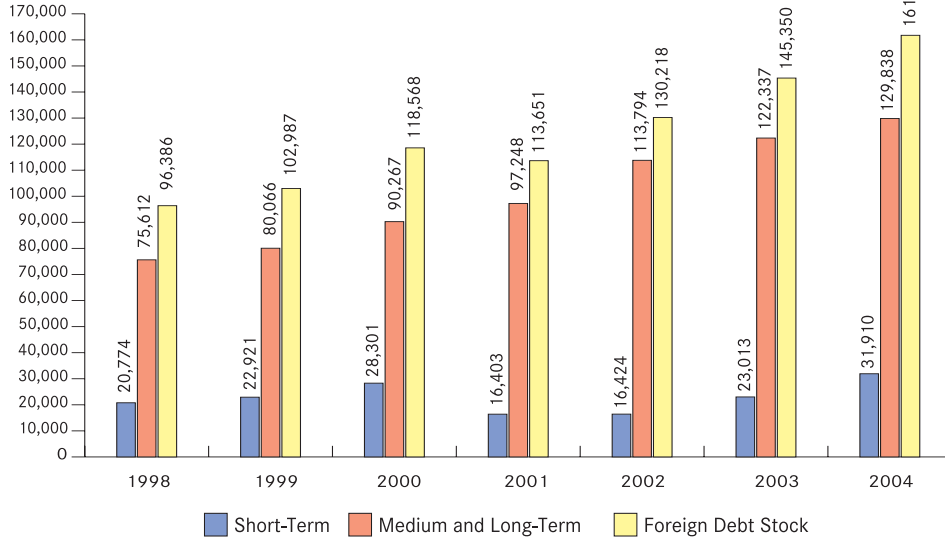
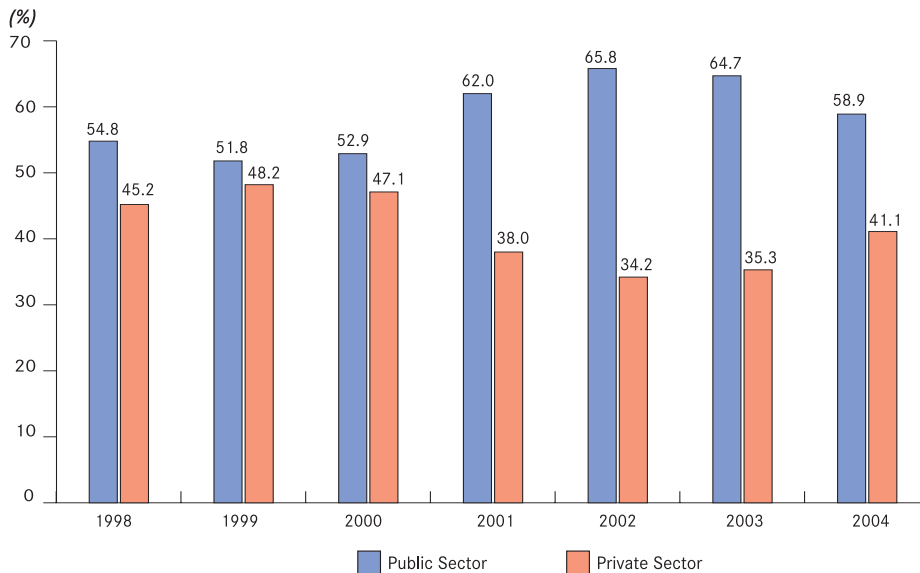


**Graph 28. Foreign Debts***(Million US\$)***Graph 29. Distribution of the Foreign Debt Stock According to Debtors**

## 5. Foreign Capital Investments

The inflow of foreign capital, which was US\$546 million in 2003, increased 94.1% in 2004 and rose to US\$1,060 million and there was a foreign capital outflow of US\$100 million. Thus, there was a total of US\$2,568 million in direct foreign capital inflows in 2004 together with US\$960 million in net capital, US\$265 million in net other capital and US\$1,343 million in net real estate sales (Table 105).

**Table 105. Direct Foreign Capital (Actual Inflows)**

(Million US\$)

(in million US\$)

| Years | Capital |      |       |                              |           |     |       |      |       | Net<br>Real Estate | Net<br>Total |
|-------|---------|------|-------|------------------------------|-----------|-----|-------|------|-------|--------------------|--------------|
|       | Capital |      |       | Other Capital <sup>(*)</sup> |           |     | Total |      |       |                    |              |
|       | Entry   | Exit | Net   | Use                          | Repayment | Net | Entry | Exit | Net   |                    |              |
| 1998  | 953     | -13  | 940   | -                            | -         | -   | 953   | -13  | 940   | -                  | 940          |
| 1999  | 813     | -30  | 783   | -                            | -         | -   | 813   | -30  | 783   | -                  | 783          |
| 2000  | 1,707   | -725 | 982   | -                            | -         | -   | 1,707 | -725 | 982   | -                  | 982          |
| 2001  | 3,288   | -22  | 3,266 | -                            | -         | -   | 3,288 | -22  | 3,266 | -                  | 3,266        |
| 2002  | 590     | -5   | 585   | 488                          | -35       | 453 | 1,078 | -40  | 1,038 | -                  | 1,038        |
| 2003  | 546     | -8   | 538   | 282                          | -113      | 169 | 828   | -121 | 707   | 987                | 1,694        |
| 2004  | 1,060   | -100 | 960   | 354                          | -89       | 265 | 1,414 | -189 | 1,225 | 1,343              | 2,568        |

Source: Republic of Turkey, Central Bank; Undersecretariat of Finance

(\*) The loans obtained by the foreign capital companies from foreign partners.

Of the US\$1,060 million in direct foreign capital inflows in 2004, excluding the loan amounts (other capital) received by foreign capital companies from their foreign partners and the real estate sales, US\$272 million (25.7%) was for the manufacturing industry sector, US\$766 million (72.3%) was for the services sector and US\$22 million (2.1%) was for the other sectors (Table 106).

**Table 106. Sectoral Distribution of Direct Foreign Capital Inflows**

(Million US\$)

| Years | Manufacturing Industry | Services | Other | Grand Total |
|-------|------------------------|----------|-------|-------------|
| 1998  | 553                    | 362      | 38    | 953         |
| 1999  | 353                    | 447      | 13    | 813         |
| 2000  | 932                    | 763      | 12    | 1,707       |
| 2001  | 846                    | 2,439    | 3     | 3,288       |
| 2002  | 78                     | 510      | 2     | 590         |
| 2003  | 338                    | 196      | 12    | 546         |
| 2004  | 272                    | 766      | 22    | 1,060       |

