

60th General Assembly

ECONOMIC REPORT

2004

Translation and English Editing: Ellen Yazar
Design: Öykü
Printing: Aydoğdu Ofset

FOREWORD

Turkey has experienced economic crises at frequent intervals over a period of approximately thirty years, which have paved the way for serious damages to its economic and social structure. The solutions to economic crises were sought in the stability programs supported by the International Monetary Fund and 18 standby agreements have been made up until the present day. A majority of the policies put into practice with these agreements have been unsuccessful. Turkey suffered a vicious circle of crisis and stability for years and was not able to use its energy to the extent desired for the prosperity of the country.

Within this period, the final economic crises emerged in November 2000 and February 2001 within an interval of three months. The economy of Turkey experienced one of the largest declines in the history of the Republic. Subsequently, the new economic program, which covered a three-year period, was implemented.

The medium-term economic program was implemented with determination, other than the hesitations experienced from time to time, and the economy entered into a period of rapid recovery. Significant increases in exports were experienced, despite the fact that the Turkish Lira gained value against the other national currencies. The rates of inflation remained below the targeted level for three years in a row and the rate of growth was realized above the targeted level. But the increases in the foreign trade and current transactions deficits and not being able to solve unemployment came into the forefront as negative developments.

After the third and final year of the stability program and approximately thirty years later, inflation reached one-digit figures and the rate of growth broke the record of

the past 38 years. The per capita income reached the highest level in the history of our Republic. These developments were met with hope and pleasure by all sectors of the society and the fact that the high rate of growth reached was stemming from the private sector was a separate source of pride for our business community.

The positive developments in the economy were not reflected completely to employment. Today, unemployment is Turkey's most important problem. Setting aside the existing unemployed, every year approximately one million youth are joining the unemployed work force and the problem is becoming even more serious. The solution of the problem is to increase investments. Here, the matter that is important is for the public sector to cease to be the door for employment and for new areas of employment to be formed through the private sector. The Turkish private sector is doing whatever it can under difficult conditions in order to overcome the problem. The private sector should be supported and encouraged in this process. For this, non-wage employment and energy costs should be decreased without delay.

At the European Union summit held on 17 December 2004, the Heads of State and Government of the European Union member countries decided to start the accession negotiations with Turkey on 3 October 2005. With this decision, the Turkey-European Union relations entered into a new stage. The Turkish business world is expanding its organizational structuring and technical support base, for which a need is felt, in order to convey its own views to the negotiation process and in order to provide a contribution to this process. The Union of Chambers and Commodity Exchanges of Turkey is concentrating especially on projects that would facilitate the adaptation of the world of Turkish companies to this process. The expectation of the business world is for the rapid completion of the negotiation process, which would also provide a contribution to itself in an intensive manner.

With these thoughts, I hope that our economic report will be useful for our business community and those who are interested.

M. Rifat Hisarcıklioğlu
Chairman of the Board of Directors

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I. GENERAL EVALUATION

A. DEVELOPMENTS IN THE WORLD ECONOMY

After the 4.7% high growth rate in the world economy in 2000, a stagnation trend was observed in 2001 and 2002. The rates of increase in the world output during these years were realized at the levels of 2.4% and 3%, respectively.

The global economic activities entered into a period of relative recovery in the second half of 2003 with the expansive macroeconomic policies applied. The growth rate of the world economy in general in 2003 rose to 3.9%, by increasing over the estimates, with the effect, to a great extent, of the high growth rates in the economies of the United States and China (Table 1).

Table 1. World Production

	(% Change)			
	2002	2003	2004 ⁽¹⁾	2005 ⁽¹⁾
World Production	3.0	3.9	5.0	4.3
Developed Countries	1.6	2.1	3.6	2.9
U.S.A.	1.9	3.0	4.3	3.5
Japan	-0.3	2.5	4.4	2.3
Canada	3.4	2.0	2.9	3.1
Euro Region	0.8	0.5	2.2	2.2
Developing Countries	4.8	6.1	6.6	5.9
Asia	6.6	7.7	7.6	6.9
China	8.3	9.1	9.0	7.5
ASEAN-4 ⁽²⁾	4.3	5.1	5.5	5.4
Latin America	-0.1	1.8	4.6	3.6
Brazil	1.9	-0.2	4.0	3.5
Transition Period Countries	5.4	7.8	8.0	6.6
Russia	4.7	7.3	7.3	6.6

Source: IMF World Economic Outlook, September 2004

(1) Estimate

(2) Indonesia, Malaysia, Philippines and Thailand

The increase in the world output rose and continued in 2004. It is estimated that the world economy would increase above the estimate in 2004 and grow 5% and thus, it would reach the highest rate of growth in recent years. The significant rates of increase occurring in industrial production, private consumption, investments and volume of world trade, despite the negative effects of the increase in petroleum prices, are in the forefront as the influential factors.

When 2004 is evaluated as of countries, the strong growth in Japan and China, led by the United States, formed the basic driving force of global growth.

The speed and structure of revival in the world economy in 2004 has shown significant differences among the regions, as it did in previous years. It is expected that the growth rates of the developing countries and the countries in a process of transition will be above the general growth rate and the growth rates of the developed countries will be realized below the general growth rate. Nevertheless, when these are compared with the growth rates of the previous year, it is estimated that the greatest difference will be observed in the growth rates of the developed countries.

It is expected that the average growth rates of the developed countries in 2004 compared to the previous year will increase 1.5 points and reach 3.6%. The average growth rates of the developing countries are expected to increase 0.5 points and reach 6.6%. The average growth rates of the countries in a process of transition are expected to increase 0.2 points and reach 8%.

The economic growth rate was realized at the level of 3% connected to the monetary and fiscal policies, which encouraged growth in 2003 in the United States, and connected to the increase in private consumption, investment expenses and public sector expenditures and with the improvement observed in productivity. In 2004, it is expected to increase 1.3 points and rise to 4.3%. Thus, it is envisaged that the US economy will show the best performance since 1999. It is estimated that the growth in the US economy in 2004, which stemmed from private consumption, investment expenses, public sector expenditures and an increase in exports, will continue with some slowing down in 2005 and that it will be the driving force of the growth in the world economy.

The Japanese economy, which contended with stagnation for many years, recorded a growth of 2.5% in 2003 and it is expected that with an increase of 1.9 points it will rise to 4.4% in 2004. The improvement in the banking sector, the restructuring of companies, the increase in fixed capital investments and in private consumption expenses, the improvement in the work force market, the high growth rates in the

United States and the Asian countries, such as China and Korea, which are Japan's largest export markets, have been the determining factor for the high rate of growth experienced in the Japanese economy.

In the Euro region, the slowing down observed during the past two years was replaced by a relative revival in 2004, despite the pressure on economic growth of the valuated Euro. Nevertheless, the growth rate of the region followed a moderate level, but could not acquire sufficient strength.

The growth rate in the Euro region was 0.8% in 2002 and 0.5% in 2003. It is expected to be realized at the level of 2.2% in 2004. The foreign demand and consequently exports make a contribution to the growth of the regional economy. The continuation of the valuation of the Euro, the increase in the petroleum prices and the fact that the consumers' expenses were at low levels due to the weak domestic demand were in the forefront as the elements restricting growth (Table 2).

When it is evaluated as of countries, it is understood that the economic rate of growth and composition in the region displayed significant differences. The growth rates of Germany and Italy, which are the strong economies of the region, were realized below the regional average. The growth rates of France and Spain were realized above the regional average.

In 2004, Italy with a 1.4% growth rate and Germany with a 2% growth rate made a downward pressure on the growth rate of the region and France and Spain, which grew 2.6%, made a positive contribution to the economic growth of the region.

England, which is not included in the Euro region, showed a better performance than many of the European countries and is in a better position. England's growth rate, with the monetary and financial policies, which support the economy and with the effect of the structural reforms that are being implemented, rose to 3.5% with a 1.2 point increase and was realized at 1.2 points above the regional average.

The fact that a sound and sustainable process of growth could not be attained in the economic area in the Euro region negatively affects employment and unemployment continues to be an important problem. The unemployment rate in the region, which has been rising ever since 2001, reached 9% in 2004. The unemployment rate in Italy at 8.3% remained under the regional average and it was realized above the regional average in France at 9.4%, in Germany at 9.7% and in Spain at 11.1%.

Table 2. Basic Economic Indicators for Some EU Countries and Turkey

	2002	2003	2004
GROWTH (GDP) (%)			
Euro Region	0.8	0.5	2.2
Germany	0.1	-0.1	2.0
France	1.1	0.5	2.6
Italy	0.4	0.3	1.4
England	1.8	2.2	3.4
Spain	2.2	2.5	2.6
Turkey ⁽¹⁾	7.9	5.8	8.9
UNEMPLOYMENT (%)			
Euro Region	8.5	8.9	9.0
Germany	8.7	9.6	9.7
France	8.9	9.4	9.4
Italy	9.0	8.7	8.3
England	5.2	5.0	4.8
Spain	11.4	11.3	11.1
Turkey ⁽¹⁾	15.7	15.3	14.4
INFLATION (Consumer Prices) (%)			
Euro Region	2.3	2.1	2.1
Germany	1.3	1.0	1.8
France	1.9	2.2	2.4
Italy	2.6	2.8	2.1
England	1.3	1.4	1.6
Spain	3.9	3.0	2.8
Turkey ⁽¹⁾	29.7	18.4	9.3
PUBLIC SECTOR BUDGET BALANCE / GDP (%)			
Euro Region	-2.3	-2.8	-2.9
Germany	-3.7	-3.8	-3.9
France	-3.2	-4.1	-3.4
Italy	-2.3	-2.4	-2.9
England	-1.7	-3.4	-3.0
Spain	0.1	0.3	-0.7
Turkey ⁽¹⁾	-12.6	-9.4	-5.8
PUBLIC SECTOR DEBT STOCK / GDP (%)			
Euro Region	76.6	77.4	78.3
Germany	62.9	65.1	67.0
France	68.7	71.2	74.0
Italy	121.5	120.9	120.0
England	41.5	42.0	43.4
Spain	61.3	59.4	58.4
Turkey ^{(1) (2)}	93.6	83.4	77.4

Source: IMF World Economic Outlook, September 2004. OECD Economic Outlook, December 2004

(1) The information related to Turkey was compiled from the data of the State Institute of Statistics (SIS), the State Planning Organization (SPO) and the Undersecretariat of the Treasury.

(2) Total Public Sector Gross Debt Stock

The rate of inflation, which was 2.1% in the region in 2003, also remained at 2.1% in 2004 due to the high energy prices, led by petroleum, and the high public sector prices. The consumer prices inflation in Germany rose from 1% to 1.8% compared to the previous year, rose from 2.2% to 2.4% in France, but regressed from 2.8% to 2.1% in Italy and from 3% to 2.8% in Spain. In England, it rose from 1.4% to 1.6%.

One of the most important problems in the Euro region is the deterioration in the public sector finances of the member countries. The deterioration tendency in the public sector finances of the countries included in the Euro region continued in 2004 and there was an increase in the ratio of the public sector deficit to the GDP of the member countries. The subject ratio rose to 2.9% in the Euro region and it reached 3.9% in Germany and 3.4% in France.

The growth rates of the developing countries, which had increases in the past three years, were realized above the expectations in 2004. The growth rates of the countries included in this group increased 0.5 points compared to the previous year and reached 6.6% and thus, exceeded the world average by 1.6 points.

It is estimated that the developing Asian countries will grow 7.6% in 2004 with the influence of the global recovery, which is dominant in 2004, the supportive macro-economic policies, revival in the information technology sector, the increase experienced in domestic and foreign demand and the strong growth performance in the Chinese economy.

The Chinese economy, which grew 9.1% in 2003, continued to lead the economic revival in the region and in the world in 2004. China preserved its high rate of growth despite the measures of the government aimed at cooling off the economy in order to prevent the excessive heating up and inflationary pressures in the economy. In 2004 it is envisaged that the growth rate of the Chinese economy would be 9% with the influence of exports, lively domestic demand and fixed capital investments.

The growth rates of the ASEAN (Association of Southeast Asian Nations) countries, formed by Indonesia, Malaysia, the Philippines and Thailand, were 5.1% in 2003 and it is expected to increase 0.4% and reach the level of 5.5% in 2004.

The Latin American economies entered into a rapid recovery period after the economic stagnation and regression experienced in 2002. Connected to this, the average growth rates, which rose to 1.8% in 2003, are estimated to accelerate and rise to 4.6% in 2004 with the influence of the global revival, increase in product prices, improved environment of trust and increasing domestic demand.

It is expected that the regression experienced in 2003 in Brazil, which is one of the important economies of the region, would reverse and that a growth rate of 4% would be realized.

It is expected that the growth rates of the countries within a process of transition, in which Russia is also included, would increase considerably above the 5% world average and it is envisaged that it would reach 8%. It is estimated that the growth rate of Russia in 2004 would remain at its 7% level of 2003.

