



# *ECONOMIC REPORT 2014*

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## FOREWORD



As the world countries strived to reaccelerate their growth, in the mean time the fact that, first the Federal Reserve put an end to monetary expansion, then the rapid decline in the oil prices, left their mark on the year 2014. While the US economy showed a faster recovery than expected, Europe's not having been able to recover from stagnancy yet, the slowdown in China, the uncertainties in the Middle East and the shrinkage caused in the Russian economy by the declining oil prices resulted in a global economic outlook that was far from the desired level of revival once again.

The global developments affected our country both positively and negatively. The declining oil prices provided a remarkable improvement in the foreign trade deficit. On the other hand, the fact that the European countries, which are positioned as the main trade and investment market, are still struggling with stagnancy and the disturbances persisting in our neighboring geography affected both our export performance and the domestic consumption and investment activity negatively. As a result, Turkey grew by 2,9 percent in 2014, exhibiting a lower performance than expected.

Turkish economy has been exhibiting an outlook that is far from its previous dynamism for the last 3 years. The average growth for the last three years occurred at a moderate level like 3,1 percent. Again, the private sector machinery and equipment investments did not revive in any

way and stuck at the same level in the last 3 years. As a result, the per capita national income remained at 10 thousand \$. We were proud of being the 16th biggest economy of the world once, yet last year, we regressed 2 steps and dropped to the 18th place. The fact that the current deficit does not decrease at the same speed despite the loss of pace in growth shows that this issue will be the most important structural problem of the coming period. Particularly, the fact that the USA has put an end to the monetary expansion points out that the funding of the current deficit will be an issue that needs to be paid attention to as much as the current deficit itself.

There are positive indicators in the economy, either. Employment is the primary one among these. Turkish economy accomplished to create 1,3 million new employments in 2014. On the other hand, while industrial product exports increased, we did with less intermediate goods imports. Thanks to maintenance of the financial discipline, ratio of the budget deficit to the national income remained at 1,3. Ratio of the public debt stock to the national income declined to 35 percent.

The decline in the oil prices has a bidirectional effect on our external balance. The decline in the energy prices affects the imports and current deficit positively. However, the fact that oil exporting companies constitute more than half of our foreign market, that around one third of the tourists coming to our country are composed of citizens of these countries and that the works done by the construction sector are in these countries results in drop of the external incomes.

25 priority transformation programs were declared within the framework of the Tenth Development Plan in our country at end of 2014 and the beginning of 2015. In April 2015, the Employment, Industrial Investment and Production Support Package was announced to public. As the business world, we receive these packages favorably, and believe that they will be a moral and motive to the businessmen, industrialists and investors in an environment where the troubles of transition into a new economic process are being suffered worldwide.

In the coming period, we need to realize the reforms in the administrative, legal and education fields with immediate action. We should complete the deficient reform process quickly to both accelerate the economic growth and become distinguished in the geography we are present in.

As Turkish private sector, we think that we need a new story of growth, that we can accomplish this with the collaboration of public and private sector. We believe that we will become one of the leading countries steering the global economy with a new economic model focusing on technological transformation and entrepreneurship.

I hope the Economic Report 2014 looking at the developments in the world and Turkish economy benefits our community and all the stakeholders.

**M. Rifat HİSARCIKLIOĞLU**

**President**

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**AUTHORS**

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**Murat AYDIN**

Director of Financial and Social Policies

Acting Director, Economic Reporting and Statistics

**Serpil MERT**

Specialist, Economic Reporting and Statistics Department

**Sema KAYNAK**

Specialist, Economic Reporting and Statistics Department

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## SYMBOLS AND ABBREVIATIONS

### SYMBOLS

-	: Information unavailable
\$	: US Dollar
€	: Euro
m <sup>2</sup>	: Square meter
m <sup>3</sup>	: Cubic meter
Ha	: Hectare
GWh	: Gigawatt hour (GWh= 1 billion KWh)
KHa	: Global Hectare
Km	: Kilometer
Km <sup>2</sup>	: Square kilometer
KWh	: Kilowatt hour
MW	: Million watt
Sm3	: It is a value expressed as a standard cubic meter (Sm3 at 15 degrees centigrade and 1 atmosphere pressure)
bbl	: Barrel (1 bbl = 159 liters)
lb	: 1 lb = 0,4536 Kg
log	: Logarithmic value
MT	: Metric Ton
cts	: Cents
Person/Km <sup>2</sup>	: Population density
‰	: Rate of increase per mille

### ABBREVIATIONS

EU	: European Union
USA	: United States of America
ADNKS	: Address Based Population Registration System
ASEAN	: Association of South-East Asian Nations
BRSA	: Banking Regulation and Supervision Agency
CIS	: Commonwealth of Independent States
BİST	: Borsa Istanbul
BOTAŞ	: Pipeline and Petroleum Transport Corporation
ÇATAK	: Protection of Agricultural Land for Environmental Purposes
MoLSS	: Ministry of Labor and Social Security
DIS	: Direct Income Support
DHMI	: State Airports Authority
FXDA	: Foreign Exchange Deposit Account

MoE	: Ministry of Economy
EFTA	: European Free Trade Association
ECO	: Economic Cooperation Organization
Fed	: US Central Bank
GDP	: Gross Domestic Product
UoT	: Undersecretariat of Treasury
IMF	: International Monetary Fund
NUTS	: Nomenclature of Territorial Unit for Statistics
OIC	: Organization of the Islamic Cooperation
KAMU-İŞ	: Employers' Trade Union of Public Enterprises
MoD	: Ministry of Development
BSEC	: Black Sea Economic Cooperation
SEE	: State Economic Enterprise
GCI	: Global Competitiveness Index
MoF	: Ministry of Finance
MoNE	: Ministry of National Education
CRA	: Central Registration Agency
SMF	: Securities Mutual Fund
NACE	: Static Classification of Economic Activities in the European Union
OECD	: Organization for Economic Cooperation and Development
PA	: Privatization Administration
SCT	: Special Consumption Tax
ROM	: Reserve Option Mechanism
SSI	: Social Security Institution
PPP	: Purchasing Power Parity
CMB	: Capital Markets Board
TBB	: The Banks Association of Turkey
CBRT	: Central Bank of Republic of Turkey
TEDAŞ	: Turkish Electricity Distribution Corporation
THY	: Turkish Airlines
TİSK	: Confederation of Employer Unions of Turkey
SDIF	: Saving Deposit Insurance Fund
TOBB	: Union of Chambers and Commodity Exchanges of Turkey
CPI	: Consumer Price Index
TURKSTAT	: Turkish Statistics Institute
D-PPI	: Domestic Producer Price Index
TURKDEX	: Turkish Derivatives Exchange
F-PPI	: Foreign Producer Price Index
MF	: Mutual Fund
FX	: Foreign Exchange





*PART I  
GENERAL  
EVALUATION*



## 1. AN OVERVIEW OF WORLD ECONOMY

The economic and financial crisis that emerged in 2008 and reached a global scale by rapidly influencing all the countries continues to affect the entire world, albeit at different extents, although 6 years have elapsed. The policies put in practice for fight against the crisis was not fully reflected in the economic growth. While the recovery process has begun in the world economy, extent of the growth, progressing at low level, differs between the countries. Although a relative improvement was observed in the US economy, effects of the crisis could not be completely eliminated yet. In developed countries, a decline trend stands out in the economic activity. In conclusion, the recovery in economy did not reach the desired level, the expected rapid growth could not be achieved in 2014, either.

Developed country economies showed a moderate growth in 2014. Emergence of transient factors in the US economy, low growth in the Euro zone and the negative effect caused in Japanese economy by the weakness that occurred in the demand due to the increase in the consumption tax restricted the growth in the zone economies. The measures taken in the Euro zone to recover from stagnancy did not suffice. The low-rate growth in Germany, driving force of the zone, the weakness in growth performance of France and Italy, made the economic recovery difficult. The high public debts, unemployment and structural problems as well as the troubles in the banking sector, persisting in the zone since the global crisis, remained material in 2014, either. Low growth and low inflation continues to pose risk and problem.

Significant slowdowns are observed in growth performance of the developing countries, which have been the driving force of the world economy and driven the growth following the global crisis. This suppresses the acceleration in the global economy downward.

Loss of acceleration was suffered in the economic growth with the effect of the policies put into practice by the government in China, contained in the group of these countries and one of the most important actors of the world economy, to suppress the rapid rise in the house prices. Economic growth of Russia, another important country of the region, came to a standstill in 2014 as a result of the decline in the oil prices particularly in the second half of the year depending on the geopolitical risks caused by the Ukraine crisis, and increased supply and weak demand. The growth recorded in India, another important country in this group of countries, is remarkable.

The fact that the global growth is not at the desired level causes concerns in terms of future of the world economy, and solutions are investigated. The main agenda of the G-20 Summit of Leaders held on November 15-16, 2014, in Australia comprised global growth. Necessary policy suggestions for encouragement of a strong growth in the global economy and reinforcing the global economy against the shocks likely be faced by the growth in the upcoming periods were evaluated at the meeting.

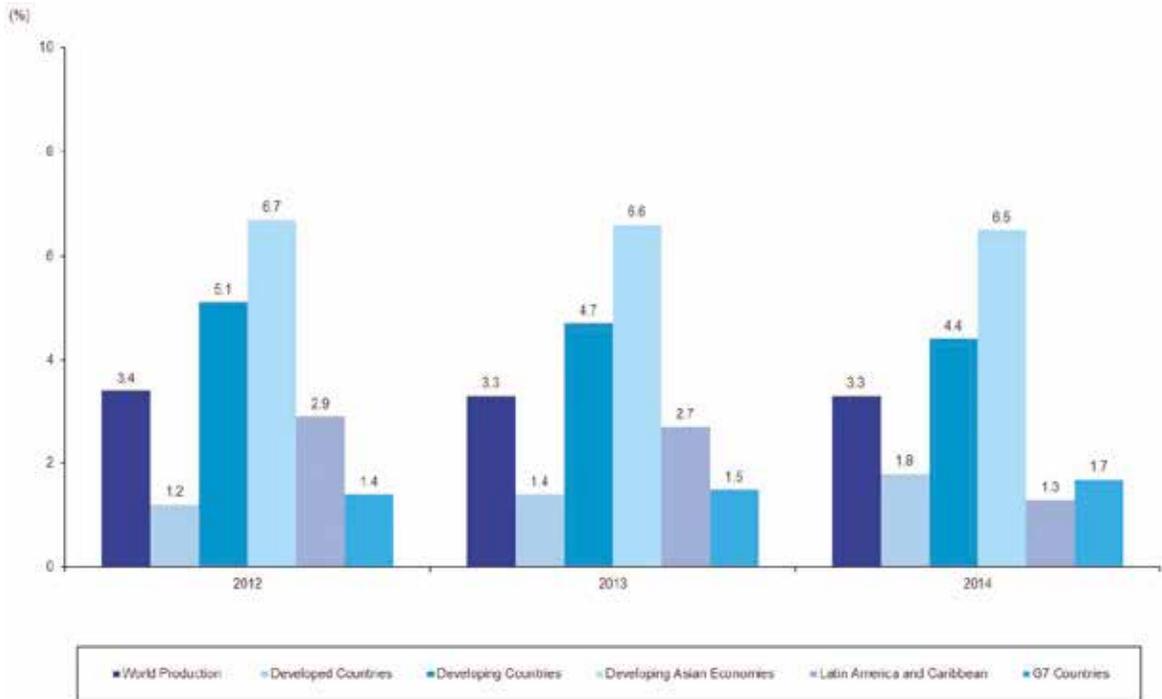
Despite these adversities suffered in 2014, improvement is expected in the world economic outlook in 2015.

### 1.1 Gross Domestic Product

According to the “World Economic Outlook” published by the International Monetary Fund (IMF) in October 2014, the growth in world economy that was 3.4% in 2012 regressed to 3.3% in 2013. The growth is estimated to maintain the level of 3.3% in 2014.

When considered the country groups, it is seen that the growth rates in the developed countries maintained their low levels but gained acceleration, and in the developing countries, the high growth rates that emerged following the global crisis regressed. For 2014, the growth is expected to be 1.8% in developed country economies with an increase by 0.4 points, and 1.7% in G7 countries with an increase by 0.1 points, compared to 2013. Growth rates are estimated to become 4.4% with a drop by 0.3 points in the group of developing countries, 6,5% in the developing Asian countries with a drop by 0,2 point, and 1.3% in Latin American and Caribbean countries with a drop by 1.4 points, compared to the preceding year (Table 1, Graph 1).

**Graph 1. GDP Growth Rates of Selected Country Groups**



Source: IMF.

Table 1. GDP Growth Rates

Country Groups/Countries	2012	2013	2014 <sup>(1)</sup>
World Production	3.4	3.3	3.3
Developed Countries	1.2	1.4	1.8
USA	2.3	2.2	2.2
Euro Zone	-0.7	-0.4	0.8
Germany	0.9	0.5	1.4
France	0.3	0.3	0.4
Italy	-2.4	-1.9	-0.2
Spain	-1.6	-1.2	1.3
Greece	-7.0	-3.9	0.6
Japan	1.5	1.5	0.9
Canada	1.7	2.0	2.3
United Kingdom	0.3	1.7	3.2
G7 Countries	1.4	1.5	1.7
Developing Countries	5.1	4.7	4.4
Russia	3.4	1.3	0.2
Turkey	2.1	4.1	3.0
Developing Asian Economies	6.7	6.6	6.5
China	7.7	7.7	7.4
India	4.7	5.0	5.6
ASEAN-5 <sup>(2)</sup>	6.2	5.2	4.7
Latin America and Caribbean	2.9	2.7	1.3
Brazil	1.0	2.5	0.3
Mexico	4.0	1.1	2.4

Source: IMF, World Economic Outlook, October 2014.

(1): Data of 2014 are estimate except for India.

(2): Indonesia, Malaysia, Philippines, Thailand and Singapore.

The US economy, the locomotive of the world economy, exhibited a relatively strong performance in 2014. Despite the fluctuations suffered in the global economy, it has maintained its growth rate of 2,2% as in 2013.

The improvement attained as a result of the measures put in place in the Euro Zone to recover from the stagnancy following the global crisis was not sufficiently reflected in the real sector, and the desired acceleration could not be achieved in the zone. While the zone economy that had diminished by 0,4% in 2013 grew by 0,8% in 2014, it could not show a strong recovery due the problems such as high unemployment and public debts, and idle capacity.

In 2014, among the countries of the zone, Germany, France and Spain showed positive growth with 1,4%, 0,4% and 0,3% respectively, whereas growth in Italy, remained negative with 0,2%. The Greece economy, which suffered the highest shrinkage among the zone countries, moved in positive direction and showed a growth of 0,6% in 2014.

Economy of Canada, which is among the developed countries, kept on gaining strength in 2014 and grew by 2,3%. UK raised its growth rate from 1,7% in 2013 to 3,2% in 2014, whereas the growth rate of Japan fell from 1,5% in 2013 to 0,9% in 2014. The negative development recorded in the growth rate of Japan resulted mainly from the sharp drop in consumption as a result of structural rigidities and tax adjustments.

The downward trend recorded since 2011 in the growth rate of Russia, which is in the developing countries group, continued in 2014. The growth rate that was 1,3% in Russia in 2013 came virtually to a standstill in 2014 by falling to 2,4%. This adversity suffered in the Russian economy resulted from decrease of the oil and natural gas proceeds, which constitute a substantial part of the budget incomes, due to the low course in oil prices, and the persisting tension with Ukraine.

The high growth rate in the developing countries prevailed in 2014, albeit with a relative slowdown. The growth rate that was 7,7% in 2013 in China, which is under this group, became 7,4% in 2014 with a decline by 0,3 points, influenced also by the structural problems. India raised its growth rate from 5,0% in 2013 to 5,6% with an increase by 0,6 points in 2014.

At the beginning of 2014, growth slowed down in Latin America and Caribbean region due to shrinkage in foreign demand and domestic market. Particularly in Brazil, weak competitiveness, low market confidence and strict financial conditions affected the investments negatively, restricting the growth. In the countries like Mexico, reforms aimed at supporting the supply were made, and it was strived to bring in more capital to the private sector. Brazil's growth rate that was 2,5% in 2013 is expected to regress to 0,3% in 2014, and that of Mexico is expected to rise from 1,1% to 2,4%.

## 1.2 GDP Per Capita by Purchasing Power Parity

Purchasing Power Parity (PPP) is an important indicator which removes differentiation between the price levels among countries, and enables to compare per capita national income of the countries in a certain period, and to get much meaningful results.

When examined the values of gross domestic product per capita by PPP for the selected countries among the countries contained in Table 2 in line with the results included in the "World Economic Outlook" report of IMF published in October 2014, USA was again the country with the highest national income per capita in 2014 with \$ 54,678. USA was followed by Germany with \$ 44,741, Canada with \$ 44,519, France with \$ 40,445, UK with \$ 37,744, Japan with \$ 37,683, and Italy with \$ 34,455. The countries with the lowest national income per capita by PPP were India with \$ 5,777, China with \$ 12,893 and Brazil \$ 15,153 (Table 2, Graph 2).

Table 2. GDP per Capita (by Purchasing Power Parity)

Country Groups/Countries	(\$)				
	2012	2013	2014 <sup>(1)</sup>	Variation (%)	
				2013	2014
Developed Countries	41,928	42,935	44,255	2.4	3.1
USA <sup>(2)</sup>	51,450	53,001	54,678	3.0	3.2
Euro Zone	33,756	34,016	-	0.8	-
Germany	42,756	43,475	44,741	1.7	2.9
France	39,291	39,813	40,445	1.3	1.6
Italy	34,405	34,103	34,455	-0.9	1.0
Spain	31,755	31,942	32,975	0.6	3.2
Greece	25,610	25,126	25,753	-1.9	2.5
Japan	35,501	36,654	37,683	3.2	2.8
Canada	42,259	43,253	44,519	2.4	2.9
United Kingdom <sup>(3)</sup>	35,275	36,208	37,744	2.6	4.2
G7 Countries	43,557	44,652	45,964	2.5	2.9
Developing Countries	9,155	9,596	10,051	4.8	4.7
Russia	23,700	24,298	24,764	2.5	1.9
Turkey	18,254	18,874	19,556	3.4	3.6
Developing Asian Economies	7,960	8,526	9,140	7.1	7.2
China	10,911	11,868	12,893	8.8	8.6
India	5,181	5,450	5,777	5.2	6.0
ASEAN-5 <sup>(4)</sup>	9,187	9,685	10,166	5.4	5.0
Latin America and Caribbean	14,467	14,904	15,175	3.0	1.8
Brazil	14,537	14,987	15,153	3.1	1.1
Mexico	17,147	17,390	17,925	1.4	3.1

Source: IMF, World Economic Outlook, October 2014.

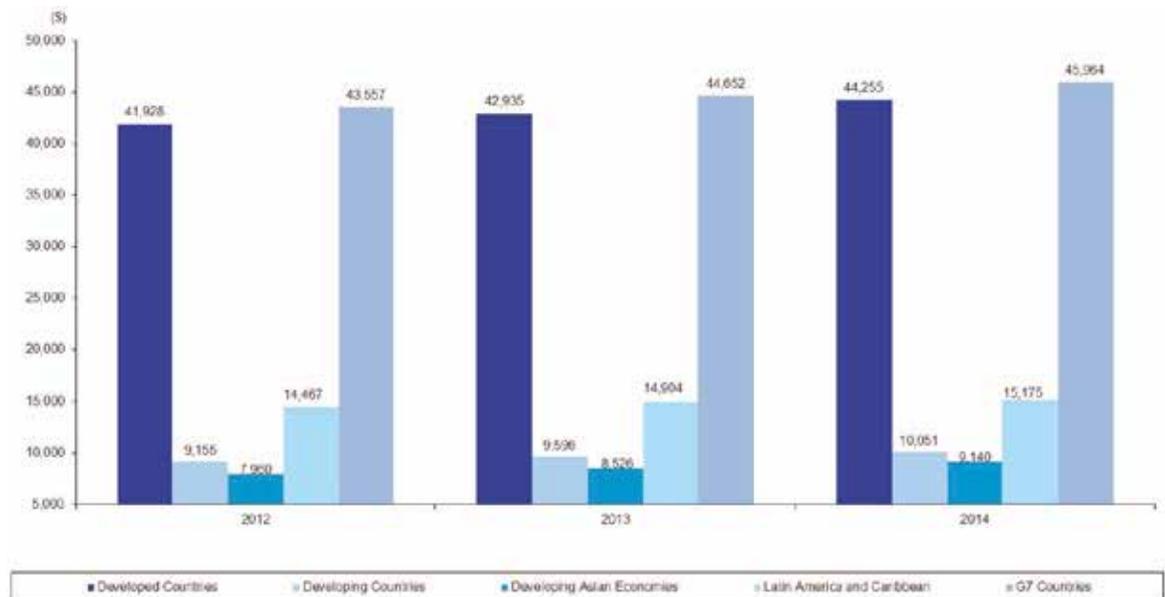
(1): Data of 2014 are estimate.

(2): Data of 2013 and 2014 are estimate.

(3): Data of 2012, 2013 and 2014 are estimate.

(4): Indonesia, Malaysia, Philippines, Thailand and Singapore.

Graph 2. GDP per Capita (by Purchasing Power Parity)



Source: IMF.

### 1.3 Consumer Price Index

The stagnancy and weak demand in the global economy restricts the price movements. Thus, the global inflation has low rates, and shows regression, albeit limited.

In 2014, the inflation declined to 3,8% globally with a drop by 0,1 point compared to the preceding year, whereas rose to 1,6% with an increase by 0,2 points, and declined to 5,5% in the developing countries with a drop by 0,4 points (Table 3, Graph 3).

The inflation rates in the developed countries continued posing risk in 2014. The inflation rates that emerged below the targeted values especially in the euro zone countries affect recovery of the zone from the economic stagnancy negatively. Therefore, the European Central Bank (ECB) lowered the policy inflation rates, and aimed to enliven the economic activity by declaring a new quantitative expansion program.

Despite the expansionary policies applied, the drop in the consumer price index increase rate in the Euro zone persisted. Having declined to 1,5% in the zone with a drop by 1,2 points in 2013, the inflation fell to 0,5% with a drop by 0,8 points in 2014.

**Table 3. Consumer Price Index Variation Rates**

Country Groups/Countries	2012	2013	2014 <sup>(1)</sup>
World	4,2	3,9	3,8
Developed Countries	2,0	1,4	1,6
USA	2,1	1,5	2,0
Euro Zone	2,5	1,3	0,5
Germany	2,1	1,6	0,9
France	2,2	1,0	0,7
Italy	3,3	1,3	0,1
Spain	2,4	1,5	0,0
Greece	1,5	-0,9	-0,8
Japan	0,0	0,4	2,7
Canada	1,5	1,0	1,9
United Kingdom	2,8	2,6	1,6
G7 Countries	1,9	1,3	1,7
Developing Countries	6,1	5,9	5,5
Russia	5,1	6,8	7,4
Turkey	8,9	7,5	9,0
Developing Asian Economies	4,7	4,7	4,1
China	2,6	2,6	2,3
India	10,2	9,5	7,8
ASEAN-5 <sup>(2)</sup>	3,8	4,6	4,6
Latin America and Caribbean <sup>(3)</sup>	6,1	7,1	-
Brazil	5,4	6,2	6,3
Mexico	4,1	3,8	3,9

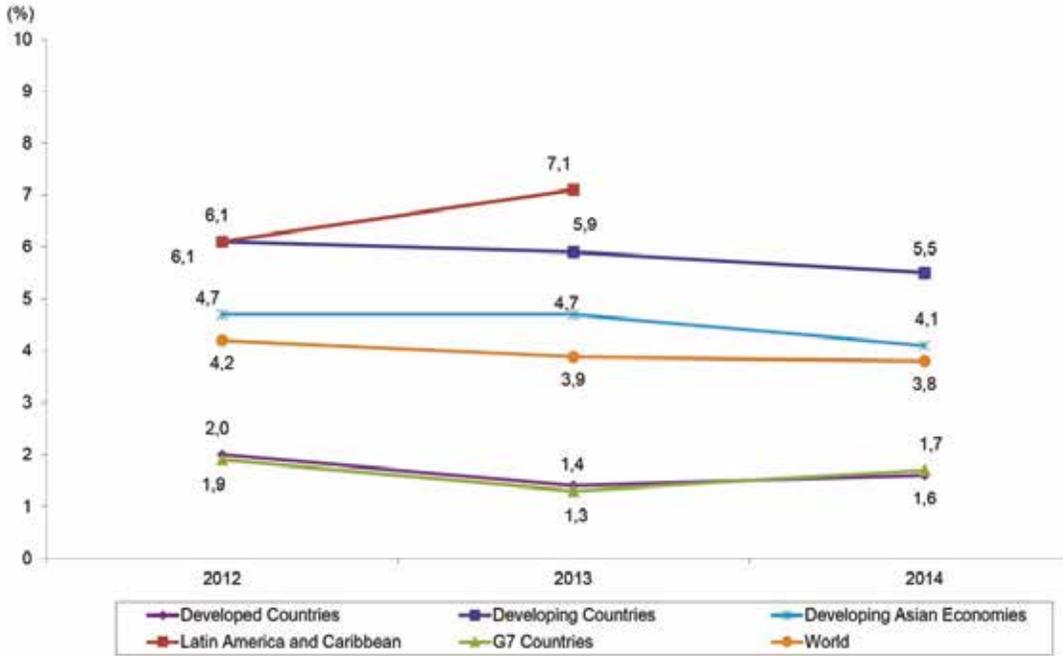
Source: IMF, World Economic Outlook, October 2014.

(1): Data of 2014 are estimate except for India.

(2): Indonesia, Malaysia, Philippines, Thailand and Singapore.

(3): Data of 2014 is not published.

Graph 3. Consumer Prices Index Variation Rates



Source: IMF.

Among the group of developed countries, the inflation rose to 2,0% in the USA with an increase by 0,5 points, to 2,7% in Japan with an increase by 2.3 points, and to 1.9% in Canada with an increase by 0,9 points.

Among the group of developing countries, the inflation rose to 7,4% in Russia with an increase by 0,6 points, whereas declined to 2,3% in China with a drop by 0,3 points, and to 7,8% in India with a drop by 1,7 points.

#### 1.4 International Commodity Markets and Prices of Selected Commodities

The world commodity price indices, which showed a sharp drop in 2009 with the effect of the global crisis, enjoyed relative increases in 2010 and 2011. In the last three years, the variation in the index components was usually in negative direction. In 2014, only the variation in the agricultural raw material price index was upward as was the case in 2013, whereas decline was recorded in other indices as a result of the downward price pressure resulting from high supply and low demand conditions. The concern that Russia might impose limitation in wheat export and the factors such the fact that soybean production in Brazil has remained below the expectations have been determinant in the increase in agricultural prices.

In 2014, decline was observed compared to the preceding year by 1,5% in the petroleum and non-petroleum commodity price index, 3,1% in the non-petroleum commodity price index, 2,1% in food and drink products price index, 4,0% in the industrial inputs price index, 7,5% in the metal products price index, and 1,3% in the oil price index. The upward trend that started in 2013 in the agricultural raw material prices index continued in 2014, increasing to 2,4% (Table 4).

Table 4. World Commodity Price Indices

Components	(2005=100)					
	Index			Variation (%)		
	2012	2013	2014	2013	2014	
Petroleum and non-petroleum commodity price index	185.7	182.9	178.7	-1.5	-2.3	
Non-petroleum commodity price index	171.0	169.0	163.8	-1.2	-3.1	
Food and drinks price index	174.8	174.6	170.9	-0.1	-2.1	
Industrial inputs price index	167.1	163.3	156.7	-2.3	-4.0	
Agricultural raw material price index	134.0	136.2	139.5	1.6	2.4	
Metal products price index	191.0	182.9	169.2	-4.2	-7.5	
Energy price index	194.2	191.0	187.4	-1.6	-1.9	
Oil price index	196.8	195.1	192.6	-0.9	-1.3	

Source: IMF Primary Commodity Prices Database.

According to the data published in IMF's report of October 2014 "World Economic Outlook", in general, there seems to exist a decrease in the international market prices of a great majority of the selected products. In 2014, the products which suffered the highest price decrease were corn with 29,2%, rubber with 22,0%, rice with 19,8, sunflower oil and orange with 18,6%, and wheat with 14,2%. The highest price increase was observed in coffee with 39,8%, nickel with 18,0%, and chocolate with 15,0%.

Despite the geopolitical risks, the surplus supply that emerged due to the reasons such as the high course in the US crude oil production and OPEC's not restricting the production and the weak demand resulting from the stagnancy in the world economy led to decrease in the oil prices. Brent crude oil price declined from 108,8 \$ to 105,7 \$ per barrel with a drop by 2,9% compared to 2013 (Table 5).

Table 5. Selected Product Prices in International Markets

Selected Products	Unit <sup>(1)</sup>	Price			Variation (%)	
		2012	2013	2014	2013	2014
Wheat	\$/MT	313.3	312.2	267.8	-0.3	-14.2
Corn	\$/MT	298.4	259.0	183.5	-13.2	-29.2
Rice	\$/MT	580.2	518.8	415.9	-10.6	-19.8
Soy bean	\$/MT	537.8	517.2	458.4	-3.8	-11.4
Peanut	\$/MT	1,688.2	2,314.5	2,210.7	37.1	-4.5
Sunflower oil	\$/MT	1,489.5	1,341.1	1,092.2	-10.0	-18.6
Olive Oil	\$/MT	3,135.7	3,816.7	3,832.9	21.7	0.4
Orange	\$/MT	868.0	967.3	787.6	11.4	-18.6
Banana	\$/MT	984.3	926.4	932.0	-5.9	0.6
Sugar (Free Market)	cts/lb	21.4	17.7	16.8	-17.2	-5.0
Tea	cts/Kg	348.9	266.0	232.9	-23.8	-12.4
Coffee	cts/lb	187.6	141.1	197.2	-24.8	39.8
Cotton	cts/lb	89.2	90.4	80.2	1.3	-11.3
Wool (23 Micron)	cts/Kg	1,212.6	1,128.1	1,061.7	-7.0	-5.9
Rubber	cts/lb	153.2	126.8	98.9	-17.2	-22.0
Aluminum	\$/MT	2,022.8	1,846.7	1,901.6	-8.7	3.0
Copper	\$/MT	7,958.9	7,331.5	6,986.2	-7.9	-4.7
Nickel	\$/MT	17,541.7	15,030.0	17,737.5	-14.3	18.0
Zinc	\$/MT	1,950.0	1,910.2	2,196.4	-2.0	15.0
Crude oil (Brent)	\$/bbl	112.0	108.8	105.7	-2.8	-2.9
West Texas (USA)	\$/bbl	94.1	97.9	98.4	4.0	0.5

Source: IMF Primary Commodity Prices Database.

(1): lb=0.4536 Kg, bbl (barrel)=159 lt, MT: Metric Ton

## 1.5 Central Government Budget Balance

The budget balances of many countries throughout the world, which have been impaired as a result of the global crisis, still pose problem. The policies put in place towards enlivening the economies affected the budget balances negatively, and heightened the public financing costs. While an improvement was observed in the ratios of the central budget balance deficit to GDP since 2012, no remarkable recovery was attained, influenced also by the low growth.

The ratio of central government budget deficit to GDP in developed countries which was 4,5% in 2012 declined to 3,4% in 2013 and to 3,0% in 2014. For 2014, this rate was 4,0% in the USA, 1,1% in Euro zone, 6,7% in Japan, and 3,5% in G7 countries. Among the developed countries, the central government balance of Germany and Greece produced surplus in 2014, as well, following 2013 (Table 6).

**Table 6. Central Government Budget Balance/GDP**

Country Groups/Countries	2012	2013	2014 <sup>(1)</sup>
Developed Countries	-4.5	-3.4	-3.0
USA	-6.3	-4.8	-4.0
Euro Zone	-2.3	-1.2	-1.1
Germany	-0,1	0.6	0.5
France	-3.8	-2.8	-2.7
Italy	-1,6	-0.6	-0.8
Spain	-4.9	-3.8	-3.4
Greece	-2,3	1.6	1.6
Japan <sup>(2)</sup>	-7,6	-7.6	-6.7
Canada	-2.4	-2.2	-2.0
United Kingdom	-5.8	-3.8	-4.1
G7 Countries	-5.2	-4.0	-3.5
Developing Countries	-	-	-
Russia	-0,2	-1.5	-0.8
Turkey	-3.3	-4.4	-4.3
Developing Asian Economies	-	-	-
China	0.4	-0.5	-0.6
India	-7.5	-7.2	-7.1
ASEAN-5 <sup>(3)</sup>	-	-	-
Latin America and Caribbean	-	-	-
Brazil	-2.7	-3.5	-3.6
Mexico	-4,5	-4,1	-4.2

Source: IMF, World Economic Outlook, October 2014

(1): Data of 2014 are estimate.

(2): Data of 2013 and 2014 are estimate.

(3): Indonesia, Malaysia, Philippines, Thailand and Singapore.

Ratio of central government budget deficit to GDP was 0,8% in Russia, 0,6% in China, 7,1% in India, 3,6% in Brazil and 4,2% in Mexico.

## 1.6 World Trade Volume

With the effect of the revival recorded in the economic performances of the developed countries, world trade volume is in an upward trend, though it could reach the pre-crisis

levels. The world trade volume increase rate that was 2,9% in 2010 rose to 3,0% in 2013 and to 3,8% in 2014 with the effect of the revival in the economic activities (Table 7).

**Table 7. World Trade Volume (Commodity and Service Trade) Variation Rates**

Country Groups/Countries	2012	2013	2014 <sup>(1)</sup>
World Trade Volume	2.9	3.0	3.8
Export	3.0	3.2	3.7
Developed Countries	2.0	2.4	3.6
USA	3.3	3.0	2.8
Euro Zone	2.2	1.8	3.5
Germany	3.2	0.9	4.0
France	1.1	2.4	3.4
Italy	2.1	0,1	2.0
Spain	2.1	4.9	4.1
Greece	0.0	2.5	4.1
Japan	-0,1	1.6	1.6
Canada	1.5	2.2	5.2
United Kingdom	1.7	0.5	1.0
G7 Countries	2.2	1.8	2.9
Developing Countries	4.6	4.4	3.9
Russia	4.7	3.9	3.4
Turkey	12.7	0.4	5.3
Developing Asian Economies	5.2	6.8	6.3
China	7.0	8.7	6.5
India	1.5	3.9	6.0
ASEAN-5 <sup>(2)</sup>	3.2	3.6	5.3
Latin America and Caribbean	1.6	2.0	1.8
Brazil	-0,3	3.1	3.9
Mexico	3.5	1.2	1.0
Import	2.9	2.8	4.0
Developed Countries	1.2	1.4	3.7
USA	2.3	1.1	3.8
Euro Zone	-1.0	0.5	3.4
Germany	1.4	1.5	4.8
France	-1.3	1.9	3.1
Italy	-7,0	-2,8	1.3
Spain	-5,7	0.4	4.2
Greece	-14.4	-4.7	-1.4
Japan	5.3	3.4	7.0
Canada	3.1	1.1	1.9
United Kingdom	3.4	0.2	0.5
G7 Countries	1.5	1.2	3.6
Developing Countries	6.0	5.3	4.4
Russia	10.4	6.6	-4.9
Turkey	1.2	8.4	-1.3
Developing Asian Economies	6.8	6.1	6.5
China	8.2	10.8	7.0
India	1.9	-4.5	8.7
ASEAN-5	7.4	3.4	3.7
Latin America and Caribbean	3.4	3.4	1.6
Brazil	-2,3	8.6	1.1
Mexico	4.4	1.8	6.8

Source: IMF, World Economic Outlook, October 2014

(1): Data of 2014 are estimate except for India.

(2): Indonesia, Malaysia, Philippines, Thailand and Singapore.

In 2014, export increased 3,7% whereas the increase was 4,0% in import across the world. In 2013 and 2014, although there was increase in export of developed countries and decrease in export of developing countries, the export increase rates of developed countries still lag behind those of developing countries. It is remarkable that export increase rates of especially the USA, Italy, Japan and UK are lower than the region average. In Euro zone, export increase rate increased by 1,7 points compared to the preceding year to 3,5%, and the zone countries other than Spain are seen to have their heightened their export increase rates. The highest increase in export was attained by Greece and Spain with 4,1%, followed by Germany with 4,0% and France with 3,4%. Italy showed the lowest increase in export with 2,0%, as was the case for 2013. Export increase rate of Russia and China dropped, whereas a rise was recorded in export increase rate of India. In 2014, Russia, China and India accomplished an export increase of 3,4%, 6,5% and 6,0%, respectively.

The acceleration in the economic activities of developed countries caused an upward effect in the world import in 2014. The import increase rate of developed countries was 1,4% in 2013, and rose to 3,7% in 2014, whereas import increase rate of developing countries maintained the decline trend, falling from 5,3 to 4,4%. Thus, the world import increase rate rose to 4,0%.

Euro zone import which increased by 0,5% in 2013 demonstrated an increase of 3,4% in 2014. The decline trend in import of Italy changed its direction to increase, and although the decrease in the import of Greece decelerated, it continued in 2014. Import of Italy increased by 1,3, whereas that of Greece decreased by 1,4%, and Germany was the country that enjoyed the highest increase in import with 4,8% among the zone countries. Among developed countries, Japan was the country which had the highest increase in import with 7,0%.

Among the developing countries, the troubles and economic stagnancy being suffered in Russia reflected in import. The import that increased by 6,6% in 2013 decreased by 4,9% in 2014. In India, the import that decreased by 4,5% in 2013 increased by 8,7% in 2014.

### 1.7 Current Transactions Balance

The countries focused on the current deficit problem without facing the external dependencies caused by the crisis as the legacy of the global imbalance and financial crisis period. Although many countries applied remediation in the current transactions deficit, the weak/negative growth and stagnant inflation hindered the countries from improving their net external statuses systematically, allowing a gradual improvement.

The current transactions surplus that amounted to 0,4% of GDP in the developed countries in 2013 dropped to 0,3% in 2014 with a decline by 0,1 point. In both years, a current transactions surplus at the rate of 0,8% of GDP was produced in developing countries and at the rate of 1,0% in the Asian economies.

The deficit in the current transactions balance in the US economy stood at 2,4% of GDP in 2013, and it slightly rose to 2,5% in 2014. Germany stands out in Euro zone as the country with the highest current surplus, as was the case for the prior years. In addition to Germany, the economies of Italy, Spain and Greece produced current surplus, whereas the economy of France produced current deficit. Moreover, other countries which had current deficit were Canada and England among the developing countries, and India, Brazil and Mexico among the developing countries. Among the developing countries, Russia and China had current transactions deficit (Table 8, Graph 4).

**Table 8. Current Transactions Balance / GDP**

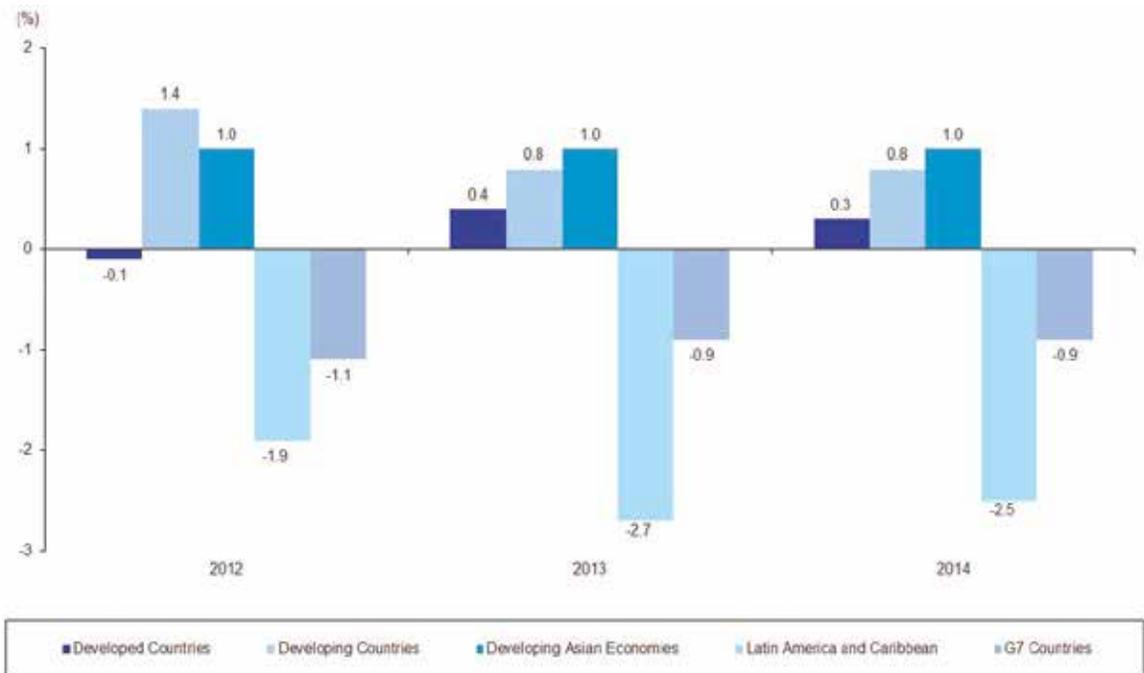
Country Groups/Countries	2012	2013	2014 <sup>(1)</sup>
Developed Countries	-0,1	0,4	0,3
USA	-2,9	-2,4	-2,5
Euro Zone	1,4	2,4	2,0
Germany	7,4	7,0	6,2
France	-2,1	-1,3	-1,4
Italy	-0,3	1,0	1,2
Spain	-1,2	0,8	0,1
Greece	-2,5	0,7	0,7
Japan	1,0	0,7	1,0
Canada	-3,4	-3,2	-2,7
United Kingdom	-3,8	-4,5	-4,2
G7 Countries	-1,1	-0,9	-0,9
Developing Countries	1,4	0,8	0,8
Russia	3,5	1,6	2,7
Turkey	-6,2	-7,9	-5,8
Developing Asian Economies	1,0	1,0	1,0
China	2,6	1,9	1,8
India	-4,7	-1,7	-2,1
ASEAN-5 <sup>(2)</sup>	0,4	0,0	0,7
Latin America and Caribbean	-1,9	-2,7	-2,5
Brazil	-2,4	-3,6	-3,5
Mexico	-1,3	-2,1	-1,9

Source: IMF, World Economic Outlook, October 2014

(1): Data of 2014 are estimate except for India.

(2): Indonesia, Malaysia, Philippines, Thailand and Singapore.

**Graph 4. Current Transactions Balance / GDP**



Source: IMF.

## 1.8 Unemployment Rates

The failure to have achieved the projected revival in the global economy and the low course of growth exerts pressure on employment. While there are slight improvements unemployment rates in general, unemployment preserves its place as an important problem in many countries of the world.

In 2014, unemployment rate in the group of developed countries became 7,3% with a decrease by 0,6 points. In the USA, the improvement in unemployment prevailed, and the unemployment rate that was 7,4% in 2013 declined to 6,3% in 2014, influenced also by the low course of the rate of participation in labor force. Likewise, unemployment rate decreased from 7,1% to 7,0% in Canada, from 7,6% to 6,3% in UK, 4.0% to 3,7% in Japan (Table 9, Graph 5).

**Table 9. Unemployment Rates**

Country Groups/Countries	2012	2013	2014 <sup>(1)</sup>
Developed Countries	8,0	7,9	7.3
USA	8,1	7,4	6.3
Euro Zone	11.3	11.9	11.6
Germany	5,5	5,3	5.3
France	9.8	10.3	10.0
Italy	10,7	12,2	12.6
Spain	24.8	26.1	24.6
Greece	24,2	27,3	25.8
Japan	4,3	4,0	3.7
Canada	7,3	7,1	7.0
United Kingdom	8,0	7,6	6.3
G7 Countries	7,4	7,1	6.5
Developing Countries	-	-	-
Russia	5,5	5,5	5.6
Turkey	8.4	9.0	9.5
Developing Asian Economies	-	-	-
China	4,1	4,1	4.1
India	-	-	-
ASEAN-5 <sup>(2)</sup>	-	-	-
Latin America and Caribbean	-	-	-
Brazil	5,5	5,4	5.5
Mexico	5,0	4,9	4.8

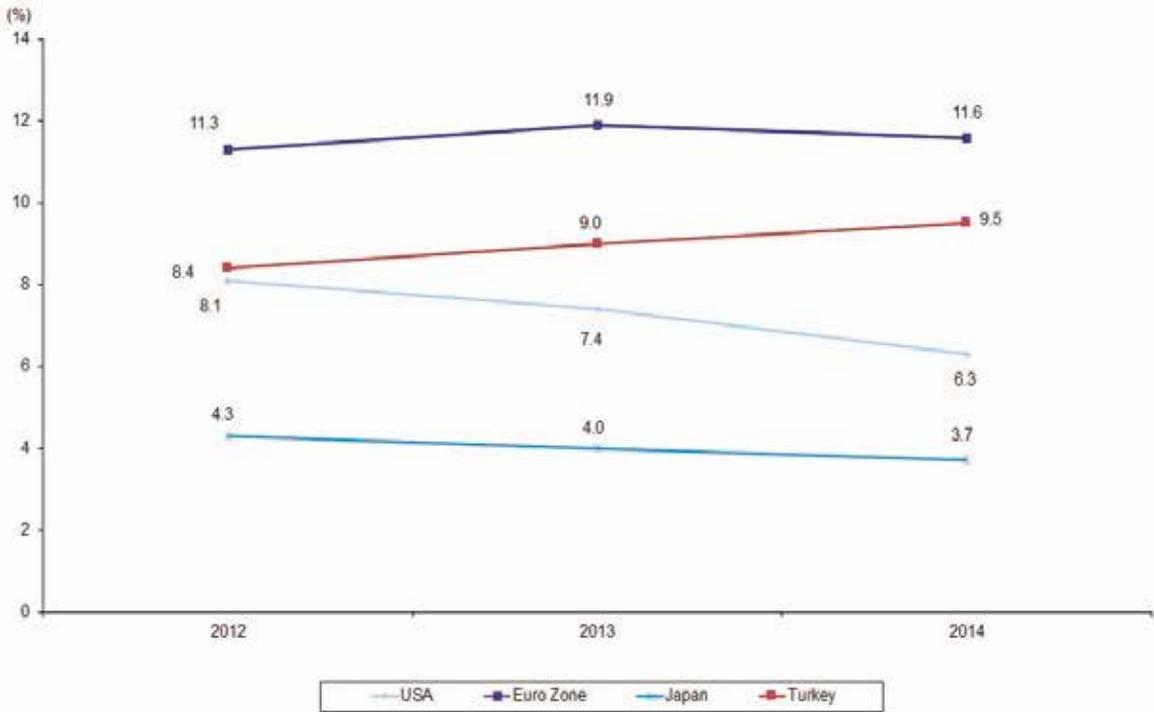
Source: IMF, World Economic Outlook, October 2014

(1): Data of 2014 are estimate.

(2): Indonesia, Malaysia, Philippines, Thailand and Singapore.

The unemployment rates which increased in 2013 as a remains of the debt crisis suffered in 2012 in the Euro zone regressed in 2014, albeit a little, yet, still maintain their high level and remain as chronic problem. In 2014, the unemployment rate across the zone declined from 11,9% to 11,6%, whereas the unemployment rate in Spain and India is still at the level of two-digit figures beginning with two.

Graph 5. Unemployment Rates



Source: IMF.

In 2014, unemployment rates became 25,8% in Greece, 24,6 in Spain, 12,6% in Italy and 10,0% in France. In Germany, it stood at its level in the last year with 5.3%. Unemployment rate among the developed countries stood at 3,7% in Japan, 7,0% in Canada and 6,3 in UK, which shows that improvement has been achieved in all the three countries compared to the preceding year.

In Russia, unemployment rate rose to 5.6% in 2014 with an increase by 0,1 point, whereas it remained at the level of 4,1% in China as in 2012 and 2013. Among the Latin American and Caribbean countries, it rose to 5,5% in Brazil, but fell to 4,8% in Mexico.

### 1.9 Global Competitiveness Index

The Global Competitiveness Index (GCI) established in 2014 by the World Economic Forum consist of three sub-indices designated as “Basic Requirements”, “Effectiveness Promoters” and “Innovation Factors”, which comprise critical data in terms of efficiency and competitiveness of each country. Through this index, the countries have the possibility to internationally compare themselves to other countries, see their strengths and weaknesses, review the policies they have been implementing, take new decisions, and put them into practice.

According the last period data of GCI, Switzerland has maintained its position of the country that best meets the competitiveness requirements by taking the first place in terms of competitiveness in the last three periods with 5,70, 5,67 and 5,72 points, respectively.

**Table 10. Global Competitiveness Index**

Countries	GCI 2014-2015			GCI 2013-2014			GCI 2012-2013	
	Rank	Score	Variation	Rank	Score	Variation	Rank	Score
Switzerland	1	5.70	0	1	5.67	0	1	5.72
Singapore	2	5.65	0	2	5.61	0	2	5.67
USA	3	5.54	2	5	5.48	2	7	5.47
Finland	4	5.50	-1	3	5.54	0	3	5.55
Germany	5	5.49	-1	4	5.51	2	6	5.48
Japan	6	5.47	3	9	5.40	1	10	5.40
Hong Kong SAR	7	5.46	0	7	5.47	2	9	5.41
Netherlands	8	5.45	0	8	5.42	-3	5	5.50
United Kingdom	9	5.41	1	10	5.37	-2	8	5.45
Sweden	10	5.41	-4	6	5.48	-2	4	5.53
Norway	11	5.35	0	11	5.33	-6	5	5.27
United Arab Emirates	12	5.33	7	19	5.11	5	24	5.07
Denmark	13	5.29	2	15	5.18	-3	12	5.29
Taiwan, China	14	5.25	-2	12	5.29	1	13	5.28
Canada	15	5.24	-1	14	5.20	0	14	5.27
Qatar	16	5.24	-3	13	5.24	-2	11	5.38
New Zealand	17	5.20	1	18	5.11	5	23	5.09
Belgium	18	5.18	-1	17	5.13	0	17	5.21
Luxemburg	19	5.17	3	22	5.09	0	22	5.09
Malaysia	20	5.16	4	24	5.03	1	25	5.06
Turkey	45	4.46	-1	44	4.45	-1	43	4.45

Source: World Economic Forum

Note: Ranking of 2012-2013 contains 144 countries, ranking of 2013-2014 contains 148 countries, ranking of 2014-2015 contains 144 countries.

In the ranking of GCI for the period 2014-2015, Switzerland is followed by Singapore with 5,65 points, by the USA with 5,54 points, by Finland with 5,50 points, by Germany with 5,49 points, and by Japan with 5,47 points. In the ranking of the first 10 countries, the biggest regress was suffered by Sweden, which dropped to the 10th place by regressing by 4 ranks, and Finland and Germany dropped to the fourth and fifth places regressing by 1 rank. Japan advanced by 3 places to the 6th rank, USA advanced by 3 places to the 10th rank and UK advanced by one place to the 9th rank.

Turkey was listed in 2014-2015 GCI in the 45th place with 4,46 points among 144 countries included in the index. When GCI performance of Turkey is analyzed by years, our country ranked 44th among 144 countries in the period 2012-2013 regressing by 1 rank, and 59th among 148 countries in the period 2013-2014. Our country ascended by 16 ranks from 2011 to 2012 in the ranking while regressing by 1 place from 2012 to 2013, and again regressing by 1 rank from 2013 to 2014.



## 2. AN OVERVIEW OF TURKISH ECONOMY

Having undergone a high-rate shrinkage in 2009 with the effect of the global crisis suffered by the world economy, Turkish economy entered in a process of rapid recovery in the subsequent two years. Following the shrinkage of 4,8% in 2009, high growth rates were recorded as 9,2% and 8,8% in 2010 and 2011, respectively. In the last three years, a growth showing a floating course took place in Turkish economy. In 2012, with the effect of the policies pursued so as to balance the domestic and foreign demand, growth rate declined to 2,1%. In 2013, despite the stagnancy in the global economy, a growth of 4,2% took place depending on the recovery in the domestic demand and increase in public expenditures.

Turkish economy entered in a relative stagnancy process again in 2014, and growth rate remained below the historical averages with 2,9%. The growth rate recorded in 2014 stood 1,3 points below the preceding year, 1,1 point below the program target, and 0,4 points below the medium term program estimate.

Besides the macro precautionary measures aimed at scaling down the domestic demand, which were put in place in October 2013 and February 2014, the fact that CBRT has resorted to interest increase in late January, has particularly restricted the consumption demand, and domestic demand increase has remained limited. The investments have been affected from these developments negatively, too. These developments recorded in consumption and investment expenditures have led to a restrictive effect on economic growth.

In 2014, increase has been achieved in export despite the failure to have attained the expected revival in the Euro zone economies and the pressure resulting from the persisting geopolitical problems in the our neighboring countries such as Iraq, Russia and Syria. Depending on these developments, growth was substantially stimulated by export/foreign demand.

In Turkish economy that grew by 2,9% in 2014, in terms of main sectors, agricultural sector shrank by 1,9% due to the agricultural drought, whereas services sector grew by 4,0% and industrial sector grew by 3,5%.

The share of agricultural sector within GDP declined to 8,0% with a decrease by 0,3 points and that of services sector declined to 64,9% with a decrease by 0,2 points, whereas share of the industrial sector rose to 27,1% with an increase by 0,5 points.

In 2014, private consumption expenditures and public consumption expenditures by increased by 1,3% and 4,6%, respectively, thus, 1,8% increase took place in aggregate consumption expenditures. Public sector fixed capital investments shrank down by 8,8%, and growth rate of private sector fixed capital investments remained at the level of 0,5%. Depending on these changes, a drop of 1,3% took place in total fixed capital investments. GDP per capita declined from \$10.822 in 2013 to \$10.404 in 2014 with a drop by 3,9%.

The reasons such as not having been able to fully recover from the stagnancy in the global economy, macro precautionary measures aimed at scaling down the consumption, unfavorable developments occurring in the neighboring countries, and not having attained the expected revival in domestic and foreign demand affected the production and capacity

utilization ratios negatively. The manufacturing industry capacity utilization rate, which rose to 74,6% in 2013 with an increase by 0,4 points compared to the preceding year, regressed to 74,4% in 2014 with a decrease by 0,2 points.

In terms of commodity groups, capacity utilization rate diminished by 0,2% in the group of durable consumer goods, whereas increased by 0,2 points in the non-group of durable consumer goods, and remained the same with the preceding year in the group of intermediate goods.

According to the industrial capacity reports disclosed by the Union of Chambers and Commodity Exchanges of Turkey (TOBB), number of industrial capacity reports which were still current at the end of 2014 rose to 71.825 with an increase by 4,9% compared to those which were still current as of the end of 2013. It is seen that concentration of industrial capacity reports still current as of the end of 2014 on enterprises having the lowest technology prevailed, and the rate of receipt of industrial capacity reports fell with the transition to the high technology classes.

Construction sector is one of the dynamic sectors which occupies an important pace in the country's economy with the added value and employment opportunities it creates, and which is in interaction with many sectors. Building licenses and occupancy permits issued by municipalities are among the most important indicators of the sector. In 2014, the building licenses showing status of the constructions planned to be built increased to 217.664 thousand m2 with an increase by 24,3% in surface area, and construction area of occupancy permits given to the constructions which have been licensed and completed increased to 150.824 thousand m2 with an increase by 9,4%.

House sales that increased by 64,9% in 2013 compared to the preceding year showed an increase of merely 0,7% with a substantial slowdown in 2014. Throughout Turkey, handover of total of 1.165.381 residences took place through sale in 2014.

According to the statistics of the companies founded and closed down as disclosed by TOBB, the number of companies, sole proprietorships and cooperatives founded increased by 17,8%, 15,6% and 10,0%, respectively, in 2014. On the other hand, the number of companies, sole proprietorships and cooperatives closed down decreased by 9,6%, 9,7% and 1,3%, respectively.

Number of protested bills, an another indicator involved in the real economy and commercial life, dropped to from 1.092 to 1.004 in 2014 with an decrease by 8,1%, and the amount of protested bills rose from 8.221 million TL to 7.494 million TL with an increase by 9,7%. Number of bad cheques dropped from 748 thousand to 673 thousand with a decrease by 10,0% in 2014, whereas their amount rose from 18.070 million TL to 19.881 million TL with an increase by 10,0%.

In 2014, the extremely low course of the economic growth in the Euro zone, and the persisting geopolitical problems in Iraq, Syria and Russia in our neighborhood, have affected the tourism of our country negatively.

In 2014, compared to the preceding year, the number of foreign visitors departing from Turkey declined to 5,6% with a decrease by 2 points and the number of citizens declined to 6,1% with a decrease by 23,6 points. Tourism revenues increase rate declined to 6,2% with a decrease by 5,2 points and tourism expenses increase rate declined to 4,1% with a decrease by 10,3 points. In 2014, tourism revenues stood at 34.306 million \$ and tourism expenses stood at 28.836 million \$.

The amount of fixed investments subjected investment incentive certificate, which increased by 66,0% in 2013, decreased by 35,7% in 2014. Thus, the fixed investments sub-

jected to investment incentive certificate, which amounted to 96.125 million TL in 2013, dropped to 61.844 million TL in 2014. This negative development that occurred in the investment incentives in 2014 resulted from the drop in the amounts of the investment incentive certificates issued to the sectors other than the services sector. Among the fixed investments subjected to incentive certificate in 2014, the services sector took the first place with 41,5%, followed by the manufacturing sector with 37,6%, energy sector with 37,6%, mining sector with 3,2%, and agricultural sector with 1,0%. In 2014, compared to 2013, the share received by agricultural, manufacturing industry and services sectors from the total investment incentives increased, whereas the share of mining and energy sectors decreased.

The basic goal of the Central Bank of Republic of Turkey (CBRT) is to ensure price stability. Applied by CBRT since 2006 to ensure price stability, the inflation targeting regime was rearranged by it gradually beginning from late 2010 so as to cover the financial stability without compromise on price stability.

The inflation target was set in 2014 as 5% in parallel to the understanding reached with the Government. At the yearend, inflation was 8,17%, 3,7 points up from the target of 5%, and exceeded the uncertainty band by 1,17 points. In the letter sent by CBRT to the Government, it was stated that accrual of the inflation remarkably above the target at the yearend was driven by the managed prices, particularly the increases in exchange rate and food prices, and the adjustments made in the taxes.

Inflation data of 2014 show that the values accrued were much above the targeted values and that rigidities in the inflation prevailed.

An increase of 9,55% occurred in the H core price indicator, a basic inflation indicator that is calculated by excluding the unprocessed food products, alcoholic drinks, tobacco products and gold from the main index.

Instead of the producer price index (PPI) calculated within the scope of agriculture and industry, domestic producer price index (D-PPI) only within the scope of the industrial sector, excluding the agricultural sector, began to be calculated from the beginning of 2014 for the purpose of creating indices which are comparable with national accounts, industrial production, industrial turnover, annual industrial product statistics and other indicators, and which are fully aligned with the European Union norms. This new index reflects the price variation of the products sold domestically by the producers in the industrial sector. At the beginning of 2014, along with reflections of the depreciation in Turkish Lira, a high-rate increase occurred in the manufacturing industry prices. Following the second half of the year, while the depreciation in Turkish Lira affected the manufacturing industry prices negatively, the drops in the international commodity prices limited this effect. At the end of 2014, D-PPI declined to 6,36% with a decrease by 0,61 points compared to the preceding yearend.

Moreover, agricultural products producer price index (Agricultural PPI) within the scope of agriculture, forestry and fishery, excluding the industrial sector, and foreign producer price index (F-PPI) measuring the producer price variations of the products exported to abroad, began to be calculated in 2014. In this respect, as of 2014 yearend, an increase of 6,67% and 2,63% took place in prices of the agricultural sector prices and in prices of the products sold abroad by the producers in the industrial sector, respectively, compared to the preceding year.

With its primary objective to ensure price stability, the Central Bank of Republic of Turkey is also tasked with taking such measures to ensure the stability in the financial system.

Setting out from here, CBRT put in place a new monetary policy strategy beginning from the late 2010 by developing the inflation targeting regime in order to keep the macro financial risks resulting from the global imbalances under control. Within the framework of the new monetary policy, CBRT started to observe the macro financial stability to the extent allowed by the conditions while keeping on ensuring the price stability as its primary objective. The diversity that has emerged in the monetary policy objectives has made the diversity of tools compulsory. Based on this necessity, a policy combination using the repo auction interest rate with one-week maturity, which is the policy interest, as well as the interest corridor emerging between the overnight borrowing and lending interests, which is applied in the international monetary market within the Bank and in the repo-reverse repo market within Borsa Istanbul, and the required reserves are used collectively.

The Central Bank of Republic of Turkey continued its monetary policy efforts in 2014 within the framework of the inflation targeting regime in line with the primary objective of ensuring and maintaining price stability. Inflation target was set as 5% jointly with Government as was the case in 2012 and 2013. The uncertainty band, which will constitute the basis of accountability obligation of CBRT was preserved as 2% in both directions.

Within the framework of the monetary policy 2014, it was declared that CBRT would continue observing the financial stability while targeting to keep the inflation at such levels in agreement with the target. In this respect, it was expressed that CBRT would keep on using the policies designed to restrict the volatility caused by the capital flows on the domestic economy, and in line with these objectives, the tools developed within the framework of the new policy in addition to the conventional tools. It was also stated that the communication channel would be commissioned a supportive tool for more effective functioning of the loans and exchange rate channels.

Since May of 2013, statements of the US Central Bank as to that it could decrease the liquidity provided to the market through monetary expansion amplified the uncertainties in the global economy, and volatilities occurred in the capital flows in our country like with many of developing countries.. While Turkish Lira underwent a marked depreciation, the risk premium increased substantially, and the interest rates escalated. Beginning from this period, TCMB resorted to additional monetary tightening considering the macro financial risks created by the global uncertainties. It also continued to provide liquidity to the market through foreign exchange selling auctions to balance the volatility in the exchange rates, preserved its cautious attitude in the monetary policy until the year end. Nevertheless, in the late 2013 and early 2014, significant depreciations occurred in Turkish Lira and sharp rises occurred in the market interest rates depending on the domestic and foreign uncertainties.

In the face of these developments, although no change was made in the interest rates at the monthly ordinary meeting of Monetary Policy Board in January 2014, it was stated that the liquidity standing was required to be tightened so as to align the inflation outlook with the medium term targets. In this respect, it was decided to ensure that the interests in the interbank market stand around 9,00% instead of 7,75% on the days when monetary tightening is deemed necessary. The said measures did not suffice to prevent the volatility in the market and the drop in Turkish Lira. The Monetary Policy Board convened extraordinarily on 28 January 2014, and announced that it would resort to front-end loading strong monetary policy in order to restrict the negative effects of the developments effecting the risk perceptions in the internal and external markets on the inflation and economic stability, and to ensure price stability. In this respect, it elevated the policy interest rate from 4,50% to 10,00%, the overnight lending interest rate from 7,75% to 12,00%, and the over-

night borrowing interest rate from 3,50% to 8,00%.

Depending on the developments experienced during the year, policy interest rate was reduced to the level of 8,25% being decreased by 50 base points in May, 75 base points in June and 50 base points in July. The overnight lending interest rate was reduced to 11,25% being decreased by 75 base points in August and overnight borrowing interest rate was reduced to 7,50% being decreased by 50 base points in July. These interest rates were maintained until the yearend.

While monetary policy practices were carried out in this framework in 2014, compared to 2013, M1 money supply nominally increased by 11,8% to 251.992 million TL, M2 money supply increased by 11,9% to 1.018.546 million TL, M3 money supply increased by 11,8% to 1.063.152 million TL, total deposit in the deposit banks increased by 12,8% to 992.074 million TL, foreign currency deposit accounts increased by 16,0% to 316.391 million TL.

Particularly lowering the growth rate of the consumer loans to restrict the upward risks on the inflation and to support the financial stability is important in terms of economy management. In this regard, the Banking Regulation and Supervision Agency (BRSA) put in place macro cautionary measures in October 2013 so as to increase the domestic savings and to restrict the increase in the consumer loans other than housing, which has a negative effect on current deficit. Moreover, limitations were imposed on the loan maturities and credit card installments by the arrangements promulgated on the Official Gazette on 31 December 2013 and out into effect on 1 February 2014. These arrangements made by BRSA, the fact that the increase in the global uncertainty environment in the second half of 2013 has elevated the funding costs, particularly the deposit interest rates, in the banking sector, and the interest increase made by CBRT in January 2014 has resulted in a restrictive effect on the loan increase rates. The total bank loans increase rate declined from 34,2% in 2013 to 18,4% in 2014 with a decrease by 15,8%, and loan volume stood at 1.172.732 million TL.

The developments in Borsa Istanbul were driven by the practices of Federal Reserve, the decline in oil and commodity prices, the stagnancy in the Euro Zone and Japanese economy, the tight monetary policy applied by CBRT, local elections held in March, and the Presidential election held in August. BIST 100 Index, which had a floating course during the year, closed the year 2014 at 85.721,1 points. Total transaction volume of Borsa Istanbul rose to 872.931 million TL with an increase by 6.9% compared to 2013. Number of domestic investors having share portfolio in 2014 in Borsa Istanbul fell to 1.065.473 with a decrease by 3,2%, and number of foreign investors rose to 9.895 with an increase by 3,6%, compared to 2013. Portfolio value of domestic investors increased by 22,8% to 89.699 million TL, that of foreign investors increased by 30,3% to 159.243 million TL, and total portfolio value increased by 27,5% to 248.942 million TL.

Public finance is one of the areas where Turkish economy is successful in general recently. Public policy exhibited improvement since 2009, when the effects of the global crisis were intensively felt. In this improvement, one-off revenues were influential besides budget discipline applied and the tight finance policy.

In the Medium Term Program 2014-2016, it is stated that the finance policy will be applied in such a way to help supporting the economic and financial stability, keeping the current deficit under control by increasing the domestic savings, and forcing up the growth potential. Ensuring that the gains attained in the previous periods are continued in the upcoming periods, ensuring sustainability of the public policy by keeping the public sector borrowing requirement at reasonable levels, and making the ratio of public sector deficit to GDP in 2014 1,0% and reducing it to 0,5% at the end of the program were announced as the

primary targets. Through finance policy, it was targeted to maintain the macroeconomic stability and financial discipline. The finance policy 2014 was applied in this framework.

It was targeted that the central government budget expenditures would be 436.433 million TL and budget revenues would be 403.175 million TL in 2014. According to these targets, it was envisaged that budget balance would produce a deficit of 33.258 million TL, and non-interest balance would produce a surplus of 18.742 million TL.

The improvement seen in the central government budget balance in 2013 was somewhat impaired in 2014. On the other hand, central government budget performed than as targeted, and the budget deficit accrued below the envisaged value. This performance was influenced by the increased non-tax revenues with the effect of the profit transfers made from CBRT and public banks to the budget as enterprise and ownership revenues, rather than the tax revenues, which accrued a little above the target. The slowdown in the increase in budget expenses excluding expenses, decrease in interest expenditures and continuance in the budget revenues provided improvement in the budget balance.

Compared to the preceding year, budget revenues increased from 389.682 million TL to 425.758 million TL with an increase by 9,3%, budget expenses increased from 408.225 million TL to 448.424 million TL with an increase by 12,7%; and the budget deficit that decreased by 37,0% in 2013 increased by 22,2%, rising from 18.543 million TL to 22.666 million TL. The non-interest surplus having risen by 65,5% in 2013 decreased by 13,4% in 2014, declining from 31.443 million TL to 27.242 million TL. The ratio of budget revenues to cover the expenses which was 95,5% in 2013 fell to 94,9% in 2014.

Privatization transaction amount declined from 12.486 million \$ in 2013 to 6.341 million \$ in 2014 with a drop by 49,2%. 1985 yılından bu yana 64.921 milyon dolar tutarında özelleştirme uygulaması gerçekleştirilmiştir.

The Financing Program 2014 was prepared in accordance with the medium-long term strategic metrics observing the cost and risk level, taking into account the liquidity risk, interest risk and foreign exchange risk, which the debt stock is essentially exposed to, as in the prior years. It was aimed to make the borrowing in 2014 mainly in TL and with fixed-interest instruments, to extend the medium term to the extent allowed by the market conditions, and to keep a strong reserve so as to alleviate liquidity risk that could occur in the cash and debt management. The practices were carried during the year in accordance with this goal, so the public debt stock indicators maintained their positive outlook in 2014.

In 2014, central government domestic debt stock rose to 414.649 million TL with an increase by 2,9%, foreign debt stock rose to 414.649 million TL with an increase by 7,9%, thus, total debt stock which had increased by 10,1% in 2013 rose to 611.957 million TL with an increase by 4,5%.

In 2014, the Central Bank of Republic of Turkey continued the floating exchange rate regime, where the exchange rates are determined by the supply and demand conditions in the market. As specified in the Exchange Rate Policy 2014, basically, the foreign exchange supply and demand are determined by the monetary and fiscal policies implemented, economic foundations, international developments and expectations. While CBRT has no nominal or real exchange rate target, it takes the necessary measures in the event of extreme appreciation or depreciation of Turkish Lira so as to limit the risks involving financial stability.

In the foreign exchange policy 2014, it is expressed that CBRT will continue closely following the foreign exchange supply and demand developments and taking the necessary measures in 2014 for proper functioning of the foreign exchange market and supporting

the foreign exchange liquidity. It was pointed out that the market could be intervened in directly or through flexible auctions in case unhealthy price formations are observed in the exchange rates with the effect of speculative behaviors in consequence of loss of the market depth, and in cases of excessive volatility.

During the year, the practices were carried out as described in the policy text, and when excessive volatility emerged in the exchange rates, CBRT proceeded with the foreign exchange selling auctions on the days it deemed necessary. In 2014, foreign exchange amounting to 13.030 million \$ was sold by CBRT in total, including 9.879 million \$ through the foreign exchange selling auctions, and 3.151 million \$ through the foreign exchange selling intervention in January.

In 2014, Turkish Lira depreciated against the foreign currencies with the effect of the global conjuncture and domestic political developments. At 2014 yearend, according to the annual average values, value of US dollar appreciated against Turkish Lira by 15,0% increasing to TL 2.18679, and Euro appreciated by 15,0% increasing to TL 2.90597.

In 2014, downward change was observed in import and upward change was observed, as opposed to 2013. Despite the political developments in the neighboring countries, import increased as a result of the weak course of domestic demand and the movements in the exchange rate, import regressed with the effect of the stagnancy in domestic demand and the macro cautionary measures.

In 2014, import increased by 3.8% from 151.803 million \$ to 157.642 million due to weakness of domestic market, exchange rate increases and effects stemming from foreign demand. Import regressed from 251.661 million \$ to 242.183 million \$ with a drop by 3,8%, in consequence of the weak course of the domestic demand conditions, rapid drop noted in the oil prices in the second half of the year, and cause of the gold import at its historical values.

Foreign trade deficit declined to 84.541 million \$ through narrowing by 15,3%, and foreign trade volume declined to 399.825 million \$ through shrinking by 0,9% with the effect of the decrease in import despite the growth in export. Connected to these developments, the ratio of imports covered by exports increased by 4.8 points compared to 2013, and rose from 60,3% to 65,1%.