Source: Republic of Turkey, Central Bank; Undersecretariat of Finance

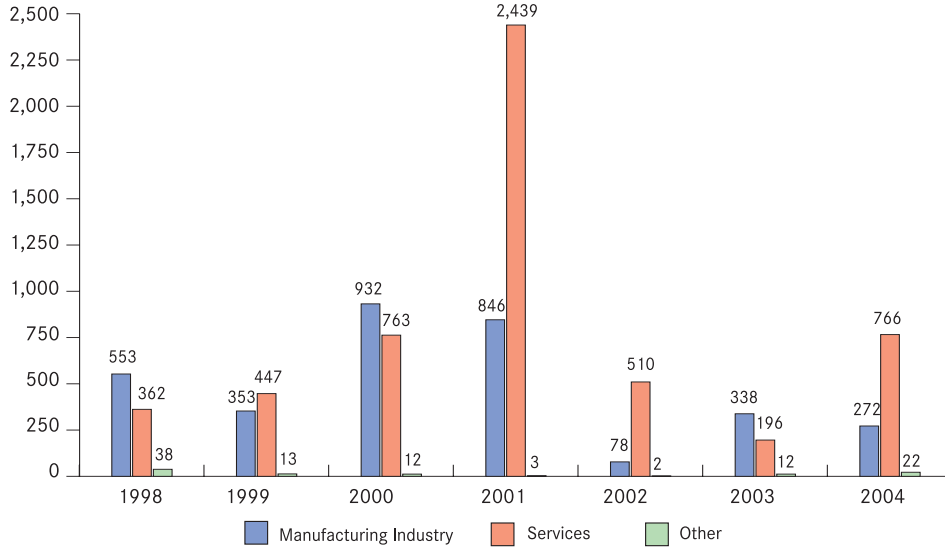
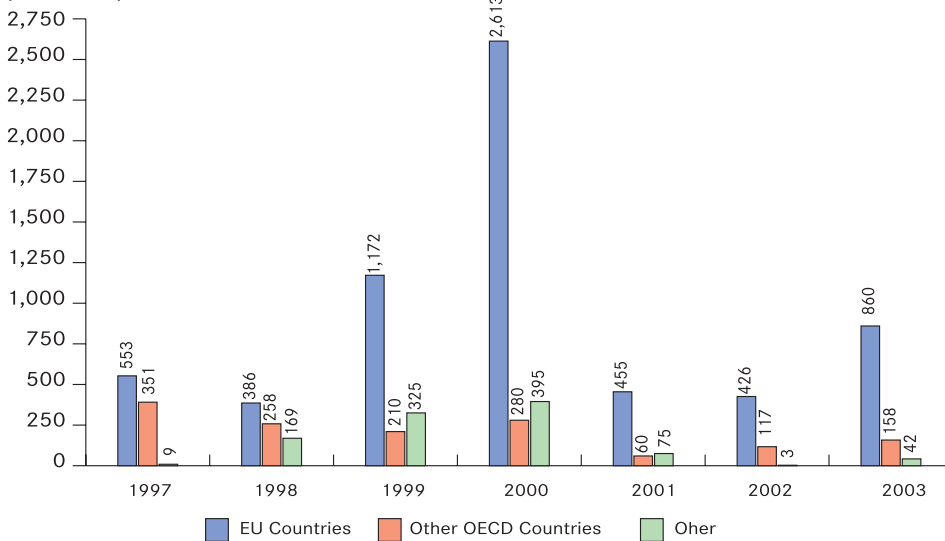
Of the direct (cash) foreign capital inflows, a US\$860 million portion (81.1%) was from capital originating in the EU countries, a US\$158 million portion (14.9%) was from capital originating in the other OECD countries and a US\$42 million portion (4%) was from capital originating in the other countries (Table 107).

**Table 107. Distribution of Direct Foreign Capital Inflows According to Country Groups**

(Million US\$)

| Years | Other        |                |       | Grand Total |
|-------|--------------|----------------|-------|-------------|
|       | EU Countries | OECD Countries | Other |             |
| 1998  | 553          | 391            | 9     | 953         |
| 1999  | 386          | 258            | 169   | 813         |
| 2000  | 1,172        | 210            | 325   | 1,707       |
| 2001  | 2,613        | 280            | 395   | 3,288       |
| 2002  | 455          | 60             | 75    | 590         |
| 2003  | 426          | 117            | 3     | 546         |
| 2004  | 860          | 158            | 42    | 1,060       |

Source: Republic of Turkey, Central Bank; Undersecretariat of Finance

**Graph 30. Sectoral Distribution of Direct Foreign Capital Inflows***(Million US\$)***Graph 31. Distribution of Direct Foreign Capital Inflows According to Country Groups***(Million US\$)*



# III. SOCIAL DEVELOPMENTS

## A. Population

Turkey's population was determined to be 67,804,000 persons according to the results of the General Population Census made on 22 October 2000. The annual average rate of population increase, which was 2.2% in the 1985-1990 period, decreased to 1.8% in the 1990-2000 period. The population density, which was 73 in 1990, rose to 88 in 2000. It is estimated that Turkey's population in 2004 is 71,789,000 persons and that the population density is 93. The rate of population increase, which was estimated to be 1.5% in 2003, is also expected to remain at the same level in 2004 (Table 108).

**Table 108. Turkey's Total Population, Rates of Annual Population Increase and Population Density**

| Year                   | Population<br>(1,000 Persons) | Annual Average<br>Rate of Population<br>Increase (%) | Area<br>(km <sup>2</sup> ) | Population<br>Density<br>(Persons/km <sup>2</sup> ) |
|------------------------|-------------------------------|--|----------------------------|---|
| 1980 <sup>(1)</sup>    | 44,737                        | -  | 774,815                    | 58  |
| 1985 <sup>(1)</sup>    | 50,664                        | 2.5  | 774,815                    | 65  |
| 1990 <sup>(1)</sup>    | 56,473                        | 2.2  | 774,815                    | 73  |
| 2000 <sup>(1)(3)</sup> | 67,804                        | 1.8  | 769,604                    | 88  |
| 2000 <sup>(2)(3)</sup> | 67,420                        | -  | -                          | -   |
| 2001 <sup>(2)(3)</sup> | 68,529                        | 1.6  | 769,604                    | 89  |
| 2002 <sup>(2)(3)</sup> | 69,626                        | 1.6  | 769,604                    | 90  |
| 2003 <sup>(2)(3)</sup> | 70,712                        | 1.5  | 769,604                    | 92  |
| 2004 <sup>(2)(3)</sup> | 71,789                        | 1.5  | 769,604                    | 93  |

Source: SIS

(1) They are the general population census results.

(2) They are the mid-year population estimates.

(3) Lakes are not included in the area.

For the first time, it was observed that the city population was more than the village population in the General Population Census made in Turkey in 1985. In the 2000 General Population Census it was determined that 64.9% of the total population live in the cities and 35.1% of the population live in the villages. The population in the cities is increasing faster than the population in the villages. In the 1990-2000 period the city population increased 2.8% per annum and the increase in the village population remained at the level of 0.3% per annum.

In 2004, it is estimated that 66.8% of the total population live in the cities and 33.2% live in the villages. There was a 2.3% increase in the city population compared to the previous year and a 0.1% decrease in the village population. The population increase in the cities also brings with it problems in infrastructure, social services, environment and unemployment (Table 109).

**Table 109. City-Village Populations and Annual Rates of Population Increases**

(Thousand Persons)

| Census Year         | Total Population | City       |                           |                          | Village    |                              |                          |
|---------------------|------------------|------------|---------------------------|--------------------------|------------|------------------------------|--------------------------|
|                     |                  | Population | City Population Ratio (%) | Annual Increase Rate (%) | Population | Village Population Ratio (%) | Annual Increase Rate (%) |
| 1980 <sup>(1)</sup> | 44,737           | 19,645     | 43.9                      | -                        | 25,092     | 56.1                         | -                        |
| 1985 <sup>(1)</sup> | 50,664           | 26,866     | 53.0                      | 6.3                      | 23,799     | 47.0                         | -1.1                     |
| 1990 <sup>(1)</sup> | 56,473           | 33,326     | 59.0                      | 4.3                      | 23,147     | 41.0                         | -0.6                     |
| 2000 <sup>(1)</sup> | 67,804           | 44,006     | 64.9                      | 2.8                      | 23,798     | 35.1                         | 0.3                      |
| 2000 <sup>(2)</sup> | 67,420           | 43,647     | -                         | -                        | 23,773     | -                            | -                        |
| 2001 <sup>(2)</sup> | 68,529           | 44,726     | 65.3                      | 2.4                      | 23,803     | 34.7                         | 0.1                      |
| 2002 <sup>(2)</sup> | 69,626           | 45,808     | 65.8                      | 2.4                      | 23,818     | 34.2                         | 0.1                      |
| 2003 <sup>(2)</sup> | 70,712           | 46,894     | 66.3                      | 2.3                      | 23,818     | 33.7                         | 0.0                      |
| 2004 <sup>(2)</sup> | 71,789           | 47,985     | 66.8                      | 2.3                      | 23,804     | 33.2                         | -0.1                     |