The world trade volume, which grew 5.1% by exceeding expectations in 2003, is also expected to display a growth above the expectations in 2004 and expand at the rate of 8.8% (Table 3).

Table 3. World Trade Volume

	(% Change)			
	2002	2003	2004 ⁽¹⁾	2005 ⁽¹⁾
World Trade Volume ⁽²⁾	3.3	5.1	8.8	7.2
(Trade of Goods and Services)				
Exports				
Developed Countries	2.2	2.6	8.1	6.3
Developing Countries	6.6	10.9	10.8	10.6
Imports				
Developed Countries	2.6	3.7	7.6	5.6
Developing Countries	6.0	11.1	12.8	11.9

Source: IMF World Economic Outlook, September 2004

(1) Estimate

(2) Annual average percentage change in world exports and imports

It is expected that the increase in the export volumes of the developed countries would increase from 2.6% to 8.1% and that their import volumes would increase from 3.7% to 7.6%.

It is expected that the increase in export volumes of the developing countries, with a small shrinkage, would drop from 10.9% to 10.8% and that the import volumes would increase from 11.1% to 12.8%.

B. DEVELOPMENTS IN THE TURKISH ECONOMY

In Turkey in May 2001, after the two financial crises experienced in November 2000 and February 2001, the International Monetary Fund (IMF) supported economic program was implemented under the name of "Turkey's Program for a Transition to a Strong Economy". However, the desired results from this program could not be obtained and upon this, a Letter of Intent was given to the IMF on 18 January 2002 in order to implement a medium-term economic program. On 4 February 2002 the IMF Executive Directors' Board approved the Letter of Intent and the 18th standby agreement covering a three-year period went into force.

It was decided to follow the program with regular reviews, preconditions, quantitative performance criteria, targets having the attribute of indicators and structural performance criteria.

First of all, it was stated that the reviews would be held once every two months, in March, May and July 2002 and that they would be realized once every three months as of October 2002. However, the reviews, which should have been made regularly within the scope of the standby agreement, could not be realized as envisaged and there were shifts in the dates.

The first review was completed on 15 April 2002, the second review on 28 June 2002, the third review on 7 August 2002, the fourth review on 18 April 2003, the fifth review on 1 August 2003 and the sixth review was completed on 18 December 2003.

The review activities of the standby agreement in force with the IMF also continued in 2004. On 2 April 2004, the Letter of Intent, in which the macroeconomic developments within the framework of the economic program were evaluated and the policies aimed at the future were expressed, were conveyed to the IMF and it was requested to complete the seventh review. It was discussed and completed by the IMF Executive Directors' Board on 16 April 2004. Within this framework, a loan portion of approximately US\$500 million (340.2 million Special Drawing Rights {SDR}) was freed.

Besides the advances in the macroeconomic developments, public finance and monetary policies and in the field of structural reforms, the subject of the Turkey and IMF relations related to 2005 and the subsequent period were discussed during the eighth review activities. The Letter of Intent, which evaluated the progress in the macroeconomic developments, public finance and monetary policy and in the field of structural reforms, was conveyed to the IMF on 15 July 2004 and it was requested that the eighth review should be completed. It was discussed and completed in the IMF Executive Directors' Board on 30 July 2004 and a loan portion of approximately US\$600 million (453.6 million SDR) was freed.

In 2004 after the seventh and eighth reviews of the standby agreement, a total of approximately US\$1.2 billion (793.8 million SDR) in loans from the IMF were used.

In the second half of 2004, activities continued on the subjects of the macroeconomic framework and structural reforms of the medium-term economic program covering the 2005-2007 period and talks were held with the IMF on the subject of a new standby agreement that would take the medium-term program as the basis. The 2004 Pre-accession Economic Program, which was prepared based on the new economic program, was given to the European Union and was announced to the public at the beginning of December 2004.

Activities related to a new standby agreement based on the medium-term economic program, which was being carried out within the framework of the 18th standby agreement with the IMF, were completed in the middle of December 2004. Furthermore, an agreement was reached with general outlines on the draft of the Letter of Intent.

It was targeted with the new program to make the strong economic growth sustainable, to provide for the permanency of the single-digit low inflation, to continue the decrease in interest rates, to continue the decrease of the net public sector debt ratio to the national income and at the end of the program to almost completely eliminate the budget deficit. It was stated that the Central Bank would start the inflation targeting system at the beginning of 2006, that it would continue the tight financial policy and the application of high non-interest surpluses and it was aimed to provide a 5% annual growth in the national income in the three-year period, and at the end of the three years to have an inflation of 4% and to decrease the ratio of the new public sector debt stock to below 60% of the national income. Also, in the structural reform program, it concentrated on social security, financial sector and tax administration and on the tax policy reforms.

Within the scope of the standby agreement, it is envisaged to provide Turkey with US\$10 billion in financing to be used in twelve equal portions, of which the first five portions would be used in 2005, four portions in 2006 and three portions in 2007. Furthermore, it was stated that a US\$3.7 billion portion of the US\$11 billion principal repayment that Turkey would make to the IMF in 2006 would be shifted to 2007.

It is necessary to obtain progress in the basic legislation related to financial services, social security and tax administration in order to have the IMF Executive Directors' Board discuss and complete the request for a new standby agreement that would take the place of the 18th standby agreement, which ends on 3 February 2005.

As a result of the success obtained in the fight against inflation within the framework of the economic program, which has been implemented since the beginning

of 2002, legislation related to removing six zeros from the Turkish Lira was materialized at the end of January 2004. The monetary unit of the Republic of Turkey was determined to be the New Turkish Lira and the New Kuruş, to be valid as of the beginning of 2005. The transition activities to the New Turkish Lira were made by all of the related institutions and organizations in 2004. The removal of six zeros was realized at the beginning of 2005 and the New Turkish Lira entered into circulation.

The Turkish economy, which experienced one of the largest regressions of its history in 2001, entered into a recovery and growth period as of the beginning of 2002 with the macroeconomic policies, which started to be implemented. The Turkish economy showed a performance better than targeted in 2002 and 2003 and grew 7.9% and 5.9%, respectively.

To continue the growth in the economy, to decrease inflation even more, which dropped considerably during the last two years, to attain the non-interest surplus target by continuing the monetary and fiscal discipline, to preserve the sustainability of the public sector debts and to decrease the debt stock came to the forefront in 2004 as the basic macroeconomic targets.

It was targeted to provide a 5% growth in the economy. At the end of 2004 the GNP was almost double the target and was realized at the level of 9.9%. Thus, a growth was experienced above the targets for three consecutive years and at the same time; the highest growth rate was reached after the 12% growth in 1966.

The continuation of economic stability and improvement in expectations, vitality in the tourism sector, increases in stocks, production made to meet the increase in exports, the growth occurring in the agricultural, industrial, construction, trade, transportation and communications, self-employed and services sectors and the increase in the import taxes, led by private sector investment expenses and private consumption expenses, have been determining factors in the growth in 2004.

The agricultural sector, which decreased as of the second quarter of 2003, entered into a period of growth at the beginning of 2004. Although there was a small decrease experienced in the third quarter, the agricultural sector grew 2% in 2004 in general connected to an increase in production in all sub-sectors.

A 9.4% growth was realized in the industrial sector, connected to production increases in the energy, mining and quarrying sectors, led by the manufacturing industry sector. The services sector grew 8.4% connected to increases in added values

in the construction, trade, transportation and communications, self-employed and services sectors. The taxes collected from imports increased 26.2% with the influence of the increase occurring in imports.

The increase in public sector consumption expenditures remained at the level of 0.5% due to the continuation of the tight fiscal policies in 2004 and the private consumption expenditures, which are among the most important components of the GDP, displayed an increase of 10.1% with the effect of the vitality in domestic demand. Thus, there was an increase of 9% in the total consumption expenditures.

There was a 4.7% decrease in the public sector investment expenses and the private sector investment expenses increased 45.5% with an increase of 60.3% in machinery-equipment investments and an increase of 15.3% in housing construction. Thus, an increase of 32.4% occurred in the total investment expenses.

The per capita Gross National Product (GNP), besides the growth occurring in the economy in 2004, increased 23.3% and rose to US\$4,172, also with the influence of the Turkish Lira gaining value against the US dollar. The per capita GNP with 1987 prices increased 8.2% and became 1,885,000 TL and the per capita Gross Domestic Product (GDP) according to the Purchasing Power Parity increased 10.8% compared to the previous year and became US\$7,687.

The increase occurring in production positively affected the rates of capacity utilization. The rate of capacity utilization of the total manufacturing industry, which was 78.3% in 2003, with a 2.9 point increase rose to 81.2% in 2004. The rate of capacity utilization in the public sector increased 1.7 points and rose to 85.5% and the rate of capacity utilization in the private sector increased 3.5 points and rose to 79.4%.

The public sector fixed capital investments increased 3.1% and the private sector fixed capital investments increased 41.5%. Thus, there was a 29.3% increase in the total fixed capital investments.

The shares of agricultural, manufacturing and transportation and communications sectors within the private sector fixed capital investments increased and the shares of the mining, energy, tourism, housing, education and health sectors decreased. The shares of the agricultural, mining, manufacturing, transportation and communications, housing and health sectors within the public sector fixed capital investments increased and the shares of the energy, tourism and education sectors decreased.

The high growth experienced in 2004 was also reflected to the construction sector, which had shrunk ever since 2001, and there was a growth of 4.6% in this sector.

The total construction area for which construction licenses were given by the municipalities increased 47.4% and the construction areas for which building utilization licenses were given decreased 2.4%.

The amount of investments connected to an incentive certificate decreased 17.8% nominally and 26% in real terms compared to 2003. It was aimed to provide employment for 167,640 persons with the 21.5 quadrillion TL in investment incentive certificates given in 2004.

The manufacturing industry sector was in first place with a share of 62.1% within the investments connected to an incentive certificate in 2004 and the shares of the services sector were 28.6%, of the energy sector 4.8%, of the mining sector 2.8% and the shares of the agricultural sector were 1.7%. The shares of the agricultural, mining, manufacturing industry and energy sectors increased compared to 2003 and the shares of the services sector decreased.

A 54.9% portion of the investments connected to an incentive certificate were for completely new investments and it was followed by 30.4% with expansion investments, 4.9% with renovation investments and 4.4% with completion investments. There was a decrease in the amounts of the investment certificates given for completely new investments, completion, modernization, integration, financial leasing and product diversification investments compared to 2003 and there was an increase in the amounts given for other investments. Incentive certificates were not given within the scope of environmental protection.

It was targeted to reduce the Wholesale Goods Price Index (TEFE) and the Consumers Price Index (TÜFE) inflation to the level of 12% within three years with the stability program put into practice at the beginning of 2002. A higher success than expected was obtained in the fight against inflation in 2002 and 2003 with the influence of the monetary policy and fiscal policy applied and with the structural reforms and the rates of inflation were realized below the targeted levels. It was envisaged within the framework of the stability program for the TEFE and TÜFE inflation to be 12% in 2004.

The drop in inflation, which started in 2002, also continued in 2003 and subsequently in 2004 as well. The price increases on an annual basis in the TEFE, which were at 9.1% in February, were reduced to the single-digit level for the first time since 1970 and in the TÜFE, which were at 8.9% in May, were reduced to the single-digit level for the first time since 1983.

Continuing to implement the monetary and fiscal policies with determination, the leg-

isolation materialized, the increasing environment of trust related to price stability being realized, having no pressure that would coerce prices in domestic demand, the increases occurring in productivity and investments raising the level of production of the economy, the decrease in the exchange rate changes connected to the fluctuating foreign currency exchange rate of the Turkish Lira, the Turkish Lira gaining stability, positive developments in cost factors, such as energy prices and unit wages, determining the pricing policy according to the targeted inflation and the price increases of some sectors and consumer groups regressing to a significant extent provided positive contributions to the lowering of inflation during the year.

Along with a 0.1 point decrease and a regression to 13.8% in the rate of increase in the Wholesale Goods Price Index compared to the previous year, it was realized at 1.8 points above the 12% target envisaged at the beginning of the year. The TEFE increase, which was 25.6% in 2003 according to the twelve-month averages, with a 14.5 point decrease, regressed to 11.1% in 2004.

The highest price increase as of sectors according to the twelve-month averages was 13.5% in the agricultural sector and this was followed by 11% in the manufacturing industry sector and 10% in the mining sector. A decrease of 1% was realized in the energy sector prices. The private sector manufacturing industry rate of price increase, which is defined as core inflation, was 9.7%.

The increases occurring in the wholesale goods prices in 2004 were not completely reflected to the consumer prices. The rate of increase of the twelve-month consumer prices, which was 18.4% in 2003, fell 9.1 points in 2004 and regressed to 9.3% and remained 2.7 points below the envisaged 12% target. According to the twelve-month averages, the TÜFE rate of increase that was 25.3% in 2003, with a decrease of 14.7 points, regressed to 10.6% in 2004.