The current transactions deficit that showed a rapid rise in Turkey especially after the crisis in 2009 started to pose a material problem, and rose to the highest level of its history in 2011. In the last quarter of 2020, the Central Bank of Republic of Turkey started to apply a new monetary policy framework, which considers also the financial stability, against the high increase in the loans, excessive appreciation of the exchange rates and the current deficit that has reached high levels. In addition to the practices of CBRT, with contribution of other regulatory agencies, excessive appreciation of the exchange was resolved and the loan growth rate was forced to more reasonable levels in the period following 2011. Having shown a trend of recovery in concordance with these developments, the current deficit followed a floating course, and significantly lessened in 2014. The current transactions deficit dropped from 64.658 million \$ in 2013 to 45.846 million \$ in 2014 with an decrease by 29,1%.

The improvement in 2014 in the current transactions deficit was driven by the rise in the net service revenues and the decline in the primary income deficit, particularly the shrinkage in the foreign trade deficit as shown in the payments balance.

Persistence of the slowdown in the global activity, the failure to have elevated the economic growth to the targeted levels and the disturbances at various regions of the world

affected the capital movements negatively. Along with the decrease in the risk appetite, the capital inflows particularly toward the developing countries decreased, too. The capital inflows toward our country followed a declining course in parallel to the developments in the international markets, and the international direct capital inflow that was 10.759 million \$ in 2012 declined to 9.866 million \$ in 2013 and to 8.699 million \$ in 2014.

The foreign debt stock that has increased by 11,6% in 2012 and by 14,8% in 2013 substantially slowed down in 2014 and increased by 3,4%. In 2014, the gross foreign debt stock rose to 402.415 million \$.

According to the results of the Address-Based Population Record System, population of Turkey rose to 77.696 thousand people with an increase by 13,3% as of 2014 yearend. Of this population, 91,7% live in province and county centers, 8,3% live in towns and villages.

Despite the low growth rate in economy in 2014, increase was observed in employment. However, due to participations in labor force, unemployment rate continued to increase despite the increase in the employment. In 2014, labor force increased to 28.786 thousand people with an increase by 1.740 thousand, and additional employment was provided for 1.332 thousand people. Number of the unemployed rose to 2.853 thousand people with an increase by 408 thousand, and unemployment rate rose to 9,9% with an increase by 0,9 points. Non-agricultural unemployment rate increased by 1,1 point to 12%, and young unemployment rate increased by 0,8 point to 17,9%.

Those employed in the agricultural sector increased to 5.470 thousand people by 5,1%, those employed in the industrial sector increased to 7.228 thousand people by 5,2%, and those employed in the service sector increased to 13.235 thousand people by 5,6%. Of the employees, 21,1% were employed in the agricultural sector, 27,9% were employed in the industrial sector and 51,0% were employed in the service sector.

In 2014, daily legal gross minimum wage was established as TL 35,70 in the first six-month period and TL 37,80 in the first half of the year for those aged both below and above 16 years old. Monthly legal gross minimum wage was established as TL 1.071,0 in the first six-month period and TL 1.134,0 in the second half of the year for those aged both below and above 16 years old. In 2014, compared to the preceding year, the monthly gross minimum wage increased by 4,8% for people aged above 16 years old and 22,1% for people aged below 16 years old in the first half of the year, and increased 5,9% for people aged both above and below 16 years old in the second half of the year.

In 2014, cost of the minimum wage to the employer was TL 1.258,43 in the first half of the year, of which, TL 166,01 was SSI premium employer contribution and TL 21,42 was Employer Unemployment Insurance Fund deduction. Cost of the minimum wage to the employer was TL 1.332,45 in the second half of the year, of which, TL 175,77 was SSI premium employer contribution and TL 22,68 was Employer Unemployment Insurance Fund deduction.



*PART II.  
TURKISH  
ECONOMY*



## 1. ECONOMIC INDICATORS

### 1.1 Gross Domestic Product

Having undergone a sharp shrinkage at the rate of 4,8% in 2009 with the effect of the global crisis suffered by the world economy, a process of rapid recovery was entered in Turkish economy in the subsequent two years. High growth rates of 9,2% and 8,8% were recorded in 2010 and 2011, respectively. In the last three years following these years, the growth in Turkish economy continued, albeit with a floating course. In 2012, due to the shrinkage in the private consumption and investment expenditures with the effect of the policies pursued so as to balance the domestic and foreign demand, growth rate declined to 2,1%. In 2013, despite the stagnancy in the global economies, a growth that is two folds of that in 2012 was recorded with 4,2%, depending on the recovery in the domestic demand and increase in public expenditures.

Turkish economy entered in a relative stagnancy process again in 2014, and growth rate remained below the historical averages with 2,9%. The growth rate recorded in 2014 stood 1,3 points below the preceding year, 1,1 point below the program target, and 0,4 points below the medium term program estimate (Table 11).

In 2014, the failure to have attained the expected revival in the Euro zone economies and the pressure resulting from the persisting geopolitical problems in our neighboring countries such as Iraq, Russia and Syria were the most important factors restricting the growth. Despite these adversities, growth was substantially stimulated by foreign demand. Besides the macro precautionary measures aimed at scaling down the domestic demand, which were put in place in October 2013 and February 2014, the fact that CBRT has resorted to interest increase in late January, particularly restricted the consumption demand, and domestic demand increase remained limited.

In terms quarterly periods, the GDP increase rate, which has shown gradual decline trend in the first three quarters of 2014, entered in the recovery process in the last period. Thus, GDP continued its growth process, which started in the last quarter of 2009, uninterruptedly for 21 quarters, albeit with a floating course, with an increase by 4,9% in the first quarter of 2014, 2,3% in the second quarter, 1,9% in the third quarter and 2,6% in the last quarter.

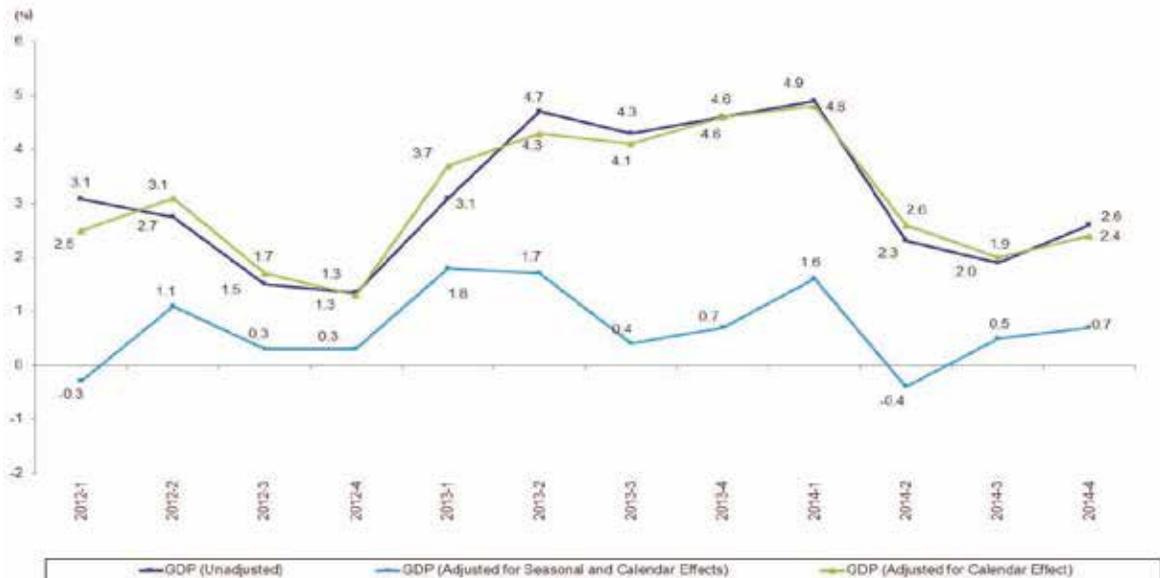
With the fixed prices adjusted for seasonal and calendar effects, GDP grew by 1,4% in the first quarter, shrank by 0,4% in the second quarter, then, having entered in the improvement process again, grew by 0,5% in the third quarter and 0,7% the last quarter (Graph 6).

**Table 11. Gross Domestic Product in Constant Prices by Economic Activities**

Lines of Economic Activity (Nace Rev 2)	(with 1998 prices)								
	Value (Thousand TL)			Share (%)			Variation (%)		
	2012	2013	2014	2012	2013	2014	2013	2014	
Agriculture, forestry and fishery	10,935,277	11,315,315	11,095,102	9.3	9.2	8.8	3.5	-1.9	
Industry	38,526,014	40,096,925	41,509,785	32.8	32.7	32.9	4.1	3.5	
Mining and quarrying	832,457	804,188	849,283	0.7	0.7	0.7	-3.4	5.6	
Manufacturing industry	28,370,054	29,426,602	30,510,023	24.1	24.0	24.2	3.7	3.7	
Electricity, gas, vapor, air conditioning production and distribution	2,160,183	2,187,420	2,263,546	1.8	1.8	1.8	1.3	3.5	
Water supply, sewerage, waste management and treatment activities	437,097	457,702	508,026	0.4	0.4	0.4	4.7	11.0	
Construction	6,726,224	7,221,013	7,378,907	5.7	5.9	5.9	7.4	2.2	
Services	67,853,932	71,614,173	74,462,096	57.7	58.4	59.1	5.5	4.0	
Wholesale and retail trading	14,866,979	15,630,581	15,848,794	12.6	12.8	12.6	5.1	1.4	
Transportation and storage	14,572,533	15,138,361	15,537,872	12.4	12.4	12.3	3.9	2.6	
Accommodation and catering activities	2,213,482	2,416,308	2,484,543	1.9	2.0	2.0	9.2	2.8	
Information and communication	3,041,544	3,125,888	3,231,504	2.6	2.6	2.6	2.8	3.4	
Finance and insurance activities	14,155,055	15,548,906	16,632,983	12.0	12.7	13.2	9.8	7.0	
Real estate activities	5,579,332	5,671,681	5,820,343	4.7	4.6	4.6	1.7	2.6	
Vocational, scientific and technical activities	2,749,286	2,930,802	3,246,832	2.3	2.4	2.6	6.6	10.8	
Administrative and support service activities	2,106,471	2,216,241	2,338,344	1.8	1.8	1.9	5.2	5.5	
Public administration and defense, compulsory social security	3,455,713	3,604,324	3,702,944	2.9	2.9	2.9	4.3	2.7	
Education	2,258,422	2,361,048	2,520,178	1.9	1.9	2.0	4.5	6.7	
Human health and social service activities	1,410,644	1,484,994	1,569,284	1.2	1.2	1.2	5.3	5.7	
Culture, art, entertainment, recreation and sports	214,364	219,861	234,990	0.2	0.2	0.2	2.6	6.9	
Other service activities	1,039,206	1,063,290	1,086,116	0.9	0.9	0.9	2.3	2.1	
Household activities as employers	190,900	201,888	207,369	0.2	0.2	0.2	5.8	2.7	
Total sectors	117,315,223	123,026,413	127,066,984	99.7	100.4	100.8	4.9	3.3	
Indirectly measured financial intermediary services	9,675,179	10,879,822	11,676,375	8.2	8.9	9.3	12.5	7.3	
Tax – subsidy	9,984,977	10,409,870	10,679,180	8.5	8.5	8.5	4.3	2.6	
Gross Domestic Product (with Buyer prices)	117,625,021	122,556,461	126,069,789	100.0	100.0	100.0	4.2	2.9	

Source: TURKSTAT.

**Graph 6. Gross Domestic Product Growth Rates by Terms**



Source: TURKSTAT.

In Turkish economy that grew by 2,9% in 2014, in terms of main sectors, agricultural sector shrank by 1,9% due to the agricultural drought, whereas services sector grew by 4,0% and industrial sector grew by 3,5%. With these changes, a drop by 5,4 points, 1,5 points and 0,6 points took place in the growth rates of agricultural sector, services sector and industrial sector, respectively (Graph 7).

In 2013, the highest growth in terms of lines of economic activity occurred in water supply, sewerage, waste management and treatment activities with 11,0%, followed by growth in the vocational, scientific and technical activities with 10,8%, financial intermediation services measured indirectly with 7,3%, finance and insurance activities with 7,0%, cultural, art, entertainment, recreational and sports activities with 6,9%, and education with 6,7%.

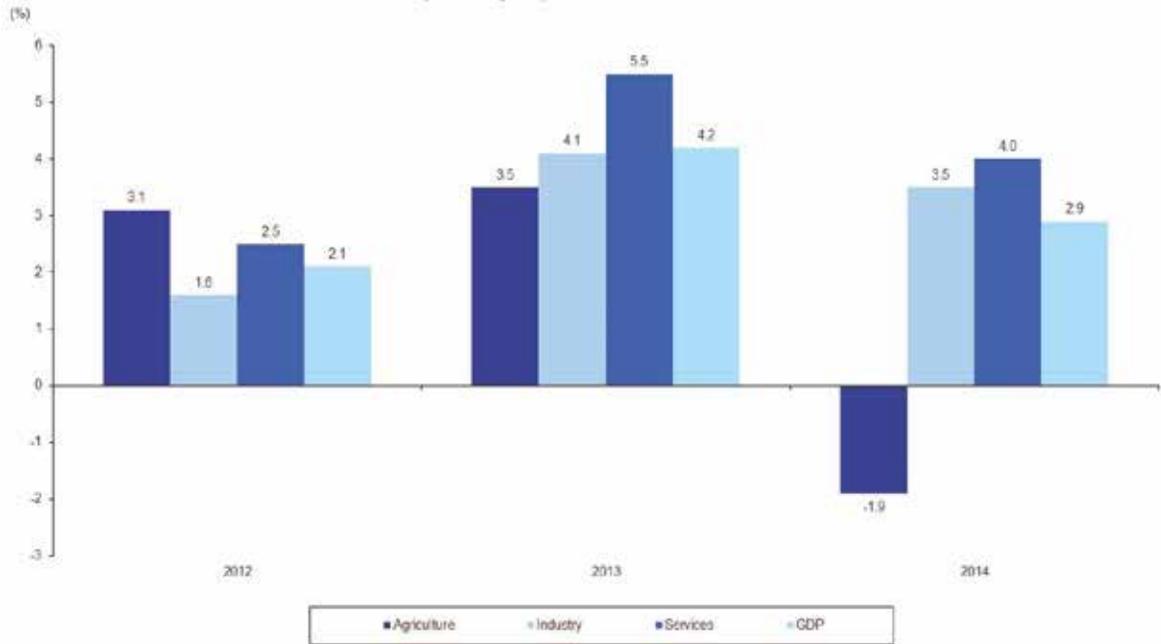
In 2014, GDP grew by 11,6% with current prices reaching 1.749.782 million TL. This consisted of agriculture, industry and services sector with 125.018 million TL, 421.342 million TL and 1.009.804 million TL, respectively (Table 12).

**Table 12. Gross Domestic Product with Current Prices by Lines of Economic Activity**

Lines of Economic Activity (Nace Rev 2)	Value (Thousand TL)			Share (%)			Variation (%)	
	2012	2013	2014	2012	2013	2014	2013	2014
Agriculture, forestry and fishing	111,682,488	115,658,178	125,018,135	7.9	7.4	7.1	3.6	8.1
Industry	336,806,353	369,356,843	421,342,233	23.8	23.6	24.1	9.7	14.1
Mining and quarrying	21,200,360	21,915,872	25,457,174	1.5	1.4	1.5	3.4	16.2
Manufacturing industry	219,640,682	240,199,914	276,504,263	15.5	15.3	15.8	9.4	15.1
Electricity, gas, steam and or conditioning supply distribution	24,807,507	27,422,113	27,595,077	1.8	1.7	1.6	10.5	0.6
Water supply, sewerage, waste management and remediation activities	9,000,975	10,261,455	12,042,191	0.6	0.7	0.7	14.0	17.4
Construction	62,156,828	69,557,490	79,743,528	4.4	4.4	4.6	11.9	14.6
Services	814,484,562	903,089,775	1,009,803,659	57.5	57.6	57.7	10.9	11.8
Wholesale and retail trade	168,295,981	188,389,859	209,514,646	11.9	12.0	12.0	11.9	11.2
Transportation and storage	170,629,116	186,958,493	209,914,560	12.0	11.9	12.0	9.6	12.3
Accommodation and catering activities	33,367,303	39,411,605	44,878,864	2.4	2.5	2.6	18.1	13.9
Information and communication	28,667,806	31,105,291	33,006,443	2.0	2.0	1.9	8.5	6.1
Finance and insurance activities	46,538,356	52,483,368	52,989,263	3.3	3.3	3.0	12.8	1.0
Real estate activities	142,799,084	155,838,570	171,431,013	10.1	9.9	9.8	9.1	10.0
Professional, scientific and technical activities	42,703,469	48,914,985	58,948,513	3.0	3.1	3.4	14.5	20.5
Administrative and support service activities	28,346,756	31,925,207	36,803,944	2.0	2.0	2.1	12.6	15.3
Public administration and defense, compulsory social security	60,931,338	66,337,321	74,166,911	4.3	4.2	4.2	8.9	11.8
Education	49,432,468	55,579,726	64,931,636	3.5	3.5	3.7	12.4	16.8
Human health and social service activities	21,718,515	23,312,081	26,977,495	1.5	1.5	1.5	7.3	15.7
Culture, art, entertainment, recreation and sports	2,929,062	3,259,541	3,748,039	0.2	0.2	0.2	11.3	15.0
Other service activities	15,407,802	16,485,975	19,044,182	1.1	1.1	1.1	7.0	15.5
Household activities as employers	2,717,507	3,087,751	3,448,150	0.2	0.2	0.2	13.6	11.7
Total sectors	1,262,973,403	1,388,104,797	1,556,164,028	89.1	88.6	88.9	9.9	12.1
Indirectly measured financial intermediary services	21,925,706	25,195,305	25,062,873	1.5	1.6	1.4	14.9	-0.5
Tax – subsidy	175,750,793	204,379,746	218,681,113	12.4	13.0	12.5	16.3	7.0
Gross Domestic Product (with Buyer prices)	1,416,798,490	1,567,289,238	1,749,782,267	100.0	100.0	100.0	10.6	11.6

Source: TURKSTAT.

Graph 7. Gross Domestic Product Growth Rates (with 1998 Prices)



Source: TURKSTAT.

In 2014, share of the agriculture sector within GDP declined by 0,3 points to 8,0%, share of services sector declined by 0,2 points to 64,9%, whereas share of the industry sector rose by 0,5 points to 27,1% (Table 13, Graph 8).

Table 13. Shares of Sectors Within Gross Domestic Product<sup>(1)</sup>

Sectors	(with Current prices, %)		
	2012	2013	2014
Agriculture	8.8	8.3	8.0
Industry	26.7	26.6	27.1
Services	64.5	65.1	64.9
GDP	100.0	100.0	100.0

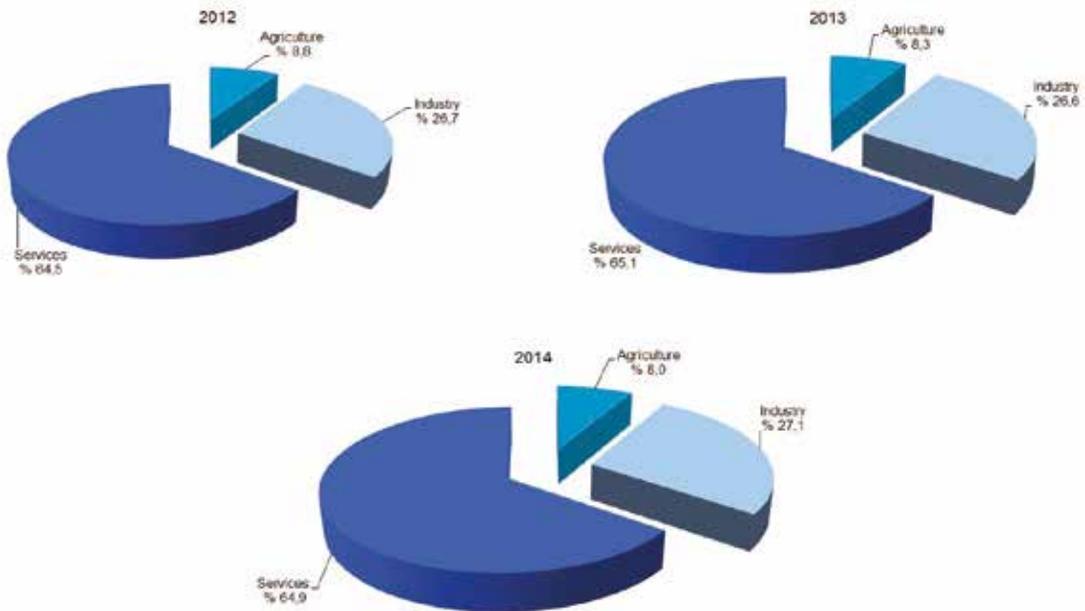
Source: TURKSTAT.

(1): Shares in the GDP were calculated through distributing the indirectly measured financial intermediary services and taxes-subsidies according to the sectoral weights.

The highest contribution to the growth of 2,9% that took place in GDP in 2014 on sectoral basis was made by the services sector with 2,32 points, and contribution of the industrial sector was 1,15 points. Agricultural sector had a negative contribution to growth with 0,18 points (Table 14).

In terms of the lines of economic activity, the highest contribution was made by the manufacturing industry and the finance and insurance activities with 0,65 points, followed by indirectly measured financial intermediary services with 0,33 points, transportation and storage with 0,33 points, wholesale and retail trading with 0,62 point, vocational, scientific and technical lines of activity with 0,26 points and tax - subsidies with 0,22 points.

Graph 8. Sectoral Distribution of Gross Domestic Product (with Current prices)



Source: TURKSTAT.

Table 14. Sectoral Contributions to Gross Domestic Product by Lines of Economic Activity

Lines of Economic Activity (Nace Rev 2)	GDP (Thousand TL)			Sectoral Contributions (Points)		
	2012	2013	2014	2012	2013	2014
	(with 1998 prices)					
Agriculture, forestry and fishery	10,935,277	11,315,315	11,095,102	0.29	0.32	-0.18
Industry	38,526,014	40,096,925	41,509,785	0.53	1.34	1.15
Mining and quarrying	832,457	804,188	849,283	0.01	-0.02	0.04
Manufacturing industry	28,370,054	29,426,602	30,510,023	0.42	0.90	0.88
Electricity, gas, vapor, air conditioning production and distribution	2,160,183	2,187,420	2,263,546	0.06	0.02	0.06
Water supply, sewerage, waste management and treatment activities	437,097	457,702	508,026	0.01	0.02	0.04
Construction	6,726,224	7,221,013	7,378,907	0.03	0.42	0.13
Services	67,853,932	71,614,173	74,462,096	1.46	3.20	2.32
Wholesale and retail trading	14,866,979	15,630,581	15,848,794	0.00	0.65	0.18
Transportation and storage	14,572,533	15,138,361	15,537,872	0.25	0.48	0.33
Accommodation and catering activities	2,213,482	2,416,308	2,484,543	0.06	0.17	0.06
Information and communication	3,041,544	3,125,888	3,231,504	0.21	0.07	0.09
Finance and insurance activities	14,155,055	15,548,906	16,632,983	0.38	1.18	0.88
Real estate activities	5,579,332	5,671,681	5,820,343	0.09	0.08	0.12
Vocational, scientific and technical activities	2,749,286	2,930,802	3,246,832	0.15	0.15	0.26
Administrative and support service activities	2,106,471	2,216,241	2,338,344	0.07	0.09	0.10
Public administration and defense, compulsory social security	3,455,713	3,604,324	3,702,944	0.10	0.13	0.08
Education	2,258,422	2,361,048	2,520,178	0.08	0.09	0.13
Human health and social service activities	1,410,644	1,484,994	1,569,284	0.06	0.06	0.07
Culture, art, entertainment, recreation and sports	214,364	219,861	234,990	0.00	0.00	0.01
Other service activities	1,039,206	1,063,290	1,086,116	0.01	0.02	0.02
Household activities as employers	190,900	201,888	207,369	0.01	0.01	0.00
Total sectors	117,315,223	123,026,413	127,066,984	2.28	4.86	3.30
Indirectly measured financial intermediary services	9,675,179	10,879,822	11,676,375	0.27	1.02	0.65
Tax – subsidy	9,984,977	10,409,870	10,679,180	0.12	0.36	0.22
Gross Domestic Product (with Buyer prices)	117,625,021	122,556,461	126,069,789	2.13	4.19	2.87

Source: TURKSTAT.

With fixed prices, consumption expenditures of the resident households rose by 1,3% and final consumption expenditures of the state rose by 4,6% in 2014. Thus, 1,8% increase took place in aggregate consumption expenditures. The public sector capital investments which increased by 24,1% in 2013 decreased by 8,8% in 2014 driven by the drops of 10,8% in construction investments and 1,1% in machinery-equipment investments. Private sector fixed capital investments increase rate maintained the last year's level of 0,5% with the effect of the 9,4% growth in the construction investments in 2014. A drop of 1,3% took place in total fixed capital investments. Thus, an increase of 1,0% was recorded in the total domestic final demand (excluding stock).

Goods and service export decreased by 0,2% in 2013, whereas increased by 6,8% in 2014, and export constituted the main source of the growth. The good and service import that increased by 9,0 in 2013 decreased by 0,2% in 2014 as a result of the shrinkage encountered in domestic demand (Table 15).

**Table 15. Gross Domestic Product according to the Expenditures Method**

Expenditure Components	Value (Thousand TL)			Share (%)			Variation (%)	
	2012	2013	2014	2012	2013	2014	2013	2014
	(with 1998 prices)							
Gross Domestic Product	117,625,021	122,556,461	126,069,789	100.0	100.0	100.0	4.2	2.9
Resident household consumption	78,425,017	82,446,468	83,546,407	66.7	67.3	66.3	5.1	1.3
Resident and non-resident households domestic consumption	82,746,921	87,155,699	88,673,014	70.3	71.1	70.3	5.3	1.7
(Minus) Non-resident households domestic consumption	4,862,847	5,357,428	5,829,456	4.1	4.4	4.6	10.2	8.8
Resident households foreign consumption	540,943	648,198	702,849	0.5	0.5	0.6	19.8	8.4
Final consumption expenditures of the state	12,583,586	13,401,764	14,020,867	10.7	10.9	11.1	6.5	4.6
Salary, wage	5,569,524	5,785,895	6,019,234	4.7	4.7	4.8	3.9	4.0
Purchase of goods and services	7,014,061	7,615,869	8,001,634	6.0	6.2	6.3	8.6	5.1
Gross fixed capital formation	29,021,682	30,290,581	29,886,630	24.7	24.7	23.7	4.4	-1.3
Public sector	4,767,103	5,915,766	5,396,977	4.1	4.8	4.3	24.1	-8.8
Machinery-equipment	1,170,301	1,231,577	1,217,647	1.0	1.0	1.0	5.2	-1.1
Construction	3,596,802	4,684,189	4,179,330	3.1	3.8	3.3	30.2	-10.8
Private sector	24,254,579	24,374,816	24,489,653	20.6	19.9	19.4	0.5	0.5
Machinery-equipment	16,462,655	16,635,625	16,021,822	14.0	13.6	12.7	1.1	-3.7
Construction	7,791,925	7,739,191	8,467,831	6.6	6.3	6.7	-0.7	9.4
Inventory changes <sup>(1)</sup>	-1,698,793	136,769	87,595	-1.4	0.1	0.1	-	-
Export of goods and services	31,997,795	31,930,533	34,110,743	27.2	26.1	27.1	-0.2	6.8
(Minus) Import of goods and services	32,704,266	35,649,655	35,582,453	27.8	29.1	28.2	9.0	-0.2

Source: TURKSTAT.

(1): Inventory changes have been calculated according to the residue method, and include statistical error margin.

With current prices, consumption of resident households increased by 8,4% in 2014 compared to the preceding year. Within this consumption item, domestic consumption of resident and non-resident households increased by 9,1%, domestic consumption of non-resident households increased by 22,4% and foreign consumption of resident households increased by 20,8%. Final consumption of rates of the state rose by 13,2% in 2014 compared to the preceding year, whereas the rise in salaries and wages was 14,1%, 12,0% in purchase of goods and services (Table 16).

Public sector machinery-equipment fixed capital investments advanced by 7,7%, construction investments descended by 1,0%, resulting in decline of increase rate of public sector fixed capital investments to 0,4% with a decrease by 30 points compared to 2013. While private sector construction investments advanced by 26,3% in 2014 compared to the preceding year, an increase by 7,2% was noted in machinery-equipment fixed capital investments, thus, resulting in a rise in private sector fixed capital investments to 13,5% with an increase by 7,9 points compared to 2013.

**Table 16. Gross Domestic Product according to the Expenditures Method**

Expenditure Components	(with Current Prices)							
	Value (Thousand TL)			Share (%)		Variation (%)		
	2012	2013	2014	2012	2013	2014	2013	2014
Gross Domestic Product	1,416,798,490	1,567,289,238	1,749,782,267	100.0	100.0	100.0	10.6	11.6
Resident household consumption	994,395,754	1,109,722,480	1,203,278,649	70.2	70.8	68.8	11.6	8.4
Resident and non-resident households domestic consumption	1,044,049,275	1,168,608,230	1,275,488,611	73.7	74.6	72.9	11.9	9.1
(Minus) Non-resident households domestic consumption	57,032,438	68,076,194	83,314,491	4.0	4.3	4.8	19.4	22.4
Resident households foreign consumption	7,378,917	9,190,444	11,104,530	0.5	0.6	0.6	24.6	20.8
Final consumption expenditures of the state	210,309,693	236,588,684	267,712,237	14.8	15.1	15.3	12.5	13.2
Salary, wage	117,676,133	129,385,288	147,629,632	8.3	8.3	8.4	10.0	14.1
Purchase of goods and services	92,633,560	107,203,396	120,082,605	6.5	6.8	6.9	15.7	12.0
Gross fixed capital formation	287,121,164	318,580,097	351,811,100	20.3	20.3	20.1	11.0	10.4
Public sector	55,424,010	73,949,726	74,266,886	3.9	4.7	4.2	33.4	0.4
Machinery-equipment	10,423,895	12,142,573	13,074,416	0.7	0.8	0.7	16.5	7.7
Construction	45,000,115	61,807,154	61,192,470	3.2	3.9	3.5	37.3	-1.0
Private sector	231,697,154	244,630,371	277,544,214	16.4	15.6	15.9	5.6	13.5
Machinery-equipment	149,588,853	164,547,014	176,438,747	10.6	10.5	10.1	10.0	7.2
Construction	82,108,302	80,083,357	101,105,467	5.8	5.1	5.8	-2.5	26.3
Inventory changes <sup>(1)</sup>	-1,884,299	4,948,005	4,268,401	-0.1	0.3	0.2	-	-
Export of goods and services	372,562,907	401,786,853	484,982,555	26.3	25.6	27.7	7.8	20.7
(Minus) Import of goods and services	445,706,730	504,336,882	562,270,675	31.5	32.2	32.1	13.2	11.5

Source: TURKSTAT.

(1): Inventory changes have been calculated according to the residue method, and include statistical error margin.

According to expenditures method, the contributions to GDP growth in 2014 were made by consumption of resident households by 0,90 points, final consumption expenditures of the state with 0,51 points, and goods and services export with 1,78 points. Public sector investments, inventory variations and goods and service import made negative contribution by 0,42 points, 0,04 points and 0,05 points, respectively (Table 17).

**Table 17. Contributions to Gross Domestic Product according to the Expenditures Method**

Expenditure Components	(with 1998 prices)					
	GDP (Thousand TL)			Contributions to GDP (Points)		
	2012	2013	2014	2012	2013	2014
Gross Domestic Product	117,625,021	122,556,461	126,069,789	2.13	4.19	2.87
Resident household consumption	78,425,017	82,446,468	83,546,407	-0.32	3.42	0.90
Resident and non-resident households domestic consumption	82,746,921	87,155,699	88,673,014	0.20	3.75	1.24
(Minus) Non-resident households domestic consumption	4,862,847	5,357,428	5,829,456	0.44	0.42	0.39
Resident households foreign consumption	540,943	648,198	702,849	-0.08	0.09	0.04
Final consumption expenditures of the state	12,583,586	13,401,764	14,020,867	0.63	0.70	0.51
Salary, wage	5,569,524	5,785,895	6,019,234	0.17	0.18	0.19
Purchase of goods and services	7,014,061	7,615,869	8,001,634	0.47	0.51	0.31
Gross fixed capital formation	29,021,682	30,290,581	29,886,630	-0.70	1.08	-0.33
Public sector	4,767,103	5,915,766	5,396,977	0.39	0.98	-0.42
Machinery-equipment	1,170,301	1,231,577	1,217,647	0.30	0.05	-0.01
Construction	3,596,802	4,684,189	4,179,330	0.08	0.92	-0.41
Private sector	24,254,579	24,374,816	24,489,653	-1.09	0.10	0.09
Machinery-equipment	16,462,655	16,635,625	16,021,822	-1.08	0.15	-0.50
Construction	7,791,925	7,739,191	8,467,831	-0.01	-0.04	0.59
Inventory changes <sup>(1)</sup>	-1,698,793	136,769	87,595	-1.49	1.56	-0.04
Export of goods and services	31,997,795	31,930,533	34,110,743	3.90	-0.06	1.78
(Minus) Import of goods and services	32,704,266	35,649,655	35,582,453	-0.11	2.50	-0.05

Source: TURKSTAT.

(1): Inventory changes have been calculated according to the residue method, and include statistical error margin.

In 2014, GDP per capita elevated to TL 22.753 according to the current prices with an increase by 10,4%, and TL 1.639 according to fixed prices with an increase by 1,7%. GDP per capita declined from 10.822 \$ in 2013 to 10.404 \$ in 2014 with a drop by 3,9% (Table 18).

**Table 18. Gross Domestic Product Per Capita<sup>(1)</sup>**

Years	Mid-Year Population <sup>(1)</sup> (Thousand People)	With Current Prices				With Fixed Prices	
		Turkish Lira (TL)	Variation (%)	US Dollar (\$)	Variation (%)	Turkish Lira (TL)	Variation (%)
2012	75.176	18.846	7,8	10.459	0,3	1.565	0,8
2013	76.055	20.607	9,3	10.822	3,5	1.611	3,0
2014	76.903	22.753	10,4	10.404	-3,9	1.639	1,7

Source: TURKSTAT.

(1): GDP per capita figures were calculated using the mid-year population forecasts and projections.

## 1.2 Sectoral Developments

### 1.2.1 Agriculture

The agricultural drought suffered in 2014 affected the agricultural production negatively. Consequently, compared to the same periods of the preceding year, in 2014, the added value of the agricultural sector increased by 3,5% in the first quarter, yet, decreased by 2,6% in the second quarter and by 4,9% in the third quarter, and increased by 1,4% showing a trend of recovery in the fourth quarter. Thus, a shrinkage of 1,9 % took place in the added value of the agriculture sector in 2014.

Production of cereals and other herbal products which rose by 8,5% in 2013 exhibited a drop by 7,0% in 2014. The production of cereals which increased by 12,3% in 2013 due to the unfavorable weather conditions in 2013 decreased by 12,7% in 2014 as a result of the favorable weather conditions. In the group of cereal products, among the selected products, only corn (grains) production showed an increase of 0,8%, whereas decline was encountered in production of others compared to the preceding year. The highest decline occurred in barley production by 20,3%, followed by wheat production by 13,8% and rice production by 7,8% (Table 19, Graph 9).

The production amount of potato, legumes, edible roots and stems group decreased by 15,1% in 2013 and increased by 2,1% in 2014. Compared to the preceding year, increase occurred in sweet potato production by 23,6%, in beans (white) production by 10,3 and in potato production by 5,5%, whereas decrease occurred in red lentil production by 17,7%, in chickpea production by 11,1% and in green lentil production by 9,1%.

The rise in oily seeds group that took place at the rate of 14,1% in 2013 regressed to 5,2% in 2014. The highest production rise within the oily seeds group was exhibited by colza (canola) with 7,8%, followed by sunflower with 7,5%. Soy production, poppy (seed) production and peanut production declined by 16,7%, 15,7% and 3,6%, respectively.

The tobacco production that increased by 27,1% in 2013 decreased by 24,9% in 2014. The rise of 4,5% in fodder beet in 2013 turned into an decrease by 3,0% in 2014. In the sugar beet production subject to quota, a decrease of 0,5% occurred in 2014 compared to the increase of 10,5% in 2013. Among the raw plants used in textile, unseed cotton which decreased by 3,0% in 2013 increased by 4,4% in 2014.

**Table 19. Cereals and Other Herbal Products Production Amounts**

Cereals and Other Herbal Products	Production (Ton)			Variation (%)	
	2012	2013	2014	2013	2014
<b>Cereals</b>	33,377,430	37,489,268	32,714,157	12.3	-12.7
Wheat	20,100,000	22,050,000	19,000,000	9.7	-13.8
Barley	7,100,000	7,900,000	6,300,000	11.3	-20.3
Corn (grains)	4,600,000	5,900,000	5,950,000	28.3	0.8
Rice	880,000	900,000	830,000	2.3	-7.8
Other	697,430	739,268	634,157	6.0	-14.2
<b>Potato, legumes, edible roots and stems</b>	6,013,514	5,103,865	5,211,650	-15.1	2.1
Potato	4,795,122	3,948,000	4,166,000	-17.7	5.5
Chickpea	518,000	506,000	450,000	-2.3	-11.1
Lentil (red)	410,000	395,000	325,000	-3.7	-17.7
Beans (white)	200,000	195,000	215,000	-2.5	10.3
Lentil (green)	28,000	22,000	20,000	-21.4	-9.1
Sweet potato	26,815	7,294	9,013	-72.8	23.6
Other	35,577	30,571	26,637	-14.1	-12.9
<b>Oily seeds</b>	1,764,921	2,012,967	2,117,440	14.1	5.2
Sunflower	1,370,000	1,523,000	1,637,900	11.2	7.5
Soy	122,114	180,000	150,000	47.4	-16.7
Peanut	122,780	128,265	123,600	4.5	-3.6
Colza (canola)	110,000	102,000	110,000	-7.3	7.8
Poppy (seed)	3,844	19,244	16,223	400.6	-15.7
Other	36,183	60,458	79,717	67.1	31.9
<b>Tobacco<sup>(1)</sup></b>	73,285	93,158	70,000	27.1	-24.9
<b>Sugar beet<sup>(1)</sup></b>	14,919,940	16,488,590	16,572,790	10.5	0.5
<b>Other fodder plants (except straw and shells)</b>	125,610	131,289	127,300	4.5	-3.0
Fodder beet	125,610	131,289	127,300	4.5	-3.0
<b>Raw plants used in textile</b>	2,320,006	2,250,001	2,350,001	-3.0	4.4
Cotton (unseed)	2,320,000	2,250,000	2,350,000	-3.0	4.4
Hemp (fiber)	6	1	1	-83.3	0.0
<b>Plants used in perfumery, pharmacy and similar areas, and fodder plant seeds</b>	123,970	150,263	98,257	21.2	-34.6
Vetch	104,342	114,218	65,692	9.5	-42.5
Poppy (capsule)	3,497	19,244	16,223	450.3	-15.7
Other	16,131	16,801	16,342	4.2	-2.7
<b>Total</b>	<b>58,718,676</b>	<b>63,719,401</b>	<b>59,261,595</b>	<b>8.5</b>	<b>-7.0</b>

Source: TURKSTAT.

(1): Data of 2014 are interim.

The rise of 21,2% observed in 2013 in production of the plants used in perfumery, pharmacy and similar fields and fodder plants turned into drop of 34,6% in 2014. Under this group, a decrease of 42,5% and 15,7% took place in vetch production and poppy (capsule) production, respectively.

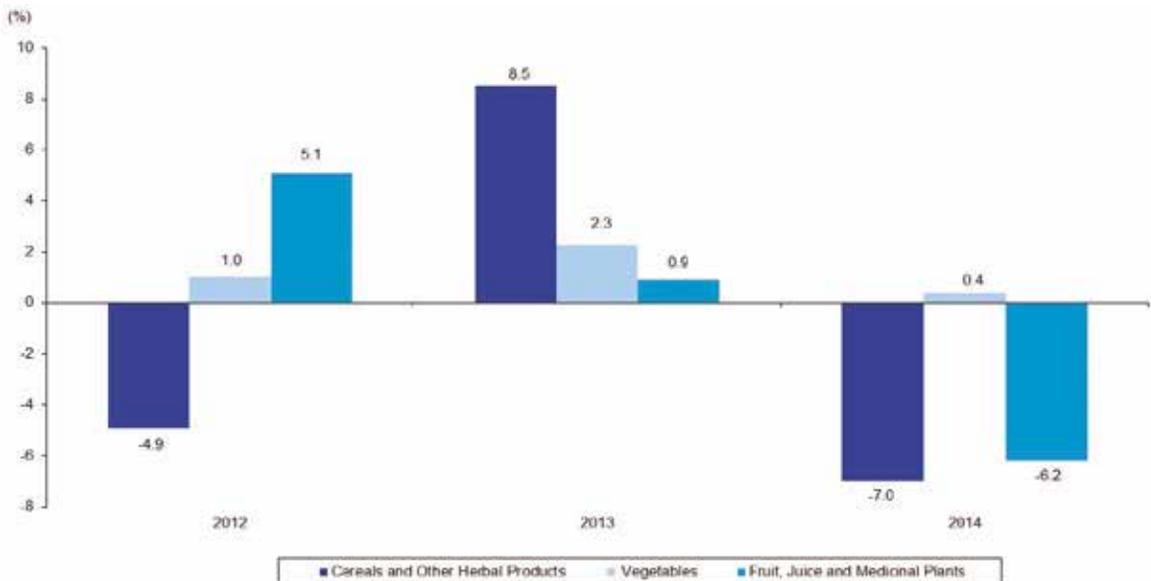
In the vegetable products production, there was an increase by 2,3% in 2013, yet, a decrease by 0,4% in 2014. Production of stem and root vegetables group rose by 2,5% in 2012 compared to the preceding year, but declined by 4,2% in 2014. Only the production of radish among the selected products included in this group increased by 7,0%, whereas production of others decreased. The highest decline was in leek production with 7,1%, dry onion production with 6,0%, and spring onion production with 3,4% (Table 20, Graph 9).

**Table 20. Vegetables Production Amounts**

Vegetables	Production (Ton)			Variation (%)	
	2012	2013	2014	2013	2014
Stem and root vegetables	3,108,193	3,187,276	3,052,073	2.5	-4.2
Onion (dry)	1,735,857	1,904,846	1,790,000	9.7	-6.0
Carrot	714,280	569,855	557,977	-20.2	-2.1
Leek	229,359	240,391	223,303	4.8	-7.1
Radish	131,375	158,766	169,935	20.8	7.0
Onion (spring)	150,928	153,478	148,255	1.7	-3.4
Other	146,394	159,940	162,603	9.3	1.7
Vegetables grown for their fruit	23,004,689	23,514,578	23,724,312	2.2	0.9
Tomato	11,350,000	11,820,000	11,850,000	4.1	0.3
Watermelon	4,022,296	3,887,324	3,885,617	-3.4	0.0
Cucumber	1,741,878	1,754,613	1,845,749	0.7	5.2
Melon	1,688,687	1,699,550	1,707,302	0.6	0.5
Pepper (long green)	910,725	946,506	907,126	3.9	-4.2
Pepper (for pepper paste)	748,422	814,372	829,809	8.8	1.9
Eggplant	799,285	826,941	827,380	3.5	0.1
Bean	621,036	632,301	638,469	1.8	1.0
Pepper (sweet green)	383,213	398,470	391,009	4.0	-1.9
Other	739,147	734,501	841,851	-0.6	14.6
Other vegetables not elsewhere classified	1,707,325	1,746,364	1,793,396	2.3	2.7
Cabbage (round headed)	481,511	496,864	492,610	3.2	-0.9
Lettuce (iceberg)	205,463	212,189	230,755	3.3	8.7
Spinach	222,225	220,274	207,676	-0.9	-5.7
Lettuce (cabbage)	145,019	159,971	172,207	10.3	7.6
Cabbage (red)	133,234	138,329	164,069	3.8	18.6
Cauliflower	169,097	158,996	161,331	-6.0	1.5
Cabbage (leaf)	85,023	83,246	73,643	-2.1	-11.5
Parsley	56,614	57,619	58,351	1.8	1.3
Mushroom (cultivated)	33,750	34,494	38,767	2.2	12.4
Other	175,389	184,382	193,987	5.1	5.2
<b>Total</b>	<b>27,820,207</b>	<b>28,448,218</b>	<b>28,569,781</b>	<b>2.3</b>	<b>0.4</b>

Source: TURKSTAT.

**Graph 9. Herbal Production Variation Rates**



Source: TURKSTAT.

The production amount of vegetables grown for their fruit increased by 2,2% in 2013 and 0,9% in 2014. Among the selected products included in this group, production of long green pepper dropped by 4,2% and production of sweet green pepper dropped by 1,9%, watermelon whereas production of other products rose. The highest production rises were seen in cucumber with 5,2%, pepper for pepper paste with 1,9%, and beans with 1,0%.

The production amount of the group of other vegetables not elsewhere classified increased by 2,7% in 2014. Drop was seen in production of round-headed and leaf cabbage and spinach, but rise in production of other vegetables. The highest increases were in production of red cabbage with 18,6%, cultivated mushroom with 12,4% and iceberg lettuce with 8,7%.

In production of fruit products, drink and spice plants, the increase of 0,9 attained in 2013 turned into a drop of 6,2% in 2014. This drop was influenced by the fact that the fruit trees which flowered prematurely in January and February of 2014 due to the weather temperatures that were above the seasonal normal levels were affected negatively by the frost that occurred at the end of March. While the production amount of grapes which had an important share within the fruits group increased by 4,1% in 2014, production of the other fruits and nuts group increased by 9,2% and the production of medicinal plants decreased by 6,8%. In 2014, total production of banana, fig, avocado and kiwi increased by 5,1%, total production of citrus increased by 2,8%, whereas production of other vegetables decreased by 18,7%. In the banana, fig, avocado and kiwi group, the highest production increase was in production of fig with 17,0%, and the fruits with the highest production increase were mandarin in the citrus group with 11,1%, and pomegranate in the other fruits group with 3,7%. The highest drop was in apricot production with 65,4 % and in apple production with 20,7% (Table 21, Graph).

Production amount of olive and other nuts which dropped by 10,2% in 2013 fell by 3,4% in 2014. Among the selected nuts, the drop of 16,8% that was recorded in hazelnut production in 2013 worsened in 2013 and became 25,0%. Pistachio production dropped by 9,7%, olive production rose by 5,5%.

The production amount of medicinal plants increased by 17,9% in 2013 compared to the preceding year, but decreased by 6,8% in 2014. Among the selected medicinal plants, the production of cumin and red pepper decreased by 8,7% and 6,2%, respectively.

The drop of 5,6% in 2013 compared to the previous year in tea production turned into an increase of 6,8% in 2014.

Table 21. Production Amounts of Fruits, Juice and Medicinal Plants

Fruit, Juice and Medicinal Plants	Production (Ton)			Variation (%)	
	2012	2013	2014	2013	2014
Grape	4.234.305	4.011.409	4.175.356	-5,3	4,1
Other fruits and nuts	13.628.179	13.983.985	12.700.845	2,6	-9,2
Banana, fig, avocado, kiwi	521.439	557.619	585.895	6,9	5,1
Fig	275.002	298.914	300.282	8,7	0,5
Banana	207.727	215.472	251.994	3,7	17,0
Other	38.710	43.233	33.619	11,7	-22,2
Citrus	3.475.024	3.681.158	3.783.517	5,9	2,8
Orange	1.661.111	1.781.258	1.779.675	7,2	-0,1
Mandarin	874.832	942.226	1.046.899	7,7	11,1
Lemon	710.211	726.283	725.230	2,3	-0,1
Other	228.870	231.391	231.713	1,1	0,1
Other fruit	6.660.362	7.076.599	5.753.634	6,2	-18,7
Apple	2.888.985	3.128.450	2.480.444	8,3	-20,7
Peach	611.165	637.543	608.513	4,3	-4,6
Pear	442.646	461.826	462.336	4,3	0,1
Cherry	470.887	494.325	445.556	5,0	-9,9
Pomegranate	315.150	383.085	397.335	21,6	3,7
Strawberry	351.834	372.498	376.070	5,9	1,0
Apricot	760.000	780.000	270.000	2,6	-65,4
Plum	300.046	305.393	265.490	1,8	-13,1
Sour cherry	186.443	179.752	182.577	-3,6	1,6
Other	333.206	333.728	265.313	0,2	-20,5
Olive and other nuts	2.971.354	2.668.609	2.577.799	-10,2	-3,4
Olive	1.820.000	1.676.000	1.768.000	-7,9	5,5
Hazelnut	660.000	549.000	412.000	-16,8	-25,0
Walnut	203.212	212.140	180.807	4,4	-14,8
Pistachio	150.000	88.600	80.000	-40,9	-9,7
Other	138.142	142.869	136.992	3,4	-4,1
Medicinal plants	206.870	243.861	227.362	17,9	-6,8
Red pepper	165.527	198.636	186.291	20,0	-6,2
Cumin	13.900	17.050	15.570	22,7	-8,7
Other	27.443	28.175	25.501	2,7	-9,5
Tea	1.250.000	1.180.000	1.260.000	-5,6	6,8
Total	18.069.354	18.239.255	17.103.563	0,9	-6,2

Source: TURKSTAT.

(1): Tea is not included in the total fruit production.

## Agricultural Subsidy Sharements

In 2014, agricultural supports continued to be applied within the framework of the Agriculture Law No. 5488 promulgated in 2006, towards the goal of contributing to solution of primary problems of the agriculture sector, increasing effectiveness of the policies applied, and facilitating adaptation of the sector to the policies. Agricultural production was guided through area-based agricultural supports, difference payment subsidy services, livestock breeding supports, rural development oriented agricultural supports, agricultural insurance supports and other agricultural oriented supports.

Agricultural subsidy payments which increased by 14,3% in 2013 demonstrated an increase of 9,4% in 2014. The highest increase in agricultural subsidy payments was seen in the certified seed and sapling subsidy payments with 55,3%. Increases took place by 44,4% in the support payments regarding difference payments for products with supply deficit, 43,3% in GAP Action Plan rural development and livestock breeding supports, 29,2% in the area-based additional payments granted for good agriculture and soil analysis, and 25,0% in support payments for protection of environment-oriented agricultural fields. In 2014, there was decrease in cereals and legumes difference payment subsidy services by 18,1%, in tea production difference payment subsidy services by 11,8%, and in other other agricultural supports by 9,2%.

In 2014, the largest share in subsidy payments was acquired by difference payment subsidy services with 30,4%, followed by livestock breeding with 30,1%, and area-based agricultural subsidy payments with 28,4%. Compared to the preceding year, share of the area-based agricultural subsidy payments and difference payments subsidy services increased, whereas share of livestock breeding subsidies decreased (Table 22).

**Table 22. Agricultural Subsidy Sharements<sup>(1)</sup>**

	(with Current Prices)							
	Value (Million TL)			Variation (%)		Share (%)		
	2012	2013	2014 <sup>(2)</sup>	2013	2014	2012	2013	2014
Area-based agricultural subsidy payments	2,379	2,435	2,723	2.4	11.8	31.0	27.8	28.4
Area-based additional payments (organic agriculture, good agriculture, soil analysis)	172	154	199	-10.5	29.2	2.2	1.8	2.1
Diesel oil	581	607	650	4.5	7.1	7.6	6.9	6.8
Fertilizer	695	718	785	3.3	9.3	9.1	8.2	8.2
Use of certified seed and sapling	98	76	118	-22.4	55.3	1.3	0.9	1.2
Protection of agricultural areas for environmental purposes (ÇATAK)	23	40	50	73.9	25.0	0.3	0.5	0.5
Hazelnut	710	720	790	1.4	9.7	9.3	8.2	8.2
Alternative product payments (hazelnut)	1	0	1	-	-	0.0	0.0	0.0
Compensating payments	99	123	125	24.2	1.6	1.3	1.4	1.3
Potato ward subsidy	0	8	0	-	-	0.0	0.1	0.0
Tea pruning compensation and costs	99	122	130	23.2	6.6	1.3	1.4	1.4
Differential payment subsidy services	2,379	2,607	2,921	9.6	12.0	31.0	29.7	30.4
Cereals and legumes	613	1,197	980	95.3	-18.1	8.0	13.6	10.2
Tea	147	170	150	15.6	-11.8	1.9	1.9	1.6
Products with supply deficit <sup>(3)</sup>	1,619	1,240	1,791	-23.4	44.4	21.1	14.1	18.7
Livestock breeding subsidy payments	2,216	2,756	2,887	24.4	4.8	28.9	31.4	30.1
Rural development oriented agricultural subsidy <sup>(4)</sup>	196	478	484	143.9	1.3	2.6	5.4	5.0
Agricultural insurance subsidy services	263	299	356	13.7	19.1	3.4	3.4	3.7
Other agricultural supports	120	109	99	-9.2	-9.2	1.6	1.2	1.0
Total	7,553	8,684	9,470	15.0	9.1	98.4	99.0	98.7
GAP Action Plan rural development and livestock breeding supports	120	90	129	-25.0	43.3	1.6	1.0	1.3
Grand Total	7,673	8,774	9,599	14.3	9.4	100.0	100.0	100.0

**Source: MoD.**

(1): 2013 relevant institution budget final account data.

(2): Realization estimate.

(3): It is given for unseed cotton, olive oil, sunflower, soy bean, canola, safflower and grain corn.

(4): Of the budget amount, 159 million TL in 2012, 174 million TL in 2013 and 171 million TL in 2014 are the grants by the Agriculture and Rural Development Support Institution.

## 1.2.2 Industry

In 2014, while the added value of the industrial sector increased by 6,2% in the first quarter, 3,3% in the second quarter, 2,9% in the third quarter and 1,8% in the fourth quarter in terms of fixed prices compared to the same quarters of the preceding year, growth rate showed a trend of decline in the 4th quarter. Throughout 2014, the industrial sector added value increased by 3,5%.

As regards to subsectors, a rise of 5,6%, 3,7%, 3,5%, 11,0% and 2,2% occurred in added value of mining and quarrying sector, manufacturing sector, the electricity, gas, steam and air conditioning production and distribution sector, water supply, sewerage, waste management and treatment activities sector and construction sector, respectively (Table 23).

**Table 23. Industry Sector Added Value Variation Rates**

Sectors	(with 1998 prices)		
	2012	2013	2014
Mining and quarrying	0.8	-3.4	5.6
Manufacturing industry	1.7	3.7	3.7
Electricity, gas, vapor, air conditioning production and distribution	3.4	1.3	3.5
Water supply, sewerage, waste management and treatment activities	2.7	4.7	11.0
Construction	0.6	7.4	2.2
Total industry	1.6	4.1	3.5

Source: TURKSTAT.

While the share of the industry sector within GDP was 26,6% in 2013, it advanced to 27,1% in 2014. In terms of subsectors, shares of the mining and quarrying sector, manufacturing sector, electricity, gas, steam and air conditioning production and distribution sector, water supply, waste management and treatment activities sector and construction sector were 1,6%, 17,8%, 1,8%, 0,8% and 5,1%, respectively. In 2014, while shares of the manufacturing industry, water supply, sewerage, waste management and treatment activities sector and construction sector increased mining and quarrying sector and increased compared to the preceding year, share of the electricity, gas, steam and air conditioning production and distribution sector decreased, and share of mining and quarrying sector remained fixed (Table 24).

**Table 24. Share of Industry Sector Added Value in GDP<sup>(1)</sup>**

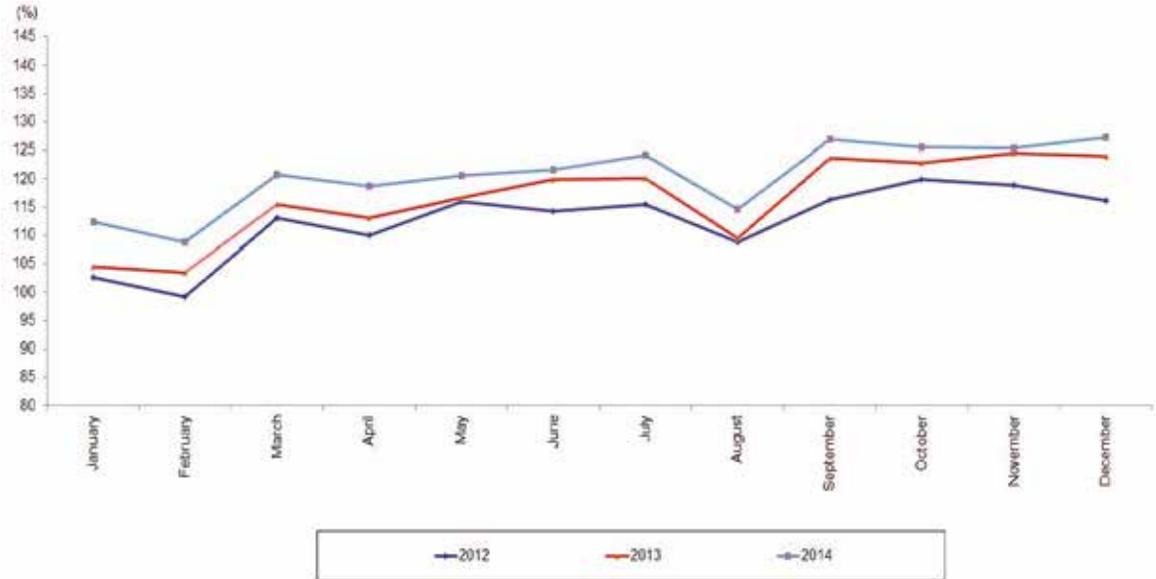
Sectors	(with Current Prices)		
	2012	2013	2014
Mining and quarrying	1.7	1.6	1.6
Manufacturing industry	17.4	17.3	17.8
Electricity, gas, vapor, air conditioning production and distribution	2.0	2.0	1.8
Water supply, sewerage, waste management and treatment activities	0.7	0.7	0.8
Construction	4.9	5.0	5.1
Total industry	26.7	26.6	27.1

Source: TURKSTAT.

(1): Shares in the GDP were calculated through distributing the indirectly measured financial intermediary services and taxes-subsidies according to the sectoral weights.

With the effect of the persisting stagnancy in Europe and the low course in the domestic demand, industrial production followed a floating course on monthly basis in 2014. This floating became rather notable especially in the months coinciding with the religious feast days. Industrial production that has increased in July decreased in August due to the effect of the Eid Al-Fitr at the end of July, and index that has risen in September dropped in October due to the Eid Al-Adha. Throughout 2014, industrial production increased by 3,5% as in the preceding year (Graph 10).

**Graph 10. Industrial Production Index adjusted for Calendar Effect (2010=100)**



Source: TURKSTAT.

As regards to subsectors of the industry, in 2014, mining and quarrying sector production, manufacturing industry sector production and electricity, gas, steam and air conditioning production and distribution sector saw rises by 7,4%, 4,6% and 3,1%, respectively, compared to the preceding year. When compared the variation rates demonstrated by the industrial sector production index with the data of the preceding year, it is seen that there is a rise by 10,9 points in the mining and quarrying sector and 4,4 points in the electricity, gas, steam and air conditioning production and distribution sector, yet, a drop by 1,4 points in the manufacturing industry sector (Table 25, Graph 11).

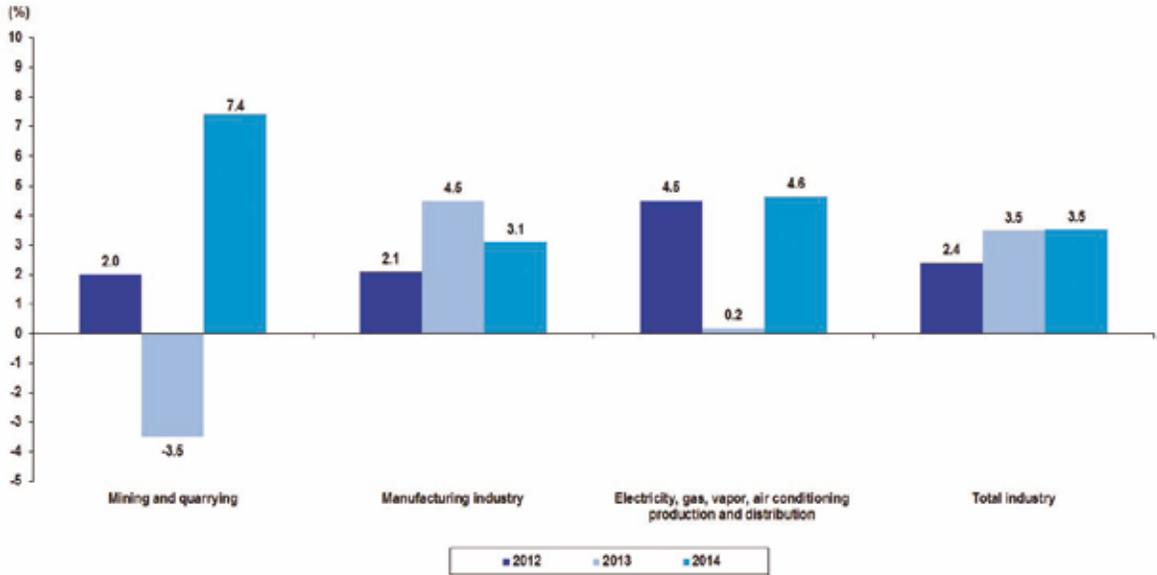
**Table 25. Industrial Production Index**

Sectors	(2010=100)				
	Production Index <sup>(1)</sup>			Variation (%)	
	2012	2013	2014	2013	2014
Mining and quarrying	108.7	104.9	112.7	-3.5	7.4
Manufacturing industry	112.7	117.7	121.4	4.5	3.1
Electricity, gas, vapor, air conditioning production and distribution	113.6	113.8	119.1	0.2	4.6
Total industry	112.5	116.5	120.6	3.5	3.5

Source: TURKSTAT.

(1): Annual average values adjusted for calendar effect.

**Graph 11. Industrial Production Index Variation Rates by Sectors (Annual Average, %)  
(Adjusted for Calendar Effect, 2010=100)**



Source: TURKSTAT.

Industrial production saw a rise in all groups in 2014 according to the main industrial groups classification. In 2014, manufacturing of capital goods increased by 5,2%, energy increased by 4,3% manufacturing of non-durable consumer goods increased by 3,8%, and manufacturing of durable consumer goods increased by 2,7%, and manufacturing of intermediate goods increased by 2,3% (Table 26, Graoh 12).

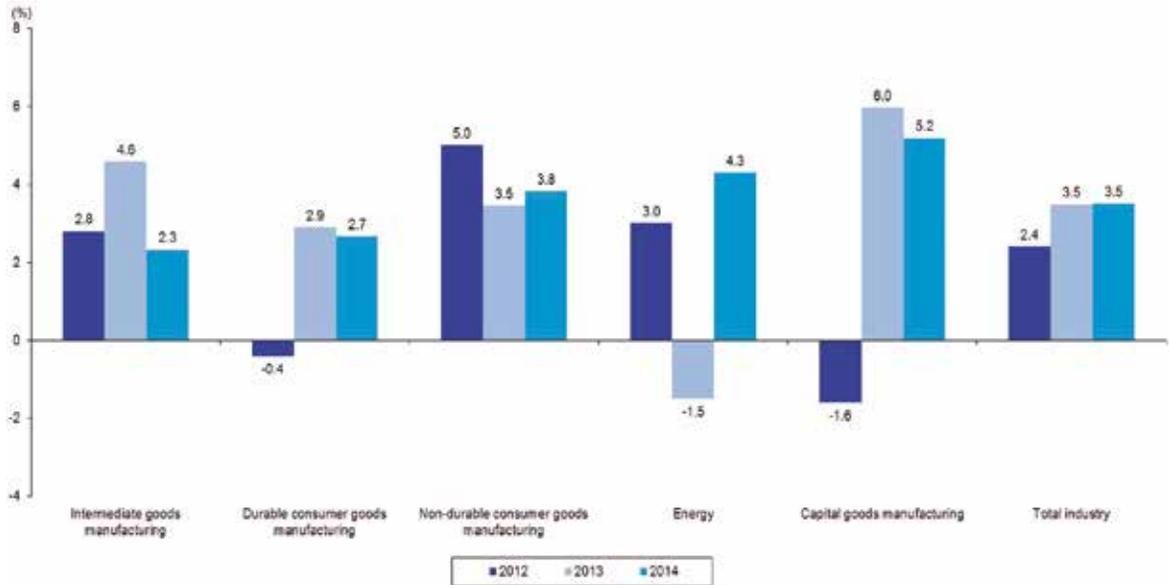
**Table 26. Industrial Production Index by Main Industrial Groups**

Main Industrial Groups	(2010=100)					
	Production Index <sup>(1)</sup>			Variation (%)		
	2012	2013	2014	2013	2014	
Intermediate goods manufacturing	112.5	117.6	120.4	4.6	2.3	
Durable consumer goods manufacturing	113.3	116.6	119.7	2.9	2.7	
Non-durable consumer goods manufacturing	110.1	113.9	118.2	3.5	3.8	
Energy	110.5	108.9	113.5	-1.5	4.3	
Capital goods manufacturing	118.1	125.1	131.6	6.0	5.2	
Total industry	112.5	116.5	120.6	3.5	3.5	

Source: TURKSTAT.

(1): Annual average values adjusted for calendar effect.

**Graph 12. Variation Rates of Industrial Production Index by Main Industrial Groups**  
(Annual Average, %) (Adjusted for Calendar Effect)



Source: TURKSTAT.

### 1.2.2.1 Mining and Quarrying

The added value of the mining and quarrying sector scaled up by 7,7%, 8,6%, 4,2% and 2,5% in the first, second, third and fourth quarters of 2014, respectively, in terms of fixed prices, compared to the same quarters of the preceding year. Thus, in 2014, mining and quarrying sector demonstrated an increase of 5,6% in its added value compared to the preceding year.

Mining and quarrying sector production that demonstrated an annual decrease by 3,5% in 2013 increased by 7,4% in 2014. As regards to subsectors, there was an increase by 7,8% in charcoal and lignite production, 7,6% in crude oil and natural gas production, 7,5% in metal ores mining production, and 6,9% in other mining and quarrying production. When compared the variation rates recorded in 2014 for mining and quarrying sector production index on subsectors basis with the results of 2013; all the subsectors are seen to have demonstrated rise. In 2014, the highest upward variation was recorded in the charcoal and lignite sector with 23 points (Table 27).

**Table 27. Mining and Quarrying Production Index**

Subsectors	Production Index <sup>(1)</sup>			Variation (%)	
	2012	2013	2014	2013	2014
Charcoal and lignite extraction	99.4	84.2	90.8	-15.2	7.8
Crude oil and natural gas extraction	92.1	94.1	101.2	2.1	7.6
Metal ores mining	126.6	124.4	133.8	-1.7	7.5
Other mining and quarrying	110.8	113.8	121.7	2.7	6.9
Total (mining and quarrying)	108.7	104.9	112.7	-3.5	7.4

Source: TURKSTAT.

(1): Annual average values adjusted for calendar effect.

### 1.2.2.2 Manufacturing Industry

The added value of the manufacturing industry grew by 6,3%, 3,0%, 2,7% and 2,8% in the first, second, third and fourth quarters of 2014, respectively, compared to the same quarters of the preceding year. As of the end of the year, the added value of the manufacturing industry increased 3,7% compared to the preceding year.

The production industry index which increased by 4,5% in 2013 annually increased by 3,1% in 2014, down 1,4 points. The index that opened the year 2014 with the highest increase rate of 7,9% in January followed a declining course in general thereafter. While the variation in the index turned negative with 0,3% in November, it demonstrated an upward variation again with 2,7% in December (Table 28).

**Table 28. Manufacturing Industry Production Index**

Subsectors	(2010=100)				
	Production Index <sup>(1)</sup>			Variation (%)	
	2012	2013	2014	2013	2014
Manufacture of foodstuff	110.6	117.1	121.8	5.9	4.1
Manufacture of drinks	109.8	107.8	109.8	-1.8	1.8
Manufacture of tobacco products	116.3	113.7	123.8	-2.2	8.9
Manufacture of textile products	106.1	110.5	111.6	4.2	0.9
Manufacture of garments	104.6	106.8	107.0	2.2	0.1
Manufacture of leather and related products	98.9	102.6	92.3	3.8	-10.0
Manufacture of wood, wooden products and mushroom products (except furniture)	112.9	113.2	125.8	0.3	11.1
Manufacture of paper and paper products	114.3	119.9	127.8	4.9	6.6
Printing and duplication of recorded media	123.4	130.4	131.7	5.7	1.0
Manufacture of coke and refined petroleum products	110.7	106.8	102.2	-3.5	-4.3
Manufacture of chemicals and chemical products	108.6	112.6	117.6	3.7	4.5
Manufacture of basic pharmacy products and pharmacy-related materials	122.8	117.1	133.8	-4.6	14.2
Manufacture of rubber and plastic products	111.6	115.5	119.6	3.5	3.5
Manufacture of other non-metallic mineral products	106.1	110.1	112.1	3.8	1.8
Main metal industry	116.8	122.9	123.1	5.2	0.1
Manufacture of fabrication metal products (except machinery and equipment)	126.2	131.5	135.1	4.2	2.7
Manufacture of computers, electronic and optical products	123.3	128.7	141.6	4.5	10.0
Manufacture of electrical devices	115.8	127.3	127.3	10.0	0.0
Manufacture of machinery and equipment not elsewhere classified	129.0	139.3	143.2	8.1	2.7
Manufacture of motor land vehicles, trailers, and semi-trailers	111.4	119.8	121.8	7.6	1.6
Manufacture of other transportation vehicles	107.2	100.6	122.6	-6.2	21.9
Manufacture of furniture	105.8	117.7	125.6	11.2	6.7
Other manufactures	113.3	113.9	104.8	0.5	-8.0
Installation and repair of machinery and equipment	98.3	106.9	130.6	8.7	22.2
Total (manufacturing industry)	112.7	117.7	121.4	4.5	3.1

Source: TURKSTAT.

(1): Annual average values adjusted for calendar effect.

In 2014, as regards to subsectors, the highest annual production increase in the manufacturing industry was in the sectors of machinery and equipment installation and repair with 22,2%, in the manufacturing of other transportation vehicles with 21,9%, and manufacturing of basic pharmacy products and pharmacy-related materials with 14,2%. The lowest drop among the subsectors of the manufacturing industry on annual basis was in the sector of manufacture of leather and related products with 10,0%, and there was a

drop by 8,0% in other manufactures, and by 4,3% in the manufacture of coke and refined petroleum products.

Not having been able to fully recover from the stagnancy in the global economy, unfavorable developments occurring in the neighboring countries, and not having attained the expected revival in domestic and foreign demand affected the production and capacity utilization ratios negatively. The manufacturing industry capacity utilization rate, which rose to 74,6% in 2013 with an increase by 0,4 points compared to the preceding year, regressed to 74,4% in 2014 with a decrease by 0,2 points (Table 29).