Source: SIS

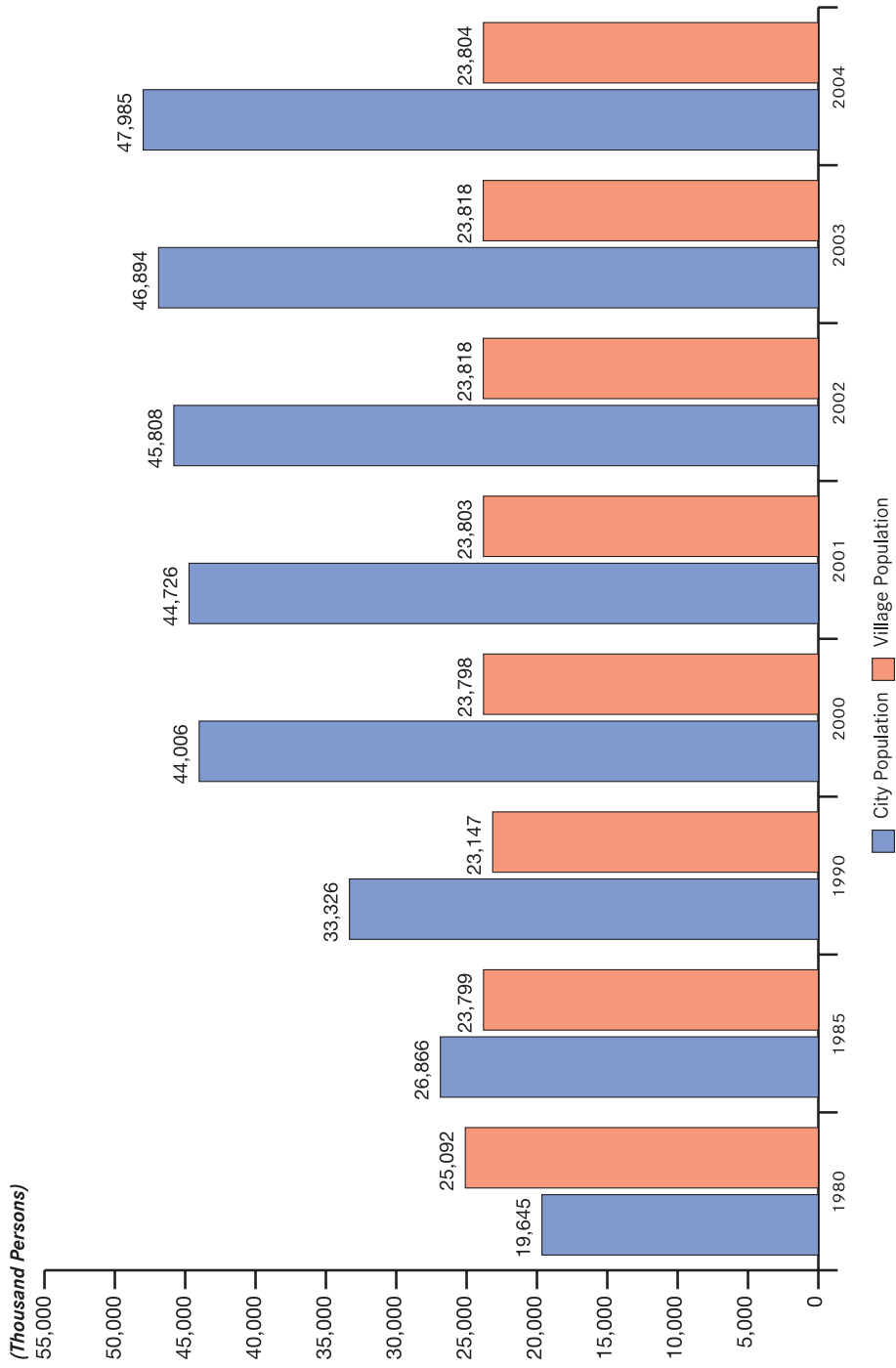
(1) They are the general population census results.

(2) They are the mid-year population estimates.

## B. Employment

The work force, which was 23,660,000 in 2003, increased 2.7% in 2004 and rose to 24,289,000. Employment increased 3% connected to the positive developments experienced in the economy and rose from 21,147,000 to 21,791,000. 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, fell to 10.3% in 2004 and the rate of underemployment decreased from 4.8% to 4.1%. Thus, the rate of the idle work force due to unemployment and underemployment decreased 0.9 points and became 14.4% (Table 110).

Graph 32. City and Village Populations



**Table 110. Domestic Work Force Market**

|   | (15+Years of Age, Thousand Persons) |        |        |        |        |        |        |
|---|-------------------------------------|--------|--------|--------|--------|--------|--------|
|   | 1998                                | 1999   | 2000   | 2001   | 2002   | 2003   | 2004   |
| Work Force  | 23,385                              | 23,878 | 23,078 | 23,491 | 23,818 | 23,640 | 24,289 |
| Employment  | 21,779                              | 22,048 | 21,581 | 21,524 | 21,354 | 21,147 | 21,791 |
| Number of Unemployed  | 1,607                               | 1,830  | 1,497  | 1,967  | 2,464  | 2,493  | 2,498  |
| Rate of Unemployment (%)  | 7.0                                 | 8.0    | 6.5    | 8.4    | 10.3   | 10.5   | 10.3   |
| Underemployment   | 1,499                               | 2,164  | 1,591  | 1,404  | 1,297  | 1,143  | 997    |
| Rate of Underemployment (%)                                     | 6.0                                 | 9.0    | 6.9    | 6.0    | 5.4    | 4.8    | 4.1    |
| Rate of Idle Manpower Due to Unemployment , Underemployment (%) | 13.0                                | 17.0   | 13.4   | 14.4   | 15.7   | 15.3   | 14.4   |

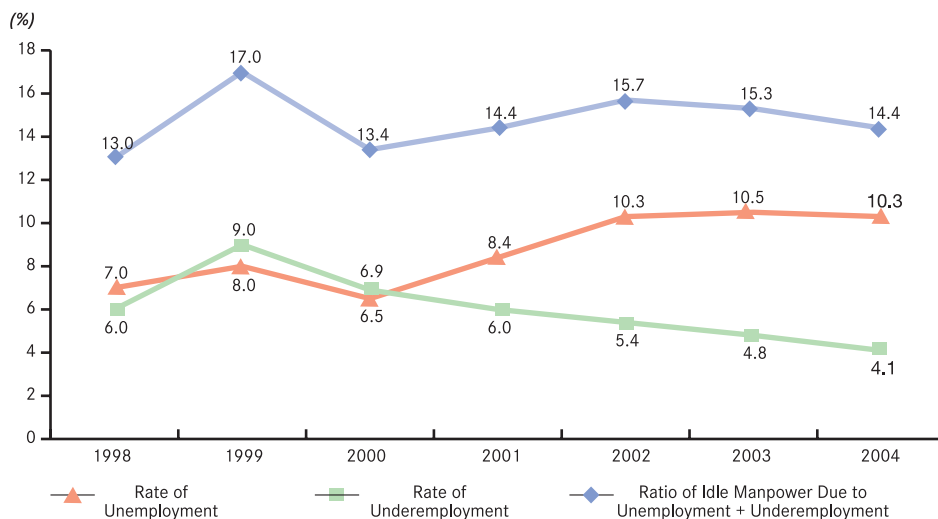
Source: SIS, SPO

Of those working in 2004, 7,400,000 were employed in the agricultural sector, 3,988,000 were employed 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% (Table 111).