In 2004 in general, the annual rate of price increases in the goods group remained below the TÜFE inflation and the annual rate of price increases in the services group, due to rigidity in the prices, displayed an increase above the TÜFE inflation and the annual targets.

According to the twelve-month averages as of the main spending groups, the prices in the food, alcohol and tobacco, clothing and shoes, household goods, health, transportation, culture and entertainment sub-sectors remained below the rate of increase in the TÜFE general index. The price increases in the housing, education, restaurant, bakery and hotel expenses were realized above the rate of increase in

the TÜFE general index. The highest rate of increase was 19.6% in the restaurant, bakery and hotel expenses and this was followed by increases of 18.6% in education and 15.3% in housing expenses. The lowest rates of price increases occurred in household goods at 2.1%, clothing and shoes, and culture and entertainment expenses at 3.9%.

The monetary policy strategy that would be implemented during the year was announced at the beginning of 2004. In the implementation of the monetary policy, it was announced that in 2004 as well, the covered inflation targeting strategy, which is focused on inflation in the next period, would be continued within the framework of the fluctuating exchange rate regime, which has been continuing ever since 2002. Within this framework, it was expressed that the monetary magnitudes would also be taken into account, but that priority would be given to converging to the level targeted for inflation, which would be realized. The short-term interest rates continued to be the basic monetary policy and an extra anchor function was added to the monetary base.

In the Letter of Intent given to the IMF on 31 October 2003 related to the sixth review of the standby agreement, performance criteria for 2004 were specified for the monetary base and the net international reserves and targets having the attribute of indicators were specified for the net domestic assets. In case there was strong evidence about there being a change in the demand related to the monetary base, then it was emphasized that the targets of the program would be changed accordingly.

Especially, an increase has occurred in the monetary demand above what was envisaged with an improvement in the inflationary expectations, a rapid decrease in inflation and interest rates, stability in the foreign currency exchange rates and connected to an increase in the bank deposits. In connection with this, the monetary base realizations in March and April were above the targeted levels. The Central Bank, as it was stressed in the Letter of Intent dated 31 October 2003 connected to these developments, increased the monetary base and net domestic assets targets twice in the Letters of Intent dated 2 April 2004 and 15 July 2004.

After the changes made in the targets, the targets having the attribute of indicators and the monetary performance criteria, which were closely followed by the Central Bank within the framework of the economic program being implemented, were reached as of 31 December 2004. The average monetary base for the last five workdays of December, which has the attribute of a performance criterion, was realized at 19,190 trillion TL and remained under the upper limit of 20,900 trillion TL.

The net international reserves, which has the attribute of a performance criterion, was realized at US\$229 million and remained above the lower limit of US\$-2,000 million. The average net domestic assets for the last five workdays of December, which has the attribute of being an indicator, was realized at 30,121 trillion TL and remained below the upper limit of 35,000 trillion TL.

The short-term interest rates also continued to be a basic instrument in the monetary policy implementations of the Central Bank in the fight against inflation in 2004. Within the framework of the economic program implemented, the Central Bank reduced the short-term interest rates four times in 2004 on 5 February, 17 March, 8 September and 20 December. As a result of these reductions, the overnight borrowing interest rate, which was 26% at the end of 2003, was reduced to 18% and the lending interest rate, which was 31%, was reduced to 22%.

At the end of all of these developments, the money in circulation increased 22.9%, the M1 narrow-defined money supply increased 36.7%, the M2 broad-defined money supply increased 35.1%, the M2Y money supply increased 23.7% and the M3 money supply increased 34.7%. The money in circulation in real terms increased 8%, the M1 increased 20.1%, the M2 increased 18.7%, the M2Y increased 8.7% and the M3 increased 18.4%.

The total deposits in Turkish Liras in the banks increased 36.4% and the foreign currency deposit accounts increased 10.4%. The Turkish Lira deposits increased 19.9% in real terms and the foreign currency deposit accounts decreased 3% in real terms. The credit stock increased 58.9% nominally and 39.6% in real terms.

In 2003, fifty banks were engaged in activities in the banking sector. This figure regressed to 48 in 2004 connected to a decrease in the number of commercial banks and banks, which do not accept deposits. In contrast to the decrease in the number of banks, there was an increase in the number of branches of the banks. The total number of branches in the sector increased by 140 and rose to 6,106 branches. In parallel with this, the number of persons working in the banking system, which was 123,249 in 2003, increased by 3,914 persons in 2004 and became 127,163 persons.

As of the end of 2004, a total of 327 companies, with 217 large scale and 110 small-scale companies, were taken within the scope of the Financial Restructuring Program. Of the companies taken within the scope of the program, restructuring agreements were signed with a total of 306 companies, of which 101 were small-

scale and 205 were large-scale companies. With these agreements, a total of US\$5,709.2 million in loan debts were restructured, of which US\$646.9 million belonged to the small companies and US\$5,062.3 million belonged to the large companies.

In 2004, priority in fiscal policy was given to reaching the non-interest public sector surplus, which was targeted by taking under control the public sector expenditures and in the implementation of income policies that were compatible with the targeted inflation. The fiscal policy, in order to decrease the public sector debt stock and keep it at a sustainable level, was formed in a manner to produce a public sector non-interest surplus at the rate of 6.5% of the GNP. Revenue increasing and expenditure limiting measures were taken in order to meet this target and some additional measures were put into practice during the year. At the end of the year, the rate of increase in the public sector revenues was realized at a higher rate compared to the rate of increase in the public sector expenditures.

At the beginning of 2004, a transition was made from the program budget code system to the analytical budget code system in the organizations with general and supplementary budgets with the objective of increasing the productivity, effectiveness and supervision in the public sector expenditures, providing financial transparency and accountability, and for making the budget more transparent, effective, functional and in conformance with international standards. The form of monitoring the budget revenues and expenses was changed.

In 2004 it was envisaged that the consolidated budget expenditures would be 150,508 trillion TL and that the consolidated budget revenues would be 104,109 trillion TL. As a result of this, it was targeted that the budget balance would produce a deficit of 46,399 trillion TL and that the non-interest balance would be 19,651 trillion TL. But later the envisaged budget expenditures for the end of the year were revised to 149,945 trillion TL, the consolidated budget deficit to 45,836 trillion TL and the non-interest balance to 20,214 trillion TL. No change was made in the targets of the consolidated budget revenues and the initial target of 104,109 trillion TL was preserved.

At the end of the year, the consolidated budget revenues, with a 9.6% increase, rose to 109,887 trillion TL and the consolidated budget expenditures, with a 0.2% decrease, regressed to 140,200 trillion TL. Thus, the expenditures were realized 9,745 trillion TL below the revised target and the revenues were realized 5,778 trillion TL above the target and a positive performance was obtained in the consolidated budget applications.

The fact that the interest payments were realized below the target connected to a decrease in the interest rates made a positive influence on the budget deficit. The consolidated budget deficit, which was 40,205 trillion TL in 2003, decreased 24.6% in 2004 and regressed to 30,313 trillion TL and was realized 15,523 trillion TL below the revised target. The non-interest balance, which was 18,405 trillion TL in 2003, with an increase of 42.2% in 2004, was realized at the level of 26,175 trillion TL.

The public sector borrowing requirement decreased 26.2% compared to 2003 and fell from 33.7 quadrillion TL to 24.8 quadrillion TL. The public sector financing surplus excluding the budget interest payments, which was 24.9 quadrillion TL in 2003, became 31.6 quadrillion TL in 2004. The ratio of the public sector borrowing requirement to the GNP decreased 3.6 points compared to the previous year and was realized at 5.8% and the ratio of the non-interest public sector surplus to the GNP increased 0.4 points and was realized at the level of 7.4%.

In the Letter of Intent dated 31 October 2003, related to the sixth review of the standby agreement, which was being carried out with the IMF, it was envisaged to obtain cash revenues of US\$3 billion from privatization in 2004. The targets having the attribute of indicators were determined as of 31 March, 30 June, 30 September and 31 December 2004. But the targets determined as of the end of the year could not be reached. Despite this, the privatization applications in 2004 were more successful compared to those in 2003 and privatization revenues of 1,761.6 trillion TL (US\$1,267 million) were obtained.

The implementations for regressing the debt stock to a sustainable level within the framework of the stability program, which was being implemented, also continued in 2004. Within this scope, the public sector loan administration continued to be supported with tight fiscal policies and it was targeted to meet the financing requirement with the lowest cost in the long-term.

The continuation of political stability, increase in the trust felt in the economic program, which was being implemented, the drop in the rates of inflation, the improvement observed in the borrowing interest rates, extending the terms of borrowing and the foreign currency exchange rates remaining at a low level positively affected the domestic debt.

The rate of increase of the domestic debt stock, which was 29.7% in 2003, regressed to 15.5% in 2004. The total domestic debt stock increased 30,096.2 trillion TL and became 224,482.9 trillion TL. Of this, 194,210.7 trillion TL (86.5%) was composed of debenture bonds and 30,272.2 trillion TL (13.5%) was composed of bonds.

The improvement in the cost and term structure of domestic borrowing also continued in 2004. The average compound domestic debt interest rate decreased 19.3 points and regressed from 45% to 25.7% and the average term of borrowing increased 70 days and rose from 302 days to 372 days.

The share of the cash domestic debt stock within the total domestic debt stock increased from 67.1% to 73.8% and the share of the non-cash domestic debt stock decreased from 32.9% to 26.2%.

The improvement observed in the structure of the debt stock in 2003 continued in 2004. The share of the part, which is composed of fixed yields and foreign currency negotiable instruments within the domestic debt stock increased and the share of the variable interest and foreign currency indexed borrowing instruments decreased. In 2003, 35.3% of the domestic debt stock was composed of fixed interest negotiable instruments, 42.8% of variable interest, 12.7% of foreign currency and 9.2% of foreign currency indexed negotiable instruments. In 2004, 42.3% of the domestic debt stock was composed of fixed interest negotiable instruments, 40.1% of variable interest, 13.4% of foreign currency and 4.2% of foreign currency indexed negotiable instruments. The foreign currency and interest risks of the domestic debt stock decreased.

The real value increase occurring in the Turkish Lira negatively influenced exports. The expansion in the world economy and world trade volume, the revival in production, the fact that the energy and work force costs were low and the improvement occurring in the unit costs connected to an increase observed in productivity, the decrease in financing costs, the decrease produced in the costs of import inputs of the increase in real value occurring in the Turkish Lira, the development in favor of the Euro in the Euro/US dollar parity, the increase in US dollars of the value of exports made in Euros and increase in export prices made positive effects on the export revenues. Exports increased 33.5% compared to the previous year and reached US\$63,074.8 million.

Imports increased 40.4% and rose to US\$97,361.5 million with the effect of economic growth, the increase in real value of the Turkish Lira, the increase in consumption, industrial production and investment expenditures and increase in the import prices.

The fact that the increase in imports was higher than in exports increased the foreign trade deficit and the foreign trade deficit increased 55.2% and went from US\$22,086.9 million to US\$34,286.7 million. The rate of exports to imports

regressed from 68.1% to 64.8% and the foreign trade volume increased 37.6% and rose from US\$116,592.5 million to US\$160,436.3 million.

In the exchange rate policy announced on 2 January 2004, it was stated that the fluctuating exchange rate regime, which was started to be implemented after the February 2001 crisis, would also be continued in 2004 and that the exchange rates would be formed according to the market conditions. It was stated that the Central Bank could intervene for buying or selling when excessive fluctuations were observed in both directions in the exchange rates, provided that it remained limited. Besides this, in case the developments in the balance of payments and developments in the reverse dollarization process are suitable, then the Central Bank would continue to strengthen the foreign currency reserves through foreign currency purchasing bids, which are transparent and announced in advance and which are based on mechanisms formed by talking with the market participants and when doing this, it was stated that the Central Bank would not take an exaggerated attitude. When a contrary situation is formed, it was stated that the Central Bank can suspend the foreign currency purchasing bids for a short or a long period, without waiting for the end of the period by informing the public in advance.

Applications during the year were carried out within this scope. The Central Bank restarted on 23 January 2004, the daily foreign currency purchasing bids, which it had suspended on 23 October 2003, due to the increase in the excess of foreign currency supply. The Central Bank suspended the foreign currency purchasing bids on 27 April 2004 upon a decrease emerging in the foreign currency supply surplus and once again started the foreign currency purchasing bids on 22 December 2004. A total of US\$4,105 million in foreign currency buying was realized in 2004 through foreign currency purchasing bids.

Furthermore, the Central Bank made a direct buying intervention in the foreign currency market on 16 February 2004 due to an excessive instability occurring in the foreign currency exchange rates and it made purchases amounting to US\$1,283 million with the objective of sterilizing the foreign currency supply surplus, which was formed in the market. On 11 May 2004, the Central Bank intervened in the direction of selling a very small amount upon the excessive instability observed in the foreign currency markets with the influence of the instability in the prices of the foreign currency assets of the banks and the narrowing in the foreign currency liquidity caused by the process of reverse money substitution. Thus, the Central Bank withdrew US\$5,388 million from the markets through foreign currency purchasing bids and direct foreign currency purchases in 2004.