**Table 29. Manufacturing Industry Capacity Utilization Rates**

Subsectors (NACE Rev. 2)	(Weighted Average, %)				
	Capacity Utilization Rates			Variation (Points)	
	2012	2013	2014	2013	2014
Manufacture of foodstuff	71.7	71.9	71.3	0.2	-0.6
Manufacture of drinks	66.6	64.8	62.1	-1.9	-2.6
Manufacture of tobacco products	66.1	69.0	73.3	3.0	4.3
Manufacture of textile products	78.0	79.3	80.0	1.3	0.7
Manufacture of garments	77.8	77.4	77.8	-0.4	0.5
Manufacture of leather and related products	69.7	66.5	65.0	-3.2	-1.5
Manufacture of wood, wooden products and mushroom products	75.8	75.6	77.4	-0.2	1.9
Manufacture of paper and paper products	77.3	79.1	80.9	1.7	1.8
Printing and duplication of recorded media	69.2	71.7	69.3	2.5	-2.4
Manufacture of coke and refined petroleum products	76.7	73.1	70.0	-3.6	-3.1
Manufacture of chemicals and chemical products	80.5	77.8	76.5	-2.6	-1.4
Manufacture of basic pharmacy products and pharmacy-related materials	70.6	71.3	74.2	0.7	2.9
Manufacture of rubber and plastic products	72.1	72.6	73.6	0.4	1.0
Manufacture of other non-metallic mineral products	76.3	76.7	77.5	0.3	0.8
Main metal industry	77.6	77.4	74.7	-0.3	-2.7
Manufacture of fabrication metal products (except machinery and equipment)	71.0	71.9	71.9	0.9	0.0
Manufacture of computers, electronic and optical products	76.1	81.0	86.1	4.8	5.2
Manufacture of electrical devices	77.5	75.9	73.7	-1.6	-2.2
Manufacture of machinery and equipment not elsewhere classified	75.2	76.3	78.6	1.1	2.4
Manufacture of motor land vehicles, trailers, and semi-trailers	70.7	74.3	68.8	3.5	-5.4
Manufacture of other transportation vehicles	73.1	68.3	70.5	-4.8	2.2
Manufacture of furniture	69.8	71.4	71.8	1.6	0.4
Other manufactures	57.1	54.9	55.5	-2.2	0.6
Installation and repair of machinery and equipment	76.4	80.7	72.4	4.3	-8.4
Total (manufacturing industry)	74.2	74.6	74.4	0.4	-0.2

Source: CBRT.

In 2014, the highest capacity utilization rate among the manufacturing industry subsectors was in the sector of manufacture of computers, electronic and optical products with 86,1%, followed by the subsectors of manufacture of paper and paper products with 80,9% and manufacture of textile products with 80,0%. The subsectors which had the lowest capacity utilization rate in 2014 were other manufactures with 55,5%, manufacture of drinks with 62,1%, and manufacture of leather and related products with 65,0%.

The sector where capacity utilization rate increased most in 2013 compared to the preceding year was manufacture of computers, electronic and optical products with 4,8 points, whereas the same was the case in 2014, and this subsector had the highest

increase again with 5,2 points. The sector where capacity utilization rate decreased most in 2013 compared to the preceding year was manufacture of other transportation vehicles with 4,8 points, whereas it was the subsector of installation of machinery and equipment in 2013 with 8,4 points.

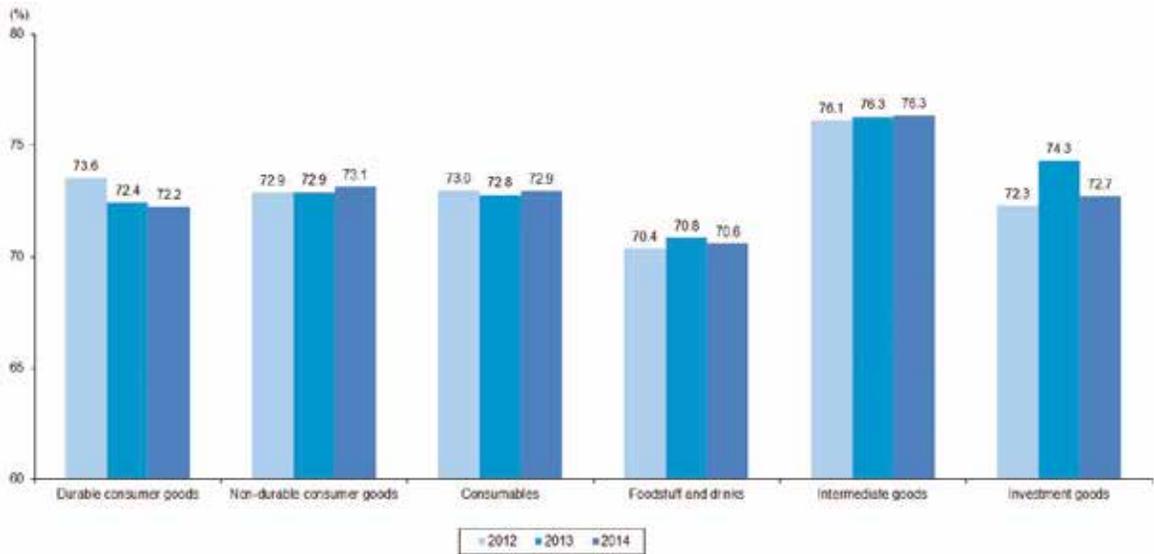
In 2014, compared to the preceding year, the capacity utilization rates by commodity groups declined by 0,2 points to 72,2% in the durable consumer goods group, by 0,2 points to 70,6% in the foodstuff and drinks group, and by 1,6 points to 72,7% investment good group, whereas it rose by 0,2 points to 73,1% in the non-durable consumer goods group, by 0,2 points to 72,9% in the consumables group, but remained at 76,3% in the intermediate goods group without variation compared to the preceding year. In 2014, the commodity group which had the highest capacity utilization rate was the intermediate goods group with 76,3%, and the one with the lowest capacity utilization rate was the foodstuff and drinks group with 70,6% (Table 30, Graph 13).

**Table 30. Capacity Utilization Rates by Commodity Groups**

Commodity Groups	(Weighted Average, %)				
	Capacity Utilization Rates			Variation (Points)	
	2012	2013	2014	2013	2014
Durable consumer goods	73.6	72.4	72.2	-1.1	-0.2
Non-durable consumer goods	72.9	72.9	73.1	0.0	0.2
Consumables	73.0	72.8	72.9	-0.2	0.2
Foodstuff and drinks	70.4	70.8	70.6	0.5	-0.2
Intermediate goods	76.1	76.3	76.3	0.2	0.0
Investment goods	72.3	74.3	72.7	2.0	-1.6

Source: CBRT.

**Graph 13. Capacity Utilization Rates by Commodity Groups (Weighted Average, %)**



Source: CBRT.

## Industrial Capacity Report Statistics

The industrial capacity report is a certificate showing the production power of all public and private sector institutions which carry out industrial production, effective for 3 years following the approval date, and the Union of Chambers and Commodity Exchanges of Turkey has been charged with publishing the statistics in this regard. TOBB has been announcing industrial capacity report statistics annually since 2011. According to the industrial capacity reports, number of industrial capacity reports which were still current as of the end of 2014 rose to 71.825 with an increase by 4,9% compared to those which were still current as of the end of 2013 (Table 31, Graph 14).

Of the capacity reports still current in 2014; 38,4% belong to the companies with 1 to 9 employee(s), 46,6% belong to the companies with 10 to 49 employees, 7,1% belong to the companies with 50-99 employees, 5,6% belong to the companies with 100 to 249 employees, and 2,3 belong to the companies with 250 and more employees.

**Table 31. Number of Capacity Reports and Total Number of Employees by the Range of Employees<sup>(1)</sup>**

Range of Employees	Number of Capacity Reports			Total Number of Employees		
	2012	2013	2014	2012	2013	2014
1-9	25,485	26,595	27,566	137,652	142,903	147,140
10-49	29,710	32,001	33,452	687,236	747,397	777,586
50-99	4,079	4,626	5,128	288,263	327,882	362,233
100-249	3,244	3,681	4,042	493,399	559,990	618,267
250 +	1,419	1,540	1,637	827,635	885,592	938,453
<b>Total</b>	<b>63,937</b>	<b>68,443</b>	<b>71,825</b>	<b>2,434,185</b>	<b>2,663,764</b>	<b>2,843,679</b>
	Share (%)					
1-9	39.9	38.9	38.4	5.7	5.4	5.2
10-49	46.5	46.8	46.6	28.2	28.1	27.3
50-99	6.4	6.8	7.1	11.8	12.3	12.7
100-249	5.1	5.4	5.6	20.3	21.0	21.7
250 +	2.2	2.3	2.3	34.0	33.2	33.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: TOBB.

(1): Numbers of capacity reports current as of the respective year end.

When the distribution of companies which have received capacity reports still current as of the end of 2014 is considered according to the number of employees in the period of receipt of the report, the number of employees in the companies with 1 to 9 employees comprised 5,2% of the total number of employees, companies with 10 to 49 employees comprised 27,3% of the total number of employees, companies with 50 to 99 employees comprised 12,7% of the total number of employees, companies with 100 to 249 employees comprised 21,7% of the total number of employees, and companies with 250 and more employees comprised 33,0% of the total number of employees.

While the activity group which had the highest number of industrial capacity reports which were current in 2014 according to the number of main activity groups was the manufacture of foodstuff with 12,9% as in the previous years, it was followed by the manufacture of fabrication metal products with 10,4%, manufacture of textile products with 8,0%, and manufacture of machinery and equipment not elsewhere classified with 7,8%. Among the activity groups which had the least number of the current capacity reports were the forestry and industrial and firewood production with 3 capacity reports, crude oil and natural gas extraction with 8 capacity reports, and fishing and aquaculture

with 15 reports. When compared the number of capacity reports current in 2014 with the preceding year, the highest drop was seen in the groups of the other services activities with 57,5%, whereas the highest rise was in the group of fishery and aquaculture with 36,4% (Table 32).

**Table 32. Industrial Capacity Report Numbers by Main Activity Groups<sup>(1)</sup>**

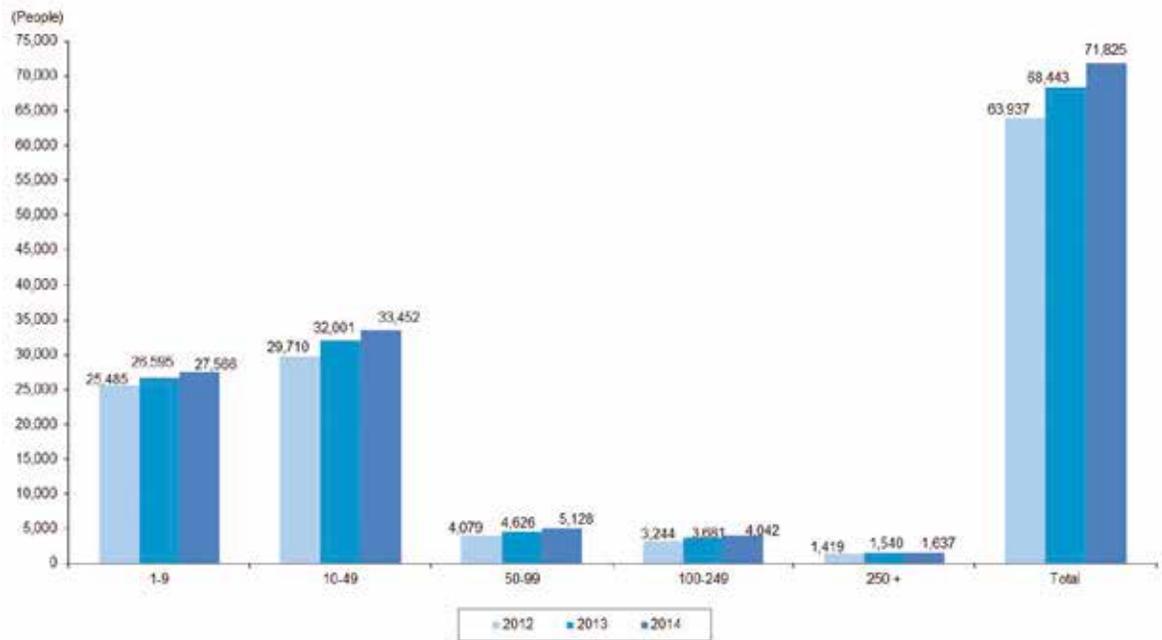
Subsectors (NACE Rev. 2)	Number of Capacity Reports			Share (%)			Variation (%)	
	2012	2013	2014	2012	2013	2014	2013	2014
Manufacture of foodstuff	11,565	11,580	11,425	14.9	13.8	12.9	0.1	-1.3
Manufacture of fabrication metal products (except machinery and equipment)	7,453	8,470	9,229	9.6	10.1	10.4	13.6	9.0
Manufacture of textile products	6,526	6,912	7,100	8.4	8.3	8.0	5.9	2.7
Manufacture of machinery and equipment not elsewhere classified	5,764	6,360	6,864	7.4	7.6	7.8	10.3	7.9
Manufacture of rubber and plastic products	5,315	5,787	6,252	6.8	6.9	7.1	8.9	8.0
Manufacture of other non-metallic mineral products	4,680	5,079	5,460	6.0	6.1	6.2	8.5	7.5
Manufacture of garments	4,379	4,845	5,183	5.6	5.8	5.9	10.6	7.0
Manufacture of furniture	2,472	3,109	3,440	3.2	3.7	3.9	25.8	10.6
Manufacture of chemicals and chemical products	3,191	3,295	3,404	4.1	3.9	3.8	3.3	3.3
Other mining and quarrying	3,021	3,161	3,194	3.9	3.8	3.6	4.6	1.0
Manufacture of electrical devices	2,257	2,529	2,763	2.9	3.0	3.1	12.1	9.3
Main metal industry	2,375	2,488	2,609	3.1	3.0	2.9	4.8	4.9
Manufacture of wood, wooden products and mushroom products (except furniture); manufacture of objects woven with reed, straw and similar materials	1,813	2,037	2,202	2.3	2.4	2.5	12.4	8.1
Manufacture of motor land vehicles, trailers, and semi-trailers	1,761	1,855	1,936	2.3	2.2	2.2	5.3	4.4
Office management, office support and business support activities	1,771	1,849	1,893	2.3	2.2	2.1	4.4	2.4
Other manufactures	1,334	1,451	1,622	1.7	1.7	1.8	8.8	11.8
Collection, treatment and disposal of waste; recovery of materials	1,231	1,408	1,580	1.6	1.7	1.8	14.4	12.2
Catering activities	1,614	1,691	1,580	2.1	2.0	1.8	4.8	-6.6
Printing and duplication of recorded media	1,200	1,376	1,498	1.5	1.6	1.7	14.7	8.9
Manufacture of paper and paper products	1,186	1,345	1,494	1.5	1.6	1.7	13.4	11.1
Manufacture of leather and related products	1,094	1,196	1,335	1.4	1.4	1.5	9.3	11.6
Manufacture of computers, electronic and optical products	852	937	1,022	1.1	1.1	1.2	10.0	9.1
Manufacture of other transportation vehicles	518	570	652	0.7	0.7	0.7	10.0	14.4
Wholesale, retail trade and repair of motor-vehicles and motorcycles	500	565	642	0.6	0.7	0.7	13.0	13.6
Herbal and animal production, hunting and related service activities	420	511	618	0.5	0.6	0.7	21.7	20.9
Manufacture of drinks	541	558	588	0.7	0.7	0.7	3.1	5.4
Production and distribution of electricity, gas, vapor, and aeration systems	293	407	527	0.4	0.5	0.6	38.9	29.5
Wholesale trading (except motor land vehicles and motorcycles)	357	457	519	0.5	0.5	0.6	28.0	13.6
Manufacture of coke and refined petroleum products	490	433	413	0.6	0.5	0.5	-11.6	-4.6
Metal ores mining	278	301	293	0.4	0.4	0.3	8.3	-2.7
Storage and auxiliary activities for transportation	150	218	272	0.2	0.3	0.3	45.3	24.8
Charcoal and lignite extraction	253	264	251	0.3	0.3	0.3	4.3	-4.9
Computer programming, consulting and relevant activities	185	199	227	0.2	0.2	0.3	7.6	14.1
Manufacture of basic pharmacy products and pharmacy-related materials	156	182	189	0.2	0.2	0.2	16.7	3.8
Installation and repair of machinery and equipment	140	142	153	0.2	0.2	0.2	1.4	7.7
Other service activities	176	80	34	0.2	0.1	0.0	-54.5	-57.5
Manufacture of tobacco products	27	26	29	0.0	0.0	0.0	-3.7	11.5
Fishery and aquaculture	6	11	15	0.0	0.0	0.0	83.3	36.4
Crude oil and natural gas extraction	15	10	8	0.0	0.0	0.0	-33.3	-20.0
Forestry, industrial and fuel wood production	2	3	3	0.0	0.0	0.0	50.0	0.0
Total <sup>(2)</sup>	77,631	83,697	88,518	100.0	100.0	100.0	7.8	5.8

Source: TOBB.

(1): Numbers of capacity reports current as of the respective year end.

(2): Since a capacity report may contain products included in more than one sector, the total may be different from other table data.

Graph 14. Number of Capacity Reports by the Range of Employees



Source: TOBB.

It is seen that concentration of industrial capacity reports still current as of the end of 2014 on enterprises having the lowest technology prevailed, and the rate of receipt of industrial capacity reports fell with the transition to the high technology classes. 46,0% of the industrial capacity reports that were current in 2014 were in the low technology group, 31,4% were in the medium-low technology group, 20,9% were in the medium-high technology group, and 1,6% were in the high technology group. When compared to 2013, it is seen that the share of the medium-low technology group and the medium-high technology group increased, the share of the low technology group increased, and the share of the high technology group remained unchanged (Table 33, Graph 15).

Table 33. Numbers of Industrial Capacity Report by Technology Groups<sup>(1)</sup>

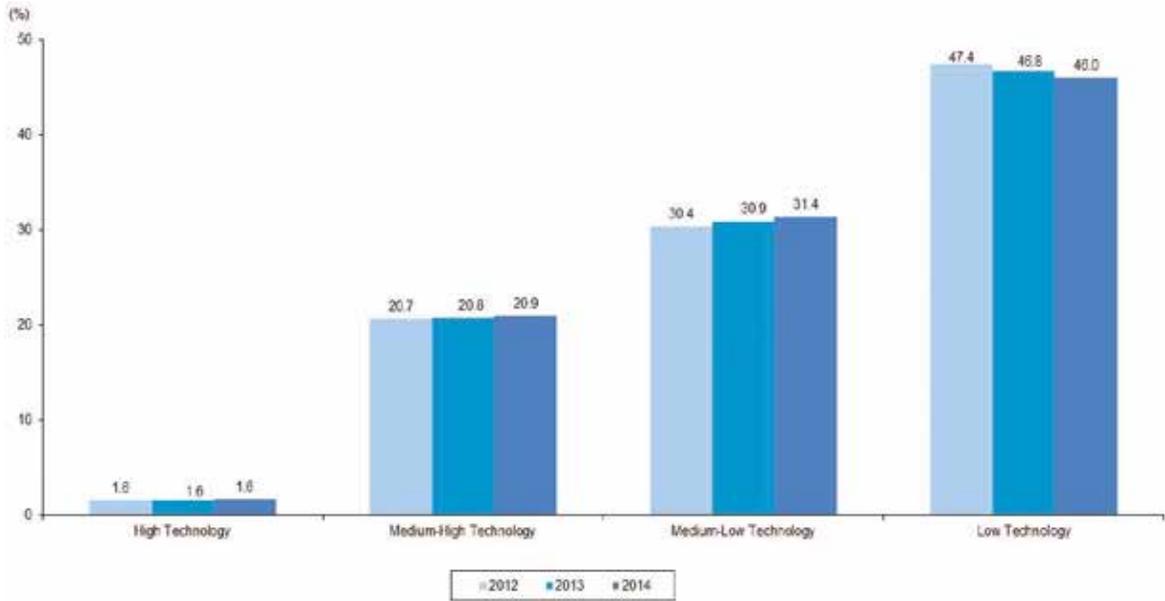
Technology Groups	Number of Capacity Reports			Share (%)		
	2012	2013	2014	2012	2013	2014
High Technology	1,046	1,162	1,261	1.6	1.6	1.6
Medium-High Technology	13,919	15,067	16,092	20.7	20.8	20.9
Medium-Low Technology	20,451	22,391	24,103	30.4	30.9	31.4
Low Technology	31,893	33,922	35,363	47.4	46.8	46.0
Total <sup>(2)</sup>	67,309	72,542	76,819	100.0	100.0	100.0

Source: TOBB.

(1): Numbers of capacity reports current as of the respective year end.

(2): Since a capacity report may contain products included in more than one sector, the total may be different from other table data.

Graph 15. Distribution of Industrial Capacity Reports by Technology Groups (%)



Source: TOBB.

Among the provinces with the highest number of capacity reports in 2014, Istanbul ranked first with 19.870 reports, followed by Bursa in the second place with 5.019 capacity reports, Ankara in the third place with 4.844 reports, Izmir in the fourth place with 4.549 capacity reports, and Konya in the fifth place with 2.622 capacity reports (Table 34).

In terms of number of employees, Istanbul ranked first with 649.605 employees, followed by Bursa in the second place with 235.592 employees, Izmir in the third place with 183.640 employees, Kocaeli in the fourth place with 161.994 employees, and Ankara in the fifth place with 154.408 employees.

When examined the foreign capital ownership of the companies, it is seen that the number of foreign capital industrial capacity reports current as of the end of 2014 was highest in Koaceli with 202, followed by 183 reports in Izmir, 174 reports in Istanbul, 139 reports in Bursa, and 90 reports in Tekirdağ.

### 1.2.2.3 Energy

Energy sector added value increased by 3,4%, 4,6%, 6,4% and 0,3% in the first, second, third and fourth quarters of 2014, respectively. Thus, the added value of the energy industry grew by 1% in 2014 compared to the preceding year.

The energy sector production that showed an increase of 4,5% in 2012 showed a limited increase trend as 0,2% with a static course in 2013, whereas accelerated again in 2014 and saw an increase of 4,6% (Table 35).

Table 34. Number of Capacity Reports and Total Number of Employees by Provinces<sup>(1)</sup>

(Year 2014)							
Provinces	Number of Capacity Reports	Number of Employees	Number of Foreign Capital Capacity Reports	Provinces	Number of Capacity Reports	Number of Employees	Number of Foreign Capital Capacity Reports
Adana	1,586	56,119	24	Kahramanmaraş	738	42,103	6
Adıyaman	250	9,787	0	Karabük	163	9,545	2
Afyonkarahisar	857	18,891	9	Karaman	213	16,620	3
Ağrı	63	1,725	0	Kars	109	1,710	1
Aksaray	264	8,481	7	Kastamonu	257	10,409	0
Amasya	187	8,322	1	Kayseri	1,487	68,199	2
Ankara	4,844	154,408	67	Kırıkkale	150	6,930	0
Antalya	1,187	29,223	44	Kırklareli	334	27,718	16
Ardahan	44	391	0	Kırşehir	124	4,792	0
Artvin	110	2,892	2	Kilis	74	1,446	4
Aydın	825	28,610	8	Kocaeli	2,182	161,994	202
Balıkesir	948	33,535	10	Konya	2,622	65,990	10
Bartın	119	8,178	0	Kütahya	397	25,310	3
Batman	228	7,859	0	Malatya	605	22,161	1
Bayburt	22	410	0	Manisa	1,451	91,074	34
Bilecik	294	20,061	15	Mardin	249	5,329	0
Bingöl	97	1,642	0	Mersin	1,235	33,329	1
Bitlis	66	1,445	0	Muğla	646	15,284	9
Bolu	273	16,535	8	Muş	90	2,368	0
Burdur	442	10,377	2	Nevşehir	304	6,682	4
Bursa	5,019	235,592	139	Niğde	188	7,682	0
Çanakkale	420	21,320	8	Ordu	303	11,989	3
Çankırı	126	6,571	3	Osmaniye	265	12,770	0
Çorum	417	16,347	1	Rize	258	14,630	2
Denizli	1,496	66,091	10	Sakarya	873	51,768	37
Diyarbakır	450	10,571	0	Samsun	590	18,661	4
Düzce	388	26,796	17	Siirt	48	1,507	0
Edirne	300	14,839	3	Sinop	134	5,348	0
Elazığ	332	8,456	1	Sivas	377	12,217	6
Erzincan	126	4,034	3	Şanlıurfa	639	14,508	3
Erzurum	175	4,054	1	Şırnak	79	2,264	0
Eskişehir	768	54,785	19	Tekirdağ	1,453	117,550	90
Gaziantep	2,189	90,832	2	Tokat	282	8,998	3
Giresun	186	5,973	3	Trabzon	500	12,624	2
Gümüşhane	105	2,215	0	Tunceli	53	694	0
Hakkari	55	819	0	Uşak	546	18,820	6
Hatay	718	31,151	12	Van	247	5,479	0
Iğdır	63	845	1	Yalova	240	8,094	3
Isparta	337	9,369	2	Yozgat	166	5,595	2
İstanbul	19,870	649,605	174	Zonguldak	359	30,692	1
İzmir	4,549	183,640	183	Toplam	71,825	2,843,679	1,284

Source: TOBB.

(1): Numbers of capacity reports current as of 2014 yearend.

**Table 35. Energy Sector Production Index**

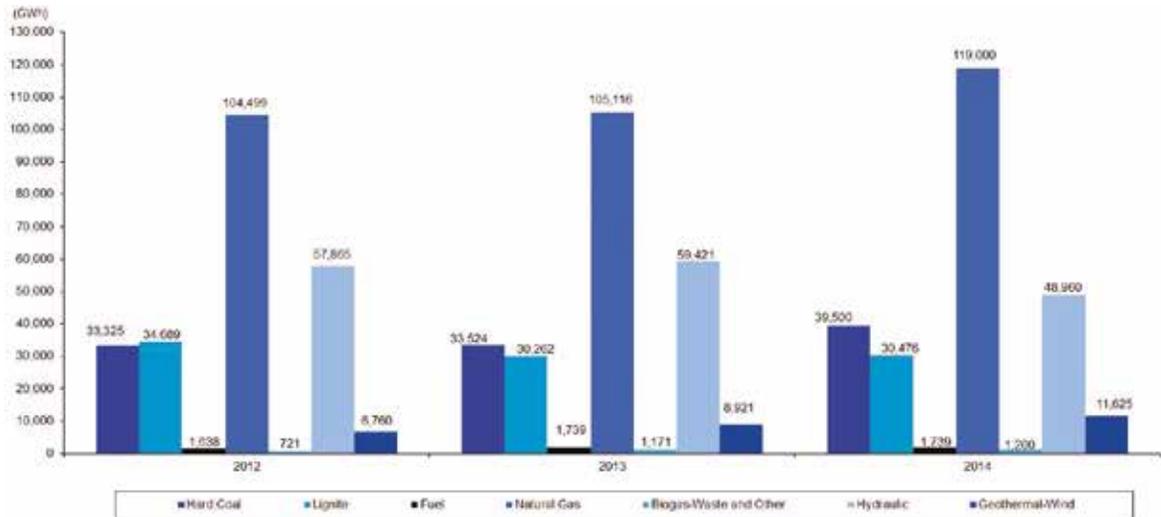
Years	Production Index <sup>(1)</sup>	(2010=100) Variation (%)
2012	113.6	4.5
2013	113.8	0.2
2014	119.1	4.6

Source: TURKSTAT.

(1): Annual average values adjusted for calendar effect.

The electricity energy production which increased by 0,3% in 2013 compared to the preceding year is estimated to advance from 240.154 GWh to 252.500 GWh in 2014 with an increase by 5,1%. When examined distribution of the electrical energy generation by resources in terms of year 2014 estimates, 47,1% of the generation is expected from natural gas thermal power plants, 19,4% from hydraulic power plants, 15,6% from hard coal thermal power plants, 12,1% from lignite thermal power plants, 4,6% from geothermal-wind power plants, 0,7% from fuel thermal power plants, and 0,5% from biogas-waste and other thermal power plants (Table 36, Graph 16).

**Graph 16. Distribution of Electrical Energy Generation by Energy Resources**



Source: MoD.

The electrical energy consumption that increased by 1,6% in 2013 is estimated to be 257.000 GWh in 2014 with an increase by 4,3%. Consumption per capita is anticipated to rise from 3.221 KWh to 3.324 KWh, up 3,2% compared to the preceding year.

Electricity energy export is projected to rise by 103,7% to 2.500 GWh and import is projected to drop by 5,8% to 7.000 GWh.

In 2014, hydraulic electrical energy installed power increased by 7,6% compared to the preceding year to 41.570 MW, thermal electrical energy installed power increased by 7,0% to 23.845 MW, and geothermal-wind electrical energy installed power increased by 7,0% to 4.085 MW. In 2014, the share of thermal power plants, hydraulic power plants and geothermal and wind power plants within the total electrical energy generation were 59,8%, 34,3 and 5,9%, respectively.

Table 36. Distribution of Electrical Energy Generation by Energy Resources

Years	Thermal														Grand Total			
	Hard Coal		Lignite		Liquid Fuel		Natural Gas		Biogas - Waste and Other		Total Thermal		Hydraulic			Geothermal - Wind		
	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)		Amount	Share (%)	
2012	33,325	13.9	34,689	14.5	1,638	0.7	104,499	43.6	721	0.3	174,872	73.0	57,865	24.2	6,760	2.8	239,497	100.0
2013	33,524	14.0	30,262	12.6	1,739	0.7	105,116	43.8	1,171	0.5	171,812	71.5	59,421	24.7	8,921	3.7	240,154	100.0
2014 <sup>(1)</sup>	39,500	15.6	30,476	12.1	1,739	0.7	119,000	47.1	1,200	0.5	191,915	76.0	48,960	19.4	11,625	4.6	252,500	100.0

Source: MoD.

(1): Realization estimate.

Table 37. Developments in Electrical Energy Generation and Consumption

Years	Electrical Energy Installed Power (MW)										Production (GWh)				Consumption Per Capita (KWh)				
	Thermal		Hydraulic		Geothermal - Wind		Total		Thermal		Hydraulic		Geothermal - Wind			Total Amount	Import	Export	Consumption (GWh)
	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)					
2012	35,027	61.4	19,609	34.4	2,423	4.2	57,059	174,872	73.0	57,865	24.2	6,760	2.8	239,497	5,827	2,954	242,370	3,224	
2013	38,648	60.4	22,289	34.8	3,071	4.8	64,008	171,812	71.5	59,421	24.7	8,921	3.7	240,154	7,429	1,227	246,357	3,221	
2014 <sup>(1)</sup>	41,570	59.8	23,845	34.3	4,065	5.9	69,500	191,915	76.0	48,960	19.4	11,625	4.6	252,500	7,000	2,500	257,000	3,324	

Source: MoD.

(1): Realization estimate.

## 1.2.3 Services

### 1.2.3.1 Construction

The building licenses and occupancy permits issued by the municipalities among the main indicator of the construction sector, which has an important part in the national economy with the added value and employment opportunities it creates, and which is one of the most dynamic sectors of Turkey.

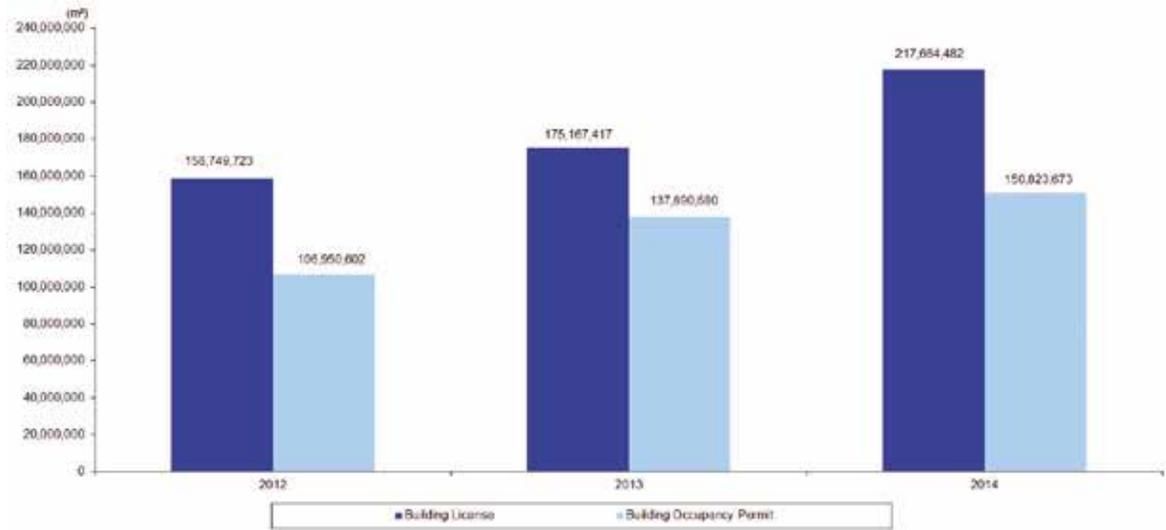
Building licenses issued by the municipalities for the constructions planned to be performed in 2014 increased by 24,3% in terms of surface area, rising from 175.167 thousand m<sup>2</sup> to 217.664 thousand m<sup>2</sup>. According to building licenses, construction area of wholesale and retail trading buildings decreased by 0,9%, whereas construction areas of other buildings increased. With increase of the branded mixed projects combining residential, office and similar structures in the real estate market, the construction sector shifted towards this direction, and highest increase was in the construction area of office (workplace) buildings with 75,3%, followed by residential buildings with two or more apartments with 25,0%, industrial buildings and warehouses with 20,4%, hotels and similar buildings with 19,3%, and residential buildings with one apartment with 16,6% (Table 38, Graph 17).

**Table 38. Building Construction Surface Areas by Building Licenses**

Intended Use				Variation (%)		Share (%)		
	2012	2013	2014	2013	2014	2012	2013	2014
Residential buildings with one apartment	4,186,161	4,423,001	5,156,946	5.7	16.6	2.6	2.5	2.4
Residential buildings with two and more apartments	111,820,548	124,922,260	156,156,041	11.7	25.0	70.4	71.3	71.7
Hotels and similar buildings	3,738,311	4,716,768	5,628,815	26.2	19.3	2.4	2.7	2.6
Office (workplace) buildings	6,637,222	7,320,489	12,835,544	10.3	75.3	4.2	4.2	5.9
Wholesale and retail trading buildings	9,016,157	7,340,534	7,275,922	-18.6	-0.9	5.7	4.2	3.3
Industrial buildings and warehouses	6,972,010	7,924,786	9,541,881	13.7	20.4	4.4	4.5	4.4
Others	16,379,314	18,519,579	21,069,333	13.1	13.8	10.3	10.6	9.7
Total	158,749,723	175,167,417	217,664,482	10.3	24.3	100.0	100.0	100.0

Source: TURKSTAT.

**Graph 17. Surface Areas of the Buildings for which Building License and Building Occupancy Permit was issued**



Source: TURKSTAT.

Among the buildings for which building permits were issued in 2014, residential buildings with two or more apartments took the lead with 71,7% in terms of their share in the total construction area, and these were followed by office (workplace) buildings with 5,9%, industrial buildings and warehouses with 4,4%, wholesale and retail trading buildings with 3,3%, hotels and similar buildings with 2,6%, and residential buildings with one apartment with 2,4%. In 2014, total construction area of occupancy permits issued by the municipalities for the constructions which have been licensed and completed rose from 137.891 thousand m<sup>2</sup> to 150.824 thousand m<sup>2</sup> with an increase by 9,4%.

In terms of intended use of buildings for which occupancy permits were issued, the construction area of industrial buildings and warehouses dropped by 11,3% and that of residential buildings with one apartment dropped by 1,8%, whereas construction area of other kinds of buildings rose. The highest rate according to intended use was in construction area of office (workplace) buildings with 33,1%, followed by hotels and similar buildings with 24,6%, residential buildings with two or more apartments with 9,9%, and wholesale and retail trading buildings with 0,6% (Table 39).

**Table 39. Building Construction Surface Areas by Building Occupancy Permits**

Intended Use	(m <sup>2</sup> )								
	2012	2013	2014	Variation (%)		Share (%)			
				2013	2014	2012	2013	2014	
Residential buildings with one apartment	4,101,335	4,833,954	4,744,784	17.9	-1.8	3.8	3.5	3.1	
Residential buildings with two and more apartments	75,570,761	98,941,656	108,724,671	30.9	9.9	70.7	71.8	72.1	
Hotels and similar buildings	2,193,638	3,477,764	4,334,227	58.5	24.6	2.1	2.5	2.9	
Office (workplace) buildings	3,852,077	4,492,280	5,978,666	16.6	33.1	3.6	3.3	4.0	
Wholesale and retail trading buildings	6,925,959	8,261,073	8,311,696	19.3	0.6	6.5	6.0	5.5	
Industrial buildings and warehouses	6,436,585	7,745,969	6,870,756	20.3	-11.3	6.0	5.6	4.6	
Others	7,870,247	10,137,984	11,858,873	28.8	17.0	7.4	7.4	7.9	
Total	106,950,602	137,890,680	150,823,673	28.9	9.4	100.0	100.0	100.0	

Source: TURKSTAT.

Among the buildings for which occupancy permits were issued in 2014, residential buildings with two or more apartments took the lead in terms of their share in the total construction area as was the case in the prior years. Residential buildings with two and more apartments which had the highest share with 72,1% among the total occupancy permits in 2014 were followed by wholesale and retail buildings with 5,5%, industrial buildings and warehouses with 4,6%, office (workplace) buildings with 4,0%, residential buildings with one apartment with 3,1%, and hotels and similar buildings with 2,9%.

House sales that increased by 64,9% in 2013 compared to the preceding year showed an increase of merely 0,7% with a substantial slowdown in 2014. Throughout Turkey, handover of total of 1.165.381 residences took place through sale in 2014. Of these residences, 389.689 were sold with mortgage and the rest 775.692 were sold through other means. Total sales of residences comprised mortgaged sales with 33,4% and other sales with 66,6%. Compared to 2013, mortgaged sales decreased by 15,3% and other sales increased by 11,3% (Table 40).

**Table 40. Numbers of Residence Sales**

	2012	2013	2014	Share (%)			Variation (%)	
				2012	2013	2014	2013	2014
Mortgaged sales <sup>(1)</sup>	270,136	460,112	389,689	38.5	39.8	33.4	70.3	-15.3
Other sales	431,485	697,078	775,692	61.5	60.2	66.6	61.6	11.3
Total sales	701,621	1,157,190	1,165,381	100.0	100.0	100.0	64.9	0.7

Source: TURKSTAT.

Note: Data of 2012 include numbers of residence sales in province and county centers, data of 2013 and 2014 cover those in entire Turkey.

(1): Mortgaged sales is collateralization of the a house purchased through borrowing in order to secure its loan.

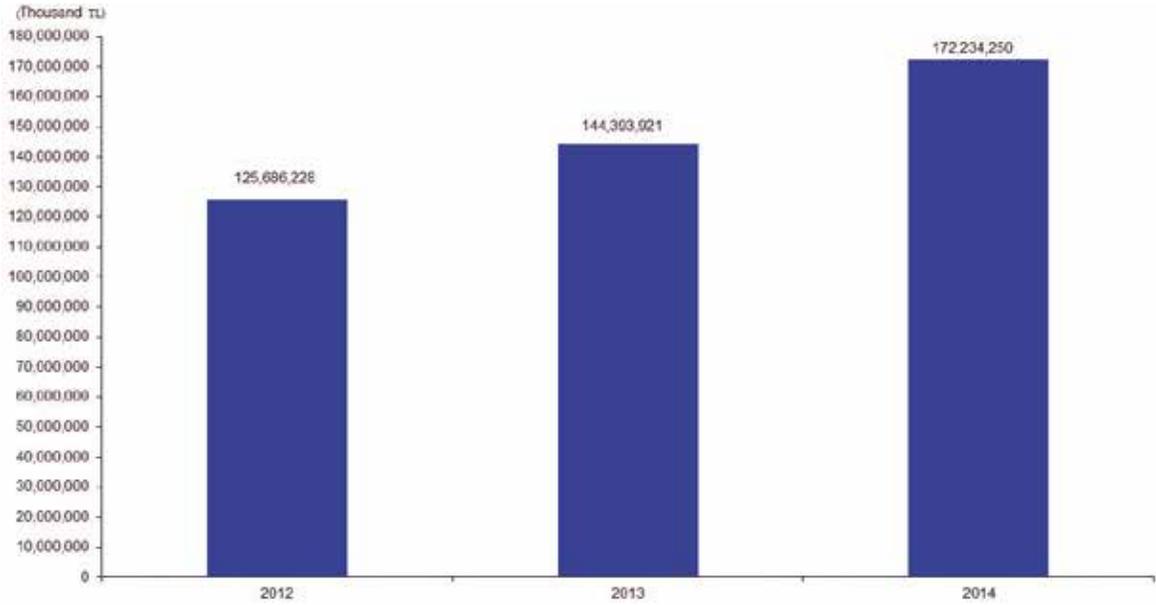
### 1.2.3.2 Commodity Exchanges Volume of Transactions

The volume of transactions of the commodity exchanges which increased by 14,9% in 2013 climbed from 144.394 million TL to 172.234 million TL in 2014, up 19,3%. In real terms, the volume of commodity exchanges which increased by 7,0% in 2013 increased by 10,2% in 2014 (Table 41, Graph 18).

**Table 41. Volume of Transactions of the Commodity Exchanges**

Years	Transaction Volume		CPI (2003=100) Annual Variation (%)	Volume of Transactions	
	Value	Variation (%)		Real Variation (%)	
2012	125,686,228	9.3	6.2		2.9
2013	144,393,921	14.9	7.4		7.0
2014	172,234,250	19.3	8.2		10.2

Source: TOBB.

**Graph 18. Volume of Transactions of the Commodity Exchanges**

Source: TOBB.

In the ranking of first 20 commodity exchanges according to the exchange volume of transactions in 2014, leading position of Istanbul Commodity Exchange continued as was the case in prior years. Volume of transactions of Istanbul Commodity Exchange which dropped by 3% in 2013 compared to the preceding year ranked first with 16.779 million TL with an increase by 22,8% in 2014. Istanbul Commodity Exchange was followed respectively by the commodity exchanges of Konya with TL 8.096 million TL, Izmir with 7.671 million TL and Şanlıurfa with 7.268 million TL. The share of Istanbul Commodity Exchange, Konya Commodity Exchange, Izmir Commodity Exchange and Şanlıurfa Commodity Exchange within the total volume of transactions of the commodity exchanges in 2014 were 9,7%, 4,7%, 4,5% and 4,2%, respectively (Table 42).

The commodity exchanges which elevated their volume of transactions most in 2014 compared to 2013 were the commodity exchanges of Tarsus with 99,9%, Düzce with 81,5%, Sakarya with 72,3% and Mersin with 50,3%. Among the first 20 commodity exchanges according to the ranking of volume of transactions in 2014, Tekirdağ Commodity Exchange was the only exchange whose volume of transactions dropped compared to 2013.

### 1.2.3.3 Statistics of Companies Established and Closed Down

57.770 companies were founded in total in 2014 including 10.335 joint stock companies, 47.423 limited liability companies, 11 unlimited companies and 1 limited partnerships. The number of joint stock companies and limited liability companies established increased by 18,8% and 17,7%, respectively, whereas the number of unlimited companies and limited partnerships decreased by 69,4% and 50,0%, respectively. Consequently, total number of companies in 2014 increased by 17,8. Number of sole proprietorships founded rose by 15,6% and number of the cooperative societies founded rose by 10,0% (Table 43, Graph 19).

**Table 42. First 20 Commodity Exchanges by Volume of Transactions**

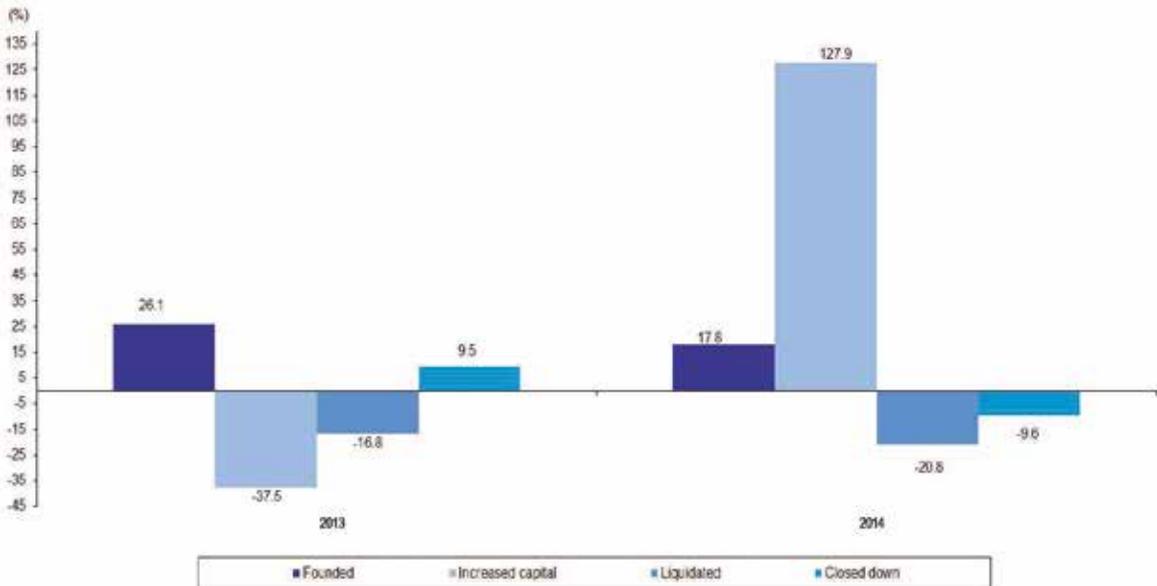
Commodity Exchanges <sup>(1)</sup>	Transaction Volume			Share (%)			Variation (%)	
	2012	2013	2014	2012	2013	2014	2013	2014
	(Thousand TL)							
Istanbul	14,092,471	13,667,477	16,778,913	11.2	9.5	9.7	-3.0	22.8
Konya	5,188,036	7,025,276	8,095,972	4.1	4.9	4.7	35.4	15.2
Izmir	6,901,108	6,794,462	7,671,424	5.5	4.7	4.5	-1.5	12.9
Şanlıurfa	5,196,872	5,907,189	7,267,775	4.1	4.1	4.2	13.7	23.0
Sakarya	3,816,841	4,206,978	7,250,120	3.0	2.9	4.2	10.2	72.3
Gaziantep	5,104,168	4,842,047	6,634,212	4.1	3.4	3.9	-5.1	37.0
Adana	5,474,302	5,036,686	5,770,480	4.4	3.5	3.4	-8.0	14.6
Mersin	2,805,832	3,403,445	5,114,105	2.2	2.4	3.0	21.3	50.3
Ankara	3,150,973	4,579,102	4,992,492	2.5	3.2	2.9	45.3	9.0
Düzce	2,209,490	2,305,721	4,184,398	1.8	1.6	2.4	4.4	81.5
Diyarbakır	2,275,389	2,666,038	3,317,921	1.8	1.8	1.9	17.2	24.5
Bandırma	2,882,893	3,113,269	3,139,838	2.3	2.2	1.8	8.0	0.9
Samsun	1,734,758	2,253,517	3,047,896	1.4	1.6	1.8	29.9	35.3
Afyonkarahisar	2,104,973	2,238,672	2,757,437	1.7	1.6	1.6	6.4	23.2
Trabzon	1,391,533	1,803,501	2,691,092	1.1	1.2	1.6	29.6	49.2
Tarsus	1,296,143	1,328,891	2,655,895	1.0	0.9	1.5	2.5	99.9
Tekirdağ	2,605,916	2,578,683	2,530,788	2.1	1.8	1.5	-1.0	-1.9
Giresun	1,514,523	2,155,036	2,449,017	1.2	1.5	1.4	42.3	13.6
Kızıltepe	1,741,075	2,095,909	2,335,084	1.4	1.5	1.4	20.4	11.4
Balıkesir	1,849,795	2,019,052	2,215,092	1.5	1.4	1.3	9.2	9.7
Total <sup>(2)</sup>	125,686,228	144,393,921	172,234,250	100.0	100.0	100.0	14.9	19.3

Source: TOBB.

(1): Commodity exchanges listed in the first 20 acc. to the volume of transactions of the commodity exchange in 2014.

(2): Total of volumes of transactions in all the commodity exchanges.

**Graph 19. Variation Rates of Number of Companies and Cooperative Societies Founded, Closed Down, Increased Capital, and Liquidated (Compared to Preceding Year)**



Source: TOBB.

**Table 43. Number of Companies and Cooperative Societies Founded, Closed Down, Increased Capital, and Liquidated**

Type of Company		2012	2013	2014	Variation (%)	
					2013	2014
	Founded	4,057	8,703	10,335	114.5	18.8
	Increased capital	5,827	4,831	5,537	-17.1	14.6
	Liquidated	1,395	1,064	1,037	-23.7	-2.5
Joint stock company	Closed down	1,624	1,823	1,717	12.3	-5.8
	Founded	34,765	40,295	47,423	15.9	17.7
	Increased capital	26,675	15,478	40,752	-42.0	163.3
	Liquidated	15,110	12,614	9,792	-16.5	-22.4
Limited liability company	Closed down	12,435	13,643	12,203	9.7	-10.6
	Founded	56	36	11	-35.7	-69.4
	Liquidated	54	96	80	77.8	-16.7
	Closed down	132	74	130	-43.9	75.7
Unlimited company	Founded	8	2	1	-75.0	-50.0
	Liquidated	6	8	1	33.3	-87.5
Limited partnership	Closed down	6	3	8	-50.0	166.7
	Founded	67,454	58,990	68,200	-12.5	15.6
	Closed down	31,918	65,299	71,608	104.6	9.7
Sole proprietorship	Founded	106,340	108,026	125,970	1.6	16.6
	Increased capital	32,502	20,309	46,289	-37.5	127.9
	Liquidated	16,565	13,782	10,910	-16.8	-20.8
Total	Closed down	46,115	80,842	85,666	75.3	6.0
	Founded	877	918	1,010	4.7	10.0
	Liquidated	1,904	1,738	1,460	-8.7	-16.0
	Closed down	1,899	1,866	1,841	-1.7	-1.3
Cooperative society						

Source: TOBB.

In 2014, number of joint stock companies and limited liability companies closed down decreased by 5,8% and 10,6%, respectively, compared to the preceding year, whereas number of limited partnerships and unlimited companies increased by 166,7% and 75,7%, respectively, resulting in decline of the number of companies closed down by 9,6% to 14.058. The number of sole proprietorships closed down increased by 9,7% and number of cooperatives closed down decreased by 1,3%.

### 1.2.3.4 Protested Bills and Bad Cheques

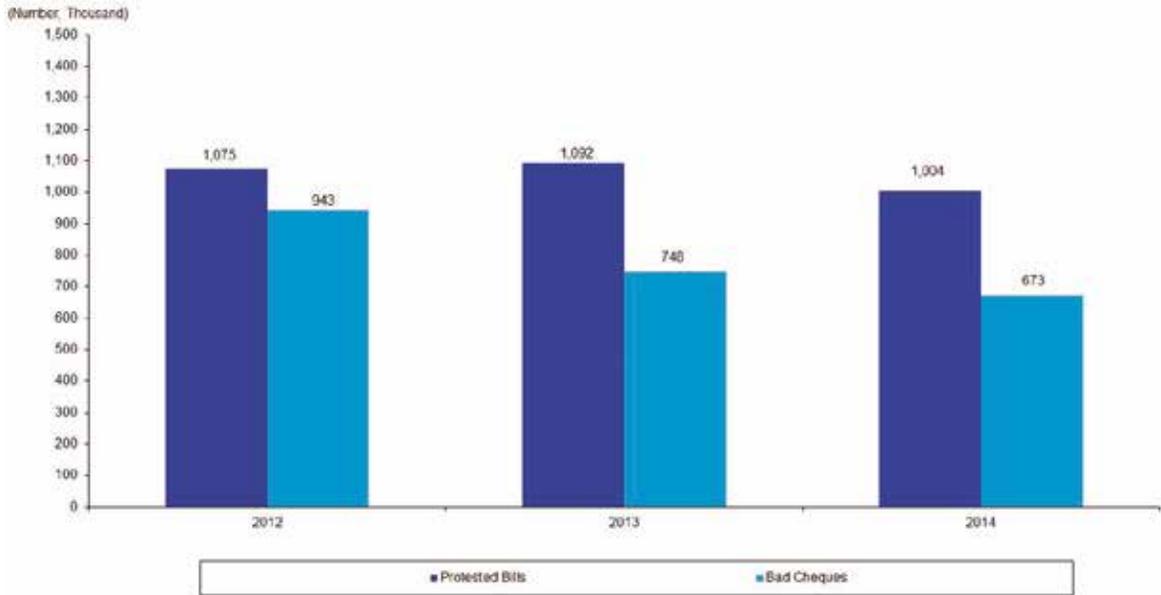
Number of protested bills dropped from 1.093 thousand to 1.004 thousand in 2014 with a decrease by 1,6% compared to 2013, whereas the amount of protested bills rose from to 7.494 million TL to 8.221 million TL with an increase by 9,7 %. Number of bad cheques dropped from 748 thousand to 673 thousand with a decrease by 10,0% in 2014, whereas their amount rose from 18.070 million TL to 19.881 million TL with an increase by 10,0% (Table 44, Graph 20).

**Table 44. Protested Bills and Bad Cheques**

Years	Protested Bills				Bad Cheques			
	Number (Thousand)	Variation (%)	Amount (Million TL)	Variation (%)	Number (Thousand)	Variation (%)	Amount (Million TL)	Variation (%)
2012	1,075	16.9	6,949	-99.9	943	62.3	20,907	81.6
2013	1,092	1.6	7,494	7.8	748	-20.7	18,070	-13.6
2014	1,004	-8.1	8,221	9.7	673	-10.0	19,881	10.0

Source: TBB Risk Center.

**Graph 20. Protested Bills and Bad Cheques**



Source: TBB Risk Center.

### 1.2.3.5 Tourism

In 2014, the extremely low course of the economic growth in the Euro zone, and the persisting geopolitical problems in Iraq, Syria and Russia in our neighborhood, have affected the tourism of our country negatively. Variation rate of the number of foreign visitors departing from Turkey declined by 2 points.

In 2014, compared to the previous year, the number of foreign visitors departing from our country increased by 5,6% and rose from 39.226 to 41.415 thousand people, and the number of citizens arriving increased by 6,1% and rose from 7.526 to 7.982 thousand people (Table 45).

**Table 45. Number of Visitors Departing and Citizens Arriving**

Years	Number of Visitors		Number of Citizens		
	Departing	Variation (%)	Arriving	Variation (%)	
2012	36,464	0.9	5,803	-7.6	
2013	39,226	7.6	7,526	29.7	
2014	41,415	5.6	7,982	6.1	

Source: TURKSTAT.

In the ranking of the visitors departing from our country in 2014 based on the first 20 nationalities, Germany took the lead with 5.252 people, followed by Russian Federation with 4.482 thousand people, United Kingdom with 2.607 thousand people, Bulgaria with 1.696 thousand people and Iran with 1.581 people. The country visitors from which most increased in 2014 was Saudi Arabia with 47,5%. Saudi Arabia was followed by Iran with 33,0% and Poland with 19,4% (Table 46).

**Table 46. Number of Foreign Visitors Departing Turkey by Nationality**

Nationality <sup>(1)</sup>	2012	2013	2014	Variation (%)	
				2013	2014
Germany	5,026	5,048	5,252	0.4	4.0
Russian Federation	3,586	4,269	4,482	19.1	5.0
United Kingdom	2,470	2,518	2,607	2.0	3.5
Bulgaria	1,498	1,583	1,696	5.6	7.1
Iran	1,184	1,189	1,581	0.4	33.0
Netherlands	1,288	1,321	1,308	2.6	-1.0
France	1,029	1,047	1,039	1.8	-0.8
Greece	667	699	828	4.8	18.4
Iraq	522	712	797	36.5	12.0
USA	778	791	790	1.7	-0.1
Italy	710	734	698	3.3	-4.9
Sweden	620	694	669	12.0	-3.7
Belgium	613	655	662	6.8	1.1
Poland	432	426	509	-1.4	19.4
Austria	504	515	508	2.2	-1.4
Romania	387	397	427	2.5	7.6
Denmark	391	404	409	3.1	1.3
Switzerland	355	381	398	7.4	4.4
Saudi Arabia	175	232	342	32.5	47.5
Norway	408	412	327	1.2	-20.8

Source: CBRT.

(1): These are the countries included in the first 20 according to 2014.

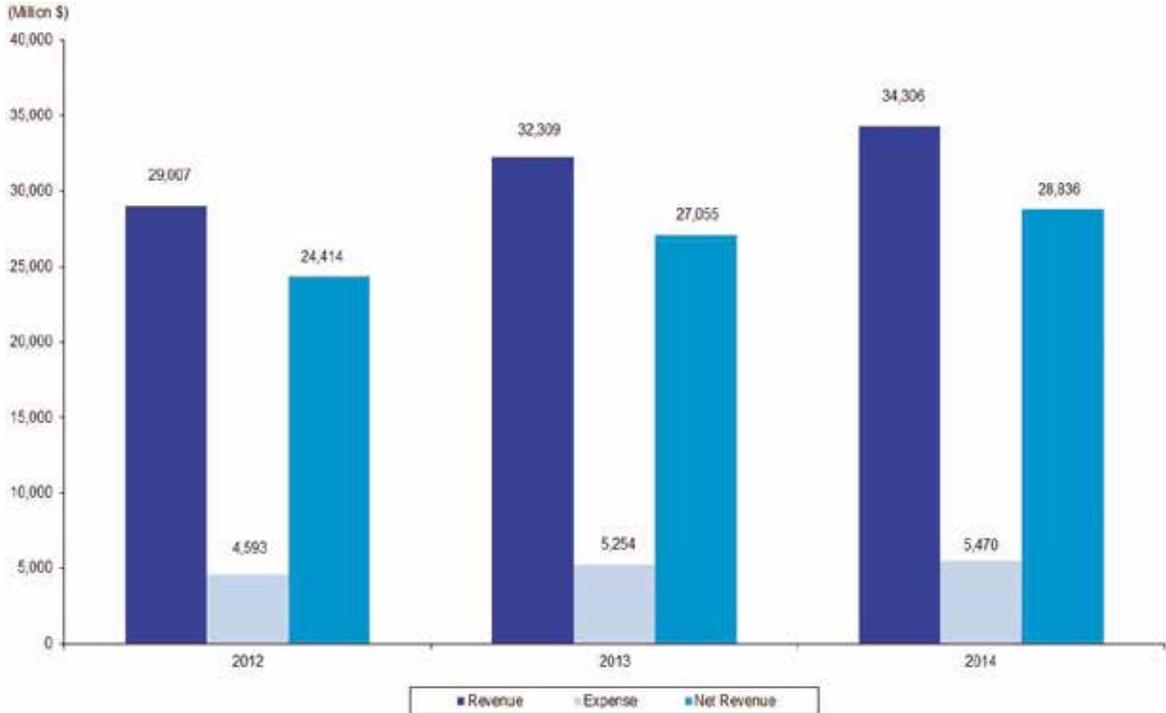
Tourism revenues that increased by 11,4% in 2013 decelerated in 2014, and increased merely by 6,2% to 34.306 million \$. The tourism revenues which increased by 14,4% in 2013 rose to 5.470 million \$ with an increase by 4,1% in 2013. Net tourism revenues also increased by 6,6% in 2014 and rose from 27.055 million \$ to 28.836 million \$ (Table 47, Graph 21).

**Table 47. Balance of Tourism Revenues-Expenses and Average Expenditures**

Years	Revenue (Million \$)	Expense (Million \$)	Net Revenue (Million \$)	Average Expenditure Per Visitor Departing (\$)	Average Expenditure Per Citizen (\$)
2012	29,007	4,593	24,414	795	792
2013	32,309	5,254	27,055	824	698
2014	34,306	5,470	28,836	828	685

Source: TURKSTAT.

**Graph 21. Tourism Revenues and Expenses**



Source: TURKSTAT.

In 2014, average expenditure per visitor departing rose from 824 \$ to 828 \$ with an increase by 4 \$ compared to the preceding year, whereas average expenditure per citizen fell from 698 \$ to 685 \$ with a decrease by 13 \$ compared to the preceding year.

### 1.2.3.6 Transportation

In 2014, compared to the preceding year, an increase of 6,5% was realized in domestic passenger transports, and an increase of 16,7% in passenger transports abroad, an increase of 6,0% in domestic cargo transports, and an increase of 0,5% increase was realized in cargo transports abroad (excluding the natural gas transports made through imports by the BOTAŞ with the pipeline) (Table 48).

Table 48. Transportation Statistics

Transport Methods	Passenger Transports							
	(Million Passengers-Km)			Variation (%)		Share (%)		
	2012	2013	2014 <sup>(1)</sup>	2013	2014	2012	2013	2014
<b>Domestic</b>								
Highways <sup>(2)</sup>	258,874	268,179	284,256	3.6	6.0	91.9	91.1	90.6
Railroads	2,949	2,976	3,075	0.9	3.3	1.0	1.0	1.0
Airways <sup>(3)</sup>	19,731	23,357	26,416	18.4	13.1	7.0	7.9	8.4
<b>Total</b>	<b>281,554</b>	<b>294,512</b>	<b>313,747</b>	<b>4.6</b>	<b>6.5</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Abroad</b>								
Airways <sup>(3)</sup>	64,945	79,696	93,005	22.7	16.7	100.0	100.0	100.0
<b>Total</b>	<b>64,945</b>	<b>79,696</b>	<b>93,005</b>	<b>22.7</b>	<b>16.7</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Transport Methods	Cargo Transports							
	(Milyon Ton-Km)			Variation (%)		Share (%)		
	2012	2013	2014 <sup>(1)</sup>	2013	2014	2012	2013	2014
<b>Domestic</b>								
Highways <sup>(2)</sup>	216,123	224,048	237,831	3.7	6.2	88.4	88.1	88.2
Railroads	10,473	10,241	11,079	-2.2	8.2	4.3	4.0	4.1
Seaways <sup>(4)</sup>	15,753	17,332	18,247	10.0	5.3	6.4	6.8	6.8
Pipelines								
Crude Oil <sup>(5)</sup>	2,173	2,800	2,622	28.9	-6.4	0.9	1.1	1.0
<b>Total</b>	<b>244,522</b>	<b>254,421</b>	<b>269,779</b>	<b>4.0</b>	<b>6.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Abroad</b>								
Railroads	750	509	470	-32.1	-7.7	0.1	0.0	0.0
Seaways <sup>(6)</sup>	1,030,000	1,050,000	1,060,000	1.9	1.0	95.5	95.9	96.3
Pipelines								
Crude Oil (Transit) <sup>(5)</sup>	48,216	44,417	39,956	-7.9	-10.0	4.5	4.1	3.6
<b>Total</b>	<b>1,078,966</b>	<b>1,094,926</b>	<b>1,100,426</b>	<b>1.5</b>	<b>0.5</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Natural Gas (Million Sm <sup>3(7)</sup> )	45,922	45,269	45,900	-1.4	1.4	-	-	-

**Source: MoD.**

(1): Realization estimate.

(2): These are the transports made on the road network under the responsibility of the Highways General Directorate.

(3): The transports made only by the Turkish Airlines.

(4): Transport quantities calculated by the Ministry of Transportation, Maritime and Communication

(5): Only the crude oil transports.

(6): The estimated transports calculated, which include all of the transports made by seaways.

(7): The total natural gas imports made from the Russian Federation, Nigeria, Algeria, Azerbaijan and Iran and obtained from the spot market.

In 2014, the highways continued to be predominant in the transports of domestic passengers and cargo, airways in the passenger transports abroad and seaways in the cargo transports. Due to persistence of the problems such as the low standard of the railroad transportation despite the improvements accomplished in the recent years, the fact that its physical infrastructure is mainly single line, and the shortage of big port infrastructures for seaways, mainly highways were used for the cargo and passenger transports in 2014 as well.

In 2014, 90,6% of the domestic passenger transports were made by highways, 1,0% by railroads and 8,4% by airways, and all of the passenger transports abroad were made by airways. While share of highways in domestic passenger transports decreased by 0,5%, share of the airways increased by the same rate, and share of the railroads did not

change. In the domestic cargo transports, a share of 88,2% was acquired by highways, 4,1% by railroads, 6,8% by seaways, and 1,0% by pipeline. Of the cargo transports abroad, a share of 96,3% was acquired by seaways, and 3,6% by the pipeline transportation.

In 2014, 165.968 thousand passengers were transported by the airways Turkey-wide, including 85.608 thousand transported domestically, and 80.360 thousand transported abroad. While the number of passengers carried by the State Airports Administration was 141.578 thousand, of these passengers, 70.221 thousand traveled in domestically and 71.357 thousand traveled abroad. In 2014, the number of passengers using the airways for their domestic trips increased by 12,4% and the number of passengers using the airways for their trips abroad increased 9,7% (Table 49).

**Table 49. Turkey-wide Passenger and Cargo Transports made by the State Airports Administration**

Components	Passenger Transports <sup>(2)</sup>			Variation (%)		Cargo Transports (Ton) <sup>(3)</sup>			Variation (%)	
	2012	2013	2014 <sup>(1)</sup>	2013	2014	2012	2013	2014 <sup>(1)</sup>	2013	2014
DHMI										
Domestic	55,000,664	64,040,856	70,220,557	16.4	9.6	559,570	649,937	690,997	16.1	6.3
Abroad	60,507,044	66,384,365	71,357,455	9.7	7.5	1,510,081	1,709,406	1,879,958	13.2	10.0
DHMI Total	115,507,708	130,425,221	141,578,012	12.9	8.6	2,069,651	2,359,343	2,570,955	14.0	9.0
Turkey-wide										
Domestic	64,721,316	76,148,526	85,607,565	17.7	12.4	633,076	744,029	809,304	17.5	8.8
Abroad	65,630,304	73,281,895	80,360,476	11.7	9.7	1,616,058	1,851,289	2,056,888	14.6	11.1
Total Turkey-wide	130,351,620	149,430,421	165,968,041	14.6	11.1	2,249,134	2,595,318	2,866,192	15.4	10.4

Source: DHMI.

(1): Interim.

(2): Excluding Turkey direct transit.

(3): Total baggage, cargo and mail transported by the airways.

In 2014, 2.866 thousand tons of cargo was transported in Turkey by the airways, and of this amount, 809 thousand tons was transported domestically, and 2.057 tons were transported abroad. While the amount of cargo carried by the State Airports Administration was 2.571 thousand tons, of this amount, 691 thousand tons was transported domestically and 1.880 thousand tons was transported abroad.

### 1.3 Investments

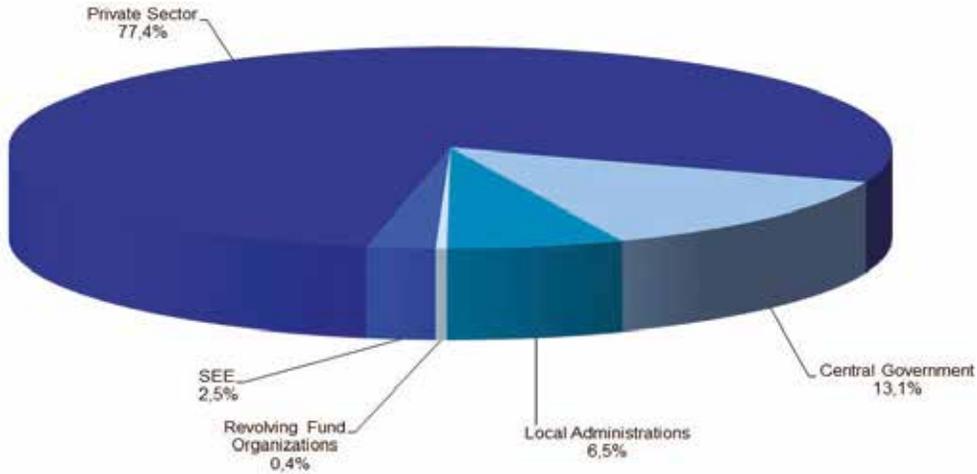
In 2014, public sector fixed capital investments are estimate to rise from 70.024 million TL to 80.432 million TL with an increase by 14,9%, private sector fixed capital investments are estimate to rise from 239.956 million TL to 276.235 million TL with an increase by 15,1%. The total fixed capital investments that decreased by 1,6% in 2013 are envisaged to rise to 356.667 million TL with an increase by 15,1% in 2014 (Table 50, Graph 22).

In 2014, the share of the public sector and private sector was fixed capital investments within the total fixed capital investments did not change. As in 2013, share of the public sector fixed capital investments was 22,6 and share of the private sector fixed capital investments was 77,4.

Of the public sector fixed capital investments, 58,0% will be realized by the central government, 28,7% by local administrations, 11,2% by the SEEs, 1,9% by the revolving fund organizations, and 0,2% by the social security organizations. Compared to 2013, the

highest rise among the public sector fixed capital investments was in the investments of the social security organizations with 131,6%, followed by the increases in investments of central government with 18,7%, investments of the SEEs with 14,3%, investments of local administrations with 8,2%, investments of revolving fund organizations with 7,5%, whereas investments of the Provincial Bank decreased by 40,0%.

**Graph 22. Distribution of Fixed Capital Investments (2014, %)**



Source: MoD.

**Table 50. Fixed Capital Investments**

	(with Current Prices, Million TL)								
				Share (%)			Variation (%)		
	2012	2013	2014 <sup>(1)</sup>	2012	2013	2014	2013	2014	
Central Government	33,037	39,311	46,645	10.5	12.7	13.1	19.0	18.7	
SEE	8,016	7,893	9,018	2.5	2.5	2.5	-1.5	14.3	
Operator	7,260	7,744	8,925	2.3	2.5	2.5	6.7	15.3	
Organizations within the Scope of Privatization	756	149	93	0.2	0.0	0.0	-80.3	-37.6	
Provincial Bank	31	20	12	0.0	0.0	0.0	-35.5	-40.0	
Revolving Fund Organizations	1,374	1,415	1,521	0.4	0.5	0.4	3.0	7.5	
Social Security Organizations	120	76	176	0.0	0.0	0.0	-36.7	131.6	
Local Administrations	15,110	21,309	23,060	4.8	6.9	6.5	41.0	8.2	
Public Sector	57,688	70,024	80,432	18.3	22.6	22.6	21.4	14.9	
Private Sector	257,210	239,956	276,235	81.7	77.4	77.4	-6.7	15.1	
Total Fixed Capital Investments	314,898	309,980	356,667	100.0	100.0	100.0	-1.6	15.1	

Source: MoD.

(1): Realization estimate.

Within the private sector fixed capital investments, the shares of the mining, transportation, housing, education, health services and other services sector increased, the shares of the manufacturing, energy and tourism sectors decreased, and shares of agriculture remained unchanged, compared to the preceding year. In 2014, within the private sector fixed capital investments, the most predominant sector was, like the previous year, the

manufacturing sector with a share of 34,3%, and this was followed by the transportation sector with a share of 17,7%, and the housing sector with a share of 16,0%. Agriculture had the least share within the private sector fixed capital investments with 2,1%, followed by education and energy sectors with 3,2% (Table 51).

**Table 51. Fixed Capital Investments by Sectors**

Sectors	(with Current Prices, Percentage Distribution)		
	2012	2013	2014 <sup>(1)</sup>
	Private Sector		
Agriculture	3.6	2.1	2.1
Mining	1.7	3.2	3.6
Manufacturing	41.9	36.4	34.3
Energy	4.3	3.5	3.2
Transportation	18.1	17.3	17.7
Tourism	6.9	8.8	8.3
Housing	14.7	14.8	16.0
Education	2.1	3.1	3.2
Health	2.4	6.2	6.7
Other Services	4.2	4.6	4.8
Private Sector	100.0	100.0	100.0
	Public Sector		
Agriculture	10.7	9.6	8.7
Mining	2.2	1.5	2.2
Manufacturing	0.8	0.9	0.9
Energy	6.0	4.7	5.4
Transportation	38.1	38.6	37.0
Tourism	0.7	0.7	0.5
Housing	1.3	1.2	1.0
Education	14.2	14.4	15.8
Health	5.3	5.0	5.5
Other Services	20.8	23.3	23.1
Public Sector	100.0	100.0	100.0
	Total		
Agriculture	5.1	3.9	3.7
Mining	1.8	2.8	3.3
Manufacturing	33.5	27.8	26.4
Energy	4.7	3.8	3.8
Transportation	22.2	22.5	22.2
Tourism	5.6	6.8	6.5
Housing	11.9	11.5	12.5
Education	4.6	5.8	6.2
Health	3.0	5.9	6.4
Other Services	7.7	9.1	9.1
Total	100.0	100.0	100.0

Source: MoD.