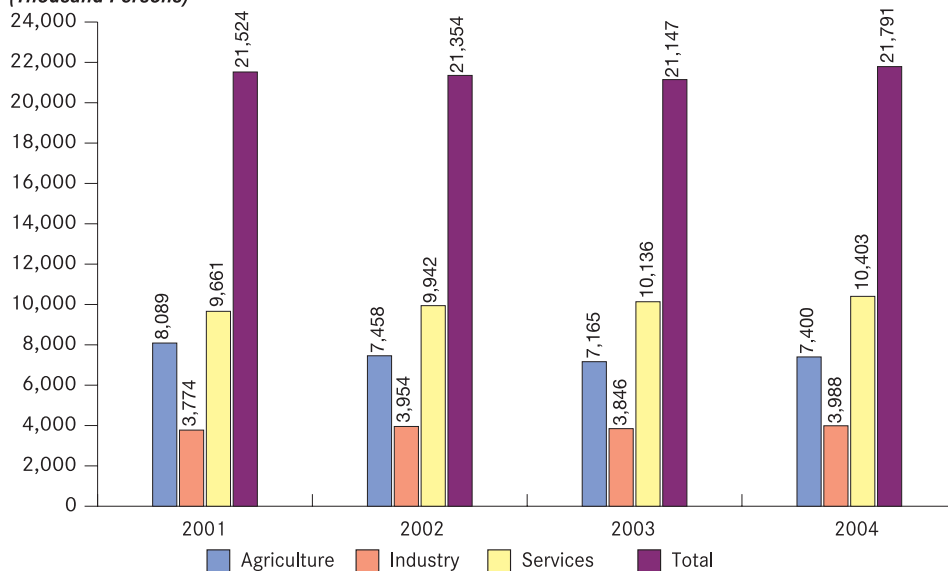
**Table 111. Sectoral Distribution of Employment**

|             | (15+Years of Age, Thousand Persons) |        |        |        |           |       |       |       |
|-------------|-------------------------------------|--------|--------|--------|-----------|-------|-------|-------|
|             |                                     |        |        |        | Share (%) |       |       |       |
| Sectors     | 2001                                | 2002   | 2003   | 2004   | 2001      | 2002  | 2003  | 2004  |
| Agriculture | 8,089                               | 7,458  | 7,165  | 7,400  | 37.6      | 34.9  | 33.9  | 34.0  |
| Industry    | 3,774                               | 3,954  | 3,846  | 3,988  | 17.5      | 18.5  | 18.2  | 18.3  |
| Services    | 9,661                               | 9,942  | 10,136 | 10,403 | 44.9      | 46.6  | 47.9  | 47.7  |
| Total       | 21,524                              | 21,354 | 21,147 | 21,791 | 100.0     | 100.0 | 100.0 | 100.0 |

Source: SIS, SPO

**Graph 33. Rates of Unemployment**



**Graph 34. Sectoral Distribution of Employment (15+ Years of Age)***(Thousand Persons)*

## C. Work Life

The number of workers, which was 4,857,792 persons in January 2004, increased to 4,916,421 persons in July. The number of union member workers increased from 2,806,927 to 2,854,059. According to this, the rate of unionization, which was 57.8% in January, was realized at 58.1% in July (Table 112).

**Table 112. Number of Workers and the Rates of Unionization**

| Period of Publication | Total Number of Workers | Number of Union Workers | Rate of Unionization (%) |
|-----------------------|-------------------------|-------------------------|--------------------------|
| January 1998          | 4,266,097               | 2,856,330               | 67.0                     |
| July 1998             | 4,327,156               | 2,923,546               | 67.6                     |
| January 1999          | 4,350,016               | 2,987,975               | 68.7                     |
| July 1999             | 4,381,039               | 3,037,172               | 69.3                     |
| January 2000          | 4,508,529               | 3,086,302               | 68.5                     |
| July 2000             | 4,521,081               | 2,468,591               | 54.6                     |
| January 2001          | 4,537,544               | 2,580,927               | 56.9                     |
| July 2001             | 4,562,454               | 2,609,672               | 57.2                     |
| January 2002          | 4,564,164               | 2,648,847               | 58.0                     |
| July 2002             | 4,572,841               | 2,680,966               | 58.6                     |
| January 2003          | 4,686,618               | 2,717,326               | 58.0                     |
| July 2003             | 4,781,958               | 2,751,670               | 57.5                     |
| January 2004          | 4,857,792               | 2,806,927               | 57.8                     |
| July 2004             | 4,916,421               | 2,854,059               | 58.1                     |

Source: Ministry of Labor and Social Security

In 2004, a total of 1,479 collective labor agreements were signed at 7,913 businesses. Of the total 325,189 workers included in the collective labor agreements, 121,828 workers are employed in the public sector and 203,361 workers are employed in the private sector (Table 113).

**Table 113. Places of Employment Included in the Collective Labor Agreements and the Number of Workers**

| Years | Number of Agreements Made | Number of Places of Employment | Number of Workers |         |         |
|-------|---------------------------|--------------------------------|-------------------|---------|---------|
|       |                           |                                | Public            | Private | Total   |
| 1998  | 1,867                     | 7,047                          | 94,871            | 124,563 | 219,434 |
| 1999  | 2,286                     | 12,373                         | 544,995           | 283,463 | 828,458 |
| 2000  | 1,646                     | 6,844                          | 103,124           | 105,471 | 208,595 |
| 2001  | 4,454                     | 14,211                         | 473,845           | 301,633 | 775,478 |
| 2002  | 1,773                     | 7,453                          | 131,852           | 123,207 | 255,059 |
| 2003  | 1,607                     | 7,806                          | 391,526           | 237,714 | 629,240 |
| 2004  | 1,479                     | 7,913                          | 121,828           | 203,361 | 325,189 |

Source: Ministry of Labor and Social Security

In 2004, a total of 30 strikes were held, with 1 in the public sector and 29 in the private sector. A total of 3,357 workers participated in these strikes, with 283 workers in the public sector and 3,274 workers in the private sector. As a result of this, a total of 93,161 workdays were lost, with 1,981 days in the public sector and 91,180 days in the private sector (Table 114).

**Table 114. Strike Implementations**

|         | Number of Strikes Implemented |      |      |      | Number of Workers Joining in Strikes |       |       |       | Number of Work Days Lost |        |         |        |
|---------|-------------------------------|------|------|------|--------------------------------------|-------|-------|-------|--------------------------|--------|---------|--------|
|         | 2001                          | 2002 | 2003 | 2004 | 2001                                 | 2002  | 2003  | 2004  | 2001                     | 2002   | 2003    | 2004   |
| Public  | 4                             | 8    | 2    | 1    | 737                                  | 2,735 | 8     | 283   | 18,617                   | 15,450 | 184     | 1,981  |
| Private | 31                            | 19   | 21   | 29   | 9,174                                | 1,883 | 1,527 | 3,274 | 267,398                  | 28,435 | 144,588 | 91,180 |
| Total   | 35                            | 27   | 23   | 30   | 9,911                                | 4,618 | 1,535 | 3,557 | 286,015                  | 43,885 | 144,772 | 93,161 |

Source: Ministry of Labor and Social Security

In 2004, there were no lockouts in the public sector and there was 1 lockout in the private sector. The number of workers subjected to lockouts was 801 and the number of workdays lost was 20,826 (Table 115).

