9.5 | 1.6 | 2.5 | .. |
| 1966 to 1971 (%) | 3.4 | 6.1 | 4.6 | 6.6 | 5.7 | 3.5 | 3.8 | 6.1 | 2.3 | 2.5 | .. |
| Private consumption per head, 1971 ($) | 1 760 | 1 610 | 1 780 | 580 | 720 | 2 390 | 2 230 | 244 | 1 510 | 3 230 | 390 |
| Public expenditure on education, 1970 (% of GNP) | 4.90 [2] | 7.00 [18] | 5.90 | 2.00 | 2.20 [2] | 8.20 | 4.10 [2] | 305 | 5.50 [2] | 5.40 [2] | 4.30 [18] |
| Dwellings completed, per 1 000 inhabitants, 1971 | 5.3 [13] | 10.4 | 9.8 | 2.9 [13] | 9.1 | 13.2 | 10.7 | 4.8 [13] | 6.7 | 8.3 | 6.1 |
| Passenger cars, per 1 000 inhabitants, 1970 | 267 | 194 | 193 | 47 | 71 | 279 | 221 | 4 | 213 | 432 | 35 |
| Television sets, per 1 000 inhabitants, 1971 | 208 [13] | 243 | 229 | 40 [13] | 132 | 323 | 222 | 3 | 298 | 449 | 100 |
| Telephones, per 1 000 inhabitants, 1971 | 346 | 280 | 307 | 92 | 151 | 557 | 509 | 18 | 289 | 604 | 40 |
| Doctors, per 1 000 inhabitants, 1970 | 1.03 [2] | 1.19 | 1.37 | 0.85 | 1.34 [2] | 1.30 [2] | 1.59 | 0.44 | 1.18 [9] | 1.49 [2] | 1.10 |
| Gross fixed investment [23] Total, 1967-71 average (% of GDP [4]) | 24.2 [25] | 26.7 | 28.2 | 18.0 | 24.1 | 23.0 | 27.8 [49] | 20.02 | 19.3 | 16.6 [26] | .. |
| Machinery and equipment | 7.3 | 12.6 | 13.9 | 8.0 | 12.6 | 8.3 | 9.5 | .. | 9.4 | 7.0 [26] | .. |
| Residential construction | 16.9 [28] | 5.2 | 5.1 | 3.0 | 3.9 | 5.1 | 7.1 | .. | 3.4 | 3.3 | .. |
| Other construction | — | 8.9 | 9.2 | 7.0 | 7.8 | 9.6 | 11.2 | .. | 6.5 | 6.3 | .. |
| Gross saving, 1967-71 average (% of GDP [4]) | 30.2 [25] | 26.2 | 28.0 | 20.4 | 22.7 | 22.8 | 28.9 [49] | 21.49 | 19.4 | 17.3 | .. |
| Public sector [30] Total current revenue, 1971 (% of GDP [4]) | 35.7 [13] | 42.5 [13] | 47.3 | 24.0 | 22.6 | 49.1 [31] | 27.1 [2] | 30.89 | 38.6 | 30.5 | .. |
| Hourly earnings [32], annual increase 1966 to 71 (%) | .. | 9.2 [40] | 9.9 [41] | 10.2 [33] | 12.3 [42] | 9.0 [43] | 6.1 [44] | .. | 7.8 [45] | 5.5 [20] | 14.7 |
| Consumer prices (%) | 3.3 | 5.3 | 5.5 | 7.8 | 5.4 | 4.6 | 3.8 | 10.0 | 5.7 | 4.5 | 9.1 |
| GDP [4] deflator (%) | 5.1 | 5.3 | 5.7 | 3.8 | 5.5 | 4.8 | 5.1 | 7.7 | 5.6 | 4.4 | .. |
| Imports [46], 1971 ($ million [8]) | 730 [13] | 17 710 | 5 360 | 2 130 | 5 610 | 8 410 | 8 240 | 1171 | 28 750 | 62 440 | 3 750 |
| (% of GDP [4]) | 70.9 | 47.5 | 41.0 | 31.5 | 15.4 | 23.5 | 34.5 | 8.8 | 21.5 | 5.9 | 23.9 |
| Exports [46] ($ million [8]) | 850 [13] | 17 700 | 5 130 | 1 650 | 5 840 | 8 770 | 8 090 | 676 | 30 650 | 56 220 | 2 860 |
| (% of GDP [4]) | 81.8 | 47.5 | 39.3 | 24.5 | 16.0 | 24.5 | 33.8 | 5.1 | 22.9 | 5.3 | 18.2 |
| Current balance, 1967-71 average (% of GNP) | — | –0.5 | –0.8 | 2.8 | –0.1 | –0.3 | 1.5 | –0.7 | 0.6 | 0.0 | .. |
| Official reserves [47], end-1972: per cent of imports of goods in 1972 (%) | — | 27.9 | 30.3 | 105.9 | 75.8 | 19.7 | 75.9 | 92.6 | 20.3 | 23.7 | 22.5 |
| Change, May 1973 - May 1974 (Mill. SDR's) | — | –130 | 75 | 175 [48] | 649 [48] | –274 | –277 | 481 | 150 | 431 | 171 |
| Net flow of resources to developing countries [50], 1972 (% of GNP) | — [51] | 1.42 | 0.37 | (2.15) | — [52] | 0.66 | 0.58 | — [52] | 1.11 | 0.64 | — [52] |
| Growth of markets [54], 1971 to 1972 (%) | — | 19.9 | 19.6 | .. | 19.1 | 18.8 | 19.2 | 19.7 | 14.5 | 16.7 | .. |
| 1960-61 to 1970-71 (average) | — | 11.1 | 10.2 | .. | 10.6 | 10.5 | 11.1 | 10.8 | 9.8 | 9.8 | .. |
| Gains or losses of market shares [55], 1971 to 1972 (%) | — | –2.0 | 8.3 | .. | 6.9 | –2.5 | –0.1 | 11.7 | –6.8 | –5.6 | .. |
| 1960-61 to 1970-71 (average) | — | 0.8 | 0.5 | .. | 3.4 | –0.1 | –0.3 | –4.2 | –2.9 | –2.1 | .. |