(1): Realization estimate.

In 2014, within the public sector fixed capital investments, the shares of mining, energy, education and health sectors increased, the shares of the agriculture, transportation, tourism, housing and other services sectors decreased, and the shares of manufacturing and sectors remained unchanged, compared to the preceding year.

Within the public sector total fixed capital investments, the most predominant sectors were the transportation sector with a share of 37,0%, others services sector with a share of 23,1% and education sector with a share of 15,8%; whereas the sectors with the lowest shares were tourism sector with 0,5%, manufacturing sector with 0,9% and the housing sector with 1,0%.

### **Regional Public Investments**

The development differences between the regions in Turkey has been constituting a major problem for years. The development difference between the regions causes the underdeveloped regions to be isolated from and not to be able to integrate with other regions. One of the most important factors that can eliminate the development difference between the regions is public investments. This is taken into account in scheduling the public investments. Public investments mainly concentrate on infrastructural areas such as irrigation, energy, and transportation, and several projects in the education, health, service and other sectors, such as schools, hospitals, small industrial sites, organized industrial sites, are combined and included in the investment program. Projects such as irrigation, dam and channels, energy transportation lines, state highways, roads, railroads, pipelines, and collective projects such as schools, hospitals, organized industrial zones, small industrial sites involve more than one province, and are described as various provinces.

The public investments that amounted to 52.882 million TL in 2013 rose to 56.280 million TL in 2014 with an increase by 6,4%. While 39,8% of the public investments were made in various provinces covering more than one province, 60,2% were distributed over 81 provinces. The province that took the highest share from public investments in 2014 was Istanbul with 9,7%, followed by Ankara with 8,0%, Izmir with 2,6%, and Diyarbakır, Mardin and Şanlıurfa with 1,8%. In 2014, increases with high rates exceeding 100% compared to the preceding year took place in the public investments in Kırklareli, Istanbul and Zonguldak, whereas Hatay, Mardin and Düzce were the provinces where public investments declined most with 47,2%, 30,3% and 21,3%, respectively (Table 52).

Table 52. Distribution of Public Investments by Provinces

Provinces	(Thousand TL)							
	2012	2013	2014	Share (%)			Variation (%)	
				2012	2013	2014	2013	2014
Adana	265,061	361,099	570,304	0.6	0.7	1.0	36.2	57.9
Adıyaman	293,123	293,934	413,352	0.7	0.6	0.7	0.3	40.6
Afyonkarahisar	229,366	249,388	424,038	0.5	0.5	0.8	8.7	70.0
Ağrı	268,942	276,913	247,779	0.6	0.5	0.4	3.0	-10.5
Aksaray	187,970	316,415	272,888	0.4	0.6	0.5	68.3	-13.8
Amasya	116,556	155,451	141,418	0.3	0.3	0.3	33.4	-9.0
Ankara	3,553,371	3,664,716	4,509,166	8.0	6.9	8.0	3.1	23.0
Antalya	420,393	615,317	637,386	0.9	1.2	1.1	46.4	3.6
Ardahan	47,275	50,621	72,420	0.1	0.1	0.1	7.1	43.1
Artvin	849,704	433,038	406,244	1.9	0.8	0.7	-49.0	-6.2
Aydın	184,076	189,958	254,486	0.4	0.4	0.5	3.2	34.0
Balıkesir	303,386	280,964	350,356	0.7	0.5	0.6	-7.4	24.7
Bartın	84,973	80,699	112,686	0.2	0.2	0.2	-5.0	39.6
Batman	241,415	244,590	423,002	0.5	0.5	0.8	1.3	72.9
Bayburt	33,790	46,929	61,306	0.1	0.1	0.1	38.9	30.6
Bilecik	43,897	67,639	62,219	0.1	0.1	0.1	54.1	-8.0
Bingöl	169,863	398,614	439,517	0.4	0.8	0.8	134.7	10.3
Bitlis	73,424	92,930	138,875	0.2	0.2	0.2	26.6	49.4
Bolu	96,735	77,253	76,135	0.2	0.1	0.1	-20.1	-1.4
Burdur	85,255	113,738	93,341	0.2	0.2	0.2	33.4	-17.9
Bursa	452,297	415,292	533,928	1.0	0.8	0.9	-8.2	28.6
Çanakkale	220,887	243,332	422,189	0.5	0.5	0.8	10.2	73.5
Çankırı	76,642	121,262	107,708	0.2	0.2	0.2	58.2	-11.2
Çorum	109,836	135,317	169,692	0.2	0.3	0.3	23.2	25.4
Denizli	142,697	194,204	205,591	0.3	0.4	0.4	36.1	5.9
Diyarbakır	798,074	914,826	1,023,845	1.8	1.7	1.8	14.6	11.9
Düzce	76,352	97,131	76,489	0.2	0.2	0.1	27.2	-21.3
Edirne	156,444	152,577	245,287	0.4	0.3	0.4	-2.5	60.8
Elazığ	149,298	252,827	213,056	0.3	0.5	0.4	69.3	-15.7
Erzincan	175,727	177,671	188,658	0.4	0.3	0.3	1.1	6.2
Erzurum	248,984	360,246	502,836	0.6	0.7	0.9	44.7	39.6
Eskişehir	268,816	503,956	563,206	0.6	1.0	1.0	87.5	11.8
Gaziantep	360,239	420,830	495,454	0.8	0.8	0.9	16.8	17.7
Giresun	131,168	143,184	128,791	0.3	0.3	0.2	9.2	-10.1
Gümüşhane	62,188	82,040	85,061	0.1	0.2	0.2	31.9	3.7
Hakkari	120,629	155,301	189,601	0.3	0.3	0.3	28.7	22.1
Hatay	314,474	633,627	334,791	0.7	1.2	0.6	101.5	-47.2
Iğdır	58,445	89,539	75,766	0.1	0.2	0.1	53.2	-15.4
İsparta	83,773	105,473	106,358	0.2	0.2	0.2	25.9	0.8
İstanbul	2,559,243	2,246,210	5,451,746	5.8	4.2	9.7	-12.2	142.7
İzmir	704,596	1,209,754	1,475,723	1.6	2.3	2.6	71.7	22.0
Kahramanmaraş	458,777	515,399	490,384	1.0	1.0	0.9	12.3	-4.9
Karabük	88,592	86,325	72,585	0.2	0.2	0.1	-2.6	-15.9

Table 52. Distribution of Public Investments by Provinces (Continued)

Provinces	(Thousand TL)							
	2012	2013	2014	Share (%)			Variation (%)	
				2012	2013	2014	2013	2014
Karaman	130,059	165,826	153,181	0.3	0.3	0.3	27.5	-7.6
Kars	143,877	181,580	178,638	0.3	0.3	0.3	26.2	-1.6
Kastamonu	118,268	113,658	104,582	0.3	0.2	0.2	-3.9	-8.0
Kayseri	221,099	407,837	423,251	0.5	0.8	0.8	84.5	3.8
Kırıkkale	183,619	135,817	151,402	0.4	0.3	0.3	-26.0	11.5
Kırklareli	123,329	137,825	402,399	0.3	0.3	0.7	11.8	192.0
Kırşehir	100,556	85,216	80,586	0.2	0.2	0.1	-15.3	-5.4
Kilis	56,030	60,120	57,551	0.1	0.1	0.1	7.3	-4.3
Kocaeli	217,842	395,514	480,950	0.5	0.7	0.9	81.6	21.6
Konya	490,647	623,754	909,841	1.1	1.2	1.6	27.1	45.9
Kütahya	266,085	354,552	393,140	0.6	0.7	0.7	33.2	10.9
Malatya	165,238	209,553	352,331	0.4	0.4	0.6	26.8	68.1
Manisa	260,034	246,529	400,083	0.6	0.5	0.7	-5.2	62.3
Mardin	721,380	1,458,881	1,016,369	1.6	2.8	1.8	102.2	-30.3
Mersin	460,100	511,121	421,935	1.0	1.0	0.7	11.1	-17.4
Muğla	272,652	204,638	268,160	0.6	0.4	0.5	-24.9	31.0
Muş	115,543	172,211	164,105	0.3	0.3	0.3	49.0	-4.7
Nevşehir	51,679	68,580	92,422	0.1	0.1	0.2	32.7	34.8
Niğde	65,449	96,880	99,088	0.1	0.2	0.2	48.0	2.3
Ordu	165,005	299,817	268,038	0.4	0.6	0.5	81.7	-10.6
Osmaniye	60,115	79,592	99,488	0.1	0.2	0.2	32.4	25.0
Rize	112,406	110,518	144,428	0.3	0.2	0.3	-1.7	30.7
Sakarya	293,606	417,976	467,027	0.7	0.8	0.8	42.4	11.7
Samsun	260,496	320,009	298,206	0.6	0.6	0.5	22.8	-6.8
Siirt	81,028	72,682	125,099	0.2	0.1	0.2	-10.3	72.1
Sinop	165,884	167,435	260,773	0.4	0.3	0.5	0.9	55.7
Sivas	267,693	309,393	290,028	0.6	0.6	0.5	15.6	-6.3
Şanlıurfa	647,736	789,586	1,009,544	1.5	1.5	1.8	21.9	27.9
Şırnak	142,916	133,779	168,428	0.3	0.3	0.3	-6.4	25.9
Tekirdağ	120,266	247,046	319,042	0.3	0.5	0.6	105.4	29.1
Tokat	117,926	136,822	134,929	0.3	0.3	0.2	16.0	-1.4
Trabzon	196,057	223,509	183,806	0.4	0.4	0.3	14.0	-17.8
Tunceli	52,911	62,163	72,962	0.1	0.1	0.1	17.5	17.4
Uşak	85,554	83,137	96,005	0.2	0.2	0.2	-2.8	15.5
Van	246,980	402,240	393,874	0.6	0.8	0.7	62.9	-2.1
Yalova	37,078	63,516	51,847	0.1	0.1	0.1	71.3	-18.4
Yozgat	99,266	155,578	163,528	0.2	0.3	0.3	56.7	5.1
Zonguldak	161,085	133,600	314,844	0.4	0.3	0.6	-17.1	135.7
Muhtelif İller	21,590,040	25,776,601	22,402,068	48.6	48.7	39.8	19.4	-13.1
Toplam	44,434,287	52,881,620	56,279,641	100.0	100.0	100.0	19.0	6.4

Source: MoD.

According to the evaluation made in 2014 based on provinces and sectors, it is observed that public investments are concentrated in the transportation-communication sector, and followed by the investments made in other public services, education, agriculture, health, energy and mining sectors. Manufacturing, tourism and housing sectors stand out as the sectors in which least public investment is made (Table 53).

Table 53. Sectoral Distribution of Public Investments by Provinces in 2014

(Thousand TL)

Provinces	Agriculture	Mining	Manufacturing	Energy	Transportation-Communication	Tourism	Housing	Education	Health	Other Public Services	Provincial Total
Adana	90,322	34,545	1,000	19,876	45,657	0	250	195,961	40,800	141,893	570,304
Adiyaman	29,594	251,428	0	0	4,371	0	6,350	50,655	12,994	57,960	413,352
Afyonkarahisar	83,852	2,697	19,000	4,303	179,845	1,250	6,500	66,817	26,525	33,249	424,038
Ağrı	33,960	9,523	0	2	25,436	0	17,402	60,069	13,002	88,385	247,779
Aksaray	32,823	28	0	2,584	163,772	1,150	150	49,216	1,075	22,090	272,888
Amasya	25,936	0	0	5,000	8,272	0	10,330	41,325	5,702	44,853	141,418
Ankara	75,646	245,489	31,665	46,236	1,558,914	0	9,265	492,548	96,404	1,952,999	4,509,166
Antalya	96,104	40,709	0	33,889	29,804	51,105	6,914	99,817	60,300	218,744	637,386
Ardahan	4,602	0	0	2,504	2,782	0	1,817	46,403	7,078	7,234	72,420
Artvin	11,279	0	0	335,202	8,983	500	3,794	31,835	11,250	3,401	406,244
Aydın	41,327	0	0	12,154	11,554	3,750	586	104,979	18,190	61,946	254,486
Balıkesir	76,375	5,400	20,317	7,288	105,598	0	300	79,994	23,400	31,684	350,356
Bartın	14,645	14	0	22,005	124	6,500	233	38,938	2,827	27,400	112,686
Batman	8,025	301,064	0	252	14,858	0	997	65,970	4,479	27,357	423,002
Bayburt	19,558	0	0	0	14	0	100	34,994	650	5,990	61,306
Bilecik	3,222	0	0	102	16,018	0	500	31,922	575	9,880	62,219
Bingöl	22,025	0	0	317,596	4,954	0	8,219	61,140	2,388	23,195	439,517
Bitlis	4,866	0	0	2,014	8,603	5,085	3,099	69,797	3,700	41,711	138,875
Bolu	4,982	0	0	0	2,044	0	100	56,086	6,702	6,221	76,135
Burdur	29,462	0	0	952	1,159	0	770	47,878	3,568	9,552	93,341
Bursa	50,887	59	4,000	57,297	75,019	2	599	79,256	43,466	223,343	533,928
Çanakkale	29,967	0	0	164,640	18,531	81,740	300	70,258	30,925	25,828	422,189
Çankırı	41,105	0	0	672	8,103	5,000	604	39,700	2,174	10,350	107,708
Çorum	29,740	1,304	0	490	5,131	0	12,762	58,758	34,276	27,231	169,692
Denizli	63,734	0	3,500	1,583	10,236	0	97	57,398	18,125	50,918	205,591
Diyarbakır	438,519	117,951	0	40,793	85,380	0	2,126	126,447	14,277	198,352	1,023,845
Düzce	8,130	1,000	0	204	320	2,250	150	48,284	7,340	8,811	76,489
Edirne	64,170	0	0	6,813	39,203	0	150	56,307	61,517	17,127	245,287
Elazığ	18,847	0	0	26,181	29,638	0	32,141	49,549	16,427	40,273	213,056
Erzincan	19,568	0	10,700	5,652	18,272	1,000	13,704	32,393	6,300	81,069	188,658
Erzurum	63,919	69	0	59,794	43,182	3,840	5,618	121,086	90,500	114,828	502,836
Eskişehir	36,290	17,726	127,823	2,075	156,592	0	138	102,807	22,110	97,645	563,206
Gaziantep	52,564	6,845	0	5,967	115,230	0	1,484	177,669	27,343	108,352	495,454
Giresun	18,609	0	0	3,994	6,860	0	797	32,770	11,189	54,572	128,791
Gümüşhane	20,965	0	0	8,377	14,454	100	1,193	32,010	3,368	4,594	85,061
Hakkari	20,189	0	0	1,555	76,387	0	1,100	68,388	5,350	16,632	189,601
Hatay	63,358	9,372	0	27,728	11,289	1,002	8,050	113,106	24,462	76,424	334,791
Iğdır	15,671	14	0	490	4,022	0	2,100	44,302	2,765	6,402	75,766
Isparta	39,978	0	0	2,557	1,621	0	1,248	47,845	6,596	6,513	106,358
İstanbul	5,060	64,012	3,000	109,231	3,721,031	1,000	500	937,918	86,702	523,292	5,451,746
İzmir	117,249	0	350	14,372	765,151	4,100	240	187,002	55,906	331,353	1,475,723
Kahramanmaraş	37,770	34,426	0	80,336	71,611	0	2,410	114,643	44,650	104,538	490,384
Karabük	5,284	0	0	300	3,878	0	150	51,211	6,852	4,910	72,585
Karaman	48,089	0	0	23,656	6,657	0	270	41,234	5,775	27,500	153,181
Kars	29,144	0	0	0	23,783	23,000	3,282	45,940	18,987	34,502	178,638
Kastamonu	32,286	0	0	7,904	1,228	1,000	1,460	37,920	9,298	13,486	104,582
Kayseri	100,117	0	500	9,683	47,635	0	200	132,910	24,265	107,941	423,251
Kırıkkale	16,900	0	65,250	2	968	0	300	43,428	8,550	16,004	151,402
Kırklareli	22,671	314,496	0	1,176	3,247	0	150	37,193	11,350	12,116	402,399

Table 53. Sectoral Distribution of Public Investments by Provinces in 2014 (Continued)

(Thousand TL)

Provinces	Agriculture	Mining	Manufacturing	Energy	Transportation-Communication	Tourism	Housing	Education	Health	Other Public Services	Provincial Total
Kırşehir	8,709	0	0	1,830	224	400	550	40,652	6,650	21,571	80,586
Kilis	16,627	850	0	0	362	0	150	26,610	0	12,952	57,551
Kocaeli	11,152	59	1,500	39,368	144,612	0	0	166,381	14,850	103,028	480,950
Konya	262,389	13,538	500	11,938	137,190	0	2,020	232,279	54,000	195,987	909,841
Kütahya	22,988	38,202	85,480	31,852	28,139	0	2,504	63,276	7,700	112,999	393,140
Malatya	44,351	0	0	2,102	53,904	0	650	155,322	57,652	38,350	352,331
Manisa	52,047	0	500	68,015	91,659	0	335	80,393	38,377	68,757	400,083
Mardin	27,286	21,719	0	809,059	42,663	10	340	76,087	9,329	29,876	1,016,369
Mersin	65,851	0	0	7,975	41,741	3,500	0	93,334	41,852	167,682	421,935
Muğla	36,972	0	0	66,418	9,806	8,702	380	90,057	20,450	35,375	268,160
Muş	20,805	4,008	0	13,900	25,037	0	5,480	56,534	8,012	30,329	164,105
Nevşehir	6,817	3,241	0	10,504	978	3,250	390	44,526	1,150	21,566	92,422
Niğde	52,097	0	0	4	3,950	0	458	31,879	4,600	6,100	99,088
Ordu	5,984	17,656	0	22,609	62,627	1,000	984	67,368	8,160	81,650	268,038
Osmaniye	6,588	0	0	1,904	3,199	0	115	60,189	700	26,793	99,488
Rize	15,630	0	22,315	2	11,103	0	7,484	50,217	8,000	29,677	144,428
Sakarya	5,628	0	7,500	4,378	304,825	1,000	300	70,579	16,602	56,215	467,027
Samsun	69,831	0	0	3,719	25,792	1,000	11,914	101,321	15,700	68,929	298,206
Siirt	5,809	26,469	0	22,502	6,357	0	338	48,268	1,734	13,622	125,099
Sinop	14,195	56	0	450	172,800	720	330	40,554	5,500	26,168	260,773
Sivas	73,458	0	5,300	4,126	98,751	2,450	1,064	70,039	13,000	21,840	290,028
Şanlıurfa	407,909	5,792	0	47,754	50,270	0	3,847	256,659	65,152	172,161	1,009,544
Şırnak	3,428	15,962	0	9,902	72,912	0	2,664	42,894	4,406	16,260	168,428
Tekirdağ	5,621	7,664	0	2,662	69,872	0	150	59,321	57,280	116,472	319,042
Tokat	17,941	0	0	6,612	8,396	0	575	51,652	28,083	21,670	134,929
Trabzon	26,125	0	0	4,006	16,129	0	210	65,106	13,200	59,030	183,806
Tunceli	5,543	149	0	1,254	23,727	0	1,284	34,373	1,270	5,362	72,962
Uşak	26,082	0	0	3,562	3,952	0	150	46,195	5,805	10,259	96,005
Van	11,760	0	500	33,469	57,772	2,248	14,041	114,418	58,887	100,779	393,874
Yalova	4,513	59	0	1,500	210	0	150	41,080	100	4,235	51,847
Yozgat	34,289	0	0	2	4,647	0	470	61,670	29,127	33,323	163,528
Zonguldak	9,266	29,440	0	13,214	151,835	0	260	58,251	22,305	30,273	314,844
Muhtelif İller	3,108,320	334,665	369,166	705,187	6,314,888	252,446	126,014	2,885,733	1,839,369	6,466,280	22,402,068
Toplam	6,705,396	1,977,700	779,866	3,427,260	15,597,750	470,100	356,600	10,097,293	3,501,456	13,366,220	56,279,641

Source: MoD.

In 2014, the sector investments included under the heading of agriculture, transportation-communication, education and other public services were made in all the provinces. There are not any provinces in which public investments were not made in respect of other sectors. The sectoral investments with the highest amounts were the agriculture investment in Diyarbakır with 438.519 thousand TL, mining investment with 314.496 thousand TL in Kırklareli, manufacturing investment with 127.823 thousand TL in Eskişehir, energy investment with 809.059 thousand TL in Mardin, transportation-communication investment with 3.721.031 thousand TL in İstanbul, tourism investment with 81.740 thousand TL in Çanakkale, housing investment with 32.141 thousand TL in Elazığ, education investment with 937.918 in İstanbul, and health investment with 96.404 thousand TL in Ankara.

The amount of fixed investments subjected investment incentive certificate, which increased by 66,0% in 2013, decreased by 35,7% in 2014. Thus, the fixed investments subjected to investment incentive certificate, which amounted to 96.125 million TL in 2013, dropped to 61.844 million TL in 2014 (Table 54).

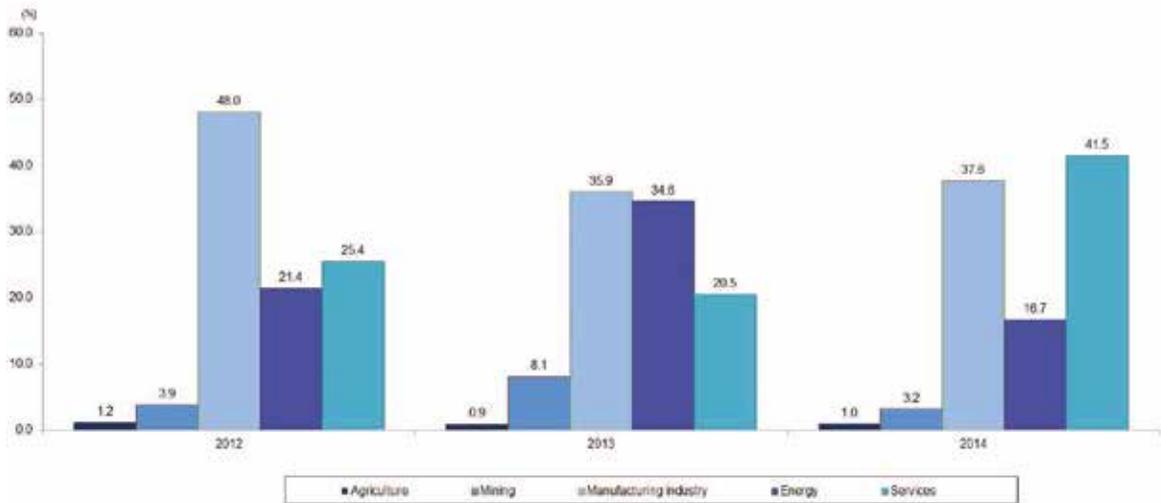
**Table 54. Investment Incentive Certificates by Sectors**

Sectors	Number of Certificates			Fixed Investment (Million TL)			Employment (People)		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Agriculture	119	107	94	692	873	634	2,838	3,185	2,175
Mining	273	278	166	2,245	7,787	1,995	7,738	10,668	4,289
Manufacturing industry	2,533	2,955	2,170	27,815	34,555	23,234	79,093	95,729	64,764
Energy	194	184	276	12,420	33,228	10,304	3,544	4,993	2,273
Services	1,126	1,393	1,353	14,734	19,682	25,677	55,374	76,849	70,410
Total	4,245	4,917	4,059	57,905	96,125	61,844	148,587	191,424	143,911
Variation (%)									
Agriculture	-50.4	-10.1	-12.1	-52.6	26.2	-27.3	-55.6	12.2	-31.7
Mining	5.8	1.8	-40.3	130.8	246.8	-74.4	72.4	37.9	-59.8
Manufacturing industry	7.4	16.7	-26.6	35.6	24.2	-32.8	23.8	21.0	-32.3
Energy	-5.4	-5.2	50.0	-16.6	167.5	-69.0	-14.7	40.9	-54.5
Services	-4.1	23.7	-2.9	-1.1	33.6	30.5	24.6	38.8	-8.4
Total	0.2	15.8	-17.4	9.8	66.0	-35.7	20.4	28.8	-24.8
Share (%)									
Agriculture	2.8	2.2	2.3	1.2	0.9	1.0	1.9	1.7	1.5
Mining	6.4	5.7	4.1	3.9	8.1	3.2	5.2	5.6	3.0
Manufacturing industry	59.7	60.1	53.5	48.0	35.9	37.6	53.2	50.0	45.0
Energy	4.6	3.7	6.8	21.4	34.6	16.7	2.4	2.6	1.6
Services	26.5	28.3	33.3	25.4	20.5	41.5	37.3	40.1	48.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: MoE.

In 2014, amounts of the investment incentive certificates given for all sectors decreased compared to the preceding year, with the exception of services sector. Compared to the preceding year, amount of the investment incentive certificates given for the agriculture sector dropped by 27,3% to 634 million TL, the incentives given for the mining sector dropped by 74,4% to 1.995 million TL, the incentives given for the manufacturing industry sector dropped by 32,8% to 23.234 million TL, the incentives given for the energy sector dropped by 69,0% to 69,0 million TL, but the incentives given for the services sector rose by 30,5% to 25.677 million TL.

Among the fixed investments subjected to incentive certificate in 2014, the services sector took the first place with 41,5%, followed by the manufacturing sector with 37,6%, energy sector with 37,6%, mining sector with 3,2%, and agricultural sector with 1,0%. In 2014, compared to 2013, the share received by agricultural, manufacturing industry and services sectors from the total investment incentives increased, whereas the share of mining and energy sectors decreased (Graph 23).

**Graph 23. Sectoral Distribution of Investment Incentive Certificates (Fixed Investment)**

Source: MoE.

In 2014, it was aimed to provide employment for 143.911 people with a total of 4.059 investments with incentive certificate. It was aimed to employ 70.410 people representing 48,9% of them in the services sector, 64.764 people representing 45,0% in the manufacturing industry sector, 4.289 people representing 3,0% in the mining sector, 2.273 people representing 1,6% in the energy sector, and 2.175 people representing 1,5% in the agriculture sector.

The investments subjected to incentive certificate in 2014 comprised completely new investments by 68,9%, extensional investments by 23,1%, and other investments by 8,1%. While the amount of 2.614 incentive certificates issued in 2014 for the completely new investments was 42.583 million TL, the amount of 1.054 incentive certificates issued for extensional investments was 14.265 million TL, and the amount of 391 incentive certificates issued for other investments was 4.997 million TL (Table 55).

**Table 55. Investment Incentive Certificates by Nature**

Nature of Investment	Number of Certificates			Fixed Investment (Million TL)			Employment (People)		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Completely new investment	2,609	2,903	2,614	40,781	65,562	42,583	112,532	145,932	113,051
Extensional	1,210	1,502	1,054	13,163	20,990	14,265	30,653	37,225	26,255
Other	426	512	391	3,961	9,573	4,997	5,402	8,267	4,605
<b>Total</b>	<b>4,245</b>	<b>4,917</b>	<b>4,059</b>	<b>57,905</b>	<b>96,125</b>	<b>61,844</b>	<b>148,587</b>	<b>191,424</b>	<b>143,911</b>
Variation (%)									
Completely new investment	-6.1	11.3	-10.0	15.6	60.8	-35.0	21.6	29.7	-22.5
Extensional	16.0	24.1	-29.8	0.9	59.5	-32.0	19.7	21.4	-29.5
Other	2.9	20.2	-23.6	-10.0	141.7	-47.8	3.5	53.0	-44.3
<b>Total</b>	<b>0.2</b>	<b>15.8</b>	<b>-17.4</b>	<b>9.8</b>	<b>66.0</b>	<b>-35.7</b>	<b>20.4</b>	<b>28.8</b>	<b>-24.8</b>
Share (%)									
Completely new investment	61.5	59.0	64.4	70.4	68.2	68.9	75.7	76.2	78.6
Extensional	28.5	30.5	26.0	22.7	21.8	23.1	20.6	19.4	18.2
Other	10.0	10.4	9.6	6.8	10.0	8.1	3.6	4.3	3.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: MoE.

Of the 143.911 people who were planned to be employed in the investments subjected to incentive certificates in 2014, it was projected to employ 78,6% in completely new investments, 18,2% in extensional investments, and 3,2% in other investments. Number of investment incentive certificates by nature of investment, fixed investment amount and number of employed people demonstrated decrease in 2014. While the highest drop in the number of the investments subjected to certificate was in the extensional investments with 29,8%; in terms of fixed investment amount, the highest rise was in the other investments with 47,8%, and in terms of the number of personnel projected to be employed, again in the other investments with 44,3%.

Among the fixed investments with incentive certificate amounting to 61.844 million TL as issued in 2014, the 1<sup>st</sup> region took the first place with share of 42,0% and 25.987 million TL, followed by the 2<sup>nd</sup> region with a share of 17,2% and 10.653 million TL, the 3<sup>rd</sup> region with a share of 16,1% and 9.987 million TL, the 4<sup>th</sup> region with a share of 8,4% and 5.180 million TL, the 5<sup>th</sup> region with a share of 7,3% and 4.534 million TL, and the 6<sup>th</sup> region with a share of 6,8% and 4.192 million TL. The investments covering more than one province, which are designed as various regions, took a share of 2,1% from the investment incentives with 1.312 million TL. In 2014, there was a decrease compared to the preceding year for all the regions in the incentives given, and the highest decrease took place in the investments covering more than one province with 90,3%, and it was followed by the 4<sup>th</sup> region with 48,3%, the 6<sup>th</sup> region with 44,5%, the 2<sup>nd</sup> region with 39,9%, the 5<sup>th</sup> region with 19,0%, the 1<sup>st</sup> region with 13,9%, and the 3<sup>rd</sup> region was in the last place with 13,4%. With the investments subjected to incentive certificate, it was envisaged to provide employment for 61.034 people in the 1<sup>st</sup> region, 21.519 people in the 2<sup>nd</sup> region, 16.812 people in the 3<sup>rd</sup> region, 10.716 people in the 4<sup>th</sup> region, 12.939 people in the 5<sup>th</sup> region, and 20.796 people in the 6<sup>th</sup> region (Table 56, Graph 24).

**Table 56. Investment Incentive Certificates by Regions**

Regions <sup>(1)</sup>	Belge Sayısı		Fixed Investment (Million TL)					Employment (People)				
	2013	2014	2013		2014		Variation (%)	2013		2014		Variation (%)
			Value	Share (%)	Value	Share (%)		Number of People	Share (%)	Number of People	Share (%)	
1 <sup>st</sup> Region	1,765	1,459	30,196	31.4	25,987	42.0	-13.9	67,254	35.1	61,034	42.4	-9.2
2 <sup>nd</sup> Region	803	716	17,728	18.4	10,653	17.2	-39.9	29,165	15.2	21,519	15.0	-26.2
3 <sup>rd</sup> Region	694	593	11,535	12.0	9,987	16.1	-13.4	21,811	11.4	16,812	11.7	-22.9
4 <sup>th</sup> Region	514	447	10,026	10.4	5,180	8.4	-48.3	17,220	9.0	10,716	7.4	-37.8
5 <sup>th</sup> Region	482	366	5,600	5.8	4,534	7.3	-19.0	19,654	10.3	12,939	9.0	-34.2
6 <sup>th</sup> Region	633	461	7,553	7.9	4,192	6.8	-44.5	34,676	18.1	20,796	14.5	-40.0
Various Region	26	17	13,486	14.0	1,312	2.1	-90.3	1,644	0.9	95	0.1	-94.2
Total	4,917	4,059	96,125	100.0	61,844	100.0	-35.7	191,424	100.0	143,911	100.0	-24.8

Source: MoE.

(1): 1<sup>st</sup> Region: Ankara, Antalya, Bursa, Eskişehir, İstanbul, İzmir, Kocaeli, Muğla,

2<sup>nd</sup> Region: Adana, Aydın, Bolu, Çanakkale (excluding the counties Bozcaada and Gökçeada), Denizli, Edirne, Isparta, Kayseri, Kırklareli, Konya, Sakarya, Tekirdağ, Yalova,

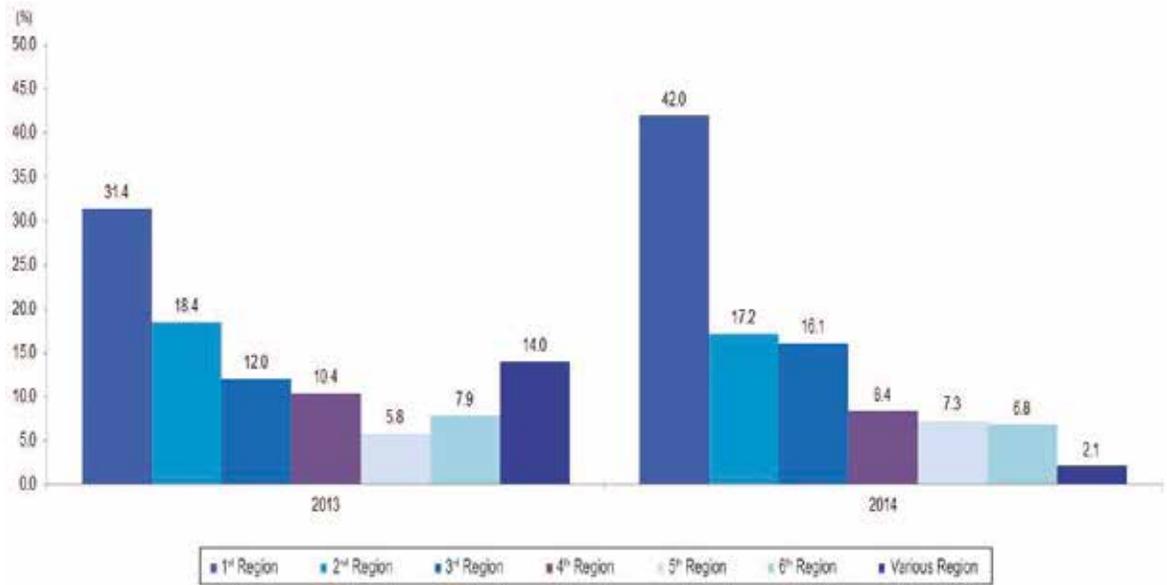
3<sup>rd</sup> Region: Balıkesir, Bilecik, Burdur, Gaziantep, Karabük, Karaman, Manisa, Mersin, Samsun, Trabzon, Uşak, Zonguldak,

4<sup>th</sup> Region: Afyonkarahisar, Amasya, Artvin, Bartın, Çorum, Düzce, Elazığ, Erzincan, Hatay, Kastamonu, Kırıkkale, Kırşehir, Kütahya, Malatya, Nevşehir, Rize, Sivas,

5<sup>th</sup> Region: Adıyaman, Aksaray, Bayburt, Çankırı, Erzurum, Giresun, Gümüşhane, Kahramanmaraş, Kilis, Niğde, Ordu, Osmaniye, Sinop, Tokat, Tunceli, Yozgat,

6<sup>th</sup> Region: Ağrı, Ardahan, Batman, Bingöl, Bitlis, Diyarbakır, Hakkari, Iğdır, Kars, Mardin, Muş, Siirt, Şanlıurfa, Şırnak, Van, the counties Bozcaada and Gökçeada.

Graph 24. Regional Distribution of Investment Incentive Certificates (Fixed Investment)



Source: MoE.

Of a total of 4.059 investment incentive certificates, 254 were issued for foreign capital investments and 3.805 were issued for domestic capital investments in 2014. Of the fixed investment amount of investment incentive certificates, 10.985 million TL corresponding to 17,8% was given to foreign capital investments, and 50.860 million TL corresponding to 82,2% was given to domestic capital investments. Compared to 2013, the fixed investment amount of the investment incentive certificates issued in 2014 decreased by 25,3% in the case of foreign capital investments, and by 37,5% in the case of domestic capital investments (Table 57).

Of the incentives given to foreign capital investments, 6.088 million TL is covered by regional incentive applications, 2.126 million TL is covered by large-scale incentive applications, and 2.771 is covered by general incentive applications. Of the incentives given to domestic capital investments, 28.021 million TL is covered by regional investment, 2.862 million TL is covered by large-scale investment, 19.382 million TL is covered by general, and 595 million TL is covered by strategic investment.

In 2014, of the new employment planned to be provided with investment incentives given to the foreign capital, it is estimated that 6,2% will be in the regional class, 0,5% in the large-scale class, and 1,5% in the general support class. Of the new employment to be created with the regional investment incentive certificates given to the domestic capital, 69,3% of the employment is planned to be created in regional investments, 1,3% in large-scale investments, 21,0% in general investments, and 0,1% in strategic investments.

**Table 57. Investment Incentive Certificates by Support Classes**

Support Class	Number of Certificates			Fixed Investment (Million TL)			Employment (People)		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Foreign Capital									
Regional	116	133	148	3.621	8.450	6.088	8.792	11.929	8.970
Large-Scale	8	9	5	1.425	1.947	2.126	2.751	3.087	657
General	110	95	101	2.775	4.298	2.771	3.179	1.754	2.209
Total	234	237	254	7.821	14.696	10.985	14.722	16.770	11.836
Domestic Capital									
Regional	1.947	2.774	2.166	22.184	31.609	28.021	91.646	127.305	99.767
Large-Scale	6	7	11	1.114	12.747	2.862	922	949	1.808
General	2.056	1.889	1.625	20.106	30.774	19.382	40.301	44.557	30.292
Strategic Investment	2	10	3	6.681	6.300	595	996	1.843	208
Total	4.011	4.680	3.805	50.085	81.429	50.860	133.865	174.654	132.075
Grand Total	4,245	4,917	4,059	57,905	96,125	61,844	148,587	191,424	143,911
Foreign Capital Variation (%)									
Regional	48.7	14.7	11.3	133.8	133.3	-28.0	72.4	35.7	-24.8
Large-Scale	300.0	12.5	-44.4	307.5	36.7	9.2	718.8	12.2	-78.7
General	-11.3	-13.6	6.3	-58.9	54.9	-35.5	7.1	-44.8	25.9
Total	14.7	1.3	7.2	-9.5	87.9	-25.3	75.2	13.9	-29.4
Domestic Capital Variation (%)									
Regional	41.7	42.5	-21.9	74.1	42.5	-11.4	58.9	38.9	-21.6
Large-Scale	100.0	16.7	57.1	-73.2	1.044.5	-77.6	123.8	2.9	90.5
General	-22.6	-8.1	-14.0	-26.1	53.1	-37.0	-29.2	10.6	-32.0
Strategic Investment	-	400.0	-70.0	-	-5.7	-90.6	-	85.0	-88.7
Total	-0.5	16.7	-18.7	13.6	62.6	-37.5	16.4	30.5	-24.4
Grand Total	0.2	15.8	-17.4	9.8	66.0	-35.7	20.4	28.8	-24.8
Share of Foreign Capital (%)									
Regional	2.7	2.7	3.6	6.3	8.8	9.8	5.9	6.2	6.2
Large-Scale	0.2	0.2	0.1	2.5	2.0	3.4	1.9	1.6	0.5
General	2.6	1.9	2.5	4.8	4.5	4.5	2.1	0.9	1.5
Total	5.5	4.8	6.3	13.5	15.3	17.8	9.9	8.8	8.2
Share of Domestic Capital (%)									
Regional	45.9	56.4	53.4	38.3	32.9	45.3	61.7	66.5	69.3
Large-Scale	0.1	0.1	0.3	1.9	13.3	4.6	0.6	0.5	1.3
General	48.4	38.4	40.0	34.7	32.0	31.3	27.1	23.3	21.0
Strategic Investment	0.0	0.2	0.1	11.5	6.6	1.0	0.7	1.0	0.1
Total	94.5	95.2	93.7	86.5	84.7	82.2	90.1	91.2	91.8
Grand Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: MoE.

## 1.4 Monetary and Financial Developments

### 1.4.1 Inflation

#### 1.4.1.1 Consumer Price Index

The basic goal of the Central Bank of Republic of Turkey (CBRT) is to ensure price stability. Applied by CBRT since 2006 to ensure price stability, the inflation targeting regime was rearranged by it gradually beginning from late 2010 so as to cover the financial stability without compromise on price stability.

In this framework, as state in the text of “2014 Monetary and Exchange Policy”, CBRT set the inflation target used as the annual variation rate of the consumer prices index at yearends as 5% for 2014 in line with the agreement reached with the Government.

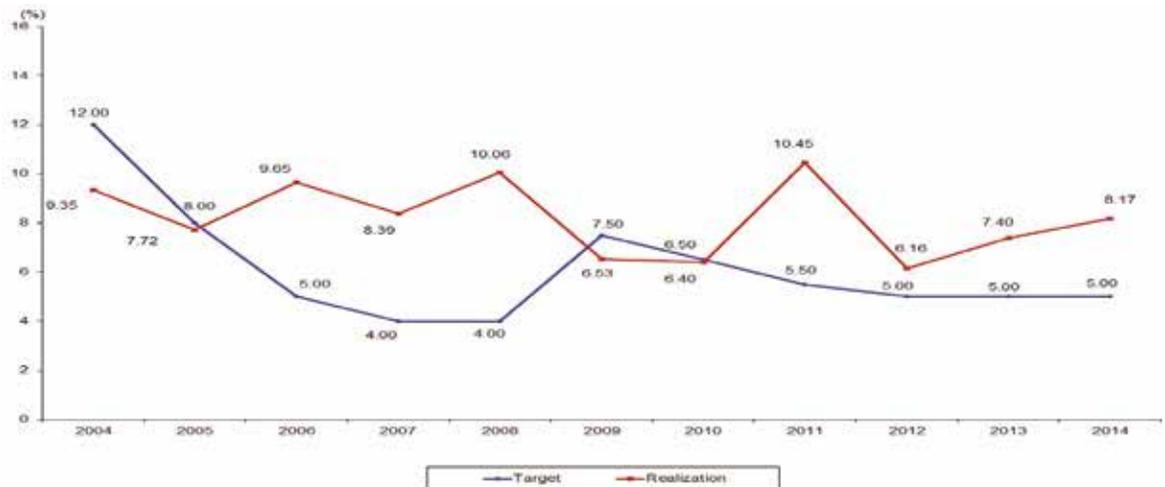
In order to keep the inflation at such levels that are coherent with the target, CBRT preserved the uncertainty band, which is an element of its accountability obligation, as 2 percentage points in both directions. In 2014, the policy remained unchanged in that, where a deviation of more than 2 percentage points is seen in the year-end target of the inflation as of the ends of quarterly periods within the year, the reasons of the deviation and the measures which have been taken and must be taken to reach the target would be disclosed by CBRT through the Inflation Report that is published four times a year, and where the actual inflation remains outside the uncertainty band (being outside the band of 3% to 7%) at the end of the year, an open letter would be written to the Government.

At the end of 2014, inflation was 8,17%, 3,7 points up from the target of 5%, and exceeded the uncertainty band by 1,17 points. This level is also 0,77 points above the preceding year's inflation rate (Table 58, Graph 25).

In the letter sent by CBRT to the Government as required by the pursued policy, it was stated that accrual of the inflation remarkably above the target at the yearend was driven by the managed prices, particularly the increases in exchange rate and food prices, and the adjustments made in the taxes.

The inflation that has a decline trend in general following July 2013 started to rise following November and this rise continued for 6 months until May 2014. The annual inflation which was 7,75% in January 2014 climbed to the highest level of the last 25 years with 9,96% in May, with the effect of the increase in food prices due the negative weather conditions, depreciation of Turkish Lira and tax adjustments. In June, it declined to 9,16% with the positive base effect and the appreciation that started in Turkish Lira. The CPI that had an upward course in July continued this trend in August. The inflation that has a course over the level of 90% from April dropped to 8,86% in September. Having rose to 9,15% with the base effect in November, the inflation declined to the lowest level of the last ten months with 8,17%, with the effect of the developments in the seasonal product prices as well as energy prices (Graph 26).

**Graph 25. Inflation Targets and Realization**



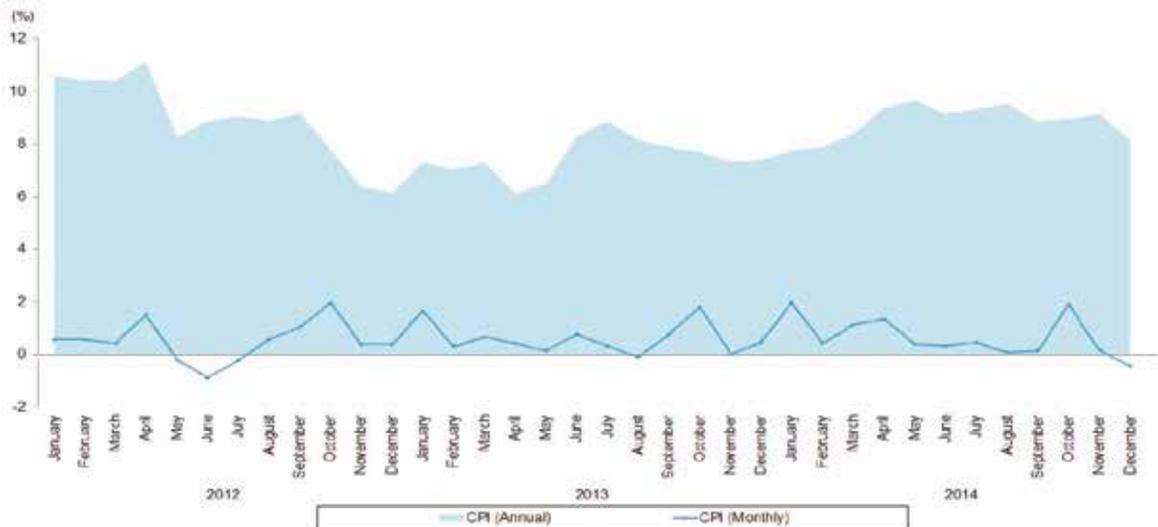
Source: CBRT.

**Table 58. Consumer Price Index by Main Expenditure Groups**

Main Expenditure Groups	(2003=100)					
	2012		2013		2014	
	Index	Variation (%)	Index	Variation (%)	Index	Variation (%)
	Twelve-Month Average					
Food & non-alcoholic beverages	214,46	8.41	233,97	9.10	263,49	12.62
Alcoholic beverages and tobacco	345,25	14.01	397,73	15.20	413,84	4.05
Clothing and footwear	143,61	8.17	152,79	6.39	165,03	8.01
Housing	245,26	11.45	262,85	7.17	277,81	5.69
Houseware	167,39	9.15	175,56	4.88	190,18	8.33
Health	130,11	1.37	133,58	2.67	144,87	8.45
Transportation	202,36	7.64	216,18	6.83	237,30	9.77
Communication	116,18	3.17	122,13	5.12	123,40	1.04
Entertainment and culture	156,45	5.57	160,43	2.54	172,20	7.34
Education	207,77	6.03	222,56	7.12	242,73	9.06
Restaurants and hotels	270,16	9.15	295,18	9.26	334,38	13.28
Various goods and services	244,24	12.99	256,27	4.93	274,60	7.15
General	206,84	8.89	222,33	7.49	242,02	8.85
	Yearend					
Food & non-alcoholic beverages	220,53	3.90	241,85	9.67	272,64	12.73
Alcoholic beverages and tobacco	347,38	0.98	383,94	10.52	413,37	7.67
Clothing and footwear	153,91	8.17	161,41	4.87	175,02	8.43
Housing	257,11	11.37	269,55	4.84	287,95	6.83
Houseware	170,02	5.89	180,13	5.95	194,64	8.06
Health	130,43	1.68	136,75	4.85	148,54	8.62
Transportation	206,24	5.54	226,39	9.77	231,07	2.07
Communication	120,96	5.90	122,41	1.20	124,38	1.61
Entertainment and culture	156,73	1.98	164,85	5.18	174,21	5.68
Education	211,50	4.81	232,76	10.05	252,11	8.31
Restaurants and hotels	281,06	9.31	308,77	9.86	351,95	13.98
Various goods and services	252,51	8.66	258,16	2.24	283,15	9.68
General	213,23	6.16	229,01	7.40	247,72	8.17

Source: TURKSTAT.

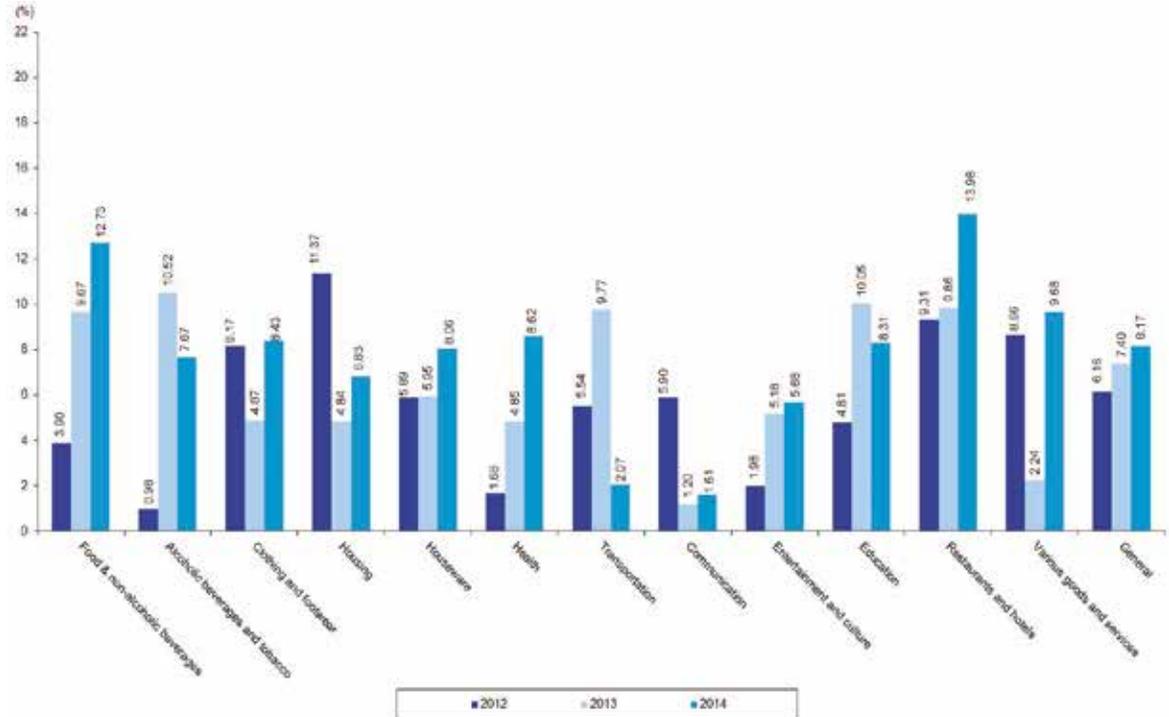
**Graph 26. Consumer Prices Index Variation Rates (Monthly and Annual)**



Source: TURKSTAT.

As of the end of 2014, variation rates of the main expenditure groups of alcoholic drinks and tobacco, houseware, transportation, communication, and entertainment and culture; and various goods and services remained below the CPI general index variation rate. Apart from these, the price index variation rates in the main expenditure groups of food and non-alcoholic drinks, clothing and footwear, health, education, restaurants and hotels, and various goods and services exhibited a variation over the CPI general index variation rate (Graph 27).

**Graph 27. Consumer Price Index Variation Rates by Main Expenditure Groups (by the End of Year)**



Source: TURKSTAT.

As regards to main expenditure groups, the highest price increase was seen in the restaurants and hotels group with 13,98%, followed by the increases in the groups of food and non-alcoholic drinks with 12,73% and various goods and services with 9,68%. The lowest price increase occurred in the main expenditure group of communication with 1,61%, followed by increases in the groups of transportation with 2,07%, and education and culture with 5,68%.

In the first half of 2014, the depreciation suffered by Turkish Lira, the unfavorable course in processed food prices and the deterioration seen in the pricing behavior, differently from the previous periods, resulted in increase of the core inflation. There was a limited drop in the indicators following the first half of the year as a result of the improvement observed in main commodity groups with alleviation of the pressure of the cumulative depreciation of Turkish Lira on the inflation, and the weak course in the domestic consumption demand.

At end of 2014, the decline in the oil prices with the effect of macro cautious measures taken at the year beginning and the strict stance in the monetary policy, elimination of the cost-oriented pressures and improvement of the inflation expectations influenced the regression in the core inflation indicators.

H core price indicator (unprocessed foodstuff, energy, alcoholic beverages, tobacco products and gold excluded), a basic inflation indicator, reached a two-digit figure for the first time since October 2008 with 10,5% in April, up compared to the same month of the preceding year. It reached the highest increase rate of the year in July with 10,39%, then, again headed for decline and stood at 9,55% in December (Table 59, Graph 28).

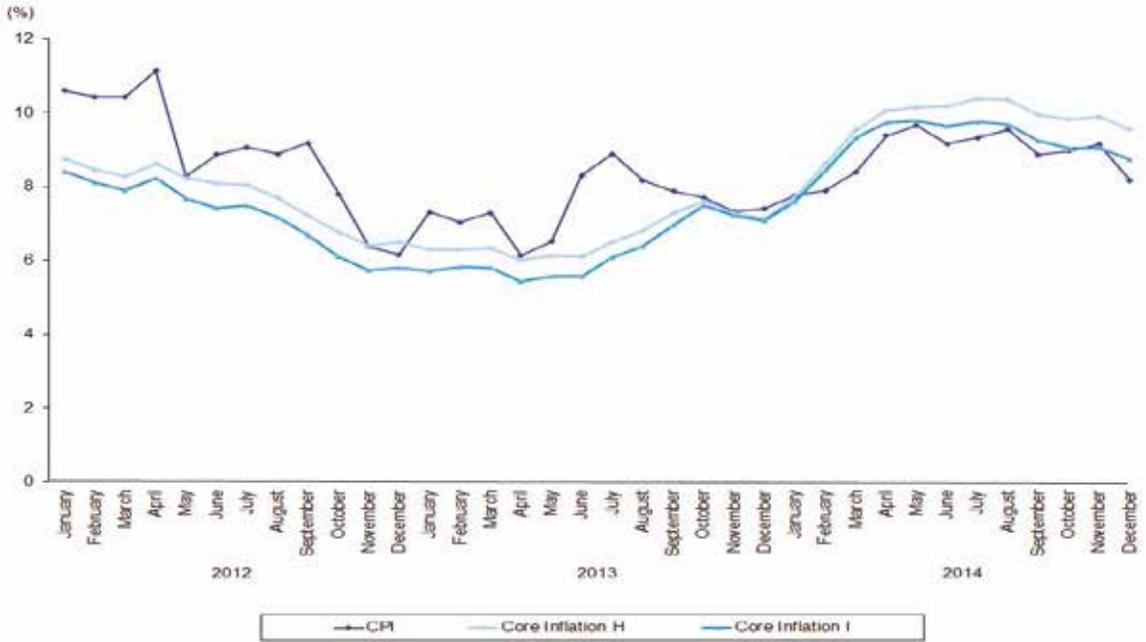
**Table 59. Consumer Price Index with Specified Scope**

		(2003=100)					
		2012		2013		2014	
		Index	Variation (%)	Index	Variation (%)	Index	Variation (%)
Group/Scope		Twelve-Month Average					
A	Excluding seasonal products	212,86	8.86	228,22	7.21	249,08	9.14
B	Excluding unprocessed food products	203,62	9.15	218,23	7.17	236,23	8.25
C	Excluding energy	201,10	8.21	216,08	7.45	237,17	9.76
D	(B) and (C)	196,21	8.41	210,07	7.06	229,39	9.20
E	(C) and excluding alcoholic beverages and tobacco products	193,87	7.76	207,34	6.95	228,41	10.16
F	(E) and excluding products having administered prices and excluding indirect taxes	201,62	7.93	215,85	7.06	237,50	10.03
G	(F) and (B)	195,78	8.08	208,61	6.55	228,43	9.50
H	(D) and excluding alcoholic beverages, tobacco products and gold	184,29	7.74	196,55	6.65	215,60	9.69
I	(C) and excluding food and non-alcoholic beverages, alcoholic beverages, tobacco products and gold	179,70	7.21	190,97	6.27	208,47	9.17
		Yearend					
A	Excluding seasonal products	218,90	6.76	235,47	7.57	254,38	8.03
B	Excluding unprocessed food products	210,54	7.32	224,77	6.76	241,85	7.60
C	Excluding energy	206,27	4.86	222,34	7.79	244,13	9.80
D	(B) and (C)	201,82	6.02	216,11	7.08	236,45	9.41
E	(C) and excluding alcoholic beverages and tobacco products	199,10	5.11	214,27	7.62	235,57	9.94
F	(E) and excluding products having administered prices and excluding indirect taxes	207,14	5.05	223,32	7.81	245,07	9.74
G	(F) and (B)	201,86	6.45	215,97	6.99	236,16	9.35
H	(D) and excluding alcoholic beverages, tobacco products and gold	189,91	6.50	203,41	7.11	222,84	9.55
I	(C) and excluding food and non-alcoholic beverages, alcoholic beverages, tobacco products and gold	184,48	5.81	197,54	7.08	214,79	8.73

Source: TURKSTAT.

The I price indicator (excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco products and gold), another leading indicator of inflation, rose to the highest increase of the year in May with 9,77%, whereas, exhibited a gradual drop in the rest of the year, falling to 8,73% in December.

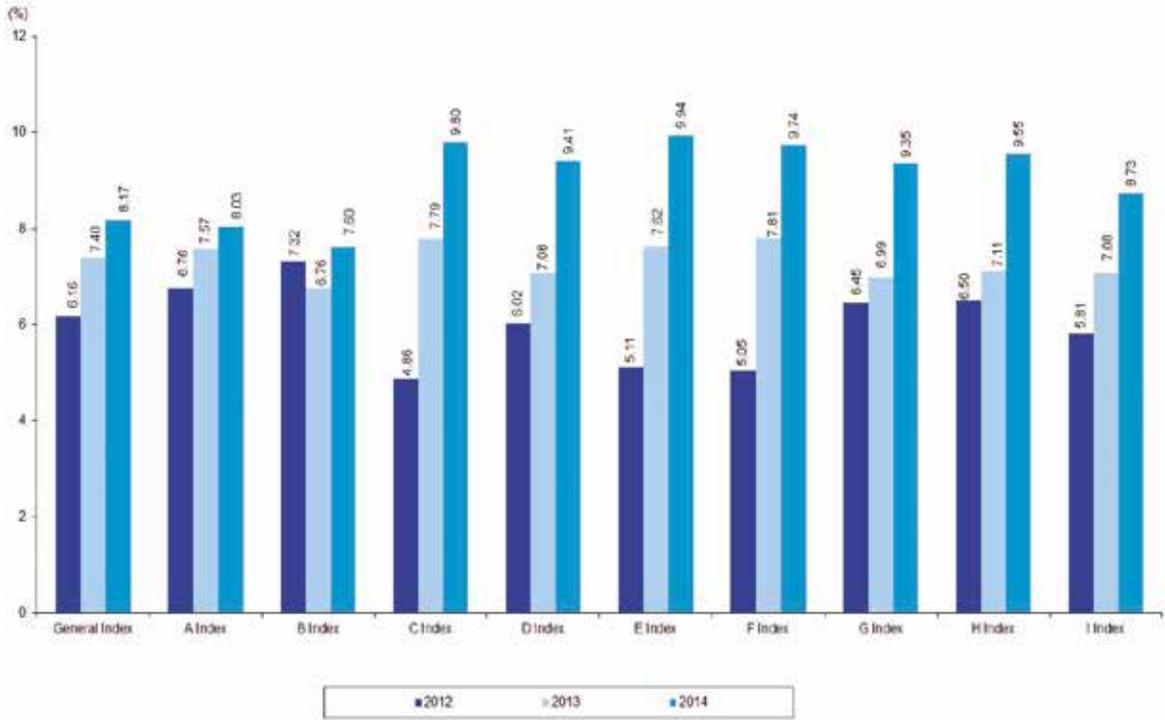
Graph 28. CPI, H and I Core Inflation (Annual)



Source: TURKSTAT.

In 2014, increase rates all price indicators rose compared to the preceding year. The highest annual increase in the CPI with specified scope was observed in the E price indicator (excluding energy and alcoholic beverages & tobacco products) with 9,94%. The E price indicator was followed by C (excluding energy) price indicator with 9,80%, F (excluding energy and alcoholic drinks & tobacco products, excluding products with administered prices, indirect taxes) price indicator with 9,74%. The least increase was in the B (excluding unprocessed foodstuff) price indicator with 7,60% (Graph 29).

Graph 29. Variation Rates of Consumer Price Index with Specified Scope (by the End of Year)



Source: TURKSTAT.

### CPI at Regional Level

When examined the annual increase rates of 2014 CPI figures according to NUTS Level-2, the highest rate is seen to be in the TRC2 region covering the provinces of Şanlıurfa and Diyarbakır with 9,11%, and it is seen to be followed by İstanbul region in the second place with 8,91%, and TRC1 region covering the provinces of Gaziantep, Adıyaman and Kilis in the third place with 8,75%. According to NUTS Level-2, the least increase was seen in TR52 region covering the provinces of Konya and Karaman with 6,71%, followed by TRA1 region covering the provinces of Erzurum, Erzincan and Bayburt in the second place with 6,87%, and TR90 region covering the provinces of Trabzon, Ordu, Giresun, Rize, Artvin and Gümüşhane in the third place with 7,18% (Table 60).

Table 60. Consumer Price Index by Regions

		(2003=100)					
Region Code	NUTS Level-2	2012		2013		2014	
		Index	Variation (%)	Index	Variation (%)	Index	Variation (%)
		Twelve-Month Average					
TR10	İstanbul	210,28	9,15	226,86	7,89	247,59	9,14
TR21	Tekirdağ, Edirne, Kırklareli	207,55	9,21	224,66	8,24	245,52	9,29
TR22	Balıkesir, Çanakkale	213,48	8,69	230,27	7,86	252,27	9,55
TR31	İzmir	208,24	8,83	223,37	7,27	244,70	9,55
TR32	Aydın, Denizli, Muğla	208,96	8,13	223,41	6,92	243,16	8,84
TR33	Manisa, Afyonkarahisar, Kütahya, Uşak	204,86	8,95	219,79	7,29	238,55	8,53
TR41	Bursa, Eskişehir, Bilecik	207,35	8,58	222,89	7,49	241,89	8,53
TR42	Kocaeli, Sakarya, Düzce, Bolu, Yalova	211,37	8,69	228,15	7,94	247,20	8,35
TR51	Ankara	213,14	8,56	229,65	7,74	251,07	9,33
TR52	Konya, Karaman	209,61	9,00	225,18	7,43	243,34	8,06
TR61	Antalya, Isparta, Burdur	201,46	8,31	216,06	7,24	235,18	8,85
TR62	Adana, Mersin	211,24	9,31	227,55	7,72	245,40	7,85
TR63	Hatay, Kahramanmaraş, Osmaniye	207,52	9,34	221,89	6,92	240,76	8,50
TR71	Kırıkkale, Aksaray, Niğde, Nevşehir, Kırşehir	211,78	10,12	228,30	7,80	248,17	8,70
TR72	Kayseri, Sivas, Yozgat	212,87	9,03	228,74	7,45	249,29	8,99
TR81	Zonguldak, Karabük, Bartın	202,88	8,70	218,44	7,67	237,88	8,90
TR82	Kastamonu, Çankırı, Sinop	204,43	9,06	218,67	6,97	238,18	8,92
TR83	Samsun, Tokat, Çorum, Amasya	206,97	9,12	222,26	7,39	242,48	9,10
TR90	Trabzon, Ordu, Giresun, Rize, Artvin, Gümüşhane	207,89	9,02	223,50	7,51	242,67	8,58
TRA1	Erzurum, Erzincan, Bayburt	212,02	9,19	228,28	7,67	248,62	8,91
TRA2	Ağrı, Kars, Iğdır, Ardahan	215,73	9,43	231,15	7,15	251,17	8,66
TRB1	Malatya, Elazığ, Bingöl, Tunceli	206,51	9,35	222,51	7,75	242,51	8,99
TRB2	Van, Muş, Bitlis, Hakkari	212,02	8,89	227,31	7,22	246,87	8,60
TRC1	Gaziantep, Adıyaman, Kilis	206,84	8,91	225,61	9,08	246,18	9,12
TRC2	Şanlıurfa, Diyarbakır	209,71	9,14	226,67	8,09	246,61	8,80
TRC3	Mardin, Batman, Şırnak, Siirt	193,81	8,27	207,76	7,20	223,65	7,65
TR	Turkey	206,84	8,89	222,33	7,49	242,02	8,85
Yearend							
TR10	İstanbul	217,19	6,78	233,44	7,48	254,24	8,91
TR21	Tekirdağ, Edirne, Kırklareli	215,03	7,23	231,16	7,50	251,05	8,60
TR22	Balıkesir, Çanakkale	220,78	6,15	237,25	7,46	257,69	8,62
TR31	İzmir	214,10	6,03	231,10	7,94	250,83	8,54
TR32	Aydın, Denizli, Muğla	214,67	5,10	230,31	7,29	248,07	7,71
TR33	Manisa, Afyonkarahisar, Kütahya, Uşak	212,18	6,99	226,98	6,98	244,23	7,60
TR41	Bursa, Eskişehir, Bilecik	213,50	6,26	229,77	7,62	246,90	7,46
TR42	Kocaeli, Sakarya, Düzce, Bolu, Yalova	218,22	6,08	235,22	7,79	253,74	7,87
TR51	Ankara	220,26	6,35	236,86	7,54	257,48	8,71
TR52	Konya, Karaman	215,24	5,92	232,11	7,84	247,69	6,71
TR61	Antalya, Isparta, Burdur	206,83	6,15	222,65	7,65	239,52	7,58
TR62	Adana, Mersin	217,57	5,82	233,77	7,45	250,98	7,36
TR63	Hatay, Kahramanmaraş, Osmaniye	213,15	5,46	228,83	7,36	245,38	7,23
TR71	Kırıkkale, Aksaray, Niğde, Nevşehir, Kırşehir	217,41	5,86	235,75	8,44	252,78	7,22
TR72	Kayseri, Sivas, Yozgat	219,47	5,70	235,71	7,40	255,15	8,25
TR81	Zonguldak, Karabük, Bartın	209,56	6,12	225,49	7,60	243,29	7,89
TR82	Kastamonu, Çankırı, Sinop	210,20	5,61	225,61	7,33	243,49	7,93
TR83	Samsun, Tokat, Çorum, Amasya	213,52	5,90	229,18	7,33	247,62	8,05
TR90	Trabzon, Ordu, Giresun, Rize, Artvin, Gümüşhane	214,40	6,18	230,13	7,34	246,65	7,18
TRA1	Erzurum, Erzincan, Bayburt	217,84	5,59	235,36	8,04	251,54	6,87
TRA2	Ağrı, Kars, Iğdır, Ardahan	222,11	6,18	236,83	6,63	257,12	8,57
TRB1	Malatya, Elazığ, Bingöl, Tunceli	214,32	6,71	230,17	7,40	248,88	8,13
TRB2	Van, Muş, Bitlis, Hakkari	217,94	5,67	233,68	7,22	252,97	8,25
TRC1	Gaziantep, Adıyaman, Kilis	215,21	6,24	233,52	8,51	253,96	8,75
TRC2	Şanlıurfa, Diyarbakır	216,74	5,43	233,10	7,55	254,33	9,11
TRC3	Mardin, Batman, Şırnak, Siirt	200,33	5,28	213,51	6,58	230,73	8,07
TR	Turkey	213,23	6,16	229,01	7,40	247,72	8,17

Source: TURKSTAT.

### 1.4.1.2 Domestic Producer Price Index

Instead of the Producer Price Index (PPI) calculated within the scope of agriculture and industry, Domestic Producer Price Index (D-PPI) only within the scope of the industrial sector, excluding the agricultural sector, began to be calculated from the beginning of 2014 for the purpose of creating indices which are comparable with national accounts, industrial production, industrial turnover, annual industrial product statistics and other indicators, and which are fully aligned with the European Union norms. This new indicator designated as D-PPI reflects the price variation of the products sold domestically by the producers in the industrial sector.

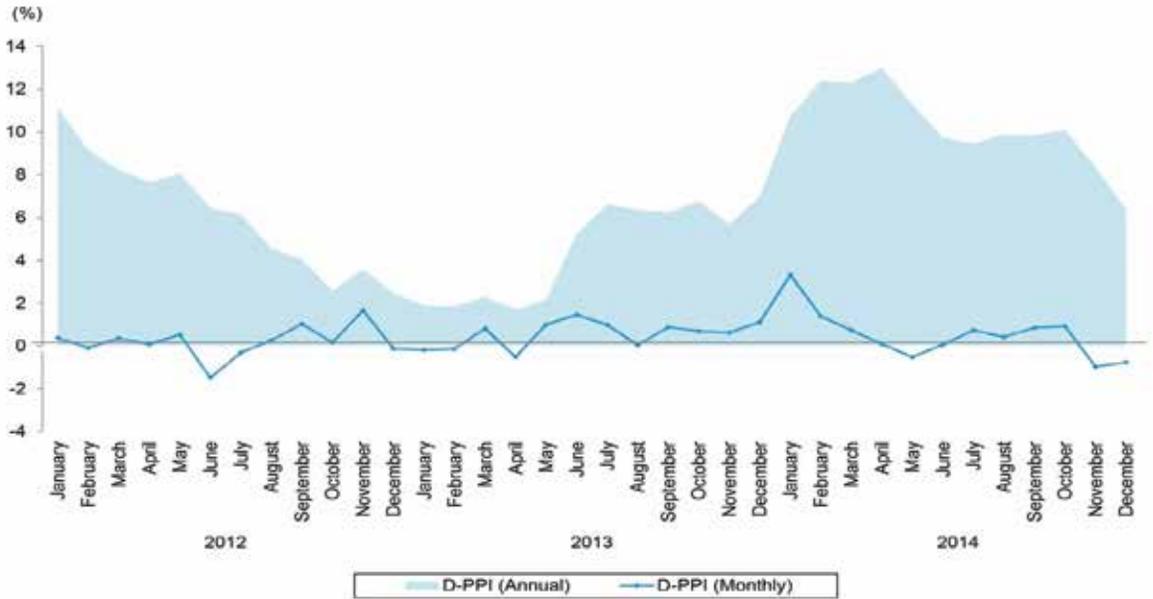
The D-PPI that has increased by 6,97% at the end of 2013 started the year first month of 2014 with an annual increase of 10,72%. With the reflections of the depreciations in Turkish Lira, the manufacturing industry prices significantly increased, and the highest increase rate of the year occurred in April with 12,98%. The D-PPI that was at the level of two-digit figures until June 2014 fluctuated around 9,00% between June and September 2014, then rose to the two-digit figures again in October with 10,10%. Following the second half of the 2014, while the depreciation in Turkish Lira affected the manufacturing industry prices negatively, the drops in the international commodity prices limited this effect. The drop in manufacturing and energy prices in the last months of the year was determinant, thereby, the D-PPI declined to 6,36% at the end of 2014 with a decrease by 0,62 points compared to the preceding yearend (Table 61, Graph 30).