**Table 115. Lockout Implementations**

|         | Number of Lockouts Implemented |      |      |      | Number of Workers Subjected to Lockouts |      |      |      | Number of Work Days Lost |      |         |        |
|---------|--------------------------------|------|------|------|---|------|------|------|--------------------------|------|---------|--------|
|         | 2001                           | 2002 | 2003 | 2004 | 2001                                    | 2002 | 2003 | 2004 | 2001                     | 2002 | 2003    | 2004   |
| Public  | -                              | -    | -    | -    | -                                       | -    | -    | -    | -                        | -    | -       | -      |
| Private | -                              | -    | 2    | 1    | -                                       | -    | 888  | 801  | -                        | -    | 110,415 | 20,826 |
| Total   | -                              | -    | 2    | 1    | -                                       | -    | 888  | 801  | -                        | -    | 110,415 | 20,826 |

Source: Ministry of Labor and Social Security

## D. Wages

In 2004, the net worker's wages within the scope of the collective labor agreements in the public sector increased 5.8% and rose to 1,359,147,000 TL/month. The work force cost increased 15% and rose to 2,591,000,000 TL/month. The increase in the real wages in 2003 decreased in 2004 and the worker's wages decreased 4.4% and the work force cost increased 3.6% (Table 116).

**Table 116. Developments in Workers Wages in the Scope of the Collective Labor Agreements**

(Thousand TL/Month)

| Years                        | Net Wage  | Nominal Increase (%) | Real Increase <sup>(1)</sup> (%) | Work Force Cost | Nominal Increase (%) | Real Increase <sup>(1)</sup> (%) |
|------------------------------|-----------|----------------------|----------------------------------|-----------------|----------------------|----------------------------------|
| PUBLIC SECTOR <sup>(2)</sup> |           |                      |                                  |                 |                      |                                  |
| 1998                         | 144,974   | 82.1                 | -1.3                             | 250,756         | 72.8                 | 0.6                              |
| 1999                         | 339,745   | 134.3                | 42.0                             | 522,535         | 108.4                | 36.1                             |
| 2000                         | 562,815   | 65.7                 | 6.9                              | 955,607         | 82.9                 | 20.9                             |
| 2001                         | 768,668   | 36.6                 | -11.5                            | 1,373,371       | 43.7                 | -11.1                            |
| 2002                         | 1,012,399 | 31.7                 | -9.2                             | 1,773,210       | 29.1                 | -14.0                            |
| 2003                         | 1,285,055 | 26.9                 | 1.3                              | 2,252,133       | 27.0                 | 1.1                              |
| 2004                         | 1,359,147 | 5.8                  | -4.4                             | 2,591,000       | 15.0                 | 3.6                              |
| PRIVATE SECTOR               |           |                      |                                  |                 |                      |                                  |
| 1998                         | 136,087   | 115.9                | 17.0                             | 230,493         | 99.5                 | 16.1                             |
| 1999                         | 250,349   | 84.0                 | 11.6                             | 406,594         | 76.4                 | 15.2                             |
| 2000                         | 391,920   | 56.5                 | 1.1                              | 698,361         | 71.8                 | 13.4                             |
| 2001                         | 482,680   | 23.2                 | -20.2                            | 929,295         | 33.1                 | -17.7                            |
| 2002                         | 692,667   | 43.5                 | -1.0                             | 1,309,758       | 40.9                 | -6.1                             |
| 2003                         | 864,554   | 24.8                 | -0.4                             | 1,607,121       | 22.7                 | -2.3                             |

Source: Public Sector Employers' Unions, Turkish Confederation of Workers' Unions, SIS, SPO

(1) In the calculation of the real increase in net wages, the SIS Urban Areas Consumer Prices Index (1994=100) was used and in the calculation of the real increases in work force cost, the Wholesale Goods Price Index (1994=100) was used.

(2) The municipalities are excluded.

The legal gross daily minimum wage for the period between 1 January 2004 and 30 June 2004 was determined to be 14,100,000 TL for those 16 years of age or older and to be 12,000,000 TL for those under 16 years of age. During the same period, the gross monthly minimum wage was determined to be 423,000,000 TL for those 16 years of age or older and to be 360,000,000 TL for those under 16 years of age. The legal gross daily minimum wage for the period between 1 July 2004 and 31 December 2004 was determined to be 14,805,000 TL for those 16 years of age or older and to be 12,600,000 TL for those under 16 years of age. During the same period, the gross monthly minimum wage was determined to be 444,150,000 TL for those 16 years of age or older and to be 378,000,000 TL for those under 16 years of age (Table 117).

**Table 117. Daily and Monthly Gross Minimum Wages as of Years**

(TL)

| Periods in Effect         | 16+ Years of Age |             | Change (%) | 15- Years of Age |             | Change (%) |
|---------------------------|------------------|-------------|------------|------------------|-------------|------------|
|                           | Daily            | Monthly     |            | Daily            | Monthly     |            |
| 01 Aug 1998 - 31 Dec 1998 | 1,594,650        | 47,839,500  | -          | 1,355,475        | 40,664,250  | -          |
| 01 Jan 1999 - 30 Jun 1999 | 2,602,500        | 78,075,000  | 63.2       | 2,212,125        | 66,363,750  | 63.2       |
| 01 Jul 1999 - 31 Dec 1999 | 3,120,000        | 93,600,000  | 19.9       | 2,652,000        | 79,560,000  | 19.9       |
| 01 Jan 2000 - 30 Jun 2000 | 3,660,000        | 109,800,000 | 17.3       | 3,120,000        | 93,600,000  | 17.6       |
| 01 Jul 2000 - 31 Dec 2000 | 3,960,000        | 118,800,000 | 8.2        | 3,375,000        | 101,250,000 | 8.2        |
| 01 Jan 2001 - 30 Jun 2001 | 4,665,000        | 139,950,000 | 17.8       | 3,965,250        | 118,957,500 | 17.5       |
| 01 Jul 2001 - 31 Jul 2001 | 4,898,250        | 146,947,500 | 5.0        | 4,164,000        | 124,920,000 | 5.0        |
| 01 Aug 2001 - 31 Dec 2001 | 5,598,000        | 167,940,000 | 14.3       | 4,758,300        | 142,749,000 | 14.3       |
| 01 Jan 2002 - 30 Jun 2002 | 7,400,025        | 222,000,750 | 32.2       | 6,290,025        | 188,700,750 | 32.2       |
| 01 Jul 2002 - 31 Dec 2002 | 8,362,500        | 250,875,000 | 13.0       | 7,107,000        | 213,210,000 | 13.0       |
| 01 Jan 2003 - 31 Dec 2003 | 10,200,000       | 306,000,000 | 22.0       | 8,550,000        | 256,500,000 | 20.3       |
| 01 Jan 2004 - 30 Jun 2004 | 14,100,000       | 423,000,000 | 38.2       | 12,000,000       | 360,000,000 | 40.4       |
| 01 Jul 2004 - 31 Dec 2004 | 14,805,000       | 444,150,000 | 5.0        | 12,600,000       | 378,000,000 | 5.0        |

Source: Ministry of Labor and Social Security

In 2004, the average net monthly civil servant salaries increased 13.4% and rose to 701,482,000 TL. The cost of salaries increased 15.8% and rose to 1,024,722 TL/month. The net salary increased 2.6% in real terms and the cost of salaries increased 4.3% (Table 118).