In 2004, the Turkish Lira continued to gain value compared to other national currencies.

The current transactions deficit, which was US\$8,037 million in 2003, increased 91.7% in 2004 and rose to US\$15,410 million. This negative development in the current transactions deficit stemmed to a great extent from the high rate of increase in the foreign trade deficit despite improvement in the balance of services.

Tourism revenues increased 20.3% and rose to US\$15,888 million connected to the increase occurring in the number of tourists. Interest revenues increased 9.9% and rose to US\$697 million. Tourism expenditures increased 19.5% and rose to US\$2,524 million. Interest expenditures dropped 5.2% and regressed to US\$4,348 million. Worker remittances increased 10.3% compared to 2003 and rose to US\$804 million.

The net capital inflow, which was US\$7,091 million in 2003, was realized at the level of US\$16,965 million in 2004. There has been a net inflow of US\$1,709 million in direct investments, a net inflow of US\$8,023 million in portfolio investments and a net inflow of US\$7,233 million in other net investments.

The inflow of foreign capital in 2004, with an increase of 94.1%, rose to US\$1,060 million and there was a foreign capital outflow of US\$100 million. Thus, together with the US\$960 million net capital, the US\$265 million net other capital and the US\$1,343 million net real estate sales, a total of US\$2,568 million in direct foreign capital inflow was realized in 2004.

The foreign debt stock, which was US\$145,350 million in 2003, increased 11.3% in 2004 and rose to US\$161,748 million. The medium to long-term foreign debts increased 6.1% and the short-term foreign debts increased 38.7% compared to 2003. The total foreign debts were composed of US\$129,838 million in medium and long-term foreign debts and US\$31,910 million in short-term foreign debts. The share of the medium and long-term foreign debts within the total foreign debt stock decreased from 84.2% to 80.3% and the share of the short-term debts increased from 15.8% to 19.7%.

The work force, which was 23,640,000 in 2003, increased 2.7% in 2004 and rose to 24,289,000. Employment increased 3% connected to positive developments experienced in the economy and rose from 21,147,000 to 21,791,000. The increase in employment did not provide improvement to the degree desired in the

work life due to an increase in the idle work force as well. The number of unemployed increased 0.2% and rose from 2,493,000 to 2,498,000. The rate of unemployment, which was 10.5% in 2003, dropped to 10.3% in 2004, the rate of underemployment regressed from 4.8% to 4.1% and thus, the idle work force rate due to unemployment and underemployment dropped 0.9 points and became 14.4%.

In 2004, 7,400,000 of those employed were in the agricultural sector, 3,988,000 were in the industrial sector and 10,403,000 were employed in the services sector. The share of the agricultural sector within the total employment was 34%, the share of the industrial sector was 18.3% and the share of the services sector was 47.7%.

II. THE TURKISH ECONOMY IN NUMBERS

A. GROWTH

1. The Gross National Product

The Turkish economy, after the last two economic crises experienced within a three-month interval in 2000 and 2001, experienced the largest shrinkage of its history, excluding the war years. The economy entered into a process of recovery and growth as of the beginning of 2002 with the new macroeconomic policies put into practice. In 2002 and 2003 the economy grew 7.9% and 5.9%, respectively, by going above the estimates.

It was aimed to continue the economic growth in 2004 with the program, which was being implemented, and to provide for a 5% growth. At the end of the year, the growth rate of the GNP reached two times the target and was realized at the level of 9.9%. Thus, after the 12% growth in 1966, the highest growth rate was reached 38 years later.

Continuation of economic stability and the improvements in expectations, led by the private sector investment expenses and the private consumption expenses, the vitality in the tourism sector, the increases in stocks, the production made to meet the increase in exports, the growth occurring in the agricultural, industrial, construction, trade, transportation and communications, self-employed and services sectors and the increase in import taxes were determining factors in the growth in 2004.

In the Turkish economy, which entered into a period of growth at the beginning of 2002, the highest growth rate as of quarters in the last three years was reached in the first and second quarters of 2004. There was a growth of 13.9% in the first quarter of 2004 and a growth of 15.7% in the second quarter of 2004. Although the growth continued in the second half of the year, there was a drop in the rate and growth was realized at 5.7% in the third quarter and at 6.6% in the fourth quarter. Thus, the GNP increased 9.9% at the end of 2004 compared to the previous year and rose to 135,308 billion TL in 1987 prices (Table 4).

Table 4. The Gross National Product

Branches of Economic Activity	(1987 Producer Prices)							
	Value (Billion TL)			Share (%)			Change (%)	
	2002	2003	2004	2002	2003	2004	2003	2004
1. AGRICULTURE	15,948	15,549	15,863	13.7	12.6	11.7	-2.5	2.0
A. Farming and Animal Husbandry	14,837	14,501	14,683	12.8	11.8	10.9	-2.3	1.3
B. Forestry	756	689	793	0.6	0.6	0.6	-8.9	15.1
C. Fishing	354	359	387	0.3	0.3	0.3	1.4	7.8
2. INDUSTRY	34,142	36,793	40,234	29.3	29.9	29.7	7.8	9.4
A. Mining and Quarrying	1,432	1,390	1,426	1.2	1.1	1.1	-2.9	2.6
B. Manufacturing Industry	28,678	31,140	34,285	24.7	25.3	25.3	8.6	10.1
C. Electricity, Gas, Water	4,033	4,264	4,522	3.5	3.5	3.3	5.7	6.1
3. CONSTRUCTION INDUSTRY	5,346	4,866	5,092	4.6	4.0	3.8	-9.0	4.6
4. TRADE	26,741	28,902	32,613	23.0	23.5	24.1	8.1	12.8
A. Wholesale and Retail Trade	22,392	24,686	27,956	19.2	20.0	20.7	10.2	13.2
B. Hotel, Restaurant Services	4,348	4,216	4,656	3.7	3.4	3.4	-3.0	10.4
5. TRANSPORTATION and COMMUNICATIONS	15,715	17,028	18,193	13.5	13.8	13.4	8.4	6.8
6. FINANCIAL ORGANIZATIONS	2,476	2,319	2,344	2.1	1.9	1.7	-6.3	1.1
7. HOUSING OWNERSHIP	5,873	5,957	6,066	5.0	4.8	4.5	1.4	1.8
8. SELF-EMPLOYED and SERVICES	2,669	2,808	3,032	2.3	2.3	2.2	5.2	8.0
9. (-) RELATIVE BANK SERVICES	1,921	1,782	1,812	1.7	1.4	1.3	-7.2	1.7
10. SECTORS TOTAL (1-9)	106,989	112,441	121,624	92.0	91.3	89.9	5.1	8.2
11. STATE SERVICES	5,082	5,125	5,184	4.4	4.2	3.8	0.8	1.2
12. NON-PROFIT SPECIAL SERVICE ORG.	415	410	411	0.4	0.3	0.3	-1.2	0.2
13. TOTAL (10+11+12)	112,485	117,976	127,219	96.7	95.8	94.0	4.9	7.8
14. IMPORT TAX	6,127	7,509	9,473	5.3	6.1	7.0	22.6	26.2
15. GDP (Buyer Prices) (13+14)	118,612	125,485	136,693	102.0	101.9	101.0	5.8	8.9
16. FOREIGN NET FACTOR INCOME	-2,275	-2,320	-1,385	-2.0	-1.9	-1.0	2.0	-40.3
A. Coming from Abroad	3,908	3,809	4,244	3.4	3.1	3.1	-2.5	11.4
B. Going Abroad (-)	6,183	6,129	5,628	5.3	5.0	4.2	-0.9	-8.2
17. GNP (Buyer Prices) (15+16)	116,338	123,165	135,308	100.0	100.0	100.0	5.9	9.9

Source: SIS

The agricultural sector, which shrank as of the second quarter of 2003, entered into a period of growth as of the beginning of 2004. Although shrinkage to an extent was experienced in the third quarter, the agricultural sector grew 2% in 2004 in general connected to the increase in production in all of the sub-sectors. A growth of 9.4% was realized in the industrial sector, led by the manufacturing industry sector, connected to production increases in the energy and mining and quarrying sectors. The services sector grew 8.4% connected to the increases in added value in the construction, trade, transportation and communications, self-employed and services

sectors. The taxes collected from imports increased 26.2% with the influence of the increase occurring in imports.

Of the sub-sectors of the agricultural sector, the farming and animal husbandry sector grew 1.3%, the forestry sector grew 15.1% and the fishing sector grew 7.8%. Of the sub-sectors of the industrial sector, the mining and quarrying sector grew 2.6%, the manufacturing industry sector grew 10.1% and the energy sector grew 6.1%. Of the sub-sectors of the services sector, the shrinkage, which had been experienced in the construction sector ever since 2001, was replaced by an increase in 2004 and there was a growth of 4.6%. The trade sector grew 12.8%, the transportation and communications sector grew 6.8%, the self-employed and services sectors grew 8% and the financial organizations sector grew 1.1%.

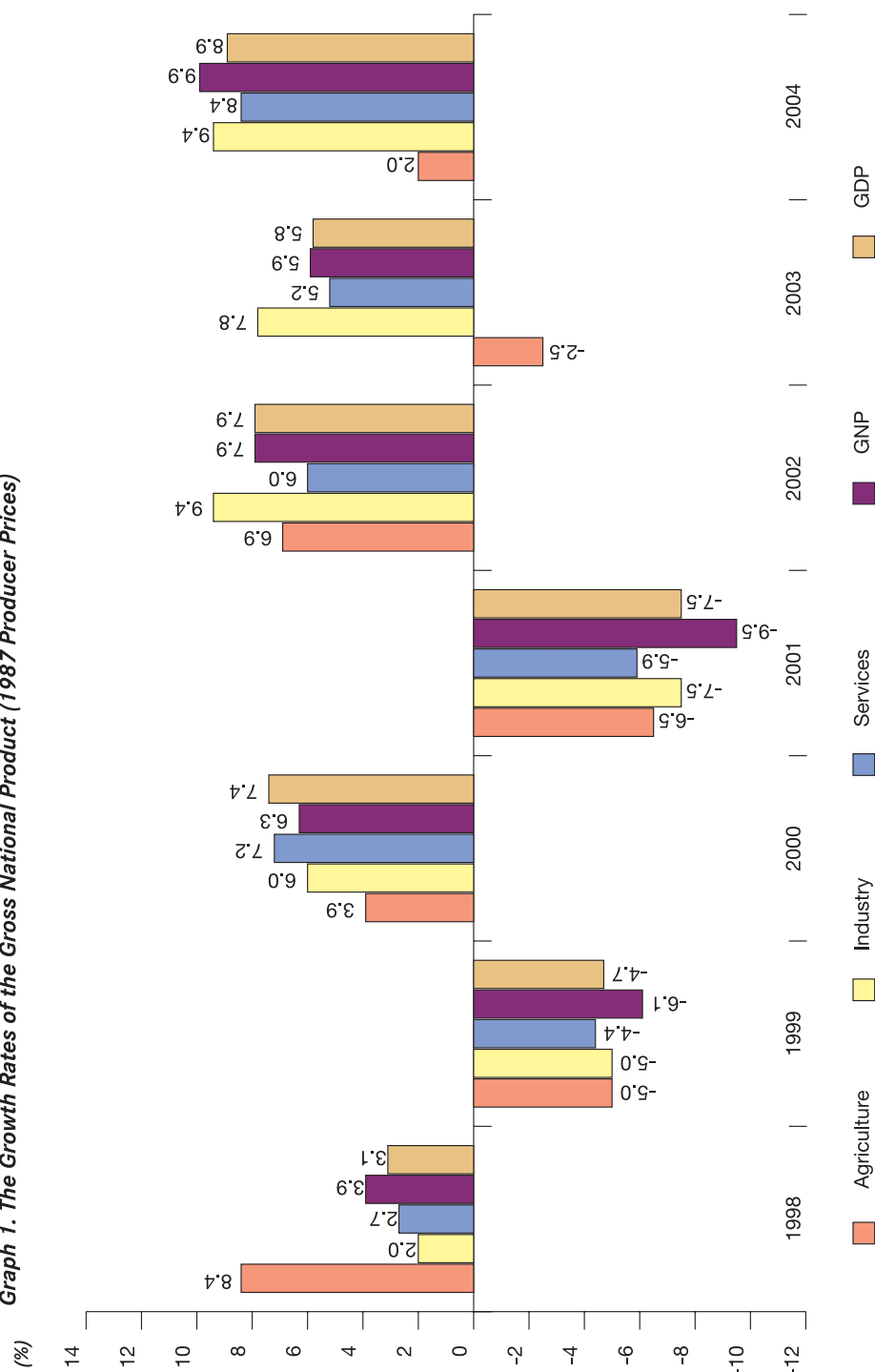
In 2004, the GNP, with a growth of 20.3% in current prices, became 428,932 trillion TL. The GNP deflator, which was envisaged to be 11.9% in the 2004 program, was realized at 9.5% (Table 5).