1 Does not include total net migration between Finland and the other Nordic countries.
2 1969.
3 Total resident population.
4 GDP in purchasers' values.
5 Private and socialised sector.
6 From 1972, including Okinawa prefecture.
7 According to the definition used in OECD Labour Force Statistics: mining, manufacturing, construction and utilities (electricity, gas and water).
8 At current prices and exchange rates.
9 1967.
10 The estimates for GDP by sector for Switzerland have been published in "La Vie économique", November 1969.
11 GDP at market prices.
12 Source : International Labour Office.
13 1970.
14 Including stock appreciation.
15 Fiscal year-Beginning July 1st.
16 Monthly, wage earners.
17 National source.
18 1968.
19 1966.
20 Manufacturing, gross earnings per production worker.
21 Including Luxembourg.
22 Dwellings started.
23 At constant (1963) prices.
24 Excluding transfer costs of land and existing assets.
25 1966-1970.
26 Government and government enterprise expenditure on machinery and equipment is included in government current expenditure.
27 "Other construction" included under "machinery and equipment". Work in progress on heavy equipment and ships for the domestic market are included in fixed asset formation.
28 "Other construction" included in "residential construction".
29 Including transfer costs of land.
30 General government.
31 Including depreciation.
32 Industry.
33 Monthly.
34 Manufacturing.
35 Including bonuses.
36 Hourly rates in manufacturing.
37 Hourly wages rates, unskilled workers.
38 Hourly rates in manufacturing, excluding family allowances.
39 Monthly earnings in manufacturing. Cash payments including bonuses, regular workers.
40 Hourly rates in industry, males.
41 Males.
42 Manufacturing, including salaried employees.
43 Mining and manufacturing, males.
44 Hourly rates.
45 Hourly rates in manufacturing, males.
46 Goods and services, excluding factor income.
47 Including reserve position in the IMF and special drawing rights.
48 April 1973 - April 1974.
49 1965-1969.
50 According to the DAC definition. Including flows to multilateral agencies and grants by voluntary agencies.
51 Not Development Assistance Committee member.
52 Considered as a developing country for purposes of DAC reporting.
53 Values, percentage change. Figures are subject to many limiting factors. For an explanation see OECD Economic Outlook, simple definition, December 1970, pp. 65 and 69.
54 The growth which would have occurred in a country's exports if it had exactly maintained its share in total OECD exports to each of 19 broad geographical zones.
55 The difference between the growth rates of markets and exports.

Note Figures within brackets are estimates by the OECD Secretariat.

*Sources:* Common to all subjects and countries, except Yugoslavia (for special national sources see above): OECD: Labour Force Statistics, Main Economic Indicators, National Accounts, Balance of Payments, Observer, DAC and Statistics of Foreign Trade (Series A); Office Statistique des Communautés Européennes, Statistiques de base de la Communauté; IMF, International Financial Statistics; UN, Statistical Yearbook.

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