**Table 118. Developments in Civil Servant Salaries <sup>(1)</sup>**

(Thousand TL/Month)

| Years | Net Salary     |                      |                                  | Cost of Salary         |                      |                                  |
|-------|----------------|----------------------|----------------------------------|------------------------|----------------------|----------------------------------|
|       | Average Salary | Nominal Increase (%) | Real Increase <sup>(2)</sup> (%) | Average Cost of Salary | Nominal Increase (%) | Real Increase <sup>(3)</sup> (%) |
| 1998  | 92,482         | 82.2                 | -1.3                             | 135,556                | 77.7                 | 3.4                              |
| 1999  | 159,429        | 72.4                 | 4.5                              | 229,708                | 69.5                 | 10.7                             |
| 2000  | 218,520        | 37.1                 | -11.5                            | 307,082                | 33.7                 | -11.7                            |
| 2001  | 324,738        | 48.6                 | -3.8                             | 447,948                | 45.9                 | -9.7                             |
| 2002  | 497,849        | 53.3                 | 5.7                              | 691,164                | 54.3                 | 2.8                              |
| 2003  | 618,320        | 24.2                 | -0.9                             | 884,724                | 28.0                 | 1.9                              |
| 2004  | 701,482        | 13.4                 | 2.6                              | 1,024,722              | 15.8                 | 4.3                              |

Source: Ministry of Finance, SIS, SPO

(1) It includes employee housing compensation and excludes family assistance, extraordinary conditions compensation, additional compensation paid in Regions with Development Priority, the fixed overtime fees calculated on the monthly salary of the most senior civil servant and the payments made from the Fund for the Development of Income Administration. The weighted average of all the categories was taken.

(2) It shows a real development compared with the previous year. The SIS Urban Areas Consumer Prices Index was taken into consideration for the calculation of real increases and the 1994=100 based indices were used.

(3) It shows a real development compared with the previous year. The SIS Wholesale Goods Prices Index was taken into consideration for the calculation of real increases and the 1994=100 based indices were used.

## IV. TARGETS AND REALIZATIONS IN THE ECONOMY OF TURKEY

It was targeted for the growth rate in 2004 to be 5% and for the twelve-month TÜFE inflation to be 12%. The policy implementations aimed at making the growth in the economy sustainable, at drawing inflation, which had entered into a falling trend, even lower, and at reducing the public debt stock to sustainable levels was continued during the year. Within the framework of the economic program, at the end of the tight fiscal and monetary policies, which continued to be implemented, the improvement in the macroeconomic indicators in general in 2002 and 2003 also continued in 2004.

The GNP, which was envisaged to be 419,692 trillion TL in current prices in 2004, was realized at 428,932 trillion TL. It was targeted to have a growth of 5% in the agricultural sector, 4.9% in the industrial sector and 5% in the services sector. At the end of the year, there was a 2% growth in the agricultural sector, 9.4% growth in the industrial sector and 8.4% growth in the services sector. It was targeted to have a 5% growth in the GDP and the GNP and there was a growth of 8.9% in the GDP and a growth of 9.9% in the GNP. The GNP, which was targeted to be US\$261,700 million in 2004, became US\$299,475 million (Table 119).

**Table 119. The GNP and Sectoral Growth**

|                                   | (Percentage Change in Fixed Producer Prices) |             |                |
|-----------------------------------|--|-------------|----------------|
|                                   | 2004   |             | 2005           |
|                                   | Program Target                               | Realization | Program Target |
| Agriculture                       | 5.0  | 2.0         | -1.7           |
| Industry                          | 4.9  | 9.4         | 6.5            |
| Services                          | 5.0  | 8.4         | 5.3            |
| GDP                               | 5.0  | 8.9         | 4.8            |
| GNP                               | 5.0  | 9.9         | 5.0            |
| GNP (Current Prices, Trillion TL) | 419,692                                      | 428,932     | 480,963        |
| GNP (Million Dollars)             | 261,700                                      | 299,475     | 298,400        |

Source: SIS, SPO

In 2005, it was envisaged that the GNP would be 480,963 trillion TL in current prices, that there would be a 1.7% decrease in the agricultural sector and that there would be a 6.5% growth in the industrial sector and a 5.3% growth in the services sector. It was envisaged that the GNP would be US\$298,400 million in 2005.

It was envisaged in 2004 that the share of the agricultural sector within the GDP would be 12.5%, that the share of the industrial sector would be 29.2% and that the share of the services sector would be 58.3%. At the end of the year, the shares of the industrial sector and the services sector within the GDP were somewhat higher than envisaged and the share of the agricultural sector was lower than envisaged. A total of 11.6% of the GDP was realized by the agricultural sector, 29.4% by the industrial sector and 59% by the services sector (Table 120).

**Table 120. The Shares of the Sectors in the GDP**

|             | (Percentage Share in Fixed Producer Prices) |             |                |
|-------------|---|-------------|----------------|
|             | 2004  |             | 2005           |
|             | Program Target                              | Realization | Program Target |
| Agriculture | 12.5  | 11.6        | 10.9           |
| Industry    | 29.2  | 29.4        | 30.2           |
| Services    | 58.3  | 59.0        | 58.9           |
| GDP         | 100.0                                       | 100.0       | 100.0          |

Source: SIS, SPO

In 2005, it was envisaged that the share of the agricultural sector within the GDP would be 10.9%, that the share of the industrial sector would be 30.2% and that the share of the services sector would be 58.9%.

In 2004, it was targeted that the GNP deflator would be 11.9% and that the rates of increase of the TEFE and TÜFE as of the end of the year would be 12%. The TEFE rate of increase at the end of the year exceeded the program target by 1.8 points and became 13.8%. The GNP deflator was realized 2.4 points lower than what was targeted and became 9.5% and the TÜFE rates of increase were realized 2.7 points lower than what was targeted and became 9.3% (Table 121).

**Table 121. Prices**

|  | (Percentage Change) |             |                |
|--|---------------------|-------------|----------------|
|  | 2004                |             | 2005           |
|  | Program Target      | Realization | Program Target |
| GDP Deflator                                 | 11.9                | 9.5         | 8.0            |
| Wholesale Goods Price Index - Annual Average | 10.0                | 11.1        | 10.3           |
| Wholesale Goods Price Index - End of Year    | 12.0                | 13.8        | 8.0            |
| Consumer Goods Price Index - Annual Average  | 13.7                | 10.6        | 9.6            |
| Consumer Goods Price Index - End of Year     | 12.0                | 9.3         | 8.0            |

Source: SIS, SPO

In 2005, it has been targeted that the GNP deflator would be 8% and that the twelve-month rates of price increase in the TEFE and the TÜFE would be 8%.

In 2004, it was envisaged that the consolidated budget revenues would be 104,109 trillion TL and that the consolidated budget expenditures would be 150,508 trillion TL. Later, the consolidated budget expenditure target was revised to 149,945 trillion TL. At the end of the year, the consolidated budget revenues were realized above the target at 109,887 trillion TL and the consolidated budget expenditures were realized below the target at 140,200 trillion TL. Thus, the revised consolidated budget deficit, which was targeted to be 45,836 trillion TL, became 30,313 trillion TL and the revised non-interest budget balance, which was targeted to be 20,214 trillion TL, became 26,175 trillion TL (Table 122).

**Table 122: The Consolidated Budget**

|                       | 2004          |                |             | 2005          |
|-----------------------|---------------|----------------|-------------|---------------|
|                       | Budget Target | Revised Target | Realization | Budget Target |
| REVENUES              | 104,109       | 104,109        | 109,887     | 126,490       |
| Tax Revenues          | 88,893        | 88,893         | 90,093      | 106,617       |
| Non-Tax Revenues      | 15,216        | 15,216         | 19,794      | 19,873        |
| EXPENDITURES          | 150,508       | 149,945        | 140,200     | 155,628       |
| Non-Interest Expenses | 84,458        | 83,895         | 83,712      | 99,188        |
| Interest Expenses     | 66,050        | 66,050         | 56,488      | 56,440        |
| BUDGET BALANCE        | -46,399       | -45,836        | -30,313     | -29,138       |
| NON-INTEREST BALANCE  | 19,651        | 20,214         | 26,175      | 27,303        |

Source: Ministry of Finance

In 2005, it was envisaged that the consolidated budget revenues would be 126,490 trillion TL, that the consolidated budget expenditures would be 155,628 trillion TL and thus, that the budget balance would produce a deficit of 29,138 trillion TL and that the non-interest balance would produce a surplus of 27,303 trillion TL.