Table 5. The Gross National Product

	(Current Producer Prices)							
	Value (Billion TL)			Share (%)			Change (%)	
Branches of Economic Activity	2002	2003	2004	2002	2003	2004	2003	2004
1. AGRICULTURE	32,114,870	42,126,246	48,394,672	11.7	11.8	11.3	31.2	14.9
A. Farming and Animal Husbandry	30,236,619	39,550,179	44,905,361	11.0	11.1	10.5	30.8	13.5
B. Forestry	912,115	1,268,139	1,702,823	0.3	0.4	0.4	39.0	34.3
C. Fishing	966,136	1,307,928	1,786,488	0.4	0.4	0.4	35.4	36.6
2. INDUSTRY	70,034,336	88,813,240	107,061,273	25.5	24.9	25.0	26.8	20.5
A. Mining and Quarrying	2,914,077	3,858,087	5,174,424	1.1	1.1	1.2	32.4	34.1
B. Manufacturing Industry	55,764,399	71,910,797	87,609,625	20.3	20.2	20.4	29.0	21.8
C. Electricity, Gas, Water	11,355,859	13,044,356	14,277,224	4.1	3.7	3.3	14.9	9.5
3. CONSTRUCTION INDUSTRY	11,398,698	12,662,006	15,380,670	4.1	3.5	3.6	11.1	21.5
4. TRADE	55,935,190	71,329,760	88,714,047	20.3	20.0	20.7	27.5	24.4
A. Wholesale and Retail Trade	45,271,066	58,491,367	72,769,079	16.5	16.4	17.0	29.2	24.4
B. Hotel, Restaurant Services	10,664,124	12,838,393	15,944,968	3.9	3.6	3.7	20.4	24.2
5. TRANSPORTATION and COMMUNICATIONS	41,820,643	53,846,171	62,009,162	15.2	15.1	14.5	28.8	15.2
6. FINANCIAL ORGANIZATIONS	12,944,723	17,884,644	21,603,584	4.7	5.0	5.0	38.2	20.8
7. HOUSING OWNERSHIP	11,637,781	14,653,025	18,398,553	4.2	4.1	4.3	25.9	25.6
8. SELF-EMPLOYED and SERVICES	9,753,592	12,429,089	14,889,331	3.5	3.5	3.5	27.4	19.8
9. (-) RELATIVE BANK SERVICES	8,095,559	7,911,747	10,821,250	2.9	2.2	2.5	-2.3	36.8
10. SECTORS TOTAL (1-9)	237,544,273	305,832,435	365,630,042	86.4	85.7	85.2	28.7	19.6
11. STATE SERVICES	27,838,383	36,561,477	42,548,483	10.1	10.3	9.9	31.3	16.4
12. NON-PROFIT SPECIAL SERVICE ORG.	1,663,999	3,610,383	3,530,102	0.6	1.0	0.8	117.0	-2.2
13. TOTAL (10+11+12)	267,046,655	346,004,296	411,708,627	97.1	97.0	96.0	29.6	19.0
14. IMPORT TAX	10,527,402	13,758,630	18,802,850	3.8	3.9	4.4	30.7	36.7
15. GDP (Buyer Prices) (13+14)	277,574,057	359,762,926	430,511,477	100.9	100.9	100.4	29.6	19.7
16. FOREIGN NET FACTOR INCOME	-2,541,692	-3,082,038	-1,579,134	-0.9	-0.9	-0.4	21.3	-48.8
A. Coming from Abroad	8,030,324	8,415,643	10,040,097	2.9	2.4	2.3	4.8	19.3
B. Going Abroad (-)	10,572,015	11,497,681	11,619,231	3.8	3.2	2.7	8.8	1.1
17. GNP (Buyer Prices) (15+16)	275,032,366	356,680,888	428,932,343	100.0	100.0	100.0	29.7	20.3

Source: SIS

Graph 1. The Growth Rates of the Gross National Product (1987 Producer Prices)



The increase in the public sector consumption expenditures remained at the level of 0.5% due to the continuation of the tight fiscal policy implementation in 2004 and with the influence of the vitality in the domestic demand of the private consumption expenditures, which is one of the most important components of the GDP, it displayed an increase of 10.1%. Thus, there was an increase of 9% in the total consumption expenditures (Table 6).

Table 6. The Gross Domestic Product by the Expense Method

(1987 Prices)

	Value (Billion TL)			Share (%)			Change (%)	
	2002	2003	2004	2002	2003	2004	2003	2004
PRIVATE FINAL CONSUMER EXPENSES	74,894	79,862	87,897	63.0	63.5	64.1	6.6	10.1
FOODS-BEVERAGES	27,600	28,731	29,534	23.2	22.8	21.5	4.1	2.8
DURABLE CONSUMER GOODS	11,213	13,905	18,037	9.4	11.1	13.2	24.0	29.7
SEMI-DURABLE AND UNDURABLE CONSUMER GOODS	11,275	11,517	13,684	9.5	9.2	10.0	2.1	18.8
ENERGY-TRANSPORTATION-COMMUNICATIONS	10,613	10,846	10,882	8.9	8.6	7.9	2.2	0.3
SERVICES	7,779	8,359	9,137	6.5	6.6	6.7	7.5	9.3
HOUSING OWNERSHIP	6,414	6,504	6,623	5.4	5.2	4.8	1.4	1.8
FINAL CONSUMER EXPENSES BY THE STATE	9,940	9,697	9,748	8.4	7.7	7.1	-2.4	0.5
SALARY-WAGES	5,082	5,125	5,184	4.3	4.1	3.8	0.8	1.2
OTHER CURRENT	4,858	4,572	4,564	4.1	3.6	3.3	-5.9	-0.2
COMPOSITION OF THE GROSS FIXED CAPITAL	22,532	24,782	32,802	18.9	19.7	23.9	10.0	32.4
PUBLIC SECTOR	7,325	6,482	6,180	6.2	5.2	4.5	-11.5	-4.7
MACHINERY-EQUIPMENT	1,834	1,482	1,702	1.5	1.2	1.2	-19.2	14.8
BUILDING CONSTRUCTION	2,317	1,699	1,284	1.9	1.4	0.9	-26.7	-24.4
CONSTRUCTION OTHER THAN BUILDINGS	3,174	3,301	3,194	2.7	2.6	2.3	4.0	-3.2
PRIVATE SECTOR	15,207	18,300	26,622	12.8	14.5	19.4	20.3	45.5
MACHINERY-EQUIPMENT	8,398	12,268	19,666	7.1	9.8	14.3	46.1	60.3
BUILDING CONSTRUCTION	6,809	6,032	6,957	5.7	4.8	5.1	-11.4	15.3
CHANGES IN STOCK	6,121	9,714	11,145	5.1	7.7	8.1	-	-
EXPORTS OF GOODS AND SERVICES	46,787	54,264	61,033	39.3	43.1	44.5	16.0	12.5
IMPORTS OF GOODS AND SERVICES (-)	41,350	52,541	65,515	34.8	41.8	47.8	27.1	24.7
GROSS DOMESTIC PRODUCT	118,923	125,778	137,110	100.0	100.0	100.0	5.8	9.0
STATISTICAL ERROR	-311	-293	-417				-	-
GROSS DOMESTIC PRODUCT (*)	118,612	125,485	136,693				5.8	8.9

Source: SIS

(*) Gross Domestic Product by Production

The public sector fixed capital investments decreased 4.7% and the private sector fixed capital investments increased 45.5%, with a 60.3% increase in the machinery-equipment investments and a 15.3% increase in building construction. Thus, there was an increase of 32.4% in the total fixed capital investments.

In 2004, the ratio of the consumption expenditures to the GDP was 79.9% and the ratio of the fixed capital investments to the GDP was 18% (Table 7).

Table 7. The Gross Domestic Product by the Expense Method

	(Current Prices)								
	Value (Billion TL)			Share (%)			Change (%)		
	2002	2003	2004	2002	2003	2004	2003	2004	
PRIVATE FINAL CONSUMER EXPENSES	184,420,201	239,585,900	284,631,317	66.3	66.8	66.6	29.9	18.8	
FOODS-BEVERAGES	63,760,612	83,880,149	93,970,535	22.9	23.4	22.0	31.6	12.0	
DURABLE CONSUMER GOODS	19,270,685	28,433,994	40,537,186	6.9	7.9	9.5	47.6	42.6	
SEMI-DURABLE AND UNDURABLE CONSUMER GOODS	27,017,415	33,540,947	41,440,281	9.7	9.4	9.7	24.1	23.6	
ENERGY-TRANSPORTATION-COMMUNICATIONS	40,021,205	50,005,828	55,249,927	14.4	13.9	12.9	24.9	10.5	
SERVICES	21,757,580	27,900,423	33,518,736	7.8	7.8	7.8	28.2	20.1	
HOUSING OWNERSHIP	12,592,704	15,824,558	19,914,652	4.5	4.4	4.7	25.7	25.8	
FINAL CONSUMER EXPENSES BY THE STATE	38,721,957	49,004,499	56,775,481	13.9	13.7	13.3	26.6	15.9	
SALARY-WAGES	27,838,383	36,561,477	42,548,483	10.0	10.2	10.0	31.3	16.4	
OTHER CURRENT	10,883,574	12,443,022	14,226,998	3.9	3.5	3.3	14.3	14.3	
COMPOSITION OF THE GROSS FIXED CAPITAL	46,043,018	55,618,335	76,722,408	16.5	15.5	18.0	20.8	37.9	
PUBLIC SECTOR	14,784,108	14,992,122	16,058,028	5.3	4.2	3.8	1.4	7.1	
MACHINERY-EQUIPMENT	3,949,689	3,200,509	3,834,095	1.4	0.9	0.9	-19.0	19.8	
BUILDING CONSTRUCTION	4,447,870	3,861,581	3,360,307	1.6	1.1	0.8	-13.2	-13.0	
CONSTRUCTION OTHER THAN BUILDINGS	6,386,549	7,930,032	8,863,626	2.3	2.2	2.1	24.2	11.8	
PRIVATE SECTOR	31,258,910	40,626,213	60,664,380	11.2	11.3	14.2	30.0	49.3	
MACHINERY-EQUIPMENT	17,309,762	25,598,545	40,801,346	6.2	7.1	9.6	47.9	59.4	
BUILDING CONSTRUCTION	13,949,149	15,027,668	19,863,034	5.0	4.2	4.7	7.7	32.2	
CHANGES IN STOCK	13,133,761	26,328,924	33,973,663	4.7	7.3	8.0	-	-	
EXPORTS OF GOODS AND SERVICES	81,134,076	98,496,338	124,348,181	29.2	27.5	29.1	21.4	26.2	
IMPORTS OF GOODS AND SERVICES (-)	85,232,383	110,334,367	149,299,109	30.6	30.8	35.0	29.5	35.3	
GROSS DOMESTIC PRODUCT	278,220,631	358,699,629	427,151,940	100.0	100.0	100.0	28.9	19.1	
STATISTICAL ERROR	-646,573	1,063,297	3,359,537				-	-	
GROSS DOMESTIC PRODUCT (*)	277,574,057	359,762,926	430,511,477				29.6	19.7	