**Table 61. Domestic Producer Price Index**

Sectors	(2003=100)					
	2012		2013		2014	
	Index	Variation (%)	Index	Variation (%)	Index	Variation (%)
	Twelve-Month Average					
Mining and quarrying	288.76	9.78	316.24	9.52	344.09	8.81
Manufacturing	197.79	5.46	206.60	4.46	230.22	11.43
Electricity, gas, steam and air conditioning	221.08	10.90	243.65	10.21	238.81	-1.99
Water supply, sewerage; waste management and treatment activities	165.71	6.72	183.51	10.74	201.77	9.95
General	203.82	6.09	212.96	4.48	234.78	10.25
	by the End of year					
Mining and quarrying	294.40	5.49	331.61	12.64	335.00	1.02
Manufacturing	198.63	1.27	215.42	8.45	231.85	7.63
Electricity, gas, steam and air conditioning	275.42	25.54	244.69	-11.16	235.98	-3.56
Water supply, sewerage; waste management and remediation	170.98	6.68	189.40	10.77	211.93	11.90
General	207.29	2.45	221.74	6.97	235.84	6.36

Source: TURKSTAT.

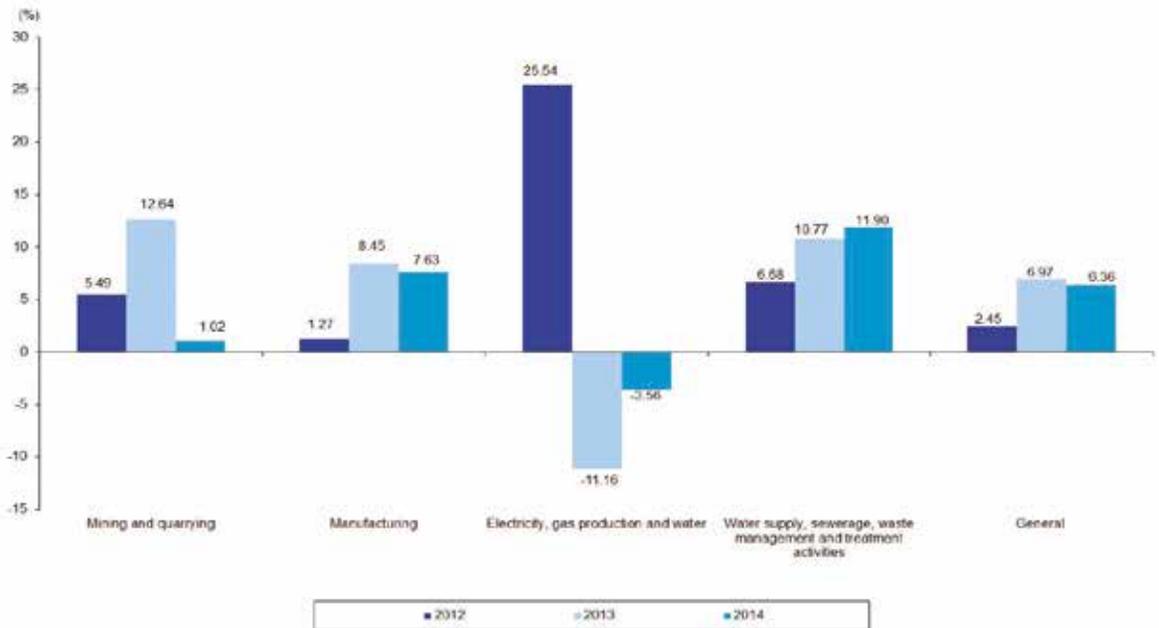
Graph 30. Domestic Producer Price Index Variation Rates (Monthly and Annual)



Source: TURKSTAT.

In 2014, among the subsectors of the industry, price increase rates of mining and quarrying sector; manufacturing sector; electricity gas production and distribution sector declined from 12,64% to 1,02%; 8,45% to 7,63%; from -11,16% to -3,56%; whereas price increase rate of water supply sector rose from 10,77% to 11,90% (Graph 31).

Graph 31. Domestic Producer Price Index Variation Rates (by the End of Year)



Source: TURKSTAT.

According to the twelve-month averages, the D-PPI variation rate which was 4,48% in 2013 rose to 10,25% in 2014, up 5,77 points.

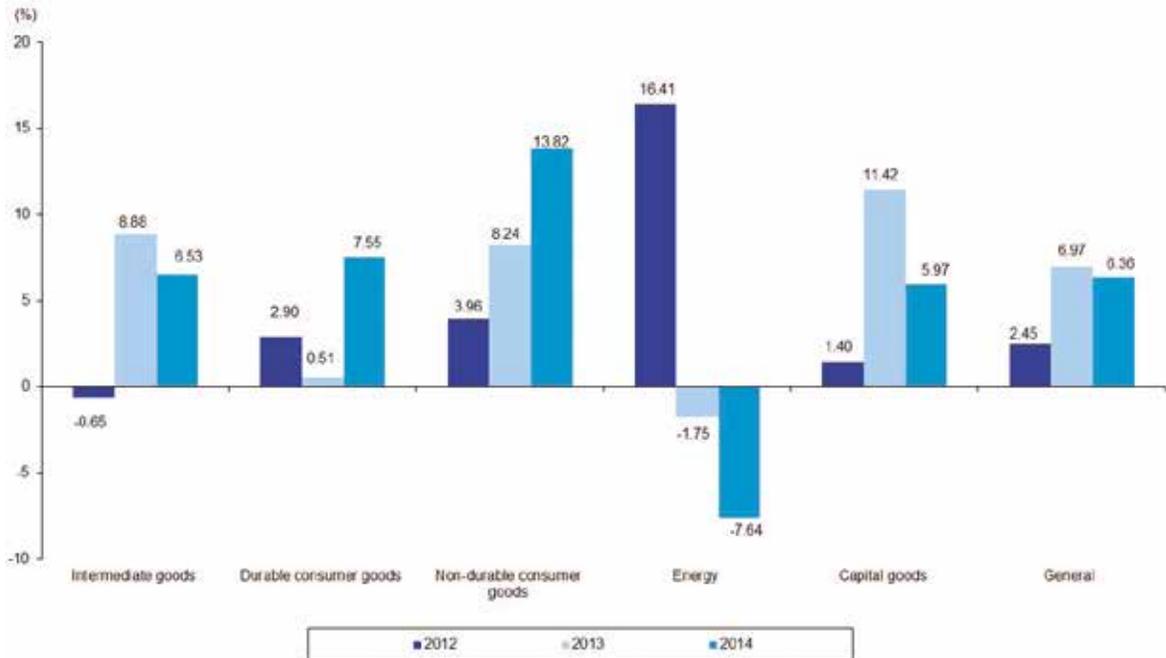
According to the main industrial groups classification in D-PPI, the highest was at the end of 2014 was in the prices of non-durable consumer goods with 13,82%, and the only group which exhibited drop was energy with 7,64% (Table 62, Graph 32).

**Table 62. Domestic Producer Price Index by Main Industrial Groups**

Main Industrial Groups	(2003=100)					
	2012		2013		2014	
	Index	Variation (%)	Index	Variation (%)	Index	Variation (%)
	Twelve-Month Average					
Intermediate goods	203.50	3.33	211.44	3.90	234.31	10.82
Durable consumer goods	149.61	7.33	149.98	0.25	162.87	8.60
Non-durable consumer goods	175.50	7.23	185.63	5.77	210.85	13.59
Energy	315.16	11.12	344.20	9.21	350.23	1.75
Capital goods	164.63	4.79	176.57	7.25	196.35	11.20
General	203.82	6.09	212.96	4.48	234.78	10.25
	by the End of Year					
Intermediate goods	203.09	-0.65	221.12	8.88	235.56	6.53
Durable consumer goods	151.36	2.90	152.13	0.51	163.62	7.55
Non-durable consumer goods	178.37	3.96	193.06	8.24	219.75	13.82
Energy	359.95	16.41	353.64	-1.75	326.61	-7.64
Capital goods	166.04	1.40	185.00	11.42	196.05	5.97
General	207.29	2.45	221.74	6.97	235.84	6.36

Source: TURKSTAT.

**Graph 32. Domestic Producer Price Index by Main Industrial Groups (by the End of Year)**



Source: TURKSTAT.

### 1.4.1.3 Agricultural Products Producer Price Index

Producer Price Index (PPI) used to be published within the scope of agriculture and industry. Beginning from January 2014, Agricultural Products Producer Price Index (Agricultural PPI) started to be calculated within the scope of agriculture, forestry and fishery for the purpose of creating indices which are fully aligned with the European Union norms and comparable with other indicators. Agricultural PPI reflects the price variation of the products sold by the producers in agriculture, forestry and fishery sectors.

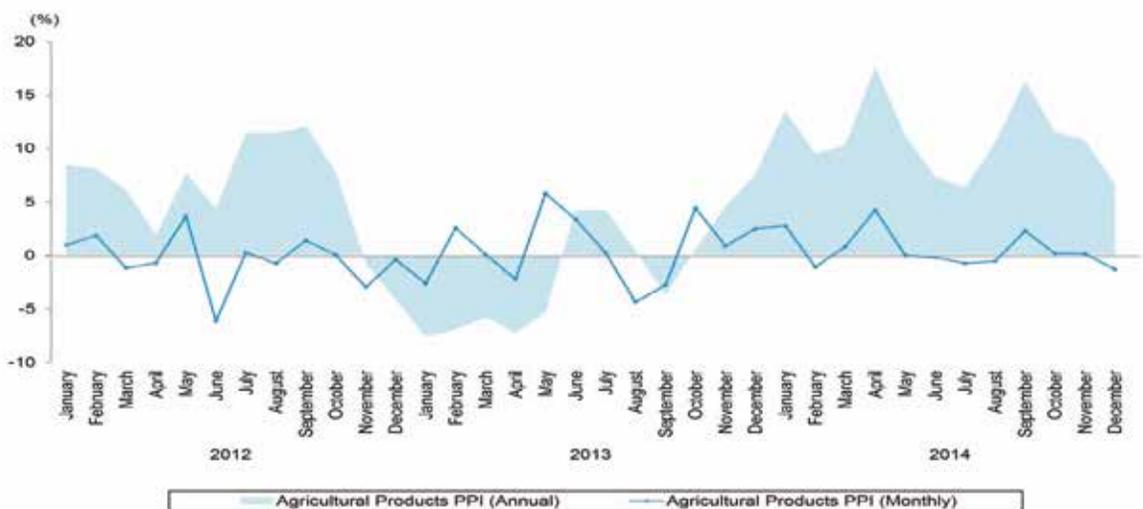
According to the index prepared in this scope, while agriculture sector prices increased by 7,58% as of the end of 2013, they decreased by 6,67% as of the end of 2014, down 0,91 points. Among agricultural PPI subsectors, fisher, forestry products, and agriculture and hunting products exhibited increases by 32,44%, 21,03% and 5,78%, respectively. While agricultural PPI reached its highest level on annual basis in April with 17,65%; it reached its highest level in terms of monthly variation again in April with 4,25% (Table 63, Graph 33).

**Table 63. Agricultural Products Producer Price Index**

Sectors	(2010=100)					
	2012		2013		2014	
	Index	Variation (%)	Index	Variation (%)	Index	Variation (%)
	Twelve-Month Average					
Agriculture and hunting products	106.60	5.29	105.08	-1.43	116.31	10.69
Forestry products	135.61	21.64	125.56	-7.41	155.17	23.58
Fishery	123.52	20.53	135.92	10.04	142.86	5.10
General	107.53	6.04	106.10	-1.34	117.65	10.89
	by the End of Year					
Agriculture and hunting products	102.92	-4.51	110.92	7.77	117.33	5.78
Forestry products	120.29	-8.74	126.32	5.02	152.89	21.03
Fishery	109.94	17.50	111.69	1.59	147.91	32.44
General	103.42	-4.17	111.26	7.58	118.68	6.67

Source: TURKSTAT.

**Graph 33. Agricultural Products Producer Price Index Variation Rates (Monthly and Annual)**



Source: TURKSTAT.

#### 1.4.1.4 Foreign Producer Price Index

The Foreign Producer Price Index (F-PPI) measuring the producer price variations of the products exported to abroad was created for the purpose of providing a more comprehensive to the decision makes and researchers and producing statistics at the international standards, which are sufficient, comparable, and fully aligned with the European Union norms. F-PPI reflects the price variation of the products sold abroad by the producers in the industrial sector.

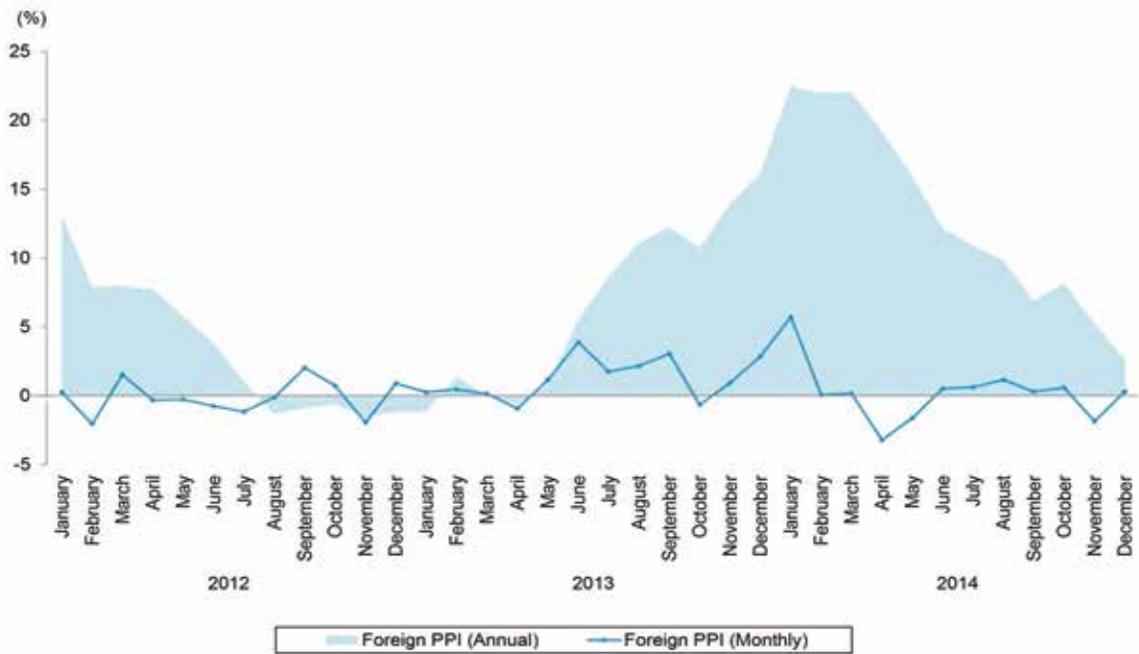
The F-PPI which has increased by 16,1 at the end of 2013 increased by 2,63% in 2014 with a decline by 13,52 points as of the yearend. In F-PPI, among the industrial subsectors, mining and quarrying sector and manufacturing industry sector increased by 6,16% and 2,57%, respectively. According to the main industrial group classification, in 2014, energy prices dropped by 21,04% and industrial goods prices dropped by 0,03%, whereas intermediate goods prices rose by 6,45%, non-durable goods prices rose by 4,23% and durable goods prices rose by 3,38%. Agricultural PPI reached its highest level in terms of annual variation with 22,48% and in terms of monthly variation with 5,73% in January (Table 64, Graph 34).

**Table 64. Foreign Producer Price Index**

Sectors	(2010=100)					
	2012		2013		2014	
	Index	Variation (%)	Index	Variation (%)	Index	Variation (%)
	Twelve-Month Average					
Sectors						
Mining and quarrying	115.38	2.76	128.09	11.02	145.37	13.49
Manufacturing Industry	118.51	3.31	126.19	6.48	142.30	12.77
Main Industrial Groups						
Intermediate goods	120.90	2.08	126.54	4.66	142.05	12.26
Durable consumer goods	110.60	4.23	114.64	3.65	126.84	10.64
Non-durable consumer goods	115.00	3.73	127.08	10.50	147.07	15.74
Energy	164.81	12.88	168.55	2.27	183.12	8.64
Capital goods	110.99	2.36	120.47	8.54	135.54	12.51
General	118.46	3.30	126.22	6.55	142.34	12.78
	by the End of Year					
Sectors						
Mining and quarrying	117.47	0.79	138.48	17.89	147.01	6.16
Manufacturing Industry	118.55	-1.16	137.67	16.13	141.21	2.57
Main Industrial Groups						
Intermediate goods	119.83	-2.52	136.04	13.53	144.81	6.45
Durable consumer goods	112.59	1.45	120.85	7.34	124.94	3.38
Non-durable consumer goods	116.91	0.42	142.49	21.88	148.52	4.23
Energy	159.69	0.71	185.06	15.89	146.12	-21.04
Capital goods	111.64	-1.47	132.51	18.69	132.47	-0.03
General	118.54	-1.13	137.68	16.15	141.30	2.63

Source: TURKSTAT.

Graph 34. Foreign Producer Price Index Variation Rates (Monthly and Annual)



Source: TURKSTAT.

### 1.4.2 Money, Bank

The primary objective of the Central Bank of Republic of Turkey is, as stated in the inflation section, to ensure the price stability with respect to preventing long lasting trend of rise and fall in the general price level. In order to achieve this objective, it has been implementing open inflation targeting regime since 2006, managing total demand and inflation expectations using policy interests and other monetary policy instruments.

With its basic aim to ensure price stability, the Central Bank of Republic of Turkey is tasked with taking such measures to ensure the stability in the financial system. Setting out from here, CBRT put in place a new monetary policy strategy beginning from the late 2010 by developing the inflation targeting regime in order to keep the macro-financial risks resulting from the global imbalances under control. Within the framework of the new monetary policy, CBRT started to observe the macro financial stability to the extent allowed by the conditions while keeping on ensuring the price stability as its primary objective. The diversity that has emerged in the monetary policy objectives has made the diversity of tools compulsory. Based on this necessity, a policy combination using the repurchase tender interest rate with one-week maturity, which is the policy interest, as well as the interest corridor emerging between the overnight borrowing and lending interests, which is applied in the international monetary market within the Bank and in the repo-reverse repo market within Borsa Istanbul, and the required reserves are used collectively.

The Central Bank of Republic of Turkey continued its monetary policy efforts in 2014 within the framework of the inflation targeting regime in line with the primary objective of ensuring and maintaining price stability. Inflation target was set as 5% jointly with Gov-

ernment as was the case in 2012 and 2013. The uncertainty band, which will constitute the basis of accountability obligation of CBRT was preserved as 2% in both directions.

Within the framework of the monetary policy 2014, it was declared that CBRT would continue observing the financial stability while targeting to keep the inflation at such levels in agreement with the target. In this respect, it was expressed that CBRT would keep on using the policies designed to restrict the volatility caused by the capital flows on the domestic economy, and in line with these objectives, the tools developed within the framework of the new policy in addition to the conventional tools. It was also stated that the communication channel would be commissioned a supportive tool for more effective functioning of the credits and exchange rate channels.

Since May of 2013, statements of the US Central Bank as to that it could decrease the liquidity provided to the market through monetary expansion amplified the uncertainties in the global economy, and volatilities occurred in the capital flows in our country like with many of developing countries. While Turkish Lira underwent a marked deprecation, the risk premium increased substantially, and the interest rates escalated. Beginning from this period, TCMB resorted to additional monetary tightening considering the macro financial risks created by the global uncertainties. It also continued to provide liquidity to balance the volatility in the exchange rates, preserved its cautious attitude in the monetary policy until the year end. Nevertheless, in the late 2013 and early 2014, significant depreciations occurred in Turkish Lira and sharp rises occurred in the market interest rates depending on the domestic and foreign uncertainties.

In the face of these developments, although no change was made in the interest rates at the monthly ordinary meeting of Monetary Policy Board in January 2014, it was stated that the liquidity standing was required to be tightened so as to align the inflation outlook with the medium term targets. In this respect, it was decided to ensure that the interests in the interbank market stand around 9,00% instead of 7,75% on the days when monetary tightening is deemed necessary.

The said measures did not suffice to prevent the volatility in the market and the drop in Turkish Lira. The Monetary Policy Board convened extraordinarily on 28 January 2014, and announced that it would resort to front-end loading strong monetary policy in order to restrict the negative effects of the developments effecting the risk perceptions in the internal and external markets on the inflation and economic stability, and to ensure price stability. In this respect, it elevated the policy interest rate (repurchase tender interest rate with one-week maturity) from 4,50% to 10,00%, the overnight lending interest rate from 7,75% to 12,00%, and the overnight borrowing interest rate from 3,50% to 8,00%. The Board also decided on simplification in operational framework, and disclosed that the bank funding would be mainly supplied over repurchase interest rate with one-week maturity instead of marginal funding rate (Table 65).

**Table 65. Monetary Policy Board Interest Decisions**

Monetary Policy Board Meeting Dates	Interest Decision <sup>(1)</sup>	Overnight Borrowing Interest Rate	Overnight Lending Interest Rate	Policy Interest <sup>(1)</sup>
January 21, 2014	No change made	3.50	7.75	4.50
January 28, 2014	Increased by 5,5 point	8.00	12.00	10.00
February 18, 2014	No change made	8.00	12.00	10.00
March 18, 2014	No change made	8.00	12.00	10.00
April 24, 2014	No change made	8.00	12.00	10.00
May 22, 2014	Reduced by 0,50 point	8.00	12.00	9.50
June 24, 2014	Reduced by 0.75 point	8.00	12.00	8.75
July 17, 2014	Reduced by 0,50 point	7.50	12.00	8.25
August 27, 2014	No change made	7.50	11.25	8.25
September 25, 2014	No change made	7.50	11.25	8.25
October 23, 2014	No change made	7.50	11.25	8.25
November 20, 2014	No change made	7.50	11.25	8.25
December 24, 2014	No change made	7.50	11.25	8.25

**Source: CBRT.**

(1): The decision of Central Bank of Republic of Turkey on policy interest and the rate.

Having stated that it would maintain the strict stance in the monetary policy until a marked recovery is attained in the inflation outlook, the Monetary Policy Board decided at the meeting held in February, March and April to keep the interest rates fixed.

Following monetary tightening, the markets began to settle down in the second quarter of the year beginning from March, with the negative effects of exchange rate developments on annual inflation starting to alleviate, the improvement in the global liquidity conditions and increase of the global risk appetite. CBRT resorted to modest interest reductions beginning from May. Policy interest rate was reduced to the level of 8,25% with a decrease by 50 base points in May, 75 base points in June and 50 base points in July.

The improvement in the global liquidity conditions in that period resulted stemmed from the fact that the Federal Reserve (Fed) recently declared that it would maintain the supportive policies and decreased the long-term interest expectations, that the European Central Bank (ECB) reduced the policy interest rates and declared a new quantitative development program.

The Monetary Policy Board reduced the overnight borrowing interest rate to 7,50% by 50 base points at its meeting in July, and reduced the overnight lending rate to 11,25% by 75 base points at its meeting in August. CBRT did not change the interest rates having maintained its strict monetary policy stance in the rest of the year, and kept the policy interest rate, overnight lending interest rate and overnight borrowing interest rate fixed at 8,25%, 11,25% and 7,50%, respectively, until the yearend.

While the monetary policy implementations were realized in this framework during 2014, the money in circulation, which is a sub-item of the M1 money supply increased by 14,3% compared to 2013 and rose to 77.420 million TL, the demand TL deposits increased by 11,1% and rose to 105.042 million TL and the demand foreign exchange deposits increased by 10,4% and rose to 69.529 million TL. When it is taken into account

that the CPI increased by 8,2% in 2014, then it is observed in real terms that the money in circulation increased by 5,6%, the demand deposits increased by 2,7%, and the demand foreign exchange deposits increased by 2,0%. Thus, the narrowly defined M1 money supply, with an increase by 11,8%, rose to 251.992 million TL, and grew by 3,3% in real terms (Table 66, Graph 35).

**Table 66. Money Supplies <sup>(1)</sup>**

Money Supply	2012	2013	2014	(Thousand TL) Variation (%)	
				2013	2014
M1	181,928,687	225,330,535	251,991,723	23.9	11.8
Money in circulation	54,565,770	67,755,894	77,420,141	24.2	14.3
Demand deposits (TL)	75,304,164	94,575,852	105,042,324	25.6	11.1
Demand deposits (FX)	52,058,753	62,998,789	69,529,257	21.0	10.4
M2	749,111,748	910,052,031	1,018,546,164	21.5	11.9
Time deposits (TL)	400,391,910	460,981,473	507,414,932	15.1	10.1
Time deposits (FX)	166,791,151	223,740,023	259,139,509	34.1	15.8
M3	791,992,774	950,979,183	1,063,151,797	20.1	11.8
Repo	7,033,800	5,672,097	6,280,778	-19.4	10.7
Money market funds	17,289,299	11,229,143	13,091,779	-35.1	16.6
Securities issued	18,557,927	24,025,912	25,233,077	29.5	5.0

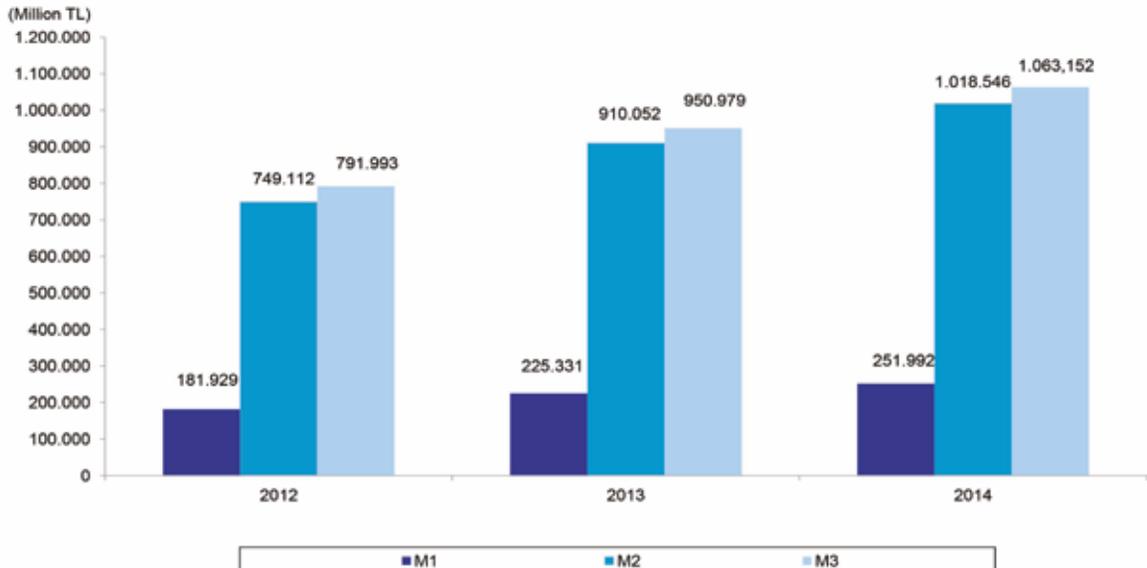
Source: CBRT.

(1): Data is as of the last Friday of the year.

FX: Foreign exchange.

In 2014, the time TL deposits, which are a sub-item of the M2 money supply, increased by 10,1% to 507.415 million TL, whereas the time foreign exchange deposits increased by 15,8% to 259.140 million TL. Thus, M2 money supply increased by 11,9% to 1.018.546 million TL. A 3,4% increase in real terms occurred in the M2 money supply. The M3 money supply increased by 11,8% to 1.063.152 million TL, and increased by 3,3% in real terms.

**Graph 35. Money Supplies**



Source: CBRT.

The total deposits in deposit banks accrued as 992.074 million TL with an increase by 12,8% in 2013. The savings deposits which had the highest share within the total deposits increased by 13,0% to 370.757 million TL, the commercial deposits increased by 9,2% to 161.102 million TL, the other deposits increased by 22,9% to 32.311 million TL, and the official deposits increased by 1,3% to 48.177 million TL. While foreign exchange deposit accounts increased by 16,0% to 316.391 million TL and interbank deposits increased by 24,6% to 49.609 million TL, gold vault accounts in foreign exchange declined by 21,2% to 13.726 million TL. The biggest share within total deposits was acquired by the savings deposits with 37,4%, within which share of the time savings deposit was 32,6%. The savings deposit was followed by foreign exchange deposit accounts with a share of 31,9%, and share of the time deposit under it was 25,7%. Total deposits grew by 4,3% in real terms compared to the preceding year (Table 67, Graph 36).

**Table 67. Deposit in Deposit Banks**

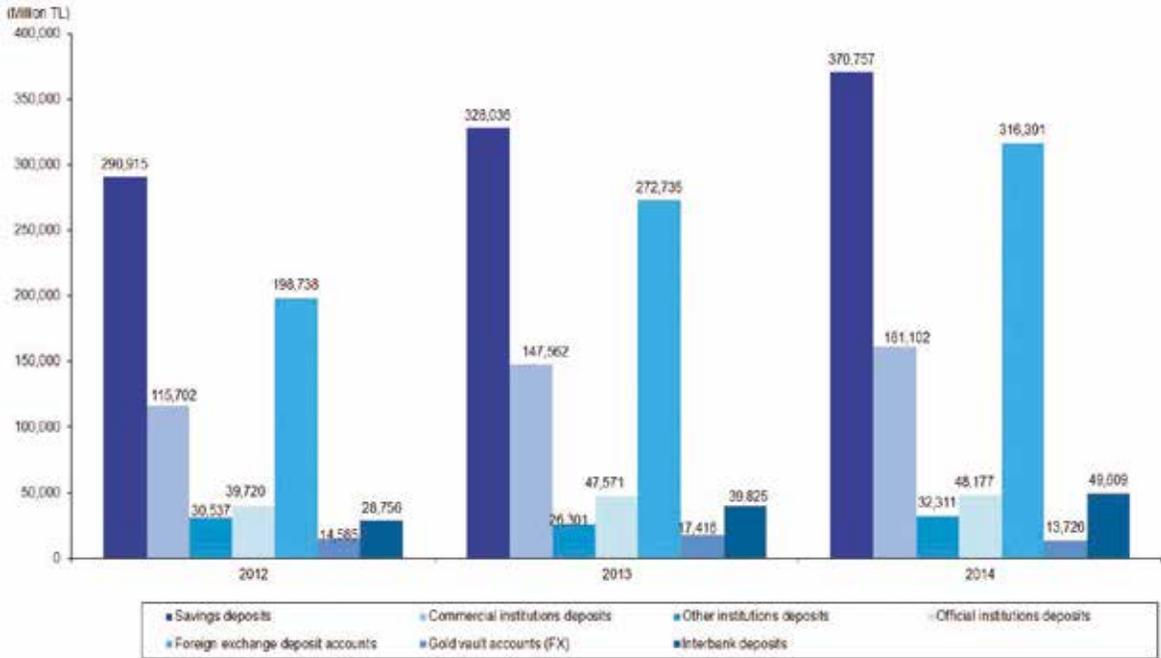
Deposit Types	(Thousand TL)							
	2012	2013	2014	Share (%)			Variation (%)	
				2012	2013	2014	2013	2014
Savings deposits	290,915,080	328,036,476	370,757,056	40.5	37.3	37.4	12.8	13.0
Demand	29,009,587	39,728,327	47,330,971	4.0	4.5	4.8	36.9	19.1
Time	261,905,493	288,308,149	323,426,085	36.4	32.8	32.6	10.1	12.2
Commercial institutions deposits	115,701,994	147,561,698	161,102,139	16.1	16.8	16.2	27.5	9.2
Demand	27,230,760	36,457,485	37,624,640	3.8	4.1	3.8	33.9	3.2
Time	88,471,234	111,104,213	123,477,499	12.3	12.6	12.4	25.6	11.1
Other institutions deposits	30,537,271	26,301,061	32,311,444	4.2	3.0	3.3	-13.9	22.9
Demand	4,845,464	5,214,954	6,164,939	0.7	0.6	0.6	7.6	18.2
Time	25,691,807	21,086,107	26,146,505	3.6	2.4	2.6	-17.9	24.0
Official institutions deposits	39,719,692	47,571,203	48,177,171	5.5	5.4	4.9	19.8	1.3
Demand	14,869,691	16,895,452	17,104,978	2.1	1.9	1.7	13.6	1.2
Time	24,850,001	30,675,751	31,072,193	3.5	3.5	3.1	23.4	1.3
Foreign exchange deposit accounts	198,737,516	272,734,844	316,390,978	27.6	31.0	31.9	37.2	16.0
Demand	37,884,888	47,767,810	61,570,057	5.3	5.4	6.2	26.1	28.9
Time	160,852,628	224,967,034	254,820,921	22.4	25.6	25.7	39.9	13.3
Gold vault accounts (FX)	14,584,729	17,415,542	13,726,110	2.0	2.0	1.4	19.4	-21.2
Demand	13,109,941	14,699,543	11,214,445	1.8	1.7	1.1	12.1	-23.7
Time	1,474,788	2,715,999	2,511,665	0.2	0.3	0.3	84.2	-7.5
Interbank deposits	28,756,358	39,824,814	49,608,700	4.0	4.5	5.0	38.5	24.6
Total deposits	718,952,640	879,445,638	992,073,598	100.0	100.0	100.0	22.3	12.8

Source: CBRT.

Particularly lowering the growth rate of the consumer loans to restrict the upward risks on the inflation and to support the financial stability is important in terms of economy management.

In this regard, the Banking Regulation and Supervision Agency (BRSA) put in place macro cautionary measures in October 2013 so as to increase the domestic savings and to restrict the increase in the consumer loans other than housing, which has a negative effect on current deficit. Moreover, limitations were imposed on the loan maturities and credit card installments by the arrangements promulgated on the Official Gazette on 31 December 2013 and out into effect on 1 February 2014.

Graph 36. Deposit in Deposit Banks



Source: CBRT.

These arrangements made by BRSA, the fact that the increase in the global uncertainty environment in the second half of 2013 has elevated the funding costs, particularly the deposit interest rates, in the banking sector, and the interest increase made by CBRT in January 2014 has resulted in a restrictive effect on the loan increase rates.

The total bank loans increase rate declined from 34,2% in 2013 to 18,4% in 2014 with a decrease by 15,8%, and occurred at 9,4% in real terms. The increase in the loans mainly stemmed from the increase in the commercial loans since the measures taken were aimed at consumer loans. Thus, the loan volume which amounted to 990.796 million TL in 2013 rose to 1.172.732 million TL in 2014.

Among the total loans, loans of deposit banks increased by 18,9% to 1.054.125 million TL, loans of development and investment banks increased by 26,0% to 55.482 million TL, and loans of participation banks increased by 4,4% to 63.124 million TL. Loans of Turkish Lira deposit banks increased by 17,9% to 782.435 million TL; and among components thereof, commercial and personal loans increased by 17,2% to 733.009 million TL, agricultural loans increased by 26,1% to 26.371 million TL, loans to tradesmen and artisans increased by 26,4% to 14.884 million TL, and housing loans increased by 88,2% to 2.819 million TL. Foreign exchange loans increased by 21,9% to 271.690 million TL; and among components thereof, foreign exchange commercial and personal loans increased by 22,5% to 268.599 million TL, and specialized loans increased by 12,7% to 3.092 million TL (Table 68).

Table 68. Bank Loans <sup>(1)</sup>

Bank loans	(Thousand TL)				
	2012	2013	2014	Variation (%)	
				2013	2014
Bank loans					
Deposit bank loans	661,737,545	886,292,333	1,054,125,330	33.9	18.9
TL	518,370,352	663,502,644	782,434,906	28.0	17.9
Commercial and personal loans	484,819,103	625,341,153	733,009,233	29.0	17.2
Specialized loans	33,551,249	38,161,491	49,425,673	13.7	29.5
Agricultural loans	19,955,957	20,913,878	26,370,776	4.8	26.1
Loans to tradesmen and artisans	9,575,658	11,771,975	14,884,292	22.9	26.4
Housing loans	1,258,742	1,497,918	2,819,039	19.0	88.2
Other	2,760,892	3,977,720	5,351,566	44.1	34.5
Foreign exchange	143,367,193	222,789,689	271,690,424	55.4	21.9
Commercial and personal loans	140,763,180	219,250,120	268,598,801	55.8	22.5
Specialized loans	2,604,013	3,539,569	3,091,623	35.9	-12.7
Agricultural loans	0	0	0	-	-
Loans to tradesmen and artisans	2,604,013	3,364,806	2,977,333	29.2	-11.5
Housing loans	0	0	0	-	-
Other	0	174,763	114,290	-	-34.6
Development and investment bank loans	29,408,548	44,026,508	55,482,166	49.7	26.0
TL	14,126,957	19,288,917	20,947,300	36.5	8.6
Export Credit Bank of Turkey	1,363,673	2,793,394	3,748,034	104.8	34.2
Other	12,763,284	16,495,523	17,199,266	29.2	4.3
Foreign exchange	15,281,591	24,737,591	34,534,866	61.9	39.6
Export Credit Bank of Turkey	8,019,733	15,112,334	23,130,561	88.4	53.1
Other	7,261,858	9,625,257	11,404,305	32.5	18.5
Participation bank loans	46,924,219	60,477,638	63,124,428	28.9	4.4
TL	43,436,795	56,272,495	58,446,071	29.6	3.9
Foreign exchange	3,487,424	4,205,143	4,678,357	20.6	11.3
Total	738,070,312	990,796,479	1,172,731,924	34.2	18.4

Source: CBRT.

(1): Includes domestic loans.

(2): Data is as of the last Friday of the year.

In 2014, development and investment bank loans in Turkish Lira increased by 8,6% to 20.947 million TL, development and investment bank loans in foreign exchange increased by 39,6% to 34.535 million TL.

Participation bank loans in Turkish Lira increased by 3,9% to 58.446 million TL, participation bank loans in foreign exchange increased by 11,3% to 4.678 million TL in 2014.

The gross foreign exchange reserves which rose by 8,1% in 2013 dropped by 5,0% in 2014 regressing to 121.412 million \$, and gold reserve advanced to 20.401 million \$ with an increase by 1,6%. Subject to these changes, the gross international reserves increased by 4,1% to 141.813 million \$ (Table 69, Graph 37).

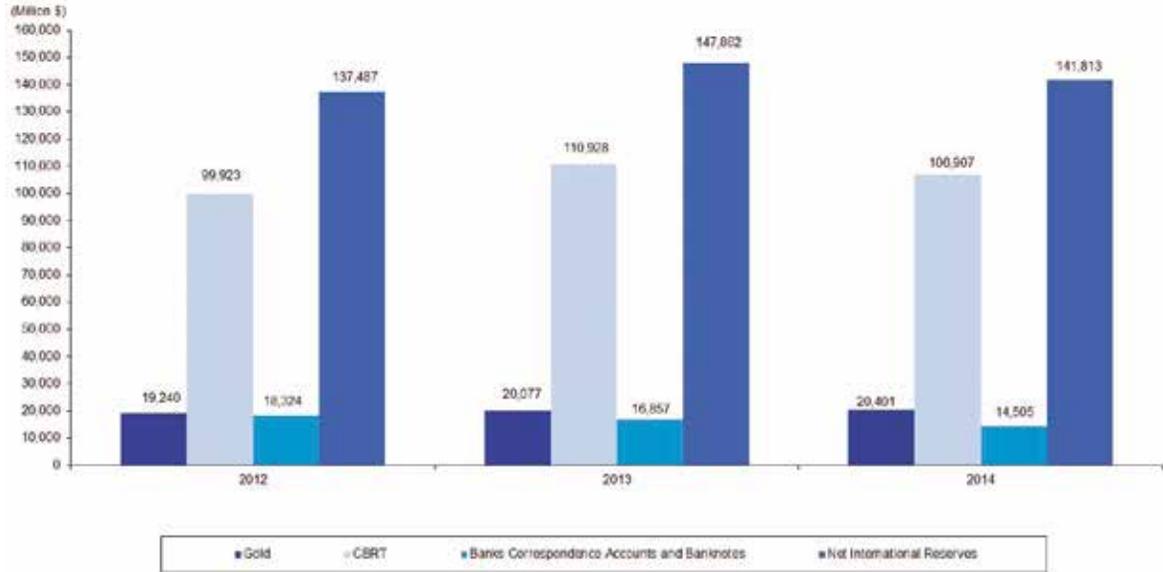
**Table 69. International Reserves**

(Million \$)

Years	Gross Foreign Exchange Reserves				Gross International Reserves	Overdrafts	Net International Reserves
	Gold	CBRT	Banks Correspondence Accounts and Banknotes	Total			
2012	19,240	99,923	18,324	118,247	137,487	0	137,487
2013	20,077	110,928	16,857	127,785	147,862	0	147,862
2014	20,401	106,907	14,505	121,412	141,813	0	141,813

Source: CBRT.

**Graph 37. International Reserves**



Source: CBRT.

The ratio of imports covered by TCMB foreign exchange reserves that was at the level of 5,1 months in 2012 stood at 5,3 months in 2013 and 2014. The fact that domestic demand increased was limited and the consumption demand slowed down in 2014 resulted in regression of the imports compared to the preceding year. Beside that decrease in imports, the decrease of the foreign exchange stock was effective in remaining of the average monthly rate of imports covered by the foreign exchange stock at the same level with the preceding year (Table 70).

**Table 70. CBRT Reserves and Import Coverage Rate**

(Million \$)

Years	CBRT Foreign Exchange Stock	Import	Average Monthly Import	Rate of Foreign Exchange Reserves Covering Average Monthly Imports
2012	99,923	236,545	19,712	5.1
2013	110,928	251,661	20,972	5.3
2014	106,907	242,183	20,182	5.3

Source: CBRT, TURKSTAT.

The number of banks engaged in activities in Turkish banking sector which was 45 in 2012 and 2013 rose to 47 in 2014. In the banking sector, in which deposit banking is predominant, 32 deposit banks and 13 development and investment banks are engaged in activities. Of the deposit banks, 3 are state-owned banks, 11 are privately-owned banks, 19 are foreign banks, and 1 bank is within the scope of the Savings Deposit Insurance Fund. Of the development and investment banks, 3 are state-owned banks, 7 are privately-owned banks and 3 are foreign banks. Of the total banks, 72,3% are composed of deposit banks and 27,7% are composed of development and investment banks (Table 71).

**Table 71. Information on Banks, Branches and Personnel in Turkish Banking System**

Banks	Number of Banks			Number of Branches			Number of Personnel		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Deposit banks	32	32	34	10,192	10,981	11,182	181,197	192,219	195,354
State-owned banks	3	3	3	3,079	3,397	3,500	51,587	54,466	55,851
Privately-owned banks	12	11	11	5,100	5,339	5,455	90,612	93,365	95,838
Banks transferred to the SDIF	1	1	1	1	1	1	226	229	227
Foreign banks	16	17	19	2,012	2,244	2,226	38,772	44,159	43,438
Development and investment banks	13	13	13	42	40	41	4,901	5,246	5,524
State-owned banks	3	3	3	22	21	22	3,610	3,761	3,835
Privately-owned banks	6	7	7	16	16	16	1,105	1,282	1,486
Foreign banks	4	3	3	4	3	3	186	203	203
<b>Total</b>	<b>45</b>	<b>45</b>	<b>47</b>	<b>10,234</b>	<b>11,021</b>	<b>11,223</b>	<b>186,098</b>	<b>197,465</b>	<b>200,878</b>
	<b>Share (%)</b>								
Banks	Number of Banks			Number of Branches			Number of Personnel		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Deposit banks	71.1	71.1	72.3	99.6	99.6	99.6	97.4	97.3	97.3
State-owned banks	6.7	6.7	6.4	30.1	30.8	31.2	27.7	27.6	27.8
Privately-owned banks	26.7	24.4	23.4	49.8	48.4	48.6	48.7	47.3	47.7
Banks transferred to the SDIF	2.2	2.2	2.1	0.0	0.0	0.0	0.1	0.1	0.1
Foreign banks	35.6	37.8	40.4	19.7	20.4	19.8	20.8	22.4	21.6
Development and investment banks	28.9	28.9	27.7	0.4	0.4	0.4	2.6	2.7	2.7
State-owned banks	6.7	6.7	6.4	0.2	0.2	0.2	1.9	1.9	1.9
Privately-owned banks	13.3	15.6	14.9	0.2	0.1	0.1	0.6	0.6	0.7
Foreign banks	8.9	6.7	6.4	0.0	0.0	0.0	0.1	0.1	0.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: TBB.

The total number of branches in the banking sector increased by 1,8% in 2014 and rose to 11.223. The number of state-owned deposit bank branches increased by 30,% to 3.500, the number of privately-owned deposit bank branches increased by 2,2% to 5.455, whereas the number of foreign deposit bank branches decreased by 0,8% to 2.226. Thus, number of deposit bank branches rose to 11.182 with an increase by 1,8%. The branch number of development and investment bank which was 40 in 2013 rose to 41 with 1 newly opened state-owned banks branch. Of these, 22 are state-owned bank branches, 16 are privately-owned bank branches and 3 are foreign bank branches.

The number of people working in the banking system which were 197.465 in 2013 increased by 1,7% and rose to 200,878 in 2014. Of the these, 27,8% work in state-owned deposit banks, 47,7% work in privately-owned deposit banks, 21,6% work in foreign deposit banks, 0,1% work in the deposit banks transferred to SDIF, 1,9% work in state-owned development and investment banks, 0,7% work in privately-owned development and investment banks, and 0,1% work in foreign development and investment banks.

### 1.4.3 Capital Market

In 2013, the amount of public sector securities issued increased by 33,6% compared to the preceding year, and in 2014, they fell to 107.917 million TL with a decrease by 1,6%. Of this amount, 106.731 million TL was composed of government bonds and 1.186 million TL was composed of treasury bills, whereas no income-indexed bills were issued by public sector.

The amount of private securities issued which decreased by 27,4% in 2013 rose from 64.857 million TL to 130.892 million TL with an increase by 101,8% in 2014. This rise was driven mainly by the high-rate increase in the issuance of bonds and lease certificates.

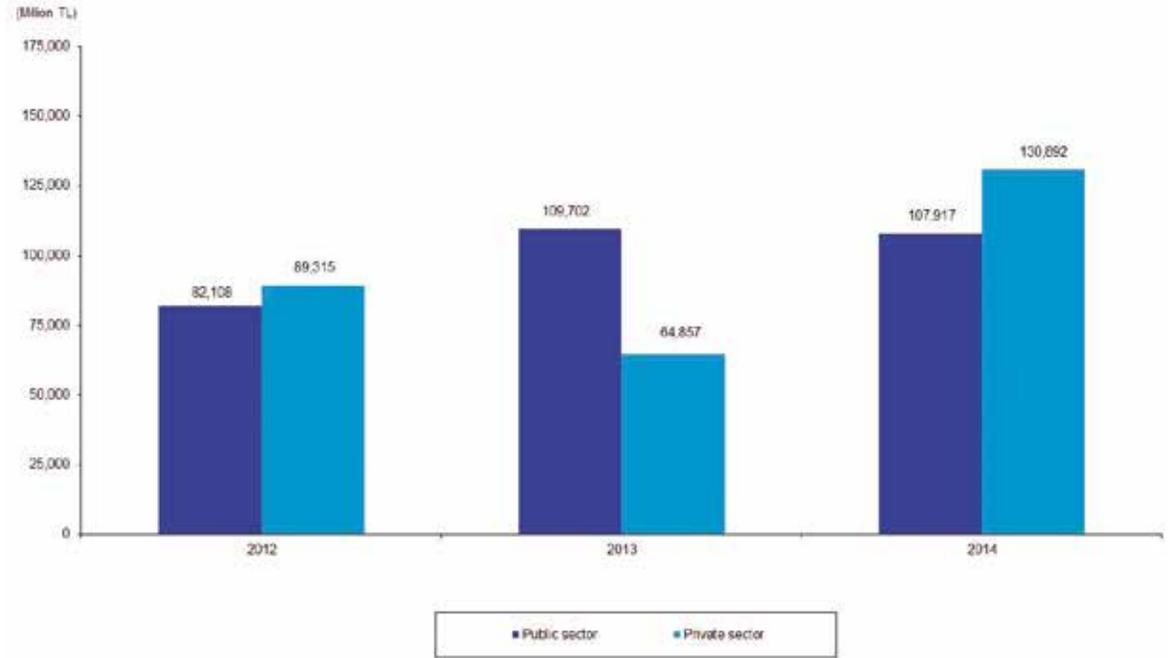
In 2014, of the total issues of private sector securities, a portion of 7.755 million TL representing 3,2% consisted of share certificates, a portion of 112.647 million TL portion representing 47,2% consisted of bonds, a portion of 200 million TL representing 0,1% consisted of asset backed securities, a portion of 750 million TL representing 0,3% consisted of asset guaranteed securities, and a portion of 9.540 million TL representing 4,0% consisted of lease certificates. Private sector commercial papers, bank bills and bank-guaranteed bills, SMF participation certificates and retirement fund participation certificates were not issued in 2014 (Table 72, Graph 38).

**Table 72. Permits for Issuing Securities**

Components	Value (Million TL)			Share (%)			Variation (%)	
	2012	2013	2014	2012	2013	2014	2013	2014
Public sector	82,108	109,702	107,917	47.9	62.8	45.2	33.6	-1.6
Government bonds	78,071	109,702	106,731	45.5	62.8	44.7	40.5	-2.7
Treasury bills	3,928	0	1,186	2.3	0.0	0.5	-	-
Income-indexed bill	109	0	0	0.1	0.0	0.0	-	-
Private sector	89,315	64,857	130,892	52.1	37.2	54.8	-27.4	101.8
Share certificate	8,081	7,575	7,755	4.7	4.3	3.2	-6.3	2.4
Bonds	20,980	48,578	112,647	12.2	27.8	47.2	131.5	131.9
Commercial papers	434	743	0	0.3	0.4	0.0	71.3	-
Asset backed securities	698	817	200	0.4	0.5	0.1	17.1	-75.5
Bank bills and bank guaranteed bills	4,006	3,631	0	2.3	2.1	0.0	-9.4	-
SMF participation certificates	16,016	0	0	9.3	0.0	0.0	-	-
Retirement mutual fund participation certificates	38,400	0	0	22.4	0.0	0.0	-	-
Asset guaranteed securities	700	1,030	750	0.4	0.6	0.3	47.2	-27.2
Lease certificates	0	2,484	9,540	0.0	1.4	4.0	-	284.0
<b>Total</b>	<b>171,423</b>	<b>174,559</b>	<b>238,809</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>1.8</b>	<b>36.8</b>

Source: CPM.

Graph 38. Permits for Issuing Public and Private Sector Securities



Source: CPM.

As of the months in 2014, the issues of private sector securities were the most in December with 35.534 million TL, followed by the issues made in February with 17.377 million and the issues made in March with 14.418 million TL. The months when the most intensive issues of share certificates were made were October, April and February, the months when the most intensive issues of bonds were made were December, February and March, and the months when the most intensive issues of lease certificates were made were June, February and December. Asset backed securities and asset guaranteed securities were issued only in September (Table 73).

Table 73. Permits for Issuing Private Sector Securities

(Million TL)

Years	Months	Share Certificate	Bonds	Commercial Papers	Asset Backed Securities	Bank Bills and Bank Guaranteed Bills	SMF Participation Certificates	Retirement Fund Participation Certificates	Asset Guaranteed Securities	Lease Certificates	Total
2012	January	218	1,037	60	198	194	1,700	900	0	0	4,307
	February	363	230	0	0	77	1,950	0	115	0	2,735
	March	3,988	107	0	0	184	200	1,600	0	0	6,079
	April	147	2,163	15	180	482	1,260	1,000	0	0	5,247
	May	960	54	0	0	295	2,010	29,000	117	0	32,436
	June	975	659	0	20	0	1,050	0	0	0	2,704
	July	302	1,544	0	0	600	264	0	0	0	2,711
	August	16	220	0	0	16	6,435	0	0	0	6,687
	September	97	2,684	15	300	419	0	900	0	0	4,414
	October	138	8,121	330	0	140	150	950	0	0	9,829
	November	360	1,415	10	0	1,050	997	1,000	467	0	5,301
	December	516	2,748	4	0	549	0	3,050	0	0	6,867
	Total	8,081	20,980	434	698	4,006	16,016	38,400	700	0	89,315
2013	January	17	3,010	0	0	396	0	0	0	0	3,423
	February	255	1,629	175	221	278	0	0	0	0	2,557
	March	200	2,156	0	0	594	0	0	0	0	2,950
	April	1,170	5,884	28	0	645	0	0	0	901	8,629
	May	296	2,142	540	0	1,321	0	0	440	100	4,839
	June	48	869	0	296	397	0	0	0	0	1,609
	July	1,068	6,282	0	0	0	0	0	90	0	7,440
	August	229	8,392	0	0	0	0	0	0	0	8,621
	September	70	5,642	0	0	0	0	0	0	1,250	6,962
	October	332	2,901	0	0	0	0	0	500	33	3,765
	November	3,447	790	0	0	0	0	0	0	200	4,437
	December	446	8,879	0	300	0	0	0	0	0	9,624
	Total	7,575	48,578	743	817	3,631	0	0	1,030	2,484	64,857
2014	January	163	7,964	0	0	0	0	0	0	31	8,158
	February	653	14,725	0	0	0	0	0	0	1,999	17,377
	March	0	14,418	0	0	0	0	0	0	0	14,418
	April	1,918	7,668	0	0	0	0	0	0	1,052	10,638
	May	136	10,005	0	0	0	0	0	0	0	10,141
	June	514	5,955	0	0	0	0	0	0	3,113	9,582
	July	175	4,693	0	0	0	0	0	0	775	5,642
	August	1	3,823	0	0	0	0	0	0	1,000	4,824
	September	36	3,480	0	200	0	0	0	750	200	4,666
	October	3,498	2,683	0	0	0	0	0	0	0	6,181
	November	424	3,306	0	0	0	0	0	0	0	3,730
	December	237	33,926	0	0	0	0	0	0	1,371	35,534
	Total	7,754	112,646	0	200	0	0	0	750	9,540	130,890

Source: SPK.

The secondary market transaction volume that decreased by 4,6% in 2013 showed an decrease by 13,7% in 2014 and dropped to 1.405.707 million TL. This rise stemmed from the high decrease in the sales of public sector assets and the limited increase in the transaction volume of private sector share certificates compared to 2013 (Table 74).

**Table 74. Secondary Market Transaction Volume**

Components	Value (Million TL)			Share (%)			Variation (%)	
	2012	2013	2014 <sup>(1)</sup>	2012	2013	2014	2013	2014
Public sector	932,794	811,689	532,791	59.9	49.8	37.9	-13.0	-34.4
Government bonds	926,535	805,376	525,858	59.5	49.5	37.4	-13.1	-34.7
Treasury bills	6,259	6,314	6,934	0.4	0.4	0.5	0.9	9.8
Private sector	623,326	816,694	872,915	40.1	50.2	62.1	31.0	6.9
Share certificate	623,326	816,694	872,915	40.1	50.2	62.1	31.0	6.9
Total	1,556,120	1,628,383	1,405,707	100.0	100.0	100.0	4.6	-13.7

**Source: CPM.**

(1): Interim.

The secondary sales of public sector securities decreased by 34,4% to 532.791 million TL, and the secondary sales of private sector securities increased by 6,9% to 872.915 million TL.

The share of the public sector securities within the total secondary market transactions increased from 55.1% to 59.9% in 2014 compared to 2013, whereas the share of the private sector securities decreased from 44.9% to 40.1%.

### **Borsa Istanbul (BIST)**

The economic developments and geopolitical tensions which occurred in the markets played a major role in the developments experienced in Borsa Istanbul in 2014. When considered in detail, the practices of Federal Reserve (Fed), the decline in oil and commodity prices, the stagnancy in the Euro zone and Japanese economy, the tight monetary policy applied by CBRT, local elections held in March, and the Presidential election held in August stand out as the most important factors.

The global uncertainties and regional geopolitical risks led to weakness in capital movements in the beginning of 2014. Having started the year 2014 in January with 61.858,2, its lowest level following May 2012, the BIST 100 Index followed a horizontal course in the first two months of the year, and entered an upward trend as from March upon alleviation of the uncertainties. The BIST 100 Index which continued its upward trend until the end of May followed a volatile course in the subsequent four months.

Fed's statement at the end of October 2014 as to that it discontinued bond purchases and fixed the interest rate at 0,25% removed the pressure on Borsa Istanbul, and the index showed a rapid increase. This development was also driven by the practices of European Central Bank (ECB) and Japanese Central Bank (BOJ) involving monetary expansion. The BIST 100 Index rose to 80.579,7 in October and to 86.168,7 in November, whereas entered in decline course in December and closed 2014 at the level of 85.721,1 (Table 75).

**Table 75. Borsa Istanbul (BIST) Index and Transaction Volume**

Years	Months	Transaction Volume (Thousand TL)	BIST 100 Index (January 1986=1)	Consumer Price Index (2003=100)		Transaction Volume	
				Index	Variation (%)	Nominal Variation (%)	Real Variation (%)
2012	January	47,407,774	57,171.3	202.0	0.6	28.7	27.9
	February	57,477,793	60,721.2	203.1	0.6	21.2	20.6
	March	59,977,644	62,423.0	204.0	0.4	4.3	3.9
	April	56,442,513	60,010.4	207.1	1.5	-5.9	-7.3
	May	50,254,434	55,099.3	206.6	-0.2	-11.0	-10.8
	June	47,709,089	62,543.5	204.8	-0.9	-5.1	-4.2
	July	44,391,034	64,259.5	204.3	-0.2	-7.0	-6.7
	August	38,318,682	67,368.0	205.4	0.6	-13.7	-14.2
	September	43,440,396	66,396.7	207.6	1.0	13.4	12.2
	October	44,775,440	72,529.0	211.6	2.0	3.1	1.1
	November	68,873,352	73,058.5	212.4	0.4	53.8	53.2
	December	64,258,131	78,208.4	213.2	0.4	-6.7	-7.1
2013	January	83,890,437	78,783.5	216.7	1.6	30.6	28.4
	February	63,156,929	79,333.7	217.4	0.3	-24.7	-24.9
	March	61,184,690	85,899.0	218.8	0.7	-3.1	-3.8
	April	61,142,005	86,046.0	219.8	0.4	-0.1	-0.5
	May	78,569,768	85,990.0	220.1	0.1	28.5	28.3
	June	77,262,126	76,294.5	221.8	0.8	-1.7	-2.4
	July	71,857,440	73,377.5	222.4	0.3	-7.0	-7.3
	August	51,926,649	66,394.4	222.2	-0.1	-27.7	-27.7
	September	73,158,428	74,486.6	223.9	0.8	40.9	39.8
	October	56,211,764	77,620.4	227.9	1.8	-23.2	-24.5
	November	69,848,439	75,748.3	228.0	0.0	24.3	24.2
	December	68,649,798	67,801.7	229.0	0.5	-1.7	-2.2
2014	January	76,860,180	61,858.2	233.5	2.0	12.0	9.8
	February	57,599,582	62,553.3	234.5	0.4	-25.1	-25.4
	March	60,725,646	69,736.3	237.2	1.1	5.4	4.3
	April	72,647,643	73,871.5	240.4	1.3	19.6	18.0
	May	69,862,112	79,289.8	241.3	0.4	-3.8	-4.2
	June	71,771,692	78,489.0	242.1	0.3	2.7	2.4
	July	63,567,873	82,156.9	243.2	0.5	-11.4	-11.8
	August	73,630,723	80,312.9	243.4	0.1	15.8	15.7
	September	73,020,351	74,937.8	243.7	0.1	-0.8	-1.0
	October	72,363,009	80,579.7	248.4	1.9	-0.9	-2.7
	November	84,369,098	86,168.7	248.8	0.2	16.6	16.4
	December	96,512,898	85,721.1	247.7	-0.4	14.4	14.9

Source: BIST, CMB, TURKSTAT.

Total transaction volume of Borsa Istanbul rose from 816.858 million TL to 872.931 million TL in 2014 with an increase by 6,9% compared to 2013. As of months, the month with the highest transaction volume was December with 96.513 million TL, and the lowest transaction volume was in February with 57.600 million TL.

In 2014, the month with the highest real variation in the total transaction volume in Borsa Istanbul was April with 18,0%, and this was followed by November with 16,4% and August with 15,7%. The highest decrease in the total transaction volume was in February at 25,4% in real terms.

Number of domestic investors having share portfolio in 2014 in Borsa Istanbul fell to 1.065.473 with a decrease by 3,2%, and number of foreign investors rose to 9.895 with an increase by 3,6%, compared to 2013. Thus, number of total investors who invested in BIST in 2014 declined to 1.075.368 in 2014 with a decrease by 3,2%. In 2014, portfolio value of domestic investors in BIST increased by 22,8% to 89.699 million TL, that of foreign investors increased by 30,3% to 159.243 million TL, and total portfolio value increased by 27,5% to 248.942 million TL. Among the total number of investors who invested in Borsa Istanbul, share of the domestic investors was 99,1 and share of foreign investors was 0,9%; and by portfolio value, share of domestic investors was 36,0%, and share of foreign investors was 64,0% (Table 76).

**Table 76. Number of Investors Investing in Borsa Istanbul and Portfolio Value**

Nationality of the Investor	Number of Investors			Variation (%)		Portfolio Value (Million TL)			Variation (%)	
	2012	2013	2014	2013	2014	2012	2013	2014	2013	2014
Domestic	1,080,262	1,100,854	1,065,473	1.9	-3.2	72,676	73,034	89,699	0.5	22.8
Foreign	8,304	9,555	9,895	15.1	3.6	140,529	122,219	159,243	-13.0	30.3
Total	1,088,566	1,110,409	1,075,368	2.0	-3.2	213,205	195,253	248,942	-8.4	27.5

Source: CRA.

Among the countries ranking in the first ten places according to the portfolio value within the foreign investors investing in Borsa Istanbul; USA takes the first place with 1.402 investors and a portfolio of 53.090 million TL, UK takes the second place with 493 investors with a portfolio of 26.129 million TL, and Luxembourg takes the third place with 325 investors with a portfolio of 10.069 million TL. In 2014, the countries ranking in the first ten places among the foreign investors in our country, with their portfolio value of 122.609 million TL, represent 77,0% of the total foreign portfolio value of 159.243 million TL. The total number of the foreign investors in the first 10 represents 0,3% of the total number of foreign investors, whereas in terms of portfolio value, they represent 49,3% of the total portfolio value in 2014 (Table 77).

**Table 77. The First Ten Countries as Foreign Investors in Borsa Istanbul<sup>(1)</sup>**

(Year 2014)

Countries	Number of Investors	Share (%)	Portfolio Value (Million TL)	Share (%)
United States of America	1,402	14.2	53,090	33.3
United Kingdom	493	5.0	26,129	16.4
Luxemburg	325	3.3	10,069	6.3
Netherlands	124	1.3	6,354	4.0
Ireland	172	1.7	5,958	3.7
Singapore	10	0.1	5,018	3.2
Norway	26	0.3	4,987	3.1
Cayman Islands	124	1.3	4,149	2.6
France	69	0.7	3,563	2.2
Greece	40	0.4	3,292	2.1
Total 10 countries	2,785	28.1	122,609	77.0
Other countries	7,110	71.9	36,634	23.0
Total foreign investors	9,895	100.0	159,243	100.0

**Source: CRA.**

(1): The first ten countries that are foreign investors investing in BIST according to the portfolio value were taken.

#### 1.4.4 Public Finance

In the Medium Term Program 2014-2016, it is stated that the finance policy will be applied in such a way to help supporting the economic and financial stability, keeping the current deficit under control by increasing the domestic savings, and forcing up the growth potential. Ensuring that the gains attained in the previous periods are continued in the upcoming periods, ensuring sustainability of the public policy by keeping the public sector borrowing requirement at reasonable levels, and making the ratio of public sector deficit to GDP in 2014 1,0% and reducing it to 0,5% at the end of the program were announced as the primary targets. Through finance policy, it was targeted to maintain the macroeconomic stability and financial discipline. The finance policy 2014 was applied in this framework.

Public finance became one of the areas where Turkish economy is successful in general recently. Public policy exhibited improvement since 2009, when the effects of the global crisis were intensively felt. In this improvement, one-off revenues were influential besides budget discipline applied and the tight finance policy. The improvement seen in the public finance in 2013 continued in 2014, though somewhat weakened.

The upward trend in general government revenues continued in 2014 with slowdown. The general government revenues which increased by 16,7% in 2012 are expected to advance to 688.895 million TL in 2013 with an increase by 16,7% (Table 78).

Tax revenues which make up a substantial portion of the general government revenues increased by 8,1% to 361.523 million TL in 2014. Non-tax normal revenues which decreased by 2,2% in 2013 increased by 31,0% to 38.680 million TL in 2014. Factor revenues and social funds increased by 11,0% to 100.748 million TL and by 12,2% to 177.310 million TL, respectively. Privatization revenues decreased by 15,8% to 10.634 million TL.

Table 78. General Government Revenues <sup>(1)</sup>

(With Current Prices, Million TL)

Revenues	2012	2013	2014 <sup>(2)</sup>	Variation (%)		Share (%)			Ratio to GDP		
				2013	2014	2012	2013	2014	2012	2013	2014
Taxes	285,695	334,445	361,523	17.1	8.1	53.3	53.5	52.5	20.2	21.3	20.7
Direct	85,730	92,602	106,875	8.0	15.4	16.0	14.8	15.5	6.1	5.9	6.1
Indirect	190,133	231,110	243,046	21.6	5.2	35.5	37.0	35.3	13.4	14.7	13.9
Asset	9,832	10,733	11,602	9.2	8.1	1.8	1.7	1.7	0.7	0.7	0.7
Non-tax normal revenues	30,186	29,520	38,680	-2.2	31.0	5.6	4.7	5.6	2.1	1.9	2.2
Factor revenues	80,885	90,781	100,748	12.2	11.0	15.1	14.5	14.6	5.7	5.8	5.8
Social funds	132,564	157,967	177,310	19.2	12.2	24.7	25.3	25.7	9.4	10.1	10.1
Total	529,329	612,713	678,261	15.8	10.7	98.8	98.0	98.5	37.4	39.1	38.8
Privatization revenues	6,447	12,636	10,634	96.0	-15.8	1.2	2.0	1.5	0.5	0.8	0.6
Total revenues	535,776	625,350	688,895	16.7	10.2	100.0	100.0	100.0	37.8	39.9	39.4

Source: MoD, TURKSTAT.

(1): Includes general government, central government budget, local administrations, revolving fund organizations, Unemployment Insurance Fund, social security organizations, general health insurance and funds.

(2): Realization estimate.

The share of the revenue components within the general government revenues from 2013 to 2014 were as follows: taxes fell from 53,5% to 52,5% and privatization revenues fell from 2,0% to 1,5%; the non-tax normal revenues increased from 4,7% to 5,6%, factor revenues increased from 25,3% to 25,7% and the social funds went from 25,3% to 25,7%.

In 2014, the ratio of general government revenues to GDP with current prices regressed by 0,5 points compared to the preceding year and fell to 39,4%. The ratio of tax revenues decreased by 0,6 points to 20,7%, the ratio of privatization revenues decreased by 0,2 points to 0,6%, whereas the ratio of non-tax normal revenues increased by 0,3 points to 2,2%, the ratio of social funds and factor revenues remained unchanged at 10,1% and 5,8%, respectively.

The general government revenues which increased by 15,7% in 2013 are expected to advance to 702.605 million TL in 2014 with an increase by 10,3%. Current expenditures increased by 11,3% to 313.444 million TL. The general government fixed capital investments which increased by 34,0% in 2013 decelerated in 2014, rising to 71.413 million TL with an increase by 8,0%. Public stocks had a deficit of 236 million TL in 2014. Thus, the general government investment expenditures which increased by 8,9% in 2013 increased by 8,9% in 2014 and rose to 71.649 million TL. The general government transfer expenditures which increased by 14,6% in 2013 rose by 9,6% in 2014 and ascended to 317.512 million TL. The current transfers and capital transfers, which constitute the substantial part of transfer expenditures, rose to 297.036 million TL with an increase by 9,2% and to 20.476 million TL with an increase by 16,4%, respectively. Non-interest expenditures became 650.393 million TL with an increase by 11,1% (Table 79).

The current expenditures that had 44,2% share within the general government expenditures in 2012 climbed to 44,6% in 2014, whereas the share of investment expenditures regressed from 10,3% to 10,2% and the share of transfer expenditures regressed from 45,5% to 45,2%.

Table 79. General Government Expenditures <sup>(1)</sup>

Expenditures	(with Current Prices, Million TL)										
	2012	2013	2014 <sup>(2)</sup>	Variation (%)		Share (%)			Ratio to GDP		
				2013	2014	2012	2013	2014	2012	2013	2014
Current expenditures	247,774	281,603	313,444	13.7	11.3	45.0	44.2	44.6	17.5	18.0	17.9
Investment expenditures	49,812	65,776	71,649	32.0	8.9	9.1	10.3	10.2	3.5	4.2	4.1
Fixed capital	49,330	66,097	71,413	34.0	8.0	9.0	10.4	10.2	3.5	4.2	4.1
Change in stock	482	-321	236	-166.6	-173.5	0.1	-0.1	0.0	0.0	0.0	0.0
Transfer expenditures	252,808	289,643	317,512	14.6	9.6	45.9	45.5	45.2	17.8	18.5	18.1
Current transfers	240,443	272,044	297,036	13.1	9.2	43.7	42.7	42.3	17.0	17.4	17.0
Capital transfers	12,365	17,598	20,476	42.3	16.4	2.2	2.8	2.9	0.9	1.1	1.2
Total expenditures	550,394	637,022	702,605	15.7	10.3	100.0	100.0	100.0	38.8	40.6	40.2
Non-interest expenditures	500,443	585,429	650,393	17.0	11.1	90.9	91.9	92.6	35.3	37.4	37.2

Source: MoD, TURKSTAT.

Note: (-) sign indicates surplus.

(1): Includes general government, central government budget, local administrations, revolving fund organizations, Unemployment Insurance Fund, social security organizations, general health insurance and funds.

(2): Realization estimate.

The ratio of general government expenditures to the GDP with current prices in 2014 decreased by 0,4 points compared to the previous year and dropped to 40,2%. The ratio of the current expenditures regressed by 0,1 point to 17,9%, the ratio of investment expenditures regressed by 0,1 point to 4,1%, and the ratio of transfer expenditures regressed by 0,4 points to 18,1%.

#### 1.4.4.1 Central Government Budget

It was targeted that the central government budget expenditures would be 436.433 million TL and budget revenues would be 403.175 million TL in 2014. According to these targets, it was envisaged that budget balance would produce a deficit of 33.258 million TL, and non-interest balance would produce a surplus of 18.742 million TL.

The improvement seen in the central government budget balance in 2013 was reversed and somewhat impaired in 2014. On the other hand, central government budget performed than as targeted, and the budget deficit accrued below the envisaged value. This performance was influenced by the increased non-tax revenues with the effect of the profit transfers made from CBRT and public banks to the budget as enterprise and ownership revenues, rather than the tax revenues, which accrued a little above the target. The slowdown in the increase in budget expenses excluding expenses, decrease in interest expenditures and continuance in the budget revenues provided improvement in the budget balance.