In 2004, it was targeted that exports, including the shuttle trade, would be US\$55,728 million, that imports (excluding gold) would be US\$75,000 million, that the foreign trade deficit, as shown on the balance of payments table, would be US\$14,772 million, that the balance of current transactions would produce a deficit of US\$7,626 million, that the tourism revenues would be US\$9,830 million and that worker remittances would be US\$2,372 million. At the end of the year, exports, including the shuttle trade, were US\$66,896 million, imports (excluding gold) were US\$90,726 million, the foreign trade deficit, as shown on the balance of payments table, was US\$23,830 million, the balance of current transactions produced a deficit of US\$15,451 million, the tourism revenues were US\$15,888 million and the worker remittances were US\$804 million (Table 123).

**Table 123. Balance of Payments**

|                                 | (Million US\$) |             |                |
|---------------------------------|----------------|-------------|----------------|
|                                 | 2004           |             | 2005           |
|                                 | Program Target | Realization | Program Target |
| Exports (FOB) (*)               | 55,728         | 66,896      | 76,000         |
| Imports (CIF)                   | 75,000         | 90,726      | 97,760         |
| Foreign Trade Balance           | -14,772        | -23,830     | -21,760        |
| Tourism Revenues                | 9,830          | 15,888      | 18,000         |
| Worker Remittances              | 2,372          | 804         | 900            |
| Balance of Current Transactions | -7,626         | -15,451     | -10,633        |
| Direct Investments (Net)        | 2,016          | 1,711       | -500           |
| Portfolio Investments (Net)     | 2,528          | 8,070       | -1,355         |
| Other Investments (Net)         | 3,082          | 7,030       | -4,069         |
| Current Transfers               | 3,799          | 1,127       | 2,200          |

Source: SPO

(\*) Includes shuttle trade

In 2005, it is targeted that exports, including the shuttle trade, would be US\$76,000 million and that imports (excluding gold) would be US\$97,760 million. It is estimated that the foreign trade balance would produce a deficit of US\$21,760 million and that the balance of current transactions would produce a deficit of US\$10,633 million.

In 2004, it was envisaged that there would be a net inflow of US\$2,016 million in direct foreign investments and that there would be a net inflow of US\$2,528 million in portfolio investments. At the end of the year, a net inflow of US\$1,711 million in direct foreign investments was realized and a net inflow of US\$8,070 million in portfolio investments was realized.

In 2005, it is estimated that there would be a net outflow of US\$500 million in direct investments and a net outflow of US\$1,355 million in portfolio investments.



# V. ECONOMIC AND SOCIAL INDICATORS

| I. ECONOMIC INDICATORS  | 1998       | 1999       | 2000        | 2001        | 2002        | 2003        | 2004        |
|---|------------|------------|-------------|-------------|-------------|-------------|-------------|
| <b>GROSS NATIONAL PRODUCT (GNP)</b>   |            |            |             |             |             |             |             |
| Current Prices (Billion TL)   | 53,518,332 | 78,282,967 | 125,596,129 | 176,483,953 | 275,032,366 | 356,680,888 | 428,932,343 |
| Current Prices (Million Dollars)  | 206,552    | 185,267    | 200,002     | 145,693     | 180,892     | 239,235     | 299,475     |
| 1987 Prices (Billion TL)  | 119,303    | 112,044    | 119,144     | 107,783     | 116,338     | 123,165     | 135,308     |
| Per Capita National Income (US\$)   | 3,255      | 2,879      | 2,965       | 2,123       | 2,598       | 3,383       | 4,172       |
| Per Capita Real GDP According to Purchasing Power Parity (US\$)                     | 6,493      | 6,133      | 6,816       | 6,133       | 6,516       | 6,937       | 7,687       |
| Deflator  | 75.3       | 55.8       | 50.9        | 55.3        | 44.4        | 22.5        | 9.5         |
| <b>RATE OF GROWTH (1987 Prices, %)</b>  |            |            |             |             |             |             |             |
| Agriculture   | 8.4        | -5.0       | 3.9         | -6.5        | 6.9         | -2.5        | 2.0         |
| Industry  | 2.0        | -5.0       | 6.0         | -7.5        | 9.4         | 7.8         | 9.4         |
| Services  | 2.7        | -4.4       | 7.2         | -5.9        | 6.0         | 5.2         | 8.4         |
| Gross National Product (GNP)  | 3.9        | -6.1       | 6.3         | -9.5        | 7.9         | 5.9         | 9.9         |
| <b>SECTORAL DISTRIBUTION OF GROSS DOMESTIC PRODUCT (Current Producer Prices, %)</b> |            |            |             |             |             |             |             |
| 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        |
| <b>PRODUCTION</b>   |            |            |             |             |             |             |             |
| Agriculture Added Value (1987 Prices, Billion TL)                                   | 16,176     | 15,369     | 15,962      | 14,923      | 15,948      | 15,549      | 15,863      |
| Industry Added Value (1987 Prices, Billion TL)                                      | 33,494     | 31,814     | 33,738      | 31,207      | 34,142      | 36,793      | 40,234      |
| Manufacturing Industry Production Index (1997=100)                                  | 100.1      | 95.9       | 102.1       | 92.4        | 102.5       | 112.0       | 123.6       |
| Manufacturing Industry Rate of Capacity Utilization (1997=100)                      | 76.5       | 72.4       | 75.9        | 70.9        | 75.4        | 78.3        | 81.2        |
| <b>INVESTMENTS (Current Prices, Trillion TL)</b>                                    |            |            |             |             |             |             |             |
| Total Investments   | 12,804     | 18,835     | 30,931      | 28,571      | 59,245      | 83,680      | 116,534     |
| Public Sector   | 3,638      | 5,201      | 8,667       | 9,825       | 17,221      | 17,039      | 20,197      |
| Private Sector  | 9,166      | 13,634     | 22,264      | 18,746      | 42,024      | 66,641      | 96,337      |
| Fixed Capital Investments   | 13,022     | 17,329     | 28,574      | 33,470      | 47,483      | 57,423      | 81,340      |
| Public Sector   | 3,359      | 5,173      | 8,602       | 11,300      | 17,308      | 17,615      | 20,028      |
| Private Sector  | 9,663      | 12,156     | 19,972      | 22,170      | 30,175      | 39,808      | 61,312      |
| <b>BALANCE OF PAYMENTS (Million US\$)</b>   |            |            |             |             |             |             |             |
| Foreign Trade Balance   | -14,052    | -10,185    | -21,959     | -3,733      | -7,283      | -14,010     | -23,792     |
| Exports (FOB)   | 30,662     | 28,842     | 30,721      | 34,373      | 40,124      | 51,206      | 66,955      |
| Imports (FOB)   | 44,714     | 39,027     | 52,680      | 38,106      | 47,407      | 65,216      | 90,747      |
| Current Balance of Transactions   | 1,984      | -1,344     | -9,819      | 3,390       | -1,522      | -8,037      | -15,410     |
| Worker Remittances  | 5,356      | 4,529      | 4,560       | 2,786       | 1,936       | 729         | 804         |
| Tourism Revenues  | 7,177      | 5,203      | 7,636       | 8,090       | 8,479       | 13,203      | 15,888      |
| <b>INTERNATIONAL RESERVES (Million US\$)</b>  |            |            |             |             |             |             |             |
|   | 29,506     | 33,757     | 34,185      | 30,211      | 38,066      | 44,969      | 58,749      |
| <b>DIRECT FOREIGN CAPITAL (Million US\$)</b>  |            |            |             |             |             |             |             |
| Capital (Net)   | 940        | 783        | 982         | 3,266       | 585         | 538         | 960         |
| Other Capital (Net) <sup>(*)</sup>  | -          | -          | -           | -           | 453         | 169         | 265         |
| Real Estate (Net)   | -          | -          | -           | -           | -           | 987         | 1,343       |
| Total (Net)   | 940        | 783        | 982         | 3,266       | 1,038       | 1,694       | 2,568       |