Source: SIS

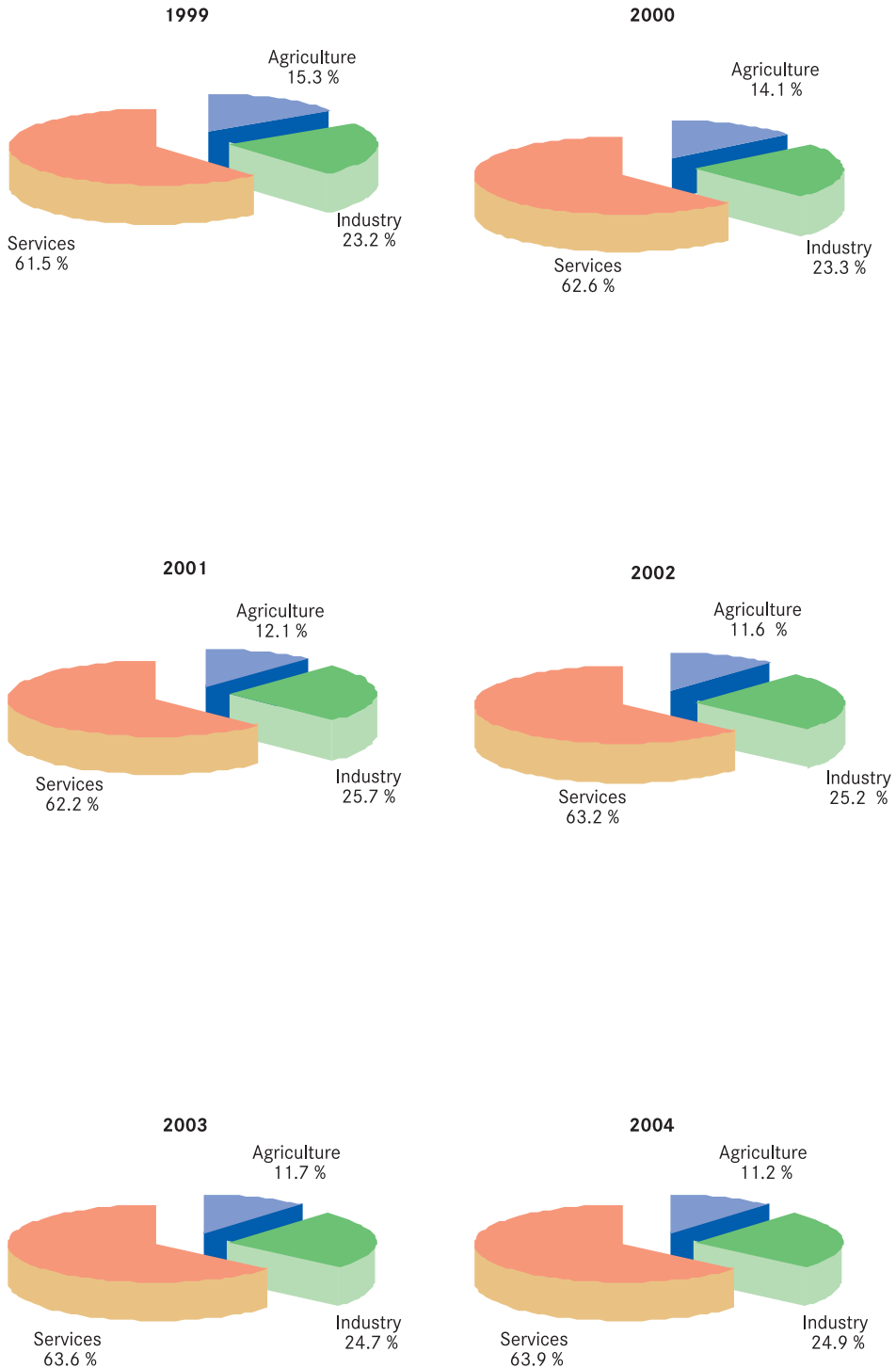
(*) Gross Domestic Product by Production

In 2004, the ratio of the agricultural sector share within the GDP was 11.2%, the ratio of the industrial sector share within the GDP was 24.9% and the ratio of the services sector share within the GDP was 63.9% (Table 8).

Table 8. Shares of Sectors in the GDP

Sectors	(Current Producer Prices)						
	1998	1999	2000	2001	2002	2003	2004
Agriculture	17.5	15.3	14.1	12.1	11.6	11.7	11.2
Industry	22.9	23.2	23.3	25.7	25.2	24.7	24.9
Services	59.6	61.5	62.6	62.2	63.2	63.6	63.9
GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: SIS

Graph 2. Sectoral Distribution of the GDP (Current Producer Prices)

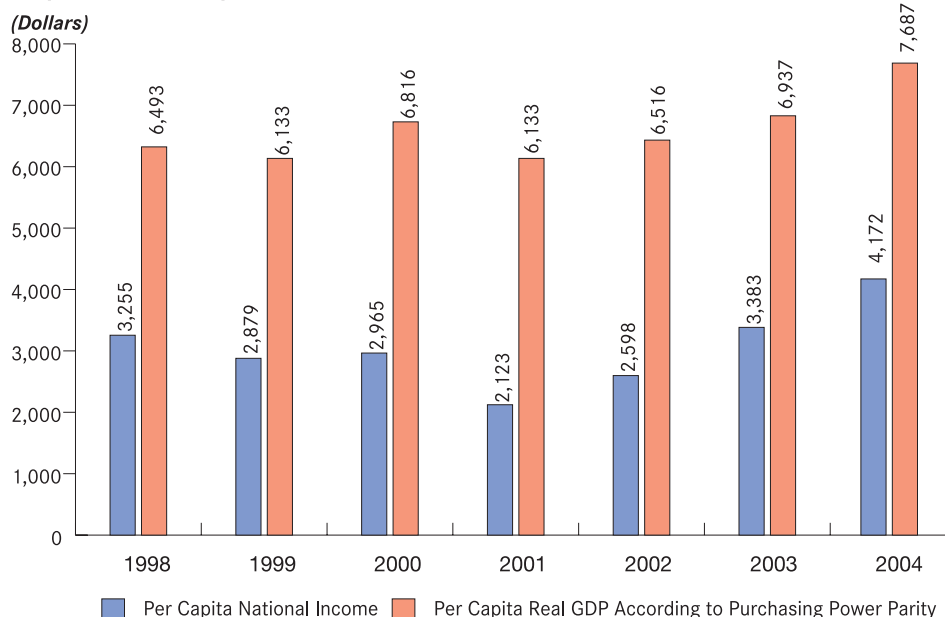
The per capital GNP in 2004, besides the growth occurring in the economy, increased 23.3% and rose to US\$4,172, also with the effect of the Turkish Lira gaining value against the US dollar. The per capita GNP with 1987 prices, with an increase of 8.2% became 1,885,000 TL and the per capita GDP according to the Purchasing Power Parity increased 10.8% compared to the previous year and became US\$7,687 (Table 9).

Table 9. The Per Capita Income

Years	Current Prices				1987 Prices		Per Capita Real GDP According to Purchasing Power Parity Dollar	Change (%)
	TL	Change (%)	Dollar	Change (%)	TL	Change (%)		
1998	843,358,573	-	3,255	-	1,880,016	-	6,493	-
1999	1,216,609,421	44.3	2,879	-11.6	1,741,293	-7.4	6,133	-5.5
2000	1,861,759,072	53.0	2,965	3.0	1,766,124	1.4	6,816	11.1
2001	2,571,977,513	38.1	2,123	-28.4	1,570,770	-11.1	6,133	-10.0
2002	3,950,138,827	53.6	2,598	22.4	1,670,893	6.4	6,516	6.2
2003	5,044,135,199	27.7	3,383	30.2	1,741,783	4.2	6,937	6.5
2004	5,974,903,440	18.5	4,172	23.3	1,884,802	8.2	7,687 (*)	10.8

Source: SIS
(*) Provisional

Graph 3. The Per Capita Income



2. Sectoral Developments

a. Agriculture

The added value of the agricultural sector increased 2.7% in the first quarter and increased 4.3% in the second quarter, decreased 1.4% in the third quarter and grew 9.1% in the fourth quarter of 2004. Thus, a growth of 2% occurred in the added value of the agricultural sector throughout 2004. In general, an increase in productivity and production occurred in the agricultural sector in 2004 due to the suitable climatic conditions. The highest production increases in selected agricultural products were 40.2% with tobacco and in rice at 31.7% connected to an expansion in the production areas. The production of soybeans decreased 41.2% and the production of potatoes decreased 9.4% (Table 10).

Table 10. Production of Some Selected Agricultural Products

	(Thousand Tons)							
								Change (%)
Name of Product	1998	1999	2000	2001	2002	2003	2004	2004/2003
Cereals								
Wheat	21,000	18,000	21,000	19,000	19,500	19,000	21,000	10.5
Barley	9,000	7,700	8,000	7,500	8,300	8,100	9,000	11.1
Corn	2,300	2,297	2,300	2,200	2,100	2,800	3,000	7.1
Rice	315	340	350	360	360	372	490	31.7
Pulses								
Chickpeas	625	560	548	535	650	600	620	3.3
Lentils	540	380	353	520	565	540	540	0.0
Beans	236	237	230	225	250	250	250	0.0
Common Vetch	140	130	134	127	130	121	130	7.4
Industrial Plants								
Tobacco	251	243	200	145	153	112	157	40.2
Sugar Beets	22,283	17,102	18,821	12,633	16,523	12,623	13,517	7.1
Cotton (Unginned)	2,276	2,026	2,261	2,358	2,542	2,346	2,390	1.9
Oil Seeds								
Sunflower	860	950	800	650	850	800	900	12.5
Sesame	34	28	24	23	22	22	23	4.5
Soybean	60	66	45	50	75	85	50	-41.2
Tuberous Plants								
Onions (Dried)	2,270	2,500	2,200	2,150	2,050	1,750	2,040	16.6
Potatoes	5,250	6,000	5,370	5,000	5,200	5,300	4,800	-9.4

Source: SIS

There was an increase in olive production of 88.2% due to the fact that it was an abundant year, an increase of 21.8% in tangerine production, an increase of 9.1% in lemon production, an increase of 4% in orange production and an increase of 2.1% in chestnut production. There was a decrease in pistachio nut production of 66.7% due to the fact that it was a scarce year, and a decrease occurred in the production of other fruits connected to the freeze experienced in April. Decreases of 30.4% in

apricot production, 27.3% in quince production and 27.1% in hazelnut production were observed (Table 11).

Table 11. Production of Selected Fruits

	(Thousand Tons)							
								Change (%)
Name of Product	1998	1999	2000	2001	2002	2003	2004	2004/2003
Soft Seeded								
Pears	360	360	380	360	340	370	320	-13.5
Apples	2,450	2,500	2,400	2,450	2,200	2,600	2,100	-19.2
Quinces	95	92	105	102	110	110	80	-27.3
Hard Stones								
Plums	200	195	195	200	200	210	210	0.0
Apricots	490	335	530	470	315	460	320	-30.4
Cherries	195	250	230	250	210	265	245	-7.5
Peaches	410	400	430	460	455	470	372	-20.9
Sour Cherries	95	125	106	120	100	145	138	-4.8
Olives	1,650	600	1,800	600	1,800	850	1,600	88.2
Citrus Fruits								
Grapefruits	100	140	130	135	125	135	135	0.0
Lemons	390	520	460	510	525	550	600	9.1
Tangerines	480	500	560	580	590	550	670	21.8
Oranges	970	1,100	1,070	1,250	1,250	1,250	1,300	4.0
Hard Shelled								
Pistachios	35	40	75	30	35	90	30	-66.7
Almonds	36	43	47	42	41	41	37	-9.8
Walnuts	120	120	116	116	120	130	126	-3.1
Hazelnuts	580	530	470	625	600	480	350	-27.1
Chestnuts	55	53	50	47	47	48	49	2.1
Grape-like Fruits								
Figs	255	275	240	235	250	280	275	-1.8
Grapes	3,600	3,400	3,600	3,250	3,500	3,600	3,500	-2.8

Source: SIS

The highest production decreases in selected vegetables were observed in bell peppers at 10.7%, in fresh onions at 5.9%, in tomatoes at 3.9% and in cabbage at 3.8%. The highest production increases were realized in okra at 19.4%, in broad beans at 11.4% and in carrots at 8.1% (Table 12).

The starting support purchase prices of agricultural products did not change in 2004 compared to 2003, but increased to 102% in hazelnuts, 66.7% in mohair, 22.8% in barley, 15% in tea, 14% in wheat and 12% in opium capsules. They decreased 28.6% in seedless raisins, 23.3% in silkworm cocoons and 2.4% in dried figs. The starting purchase prices were determined to be 5,050,000 TL in hazelnuts, 3,000,000 TL in mohair, 264,000 TL in barley, 460,000 TL in tea, 370,500 TL in wheat, 1,680,000 TL in opium capsules, 1,000,000 TL in seedless raisins, 2,300,000 TL in silkworm cocoons and 2,050,000 TL in dried figs (Table 13).

Table 12. Production of Selected Vegetables

Name of Product	(Thousand Tons)							Change (%)
	1998	1999	2000	2001	2002	2003	2004	
Eggplants	915	976	924	945	955	935	900	-3.7
Cucumbers	1,475	1,650	1,825	1,740	1,670	1,780	1,725	-3.1
Tomatoes	8,290	8,956	8,890	8,425	9,450	9,820	9,440	-3.9
Okras	25	25	28	30	31	36	43	19.4
Peppers (Long thin)	1,010	1,069	1,090	1,150	1,340	1,370	1,325	-3.3
Peppers (Bell)	390	393	390	410	410	420	375	-10.7
Beans	455	471	514	490	515	545	582	6.8
Fava Beans	47	45	45	45	44	44	49	11.4
Green Onions	210	218	228	225	210	220	207	-5.9
Carrots	232	239	235	230	235	405	438	8.1
Cauliflowers	83	77	90	88	90	108	110	1.9
Cabbages (Head-Red)	612	621	622	610	620	629	605	-3.8
Celery Roots	16	17	17	16	19	18	18	0.0
Lettuce (Crinkly-Leaved)	105	110	118	130	145	150	162	8.0
Lettuce (Firm-Hearted)	195	197	215	220	200	190	200	5.3
Spinach	191	200	205	210	220	220	213	-3.2
Leeks	302	314	308	300	290	305	295	-3.3

Source: SIS

Table 13. Initial Purchase Prices for Some Agricultural Products

Products	Prices (1000 TL/Kg)				Change (%)		
	2001	2002	2003	2004	2002	2003	2004
Wheat (for bread)	164.0	230.0	325.0	370.5	40.2	41.3	14.0
Barley (white)	131.2	149.5	215.0	264.0	13.9	43.8	22.8
Corn	155.8	218.5	310.0	332.0	40.2	41.9	7.1
Cotton (Aegean) ⁽¹⁾	680.0	800.0	900.0	900.0	17.6	12.5	0.0
Sugar Beets	50.0	79.5	88.8	98.9	59.0	11.7	11.4
Sunflowers	325.0	400.0	460.0	485.0	23.1	15.0	5.4
Hazelnuts	1,500.0	1,615.0	2,500.0	5,050.0	7.7	54.8	102.0
Dried Figs	1,300.0	2,250.0	2,100.0	2,050.0	73.1	-6.7	-2.4
Dried Seedless Raisins	800.0	1,250.0	1,400.0	1,000.0	56.3	12.0	-28.6
Mohair ⁽²⁾	1,600.0	1,100.0	1,800.0	3,000.0	-31.3	63.6	66.7
Opium Capsules	980.0	1,300.0	1,500.0	1,680.0	32.7	15.4	12.0
Silkworm Cocoons ⁽²⁾	3,500.0	2,000.0	3,000.0	2,300.0	-42.9	50.0	-23.3
Tea	250.0	320.0	400.0	460.0	28.0	25.0	15.0

Source: SPO

(1) Excluding support premiums.