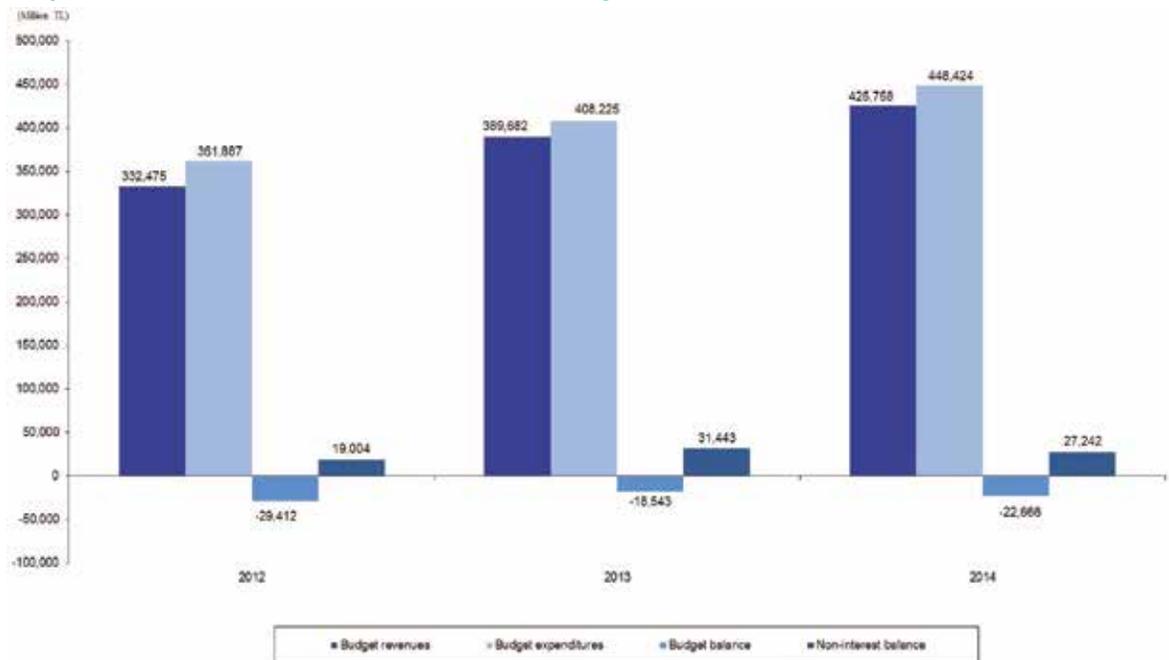
Compared to the preceding year, budget revenues increased from 389.682 million TL to 425.758 million TL with an increase by 9,3%, budget expenses increased from 408.225 million TL to 448.424 million TL with an increase by 9,8%. The budget deficit that increased by 37,0% in 2013 climbed from 18.543 million TL to 22.666 million TL in 2014, up 122,2%. The non-interest surplus having risen by 65,5% in 2013 decreased by 13,4% in 2014, declining from 31.443 million TL to 27.242 million TL. The ratio of budget revenues to cover the expenses which was 95,5% in 2013 fell to 94,9% in 2014 (Table 80, Graph 39).

Thus, the budget expenses stood below the target by 11.991 million TL below the target with 448.424 million TL, and budget revenues stood above the target by 22.583 million TL with 425.758 million TL. The budget deficit remained below the target value by 10.592 million TL with 22.666 million TL, whereas non-interest balance was above the target by 8.500 million TL with 27.242 million TL.

**Table 80. Realization of Central Government Budget**

Components	(with Current Prices, Million TL)							
	2012	2013	2014	Variation (%)		Ratio to GDP		
				2013	2014	2012	2013	2014
Budget expenditures	361,887	408,225	448,424	12.8	9.8	25.5	26.0	25.6
Non-interest expenses	313,471	358,239	398,517	14.3	11.2	22.1	22.9	22.8
Interest expenditures	48,416	49,986	49,907	3.2	-0.2	3.4	3.2	2.9
Budget revenues	332,475	389,682	425,758	17.2	9.3	23.5	24.9	24.3
Budget balance	-29,412	-18,543	-22,666	-37.0	22.2	-2.1	-1.2	-1.3
Non-interest balance	19,004	31,443	27,242	65.5	-13.4	1.3	2.0	1.6

Source: MoF, TURKSTAT.

**Graph 39. Realization of Central Government Budget**

Source: MoF.

In 2014, the ratio of the central government budget revenues to the GDP fell from 24,9% to 24,3%, whereas the ratio of the central government budget expenditures to the GDP rose from 26,0% to 25,6%. The ratio of the central government budget deficit to the GDP rose from 1,2% to 1,3%, and the ratio of the central government budget surplus to the GDP declined from 2,0% to 1,6%.

#### 1.4.4.1.1 Revenues

The increase in the budget revenues continued in 2014, though decelerated compared to 2013. While the increase rate in tax revenues slowed down compared to the preceding year in consequence of weakening of the domestic demand, the positive performance in the budget revenues considerably promoted the increase in non-tax revenues. The increase in the non-tax revenues mainly stemmed from the increases in enterprise

and property revenues, interests, shares and fines. One of the most important reasons of the increase in non-tax revenues was return of the allowance of 3,4 billion TL, which was transferred to the provincial special administrations as per the provisions of the Law no. 6630 but which was not utilized, to the general budget, and the amount transferred to the Treasury as a result of the increase in 2013 profit of CBRT.

Subject to these developments, the central government budget revenues that increased by 17,2% in 2013 rose to 425.758 million TL with an increase by 9,3% in 2014, which was 22.583 million TL below the envisaged target (Table 81).

**Table 81. Central Government Budget Revenues**

Components	(Million TL)							
	2012	2013	2014	Variation (%)		Share (%)		
				2013	2014	2012	2013	2014
A - General budget revenues	320,536	375,564	409,191	17.2	9.0	96.4	96.4	96.1
1- Tax revenues	278,781	326,169	352,437	17.0	8.1	83.9	83.7	82.8
Taxes on income, profits and capital gains	85,511	92,749	106,204	8.5	14.5	25.7	23.8	24.9
Income tax	56,494	63,761	73,899	12.9	15.9	17.0	16.4	17.4
Income tax based on return	3,016	3,084	3,034	2.2	-1.6	0.9	0.8	0.7
Income tax with simple method	301	305	298	1.5	-2.4	0.1	0.1	0.1
Income tax withholding	51,744	58,779	68,847	13.6	17.1	15.6	15.1	16.2
Temporary income tax	1,432	1,593	1,721	11.3	8.0	0.4	0.4	0.4
Corporation tax	29,017	28,988	32,304	-0.1	11.4	8.7	7.4	7.6
Corporation tax based on return	1,526	2,075	601	36.0	-71.0	0.5	0.5	0.1
Corporation tax withholding	242	153	189	-37.1	24.0	0.1	0.0	0.0
Temporary corporation tax	27,249	26,760	31,514	-1.8	17.8	8.2	6.9	7.4
Taxes on property	7,009	7,693	8,215	9.8	6.8	2.1	2.0	1.9
Inheritance and transfer taxes	293	340	428	16.1	26.0	0.1	0.1	0.1
Motor vehicle tax	6,716	7,353	7,787	9.5	5.9	2.0	1.9	1.8
Domestic taxes on goods and services	113,837	134,855	142,089	18.5	5.4	34.2	34.6	33.4
Domestic value added tax	31,572	37,995	38,121	20.3	0.3	9.5	9.8	9.0
Special consumption tax	71,706	85,462	91,074	19.2	6.6	21.6	21.9	21.4
SCT on oil and natural gas products	35,935	45,158	45,628	25.7	1.0	10.8	11.6	10.7
PCT on motor vehicles	8,409	10,565	12,851	25.6	21.6	2.5	2.7	3.0
SCT on coke drinks, alcoholic drinks and tobacco products	24,895	26,822	29,224	7.7	9.0	7.5	6.9	6.9
SCT on durable consumer goods and other goods	2,467	2,916	3,371	18.2	15.6	0.7	0.7	0.8
Banking and insurance transactions tax	5,471	6,160	7,486	12.6	21.5	1.6	1.6	1.8
Taxes on games of chance	616	692	768	12.5	11.0	0.2	0.2	0.2
Special communication tax	4,473	4,545	4,640	1.6	2.1	1.3	1.2	1.1
Taxes on international trade and transactions	55,310	68,269	71,119	23.4	4.2	16.6	17.5	16.7
Customs taxes	5,195	5,409	6,541	4.1	20.9	1.6	1.4	1.5
Value added tax on imports	50,000	62,727	64,388	25.5	2.6	15.0	16.1	15.1
Other foreign trade revenues	115	133	190	15.0	43.0	0.0	0.0	0.0
Stamp tax	7,360	9,416	10,324	27.9	9.6	2.2	2.4	2.4
Fees	9,675	12,948	14,482	33.8	11.9	2.9	3.3	3.4
Other taxes not elsewhere classified	78	240	3	207.5	-98.9	0.0	0.1	0.0
2- Non-Tax Other Revenues	41,755	49,395	56,754	18.3	14.9	12.6	12.7	13.3
B- Revenues from special budget institutions	9,622	11,445	13,419	19.0	17.3	2.9	2.9	3.2
C- Revenues from regulatory and supervisory institutions	2,318	2,673	3,148	15.3	17.8	0.7	0.7	0.7
Total	332,475	389,682	425,758	17.2	9.3	100.0	100.0	100.0

Source: MoF.

Tax revenues which had the biggest share within the central government budget revenues increased by 8,1% in 2012 with a significant deceleration with the effect of the weakening in the domestic demand, and remained at the level of 352.437 million TL. Thus, the budget revenues accrued 4.084 million TL above the target level of 348.353 million TL. The share of tax revenues within the total central government budget which was 83,7% in 2013 declined to 82,8% in 2014.

In 2014, income tax collection rate increased from 12,9% to 15,9% due to the effect of the increase in income tax withholding and provisional income tax. The share of the income tax collected with the simple method, which is listed under the income tax, and of the temporary income tax, within the central management budget, remained unchanged in 2014, too, compared to the preceding year. Share of the income tax based on return within the total central government budget decreased compared to the preceding year, whereas that of the income tax withholding increased.

The corporation tax collection increased by 11,4% in 2014 compared to 2013 due to the increases in the corporation tax withholding and the provisional corporation tax. Collection of the corporation tax based on return decreased by 71,0%.

The taxes on property became 8.215 million TL with an increase by 6,8% compared to 2013. While the increase rate of domestic taxes on goods and services significantly decelerated in 2014 compared to the preceding year and remained at 5,4%, the share of these taxes within the central government total budget revenues dropped from 34,6% to 33,4%. Due to the effect of the macro-cautionary measures designed to restrict domestic demand, which were put in place in the beginning of 2014, the increases in the domestic value added tax and special consumption tax were low. The domestic value added tax and special consumption tax which increased by 20,3% and 19,2%, respectively, in 2013, increased by 0,3% to 38.121 million TL and by 6,6% to 91.074 million TL, respectively. Among the tax revenues, the direct taxes composed of the total of taxes on incomes and profits, property taxes and taxes not elsewhere classified increased by 13,6% to 114.422 million TL, and the indirect taxes composed of the domestic taxes on goods and services, the taxes on international trade and transactions, and stamp taxes and fees increased by 5,6% to 238.014 million TL. Within the total tax revenues, share of indirect taxes was 67,5% and share of direct taxes was 32,5%.

Non-tax revenues increased by 14,9% to 56.754 million TL in 2014, resulting in a share of 13,3% within the total central government budget revenues. In 2014, the revenues of special budget institutions increased by 17,3% to 13.419 million TL, the revenues of regulatory and supervisory institutions increased by 17,8% to 3.148 million TL.

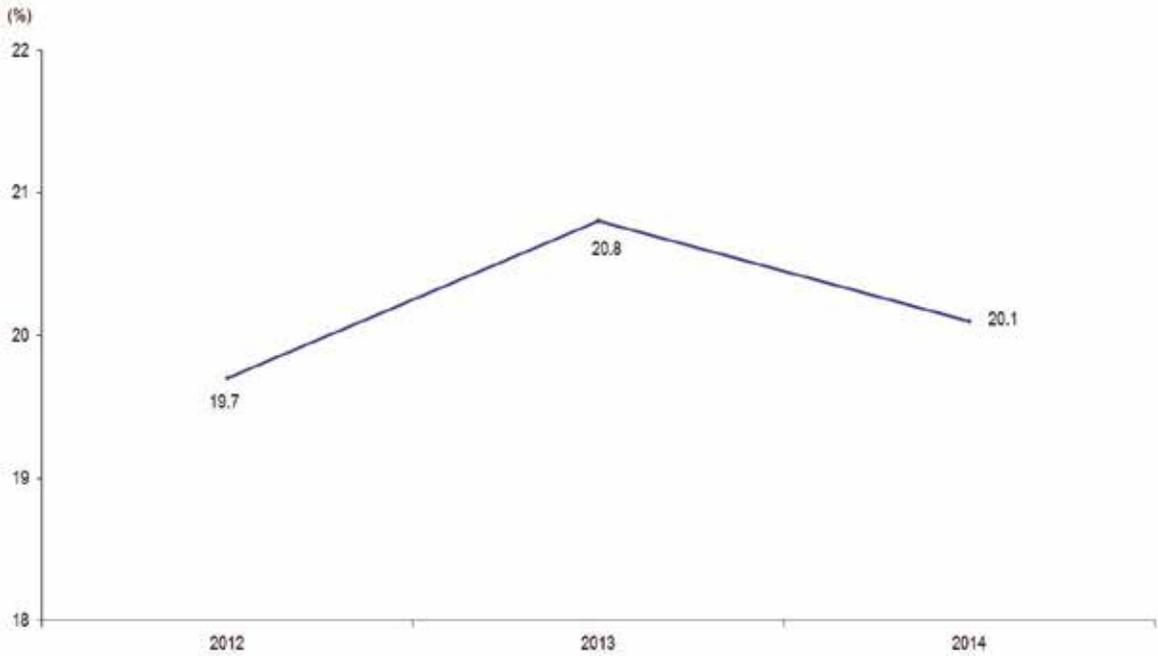
Total tax burden, which is defined as the ratio of the total tax revenues to the GDP, declined from 20,8% to 20,1% with a drop by 0,7 points (Table 82, Graph 40).

**Table 82. Tax Burden and Tax Elasticity Coefficients**

Indicator	2012	2013	2014
Total tax burden	19.7	20.8	20.1
Total tax elasticity	1.1	1.6	0.7
Income + corporation tax elasticity	1.4	0.8	1.2

Source: MoF, TURKSTAT.

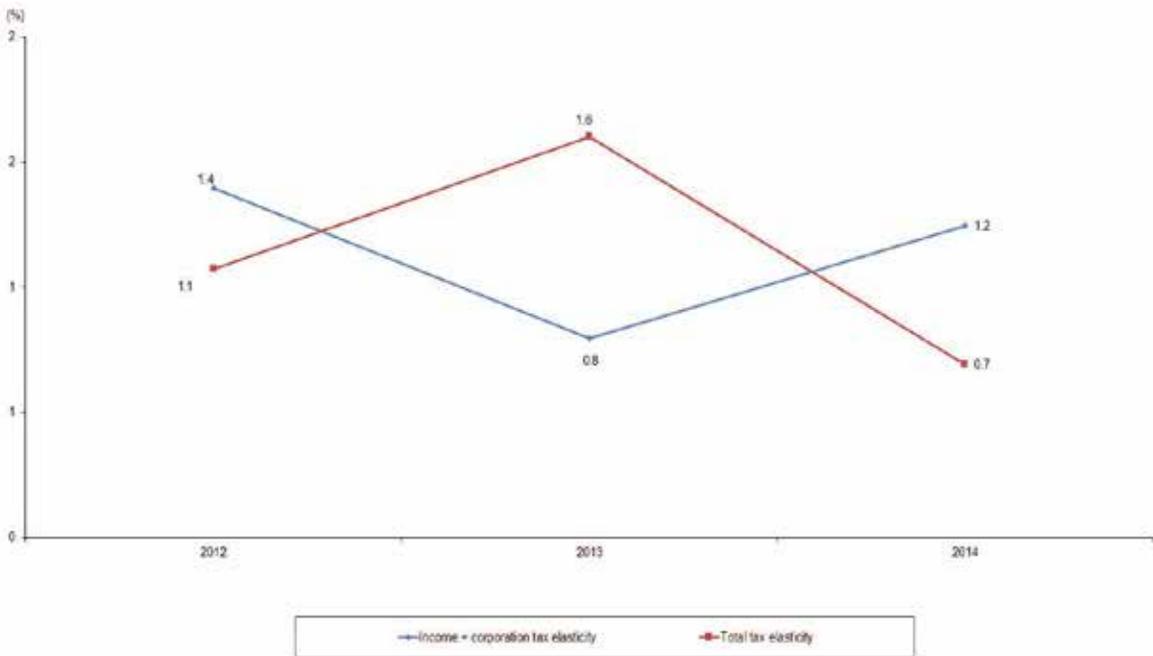
Graph 40. Tax Burden



Source: MoF, TURKSTAT.

The tax elasticity coefficient, which shows the sensitivity of the tax revenues to the changes in the GDP was 1,6% in 2013, and became 0,7% in 2014 (Graph 41).

Graph 41. Tax Elasticity Coefficients



Source: MoF, TURKSTAT.

### 1.4.4.1.2 Expenses

The discipline that was attained in the expenditures as a result of the cautious finance policies implemented in recent years in Turkish economy was maintained in 2014. The increase rate of the total central government budget expenses which was 12,8% in 2013 declined to 9,8% in 2014. The central management budget expenses went up to 448.424 million TL, which is 11.991 million TL above the budget target. The high-rate increase trend continued by non-interest expenses since 2012 was relatively preserved in 2014, and they became 398.517 million TL with a rise by 11,2%. Thus, non-interest expenses stood 14.084 million TL above the budget target of 384.433 million TL (Table 83).

Among the sub-expenditure items of the non-interest expenses of the year 2014 budget, it was aimed that the personnel expenses would be 109.969 million TL, state premium expenses to the social security institutions would be 18.875 million TL, the purchase of goods and services would be 37.590 million TL, the current transfers would be 163.554 million TL, the capital expenditures would be 36.689 million TL, and the capital transfers would be 6.518 million TL. As of the year end, compared to the preceding year, personnel expenses rose by 14,7% to 110.370 million TL, state premiums to social security institutions rose by 16,1% to 18.926 million TL, purchase of goods and services rose by 11,8% to 40.691 million TL, current transfers rose by 9,1% to 162.327 million TL, capital expenses rose by 9,7% to 48.001 million TL, capital transfers rose by 0,2% to 7.683 million TL, and lending rose by 15,1% to 10.518 million TL.

**Table 83. Central Government Budget Expenses**

Components	(Million TL)								
	2012	2013	2014	Variation (%)		Share (%)			
				2013	2014	2012	2013	2014	
Non-interest expenses	313,471	358,239	398,517	14.3	11.2	86.6	87.8	88.9	
Personnel expenses	86,463	96,235	110,370	11.3	14.7	23.9	23.6	24.6	
State premium expenses to SSI	14,728	16,306	18,926	10.7	16.1	4.1	4.0	4.2	
Expenses for purchase of goods and services	32,894	36,386	40,691	10.6	11.8	9.1	8.9	9.1	
Defense and security	10,965	11,783	12,165	7.5	3.2	3.0	2.9	2.7	
Health expenses	539	336	358	-37.6	6.4	0.1	0.1	0.1	
General borrowing expenses	451	518	454	15.0	-12.4	0.1	0.1	0.1	
Expenses for purchase of other goods and services	20,939	23,749	27,714	13.4	16.7	5.8	5.8	6.2	
Current transfers	129,477	148,743	162,327	14.9	9.1	35.8	36.4	36.2	
Duty losses	3,912	4,075	3,836	4.2	-5.9	1.1	1.0	0.9	
Treasury aids	70,184	79,238	83,528	12.9	5.4	19.4	19.4	18.6	
Treasury aids to the SSI	1,764	2,166	2,467	22.8	13.9	0.5	0.5	0.6	
Unemployment insurance fund	1,543	1,935	2,238	25.4	15.7	0.4	0.5	0.5	
5 point premium support to funds	221	232	230	4.7	-0.9	0.1	0.1	0.1	
Expenses for health, retirement and social aids	63,684	71,793	77,294	12.7	7.7	17.6	17.6	17.2	
Treasury aids to local administrations	2,400	2,363	1,240	-1.5	-47.5	0.7	0.6	0.3	
Other treasury aids	2,337	2,916	2,527	24.8	-13.3	0.6	0.7	0.6	
Transfers to non-profit organizations	926	1,786	2,552	92.8	42.9	0.3	0.4	0.6	
Transfers to households	2,891	3,543	3,777	22.5	6.6	0.8	0.9	0.8	
Agricultural subsidy payments	7,553	8,684	9,148	15.0	5.3	2.1	2.1	2.0	
Other transfers to households	5,411	4,048	2,850	-25.2	-29.6	1.5	1.0	0.6	
Social transfers	2,922	5,876	7,735	101.1	31.6	0.8	1.4	1.7	
Foreign transfers	1,296	1,624	1,556	25.3	-4.2	0.4	0.4	0.3	
Shares from revenues	34,380	39,869	47,344	16.0	18.8	9.5	9.8	10.6	
Capital expenses	34,365	43,767	48,001	27.4	9.7	9.5	10.7	10.7	
Capital transfers	6,006	7,666	7,683	27.6	0.2	1.7	1.9	1.7	
Lending	9,537	9,135	10,518	-4.2	15.1	2.6	2.2	2.3	
Interest expenses	48,416	49,986	49,907	3.2	-0.2	13.4	12.2	11.1	
<b>Total</b>	<b>361,887</b>	<b>408,225</b>	<b>448,424</b>	<b>12.8</b>	<b>9.8</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	

Source: MoF.

The increase rate of personnel expenses which decelerated in 2013 started to ascend again in 2014 its share within the budget increased. There was a remarkable drop in the increase rate of the current transfers, and its share within the budget scaled down too slightly. The positive course in the increase rate of the interest expenses, which substantially slowed down and regressed to 3,2% in 2013, went on in 2014, and the interest expenses declined to 49.907 million TL, down 0,2%. Thus, interest expenses accrued 2.093 million TL below the budget target of 52.000 million TL.

Share of the non-interest expenses within the central government budget escalated from 87,8% to 88,9%, whereas share of the interest expenses fell from 12,2% to 11,1%.

#### 1.4.4.2 Funds

Four funds continued to be monitored in 2014 within the scope of the fund balance, including the Support and Price Stabilization Fund within the budget; the Social Assistance and Solidarity Fund, the Defense Industry Support Fund and the Privatization Fund, outside the budget. In 2014, it is expected that revenues of the funds included in the public sector general balance would be 8.915 million TL, their expenses would be 9.225 million TL, consequently, the fund balance would produce a deficit of 309 million TL (Table 84).

**Table 84. Fund Balance <sup>(1)</sup>**

Components	(with Current Prices, Million TL)				
	2012	2013	2014 <sup>(2)</sup>	Variation (%)	
				2013	2014
A. Fund Revenues	10,997	7,384	8,915	-32.9	20.7
Tax revenues	5,484	5,947	6,858	8.4	15.3
Non-tax normal revenues	931	1,426	1,975	53.2	38.5
Factor revenues (Net)	98	11	82	-88.8	645.5
Current transfers (Net)	0	0	0	-	-
Capital transfers (Net)	4,484	0	0	-100.0	-
B. Fund Expenses	4,524	9,990	9,225	120.8	-7.7
Current expenses	1,782	2,418	3,158	35.7	30.6
Factor Expenses (Net)	0	0	0	-	-
Fixed capital investments	0	0	0	-	-
Current transfers (Net)	2,742	3,421	4,162	24.8	21.7
Capital transfers (Net)	0	4,151	1,905	-	-54.1
C. Revenue-expense difference	6,473	-2,607	-309	-140.3	-88.1
D. Financing	-6,473	2,607	309	-140.3	-88.1
Foreign borrowing	0	0	0	-	-
Foreign debt repayment	-25	-5	-1	-80.0	-80.0
Domestic debt-receivables relationship (Net)	-197	-45	23	-77.2	-151.1
Cash-bank variation	-6,251	2,656	286	-142.5	-89.2

Source: MoD.

(1): Unemployment Insurance Fund excluded.

(2): Realization estimate.

#### 1.4.4.3 State Economic Enterprises

In 2014, the revenues of the operating state economic enterprises (SEEs) are expected to increase by 5,7% to 131.636 million TL, and their expenses are expected to increase

by 13,1% to 139.150 million TL. As was the case in the prior years, it is estimated that a significant portion of the revenues would be composed of the sales yield of goods and services included under operating revenues and a significant portion of the expenses would be composed of the sales cost of goods and services collected under operating expenses (Table 85).

**Table 85. Financing Balance of Operational SEEs**

Components	(with Current Prices, Million TL)				
	2012	2013	2014 <sup>(1)</sup>	Variation (%)	
				2013	2014
A. Total revenues	113,678	124,542	131,636	9.6	5.7
I. Operational income	103,382	112,644	118,274	9.0	5.0
1. Revenues from sales of goods and services	95,979	101,009	109,907	5.2	8.8
2. Other revenues	7,403	11,635	8,367	57.2	-28.1
II. Retained funds	3,656	4,554	4,344	24.6	-4.6
1. Depreciations	3,381	3,512	4,000	3.9	13.9
2. Provisions and exchange rate differences	274	1,041	344	279.9	-67.0
III. Budget transfer	6,640	7,345	9,019	10.6	22.8
B. Total expenses	112,983	123,069	139,150	8.9	13.1
I. Operational expenses	100,863	106,975	119,918	6.1	12.1
1. Cost of sales of goods and services	89,429	92,153	107,440	3.0	16.6
2. Other expenses	11,434	14,822	12,478	29.6	-15.8
II. Investment expenditures	5,885	7,386	8,925	25.5	20.8
III. Inventory increase	2,197	515	161	-76.6	-68.7
IV. Increase in fixed assets	1,010	144	1,819	-85.7	1,163.2
V. Direct taxes	1,455	2,684	1,891	84.5	-29.5
VI. Dividend payments	1,549	4,488	5,313	189.7	18.4
VII. Capital transfer to affiliates	25	876	1,123	3,404.0	28.2
C. Revenue-expense difference	695	1,473	-7,514	111.9	-610.1
D. Financing	-695	-1,473	7,514	111.9	-610.1
I. Change in cash-bank	-1,702	-1,385	4,496	-18.6	-424.6
II. Domestic borrowing (net)	684	-1,382	3,882	-302.0	-380.9
III. Foreign borrowing (net)	324	1,293	-864	299.1	-166.8

Source: MoD.

(1): Realization estimate.

#### 1.4.4.4 Public Sector Financing Deficit

The public sector financing deficit which was 7.146 million TL in 2013 is expected to rise to 15.609 million TL in 2014, and the public sector financing balance, excluding budget interest payments, which had a surplus of 42.840 million TL in 2013, is expected to decrease by 19,9% and produce a surplus of 34.298 million in 2014. The increase in the central government budget deficit, and the fact that the SEEs, local administrations and funds had deficit were the most important factors in the deterioration of the public sector borrowing requirement (Table 86).

Table 86. Public Sector Borrowing Requirement

Components	(with Current Prices, Million TL)					
				Ratio to GDP		
	2012	2013	2014 <sup>(1)</sup>	2012	2013	2014
Central government budget	29,412	18,543	22,666	2.1	1.2	1.3
SEE	-739	-4,526	3,665	-0.1	-0.3	0.2
Operator	-695	-1,473	7,514	0.0	-0.1	0.4
Organizations within the scope of privatization	-45	-3,052	-3,849	0.0	-0.2	-0.2
Local administrations	-220	2,293	53	0.0	0.1	0.0
Revolving fund	-550	-1,872	-648	0.0	-0.1	0.0
Social security institutions	91	-709	0	0.0	0.0	0.0
Unemployment Insurance Fund	-7,641	-9,189	-10,436	-0.5	-0.6	-0.6
Funds	-6,473	2,607	309	-0.5	0.2	0.0
Borrowing requirement	13,879	7,146	15,609	1.0	0.5	0.9
Budget interest payments	48,416	49,986	49,907	3.4	3.2	2.9
Non-interest borrowing requirement	-34,537	-42,840	-34,298	-2.4	-2.7	-2.0

Source: MoD, MoF.

Note: (-) sign indicates surplus.

(1): Realization estimate.

The central government budget deficit, which had the largest share within the public sector deficit in 2014, increased by 22,2% compared to the preceding year and advanced to 22.666 million TL. The operational SEEs had a surplus of 7.514 million TL, local administrations had a deficit of 53 million TL, the funds had a deficit of 309 million TL, whereas the SEEs within the scope of privatization had a surplus of 3.849 million TL, revolving fund had a surplus of 648 million TL, and the Unemployment Insurance Fund had a surplus of 10.436 million TL.

The ratio of the central government budget deficit to the GDP rose from 1,2% to 1,3%, yet, the ratio of budget interest payments to the GDP fell from 3,2% to 2,9%. The ratio of non-interest borrowing requirement dropped from 2,7% in 2013 to 2,0% in 2014.

#### 1.4.4.5 Privatization

The main purpose of privatization practice is to allow the state to withdraw from all operating areas in economy. The main philosophy has been established as the state's being involved in the necessary expenditures and infrastructure investments which cannot be undertaken by the private sector, which are required for ensuring justice and security, the essential duties of the state, and direction of the economy by the market mechanisms.

In line with this objective set in our country, the privatization practices, which started in 1984 with the application of transfers to the private sector with the objective of completion of the semi-completed facilities belonging to the public sector or of establishment of new facilities in their place, accelerated as of 1986. In the recent years, the efforts have severely slowed down upon completion of a majority of the privatization of the institutions within the scope of privatization.

Since 1985, the public shares of 270 organizations, 22 semi-completed facilities, 1.614 real estate properties, 8 highways, 2 Bosphorus bridges, 126 facilities, 6 ports and the license rights to betting, gaming and lotteries and the vehicle inspection stations have been included in the scope of privatization. The public shares of 25 organizations and 4 real estate properties were later removed from the scope of privatization without being subjected to privatization, and were transferred for the purpose of liquidating, consolidat-

ing with another organization not included in the scope of privatization, and terminating their legal personalities. Within the framework of the privatization program carried out by taking the public shares of the organizations which belong to the public sector or which have public sector participation within the scope of privatization until the present day the sales/transfers of the shares or assets of 204 organizations have been made, and no public shares have remained in 194 of these organizations. Presently, there are 23 organizations within the scope and in the program of privatization. There is public sector share of over 50% in 12 of these organizations. Furthermore, 614 real estate properties, 38 facilities, 3 ports, 8 highways 2 Bosphorus bridges and the rights of betting, gaming and lotteries are within the scope of privatization.

Privatization transaction amount declined from 12.486 million \$ in 2013 to 6.341 million \$ in 2014 with a drop by 49,2%. This is composed of sales of subsidiaries, affiliates, facilities and assets amounting to 5.882 million \$, and transfer of the organizations included in the scope of privatization program and of subsidiaries, affiliates, facilities and assets belonging to those organizations in return for payment amounting to 459 million \$. The amount of privatization made since 1985 to date amounted to 64.921 million \$ (Table 87). According to the cumulative results between 1985 and 2014, of the total privatization revenues, 48,0% were derived from sales of subsidiaries, affiliates, facilities and assets, 33,5% from sales of shares, 14,7% from public offering, 1,9% from sales in BIST, and 1,9 from the transfers in return for payment.

**Table 87. Privatization Transactions<sup>(1)</sup>**

Transactions					(Thousand \$)
	Cumulative Total 1985-2011	2012	2013	2014	Cumulative Total 1985-2014
Sales of shares of the organizations in the privatization program	20,257,066	186,520	1,306,694	0	21,750,280
Sales of subsidiaries, affiliates, facilities and assets of the organizations in the privatization program	13,777,917	312,305	11,159,609	5,881,791	31,131,622
Public offering of the organizations in the privatization program	7,053,284	2,519,616	0	0	9,572,900
Sales in BIST of the organizations in the privatization program	1,261,054	0	67	0	1,261,121
Sales of semi-completed facilities	4,369	0	0	0	4,369
Transfers of the organizations in the privatization program or of subsidiaries, affiliates, facilities and assets belonging to those organizations, in return for payment	720,256	2,251	19,178	459,393	1,201,078
<b>Total</b>	<b>43,073,945</b>	<b>3,020,692</b>	<b>12,485,548</b>	<b>6,341,184</b>	<b>64,921,369</b>

Source: PA.

(1): The figures in the tables are the sales figures showing the amounts of the implementations performed in the respective year.

#### 1.4.4.6 Central Government Debt Stock

In 2014, the basic principles of debt management were conducted as specified by the Regulation on Principles and Procedures regarding Coordination and Execution of Debt and Risk Management, dated 2002 and no. 24863. In this framework, the financing program 2014 was prepared in accordance with the medium-long term strategic metrics observing the cost and risk level, taking into account the liquidity risk, interest risk and foreign exchange risk, which the debt stock is essentially exposed to, as in the prior years. It was aimed to make the borrowing in 2014 mainly in TL and with fixed-interest

instruments, to extend the medium term to the extent allowed by the market conditions, and to keep a strong reserve so as to alleviate liquidity risk that could occur in the cash and debt management. The practices were carried during the year in accordance with this goal, so the public debt stock indicators maintained their positive outlook in 2014.

The central government total debt stock that increased by 10,1% in 2013 rose to 611.957 million TL with an increase by 4,5% in 2014. While central government domestic debt stock increased by 2,9% to 414.649 million TL, the debt stock that increased by 25,5% in 2013 rose to 197.308 million TL in 2014 with an increase by 7,9%. The central government total debt stock in dollar persisted, dropping to 263.900 million \$ with a decrease by 3,9%, domestic debt stock dropped to 178.813 million \$ with a decrease by 5,3%, and foreign debt stock dropped to 85.087 million TL with a decrease by 0,7% (Table 88, Graph 42).

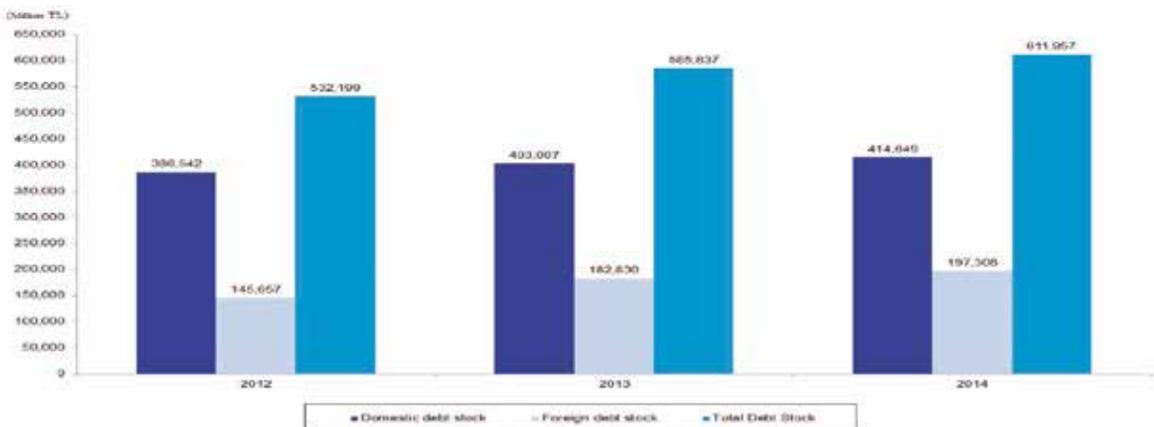
**Table 88. Total Debt Stock of Central Government**

Components	2012	2013	2014 <sup>(1)</sup>	Variation (%)	
				2013	2014
(Million TL)					
Domestic debt stock	386,542	403,007	414,649	4.3	2.9
Foreign debt stock	145,657	182,830	197,308	25.5	7.9
Total debt stock	532,199	585,837	611,957	10.1	4.5
(Million TL)					
Domestic debt stock	216,842	188,824	178,813	-12.9	-5.3
Foreign debt stock	81,710	85,663	85,087	4.8	-0.7
Total debt stock	298,552	274,487	263,900	-8.1	-3.9
Share (%)					
Domestic debt stock	72.6	68.8	67.8		
Foreign debt stock	27.4	31.2	32.2		
Total debt stock	100.0	100.0	100.0		
Ratio to GDP					
Domestic debt stock	27.3	25.7	23.7		
Foreign debt stock	10.3	11.7	11.3		
Total debt stock	37.6	37.4	35.0		

Source: UoT.

(1): Interim.

**Graph 42. Debt Stock of Central Government**



Source: UoT.

The share of the domestic debt stock within the central government debt stock in 2014 compared to 2013 dropped from 68,8% to 67,8%, and the share of the foreign debt stock rose from 31,2% to 32,2%.

Ratio of the central government total debt stock to GDP continued its downward course in 2014, and the it dropped by 2,4 points to 35,0%, the ratio of domestic debt stock to GDP decreased by 2,0 points to 23,7%, and the ratio of foreign debt stock to GDP decreased by 0,4 points to 11,3%.

In 2014, a total of 157,047 million TL domestic debt was paid. Of this, 75,0% amounting to 117.788 million TL was composed of principal payments, whereas 25,0% amounting to 39.259 million TL was composed of interest payments. The net domestic borrowing realized in 2014 was 11.642 million TL (Table 89).

**Table 89. Domestic Debt Stock**

								(Million TL)
Years	Sharements			Borrowing			Debt Stock	Variation (%)
	Principal	Interest	Total	Sales	Sharement	Net Borrowing		
2012	84,018	40,702	124,720	101,899	84,018	17,881	386,542	4.8
2013	128,062	38,910	166,972	144,528	128,062	16,465	403,007	4.3
2014 <sup>(1)</sup>	117,788	39,259	157,047	129,430	117,788	11,642	414,649	2.9

Source: UoT.

(1): Interim.

The weighted average of domestic borrowing that was 7,7% in 2013 rose to 9,8% in 2014. Somewhat deterioration occurred in the maturity structure of the domestic debt stock in 2014. The average maturity of domestic borrowing fell from 74,3 months in 2013 to 68,5 months in 2014 (Table 90).

**Table 90. Average Maturity and Cost of the Domestic Borrowing**

Components	2012	2013	2014 <sup>(1)</sup>
Cumulative Maturity (Months) <sup>(2)</sup>	60.8	74.3	68.5
Compound Interest (%) <sup>(3)</sup>	8.8	7.7	9.8

Source: UoT.

(1): Interim.

(2): Includes domestic cash borrowing.

(3): Weighted average cost of the fixed-yield domestic borrowing in TL.

Within the total central government debt stock which was 611.957 million in 2014, the Turkish Lira-indexed bills payable amounting to 414.649 million TL represented 67,8%, whereas foreign exchange-indexed bills payable amounting to 197.308 million TL represented 32,2%. Compared to 2013, the share of the bills payable in Turkish Lira declined from 68,8% to 67,8% and the share of foreign exchange indexed bills rose from 31,2% to 32,2%. Within the total debt stock, fixed-rate promissory notes constituted 65,2%, floating-rate promissory notes constituted 18,3%, and CPI-indexed promissory notes constituted 16,5%. Turkish Lira-indexed promissory notes were composed of fixed-interest promissory notes with 38,4%, floating-interest promissory notes with 12,9% and CPI-indexed promissory notes with 16,5%, whereas foreign exchange-indexed promissory notes were composed of fixed-interest promissory notes with 26,9%, and floating-interest promissory notes with 5,4% (Table 91).

**Table 91. Foreign Exchange/Interest Composition of the Domestic Debt Stock <sup>(1)</sup>**

Components	Stock Value (Million TL)			Share (%)		
	2012	2013	2014 <sup>(2)</sup>	2012	2013	2014
Fixed	318,056	360,190	399,266	59.8	61.5	65.2
Variable	137,834	129,408	111,811	25.9	22.1	18.3
CPI-indexed	76,309	96,239	100,880	14.3	16.4	16.5
Total debt stock	532,199	585,837	611,957	100.0	100.0	100.0
Fixed	201,866	212,007	234,889	37.9	36.2	38.4
Variable	108,367	94,760	78,880	20.4	16.2	12.9
CPI-indexed	76,309	96,239	100,880	14.3	16.4	16.5
Total debt stock	386,542	403,007	414,649	72.6	68.8	67.8
Fixed	116,190	148,183	164,377	21.8	25.3	26.9
Variable	29,467	34,648	32,931	5.5	5.9	5.4
Foreign exchange	145,657	182,830	197,308	27.4	31.2	32.2
Fixed	201,866	212,007	234,889	37.9	36.2	38.4
Variable	108,367	94,760	78,880	20.4	16.2	12.9
CPI-indexed	76,309	96,239	100,880	14.3	16.4	16.5
Domestic debt stock	386,542	403,007	414,649	72.6	68.8	67.8
Fixed	116,190	148,183	164,377	21.8	25.3	26.9
Variable	29,467	34,648	32,931	5.5	5.9	5.4
Foreign debt stock	145,657	182,830	197,308	27.4	31.2	32.2

Source: UoT.

(1): Composed of domestic and foreign debt stock principal liabilities.

(2): Interim.

In the distribution of domestic debt stock by lenders, the share of the banking sector in 2014 compared to the preceding year regressed from 50,1% to 47,3%, the share of CBRT rose regressed from 2,1% to 2,0%, and the share of the non-bank sector rose from 26,2% to 28,9%. Within the total internal debt stock, under the banking sector, share of the public banks was 19,0%, share of the private banks was 22,0%, share of foreign banks was 5,3%, and share of development and investment banks was 0,9%. Within the total debt stock, under the non-bank sector, share of the real persons was 0,4%, share of legal persons was 23,4%, and share of the securities mutual funds was 5,1% (Table 92).

**Table 92. Distribution of Domestic Debt Stock by Lenders <sup>(1)</sup>**

Components	Stock Value (Million TL)			Share (%)		
	2012	2013	2014 <sup>(2)</sup>	2012	2013	2014
Banking sector	221,074	211,626	217,829	50.5	50.1	47.3
Public banks	88,988	88,224	87,607	20.3	20.9	19.0
Private banks	104,701	96,022	101,600	23.9	22.7	22.0
Foreign banks	22,343	23,626	24,630	5.1	5.6	5.3
Development and investment banks	5,042	3,754	3,992	1.2	0.9	0.9
Non-banking sector <sup>(2)</sup>	106,701	110,707	133,368	24.4	26.2	28.9
Real persons	2,873	3,740	1,973	0.7	0.9	0.4
Legal persons	86,844	87,174	107,716	19.8	20.6	23.4
Securities mutual funds	16,984	19,792	23,679	3.9	4.7	5.1
CBRT <sup>(3)</sup>	8,458	8,968	9,231	1.9	2.1	2.0
Total domestic residents	336,233	331,301	360,428	76.8	78.5	78.2
Abroad residents	101,631	90,868	100,531	23.2	21.5	21.8
Total	437,864	422,169	460,959	100.0	100.0	100.0

Source: UoT.

(1): The GDS used in repo, etc. guarantee transactions are shown within the data of the subsector containing the party giving the guarantee.

(2): Includes all real and legal persons outside the Savings Deposit Insurance Fund.

(3): Includes the amounts arising from open market transactions.

(4): Interim.

In 2004, first, slowdown of the monetary expansion by the Federal Reserve, than its declaring that it had stopped the monetary expansion, the political developments occurring in the Middle East and Ukraine affected the global economy negatively. In such environment, the risk perception of global capital toward Turkey was also affected negatively. However, the relatively high interests supported the capital inflow to Turkey. Nevertheless, outflows took place upon Fed's statement that it would discontinue providing liquidity in the last quarter of the year. Due to the increased foreign capital outflows influenced by the volatilities in the global economy, share of the foreign investors within the domestic debt stock declined to 21,5% in 2013, but rose to 21,8% in 2014 with a too limited increase.

### 1.4.5 Gold Prices

Gold has been regarded as an ideal, investment instrument and a safe port, particularly during high inflation periods. Having shown a consistent rise since the 1980s and provided gain to its investors, gold suffered a sharp decline following its historical peak in 2011. The gold which rose through the 3 monetary expansion programs declared successively by the Federal Reserve following the 2009 global crisis and saw the historical peak with 1.092 \$ per ounce in September 2011 caused loss of its investors by declining down to 1.160 \$ during 2014. The drop seen in the gold prices in the last three years were mainly influenced by withdrawal of the investors from gold and resorting to other investment instruments as a result of the monetary policies of the Federal Reserve, and the drop of the demand in consequence of the economic stagnancy in the world.

Ounce price of the gold which averaged 1.670 US\$ in 2012 dropped to 1.406 US\$ in 2013, and to 1.266 US\$ in 2014 (Table 93).

Table 93. Gold Prices

Years	Months				CPI (2003=100)		Cumhuriyet Gold		Bar Gold	
		Cumhuriyet Gold <sup>(1)</sup> (TL/Each)	Bar Gold <sup>(1)</sup> (TL/Gr)	1 Ounce Gold <sup>(2)</sup> (US\$/Ounce)	Index Value	Variation (%)	Nominal Variation (%)	Real Variation (%)	Nominal Variation (%)	Real Variation (%)
2012	January	659	98	1,658	202.0	0.6	-0.9	-1.5	-1.0	-1.6
	February	660	99	1,737	203.1	0.6	0.2	-0.4	1.0	0.5
	March	649	97	1,676	204.0	0.4	-1.7	-2.1	-2.0	-2.4
	April	636	95	1,651	207.1	1.5	-2.0	-3.5	-2.1	-3.5
	May	623	93	1,596	206.6	-0.2	-2.0	-1.8	-2.1	-1.9
	June	629	94	1,588	204.8	-0.9	1.0	1.9	1.1	2.0
	July	623	93	1,595	204.3	-0.2	-1.0	-0.7	-1.1	-0.8
	August	633	95	1,630	205.4	0.6	1.6	1.0	2.2	1.6
	September	672	102	1,766	207.6	1.0	6.2	5.1	7.4	6.3
	October	668	101	1,743	211.6	2.0	-0.6	-2.5	-1.0	-2.9
	November	663	99	1,719	212.4	0.4	-0.7	-1.1	-2.0	-2.3
	December	649	97	1,677	213.2	0.4	-2.1	-2.5	-2.0	-2.4
Annual	647	97	1,670	206.8	8.9	12.7	3.5	13.4	4.1	
2013	January	641	95	1,664	216.7	1.6	-1.2	-2.8	-2.1	-3.6
	February	628	93	1,631	217.4	0.3	-2.0	-2.3	-2.1	-2.4
	March	625	93	1,593	218.8	0.7	-0.5	-1.1	0.0	-0.7
	April	592	87	1,495	219.8	0.4	-5.3	-5.7	-6.5	-6.8
	May	574	84	1,410	220.1	0.1	-3.0	-3.2	-3.4	-3.6
	June	552	81	1,316	221.8	0.8	-3.8	-4.6	-3.6	-4.3
	July	556	80	1,280	222.4	0.3	0.7	0.4	-1.2	-1.5
	August	585	86	1,334	222.2	-0.1	5.2	5.3	7.5	7.6
	September	585	88	1,349	223.9	0.8	0.0	-0.8	2.3	1.5
	October	570	84	1,308	227.9	1.8	-2.6	-4.3	-4.5	-6.2
	November	566	83	1,276	228.0	0.0	-0.7	-0.7	-1.2	-1.2
	December	557	82	1,219	229.0	0.5	-1.6	-2.0	-1.2	-1.7
Annual	586	86	1,406	222.3	7.5	-9.4	-15.8	-10.9	-17.1	
2014	January	595	90	1,249	233.5	2.0	6.8	4.8	9.8	7.6
	February	611	92	1,307	234.5	0.4	2.7	2.3	2.2	1.8
	March	631	95	1,338	237.2	1.1	3.3	2.1	3.3	2.1
	April	599	89	1,304	240.4	1.3	-5.1	-6.3	-6.3	-7.6
	May	582	87	1,281	241.3	0.4	-2.8	-3.2	-2.2	-2.6
	June	588	88	1,288	242.1	0.3	1.0	0.7	1.1	0.8
	July	594	90	1,314	243.2	0.5	1.0	0.6	2.3	1.8
	August	600	90	1,292	243.4	0.1	1.0	0.9	0.0	-0.1
	September	587	88	1,233	243.7	0.1	-2.2	-2.3	-2.2	-2.4
	October	588	88	1,209	248.4	1.9	0.2	-1.7	0.0	-1.9
	November	574	85	1,178	248.8	0.2	-2.4	-2.6	-3.4	-3.6
	December	590	89	1,196	247.7	-0.4	2.8	3.2	4.7	5.2
Annual	595	89	1,266	242.0	8.9	1.5	-6.7	3.4	-5.0	

Source: CBRT.

(1): Sales prices.

(2): London sales price.

Cumhuriyet gold coin brought depreciated by 9,4% nominally and 15,8% in real terms in 2013, thereby, provided gain to the investors by 1,5% nominally, yet, caused a loss of 6,7% in real terms in 2013. Bar gold caused loss of the investors by 10,9% nominally and 17,1% in real terms in 2013, and provided gain by 3,4% nominally, but caused loss by 5,0% in real terms in 2014.

### 1.4.6 Exchange Rates

In 2014, the Central Bank of Republic of Turkey continued the floating exchange rate regime, where the exchange rates are determined by the supply and demand conditions in the market. In this practice, as specified in the Exchange Rate Policy 2014, basically, the foreign exchange supply and demand are determined by the monetary and fiscal policies implemented, economic foundations, international developments and expectations. While CBRT has no nominal or real exchange rate target, it takes the necessary measures in the event of extreme appreciation or depreciation of Turkish Lira so as to limit the risks involving financial stability. In the exchange rate policy 2014, it is expressed that CBRT will continue closely following the foreign exchange supply and demand developments and taking the necessary measures in 2014 for proper functioning of the foreign exchange market and supporting the foreign exchange liquidity. It was pointed out that the market could be intervened in directly or through flexible auctions in case unhealthy price formations are observed in the exchange rates with the effect of speculative behaviors in consequence of loss of the market depth, and in cases of excessive volatility.

It was announced that the effective transactions against foreign exchange conducted between CBRT and the banks authorized for trading in the said markets would be continued in 2014. In 2014, the one-week maturity and 10,0% interest rate of the foreign exchange deposits in US Dollar and Euro, which the banks can receive from CBRT under the borrowing limits allocated to them in the foreign exchange and effective markets foreign exchange deposit market were preserved. The foreign exchange policy was conducted under these guidelines during the year.

The volatility experienced in the exchange rates following the statement of the Federal Reserve (Fed) that, as from May 2013, it would gradually lessen the abundant liquidity it has been providing to relieve the markets after the global crisis persisted until the first quarter of 2014. In the first quarter of 2014, monetary policy practices of Fed were one of the most important factors affecting the global markets; on the other hand, reduction of the policy interest rates and introduction of a new quantitative expansion program by the European Central Bank affected the markets positively. These developments in the global markets and interest increase by CBRT in January led to appreciation of Turkish Lira in general in the first two quarters of the year.

In the third quarter of the year, deterioration began in the global liquidity conditions, Fed ceased asset purchases and the European Central Bank reduced in policy interest against economic slowdown and deflation risks. These developments resulted in volatility in the international capital flows. In such environment, in order to support balanced growth of Turkey and continuity of the capital flows, CBRT changed interest rates of foreign exchange deposits which the banks can receive from CBRT under the borrowing limits allocated to them in the foreign exchange deposit markets. While Turkish Lira was depreciating against US\$ like with currencies of other developing countries, it started to recover again in October with the effects of the positive signals from Fed, and followed a volatile course in the last two months of the year.

During the year, the practices were carried out as described in the Foreign Exchange Policy 2014, and when excessive volatility emerged in the exchange rates, CBRT pro-

ceeded with the foreign exchange selling auctions on the days it deemed necessary. In 2014, foreign exchange amounting to 13.030 million \$ was sold by CBRT in total, including 9.879 million \$ through the foreign exchange selling auctions, and 3.151 million \$ through the foreign exchange selling intervention in January (Table 94).

**Table 94. Foreign Exchange Amounts Purchased-Sold by CBRT**

(Million \$)

Years	Foreign Exchange Buying Auctions	Foreign Exchange Selling Auctions	Foreign Exchange Buying Interventions	Foreign Exchange Selling Interventions	Total Net Foreign Exchange Buying
2012	0	1,450	0	1,006	-2,456
2013	0	17,610	0	0	-17,610
2014	0	9,879	0	3,151	-13,030

Source: CBRT.

In 2014, Turkish Lira depreciated against the foreign currencies with the effect of the global conjuncture and domestic political developments. As of the end of 2014, according to the annual average values and in nominal terms, value of US dollar rose against Turkish Lira by 15,0% increasing to TL 2,18679, Euro rose by 15,0% increasing to TL 2,90597, British Pound rose by 20,9% increasing to TL 3,59586, and Japanese Yen rose by 6,2% increasing to TL 2,06601 (Table 95).

**Table 95. Exchange Rates by Years**

(Exchange Buying Rate, Annual Average)

Years	US Dollar	Variation (%)	Euro	Variation (%)	British Pound	Variation (%)	Japanese Yen	Variation (%)
2012	1.79227	7.3	2.30429	-0.8	2.83852	6.1	2.24477	7.0
2013	1.90225	6.1	2.52768	9.7	2.97340	4.8	1.94626	-13.3
2014	2.18679	15.0	2.90597	15.0	3.59586	20.9	2.06601	6.2

Source: CBRT.

Having closed the year 2013 at the average level of TL 1,90225, US Dollar entered the year 2014 with a rapid rise and advanced to 2.21684 in January. During the year, it depreciated 4 times and appreciated 8 times at different magnitudes on monthly basis. While following a volatile course until the yearend, its course remained over TL 2,0000. Reaching its highest value with TL 2,28767 in December, the average dollar exchange rate for 2014 was TL 2,18679, 15,0% up compared to the preceding year. Euro entered the year 2014 with a rapid rise, either, and reached its highest value with TL 3,06577 in March. While showing somewhat degradation in the subsequent months, it followed a stable course and average Euro exchange rate as of the end of 2014 was TL 2,90597, up 15,0%.

In real terms, according to the consumer price index, the US Dollar and Euro appreciated by 5,6% against Turkish Lira in 2014. When considered the real variations by months in 2014, the largest depreciation of the US Dollar was experienced in April with 5,3% and that the highest appreciation was experienced in January with 5,6%. When the same picture is considered on the basis of Euro, it is observed that the largest depreciation was experienced in April with 5,1%, and the highest appreciation was experienced in January with 5,1% (Table 96).

The decline in the real effective exchange rates which started in May 2013 continued

in 2014. The CPI-based real effective rate index, which took its lowest value in January with 101,5 and its highest value in November with 114,2, stood at 108,2 as of the end of 2014. The PPI-based real effective rate index took also its lowest value in January with 100,3 and its highest value in November with 112,2, and stood at 106,5 as of the year-end. Thus, in 2014, the foreign exchange rates depreciated by 5,7% on the basis of CPI and 3,5% on the basis of PPI (Table 97, Graph 43).

**Table 96. Exchange Rates**

(Exchange Buying Rate, Monthly Average)

Years	Months	US Dollar (\$)	Euro (€)	TÜFE (2003=100)		Nominal Variation (%)		Real Variation (%)	
				Index Value	Variation (%)	\$	€	\$	€
2012	January	1.83894	2.37233	202.0	0.6	-1.1	-3.3	-1.6	-3.8
	February	1.75109	2.31460	203.1	0.6	-4.8	-2.4	-5.3	-3.0
	March	1.77930	2.35044	204.0	0.4	1.6	1.5	1.2	1.1
	April	1.77984	2.34322	207.1	1.5	0.0	-0.3	-1.5	-1.8
	May	1.79695	2.30524	206.6	-0.2	1.0	-1.6	1.2	-1.4
	June	1.81607	2.27466	204.8	-0.9	1.1	-1.3	2.0	-0.4
	July	1.80489	2.22220	204.3	-0.2	-0.6	-2.3	-0.4	-2.1
	August	1.78584	2.21128	205.4	0.6	-1.1	-0.5	-1.6	-1.0
	September	1.79563	2.30511	207.6	1.0	0.5	4.2	-0.5	3.2
	October	1.79414	2.32825	211.6	2.0	-0.1	1.0	-2.0	-0.9
	November	1.78545	2.29095	212.4	0.4	-0.5	-1.6	-0.9	-2.0
	December	1.77909	2.33325	213.2	0.4	-0.4	1.8	-0.7	1.5
Annual	1.79227	2.30429	206.8	8.9	7.3	-0.8	-1.5	-8.9	
2013	January	1.76386	2.34136	216.7	1.6	-0.9	0.3	-2.5	-1.3
	February	1.76993	2.36888	217.4	0.3	0.3	1.2	0.0	0.9
	March	1.80720	2.34481	218.8	0.7	2.1	-1.0	1.4	-1.7
	April	1.79647	2.33551	219.8	0.4	-0.6	-0.4	-1.0	-0.8
	May	1.82278	2.36663	220.1	0.1	1.5	1.3	1.3	1.2
	June	1.89451	2.49866	221.8	0.8	3.9	5.6	3.1	4.8
	July	1.93048	2.52395	222.4	0.3	1.9	1.0	1.6	0.7
	August	1.95471	2.60184	222.2	-0.1	1.3	3.1	1.4	3.2
	September	2.01715	2.69019	223.9	0.8	3.2	3.4	2.4	2.6
	October	1.99032	2.71318	227.9	1.8	-1.3	0.9	-3.1	-0.9
	November	2.02175	2.72910	228.0	0.0	1.6	0.6	1.6	0.6
	December	2.05784	2.81801	229.0	0.5	1.8	3.3	1.3	2.8
Annual	1.90225	2.52768	222.3	7.5	6.1	9.7	-1.3	2.0	
2014	January	2.21684	3.02153	233.5	2.0	7.7	7.2	5.6	5.1
	February	2.21276	3.01942	234.5	0.4	-0.2	-0.1	-0.6	-0.5
	March	2.21780	3.06577	237.2	1.1	0.2	1.5	-0.9	0.4
	April	2.12747	2.93824	240.4	1.3	-4.1	-4.2	-5.3	-5.4
	May	2.09081	2.87448	241.3	0.4	-1.7	-2.2	-2.1	-2.6
	June	2.11572	2.87576	242.1	0.3	1.2	0.0	0.9	-0.3
	July	2.11868	2.87643	243.2	0.5	0.1	0.0	-0.3	-0.4
	August	2.15827	2.87686	243.4	0.1	1.9	0.0	1.8	-0.1
	September	2.20358	2.85014	243.7	0.1	2.1	-0.9	2.0	-1.1
	October	2.25831	2.86417	248.4	1.9	2.5	0.5	0.6	-1.4
	November	2.23358	2.78718	248.8	0.2	-1.1	-2.7	-1.3	-2.9
	December	2.28767	2.82170	247.7	-0.4	2.4	1.2	2.9	1.7
Annual	2.18679	2.90597	242.0	8.9	15.0	15.0	5.6	5.6	

Source: CBRT, TURKSTAT.

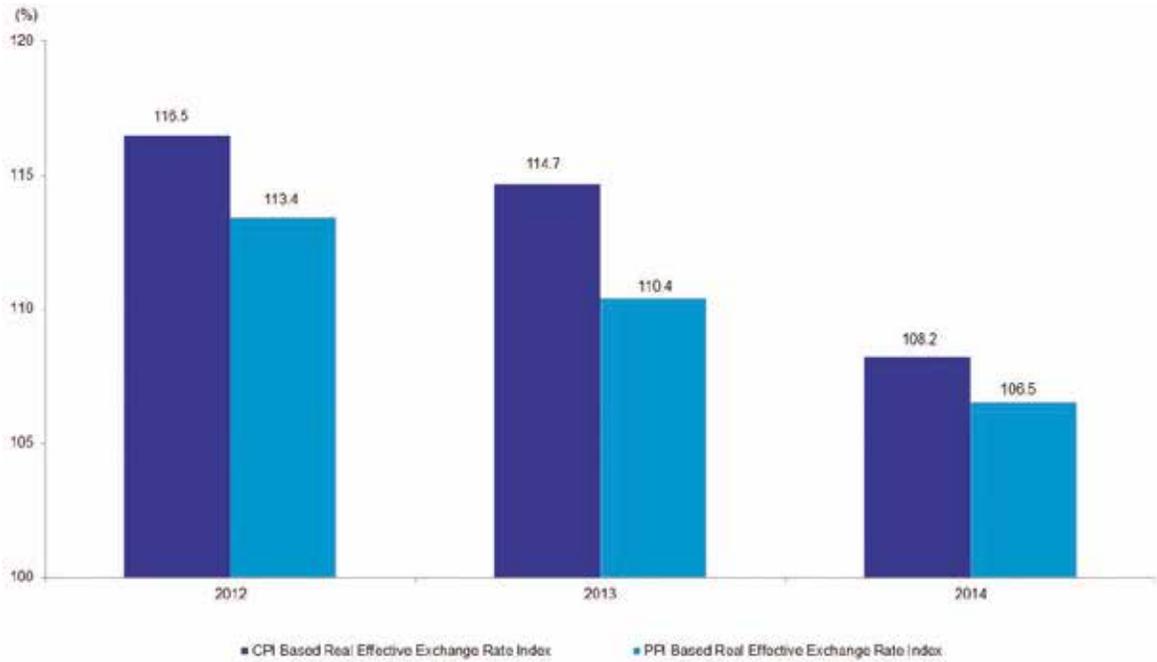
**Table 97. Real Effective Exchange Rate**

Years	Months	CPI-based Real Effective Exchange Rate (2003=100)	PPI-based Real Effective Exchange Rate(1) (2003=100)
2012	January	112.2	111.2
	February	115.7	113.5
	March	114.0	111.7
	April	115.7	111.8
	May	116.5	114.0
	June	116.8	114.1
	July	118.0	115.5
	August	118.6	115.3
	September	116.0	112.4
	October	117.1	111.9
	November	119.1	115.7
	December	117.9	114.2
	Annual	116.5	113.4
2013	January	120.3	114.2
	February	119.5	113.1
	March	120.0	114.8
	April	121.1	115.2
	May	119.6	115.2
	June	115.0	111.4
	July	114.3	111.1
	August	111.6	108.2
	September	108.5	105.4
	October	110.0	106.0
	November	109.2	106.0
	December	106.7	104.2
	Annual	114.7	110.4
2014	January	101.5	100.3
	February	102.0	101.8
	March	102.1	101.3
	April	107.6	105.5
	May	109.9	107.0
	June	109.4	106.5
	July	109.7	107.2
	August	109.2	107.6
	September	109.4	108.9
	October	110.6	109.6
	November	114.2	112.2
	December	113.1	110.3
	Annual	108.2	106.5

Source: CBRT.

(1): The new D-PPI series published by TURKSTAT was used in calculation.

Graph 43. Real Effective Exchange Rate Indices (Annual Average)



Source: CBRT.

## 1.5 Foreign Economic Developments

### 1.5.1 Foreign Trade Indicators

In 2014, shrinkage was observed in import and upward change was observed, as opposed to 2013. Despite the political developments in the neighboring countries, import escalated as a result of the weak course of domestic demand and the movements in the exchange rate, import regressed with the effect of the stagnancy in domestic demand and the macro cautionary measures.

In 2014, import increased by 3,8% from 151.803 million \$ to 157.642 million \$ due to weakness of domestic market, exchange rate increases and effects stemming from foreign demand.

The weak course of the domestic demand conditions, rapid drop noted in the oil prices in the second half of the year, and course of the gold import, which has significantly affected foreign trade balance in 2012 and 2013, at its historical values, were influential on shrinkage of the import in 2014. Import declined from 251.661 million \$ to 242.183 million with a decrease by 3,8% compared to 2013.

Thus, foreign trade balance of Turkey regressed to 84.541 million \$ with a shrinkage by 15,3% in 2014.

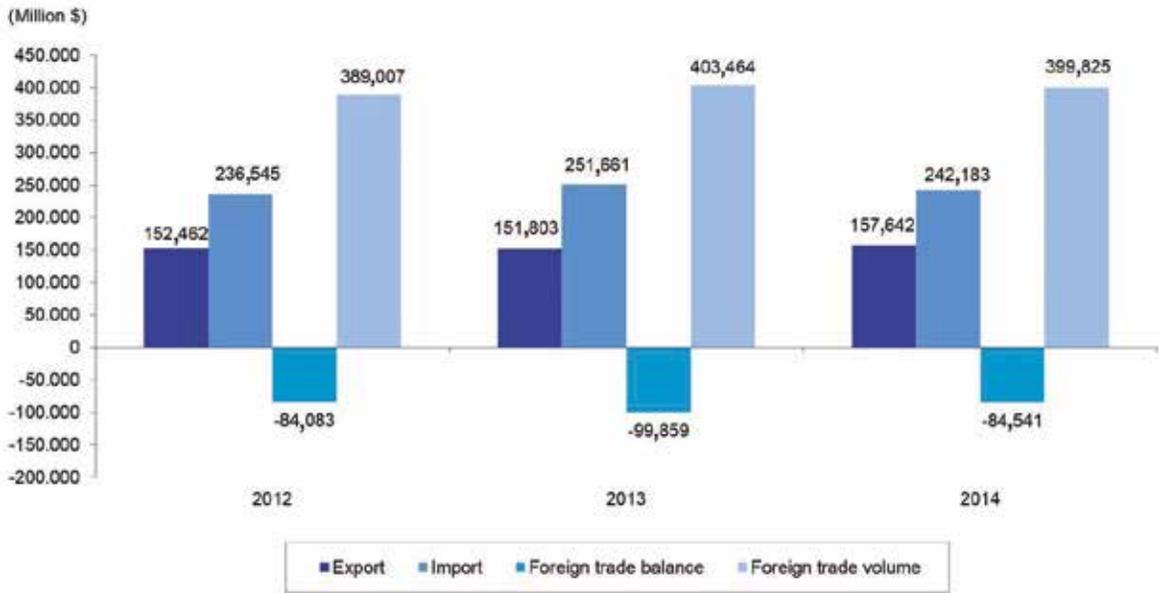
The foreign trade volume that increased by 3,7% in 2013 became 399.825 million \$ in 2014 with a decrease by 0,9% due to the drop in import despite the growth in export (Table 98, Graph 44).

**Table 98. Foreign Trade Indicators**

Indicators	(Million \$)			Variation (%)	
	Value			2013	2014
	2012	2013	2014		
Export	152,462	151,803	157,642	-0.4	3.8
Import	236,545	251,661	242,183	6.4	-3.8
Volume of foreign trade	389,007	403,464	399,825	3.7	-0.9
Balance of foreign trade	-84,083	-99,859	-84,541	18.8	-15.3
Ratio of imports covered by exports	64.5	60.3	65.1	-	-

Source: TURKSTAT.

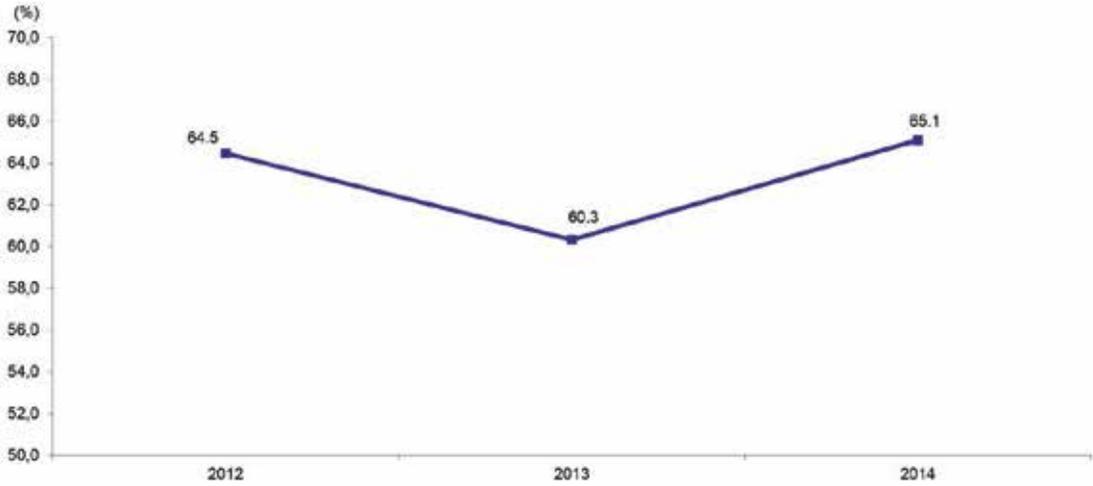
**Graph 44. Foreign Trade Indicators**



Source: TURKSTAT.

Connected to these developments, the ratio of imports covered by exports increased by 4,8 points in 2014 compared to 2013, and rose from 60,3% to 65,1% (Graph 45).

Graph 45. Ratio of Imports covered by Exports



Source: TURKSTAT.

### 1.5.1.1 Export

Although fragilities continued at global scale, the import which strengthened in 2012 through alternative policies showed a marked slowdown following the second quarter of 2013, and this slowdown continued until November. In 2014, import increased by 3,8% from 151.803 million \$ to 157.642 million \$ due to the effect of the developments in the exchange rate despite geopolitical risks and the weak domestic market.

The rise by 4,1% in the manufacturing sector, which had the biggest share within exports, influenced that development. In 2014, the manufacturing sector rose from 141.358 million \$ to 147.089 million \$. In terms of sectors, the highest increase was seen in the exports of the fishery sector, which has the smallest share within the total exports. The imports of fishery sector which showed an increase of 35,8% compared to the preceding year accrued as 347 million \$. Agriculture and forestry sectors increased by 6,7% to 6.031 million \$, exports followed under the heading "other" increased by 17,6% to 769 million \$. The mining and quarrying sector was the only sector with decreased exports, and declined by 12,2% to 3.407 million \$. When shares of the sectors are compared to the preceding year, the shares of agriculture and forestry sector and manufacturing sector are observed to have grown, share of mining and quarrying sector is observed to have shrunk, and share of the fishery sector is observed to have remained unchanged (Table 99).

**Table 99. Export by Sectors**

Sectors	(Million \$)							
	Value			Share (%)			Variation (%)	
	2012	2013	2014	2012	2013	2014	2013	2014
Agriculture and forestry	5,189	5,653	6,031	3.4	3.7	3.8	9.0	6.7
Fishery	190	258	347	0.1	0.2	0.2	35.6	34.2
Mining and quarrying	3,161	3,879	3,407	2.1	2.6	2.2	22.7	-12.2
Manufacturing	143,194	141,358	147,089	93.9	93.1	93.3	-1.3	4.1
Other	728	653	769	0.5	0.4	0.5	-10.2	17.6
Total	152,462	151,803	157,642	100.0	100.0	100.0	-0.4	3.8

Source: TURKSTAT.

In 2014, the highest rise in imports compared to the preceding year according to the wide economic group classification was shown with 7,2% by the imports of consumables, which rose to 65.102 million \$, followed with an increase of 3,3% by the imports of capital (investment) goods, which rose to 75.188 million \$, and an increase of 0,5% by the intermediate goods, which rose to 75.188 million \$. When compared shares of the main commodity groups with the preceding year, share of the capital (investment) goods is observed to have increased, whereas share of the intermediate (raw material) goods is observed to have decreased (Table 100).

**Table 100. Export by Wide Economic Group Classification**

Wide Economic Group Classification	(Million \$)							
	Value			Share (%)			Variation (%)	
	2012	2013	2014	2012	2013	2014	2013	2014
Capital (investment) goods	13,734	15,592	16,109	9.0	10.3	10.2	13.5	3.3
Intermediate (raw material) goods	82,656	74,817	75,188	54.2	49.3	47.7	-9.5	0.5
Consumables	55,556	60,732	65,102	36.4	40.0	41.3	9.3	7.2
Others	516	661	1,244	0.3	0.4	0.8	28.0	88.2
Total	152,462	151,803	157,642	100.0	100.0	100.0	-0.4	3.8

Source: TURKSTAT.