(\*) The loans foreign capital companies obtained from their foreign partners.

|   | 1998       | 1999       | 2000        | 2001        | 2002        | 2003        | 2004        |
|---|------------|------------|-------------|-------------|-------------|-------------|-------------|
| <b>PUBLIC FINANCING</b>                                       |            |            |             |             |             |             |             |
| Consolidated Budget (Billion TL)                              |            |            |             |             |             |             |             |
| Revenues  | 11,811,065 | 18,933,065 | 33,440,143  | 51,542,970  | 75,592,324  | 100,250,427 | 109,886,834 |
| Expenses  | 15,614,441 | 28,084,685 | 46,705,028  | 80,579,065  | 115,682,350 | 140,454,842 | 140,200,045 |
| Budget Balance  | -3,803,376 | -9,151,620 | -13,264,885 | -29,036,095 | -40,090,026 | -40,204,415 | -30,313,211 |
| Non-interest Balance  | 2,373,219  | 1,569,220  | 7,174,977   | 12,026,131  | 11,780,633  | 18,404,748  | 26,175,279  |
| Domestic Debt Stock (Billion TL)                              | 11,612,885 | 22,920,145 | 36,420,620  | 122,157,260 | 149,869,691 | 194,386,700 | 224,482,922 |
| Debenture Bonds   | 5,771,980  | 19,683,392 | 34,362,937  | 102,127,926 | 112,849,835 | 168,973,626 | 194,210,700 |
| Bonds   | 5,840,905  | 3,236,753  | 2,057,683   | 20,029,334  | 37,019,856  | 25,413,074  | 30,272,222  |
| Foreign Debt Stock (Million US\$)                             | 96,386     | 102,987    | 118,568     | 113,651     | 130,218     | 145,350     | 161,748     |
| Medium and Long-Term  | 75,612     | 80,066     | 90,267      | 97,248      | 113,794     | 122,337     | 129,838     |
| Short-Term  | 20,774     | 22,921     | 28,301      | 16,403      | 16,424      | 23,013      | 31,910      |
| Public Sector   | 52,837     | 53,385     | 62,767      | 70,512      | 85,701      | 93,991      | 95,191      |
| Private Sector  | 43,549     | 49,602     | 55,801      | 43,139      | 44,517      | 51,359      | 66,557      |
| <b>CASH - BANK (Billion TL)</b>                               |            |            |             |             |             |             |             |
| Issues  | 1,328,542  | 2,390,748  | 3,772,411   | 5,328,876   | 7,707,082   | 10,844,508  | 13,465,237  |
| M1  | 2,284,174  | 4,931,262  | 8,209,624   | 11,073,270  | 14,258,860  | 21,564,149  | 29,469,070  |
| M2  | 10,856,763 | 22,596,061 | 32,812,563  | 46,985,987  | 61,195,275  | 80,922,936  | 109,344,449 |
| Credit Stock  | 10,988,126 | 16,778,766 | 27,275,055  | 34,046,973  | 34,909,807  | 51,748,279  | 82,211,975  |
| Deposits  | 10,371,368 | 21,356,500 | 30,854,282  | 44,921,685  | 56,294,199  | 75,677,074  | 103,240,239 |
| <b>CAPITAL MARKET</b>   |            |            |             |             |             |             |             |
| Volume of Transactions (Billion TL)                           | 18,096,862 | 36,903,111 | 111,340,969 | 93,116,230  | 106,302,347 | 146,644,966 | 208,422,945 |
| İstanbul Stock Exchange Index                                 | 2,597.9    | 15,208.8   | 9,437.2     | 13,782.7    | 10,369.9    | 18,625.0    | 24,971.7    |
| <b>PRICE TRENDS</b>   |            |            |             |             |             |             |             |
| 12-MONTH AVERAGE  |            |            |             |             |             |             |             |
| Wholesale Goods Prices Index (1994=100)                       | 1,022.4    | 1,564.9    | 2,369.9     | 3,830.3     | 5,749.6     | 7,219.4     | 8,020.1     |
| Percentage Change   | 71.8       | 53.1       | 51.4        | 61.6        | 50.1        | 25.6        | 11.1        |
| Consumer Goods Prices Index (1994=100)                        | 1,163.0    | 1,917.5    | 2,970.4     | 4,586.3     | 6,648.6     | 8,330.4     | 9,212.1     |
| Percentage Change   | 84.6       | 64.9       | 54.9        | 54.4        | 45.0        | 25.3        | 10.6        |
| END OF YEAR   |            |            |             |             |             |             |             |
| Wholesale Goods Prices Index (1994=100)                       | 1,215.1    | 1,979.5    | 2,626.0     | 4,951.7     | 6,478.8     | 7,382.1     | 8,403.8     |
| Percentage Change   | 54.3       | 62.9       | 32.7        | 88.6        | 30.8        | 13.9        | 13.8        |
| Consumer Goods Prices Index (1994=100)                        | 1,455.4    | 2,456.6    | 3,415.5     | 5,756.2     | 7,468.6     | 8,839.5     | 9,663.3     |
| Percentage Change   | 69.7       | 68.8       | 39.0        | 68.5        | 29.7        | 18.4        | 9.3         |
| <b>FOREIGN CURRENCY EXCHANGE RATES (Annual Average)</b>       |            |            |             |             |             |             |             |
| TL/Dollar (Buying Rate)                                       | 260,039.6  | 417,580.9  | 623,749.3   | 1,222,921.4 | 1,503,494.4 | 1,496,088.8 | 1,421,966.3 |
| TL/Euro (Buying Rate)   | -          | 443,649.9  | 574,345.2   | 1,092,643.6 | 1,427,015.8 | 1,687,520.4 | 1,766,717.5 |
| <b>II. SOCIAL INDICATORS</b>                                  |            |            |             |             |             |             |             |
| <b>EMPLOYMENT</b>   |            |            |             |             |             |             |             |
| Civilian Work Force (1,000 persons)                           | 23,385     | 23,878     | 23,078      | 23,491      | 23,818      | 23,640      | 24,289      |
| Civilian Employment (1,000 persons)                           | 21,783     | 22,050     | 21,580      | 21,524      | 21,354      | 21,147      | 21,791      |
| Agriculture   | 9,039      | 8,856      | 7,769       | 8,089       | 7,458       | 7,165       | 7,400       |
| Industry  | 3,724      | 3,785      | 3,810       | 3,774       | 3,954       | 3,846       | 3,988       |
| Services  | 9,020      | 9,409      | 10,001      | 9,661       | 9,942       | 10,136      | 10,403      |
| Rate of Unemployment (%)                                      | 7.0        | 8.0        | 6.5         | 8.4         | 10.3        | 10.5        | 10.3        |
| Rate of Underemployment (%)                                   | 6.0        | 9.0        | 6.9         | 6.0         | 5.4         | 4.8         | 4.1         |
| Idle Manpower Ratio Due to Unemployment , Underemployment (%) | 13.0       | 17.0       | 13.4        | 14.4        | 15.7        | 15.3        | 14.4        |