(2) Including the support premiums. Additionally, direct support payments of 5 million TL were made per kg for mohair products in 2002, 6 million TL in 2003 and 6.6 million TL in 2004 and direct support payments of 5.5 million TL were made per kg for silkworm cocoon products in 2002, 7 million TL in 2003 and 7.7 million TL in 2004.

b. Industry

The expansion experienced in the industrial sector added value in 2003 also continued in 2004. The vitality in the domestic demand, the increase in productivity and the developments experienced in exports played an important role in the increase in the added value of the industrial sector.

The industrial sector added value increased 10.4% in the first quarter, 15.7% in the second quarter, 7.5% in the third quarter and 4% in the fourth quarter of 2004. Thus, there was an increase of 9.4% in the industrial sector added value in 2004 compared to 2003. As of sub-sectors, there were increases of 2.6% in the added value of the mining and quarrying sector, 10.1% in the added value of the manufacturing industry sector and 6.1% in the added value of the energy sector (Table 14).

Table 14. Rates of Change in Added Value in the Industrial Sector (1987 Producer Prices)

	(%)						
Sectors	1998	1999	2000	2001	2002	2003	2004
Mining	9.3	-7.3	-1.1	-8.8	-4.4	-2.9	2.6
Manufacturing Industry	1.2	-5.7	6.4	-8.2	10.4	8.6	10.1
Electricity, Gas and Water	5.3	1.3	6.5	-2.1	8.0	5.7	6.1
Total Industry	2.0	-5.0	6.0	-7.5	9.4	7.8	9.4

Source: SIS

The share of the industrial sector within the GDP was 24.7% in 2003 and it rose to 24.9% in 2004. As of sub-sectors, the share of the mining sector was 1.2%, the share of the manufacturing industry sector was 20.4% and the share of the energy sector was 3.3% (Table 15).

Table 15. The Share of the Industrial Sector Added Value in the GDP (Current Producer Prices)

	(%)						
Sectors	1998	1999	2000	2001	2002	2003	2004
Mining	1.1	1.1	1.1	1.2	1.0	1.1	1.2
Manufacturing Industry	19.4	19.2	19.2	20.6	20.1	20.0	20.4
Electricity, Gas and Water	2.4	2.9	3.0	3.9	4.1	3.6	3.3
Total Industry	22.9	23.2	23.3	25.7	25.2	24.7	24.9

Source: SIS

There were increases in the industrial sector production of 10.6% in the first quarter, of 16.2% in the second quarter, of 8.5% in the third quarter and of 4.4% in the fourth quarter of 2004. Thus, the industrial production, which increased 8.7% in 2003, increased 9.8% in 2004. The increase in industrial production was mainly

stemming from the increase in the private sector production. The private sector industrial production increased 12.1% and the increase in the public sector industrial production remained at the level of 1.6% (Table 16).

Table 16. Industrial Production Index and Rates of Change (1997=100)

Years	Production Index			Change (%)		
	State	Private	Total	State	Private	Total
2001	96.2	93.8	94.4	-	-	-
2002	95.5	106.4	103.4	-0.7	13.4	9.5
2003	91.2	120.5	112.4	-4.5	13.3	8.7
2004	92.7	135.1	123.4	1.6	12.1	9.8

Source: SIS

b.1. Mining

The mining sector added value decreased 6.1% in the first quarter and increased 3.5% in the second quarter, 6.7% in the third quarter and 4.4% in the fourth quarter of 2004. There was a total growth of 2.6% in the mining sector added value in 2004.

The mining sector production decreased 9.8% in the first quarter and increased 10.1% in the second quarter, 6.9% in the third quarter and 7.7% in the fourth quarter of 2004. As of the end of the year, there was an increase of 4% in the total mining sector production. There was a decrease of 0.4% in the public sector production and an increase of 15.5% in the private sector production (Table 17).

Table 17. Mining Production Index and Rates of Change (1997=100)

Years	Production Index			Change (%)		
	State	Private	Total	State	Private	Total
2001	90.9	85.3	89.6	-	-	-
2002	79.5	90.8	82.2	-12.5	6.4	-8.3
2003	75.2	92.9	79.4	-5.4	2.3	-3.4
2004	74.9	107.3	82.6	-0.4	15.5	4.0

Source: SIS

In coal mining, there was a 9% decrease in the public sector production and an 18.5% increase in the private sector production. The total coal mining production decreased 6.7%. Crude oil and natural gas production increased 0.5%, the private sector production decreased 2.4% and the public sector production increased 1.5%. There was a 0.6% increase in metal ore production, a decrease of 7.2% in the pub-

lic sector production and a 35.4% increase in the private sector production. The production of metals other than these increased 20.1% and there was an increase of 17.4% in the private sector production and an increase of 23.5% in the public sector production (Tables 18, 19).

Table 18. The Mining Production Index as of Sectors (1997=100)

Sectors	2002			2003			2004		
	State	Private	Total	State	Private	Total	State	Private	Total
Mining	79.5	90.8	82.2	75.2	92.9	79.4	74.9	107.3	82.6
Coal Mining	87.9	84.1	87.6	78.2	84.8	78.8	71.2	100.5	73.5
Crude Oil-Natural Gas	68.9	91.2	73.3	67.9	94.1	73.0	68.9	91.8	73.4
Metal Ore Mining	55.5	25.8	46.8	56.9	30.5	49.1	52.8	41.3	49.4
Other Mining	84.1	112.5	98.2	87.9	113.9	100.8	108.6	133.7	121.1

Source: SIS

Table 19. Rates of Change in the Mining Production Index as of Sectors

Sectors	2002			2003			2004		
	State	Private	Total	State	Private	Total	State	Private	Total
Mining	-12.5	6.4	-8.3	-5.4	2.3	-3.4	-0.4	15.5	4.0
Coal Mining	-14.6	25.3	-12.5	-11.0	0.8	-10.0	-9.0	18.5	-6.7
Crude Oil-Natural Gas	-5.2	-4.3	-4.9	-1.5	3.2	-0.4	1.5	-2.4	0.5
Metal Ore Mining	-23.2	-9.5	-21.2	2.5	18.2	4.9	-7.2	35.4	0.6
Other Mining	-6.5	7.4	1.0	4.5	1.2	2.6	23.5	17.4	20.1

Source: SIS

b.2. Manufacturing Industry

The manufacturing industry added value increased 11.5% in the first quarter, 17.1% in the second quarter, 8.1% in the third quarter and 3.9% in the fourth quarter of 2004. There was a 10.1% increase in the manufacturing industry added value as of the end of the year.

There was a 12% increase in the manufacturing industry production in the first quarter, a 17.2% increase in the second quarter, an 8.7% increase in the third quarter and a 4.2% increase in the fourth quarter of 2004. Thus, the total manufacturing industry production, which increased 9.3% in 2003, increased 10.4% in 2004. This development stems from the increase in the private sector production. The private sector manufacturing industry production increased 12.7% and the public sector manufacturing industry production decreased 0.4% (Tables 20, 21, 22).

Table 20. Production Index in the Manufacturing Industry and Rates of Change (1997=100)

Years	Production Index			Change (%)		
	State	Private	Total	State	Private	Total
2001	89.6	93.2	92.4	-	-	-
2002	93.8	104.8	102.5	4.7	12.4	10.9
2003	95.8	116.3	112.0	2.1	11.0	9.3
2004	95.4	131.1	123.6	-0.4	12.7	10.4

Source: SIS

Table 21. Production Index in the Manufacturing Industry (1997=100)

Manufacturing Industry and Some Sub-Sectors	2002			2003			2004		
	State	Private	Total	State	Private	Total	State	Private	Total
Total Manufacturing Industry	93.8	104.8	102.5	95.8	116.3	112.0	95.4	131.1	123.6
Food Prod. and Beverage Prod.	91.9	106.1	104.6	79.0	116.8	112.6	60.1	118.4	112.1
Textile Products Production	18.1	104.1	102.3	4.9	106.6	104.4	0.5	105.1	102.9
Clothing Products Production	16.0	111.7	108.8	3.8	113.2	110.7	0.0	114.6	114.6
Leather Processing, Suitcase, Purse	30.5	88.0	84.1	3.1	88.6	82.8	0.0	92.5	92.5
Lumber and Cork Products Prod.	0.0	116.1	116.1	0.0	114.1	114.1	0.0	133.7	133.7
Paper and Paper Products Prod.	64.3	106.0	101.2	26.8	121.7	110.9	8.9	127.0	113.6
Chemical Goods Production	87.6	115.5	110.8	84.3	128.0	120.5	86.6	150.9	139.9
Plastic-Rubber Products Prod.	0.0	122.7	122.7	0.0	141.9	141.9	0.0	160.0	160.0
Metal Main Industry	93.0	116.0	107.1	105.9	128.5	119.8	112.3	147.2	133.7

Source: SIS

Table 22. Rates of Change in the Production Indices of the Manufacturing Industry

Manufacturing Industry and Some Sub-Sectors	2002			2003			2004		
	State	Private	Total	State	Private	Total	State	Private	Total
Total Manufacturing Industry	4.7	12.4	10.9	2.1	11.0	9.3	-0.4	12.7	10.4
Food Prod. and Beverage Prod.	-7.8	4.0	2.9	-14.0	10.1	7.6	-23.9	1.4	-0.4
Textile Products Production	-55.6	13.2	12.5	-72.9	2.4	2.1	-89.8	-1.4	-1.4
Clothing Products Production	-21.6	3.5	3.3	-76.3	1.3	1.7	0.0	1.2	3.5
Leather Processing, Suitcase, Purse	-34.0	17.2	15.0	-89.8	0.7	-1.5	0.0	4.4	11.7
Lumber and Cork Products Prod.	0.0	18.1	18.1	0.0	-1.7	-1.7	0.0	17.2	17.2
Paper and Paper Products Prod.	-16.1	25.1	20.8	-58.3	14.8	9.6	-66.8	4.4	2.4
Chemical Goods Production	9.2	15.0	14.2	-3.8	10.8	8.8	2.7	17.9	16.1
Plastic-Rubber Products Prod.	0.0	12.4	12.4	0.0	15.6	15.6	0.0	12.8	12.8
Metal Main Industry	5.7	12.3	10.1	13.9	10.8	11.9	6.0	14.6	11.6

Source: SIS

The manufacturing industry rate of capacity utilization, which was 78.3% in 2003, increased 2.9 points in 2004 and rose to 81.2%. The rate of capacity utilization increased 1.7 points and rose to 85.5% in the public sector and increased 3.5 points and rose to 79.4% in the private sector (Table 23).