Among the first ten chapters in the exports of 2014, exports of the motor land vehicles, tractors, bicycles, motorcycles and other land vehicles, and of components and parts of the same are seen to rank in the first place with 18.064 million \$. The share of this group within the total export rose to 11,5% with an increase by 0,3 points compared to the preceding year. The exports of boilers, machinery, mechanical devices and instruments, nuclear reactors, and of components and parts of the same rank in the second place with a value of 13.595 million \$ and a share of 8,6%, and the exports of woven garments and accessories ranked in the third place with a value of 10.029 million \$ and a share of 6,4%.

Among these chapters, the highest rise in exports in 2014 occurred in the exports of the precious and semi-precious stones, precious metals, imitation jewelry and coins with 10,3%, whereas the highest drop occurred in the imports of the mineral fuels, mineral oils and their distillation products, bituminous substances, and mineral waxes with 9,1% (Table 101).

**Table 101. The First Ten Chapters in Exports**

Chapters <sup>(1)</sup>	(Million \$)							
	Value			Share (%)			Variation (%)	
	2012	2013	2014	2012	2013	2014	2013	2014
Motor land vehicles, tractors, bicycles, motorcycles and other land vehicles; components, parts and accessories of the same	15,148	17,000	18,064	9.9	11.2	11.5	12.2	6.3
Boilers, machinery, mechanical devices and instruments, nuclear reactors; components, and parts of the same	11,999	12,989	13,595	7.9	8.6	8.6	8.3	4.7
Woven garments and accessories	8,419	9,245	10,029	5.5	6.1	6.4	9.8	8.5
Electrical machinery and devices, audio recording-transmitting, television video-audio recording-transmitting devices; components-parts-accessories of the same	9,373	9,544	9,693	6.1	6.3	6.1	1.8	1.6
Iron and steel	11,332	9,919	9,246	7.4	6.5	5.9	-12.5	-6.8
Precious and semi-precious stones, precious metals, imitation jewelry, coins	16,325	6,999	7,717	10.7	4.6	4.9	-57.1	10.3
Goods made of iron or steel	6,093	6,148	6,356	4.0	4.1	4.0	0.9	3.4
Non-woven garments and accessories	5,431	5,714	6,234	3.6	3.8	4.0	5.2	9.1
Mineral fuels, mineral oils, and distillation products thereof, bituminous substances, mineral waxes	7,708	6,725	6,112	5.1	4.4	3.9	-12.8	-9.1
Plastics and plastic products	5,013	5,609	6,098	3.3	3.7	3.9	11.9	8.7
<b>Total exports</b>	<b>152,462</b>	<b>151,803</b>	<b>157,642</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>-0.4</b>	<b>3.8</b>

Source: TURKSTAT.

(1): The chapters that took the first 10 places in the ranking made according to 2014 export values.

### 1.5.1.2 Import

The import which increased in 2013 due to the effect of the economic revival and the high increase in gold import declined from 251.661 million \$ to 242.183 million \$, down 3,8%, in consequence of depreciation of the real exchange rate and the measures taken to restrict the domestic demand in 2014 (Table 102).

In 2014, on sectoral basis, compared to the preceding year, the imports of fishery sector increased by 19,6% to 69 million \$, the imports of agriculture and forestry sector increased by 11,3% to 8.589 million \$, whereas the imports of the manufacturing sector decreased by 4,6% to 187.748 million \$, the imports of mining and quarrying sector decreased by 2,8% to 37.126 million \$. When shares of the sectors within the total imports in 2014 is compared with the preceding year, the share of agriculture and forestry sector and the mining and quarrying sector are seen to have increased, share of the manufacturing industry is seen to have decreased.

**Table 102. Imports by Sectors**

Sectors	(Million \$)							
	Value			Share (%)			Variation (%)	
	2012	2013	2014	2012	2013	2014	2013	2014
Agriculture and forestry	7,447	7,718	8,589	3.1	3.1	3.5	3.6	11.3
Fishery	56	58	69	0.0	0.0	0.0	3.2	19.6
Mining and quarrying	42,247	38,205	37,126	17.9	15.2	15.3	-9.6	-2.8
Manufacturing	176,235	196,823	187,748	74.5	78.2	77.5	11.7	-4.6
Other	10,560	8,857	8,651	4.5	3.5	3.6	-16.1	-2.3
<b>Total</b>	<b>236,545</b>	<b>251,661</b>	<b>242,183</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>6.4</b>	<b>-3.8</b>

Source: TURKSTAT.

According to the wide economic group classification, there was drop in imports of all commodity groups in 2014. The highest decrease was shown with 4,6% by the imports of consumables, which dropped to 29.012 million \$, followed with a decrease of 3,9% by the intermediate (raw material) goods, which dropped to 176.721 million \$, and a decrease of 2,1% by the imports of capital (investment) goods, which dropped to 35.996 million \$ (Table 103).

In 2014, share of the capital (investment) goods within the total imports increased compared to the preceding year, share of consumables decreased, and share of the intermediate (raw material) goods remained the same.

**Table 103. Imports by Wide Economic Group Classification**

Wide Economic Group Classification	Value			Share (%)			Variation (%)	
	2012	2013	2014	2012	2013	2014	2013	2014
Capital (investment) goods	33,925	36,771	35,996	14.3	14.6	14.9	8.4	-2.1
Intermediate (raw material) goods	174,930	183,811	176,721	74.0	73.0	73.0	5.1	-3.9
Consumables	26,699	30,416	29,012	11.3	12.1	12.0	13.9	-4.6
Other	990	663	453	0.4	0.3	0.2	-33.1	-31.6
Total	236,545	251,661	242,183	100.0	100.0	100.0	6.4	-3.8

Source: TURKSTAT.

Among the first 10 chapters which had the highest share within the total imports in 2014, mineral fuels, mineral oils and their distillation products, bituminous substances and mineral waxes ranked in the first place with 54.895 million \$. The share of this group within the total import rose to 22,7% with an increase by 0,5 points compared to the preceding year. The imports of boilers, machinery, mechanical devices and instruments, nuclear reactors parts the ranked in the second place with a value of 28.104 million \$ and a share of 11,6%, and the imports of electrical machinery and devices, audio recording-transmitting, television video-audio recording-transmitting devices; components-parts-accessories of the same ranked in the third place with a value of 17.949 million \$ and a share of 7,4%.

Among these chapters, the highest rise in imports in 2014 occurred in the imports of the organic chemicals with 9,8%, and the highest drop occurred in the imports of precious and semi-precious stones, precious metals, imitation jewelry and coins with 50,0% (Table 104).

**Table 104. The First Ten Chapters in Imports**

Chapters <sup>(1)</sup>	(Million \$)							
	Value			Share (%)			Variation (%)	
	2012	2013	2014	2012	2013	2014	2013	2014
Mineral fuels, mineral oils, and distillation products thereof, bituminous substances, mineral waxes	60,117	55,917	54,895	25.4	22.2	22.7	-7.0	-1.8
Boilers, machinery, mechanical devices and instruments, nuclear reactors; components, and parts of the same	26,316	30,157	28,104	11.1	12.0	11.6	14.6	-6.8
Electrical machinery and devices, audio recording-transmitting, television video-audio recording-transmitting devices; components-parts-accessories of the same	16,280	17,759	17,949	6.9	7.1	7.4	9.1	1.1
Iron and steel	19,642	18,691	17,576	8.3	7.4	7.3	-4.8	-6.0
Motor land vehicles, tractors, bicycles, motorcycles and other land vehicles; components, parts and accessories of the same	14,514	16,808	15,736	6.1	6.7	6.5	15.8	-6.4
Plastics and plastic products	12,505	13,881	14,151	5.3	5.5	5.8	11.0	1.9
Precious and semi-precious stones, precious metals, imitation jewelry, coins	8,529	16,234	8,121	3.6	6.5	3.4	90.3	-50.0
Organic chemical products	5,065	5,314	5,833	2.1	2.1	2.4	4.9	9.8
Optic, photograph, cinema, measurement, control, adjustment, medical, surgical instruments and devices; parts and accessories thereof	4,056	4,559	4,878	1.7	1.8	2.0	12.4	7.0
Pharmacy products	3,996	4,151	4,428	1.7	1.6	1.8	3.9	6.7
Total imports	236,545	251,661	242,183	100.0	100.0	100.0	6.4	-3.8

Source: TURKSTAT.

(1): The chapters that took the first 10 places in the ranking made according to 2014 import values.

### 1.5.1.3 Foreign Trade by Provinces

The highest exports value in 2014 belonged to Istanbul with 82.086 million \$. The export of Istanbul accounts for 52,1% of the total exports of Turkey. Istanbul is followed by Izmir with 9.620 million \$, representing 6,1% of the total exports, and Bursa with 9.320 million \$, representing 5,9% of the total exports (Table 105).

**Table 105. The First Ten Provinces with Highest Exports Values**

Provinces <sup>(1), (2)</sup>	(Million \$)							
	Value			Share (%)			Variation (%)	
	2012	2013	2014	2012	2013	2014	2013	2014
Istanbul	76,624	78,719	82,086	50.3	51.9	52.1	2.7	4.3
Izmir	8,659	9,484	9,620	5.7	6.2	6.1	9.5	1.4
Bursa	11,123	8,928	9,320	7.3	5.9	5.9	-19.7	4.4
Kocaeli	12,598	9,106	8,883	8.3	6.0	5.6	-27.7	-2.4
Ankara	7,138	7,672	8,100	4.7	5.1	5.1	7.5	5.6
Gaziantep	5,580	6,515	6,656	3.7	4.3	4.2	16.8	2.2
Denizli	2,623	2,741	2,812	1.7	1.8	1.8	4.5	2.6
Sakarya	1,820	2,251	2,599	1.2	1.5	1.6	23.6	15.5
Hatay	2,040	2,098	2,112	1.3	1.4	1.3	2.9	0.7
Manisa	4,198	1,845	1,981	2.8	1.2	1.3	-56.1	7.4
Total of first ten provinces	132,402	129,359	134,168	86.8	85.2	85.1	-2.3	3.7
Total exports	152,462	151,803	157,642	100.0	100.0	100.0	-0.4	3.8

Source: TURKSTAT.

(1): The provinces that took the first 10 places in the ranking made according to 2014 export values.

(2): Data of foreign trade by provinces is generated according to the province where the headquarter addresses of the enterprises are located.

The highest imports value in 2014 belonged to Istanbul with 136.005 million \$, representing 56,2% of total imports of Turkey. Istanbul is followed by Kocaeli with 10.984 million \$, representing 4,5% of the total imports, and Ankara with 9.939 million \$, representing 4,1% of the total imports (Table 106).

**Table 106. The First Ten Provinces with Highest Imports Values**

Provinces <sup>(1), (2)</sup>	(Million \$)							
	Value			Share (%)			Variation (%)	
	2012	2013	2014	2012	2013	2014	2013	2014
Istanbul	119,605	144,136	136,005	50.6	57.3	56.2	20.5	-5.6
Kocaeli	10,489	10,669	10,984	4.4	4.2	4.5	1.7	2.9
Ankara	10,577	10,367	9,939	4.5	4.1	4.1	-2.0	-4.1
Bursa	11,734	9,292	9,369	5.0	3.7	3.9	-20.8	0.8
İzmir	10,316	7,975	8,103	4.4	3.2	3.3	-22.7	1.6
Gaziantep	5,054	5,608	5,807	2.1	2.2	2.4	11.0	3.6
Hatay	3,618	2,926	3,396	1.5	1.2	1.4	-19.1	16.0
Manisa	4,420	3,904	3,357	1.9	1.6	1.4	-11.7	-14.0
Adana	3,046	2,694	2,547	1.3	1.1	1.1	-11.6	-5.4
Denizli	2,262	2,208	2,176	1.0	0.9	0.9	-2.4	-1.5
Total of first ten provinces	181,122	199,781	191,684	76.6	79.4	79.1	10.3	-4.1
Total exports	236,545	251,661	242,183	100.0	100.0	100.0	6.4	-3.8

Source: TURKSTAT.

(1): The provinces that took the first 10 places in the ranking made according to 2014 import values.

(2): Data of foreign trade by provinces is generated according to the province where the headquarter addresses of the enterprises are located.

#### 1.5.1.4 Foreign Trade by Country Groups

Our export to EU countries group, our largest export market, advanced to 68.529 million \$ with an increase by 8,7% in 2014. The export made to Turkey Free Zones decreased by 5,9% to 2.270 million \$, whereas the export made to other countries group rose by 0,6% to 86.843 million \$ (Table 107).

In 2014, while share of the export made to the EU countries increased, share of the export made to Turkey Free Zones and other countries decreased. The share of the export made to EU countries, Turkey Free Zones and other countries group within the total export in 2014 was 43,5, 1,4 and 55,1, respectively.

Of the exports made to the other countries group in 2014; 15.187 million \$ was made to the European countries not included in EU, 13.755 million \$ to African countries, 10.086 million \$ was made to the American countries, 46.984 million \$ to Asian countries, 600 million to Australia and New Zealand, and 231 million \$ to the countries and regions other than the above. Within the total exports, the share of the exports made to European countries not included in EU within the total exports was 9,6%, the share of exports to African countries was 8,7%, the share of exports to the American countries was 6,4%, the share of exports to Asian countries was 29,8%, the share of exports to Australia and New Zealand was 0,4%, and the share of exports to other countries and regions was 0,1% (Graph 46).

Table 107. Foreign Trade Indicators by Country Groups

(Million \$)

Country Groups	Export							
	Value			Share (%)			Variation (%)	
	2012	2013	2014	2012	2013	2014	2013	2014
A- European Union Countries (EU 28)	59,398	63,040	68,529	39.0	41.5	43.5	6.1	8.7
B- Free Zones in Turkey	2,295	2,413	2,270	1.5	1.6	1.4	5.1	-5.9
C- Other Countries	90,768	86,350	86,843	59.5	56.9	55.1	-4.9	0.6
1- Other European (excluding EU)	14,167	14,214	15,187	9.3	9.4	9.6	0.3	6.8
2- African Countries	13,357	14,146	13,755	8.8	9.3	8.7	5.9	-2.8
North Africa	9,444	10,042	9,758	6.2	6.6	6.2	6.3	-2.8
Other African	3,913	4,104	3,997	2.6	2.7	2.5	4.9	-2.6
3- American Countries	9,623	9,711	10,086	6.3	6.4	6.4	0.9	3.9
North America	6,663	6,580	7,295	4.4	4.3	4.6	-1.2	10.9
Central America and the Caribbean	770	1,004	938	0.5	0.7	0.6	30.5	-6.6
South America	2,191	2,127	1,853	1.4	1.4	1.2	-2.9	-12.9
4- Asian Countries	53,026	47,591	46,984	34.8	31.4	29.8	-10.2	-1.3
Near and Middle East	42,451	35,575	35,391	27.8	23.4	22.5	-16.2	-0.5
Other Asian	10,575	12,017	11,593	6.9	7.9	7.4	13.6	-3.5
5- Australia and New Zealand	490	538	600	0.3	0.4	0.4	9.8	11.5
6- Other Countries and Regions	105	149	231	0.1	0.1	0.1	41.7	54.5
Total	152,462	151,803	157,642	100.0	100.0	100.0	-0.4	3.8
Country Groups	Import							
	Value			Share (%)			Variation (%)	
	2012	2013	2014	2012	2013	2014	2013	2014
A- European Union Countries (EU 28)	87,657	92,458	88,784	37.1	36.7	36.7	5.5	-4.0
B- Free Zones in Turkey	1,046	1,268	1,261	0.4	0.5	0.5	21.2	-0.6
C- Other Countries	147,842	157,935	152,138	62.5	62.8	62.8	6.8	-3.7
1- Other European (excluding EU)	37,206	41,319	36,368	15.7	16.4	15.0	11.1	-12.0
2- African Countries	5,922	6,031	5,943	2.5	2.4	2.5	1.8	-1.5
North Africa	3,308	3,508	3,441	1.4	1.4	1.4	6.0	-1.9
Other African	2,613	2,523	2,502	1.1	1.0	1.0	-3.5	-0.8
3- American Countries	20,233	18,981	18,894	8.6	7.5	7.8	-6.2	-0.5
North America	15,084	13,953	13,835	6.4	5.5	5.7	-7.5	-0.8
Central America and the Caribbean	1,069	1,362	1,124	0.5	0.5	0.5	27.4	-17.5
South America	4,080	3,666	3,935	1.7	1.5	1.6	-10.1	7.3
4- Asian Countries	71,012	76,862	76,643	30.0	30.5	31.6	8.2	-0.3
Near and Middle East	21,410	22,214	20,481	9.1	8.8	8.5	3.8	-7.8
Other Asian	49,602	54,648	56,162	21.0	21.7	23.2	10.2	2.8
5- Australia and New Zealand	861	1,318	638	0.4	0.5	0.3	53.1	-51.6
6- Other Countries and Regions	12,608	13,424	13,653	5.3	5.3	5.6	6.5	1.7
Total	236,545	251,661	242,183	100.0	100.0	100.0	6.4	-3.8

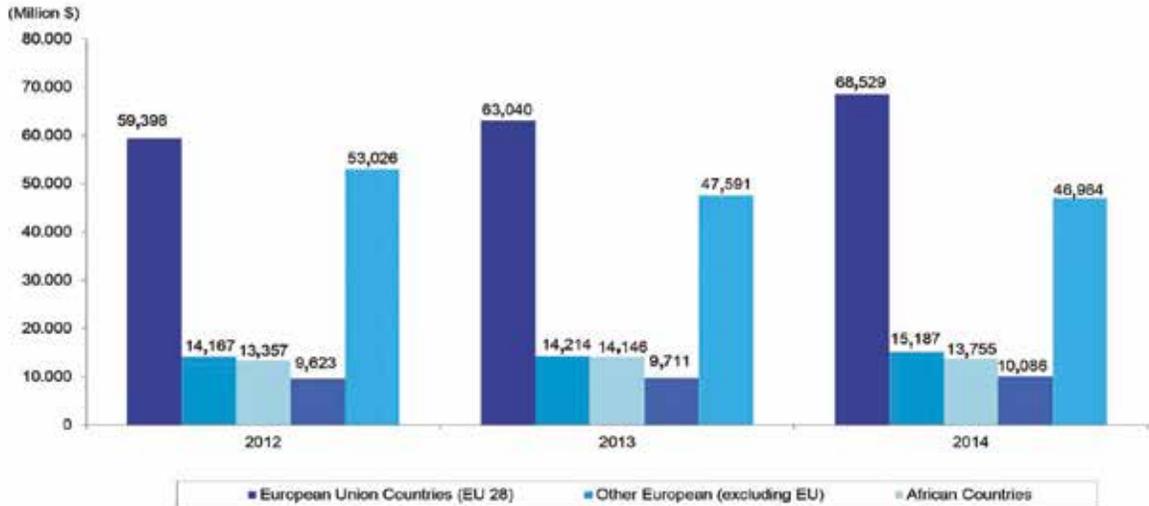
Source: TURKSTAT.

Table 107. Foreign Trade Indicators by Country Groups (Continued)

Country Groups	(Million \$)								
	Volume of Foreign Trade							Variation (%)	
	Value			Share (%)			2013	2014	
	2012	2013	2014	2012	2013	2014			
A-European Union Countries (EU 28)	147,056	155,498	157,313	37.8	38.5	39.3	5.7	1.2	
B- Free Zones in Turkey	3,341	3,681	3,531	0.9	0.9	0.9	10.2	-4.1	
C- Other Countries	238,610	244,285	238,981	61.3	60.5	59.8	2.4	-2.2	
1- Other European (excluding EU)	51,373	55,533	51,554	13.2	13.8	12.9	8.1	-7.2	
2- African Countries	19,279	20,177	19,698	5.0	5.0	4.9	4.7	-2.4	
North Africa	12,752	13,550	13,199	3.3	3.4	3.3	6.3	-2.6	
Other African	6,527	6,626	6,499	1.7	1.6	1.6	1.5	-1.9	
3- American Countries	29,856	28,692	28,979	7.7	7.1	7.2	-3.9	1.0	
North America	21,747	20,533	21,130	5.6	5.1	5.3	-5.6	2.9	
Central America and the Caribbean	1,839	2,366	2,062	0.5	0.6	0.5	28.7	-12.9	
South America	6,271	5,793	5,787	1.6	1.4	1.4	-7.6	-0.1	
4- Asian Countries	124,038	124,454	123,627	31.9	30.8	30.9	0.3	-0.7	
Near and Middle East	63,861	57,789	55,871	16.4	14.3	14.0	-9.5	-3.3	
Other Asian	60,177	66,665	67,756	15.5	16.5	16.9	10.8	1.6	
5- Australia and New Zealand	1,351	1,857	1,238	0.3	0.5	0.3	37.4	-33.3	
6- Other Countries and Regions	12,713	13,573	13,884	3.3	3.4	3.5	6.8	2.3	
Total	389,007	403,464	399,825	100.0	100.0	100.0	3.7	-0.9	

Source: TURKSTAT.

Graph 46. Export by Certain Country Groups



Source: TURKSTAT.

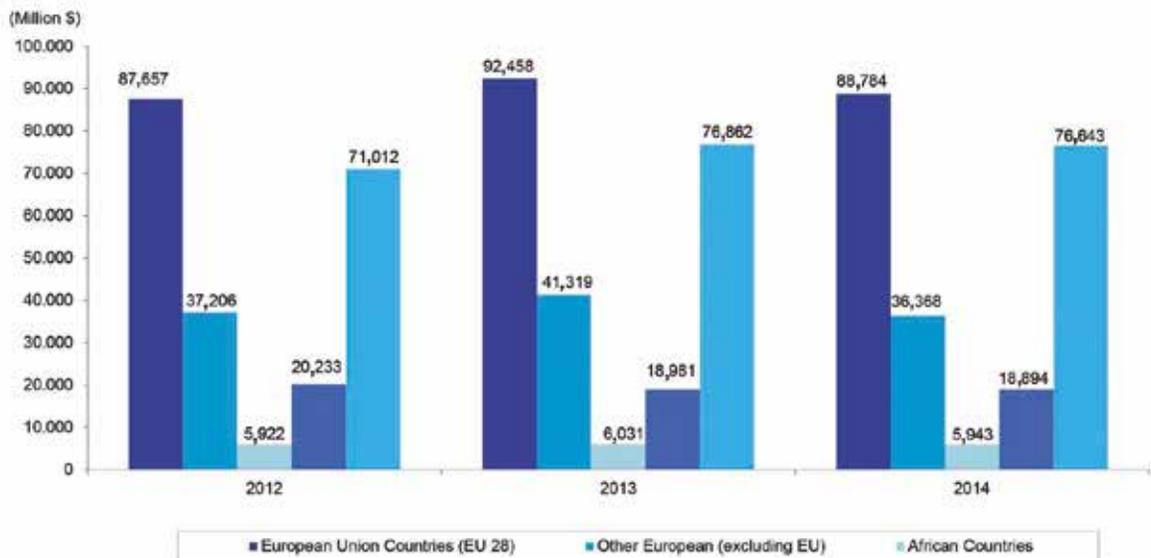
In 2014, the imports from EU countries decreased by 4,0% to 88.784 million \$, the imports from Turkey Free Zones decreased by 0,6% to 1.261 million \$, and the imports from other countries group decreased by 3,7% to 152.138 million \$.

The share of the imports from EU countries, Turkey Free Zones and other countries within the total imports did not change in 2014. Like with 2013, within the total imports, shares of the import from EU countries, Turkey Free Zones and other countries group

stood at 36,7%, 0,5% and 62,8%, respectively.

Of the 152.138 million \$ imports made from the other countries group, a 36.368 million \$ portion was made from the other European countries excluding EU, a 5.943 million \$ portion was made from the African countries, a 18.894 million \$ portion was made from the American countries, a 76.643 million \$ portion was made from Asian countries, a 638 million \$ portion was made from Australia and New Zealand, and a 13.653 million \$ portion was made from other countries and regions. Within the total imports, the share of the imports from the European countries excluding EU was 15,0%, the share of the imports from the African countries was 2,5%, the share of the imports from the American countries was 7,8%, the share of the imports from Asian countries was 31,6%, the share of the imports from Australia and New Zealand was 0,3%, and the rate of the imports from the other countries and regions was 5,6% (Graph 47).

**Graph 47. Import by Certain Country Groups**



Source: TURKSTAT.

Compared to the preceding year, the volume of foreign trade decreased by 0,9% in 2014 and declined to 399.825 million \$. The volume of foreign trade with EU countries rose by 1,2% to 157.313 million \$, whereas the volume of foreign trade with Turkey Free Zones and the countries under the other countries group decreased by 4,1% to 3.531 million \$ and by 2,2% to 238.981 million \$, respectively.

In 2014, the volume of foreign trade increased by 1,0% for the American countries under the other countries group and by 2,3% for other countries and regions, whereas it dropped for the country groups other than these. The foreign trade with Australia and New Zealand, European countries excluding EU, African countries and Asian countries diminished by 33,3%, 7,2%, 2,4% and 0,7%, respectively.

In terms of selected country groups, the value of exports was 76.693 million \$ with Organization for Economic Cooperation and Development (OECD) countries, 48.634 million

\$ with Organization of Islamic Cooperation (OIC) countries, 19.691 million \$ with Black Sea Economic Cooperation (BSEC) countries, 15.621 million \$ with Commonwealth of Independent States (CIS) countries, 11.720 million \$ with Economic Cooperation Organization (ECO) countries, and 7.110 million \$ with Turkic Republics, and 3.795 million \$ with European Free Trade Association (EFTA) countries. In 2014, the highest increase in the exports to the selected country groups was noted in EFTA countries with 128,4% and the highest decrease was noted in CIS countries with 7,7%. Within the total exports, the shares of export made to OECD, OIC, BSEC, ECO, CIS, Turkic Republics and EFTA countries are 48,6%, 30,9%, 12,5%, 9,9, 7,4%, 4,5 and 2,4%, respectively (Table 108).

**Table 108. Foreign Trade Indicators by Selected Country Groups**

(Million \$)

Selected Country Groups	Export							
	Value			Share (%)			Variation (%)	
	2012	2013	2014	2012	2013	2014	2013	2014
Organization for Economic Cooperation and Development (OECD)	66,290	68,684	76,693	43.5	45.2	48.6	3.6	11.7
European Free Trade Association (EFTA)	2,601	1,662	3,795	1.7	1.1	2.4	-36.1	128.4
Black Sea Economic Cooperation (BSEC)	18,791	20,368	19,691	12.3	13.4	12.5	8.4	-3.3
Economic Cooperation Organization (ECO)	16,563	11,898	11,720	10.9	7.8	7.4	-28.2	-1.5
Commonwealth of Independent States (CIS)	15,075	16,924	15,621	9.9	11.1	9.9	12.3	-7.7
Turkic Republics	5,841	6,908	7,110	3.8	4.6	4.5	18.3	2.9
Organization of the Islamic Cooperation (OIC)	55,218	49,371	48,634	36.2	32.5	30.9	-10.6	-1.5
<b>Grand Total</b>	<b>152,462</b>	<b>151,803</b>	<b>157,642</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>-0.4</b>	<b>3.8</b>

Selected Country Groups	Import							
	Value			Share (%)			Variation (%)	
	2012	2013	2014	2012	2013	2014	2013	2014
Organization for Economic Cooperation and Development (OECD)	113,724	124,207	116,518	48.1	49.4	48.1	9.2	-6.2
European Free Trade Association (EFTA)	5,238	10,652	5,717	2.2	4.2	2.4	103.4	-46.3
Black Sea Economic Cooperation (BSEC)	41,510	41,271	40,927	17.5	16.4	16.9	-0.6	-0.8
Economic Cooperation Organization (ECO)	16,429	14,802	13,444	6.9	5.9	5.6	-9.9	-9.2
Commonwealth of Independent States (CIS)	35,248	34,000	33,086	14.9	13.5	13.7	-3.5	-2.7
Turkic Republics	3,558	3,600	2,997	1.5	1.4	1.2	1.2	-16.7
Organization of the Islamic Cooperation (OIC)	31,690	32,074	29,112	13.4	12.7	12.0	1.2	-9.2
<b>Grand Total</b>	<b>236,545</b>	<b>251,661</b>	<b>242,183</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>6.4</b>	<b>-3.8</b>

Selected Country Groups	Volume of Foreign Trade							
	Value			Share (%)			Variation (%)	
	2012	2013	2014	2012	2013	2014	2013	2014
Organization for Economic Cooperation and Development (OECD)	180,013	192,891	193,211	46.3	47.8	48.3	7.2	0.2
European Free Trade Association (EFTA)	7,839	12,314	9,512	2.0	3.1	2.4	57.1	-22.8
Black Sea Economic Cooperation (BSEC)	60,301	61,639	60,619	15.5	15.3	15.2	2.2	-1.7
Economic Cooperation Organization (ECO)	32,993	26,700	25,164	8.5	6.6	6.3	-19.1	-5.8
Commonwealth of Independent States (CIS)	50,323	50,925	48,707	12.9	12.6	12.2	1.2	-4.4
Turkic Republics	9,399	10,508	10,108	2.4	2.6	2.5	11.8	-3.8
Organization of the Islamic Cooperation (OIC)	86,909	81,445	77,747	22.3	20.2	19.4	-6.3	-4.5
<b>Grand Total</b>	<b>389,007</b>	<b>403,464</b>	<b>399,825</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>3.7</b>	<b>-0.9</b>

Source: TURKSTAT.

The highest imports made in 2014 was from OECD countries with 116.518 million \$, and OECD countries were followed by BSEC countries with 40.927 million \$, CIS countries with 33.086 million \$, OIC countries with 29.112 million \$, ECO countries with 13.444 million \$, EFTA countries with 5.717 million \$, and Turkic Republics with 2.997 million \$.

In 2014, there was a drop compared to the preceding year in the import from all country groups under this heading, and the highest decline occurred in the import from EFTA countries. The shares of import realized with these country groups in 2014 within the total imports was 48,1% in the OECD countries, 16,9% in the BSEC countries, 13,7% with the CIS countries, 12,0% with the OIC countries, 5,6% in the ECO countries, 2,4% in the EFTA countries, and 1,2% in the Turkic Republics.

The volume of foreign trade with OECD countries rose to 193.211 million \$ in 2014 with an increase by 0,2% compared to the preceding year, whereas it dropped in all of the other selected country groups. The volume of foreign trade with EFTA countries, ECO countries, OIC countries, CIS countries, Turkic countries and BSEC countries fell by 22,8% to 9.512 million \$, by 5,8% to 25.164 million \$, by 4,5% to 77.747 million \$, by 4,4% to 48.707 million \$, by 3,8% to 10.108 million \$ and by 1,7% to 60.619 million \$, respectively.

Among the first ten countries to which the most export is made, Germany took the lead with 15.151 million \$ corresponding to 9,6% of the total exports, followed by Iraq in the second place with 10.894 million \$ corresponding to 6,9% of the total exports, and United Kingdom in the third place with 9.906 million \$ corresponding to 6,3% of the total exports. Iran took the last place among the ten countries with an export of 3.887 million \$ corresponding to 2,5% of the total exports (Table 109).

**Table 109. The First Ten Countries to Which the Most Exports are made**

Countries <sup>(1)</sup>	(Million \$)							
	Value			Share (%)			Variation (%)	
	2012	2013	2014	2012	2013	2014	2013	2014
Germany	13,124	13,703	15,151	8.6	9.0	9.6	4.4	10.6
Iraq	10,822	11,949	10,894	7.1	7.9	6.9	10.4	-8.8
United Kingdom	8,694	8,785	9,906	5.7	5.8	6.3	1.1	12.8
Italy	6,373	6,718	7,142	4.2	4.4	4.5	5.4	6.3
France	6,199	6,377	6,465	4.1	4.2	4.1	2.9	1.4
United States of America	5,604	5,640	6,343	3.7	3.7	4.0	0.6	12.5
Russian Federation	6,681	6,964	5,944	4.4	4.6	3.8	4.2	-14.6
Spain	3,717	4,334	4,751	2.4	2.9	3.0	16.6	9.6
United Arab Emirates	8,175	4,966	4,656	5.4	3.3	3.0	-39.3	-6.2
Iran	9,922	4,193	3,887	6.5	2.8	2.5	-57.7	-7.3
Total of first ten countries	79,310	73,628	75,139	52.0	48.5	47.7	-7.2	2.1
Total exports	152,462	151,803	157,642	100.0	100.0	100.0	-0.4	3.8

Source: TURKSTAT.

(1): The countries that took the first 10 places in the ranking made according to 2014 export values.

Among the first ten countries from which the most imports is made, Russian Federation took the lead with 25.289 million \$ corresponding to 10,4% of the total imports, China took the second place with 24.918 million \$ corresponding to 10,3% of the total imports, and Germany took the third place with 22.370 million \$ corresponding to 9,2% of the total imports. South Korea, which was not among the first ten countries from which the most imports is made in 2013, entered the list in the eighth place with 7.548 million \$ in 2014 and was the country from which imports increased most with 24% (Table 110).

**Table 110. The First Ten Countries from Which the Most Imports are made**

Countries <sup>(1)</sup>	Value			Share (%)			Variation (%)	
	2012	2013	2014	2012	2013	2014	2013	2014
Russian Federation	26,625	25,064	25,289	11.3	10.0	10.4	-5.9	0.9
China	21,295	24,686	24,918	9.0	9.8	10.3	15.9	0.9
Germany	21,401	24,182	22,370	9.0	9.6	9.2	13.0	-7.5
United States of America	14,131	12,596	12,728	6.0	5.0	5.3	-10.9	1.0
Italy	13,344	12,885	12,056	5.6	5.1	5.0	-3.4	-6.4
Iran	11,965	10,383	9,833	5.1	4.1	4.1	-13.2	-5.3
France	8,590	8,080	8,123	3.6	3.2	3.4	-5.9	0.5
South Korea	5,660	6,088	7,548	2.4	2.4	3.1	7.6	24.0
India	5,844	6,368	6,899	2.5	2.5	2.8	9.0	8.3
Spain	6,024	6,418	6,076	2.5	2.6	2.5	6.5	-5.3
Total of first ten countries	134,878	136,750	135,839	57.0	54.3	56.1	1.4	-0.7
Total imports	236,545	251,661	242,183	100.0	100.0	100.0	6.4	-3.8

(Million \$)

Source: TURKSTAT.

(1): The countries that took the first 10 places in the ranking made according to 2014 import values.

### 1.5.1.5 Foreign Trade with Neighboring Countries

While the export made with neighboring countries decreased by 12,0% in 2013 compared to the preceding year, it fell from 24.781 million \$ to 24.479 million \$ with a decrease by 1,2% in 2014. Share of the neighboring countries within the total exports dropped from 16,3% to 15,5% with a decrease by 0,8 points compared to the preceding year. The country to which most export was made among our neighbors was Iraq with 10.894 million \$ despite the regression of 8,8% due to the events that emerged therein, and it was followed by Iran with 3.887 million \$, Azerbaijan-Nakhcivan with 2.876 million \$ (Table 111).

While the import made with neighboring countries decreased by 4,6% in 2013 compared to the preceding year, it fell from 18.116 million \$ to 17.633 million \$ with a decrease by 2,7% in 2014. Share of the neighboring countries within the total imports rose from 7,2% to 7,3% with an increase by 0,1 point compared to the preceding year. The country from which most import was made among our neighbors was Iran with 9.833 million \$, and it was followed by Greece with 4.044 million \$, and Bulgaria with 2.846 million \$. The neighbor from which the least import we made was Armenia with 1,5 million \$.

Volume of foreign trade of our country with the neighboring countries decreased by 9,0% in 2013, whereas declined by 1,8% in 2014, falling from 42.897 million \$ to 42.112 million \$. The share of the volume of foreign trade with the neighboring countries within the total volume of foreign trade decreased by 0,1 point compared to 2013, regressing from 10,6% to 10,5%.

Table 111. Foreign Trade with our Bordering Neighbors

(Million \$)

Neighboring Countries	Export							
	Value			Share (%)			Variation (%)	
	2012	2013	2014	2012	2013	2014	2013	2014
Azerbaijan-Nakhcivan	2,585	2,960	2,876	1.7	2.0	1.8	14.5	-2.9
Bulgaria	1,685	1,971	2,041	1.1	1.3	1.3	17.0	3.5
Armenia	0.2	0.1	-	0.0	0.0	-	-50.0	-
Georgia	1,253	1,246	1,444	0.8	0.8	0.9	-0.6	15.9
Iraq	10,822	11,949	10,894	7.1	7.9	6.9	10.4	-8.8
Iran	9,922	4,193	3,887	6.5	2.8	2.5	-57.7	-7.3
Syria	498	1,024	1,802	0.3	0.7	1.1	105.7	75.9
Greece	1,401	1,437	1,537	0.9	0.9	1.0	2.6	6.9
Total neighboring countries	28,166	24,781	24,479	18.5	16.3	15.5	-12.0	-1.2
Grand total	152,462	151,803	157,642	100.0	100.0	100.0	-0.4	3.8
Neighboring Countries	Import							
	Value			Share (%)			Variation (%)	
	2012	2013	2014	2012	2013	2014	2013	2014
Azerbaijan-Nakhcivan	340	334	291	0.1	0.1	0.1	-1.8	-12.7
Bulgaria	2,754	2,760	2,846	1.2	1.1	1.2	0.2	3.1
Armenia	0.2	0.4	1.5	0.0	0.0	0.0	100.0	266.2
Georgia	180	202	233	0.1	0.1	0.1	11.9	15.3
Iraq	149	146	269	0.1	0.1	0.1	-2.4	84.3
Iran	11,965	10,383	9,833	5.1	4.1	4.1	-13.2	-5.3
Syria	67	85	115	0.0	0.0	0.0	25.9	36.0
Greece	3,540	4,206	4,044	1.5	1.7	1.7	18.8	-3.9
Total neighboring countries	18,996	18,116	17,633	8.0	7.2	7.3	-4.6	-2.7
Grand total	236,545	251,661	242,183	100.0	100.0	100.0	6.4	-3.8
Neighboring Countries	Volume of Foreign Trade							
	Value			Share (%)			Variation (%)	
	2012	2013	2014	2012	2013	2014	2013	2014
Azerbaijan-Nakhcivan	2,925	3,294	3,167	0.8	0.8	0.8	12.6	-3.9
Bulgaria	4,439	4,732	4,887	1.1	1.2	1.2	6.6	3.3
Armenia	0.4	0.5	1.5	0.0	0.0	0.0	25.0	200.0
Georgia	1,434	1,448	1,677	0.4	0.4	0.4	1.0	15.8
Iraq	10,971	12,095	11,162	2.8	3.0	2.8	10.2	-7.7
Iran	21,886	14,576	13,720	5.6	3.6	3.4	-33.4	-5.9
Syria	565	1,109	1,917	0.1	0.3	0.5	96.2	72.8
Greece	4,941	5,643	5,581	1.3	1.4	1.4	14.2	-1.1
Total neighboring countries	47,162	42,897	42,112	12.1	10.6	10.5	-9.0	-1.8
Grand total	389,007	403,464	399,825	100.0	100.0	100.0	3.7	-0.9

Source: TURKSTAT.

## 1.5.2 Balance of Payments

Several changes were made with regard to presentation and methods in the balance of payment statistics through Sixth Edition of the Balance of Payments and International Investment Position Manual issued by the International Monetary Fund (IMF), incorporating the terms, definitions, classifications and practices regarding the statistics of balance of payments and international investment position (IIP). CBRT started to publish the balance of payments statistics, which it has been publishing according to the Fifth Edition of the Balance of Payments Manual, according to the new definition and standards of the Sixth Edition of the Manual beginning from the data pertaining to the period of September 2014.

Upon switching to the Sixth Edition of the Manual, CBRT declared that basic terms substantially remained the same, but there were several classification and definition changes in sub-items, in other words, it did not cause numeric changes in the items "Current Transactions Account", "Capital Account", "Financial Account" and "Net Errors and Omissions", but brought several changes in the sub-items.

The current transactions deficit that showed a rapid rise in Turkey especially after the crisis in 2009 started to pose a material problem, and rose to the highest level of its history in 2011.

CBRT started to implement economy policies aimed at limiting the macro-financial risks posed by the high current deficit. In this respect, in the last quarter of 2010, it put into practice a new monetary policy framework, which considers also the financial stability, against the high increase in the loans, excessive appreciation of the exchange rates and the current deficit that has reached high levels. With contribution of the measures taken by CBRT and other regulatory agencies, excessive appreciation of the exchange was resolved and the loan growth rate was forced to more reasonable levels in the period following 2011. Having shown a trend of recovery in concordance with these developments, the current deficit followed a floating course, and significantly lessened in 2014. The current transactions deficit dropped from 64.658 million \$ in 2013 to 45.846 million \$ in 2014 with an decrease by 29,1% (Table 112).

The improvement in 2014 in the current transactions deficit was driven by the rise in the net service revenues and the decline in the primary income deficit, particularly the shrinkage in the foreign trade deficit as shown in the payments balance.

The foreign trade deficit as shown in the balance of payments declined from 79.907 million \$ in 2013 to 63.542 million \$ in 2014 with a decrease by 20,5%. The improvement in the foreign trade was influenced by the shrinkage recorded in import against the increase in export. Export excluding gold showed an upward trend with the effect of the increase of the export to European Union (EU) countries despite the shrinkage in the export to Iraq, Iran and Russian Federation, which are among the most important export markets. A drop was recorded in gold export compared to the preceding year.

If gold is excluded, a drop occurred in export expenditures nominally. This drop was mainly influenced by the modest course of the domestic demand increase and limitation of the energy import by the drop in the oil prices. In 2014, a high-rate drop was seen in gold import, as well.

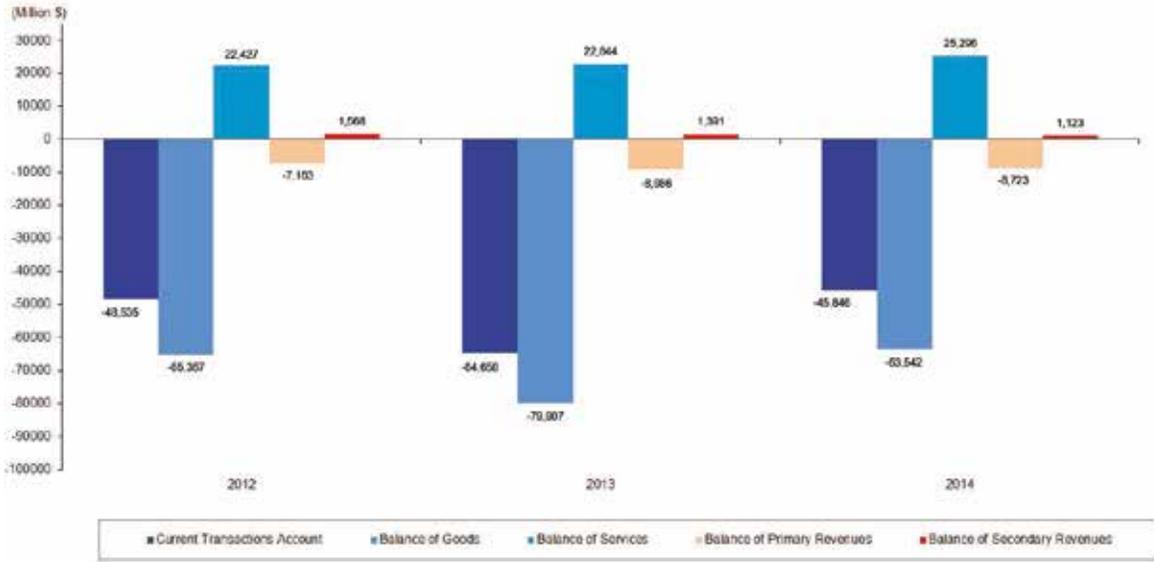
The services item, which is the most important determinant of the balance of current transactions after the foreign trade, made positive contribution to the current balance in 2014. Net service revenues increased by 10,7% compared to 2013 and rose to 25.296 million \$, driven mainly by the net revenue increase in transportation, travel and construction services (Graph 48).

Table 112. Balance of Payments

Components	(Million \$)				
	2012	2013	2014	Variation (%)	
				2013	2014
Current Transactions Account	-48,535	-64,658	-45,846	33.2	-29.1
Export	161,948	161,789	168,959	-0.1	4.4
Import	227,315	241,696	232,501	6.3	-3.8
Balance of Goods	-65,367	-79,907	-63,542	22.2	-20.5
Service Revenues	43,224	46,615	50,449	7.8	8.2
Travel Revenues	25,345	27,997	29,552	10.5	5.6
Other Revenues	17,879	18,618	20,897	4.1	12.2
Service Expenses	20,797	23,771	25,153	14.3	5.8
Travel Expenses	4,094	4,817	5,072	17.7	5.3
Other Expenses	16,703	18,954	20,081	13.5	5.9
Balance of Goods and Services	-42,940	-57,063	-38,246	32.9	-33.0
Primary Investment-Originated Revenues	5,034	4,524	4,256	-10.1	-5.9
Interest Revenues	2,054	1,778	1,666	-13.4	-6.3
Other Revenues	2,980	2,746	2,590	-7.9	-5.7
Primary Investment-Originated Expenses	12,197	13,510	12,979	10.8	-3.9
Interest Expenses	5,829	5,782	5,691	-0.8	-1.6
Other Expenses	6,368	7,728	7,288	21.4	-5.7
Balance of Goods, Services and Primary Revenues	-50,103	-66,049	-46,969	31.8	-28.9
Secondary Investment-Originated Revenues	1,568	1,391	1,123	-11.3	-19.3
Worker Remittances	975	877	838	-10.1	-4.4
Other Transfers	593	514	285	-13.3	-44.6
Capital Account	-58	-96	-66	65.5	-31.3
Financial Account	-71,068	-72,721	-43,050	2.3	-40.8
Direct Investments: Net Asset Acquisition	4,105	3,627	7,047	-11.6	94.3
Direct Investments: Net Liability Incurrence	13,282	12,457	12,534	-6.2	0.6
Portfolio Investments: Net Asset Acquisition	-2,657	-2,601	759	-2.1	-129.2
Portfolio Investments: Net Liability Incurrence	38,355	21,385	20,693	-44.2	-3.2
Stocks	6,276	842	2,559	-86.6	203.9
Notes Payable	32,079	20,543	18,134	-36.0	-11.7
Other Investments: Net Asset Acquisition	703	-2,370	1,116	-437.1	-147.1
Central Bank	-2	-1	0	-50.0	-
General Government	366	757	213	106.8	-71.9
Banks	-2,040	283	985	-113.9	248.1
Other Sectors	2,379	-3,409	-82	-243.3	-97.6
Other Investments: Net Liability Incurrence	21,582	37,535	18,745	73.9	-50.1
Central Bank	-1,779	-1,457	-1,905	-18.1	30.7
General Government	-92	-18	-894	-80.4	4,866.7
Banks	16,002	32,269	15,437	101.7	-52.2
Other Sectors	7,451	6,741	6,107	-9.5	-9.4
Current, Capital and Financial Accounts	22,475	7,967	-2,862	-64.6	-135.9
Net Errors and Omissions	346	2,796	2,394	708.1	-14.4
General Balance	-22,821	-10,763	468	-52.8	-104.3
Reserve Assets	22,821	10,763	-468	-52.8	-104.3
Official Reserves	20,814	9,911	-468	-52.4	-104.7
International Monetary Fund Loans	2,007	852	0	-57.5	-

Source: CBRT.

Graph 48. Balance of Payments



Source: CBRT.

In the primary balance of revenues consisting of the items of wage payments and investment revenues, the outflow which was 8.986 million \$ in 2013 went down to 8.723 million \$ in 2014. This development resulted from regression of the net outflows arising out of investment revenue to 8.327 million \$ with a decrease by 371 million \$. The net inflows arising out of the balance of secondary revenues consisting of current transfers of the general government and other sectors decreased by 268 million \$ to 1.123 million \$.

While the net assets arising out of direct investments increased by 3.420 million \$ compared to 2013 and advanced to 7.047 million \$, net liabilities increased by 77 million \$ to 12.534 million \$.

With regards the net liability incurrence in the portfolio investment items, abroad-residents realized a net purchase of 2.559 million \$ in the stock market.

The official reserves, which decreased by 9.911 million \$ in 2013, increased by 468 million \$ in 2014.

The foreign financing need, which is defined as the total of the current transactions and the net error and omissions items, decreased by 29,8% in 2014 compared to 2013, and fell from 61.862 million \$ to 43.452 million \$.

### 1.5.3 Direct International Investments

Persistence of the slowdown in the global activity, the failure to have elevated the economic growth to the targeted levels and the disturbances at various regions of the world affected the capital movements negatively. Along with the decrease in the risk appetite, the capital inflows particularly toward the developing countries decreased, too.

The capital inflows toward our country followed a declining course with the effect of the developments in the international markets, and the international direct capital inflow that

was 10.759 million \$ in 2012 declined to 9.866 million \$ in 2013 and to 8.699 million \$ in 2014 (Table 113).

In 2014, direct capital inflow to Turkey was 8.699 million \$ with a decline by 11,8%, and capital outflow was 254 million \$. Thus, in 2014 the total net capital amount was 12.143 million \$ including the net capital inflow of 8.445 million \$, net other capital outflow with foreign partners of international companies amounting to 623 million \$, and net real estate sales of 4.321 million \$, which is 1,7% less compared to the preceding year.

Within the net total investment inflows in 2014, the international direct investments had a 64,4% share and the net real estate sales had a 35,6% share. Compared to the preceding year, share of the international direct capital within the net total investment inflows continued to decline and share of net real estate sales continued to rise.

**Table 113. Direct International Investment Inflows (Actual Inflows)**

(Million \$)								
Years	International Direct Investments					Real estate (Net)	Total Investments (Net)	
	Capital			Other Capital (Net) <sup>(1)</sup>	Total (Net)			
	Inflow	Outflow	Net					
2012	10,759	-633	10,126	521	10,647	2,636	13,283	
2013	9,866	-568	9,298	10	9,308	3,049	12,357	
2014 <sup>(2)</sup>	8,699	-254	8,445	-623	7,822	4,321	12,143	
Variation (%)								
2013	-8.3	-10.3	-8.2	-98.1	-12.6	15.7	-7.0	
2014	-11.8	-55.3	-9.2	-6,330.0	-16.0	41.7	-1.7	

Source: MoE.

(1): Value of loans obtained by international capital companies from foreign partners.

(2): Interim.

While the highest share within the direct international investment inflows was acquired by the services sector in 2013, it was acquired by the industry sector in 2014. In 2014, the highest share within the investments inflows towards the industry sector was acquired by the manufacturing industry sector, and the major part of the investment inflow in the services sector derived again from the activity of financial intermediaries. The agriculture sector continued to be the sector that attracted the lowest interest from foreign investors in 2014. In 2014, of the direct international investment capital inflow, 0,7% representing 61 million \$ occurred in the agriculture sector, 56,3% representing 4.898 million \$ occurred in the industry sector, and 43,0% representing 3.740 million \$ occurred in the services sector (Table 114, Graph 49).

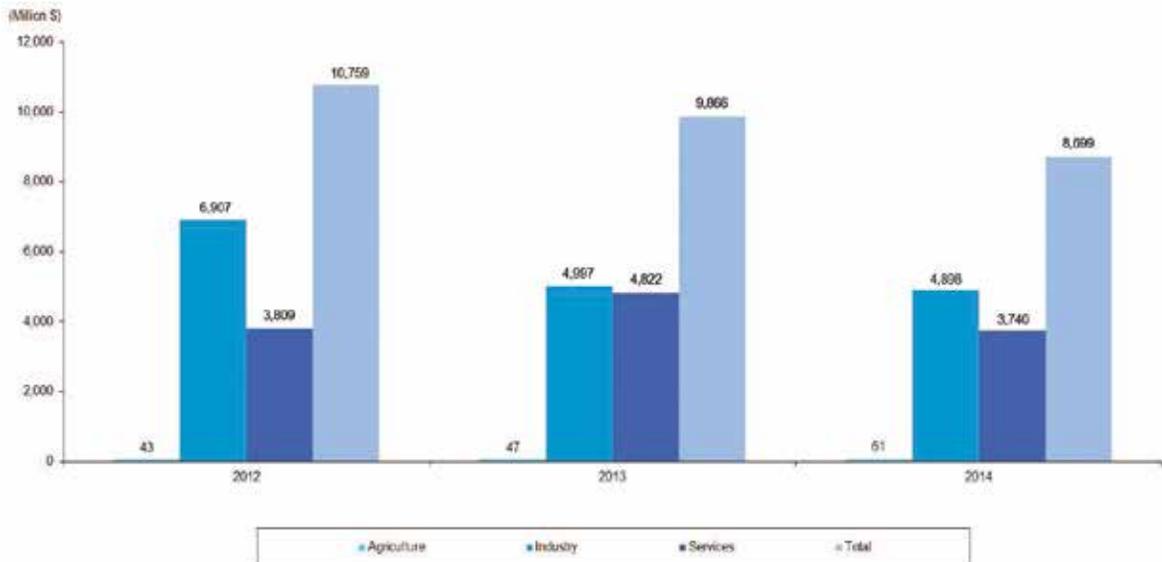
**Table 114. Sectoral Distribution of the Direct International Investment Capital Inflows**

Sectors	(Million \$)							
	Value			Share (%)			Variation (%)	
	2012	2013	2014	2012	2013	2014	2013	2014
Agriculture, hunting, forestry and fishery	43	47	61	0.4	0.5	0.7	9.3	29.8
Mining and quarrying	213	242	449	2.0	2.5	5.2	13.6	85.5
Manufacturing industry	4,343	2,207	2,891	40.4	22.4	33.2	-49.2	31.0
Manufacture of food products and beverages	2,201	400	557	20.5	4.1	6.4	-81.8	39.3
Manufacture of textile products	376	60	139	3.5	0.6	1.6	-84.0	131.7
Manufacture of chemical substances and products	579	272	495	5.4	2.8	5.7	-53.0	82.0
Machinery and equipment production	32	5	4	0.3	0.1	0.0	-84.4	-20.0
Manufacture of electrical and optical instruments	143	607	918	1.3	6.2	10.6	324.5	51.2
Manufacture of motor land vehicles, trailers, and semi-trailers	121	97	124	1.1	1.0	1.4	-19.8	27.8
Other manufacturing	891	766	654	8.3	7.8	7.5	-14.0	-14.6
Electricity, gas and water	924	2,370	1,326	8.6	24.0	15.2	156.5	-44.1
Construction	1,427	178	232	13.3	1.8	2.7	-87.5	30.3
Wholesale and retail trading	221	377	1,165	2.1	3.8	13.4	70.6	209.0
Hotels and restaurants	16	59	20	0.1	0.6	0.2	268.8	-66.1
Transportation, communication and storage services	130	300	136	1.2	3.0	1.6	130.8	-54.7
Activities of financial intermediary institutions	2,084	3,415	1,535	19.4	34.6	17.6	63.9	-55.1
Real estate, leasing and business activities	173	128	227	1.6	1.3	2.6	-26.0	77.3
Health affairs and social services	546	106	200	5.1	1.1	2.3	-80.6	88.7
Other social, public and individual service activities	639	437	457	5.9	4.4	5.3	-31.6	4.6
<b>Total</b>	<b>10,759</b>	<b>9,866</b>	<b>8,699</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>-8.3</b>	<b>-11.8</b>

Source: MoE.

(1): Interim.

**Graph 49. Sectoral Distribution of the Direct International Investment Capital Inflows**



Source: MoE.

In terms of subsectors, the activities with most intense foreign capital inflows were the manufacturing industry with 2.891 million \$, electricity, gas and water activities with 1.326 million \$, and activities of financial intermediary institutions with 1.535 million \$.

Of the direct international capital inflows, 63,4% representing a portion of 5.512 million \$ is composed of the capital originating from EU countries, 20,3% representing a portion of 1.766 million \$ from Asian countries, 12,1% representing a portion of 1.054 million \$ from the European countries excluding EU, 3,7% representing a portion of 325 million \$ from the USA, and 0,5% representing a portion of 42 million \$ from the African countries. While the share of the EU countries, the European countries excluding EU and the USA within the total direct international investment capital inflows compared to 2013 increased, the share of the Asian and African countries decreased.

Compared to 2014, the direct international capital inflow from the EU countries increased by 4,6% 2013; within which the capital inflows from Germany and Austria decreased, and the capital inflows from France, United Kingdom and Italy increased. The capital inflows from the European countries excluding EU, capital inflows from African countries, capital inflows from Asian countries and capital inflows from Asian countries decreased by 6,6%, 81,0%, 39,1%, and 0,3%, respectively (Table 115, Graph 50).

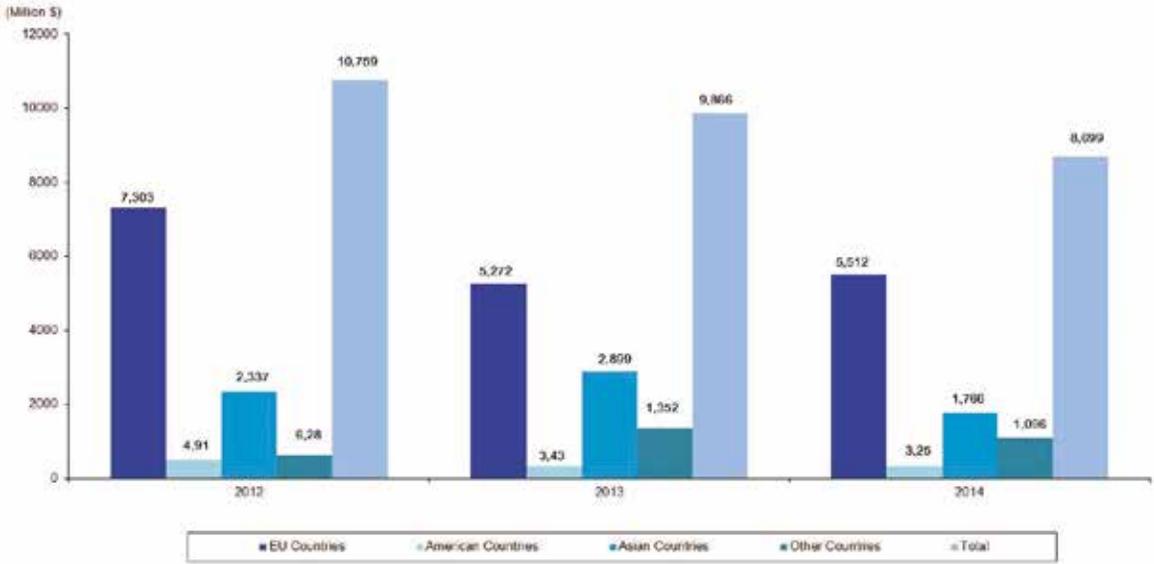
**Table 115. Distribution of the Direct International Investment Capital Inflows by Countries**

Country Groups	Value			Share (%)			Variation (%)	
	2012	2013	2014 <sup>(1)</sup>	2012	2013	2014	2013	2014
EU Countries	7,303	5,272	5,512	67.9	53.4	63.4	-27.8	4.6
Germany	491	1,968	693	4.6	19.9	8.0	300.8	-64.8
Austria	1,519	647	50	14.1	6.6	0.6	-57.4	-92.3
France	86	217	280	0.8	2.2	3.2	152.3	29.0
Netherlands	1,381	918	2,017	12.8	9.3	23.2	-33.5	119.7
United Kingdom	2,044	300	1,046	19.0	3.0	12.0	-85.3	248.7
Italy	154	146	490	1.4	1.5	5.6	-5.2	235.6
Other EU Countries	1,628	1,076	936	15.1	10.9	10.8	-33.9	-13.0
Other European Countries (excluding EU)	622	1,128	1,054	5.8	11.4	12.1	81.4	-6.6
African Countries	0	221	42	0.0	2.2	0.5	-	-81.0
USA	439	326	325	4.1	3.3	3.7	-25.7	-0.3
Canada	32	16	0	0.3	0.2	0.0	-50.0	-
Central-South America and the Caribbean	20	1	0	0.2	0.0	0.0	-95.0	-
Asian Countries	2,337	2,899	1,766	21.7	29.4	20.3	24.0	-39.1
Near and Middle East Countries	1,593	2,286	1,231	14.8	23.2	14.2	43.5	-46.2
Gulf Countries	940	880	425	8.7	8.9	4.9	-6.4	-51.7
Other Near and Middle East Countries	653	1,406	788	6.1	14.3	9.1	115.3	-44.0
Other Asian Countries	744	613	535	6.9	6.2	6.2	-17.6	-12.7
Other Countries	6	3	0	0.1	0.0	0.0	-50.0	-
<b>Total</b>	<b>10,759</b>	<b>9,866</b>	<b>8,699</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>-8.3</b>	<b>-11.8</b>

Source: MoE.

(1): Interim.

Graph 50. Distribution of the Direct International Investment Capital Inflows by Countries



Source: MoE.

#### 1.5.4 Foreign Debts

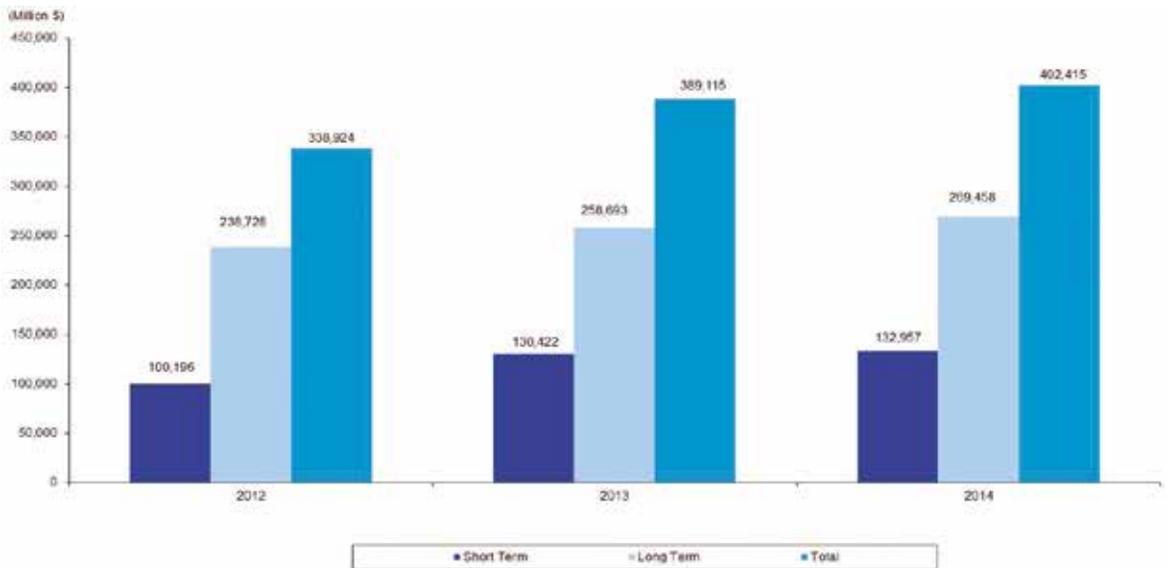
The foreign debt stock that has increased by 11,6% in 2012 and by 14,8% in 2013 substantially slowed down in 2014 and increased by 3,4%. Thus, in 2014, the gross foreign debt stock rose from 389.115 million \$ to 402.415 million \$. In 2014, the increase especially in the short-term foreign debts remarkably slowed down, and the share of the short-term debts within the debt stock decreased. Compared to the preceding year, the short-term foreign debts which increased by 30,2% increased by 1,9 in 2014 to 129.107 million \$, and the long-term foreign debts increased by 4,2% to 269.458 million \$. The share of the short-term debts within the total foreign debt stock which was 33,5% in 2013 regressed to 33,0% in 2014, and the share of the long-term debts rose from 66,5% to 67,0% as of the same years (Table 116, Graph 51).

Table 116. Gross Foreign Debt Stock

Indicators	(Million \$)		
	2012	2013	2014
Foreign debt stock	338,924	389,115	402,415
Variation (%)	11.6	14.8	3.4
Short term	100,196	130,422	132,957
Variation (%)	22.8	30.2	1.9
Share within debt stock (%)	29.6	33.5	33.0
Long term	238,728	258,693	269,458
Variation (%)	7.4	8.4	4.2
Share within debt stock (%)	70.4	66.5	67.0
By Debtors			
Short term	100,196	130,422	132,957
Public	11,040	17,605	17,866
CBRT	1,036	833	342
Private	88,120	111,984	114,749
Long term	238,728	258,693	269,458
Public	92,984	98,339	99,830
CBRT	6,052	4,401	2,142
Private	139,692	155,953	167,486
Total public	104,024	115,944	117,696
Variation (%)	10.3	11.5	1.5
Share within debt stock (%)	30.7	29.8	29.2
Total CBRT	7,088	5,234	2,484
Variation (%)	-24.1	-26.2	-52.5
Share within debt stock (%)	2.1	1.3	0.6
Total private	227,812	267,937	282,235
Variation (%)	13.8	17.6	5.3
Share within debt stock (%)	67.2	68.9	70.1

Source: UoT.

Graph 51. Foreign Debt Stock



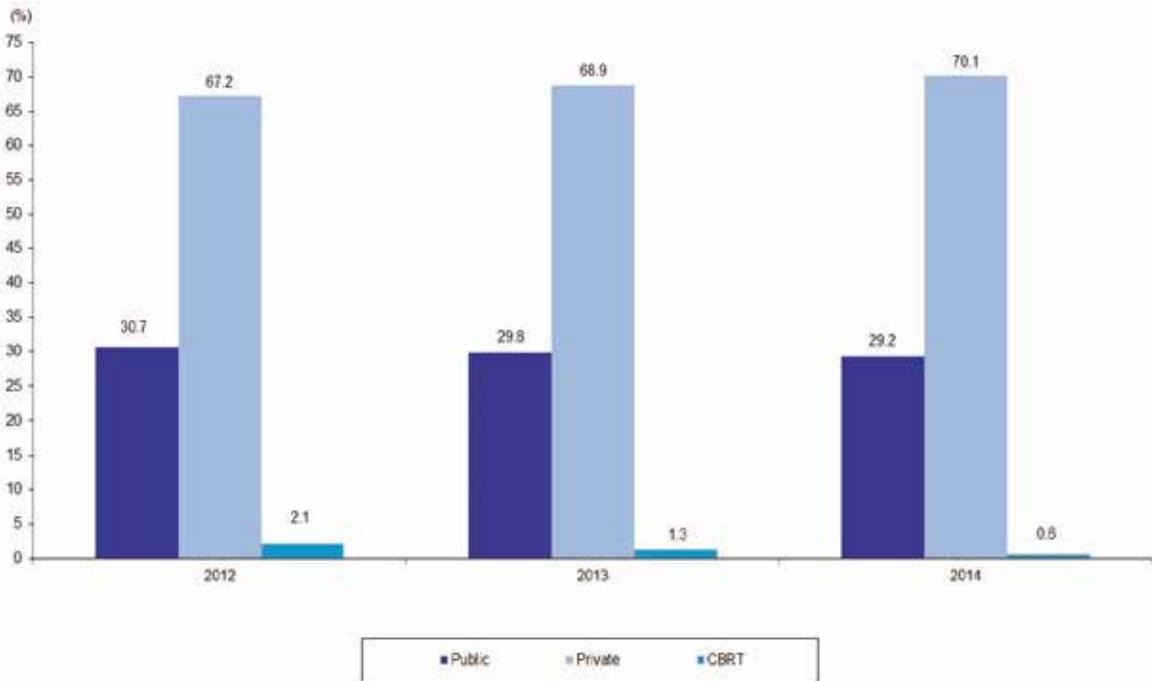
Source: UoT.

Increase rate of the private sector foreign debt, which acquires a major share within the foreign debt stock, considerably slowed down compared to 2013. The foreign debt of private sector that increased by 17,6% in 2013 reached 282.235 million \$ with an increase by 5,3% in 2014. In 2013, foreign debt of the public sector exhibited an increase by 11,5 3%, and in 2014, ascended to 117.696 million \$ with an increase by 1,5%. The foreign debt of CBRT went on declining, and became 2.484 million \$ in 2014 with a decrease by 52,5% compared to the preceding year.

In 2014, of the public sector foreign debt in 2013, a 99.830 million \$ portion was composed of long-term debts and a 17.866 million \$ portion was composed of short-term debts; and of the private sector foreign debt, a 167.486 million \$ portion was composed of long-term debts and a 114.749 million \$ portion was composed of short-term debts.

Within the total foreign debt stock in 2014, compared to the preceding year, the share of CBRT slid from 1,3% to 0,6%, the share of the public sector declined from 29,8% to 29,2%, and the share of the private sector rose from 68,9% to 70,1% (Graph 52).

Graph 52. Distribution of Foreign Debt Stock by Debtors



Source: UoT.

### Short- and Long-Term Debts received from Abroad by the Private Sector

There was a drop in the increase rates of short-term, long-term, and consequently total loan debts received by the public sector from abroad in 2014. A drop of 28,0, 4,3 and 8,5 points was recorded in the increase rates of short-term debts, long term debts and total debts, respectively, compared to the preceding yearend. The total loan debt received by the private sector from abroad increased by 7,4% as of the yearend of 2014 compared to the yearend of 2013, and became 211.962 million \$ (Table 117).

**Table 117. Short- and Long-Term Loan Debts received by the Private Sector from Abroad**

By Debtors	Value (Million \$)			Share (%)			Variation (%)	
	2012	2013	2014	2012	2013	2014	2013	2014
	Short-Term							
Financial	28,123	38,825	41,719	91.8	93.7	93.8	38.1	7.5
Banks <sup>(1)</sup>	26,254	36,449	39,625	85.7	87.9	89.1	38.8	8.7
Non-bank financial institutions	1,869	2,376	2,095	6.1	5.7	4.7	27.1	-11.8
Non-financial	2,516	2,631	2,757	8.2	6.3	6.2	4.6	4.8
Loans	2,408	2,586	2,672	7.9	6.2	6.0	7.4	3.3
Loans considered as foreign capital	107	44	86	0.4	0.1	0.2	-58.7	93.9
Total	30,639	41,456	44,477	100.0	100.0	100.0	35.3	7.3
	Long-Term							
Financial	56,040	71,785	83,291	40.1	46.0	49.7	28.1	16.0
Banks	41,754	54,803	66,158	29.9	35.1	39.5	31.3	20.7
Non-bank financial institutions	14,286	16,981	17,132	10.2	10.9	10.2	18.9	0.9
Non-financial	83,618	84,159	84,195	59.9	54.0	50.3	0.6	0.0
Loans	75,947	74,593	73,779	54.4	47.8	44.1	-1.8	-1.1
Loans considered as foreign capital	5,846	5,879	5,087	4.2	3.8	3.0	0.6	-13.5
Commercial Loans	418	339	326	0.3	0.2	0.2	-19.1	-3.7
Bonds	1,407	3,348	5,002	1.0	2.1	3.0	138.0	49.4
Total	139,658	155,943	167,485	100.0	100.0	100.0	11.7	7.4
	Total							
Short-Term	30,639	41,456	44,477	18.0	21.0	21.0	35.3	7.3
Long-Term	139,658	155,943	167,485	82.0	79.0	79.0	11.7	7.4
Short-Term + Long-Term	170,296	197,399	211,962	100.0	100.0	100.0	15.9	7.4

Source: CBRT.

(1): Debts arising out of repo transactions are excluded.

The short-term loan debt received by the private sector from abroad became 44.477 million dollars with an increase by 7,3% at the yearend of 2014 compared to the preceding yearend. Of the total short term private sector loan debt, 93,8% corresponding to 41.719 million \$ is owed by the financial segment private sector and 6,2% corresponding to 2.757 million \$ is owed by the non-financial public sector.