Graph 4. Production Index in the Manufacturing Industry

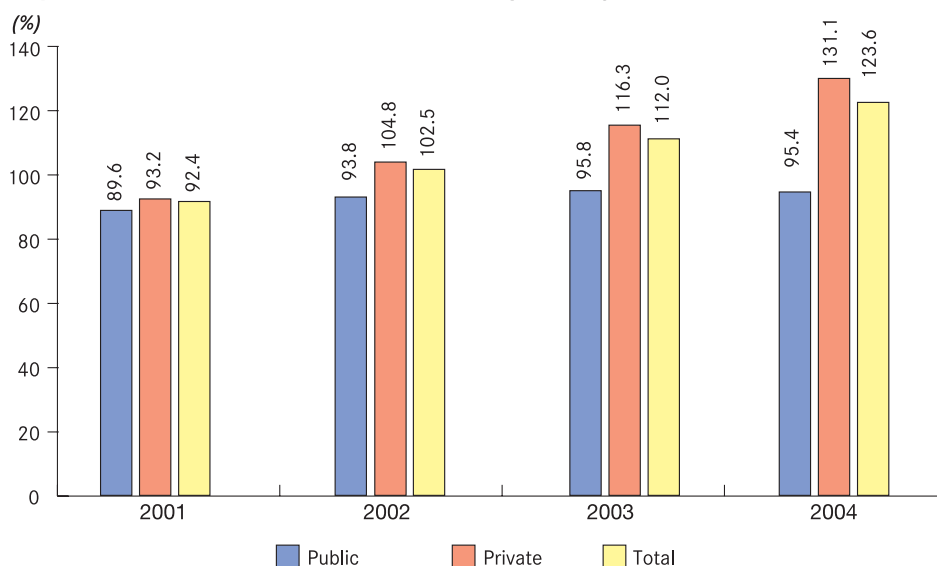


Table 23. The Rates of Capacity Utilization in the Manufacturing Industry (Production Value Weighted)

Sectors	2002			2003			2004		
	State	Private	Total	State	Private	Total	State	Private	Total
Total Manufacturing Industry	81.6	72.7	75.4	83.8	75.9	78.3	85.5	79.4	81.2
Food Prod. and Beverage Prod.	75.1	63.8	66.0	78.9	68.6	70.8	72.0	71.0	71.4
Textile Products Production	43.8	82.8	82.5	24.4	81.1	81.0	39.3	80.4	80.4
Clothing Products Production	12.7	84.3	84.1	0.0	84.7	84.7	0.0	83.5	83.5
Leather Processing, Suitcase, Purse	21.8	63.4	60.4	7.2	70.5	69.7	0.0	65.0	65.0
Lumber and Cork Products Prod.	0.0	87.0	87.0	0.0	81.1	81.1	0.0	86.9	86.9
Paper and Paper Products Prod.	65.5	81.3	78.5	62.7	83.2	81.8	63.4	85.9	85.1
Chemical Goods Production	90.6	72.4	76.9	85.5	73.1	76.9	91.1	75.6	79.4
Plastic-Rubber Products Prod.	0.0	76.7	76.7	0.0	78.8	78.8	0.0	82.5	82.5
Metal Main Industry	84.9	71.6	75.3	94.3	74.8	80.7	92.3	80.6	84.3

Source: SIS

Production of Food Products and Beverages

The production of food products and beverages decreased 2.4% in the first quarter, increased 2.6% in the second quarter, decreased 0.2% in the third quarter and decreased 2.1% in the fourth quarter of 2004. The total production of food products and beverages, which increased 7.6% in 2003, decreased 0.4% in 2004. The production of food products and beverages decreased 23.9% in the public sector and increased 1.4% in the private sector. The rate of capacity utilization, which was 70.8% in 2003, rose to 71.4% in 2004.

Production of Textile Products

The production of textile products increased 1.6% in the first quarter, decreased 1.4% in the second and third quarters and decreased 4.6% in the fourth quarter of 2004. The total textile products production, which increased 2.1% in 2003, decreased 1.4% in 2004. There was a decrease of 89.8% in the public sector textile production and a 1.4% decrease in the private sector textile production. The rate of capacity utilization, which was 81% in 2003, decreased to 80.4% in 2004.

Production of Clothing Goods

The production of clothing goods increased 2% in the first quarter, 2.3% in the second quarter, 10.2% in the third quarter and decreased 0.3% in the fourth quarter of 2004. At the end of these changes, the total clothing goods production, which increased 1.7% in 2003, increased 3.5% in 2004. There was no production in the public sector and there was an increase of 1.2% in the private sector production. The rate of capacity utilization, which was 84.7% in 2003, decreased to 83.5% in 2004.

Leather Processing and Suitcase, Purse Production

Leather processing and suitcase and purse production increased 28.5% in the first quarter, 12.9% in the second quarter, 19.5% in the third quarter and decreased 8.5% in the fourth quarter of 2004. Thus, leather processing and suitcase and purse production, which decreased 1.5% in 2003, increased 11.7% in 2004. There was no production in the public sector and there was an increase of 4.4% in the private sector production. The rate of capacity utilization, which was 69.7% in 2003, decreased to 65% in 2004.

Lumber and Cork Products Production

There was an increase of 8.6% in the lumber and cork products production in the first quarter, an increase of 16.1% in the second quarter, an increase of 13.4% in the third quarter and an increase of 28.8% in the fourth quarter of 2004. At the end of these developments, the lumber and cork products production, which decreased 1.7% in 2003, increased 17.2% in 2004 connected to the increase in private sector production. The rate of capacity utilization, which was 81.1% in 2003, was realized at the level of 86.9% in 2004.

Paper and Paper Products Production

Paper and paper products production dropped 5.9% in the first quarter, increased 0.8% in the second quarter, increased 11.7% in the third quarter and

increased 3.5% in the fourth quarter of 2004. The paper and paper products production, which grew 9.6% in 2003, grew 2.4% in 2004. There was a decrease of 66.8% in the public sector production and an increase of 4.4% in the private sector production. The rate of capacity utilization, which was 81.8% in 2003, rose to 85.1% in 2004.

Chemical Goods Production

Chemical goods production increased 9.1% in the first quarter, 27.9% in the second quarter, 19.2% in the third quarter and 8.2% in the fourth quarter of 2004. There was an increase of 16.1% in chemical goods production in 2004. There was an increase of 2.7% in the public sector production and an increase of 17.9% in the private sector production. The rate of capacity utilization in the chemical industry, which was 76.9% in 2003, rose to 79.4% in 2004.

Plastic and Rubber Products Production

There was an increase of 11.9% in the plastic and rubber products production in the first quarter, an increase of 14.6% in the second quarter, an increase of 15.5% in the third quarter and an increase of 8.9% in the fourth quarter of 2004. The total plastic and rubber products production increased 12.8%. The rate of capacity utilization, which was 78.8% in 2003, rose to 82.5% in 2004.

Main Metal Industry

The main metal industry production increased 12.6% in the first quarter, 11.9% in the second quarter, 12.5% in the third quarter and 9.7% in the fourth quarter of 2004. At the end of these developments, there was an 11.6% increase in the main metal industry production in 2004. There was an increase of 6% in the public sector production and an increase of 14.6% in the private sector production. The rate of capacity utilization, which was 80.7% in 2003, rose to 84.3% in 2004.

The Production of Selected Industrial Goods and the Sales of Durable Consumer Goods

In 2004, the highest production increase in the selected industrial goods was realized in the production of T.S.P. at 25.6%. It was followed by increases in bloom iron at 17.8%, cast iron at 17.7% and fluid steel and ammonium sulfate at 12.6%. The largest decrease was 73.3% in D.A.P. production. It was followed by decreases of 66% in cubed sugar, 48.2% in sulfuric acid, 43.6% in super gasoline and 21.2% in the production of bloom+slab (Table 24).

Table 24. Production of Selected Industrial Goods

Goods	Production (Tons)			Change (%)	
	2002	2003	2004	2003	2004
Crude Oil (Thousand Tons)	2,440	2,375	2,276	-2.7	-4.2
Hard Coal (Thousand Tons)	3,312	2,998	2,843	-9.5	-5.2
Lignite (Thousand Tons)	48,187	42,938	39,223	-10.9	-8.7
Crystallized Sugar	1,935,742	1,874,554	1,921,294	-3.2	2.5
Cubed Sugar	8,321	6,683	2,273	-19.7	-66.0
Filtered Cigarettes	131,366	111,859	106,738	-14.8	-4.6
Cotton Thread	150,306	147,685	138,364	-1.7	-6.3
Cotton Textiles (1000 m)	216,678	190,625	193,232	-12.0	1.4
Wool Yarn	8,868	8,874	9,354	0.1	5.4
Woolen Textiles (1000 m)	22,135	23,924	25,119	8.1	5.0
Paper	72,065	81,715	79,695	13.4	-2.5
Newsprint	54,114	20,093	0	-62.9	-
Sulfuric Acid	629,786	545,933	282,535	-13.3	-48.2
Ammonium Sulfate	194,320	97,982	110,361	-49.6	12.6
Urea 46% N	537,086	487,845	498,876	-9.2	2.3
T.S.P.	60,604	86,550	108,692	42.8	25.6
D.A.P.	164,998	105,223	28,111	-36.2	-73.3
Composed Fertilizer	1,326,582	1,394,176	1,452,928	5.1	4.2
L.P.G.	757,634	773,612	774,998	2.1	0.2
Regular Gasoline	414,562	74,333	77,115	-82.1	3.7
Super Gasoline	952,394	1,147,723	647,067	20.5	-43.6
Kerosene	70,360	104,427	90,943	48.4	-12.9
Diesel Fuel	7,736,234	8,086,464	7,673,207	4.5	-5.1
No. 6 Fuel Oil	6,835,282	6,888,405	6,979,167	0.8	1.3
Cement	32,576,701	35,076,902	38,019,112	7.7	8.4
Raw Iron	5,012,133	5,693,764	5,835,889	13.6	2.5
Fluid Steel	16,045,522	17,644,020	19,858,577	10.0	12.6
Cast Iron	157,622	181,080	213,210	14.9	17.7
Bloom+Slab	5,659,867	6,069,468	4,781,920	7.2	-21.2
Bloom Iron	6,046,983	6,332,275	7,456,551	4.7	17.8
Round Iron	3,194,417	3,726,614	4,031,488	16.7	8.2
Angle+Profile Iron	13,556	60,459	66,168	346.0	9.4
Plate Iron	48,032	48,227	53,612	0.4	11.2
DKP Sheet Iron	2,354,375	2,407,479	2,515,351	2.3	4.5
Blister Copper	19,375	14,425	11,860	-25.5	-17.8
Electricity (Million KWH)	129,367	140,284	149,881	8.4	6.8

Source: SIS

Of the selected industrial goods, the crude oil production decreased 4.2% and dropped from 2,375,000 tons to 2,276,000 tons. The hard coal production decreased 6.2% and dropped from 2,998,000 tons to 2,843,000 tons. The lignite production decreased 8.7% and dropped from 42,938,000 tons to 39,223,000 tons. The cubed sugar production decreased 66% and dropped from 7,000 tons to 2,000 tons. The cotton thread production decreased 6.3% and dropped from 148,000 tons to 138,000 tons. The paper production decreased 2.5% and dropped from 82,000 tons to 80,000 tons. The D.A.P. production decreased 73.3% and dropped from

105,000 tons to 28,000 tons. The super gasoline production decreased 43.6% and dropped from 1,148,000 tons to 657,000 tons. The blister copper production decreased 17.8% and dropped from 14,000 tons to 12,000 tons. The crystallized sugar production increased 2.5% and rose from 1,875,000 tons to 1,921,000 tons. The woolen textile production increased 5% and rose from 23,924,000 meters to 25,119,000 meters. The T.S.P. production increased 25.6% and rose from 87,000 tons to 109,000 tons. The regular gasoline production increased 3.7% and rose from 74,000 tons to 77,000 tons. The cement production increased 8.4% and rose from 35,077,000 tons to 38,019,000 tons. The raw iron production increased 2.5% and rose from 5,694,000 tons to 5,836,000 tons. The fluid steel production increased 12.6% and rose from 17,644,000 tons to 19,859,000 tons. The angle+profile iron production increased 9.4% and rose from 60,000 tons to 66,000 tons.

There was a 30.9% decrease in the sewing machine production in 2004. There was a production increase in all of the selected durable consumer goods other than this. There were increases in video production at 916.4%, in music set production at 153.3%, in pick-up truck production at 146.8%, in truck production at 66.4%, in vacuum cleaner production at 65.8%, in washing machine production at 64.2%, in midibus-minibus production at 52.1%, in automobile production at 45.2%, in television set production at 35.3%, in tractor production at 30.6%, in refrigerator production at 18%, in oven production at 17.4% and in bus production at 5.9% (Table 25).

Table 25. Production of Selected Durable Consumer Goods

	Quantity			Change (%)	
	2002	2003	2004	2003	2004
Oven	906,254	1,553,830	1,823,429	71.5	17.4
Refrigerator	3,164,922	4,123,501	4,863,762	30.3	18.0
Washing Machine	1,684,687	2,470,644	4,057,729	46.7	64.2
Sewing Machine	31,974	32,581	22,511	1.9	-30.9
Television	12,462,924	15,035,590	20,345,757	20.6	35.3
Video	27,518	9,607	97,647	-65.1	916.4
Music Set	54,256	70,499	178,604	29.9	153.3
Vacuum Cleaner	781,636	613,523	1,017,318	-21.5	65.8
Automobile	259,812	425,409	617,771	63.7	45.2
Bus	2,682	4,567	4,837	70.3	5.9
Midibus - Minibus	12,824	38,891	59,169	203.3	52.1
Truck	12,223	18,707	31,125	53.0	66.4
Pick-up Truck	55,762	42,888	105,855	-23.1	146.8
Tractor	10,371	29,288	38,240	182.4	30.6

Source: SIS