As of the year end of 2014, within the short-term private sector debt of the financial segment, 39.625 million \$ is owed by the banks and 2.095 million \$ is owed by the non-bank financial institutions. The short term loan debt of the non-financial private sector amounting to 2.757 million \$ is composed of the loans with 2.672 million \$ and of loans considered as foreign capital with 86 million \$.

The long term loan debt received by the private sector from abroad became 167.485 million \$ with an increase by 7,4% at the yearend of 2014 compared to the preceding yearend. Of the total long term private sector loan debt, 49,7% corresponding to 83.291 million \$ is owed by the financial segment private sector and 50,3% corresponding to 84.195 million \$ is owed by the non-financial public sector.

As of the year end of 2014, within the long-term private sector debt of the financial segment, 66.158 million \$ was composed of the debts of the banks and 17.132 million \$ was composed of the debts of the non-bank financial institutions. As of the end of 2014, of the long term debt of the non-financial segment private sector, 73.779 million \$ was composed of loans, 5.087 million \$ was composed of the loans considered as foreign

capital, 326 million \$ was composed of commercial loans, and 5.002 million \$ was composed of bonds.

### **Sectoral Distribution of Short- and Long-Term Debts received from Abroad by the Non-Financial Private Sector**

On sectoral basis, of the short-term loan debt received by the non-financial private sector from abroad in 2014, 49,7% representing 1.369 million \$ was utilized by the industry sector, 48,1% representing 1.326 million \$ was utilized by the services sector, and 2,3% representing 62 million \$ was utilized by the agriculture sector (Table 118).

In 2014, on the basis of subsectors, the sector which had the highest debt weight within the short-term debts received by the non-financial sector from abroad was manufacturing industry sector with 29,6%, and it was followed by the mining and quarrying sector with 19,6%, and the wholesale and retail trading sector with 11,9%.

Of the long-term loan debt received by the non-financial private sector from abroad, 57,0% representing 47.975 million \$ was utilized by the services sector, 42,5% representing 35.778 million \$ was utilized by the industry sector, and 0,5% representing 441 million \$ was utilized by the agriculture sector.

In 2014, on the basis of subsectors, the sector which had the highest debt weight within the long-term debts received by the non-financial sector from abroad was manufacturing industry with 28,4%, followed by the subsectors of transportation and storage with 15,3%, and the electricity, gas, steam and air conditioning production and distribution with 11,4%.

**Table 118. Sectoral Distribution of Short- and Long-Term Debts received from Abroad by the Non-Financial Private Sector<sup>1</sup>**

Sectors	Short-Term						Long-Term					
	Value (Million \$)			Share (%)			Value (Million \$)			Share (%)		
	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
Agriculture sector	1	6	62	0.1	0.2	2.3	610	505	441	0.7	0.6	0.5
Agriculture, forestry and fishery	1	6	62	0.1	0.2	2.3	610	505	441	0.7	0.6	0.5
Industry sector	1,134	1,356	1,369	45.1	51.6	49.7	37,689	37,511	35,778	45.1	44.6	42.5
Mining and quarrying	295	266	541	11.7	10.1	19.6	2,578	1,969	2,225	3.1	2.3	2.6
Manufacturing	800	1,041	817	31.8	39.6	29.6	24,975	25,181	23,903	29.9	29.9	28.4
Manufacture of food, beverages and tobacco products	46	37	42	1.8	1.4	1.5	4,749	5,209	4,525	5.7	6.2	5.4
Manufacture of textile and garments	27	189	146	1.1	7.2	5.3	3,105	2,766	2,622	3.7	3.3	3.1
Manufacture of leather and related products	0	4	1	0.0	0.1	0.0	127	100	103	0.2	0.1	0.1
Manufacture of wood and wooden products	0	0	3	0.0	0.0	0.1	318	446	410	0.4	0.5	0.5
Manufacture of paper and paper products, printing and duplication of recorded media	1	2	7	0.0	0.1	0.3	629	596	513	0.8	0.7	0.6
Manufacture of coke and refined petroleum products	35	94	2	1.4	3.6	0.1	1,336	1,239	1,264	1.6	1.5	1.5
Manufacture of chemicals, chemical products and basic pharmacy products and materials	2	5	12	0.1	0.2	0.4	2,543	1,935	1,751	3.0	2.3	2.1
Manufacture of rubber and plastic products	13	140	6	0.5	5.3	0.2	972	938	1,060	1.2	1.1	1.3
Manufacture of other non-metallic mineral products	1	0	0	0.1	0.0	0.0	1,004	1,152	1,007	1.2	1.4	1.2
Manufacture of main metal industry and fabrication metal products (except machinery and equipment)	109	153	171	4.3	5.8	6.2	4,051	3,716	3,300	4.8	4.4	3.9
Manufacture of machinery and equipment (not elsewhere classified)	1	31	3	0.0	1.2	0.1	506	297	277	0.6	0.4	0.3
Manufacture of computers, electric-electronic and optical products	372	75	69	14.8	2.9	2.5	2,565	3,194	3,143	3.1	3.8	3.7
Manufacture of transportation vehicles	12	222	116	0.5	8.4	4.2	2,736	3,118	3,085	3.3	3.7	3.7
Manufacture of furniture and other manufacturing industry not elsewhere classified	180	88	240	7.2	3.3	8.7	333	475	843	0.4	0.6	1.0
Electricity, gas, vapor, air conditioning production and distribution	40	49	11	1.6	1.8	0.4	10,131	10,355	9,640	12.1	12.3	11.4
Water supply, sewerage, waste management and treatment activities	0	1	1	0.0	0.0	0.0	4	6	10	0.0	0.0	0.0
Services sector	1,380	1,269	1,326	54.9	48.2	48.1	45,319	46,142	47,975	54.2	54.8	57.0
Construction	107	103	107	4.2	3.9	3.9	5,657	6,206	7,661	6.8	7.4	9.1
Wholesale and retail trading	180	208	327	7.2	7.9	11.9	3,705	4,204	4,476	4.4	5.0	5.3
Transportation and storage	16	4	102	0.6	0.2	3.7	12,508	13,066	12,868	15.0	15.5	15.3
Accommodation and catering activities	0	0	0	0.0	0.0	0.0	2,059	2,864	2,742	2.5	3.4	3.3
Information and communication	169	155	138	6.7	5.9	5.0	7,767	5,922	5,673	9.3	7.0	6.7
Real estate activities	0	17	12	0.0	0.6	0.4	5,244	5,381	5,402	6.3	6.4	6.4
Vocational, scientific and technical activities	727	464	325	28.9	17.6	11.8	5,400	4,601	4,566	6.5	5.5	5.4
Administrative and support service activities	0	0	1	0.0	0.0	0.0	447	432	629	0.5	0.5	0.7
Education	0	0	1	0.0	0.0	0.1	123	178	257	0.1	0.2	0.3
Human health and social service activities	35	77	68	1.4	2.9	2.5	691	712	833	0.8	0.8	1.0
Culture, art, entertainment, recreation and sports	1	1	2	0.0	0.0	0.1	163	159	229	0.2	0.2	0.3
Other service activities	145	239	243	5.8	9.1	8.8	1,556	2,416	2,639	1.9	2.9	3.1
<b>Total</b>	<b>2,516</b>	<b>2,631</b>	<b>2,757</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>83,618</b>	<b>84,159</b>	<b>84,195</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: CBRT.

(1): Sectoral distribution of the loan debt received by the private sector from abroad is published according to NACE Rev 2.



## 2. SOCIAL INDICATORS

### 2.1. Population

According to the results of the Address-Based Population Registration System (ABPRS), population of Turkey rose to 77.696 thousand people as of 2014 yearend with an increase by 1.028 people compared to the preceding year. Population growth rate dropped from 13,7‰ in 2013 to 13,3‰ in 2014. Population density (number of people per square kilometer) that was 100 in 2013 ascended to 101 in 2014 with an increase by 1 person.

Of this population, 71.286 thousand live in province and county centers, 6.410 thousand live in counties and towns. Rate of the residents in province and county centers rose from 91,3% in 2013 to 91,7% in 2014. Rate of the residents in towns and villages regressed from 8,7 in 2013 to 8,3% in 2014 (Table 119, Graph 53).

**Table 119. Basic Population Indicators**

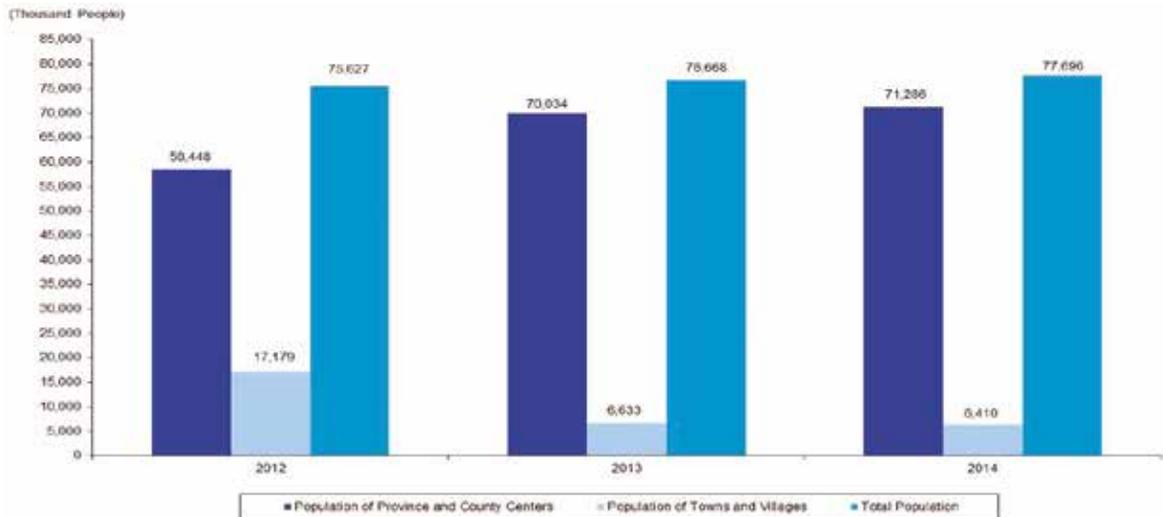
Years	Total Population (Thousand People)	Annual Population Growth Rate (%)	Population Density	Population				Place of Settlement			
				Province and County Center (Thousand People)	Share (%)	Towns and Villages (Thousand People)	Share (%)	Province	Country <sup>(1)</sup>	Town/First Level Municipality	Village <sup>(2)</sup>
2012	75,627	12.0	98	58,448	77.3	17,179	22.7	81	892	1,977	34,434
2013	76,668	13.7	100	70,034	91.3	6,633	8.7	81	919	394	18,214
2014	77,696	13.3	101	71,286	91.7	6,410	8.3	81	919	396	18,340

Source: TURKSTAT.

(1): Province centers (central counties) are not included in the number of counties.

(2): Villages where there are no registered residents according to the ABPRS are not included in the number of villages.

**Graph 53. Province/County Centre and Town/Village Populations**



Source: TURKSTAT.

In 2014, the total population was composed of 38.984 thousand males and 38.712 thousand females. Rate of male population was 50,2% and rate of female population was 49,8%.

According to the Nomenclature of Units for Territorial Statistics Level-1, in 2014, Istanbul region took the first place within total population with 14.377 thousand people, Aegean region took the second place with 10.024 thousand people, and Mediterranean region took the third place with 9.907 people. The ranking did not change in the assessment made according to male and female discrimination. In terms of male population, Istanbul region took the first place with 7.221 thousand people, Aegean region took the second place with 5.007 thousand people, and Mediterranean region took the third place with 4.975 people; and in terms of female population, again, Istanbul region took the first place with 7.156 thousand people, Aegean region took the second place with 5.017 thousand people, and Mediterranean region took the third place with 4.932 people. The Northeastern Anatolia region was in the last place with 2.206 thousand people according to total population, 1.128 people according to male population and 1.078 thousand people according to female population (Table 120).

The gender ratio which was 100,7 in 2014 remained constant compared to the preceding year. This ratio which expresses percentage statement of the ratio of male population to female population is highest in the Northeastern Anatolia region with 104,7, Central Eastern Anatolia region region with 103,8, and West Marmara region with 102,8. The gender ratio is lowest in the West Black Sea region with 98,4. While the gender ratio remained unchanged in 2014 compared to the preceding year in West Marmara, Mediterranean, West Black Sea, Central Eastern Anatolia regions, it decreased in Istanbul, Aegean, East Marmara, Central Anatolia and East Black Sea regions, and increased in West Anatolia, Northeastern Anatolia and Southeastern Anatolia regions.

Population density of Istanbul ascended from 2.725 in 2013 to 2.767 in 2014, with an increase by 42 people. Istanbul region is followed by East Marmara region with 150 people per km<sup>2</sup>, and Aegean and Mediterranean regions with 112 people. The region where population density is the lowest is the Northeastern Anatolia region with 31 people.

On NUTS Level-1 basis, the region which attracted the most net migration in 2014 was East Marmara region with a net migration of 56 thousand people in 2014. The net migration rate of East Marmara Region which was 6,56‰ in 2013 climbed to 7,69‰ in 2014. In terms of the net migration value, the second place was occupied by West Marmara and Aegean regions with 46 thousand people. Net migration rate of West Marmara rose from 5,89‰ to 13,96‰, and net migration rate of Aegean region rose from 1,59‰ to 4,61‰. The third place was occupied by the West Anatolia region with 39 thousand net migrations in 2014. The net migration rate of West Anatolian region rose from 3,84‰ to 5,25‰. The region which had the highest number of emigrants in 2014 was the Southeastern Anatolia region with 51 thousand people. The net migration rate of the Southeastern Anatolia region which was -5,70% in 2013 became -6,12% in 2014.

According to NUTS Level-1, the region where the annual population growth rate was highest is the West Marmara regions with 21,98‰, and it was followed by Southeastern Anatolian region with 18,898‰, and West Anatolia region with 18,44‰. In 2014, population of West Black Sea region decreased by 1,23‰ and population of Northeastern Anatolia region decreased by 0,58‰. The annual population growth rate showed the highest downward change compared to the preceding year in Istanbul region and the highest upward change in West Marmara region. The annual population growth rate of Istanbul region which was 21,83% in 2013 declined to 15,18‰ in 2014 with a drop by 6,65 points, and annual population growth rate of Marmara region advanced to 21,98% with an increase by 12,47 points.

Table 120. Selected Indicators of Population as per Nomenclature of Territorial Units for Statistics Level-1

Years	Region Code	NUTS Level-1	Population (Thousand People)			Migration (1) (Thousand People)			Gender Ratio	Net Migration	Net Migration Rate (%)	Annual Population Growth Rate (%)	Population Density	Total Age Dependency Rate	Rate of Young-Age Dependency (0-14 years)	Rate of Elderly Dependency (65+ years)
			Total	Male	Female	Immigrants	Emigrants	Migration								
2013	TR1	Istanbul	14,160	7,116	7,045	438	372	66	4.69	21.83	2,725	40.5	32.3	8.2		
	TR2	West Marmara	3,279	1,662	1,617	119	100	19	5.89	9.51	76	41.3	25.5	15.8		
	TR3	Aegean	9,897	4,949	4,948	205	173	16	1.59	11.97	111	42.7	28.7	14.0		
	TR4	East Marmara	7,198	3,615	3,583	220	173	47	6.56	19.63	148	42.9	31.3	11.6		
	TR5	West Anatolia	7,362	3,657	3,705	228	200	28	3.84	14.92	102	43.6	32.8	10.7		
	TR6	Mediterranean	9,766	4,905	4,861	212	220	-7	-0.72	16.01	110	48.9	38.3	10.6		
	TR7	Central Anatolia	3,873	1,936	1,937	114	133	-19	-4.80	5.29	43	50.2	36.8	13.4		
	TR8	West Black Sea	4,499	2,232	2,268	162	188	-26	-5.69	3.45	61	47.5	30.3	17.2		
	TR9	East Black Sea	2,554	1,270	1,283	105	114	-9	-3.61	3.28	73	47.6	30.0	17.6		
TRA	Northeastern Anatolia	2,208	1,127	1,081	69	112	-43	-19.19	-8.37	31	60.3	49.2	11.1			
TRB	Central Eastern Anatolia	3,775	1,923	1,852	107	134	-27	-7.12	4.85	49	59.8	50.9	9.0			
TRC	Southeastern Anatolia	8,096	4,082	4,015	142	189	-46	-5.70	17.18	108	69.7	62.2	7.5			
TR	Turkey	76,668	38,473	38,195	2,122	2,122	0	0.00	13.66	100	47.7	36.3	11.4			
2014	TR1	Istanbul	14,377	7,221	7,156	439	425	14	1.00	15.18	2,767	40.4	32.1	8.3		
	TR2	West Marmara	3,352	1,699	1,652	148	101	46	13.96	21.98	78	41.9	25.2	16.6		
	TR3	Aegean	10,024	5,007	5,017	236	189	46	4.61	12.67	112	43.1	28.4	14.7		
	TR4	East Marmara	7,332	3,680	3,652	237	181	56	7.69	18.42	150	43.2	31.2	12.0		
	TR5	West Anatolia	7,499	3,729	3,770	248	209	39	5.25	18.44	104	43.5	32.5	11.0		
	TR6	Mediterranean	9,907	4,975	4,932	226	223	3	0.35	14.3	112	49.0	38.0	11.0		
	TR7	Central Anatolia	3,886	1,941	1,945	117	143	-26	-6.63	3.29	43	50.3	36.1	14.2		
	TR8	West Black Sea	4,494	2,228	2,265	161	196	-35	-7.72	-1.23	61	47.8	29.7	18.1		
	TR9	East Black Sea	2,567	1,275	1,292	114	118	-5	-1.77	5.15	73	47.8	29.2	18.6		
TRA	Northeastern Anatolia	2,206	1,128	1,078	80	123	-43	-19.34	-0.58	31	59.6	47.8	11.8			
TRB	Central Eastern Anatolia	3,802	1,937	1,865	101	148	-47	-12.23	7.21	49	58.8	49.4	9.3			
TRC	Southeastern Anatolia	8,251	4,163	4,087	148	199	-51	-6.12	18.89	110	68.6	61.0	7.6			
TR	Turkey	77,696	38,984	38,712	2,255	2,255	0	0.00	13.32	101	47.6	35.8	11.8			

Source: TURKSTAT.

(1): The migration between each other of the provinces within a region were not included.

The total age dependency rate, which is the number of people in the groups “0-14” and “65 and higher age” per one hundred people in the age group of “15-64” years decreased by 0,1 point and became 47,6% in 2014. According to NUTS Level-1, the total age dependency rate took its highest value in the Southeastern Anatolia region with 68,6% and its lowest value in Istanbul region with 40,4%. The young-age dependency rate, which is the number of people per 100 people in the age group “15-64” years took its highest value in the Southeastern Anatolia region with 61,0% and its lowest value in the West Marmara region with 25,2%. With respect to elderly population dependency rate, the highest value was in the East Black Sea Region at 18,6%, and lowest value was in Southeastern Anatolia region with 7,6%. In 2014, according to NUTS Level-3, among the provinces which attracted the most migrations, Ankara took the first place with 40 thousand people, Antalya took the second place with 28,4 thousand people, and Kocaeli took the third place with 24,6 thousand people. The city which had the most emigrants in 2014 was Erzurum with 17,2 thousand people, and it was followed by Van with 16,8 thousand people, and Ağrı with 16,5 thousand people. The provinces having the highest and lowest net migration rates were Bayburt with 42,2‰ and Çankırı with -45,6‰ (Table 121).

**Table 121. Migration Data as per Nomenclature of Territorial Units for Statistics Level-3**

Province Code	NUTS Level-3	Total Population	Immigrants	Emigrants	Net Migration	Net Migration Rate (‰)	Rank No according to Number of Immigrants	Rank No According to Number of Emigrants
TR621	Adana	2,165,595	51,562	63,181	-11,619	-5.4	11	6
TRC12	Adiyaman	597,835	16,578	24,330	-7,752	-12.9	45	38
TR332	Afyonkarahisar	706,371	21,414	27,100	-5,686	-8.0	35	34
TRA21	Ağrı	549,435	14,480	30,995	-16,515	-29.6	53	26
TR712	Aksaray	384,252	11,936	14,577	-2,641	-6.8	62	58
TR834	Amasya	321,913	12,970	14,817	-1,847	-5.7	58	57
TR510	Ankara	5,150,072	203,621	163,612	40,009	7.8	2	2
TR611	Antalya	2,222,562	93,057	64,631	28,426	12.9	4	5
TRA24	Ardahan	100,809	5,323	8,033	-2,710	-26.5	81	78
TR905	Artvin	169,674	9,551	10,187	-636	-3.7	72	73
TR321	Aydın	1,041,979	45,842	32,396	13,446	13.0	14	23
TR221	Balıkesir	1,189,057	57,551	39,918	17,633	14.9	7	17
TR813	Bartın	189,405	7,794	8,903	-1,109	-5.8	76	77
TRC32	Batman	557,593	18,543	21,515	-2,972	-5.3	39	44
TRA13	Bayburt	80,607	8,912	5,583	3,329	42.2	74	81
TR413	Bilecik	209,925	10,090	10,114	-24	-0.1	71	74
TRB13	Bingöl	266,019	9,400	12,852	-3,452	-12.9	73	65
TRB23	Bitlis	338,023	11,447	17,470	-6,023	-17.7	63	53
TR424	Bolu	284,789	13,264	13,065	199	0.7	57	64
TR613	Burdur	256,898	10,235	12,271	-2,036	-7.9	68	66
TR411	Bursa	2,787,539	80,717	65,027	15,690	5.6	5	4
TR222	Çanakkale	511,790	27,429	20,540	6,889	13.6	32	45
TR822	Çankırı	183,550	14,519	23,080	-8,561	-45.6	52	41
TR833	Çorum	527,220	15,875	24,652	-8,777	-16.5	48	37
TR322	Denizli	978,700	28,279	24,771	3,508	3.6	28	36
TRC22	Diyarbakır	1,635,048	36,920	48,019	-11,099	-6.8	17	11
TR423	Düzce	355,549	11,980	12,249	-269	-0.8	61	67
TR212	Edirne	400,280	16,431	17,108	-677	-1.7	46	54
TRB12	Elazığ	568,753	19,724	24,162	-4,438	-7.8	36	39
TRA12	Erzincan	223,633	15,450	13,641	1,809	8.1	49	61
TRA11	Erzurum	763,320	27,994	45,209	-17,215	-22.3	29	12
TR412	Eskişehir	812,320	35,927	27,977	7,950	9.8	18	32
TRC11	Gaziantep	1,889,466	46,438	44,415	2,023	1.1	13	15
TR903	Giresun	429,984	26,857	23,620	3,237	7.6	33	40
TR906	Gümüşhane	146,353	18,811	16,071	2,740	18.9	37	56
TRB24	Hakkari	276,287	7,187	10,897	-3,710	-13.3	79	71
TR631	Hatay	1,519,836	32,678	39,181	-6,503	-4.3	23	18

**Table 121. Migration Data as per Nomenclature of Territorial Units for Statistics Level-3 (Continued)**

Province Code	NUTS Level-3	Total Population	Immigrants	Emigrants	Net Migration	Net Migration Rate (%)	Rank No according to Number of Immigrants	Rank No According to Number of Emigrants
TRA23	Iğdır	192,056	7,407	9,453	-2,046	-10.6	77	76
TR612	Isparta	418,780	17,966	19,930	-1,964	-4.7	41	47
TR100	İstanbul	14,377,018	438,998	424,662	14,336	1.0	1	1
TR310	İzmir	4,113,072	124,439	101,447	22,992	5.6	3	3
TR632	Kahramanmaraş	1,089,038	27,619	30,903	-3,284	-3.0	30	27
TR812	Karabük	231,333	13,438	13,195	243	1.1	55	62
TR522	Karaman	240,362	8,673	9,788	-1,115	-4.6	75	75
TRA22	Kars	296,466	10,280	20,020	-9,740	-32.3	67	46
TR821	Kastamonu	368,907	17,539	18,163	-624	-1.7	43	50
TR721	Kayseri	1,322,376	40,957	33,374	7,583	5.8	16	22
TR711	Kırıkkale	271,092	13,306	18,744	-5,438	-19.9	56	48
TR213	Kırklareli	343,723	14,553	13,678	875	2.5	51	60
TR715	Kırşehir	222,707	10,648	12,199	-1,551	-6.9	65	68
TRC13	Kilis	128,781	5,759	7,451	-1,692	-13.1	80	79
TR421	Kocaeli	1,722,795	79,697	55,060	24,637	14.4	6	8
TR521	Konya	2,108,808	55,798	55,453	345	0.2	8	7
TR333	Kütahya	571,554	18,734	21,860	-3,126	-5.5	38	43
TRB11	Malatya	769,544	29,285	31,476	-2,191	-2.8	26	24
TR331	Manisa	1,367,905	35,570	38,432	-2,862	-2.1	21	20
TRC31	Mardin	788,996	22,207	30,796	-8,589	-10.8	34	28
TR622	Mersin	1,727,255	55,598	54,843	755	0.4	9	9
TR323	Muğla	894,509	48,219	29,671	18,548	21.0	12	30
TRB22	Muş	411,216	12,077	22,688	-10,611	-25.5	60	42
TR714	Nevşehir	286,250	10,164	13,165	-3,001	-10.4	70	63
TR713	Niğde	343,898	13,785	17,946	-4,161	-12.0	54	51
TR902	Ordu	724,268	28,555	39,937	-11,382	-15.6	27	16
TR633	Osmaniye	506,807	17,880	18,214	-334	-0.7	42	49
TR904	Rize	329,779	17,311	17,932	-621	-1.9	44	52
TR422	Sakarya	932,706	32,701	28,311	4,390	4.7	22	31
TR831	Samsun	1,269,989	41,057	44,519	-3,462	-2.7	15	13
TRC34	Siirt	318,366	10,551	14,366	-3,815	-11.9	66	59
TR823	Sinop	204,526	10,783	11,950	-1,167	-5.7	64	69
TR722	Sivas	623,116	29,726	34,855	-5,129	-8.2	25	21
TRC21	Şanlıurfa	1,845,667	35,670	49,030	-13,360	-7.2	20	10
TRC33	Şırnak	488,966	12,749	16,142	-3,393	-6.9	59	55
TR211	Tekirdağ	906,732	52,994	31,266	21,728	24.3	10	25
TR832	Tokat	597,920	35,891	38,737	-2,846	-4.7	19	19
TR901	Trabzon	766,782	31,847	29,741	2,106	2.8	24	29
TRB11	Tunceli	86,527	7,286	6,810	476	5.5	78	80
TR334	Uşak	349,459	10,190	10,895	-705	-2.0	69	72
TRB21	Van	1,085,542	27,587	44,435	-16,848	-15.4	31	14
TR425	Yalova	226,514	14,680	11,064	3,616	16.1	50	70
TR723	Yozgat	432,560	16,200	27,722	-11,522	-26.3	47	33
TR811	Zonguldak	598,796	18,115	24,783	-6,668	-11.1	40	35
TR	Turkey	77,695,904	2,681,275	2,681,275	0	0.0	-	-

Source: TURKSTAT.

When the annual population growth rates in 2014 are examined according to NUTS Level-3, Bayburt, Tekirdağ and Gümüşhane are seen to be first three provinces which have the highest population growth rates with 63,9‰, 36,2‰ and 34,3‰, respectively. The first three provinces which had the lowest population growth rates are Çankırı with -39,3‰, Yozgat with -26,6‰ and Ardahan with -19,4‰ (Table 122).

According to NUTS Level-3, in 2014, the first three provinces which had the most population density were İstanbul with 2.767 people, Kocaeli with 477 people and İzmir with 342 people per km<sup>2</sup>, and the first three provinces which had the least population density were Tunceli with 12 people, Erzincan with 19 people and Ardahan with 21 people per km<sup>2</sup>.

**Table 122. Annual Population Growth Rate and Population Density as per Nomenclature of Territorial Units for Statistics Level-3, 2014**

Province Code	NUTS Level-3	Annual Population Growth Rate (%) <sup>(1)</sup>	Rank No. according to Population Growth Rate	Population Density	Rank No according to Population Density	Province Code	NUTS Level-3	Annual Population Growth Rate (%) <sup>(1)</sup>	Rank No. according to Population Growth Rate	Population Density	Rank No according to Population Density
TR621	Adana	7.6	43	156	13	TR632	Kahramanmaraş	12.3	31	76	33
TRC12	Adıyaman	1.1	60	85	28	TR812	Karabük	4.7	48	56	46
TR332	Afyonkarahisar	-1.1	66	49	56	TR522	Karaman	10.1	38	27	73
TRA21	Ağrı	-3.2	70	48	59	TRA22	Kars	-14.8	78	29	71
TR712	Aksaray	3.8	51	51	54	TR821	Kastamonu	2.2	55	28	72
TR834	Amasya	-0.2	63	57	45	TR721	Kayseri	20.6	12	78	32
TR510	Ankara	20.6	13	210	8	TR711	Kırıkkale	-13.1	77	60	42
TR611	Antalya	29.4	5	107	22	TR213	Kırklareli	9.2	39	55	48
TRA24	Ardahan	-19.4	79	21	79	TR715	Kırşehir	-3.5	72	35	66
TR905	Artvin	2.0	56	23	75	TRC13	Kilis	1.5	58	90	26
TR321	Aydın	20.4	14	133	17	TR421	Kocaeli	27.4	8	477	2
TR221	Balıkesir	22.4	11	83	31	TR521	Konya	14.1	26	54	49
TR813	Bartın	1.4	59	91	25	TR333	Kütahya	-0.9	65	48	60
TRC32	Batman	18.1	16	120	19	TRB11	Malatya	9.1	40	65	39
TRA13	Bayburt	63.9	1	22	78	TR331	Manisa	6.2	45	104	23
TR413	Bilecik	5.0	46	49	57	TRC31	Mardin	11.8	33	90	27
TRB13	Bingöl	1.9	57	32	68	TR622	Mersin	12.5	30	112	20
TRB23	Bitlis	2.6	53	48	58	TR323	Muğla	31.6	4	70	34
TR424	Bolu	4.6	49	34	67	TRB22	Muş	-3.2	71	51	53
TR613	Burdur	-1.4	69	38	64	TR714	Nevşehir	2.8	52	53	51
TR411	Bursa	16.8	18	267	5	TR713	Niğde	0.7	62	47	61
TR222	Çanakkale	18.7	15	52	52	TR902	Ordu	-9.9	76	122	18
TR822	Çankırı	-39.3	81	25	74	TR633	Osmaniye	15.6	23	162	12
TR833	Çorum	-9.2	75	41	62	TR904	Rize	4.8	47	84	29
TR322	Denizli	15.7	21	84	30	TR422	Sakarya	16.6	19	193	9
TRC22	Diyarbakır	17.0	17	109	21	TR831	Samsun	6.5	44	140	15
TR423	Düzce	11.4	35	139	16	TRC34	Siirt	13.3	27	58	44
TR212	Edirne	4.3	50	66	37	TR823	Sinop	-0.2	64	35	65
TRB12	Elazığ	0.9	61	67	36	TR722	Sivas	-1.1	67	22	77
TRA12	Erzincan	16.4	20	19	80	TRC21	Şanlıurfa	24.0	10	98	24
TRA11	Erzurum	-4.5	73	30	70	TRC33	Şırnak	28.4	7	68	35
TR412	Eskişehir	15.6	22	59	43	TR211	Tekirdağ	36.2	2	144	14
TRC11	Gaziantep	24.1	9	277	4	TR832	Tokat	-1.3	68	60	41
TR903	Giresun	11.6	34	63	40	TR901	Trabzon	11.2	36	164	11
TR906	Gümüşhane	34.3	3	23	76	TRB11	Tunceli	12.8	28	12	81
TRB24	Hakkari	11.8	32	38	63	TR334	Uşak	8.5	42	65	38
TR631	Hatay	11.1	37	261	7	TRB21	Van	14.3	25	56	47
TRA23	Iğdır	8.5	41	54	50	TR425	Yalova	28.6	6	267	6
TR612	Isparta	2.4	54	51	55	TR723	Yozgat	-26.6	80	31	69
TR100	İstanbul	15.2	24	2,767	1	TR811	Zonguldak	-4.6	74	181	10
TR310	İzmir	12.7	29	342	3	TR	Turkey	13.3		101	

Source: TURKSTAT.

(1): The administrative separation structure in the last year was taken into account in calculation of the annual population growth rates and population densities.

### 2.1.1 Fertility Rates

The crude birth rate which was 17,0‰ in 2013 rose to 17,3‰ with an increase by 0,3 points in 2013, and general fertility rate rose to 74,4‰ with an increase by 1,9 points. While the total fertility rate which expresses average number of children which a women can give birth to during her fertility period (age group of 15-49) was 2,10 in 2012, it became 2,17 in 2014. While the average age of mothers who give birth was 27,7 in 2013, this number increased by 2 months in 2014, and reached 27,9 (Table 123).

**Table 123. Basic Fertility Indicators as per Nomenclature of Territorial Units for Statistics Level -1**

Region Code	NUTS Level-1	2012				2013				2014			
		Crude Birth Rate (‰)	General Fertility Rate (‰)	Total Fertility Rate	Average Age for Mothers Giving Birth	Crude Birth Rate (‰)	General Fertility Rate (‰)	Total Fertility Rate	Average Age for Mothers Giving Birth	Crude Birth Rate (‰)	General Fertility Rate (‰)	Total Fertility Rate	Average Age for Mothers Giving Birth
TR1	Istanbul	16.4	64.8	1.81	28.2	16.3	64.5	1.81	28.4	16.8	66.9	1.88	28.6
TR2	West Marmara	11.9	55.0	1.63	27.3	11.9	54.9	1.63	27.4	12.0	56.2	1.69	27.7
TR3	Aegean	13.7	59.7	1.74	27.3	13.4	58.8	1.73	27.6	13.7	60.7	1.81	27.8
TR4	East Marmara	15.0	63.1	1.80	27.7	14.8	62.5	1.80	27.9	15.2	64.7	1.89	28.1
TR5	West Anatolia	15.4	63.8	1.84	27.5	15.3	63.7	1.85	27.7	15.7	65.5	1.92	28.0
TR6	Mediterranean	17.7	76.3	2.22	27.4	17.5	75.8	2.23	27.6	17.8	77.7	2.33	27.8
TR7	Central Anatolia	16.2	71.5	2.07	26.7	15.8	69.9	2.04	26.9	16.1	71.4	2.12	27.2
TR8	West Black Sea	13.0	59.6	1.76	27.0	12.7	58.6	1.75	27.3	12.6	58.5	1.77	27.5
TR9	East Black Sea	12.9	59.3	1.77	27.9	12.7	58.6	1.76	28.2	12.7	58.9	1.79	28.4
TRA	Northeastern Anatolia	22.7	102.2	2.90	26.7	22.2	98.9	2.84	26.8	22.3	99.0	2.88	27.0
TRB	Central Eastern Anatolia	22.4	98.1	2.81	27.2	22.4	97.1	2.81	27.4	22.7	97.2	2.85	27.5
TRC	Southeastern Anatolia	27.9	121.6	3.52	27.5	27.4	118.9	3.46	27.6	28.3	122.1	3.60	27.7
TR	Turkey	17.2	73.3	2.11	27.5	17.0	72.5	2.10	27.7	17.3	74.4	2.17	27.9

Source: TURKSTAT.

(1): Birth data was updated with current administrative records.

In 2014, according to NUTS Level-1, the region where the total fertility rate was highest was the Southeastern Anatolia region with 28,3‰, and the region which had the lowest rate was West Marmara Region with 12,0‰. In 2014, the region where the general fertility rate was highest was the Southeastern Anatolia region with 122,1‰, and the region which had the lowest rate was West Marmara Region with 56,2‰. The general fertility rates in Mediterranean, Northeastern Anatolia, Central Eastern Anatolia and Southeastern Anatolia regions were higher than the average of Turkey in 2014.

In 2014, the region where the total fertility rate was highest was the Southeastern Anatolia region with 3,60 children, and the region which had the lowest rate was West Marmara Region with 1,69 children.

In 2014, the region where average age of the mothers giving birth was Istanbul region with 28,6 years, and the region where this rate was lowest was Northeastern Anatolia region with 27,0 years.

## 2.1.2 Median Age

The median age which was 29,5 years for the male population in 2012 increased by 3 months and rose to 29,8 years in 2013, and increased by 3 months again and reached 30,1 years in 2014 (Table 124).

**Table 124. Median Age by Gender**

Years	Male	Variation (%)	Female	Variation (%)	Total	Variation (%)
2012	29.5	1.4	30.7	1.3	30.1	1.3
2013	29.8	1.0	31.0	1.0	30.4	1.0
2014	30.1	1.0	31.3	1.0	30.7	1.0

Source: TURKSTAT.

For the female population, the median age which was 30,7 years in 2012 increased by 3 months and rose to 31,0 years in 2013, and increased by 3 months and reached 31,3 years in 2014.

For the total population, the median age which was 30,1 years in 2012 increased by 3 months and rose to 30,4 years in 2013, and increased by 3 months again and reached 30,7 years in 2014.

According to median age value between the years 2012 and 2014, total, male and female age in Turkey got older by 6 months.

## 2.2 Education

### 2.2.1 Schooling Rates

Net schooling rate in primary school decreased by 3,3 points in the school year 2014/2015 compared to the school year 2013/2014 and dropped from 99,6% to 96,3%, including the decrease by 3,5 points from 99,5% to 96,0% for males and decrease by 3,0 points from 99,6% to 96,6% for females (Table 125).

**Table 125. Schooling Rates by Levels of Education**

School Year	Schooling Rate	Primary School <sup>(1)</sup>			Secondary School <sup>(2)</sup>			Secondary education			Higher education		
		Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
2012/13	Gross	107.5	107.2	107.8	107.6	106.1	109.2	96.8	99.6	93.8	74.9	79.5	70.0
	Net	98.9	98.8	98.9	93.1	93.2	93.0	70.1	70.8	69.3	38.5	38.4	38.6
2013/14	Gross	111.9	111.5	112.4	108.8	106.9	110.8	103.3	106.1	100.3	81.7	86.2	77.0
	Net	99.6	99.5	99.6	94.5	94.6	94.5	76.7	77.2	76.1	39.9	38.9	40.9
2014/15 <sup>(3)</sup>	Gross	101.1	100.8	101.4	107.1	105.5	108.8	107.4	109.8	104.8	-	-	-
	Net	96.3	96.0	96.6	94.3	94.4	94.3	79.4	79.5	79.3	-	-	-

Source: MoNE.

Not: 1. Pursuant to the Law dated 30.03.2012 and No. 6287, 12-year gradual compulsory education was proceeded to beginning from the school year 2012/13.

2. Schooling rates were calculated according to the Address Based Population Registration System Census results.

(1): As required by Article 11 of the Regulation on Preschool and Primary Education Institutions, the children aged 66 months and higher were shown in the primary school age population. For the age group (months 1,2,3) 5-9 years, "Adjusted Net Schooling Rate in Primary School" is 99,79%, and was calculated as 99,81% for males and 99,77% for females. This rate is the ratio of the sum of 5.176.326 students who are at the compulsory education age and in the age group (months 1,2,3 5-9 years) and attending primary school, 5.470 students in the age group (months 1,2,3) 5-9 years, who have started school early or promoted to higher grade, 138.439 students in the age group (months 1,2,3) 5-9 years and attending preschool under Article 11 of the Regulation, and 43.640 children in the age group (months 1,2,3) 5-9 years, whose registrations have been postponed, to the population of the age group (months 1,2,3) 5-9 years.

(2): For the age group 10-13 years, "Adjusted Net Schooling Rate in Secondary School" is 99,30%, and was calculated as 99,38% for males and 99,22% for females. This rate is the ratio of the sum of 4.648.944 students who are at the compulsory education age and in the age group 10-13 years and attending secondary school, 60.503 students in the age group 10-13 years, who have started school early or promoted to higher grade, and 183.683 primary school students in the age group 10-13 years, who started school late or who repeated their grades, to the population of the age group 10-13 years.

(3): The reason why schooling rates in primary school and secondary school dropped in the school year 2014/15 is taking the number of only the active students while determining the number of students, and providing the flexibility for the children at primary school age to enter preschool education.

Net schooling rate in secondary school decreased by 0,2 points in the school year 2014/2015 compared to the school year 2013/2014 and dropped from 94,5% to 94,3% in aggregate, including the decrease from 94,6% to 94,3% for males and decrease by 94,5% to 94,3% for females.

Net schooling rate in secondary school increased by 2,7 point in the school year 2014/2015 compared to the school year 2013/2014 and rose from 76,7% to 79,4%, including the increase by 2,3 point from 77,2% to 79,5% for males and increase by 3,2 points from 76,1% to 79,3% for females.

For higher education, the net schooling rate in the school year 2013/2013 was 39,9% in aggregate, 38,9% for male students, and 40,9% for female students.

### 2.2.2 Schooling Rates by Provinces

In the school year 2014/'15, according to NUTS Level-3, the provinces which had the highest total net schooling rates were Mardin, Van and Ağrı for primary school with 99,0%, Bartın for secondary school with 98,7%, Rize for secondary education (high school) with 100%, Uşak for general secondary education with 49,3%, and Rize for vocational and technical secondary education with 57,6% (Table 126).

In the school year 2014/'15, the provinces that had the lowest total net schooling rates were Gümüşhane for primary school with 80,3% for secondary school with 78,0%, Muş for secondary education (high school) and general secondary education with 49,9%, and Ağrı for vocational and technical secondary education with 27,9%.

**Table 126. Schooling Rates as per Nomenclature of Territorial Units for Statistics Level-3 and Levels of Education, 2014/15**

Province Code	NUTS Level-3	Schooling Rate <sup>(1)</sup>	Primary School			Secondary School			Secondary School (High School)			General Secondary Education <sup>(2)</sup>			Vocational and Technical Secondary Education <sup>(3)</sup>		
			Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
TR621	Adana	Gross	101.4	101.4	101.4	106.5	105.3	107.8	119.1	125.3	112.6	70.0	70.2	69.9	49.1	55.2	42.7
		Net	96.3	96.0	96.6	94.0	93.6	94.4	80.5	81.8	79.1	43.5	40.1	46.9	37.0	41.6	32.2
TRC12	Adiyaman	Gross	101.8	102.1	101.5	106.1	105.7	106.5	109.5	114.2	104.6	54.2	57.7	50.5	55.3	56.6	54.0
		Net	97.4	97.4	97.3	94.6	94.7	94.6	76.9	76.2	77.7	31.6	29.7	33.5	45.4	46.5	44.1
TR332	Afyonkarahisar	Gross	99.0	98.8	99.2	102.1	102.1	102.1	99.8	104.4	94.9	47.7	47.6	47.9	52.0	56.8	47.1
		Net	95.0	94.6	95.4	94.3	94.3	94.3	80.0	81.5	78.4	34.0	30.8	37.4	46.0	50.7	41.1
TRA21	Ağrı	Gross	113.1	111.6	114.7	107.8	107.6	108.1	69.7	74.7	64.3	34.8	37.6	31.9	34.9	37.1	32.5
		Net	99.0	98.8	99.1	87.0	87.6	86.5	51.5	54.8	48.1	23.6	24.4	22.7	27.9	30.3	25.3
TR712	Aksaray	Gross	97.2	96.9	97.5	102.1	101.4	102.7	93.1	92.7	93.7	50.0	48.3	51.8	43.1	44.3	41.9
		Net	94.0	93.5	94.5	92.6	92.8	92.4	72.4	71.2	73.7	34.7	31.7	37.8	37.7	39.5	35.9
TR834	Amasya	Gross	98.4	98.6	98.2	107.9	105.6	110.2	117.6	118.6	116.5	55.1	51.5	59.0	62.4	67.1	57.6
		Net	95.7	95.7	95.6	98.0	98.1	97.9	93.3	93.3	93.3	40.2	36.1	44.5	53.1	57.3	48.8
TR510	Ankara	Gross	98.5	98.3	98.7	106.8	104.7	109.1	116.8	118.9	114.6	63.3	62.7	63.9	53.5	56.2	50.6
		Net	95.7	95.4	96.0	96.7	96.5	96.9	88.9	88.2	89.7	42.9	40.2	45.7	46.1	48.0	44.0
TR611	Antalya	Gross	97.4	97.3	97.5	108.0	106.2	110.0	113.4	113.3	113.4	67.2	66.9	67.5	46.1	46.4	45.9
		Net	93.2	92.8	93.6	94.4	94.2	94.5	83.2	81.6	85.0	44.1	41.2	47.2	39.1	40.4	37.7
TRA24	Ardahan	Gross	102.9	103.3	102.5	103.7	103.6	103.7	99.8	99.9	99.6	38.3	37.1	39.6	61.4	62.8	60.0
		Net	98.6	99.1	98.2	94.7	95.0	94.5	78.5	76.8	80.3	26.2	23.0	29.7	52.2	53.8	50.6
TR905	Artvin	Gross	99.4	98.9	99.9	105.9	103.6	108.4	121.1	120.6	121.6	64.2	57.8	71.0	56.9	62.8	50.6
		Net	96.3	95.8	96.8	97.2	97.3	97.1	92.3	92.2	92.4	44.1	40.0	48.4	48.3	52.3	44.0
TR321	Aydın	Gross	98.7	98.5	98.9	105.9	104.2	107.6	106.3	108.2	104.4	59.5	57.1	61.9	46.9	51.1	42.4
		Net	95.2	94.9	95.5	96.0	95.8	96.2	84.2	84.2	84.2	42.7	39.1	46.5	41.5	45.1	37.8
TR221	Balıkesir	Gross	98.5	98.2	98.8	106.2	104.0	108.6	107.4	107.2	107.7	55.1	51.4	59.0	52.4	55.8	48.7
		Net	94.8	94.4	95.3	95.9	95.8	96.1	85.2	84.2	86.2	39.8	35.5	44.3	45.4	48.7	41.8
TR813	Bartın	Gross	99.2	98.9	99.5	106.6	104.4	109.0	111.8	109.3	114.4	46.6	42.7	50.6	65.2	66.6	63.9
		Net	96.4	96.4	96.4	98.7	99.0	98.4	89.7	89.2	90.2	32.5	30.0	35.1	57.2	59.3	55.1
TRC32	Batman	Gross	105.6	105.3	105.9	105.5	105.2	105.8	102.3	110.4	93.9	61.7	68.3	54.8	40.6	42.1	39.1
		Net	98.2	98.0	98.4	91.3	91.3	91.4	69.0	70.8	67.0	36.8	37.1	36.4	32.2	33.7	30.6
TRA13	Bayburt	Gross	96.2	96.8	95.6	98.9	96.3	101.7	110.5	113.7	107.3	59.3	60.6	58.0	51.2	53.0	49.3
		Net	93.2	93.4	93.1	90.0	90.2	89.9	83.3	84.1	82.5	41.5	40.6	42.5	41.8	43.6	40.0
TR413	Bilecik	Gross	97.5	97.3	97.7	106.7	103.9	109.6	113.3	112.4	114.2	53.4	49.7	57.5	59.8	62.7	56.7
		Net	94.6	94.5	94.7	95.8	95.8	95.9	91.5	89.4	93.8	37.7	33.5	42.3	53.8	55.9	51.5
TRB13	Bingöl	Gross	103.3	102.8	103.7	110.0	108.4	111.7	105.8	112.4	98.9	58.4	64.2	52.4	47.4	48.2	46.5
		Net	97.7	97.6	97.7	92.8	93.5	92.2	69.8	73.0	66.4	33.0	34.7	31.3	36.7	38.3	35.2
TRB23	Bitlis	Gross	107.1	106.3	108.1	108.4	108.2	108.7	84.4	96.0	72.1	48.5	57.7	38.7	35.9	38.3	33.4
		Net	98.6	98.4	98.7	90.4	91.0	89.8	58.8	64.6	52.7	29.7	33.2	26.0	29.1	31.4	26.7
TR424	Bolu	Gross	97.1	96.9	97.3	107.0	104.2	109.9	119.6	124.8	114.3	56.5	50.2	62.9	63.1	74.5	51.3
		Net	94.3	93.8	94.8	95.9	95.5	96.4	95.2	99.7	90.6	40.9	35.4	46.5	54.3	64.3	44.0
TR613	Burdur	Gross	98.0	97.6	98.3	103.7	102.8	104.6	106.5	107.8	105.1	57.6	53.2	62.1	48.9	54.6	43.1
		Net	91.5	90.8	92.2	91.8	91.1	92.5	85.4	84.9	85.9	43.4	37.9	48.9	42.0	47.0	37.0
TR411	Bursa	Gross	99.2	99.0	99.4	107.2	105.0	109.6	110.7	112.0	109.3	47.2	44.8	49.9	63.5	67.2	59.5
		Net	95.7	95.4	96.0	95.9	95.9	95.9	84.6	84.1	85.1	31.8	29.1	34.6	52.8	55.0	50.5
TR222	Çanakkale	Gross	97.8	97.8	97.8	107.1	105.3	109.1	108.0	110.2	105.6	61.2	56.3	66.3	46.8	53.9	39.3
		Net	93.8	93.7	93.8	95.6	95.5	95.7	86.6	87.5	85.8	45.5	39.8	51.5	41.2	47.7	34.3
TR822	Çankırı	Gross	91.9	91.6	92.3	98.8	97.9	99.8	105.1	109.8	100.2	50.8	47.2	54.4	54.3	62.6	45.7
		Net	88.6	88.1	89.2	88.3	88.0	88.7	80.2	80.2	80.2	34.6	29.0	40.4	45.5	51.1	39.8
TR833	Çorum	Gross	98.9	98.8	99.1	109.9	106.0	113.9	109.5	109.6	109.3	58.9	55.8	62.1	50.6	53.8	47.2
		Net	94.7	94.3	95.1	94.7	94.4	95.0	81.8	81.3	82.4	40.0	36.6	43.6	41.8	44.7	38.8
TR322	Denizli	Gross	98.3	98.1	98.5	104.9	104.0	105.8	106.4	107.6	105.1	54.5	52.3	56.9	51.9	55.3	48.2
		Net	93.6	93.2	94.1	94.5	94.3	94.6	85.0	84.4	85.7	38.8	35.4	42.4	46.2	49.0	43.3
TRC22	Diyarbakır	Gross	106.0	105.7	106.2	107.3	106.2	108.3	94.3	99.4	89.1	49.0	53.3	44.5	45.3	46.0	44.6
		Net	98.5	98.5	98.5	91.9	92.0	91.9	64.3	65.8	62.6	27.5	27.9	27.0	36.8	37.9	35.6
TR423	Düzce	Gross	98.6	98.2	99.1	106.3	102.8	110.0	116.9	112.1	121.9	50.6	46.6	54.7	66.3	65.5	67.2
		Net	96.1	95.5	96.6	96.2	96.0	96.5	84.9	84.5	85.3	34.1	31.0	37.3	50.8	53.5	47.9

**Table 126. Schooling Rates as per Nomenclature of Territorial Units for Statistics Level-3 and Levels of Education, 2014/'15 (Continued)**

Province Code	NUTS Level-3	Schooling Rate <sup>(1)</sup>	Primary School			Secondary School			Secondary School (High School)			General Secondary Education <sup>(2)</sup>			Vocational and Technical Secondary Education <sup>(3)</sup>		
			Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
TR212	Edirne	Gross	100.3	99.6	101.0	106.9	106.3	107.5	107.9	111.0	104.6	59.5	55.5	63.9	48.4	55.5	40.7
		Net	94.9	94.4	95.5	95.0	95.4	94.5	88.2	89.2	87.0	45.5	40.5	50.8	42.7	48.7	36.3
TRB12	Elazığ	Gross	101.5	100.8	102.2	104.6	102.7	106.6	116.9	119.2	114.6	64.1	64.3	63.9	52.8	54.9	50.7
		Net	97.0	96.6	97.5	94.8	95.4	94.2	85.0	86.0	84.0	42.0	40.7	43.4	43.0	45.3	40.6
TRA12	Erzincan	Gross	99.3	99.5	99.0	106.2	103.1	109.5	117.8	123.8	111.8	60.7	60.4	61.1	57.1	63.4	50.7
		Net	96.0	95.9	96.1	95.2	95.0	95.5	87.4	89.5	85.3	39.9	36.6	43.3	47.5	52.9	42.0
TRA11	Erzurum	Gross	104.6	104.0	105.1	106.6	104.6	108.6	95.5	99.0	91.8	52.6	55.2	49.8	42.9	43.7	42.0
		Net	97.6	97.6	97.6	92.9	92.9	93.0	68.1	68.8	67.4	34.7	34.1	35.3	33.4	34.7	32.1
TR412	Eskişehir	Gross	97.3	96.9	97.7	107.0	104.9	109.2	115.7	117.7	113.6	61.6	54.9	68.6	54.1	62.7	45.0
		Net	94.5	94.0	95.1	96.6	96.4	96.7	90.9	91.2	90.7	45.8	39.4	52.7	45.1	51.8	38.1
TRC11	Gaziantep	Gross	102.7	102.5	102.8	105.8	104.8	106.9	92.9	95.7	89.8	50.4	53.0	47.7	42.4	42.7	42.1
		Net	97.7	97.5	98.0	93.9	93.8	94.0	70.8	70.7	71.0	34.1	33.6	34.6	36.7	37.1	36.3
TR903	Giresun	Gross	96.6	96.6	96.7	102.4	101.1	103.7	114.3	115.2	113.4	52.8	49.2	56.7	61.5	66.1	56.7
		Net	94.2	94.0	94.3	94.8	94.9	94.7	90.5	91.9	89.0	37.4	34.0	41.1	53.1	57.9	48.0
TR906	Gümüşhane	Gross	82.5	82.5	82.6	84.2	84.0	84.5	92.3	91.1	93.6	47.2	49.1	45.3	45.1	42.0	48.2
		Net	80.3	80.1	80.5	78.0	79.0	77.0	69.8	68.9	70.8	31.1	30.8	31.5	38.7	38.0	39.3
TRB24	Hakkari	Gross	105.8	106.2	105.5	96.5	94.3	98.7	96.4	99.9	92.9	48.2	49.0	47.3	48.3	50.8	45.7
		Net	96.5	97.2	95.9	81.9	82.0	81.8	62.1	61.8	62.5	28.3	26.0	30.6	33.8	35.7	31.9
TR631	Hatay	Gross	99.4	99.3	99.6	104.0	102.7	105.3	102.5	103.4	101.7	50.1	48.6	51.8	52.4	54.8	49.9
		Net	95.9	95.6	96.1	94.9	94.9	95.0	79.1	79.8	78.4	35.3	32.8	38.0	43.8	47.0	40.4
TRA23	İğdir	Gross	107.6	107.1	108.2	104.7	104.9	104.5	89.5	85.7	93.5	52.9	49.1	56.8	36.6	36.5	36.7
		Net	98.5	98.4	98.7	90.8	90.9	90.6	69.0	65.3	72.7	39.0	34.5	43.8	29.9	30.9	28.9
TR612	Isparta	Gross	96.1	96.2	96.0	105.0	103.8	106.4	118.7	119.6	117.7	59.6	57.4	61.9	59.0	62.1	55.9
		Net	92.4	92.0	92.7	94.4	94.6	94.2	93.5	92.1	94.9	43.3	39.4	47.2	50.2	52.7	47.7
TR100	İstanbul	Gross	100.9	100.7	101.2	110.1	107.9	112.4	117.9	118.9	116.9	58.0	59.3	56.6	59.9	59.5	60.3
		Net	97.2	97.0	97.4	95.8	95.9	95.7	82.4	81.4	83.5	31.8	30.8	32.7	50.7	50.6	50.7
TR310	İzmir	Gross	98.5	98.3	98.7	111.9	109.5	114.5	114.6	115.9	113.2	59.8	58.3	61.3	54.8	57.6	51.8
		Net	95.3	94.8	95.7	96.0	95.8	96.2	84.4	82.6	86.2	38.7	35.1	42.6	45.7	47.5	43.6
TR632	Kahramanmaraş	Gross	100.6	100.5	100.6	105.6	104.9	106.3	95.1	98.0	92.0	43.1	44.1	42.0	52.0	53.9	50.0
		Net	96.1	95.8	96.5	93.4	93.0	93.7	72.1	72.0	72.1	27.7	26.6	29.0	44.3	45.5	43.1
TR812	Karabük	Gross	98.2	97.7	98.7	111.1	110.5	111.8	120.1	120.7	119.3	64.6	61.0	68.7	55.4	59.8	50.7
		Net	95.4	95.0	95.8	97.1	96.9	97.3	92.6	91.6	93.6	46.2	41.9	50.9	46.3	49.8	42.7
TR522	Karaman	Gross	98.2	98.3	98.1	104.0	103.3	104.8	114.4	115.2	113.6	63.1	62.0	64.1	51.3	53.1	49.5
		Net	94.4	94.1	94.6	95.5	95.4	95.6	88.9	89.2	88.6	44.4	42.0	46.7	44.6	47.2	41.9
TRA22	Kars	Gross	106.0	105.9	106.1	105.6	105.6	105.6	83.2	85.9	80.4	45.2	45.1	45.2	38.1	40.8	35.2
		Net	98.9	98.8	99.1	93.5	93.8	93.1	63.6	63.7	63.6	30.7	28.3	33.3	32.9	35.4	30.3
TR821	Kastamonu	Gross	100.3	99.8	100.7	109.8	105.5	114.2	114.6	113.4	116.0	55.4	49.8	61.4	59.2	63.6	54.6
		Net	96.9	96.6	97.2	96.7	96.8	96.5	87.3	87.9	86.7	35.1	31.0	39.4	52.2	56.8	47.2
TR721	Kayseri	Gross	99.3	99.2	99.5	108.1	106.2	110.0	111.5	113.7	109.1	57.4	56.8	58.0	54.1	56.9	51.2
		Net	96.3	95.9	96.6	95.9	95.8	95.9	84.2	83.2	85.2	38.4	35.6	41.4	45.8	47.6	43.8
TR711	Kırıkkale	Gross	98.3	98.2	98.4	105.6	103.4	107.9	112.7	115.4	109.9	51.1	46.8	55.6	61.6	68.5	54.3
		Net	95.1	95.0	95.2	95.8	95.7	95.9	88.5	87.7	89.4	37.3	33.4	41.4	51.2	54.2	48.0
TR213	Kırklareli	Gross	99.1	99.1	99.1	107.9	106.2	109.7	107.7	111.1	104.1	55.0	51.6	58.7	52.7	59.5	45.4
		Net	94.6	94.5	94.7	95.9	95.5	96.3	87.0	88.4	85.5	41.6	37.4	46.2	45.4	51.1	39.3
TR715	Kırşehir	Gross	96.2	96.0	96.5	102.9	102.7	103.2	107.8	111.6	103.8	57.2	55.7	58.9	50.5	55.9	44.9
		Net	93.0	92.4	93.6	93.9	93.8	94.0	88.1	89.1	87.1	43.0	39.7	46.5	45.1	49.4	40.6
TRC13	Kilis	Gross	100.6	100.4	100.9	104.6	104.3	104.9	101.5	104.2	98.8	49.4	47.5	51.2	52.1	56.7	47.5
		Net	96.4	96.0	96.7	94.6	94.6	94.5	79.2	78.7	79.6	33.6	29.3	37.9	45.6	49.4	41.7
TR421	Kocaeli	Gross	98.9	98.5	99.3	108.5	105.8	111.4	120.6	122.6	118.4	57.3	56.3	58.4	63.2	66.3	60.0
		Net	96.1	95.7	96.4	96.7	96.8	96.5	86.9	86.1	87.7	37.4	35.3	39.7	49.4	50.8	48.0
TR521	Konya	Gross	99.5	99.3	99.6	104.9	103.8	106.1	103.1	103.6	102.6	47.2	49.1	45.2	55.9	54.5	57.4
		Net	95.6	95.2	95.9	95.1	94.8	95.3	79.2	78.1	80.2	31.0	30.7	31.3	48.2	47.4	48.9
TR333	Kütahya	Gross	97.8	97.3	98.4	106.3	104.1	108.7	120.4	123.9	116.8	57.4	55.1	59.9	63.0	68.8	56.8
		Net	95.1	94.5	95.7	97.3	97.6	97.1	92.3	93.7	90.8	39.2	36.8	41.7	53.1	56.9	49.0

**Table 126. Schooling Rates as per Nomenclature of Territorial Units for Statistics Level-3 and Levels of Education, 2014/'15 (Continued)**

Province Code	NUTS Level-3	Schooling Rate <sup>(1)</sup>	Primary School			Secondary School			Secondary School (High School)			General Secondary Education <sup>(2)</sup>			Vocational and Technical Secondary Education <sup>(3)</sup>		
			Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
TRB11	Malatya	Gross	100.0	99.9	100.2	106.9	105.4	108.5	119.7	123.3	115.9	64.5	65.8	63.2	55.2	57.6	52.7
		Net	96.4	96.2	96.5	96.0	96.0	96.0	86.4	86.7	86.1	42.5	40.5	44.6	43.9	46.2	41.5
TR331	Manisa	Gross	98.9	98.8	99.1	105.8	104.2	107.6	103.5	104.0	102.9	51.2	47.4	55.2	52.3	56.6	47.7
		Net	95.6	95.3	95.9	96.6	96.3	96.9	83.3	82.9	83.8	38.4	34.4	42.7	44.9	48.6	41.0
TRC31	Mardin	Gross	106.6	106.0	107.3	104.3	104.0	104.6	91.5	99.8	83.1	52.0	58.2	45.6	39.6	41.6	37.5
		Net	99.0	98.8	99.1	91.4	91.9	90.9	63.9	67.0	60.6	30.9	32.0	29.7	33.0	35.0	30.9
TR622	Mersin	Gross	99.9	99.7	100.1	106.5	105.2	107.8	103.8	104.2	103.3	53.9	51.3	56.6	49.9	53.0	46.7
		Net	95.4	95.0	95.8	94.8	94.8	94.8	80.4	80.1	80.7	39.1	36.2	42.1	41.3	43.9	38.6
TR323	Muğla	Gross	97.2	97.4	96.9	107.5	105.8	109.2	111.1	112.4	109.7	66.1	63.2	69.3	45.0	49.3	40.4
		Net	93.7	93.6	93.9	95.2	94.9	95.5	83.1	81.8	84.5	44.3	38.9	50.2	38.8	42.9	34.4
TRB22	Muş	Gross	110.9	109.8	112.0	107.0	107.6	106.4	71.2	79.0	63.1	31.7	35.1	28.2	39.5	43.9	34.8
		Net	98.5	98.4	98.6	87.3	87.3	87.4	49.9	53.6	46.1	18.6	18.3	18.8	31.4	35.2	27.3
TR714	Nevşehir	Gross	98.4	97.8	99.0	103.2	102.3	104.0	99.0	99.5	98.5	53.4	52.8	54.1	45.6	46.8	44.4
		Net	94.6	94.0	95.2	95.3	95.3	95.4	80.1	78.6	81.6	39.5	36.9	42.2	40.6	41.7	39.4
TR713	Niğde	Gross	100.2	100.2	100.2	103.8	103.2	104.4	95.3	96.2	94.4	48.7	46.5	51.0	46.6	49.7	43.4
		Net	96.0	95.6	96.5	94.6	94.2	95.0	77.9	77.1	78.8	36.7	32.6	41.0	41.2	44.4	37.8
TR902	Ordu	Gross	98.4	98.1	98.7	103.1	101.7	104.7	100.2	99.1	101.3	42.3	38.2	46.6	57.9	60.9	54.7
		Net	95.7	95.4	96.1	96.1	95.9	96.3	82.4	81.6	83.3	32.3	28.4	36.3	50.2	53.3	47.0
TR633	Osmaniye	Gross	101.9	102.0	101.7	106.3	105.8	106.8	104.4	104.9	104.0	48.5	45.9	51.3	55.9	59.0	52.7
		Net	94.0	93.4	94.6	91.0	90.5	91.6	81.1	80.0	82.3	35.4	32.0	39.0	45.7	48.0	43.3
TR904	Rize	Gross	98.3	98.2	98.5	109.5	105.8	113.3	140.2	143.3	137.1	65.4	60.6	70.3	74.9	82.7	66.8
		Net	95.5	95.1	96.0	97.8	98.8	96.8	100.0	100.0	98.8	44.4	41.1	47.8	57.6	63.9	51.0
TR422	Sakarya	Gross	100.2	99.9	100.5	106.1	103.5	108.9	113.3	111.8	114.9	50.4	44.6	56.4	62.9	67.2	58.4
		Net	96.4	96.1	96.7	96.2	96.3	96.1	85.1	84.4	85.9	35.5	31.9	39.4	49.6	52.5	46.5
TR831	Samsun	Gross	99.9	99.7	100.2	106.6	104.5	108.7	112.6	112.1	113.2	59.5	55.0	64.2	53.1	57.1	49.0
		Net	96.8	96.5	97.0	96.9	97.0	96.8	85.8	85.0	86.5	40.8	36.5	45.3	44.9	48.5	41.3
TRC34	Siirt	Gross	107.8	107.0	108.6	108.5	106.9	110.2	94.2	108.0	79.6	53.4	64.7	41.5	40.8	43.4	38.1
		Net	98.2	98.1	98.3	89.9	90.5	89.2	62.6	67.5	57.4	29.4	32.2	26.4	33.2	35.3	31.0
TR823	Sinop	Gross	99.1	98.6	99.6	109.2	106.3	112.3	114.6	114.1	115.1	61.1	54.4	68.1	53.5	59.8	47.0
		Net	95.5	94.9	96.1	95.8	95.6	95.9	84.9	85.1	84.8	39.2	34.7	43.8	45.7	50.4	41.0
TR722	Sivas	Gross	100.0	99.9	100.1	104.7	103.4	106.1	112.1	118.2	105.7	57.2	57.2	57.2	54.8	60.9	48.5
		Net	96.8	96.8	96.8	95.8	96.0	95.5	85.3	87.0	83.6	37.8	34.6	41.1	47.5	52.3	42.6
TRC21	Şanlıurfa	Gross	109.3	108.3	110.3	109.4	108.9	110.0	82.1	92.7	71.2	41.8	48.5	34.9	40.3	44.2	36.3
		Net	98.9	98.8	99.0	89.5	90.4	88.6	58.5	64.0	52.8	25.0	27.0	22.9	33.5	37.0	29.9
TRC33	Şırnak	Gross	110.4	110.1	110.7	105.1	104.5	105.7	94.6	102.3	86.5	43.5	48.2	38.6	51.1	54.1	47.9
		Net	98.9	98.9	98.8	88.5	88.7	88.3	64.4	65.8	62.9	22.5	21.3	23.8	41.8	44.5	39.1
TR211	Tekirdağ	Gross	99.4	99.4	99.4	107.7	106.4	109.1	110.4	112.2	108.4	58.2	55.2	61.5	52.2	57.1	46.9
		Net	95.3	95.1	95.5	95.0	95.1	94.9	82.7	82.5	83.0	37.5	33.2	42.3	45.2	49.3	40.7
TR832	Tokat	Gross	95.3	95.1	95.4	102.4	100.9	104.1	105.1	106.5	103.7	51.0	48.7	53.3	54.1	57.8	50.4
		Net	91.4	91.2	91.7	90.6	90.8	90.4	81.5	81.1	81.9	36.5	33.3	39.7	45.0	47.7	42.2
TR901	Trabzon	Gross	98.4	98.2	98.6	105.5	103.1	107.9	124.1	126.0	122.1	57.6	55.2	60.1	66.5	70.8	62.0
		Net	95.5	95.2	95.9	96.6	96.8	96.3	95.2	98.3	94.1	41.7	38.8	44.8	54.5	59.5	49.3
TRB14	Tunceli	Gross	97.1	97.4	96.9	104.9	103.1	106.9	116.9	122.0	111.5	70.4	71.0	69.8	46.4	50.9	41.7
		Net	94.9	94.8	95.1	94.7	94.0	95.5	81.2	81.8	80.6	47.6	45.0	50.3	33.7	36.9	30.3
TR334	Uşak	Gross	97.6	97.7	97.5	106.2	103.9	108.6	109.0	105.2	113.1	68.0	62.4	74.0	41.0	42.9	39.0
		Net	94.2	93.8	94.6	95.9	95.5	96.4	85.3	81.0	90.0	49.3	43.4	55.7	36.0	37.6	34.3
TRB21	Van	Gross	110.9	110.0	111.9	106.5	106.4	106.6	76.2	81.1	71.1	35.0	40.6	29.0	41.3	40.5	42.0
		Net	99.0	98.9	99.1	88.0	88.7	87.3	52.4	54.4	50.3	20.4	22.0	18.7	32.0	32.4	31.6
TR425	Yalova	Gross	97.4	97.3	97.6	110.7	104.3	117.4	117.1	118.0	116.3	63.8	62.0	65.7	53.3	55.9	50.6
		Net	94.0	93.9	94.1	95.2	95.4	95.1	86.2	86.7	85.7	42.9	41.0	44.9	43.4	45.7	40.8
TR723	Yozgat	Gross	93.6	93.4	93.7	96.5	96.4	96.5	97.9	99.2	96.6	50.0	48.5	51.6	47.9	50.7	45.0
		Net	90.4	90.2	90.6	87.7	88.0	87.5	75.6	74.5	76.8	34.1	29.8	38.5	41.5	44.7	38.3
TR811	Zonguldak	Gross	98.8	98.3	99.3	105.9	103.8	108.1	112.6	111.5	113.8	56.9	49.2	65.2	55.7	62.4	48.6
		Net	96.2	95.8	96.6	97.9	97.8	98.0	88.4	88.3	88.6	41.5	35.4	48.1	46.9	52.9	40.5
TR	Turkey	Brüt	101.1	100.8	101.4	107.1	105.5	108.8	107.4	109.8	104.8	54.8	54.8	54.7	52.6	55.0	50.1
		Net	96.3	96.0	96.6	94.3	94.4	94.3	79.4	79.5	79.3	35.4	33.3	37.5	44.0	46.1	41.8

Source: MoNE, TURKSTAT.

Note. In calculation of the net schooling rates in primary school in the school year 2013-2014; 220.877 primary school students in the age group 10-13, who were required to be registered in secondary school, but whose registrations were postponed as per the regulation, and 7.565 secondary school students in the age group 6-9, who were required to be in primary school, but who have started school early or have been promoted to higher grade, were included (the same calculation method was used on provincial basis).

(1): In calculation of the gross schooling rates in secondary school, Open Education Secondary School students were included. In calculation of the gross and net schooling rates in secondary education, Open Education High School students were included.

(2): General High School, Anatolian High School, Anatolian Teacher School, Social Sciences High School, Fine Arts and Sports High School and Private High Schools.

(3): Religious Vocational High School, Anatolian Religious Vocational High School, Vocational and Technical High Schools, Private Education Vocational High Schools and Private High Schools.

### 2.2.3 Numbers of Schools/Units, Teachers, Students and Graduated Students

For primary schools, in the school year 2014/'15 compared to the school year 2013/'14, number of schools decreased by 3,5% and dropped to 27.544, number of students decreased by 2,5% and declined to 5.434.150, and number of teachers increased by 2,4% and rose to 295.252. For secondary schools, number of schools decreased by 0,3% and dropped to 16.969 and number of students decreased by 3,7% and dropped to 5.278.107, whereas number of teachers increased by 5,4% and rose to 296.065 (Table 127).

**Table 127. Number of Schools/Units, Teachers, Students and Graduated Students by School Type and School Year**

Type Of School	School Year	School / Unit <sup>(3)</sup>	Teacher <sup>(4)</sup>	Student <sup>(1)(2)</sup>	Graduate
Primary school	2012/'13	29,169	282,043	5,593,910	-
	2013/'14	28,532	288,444	5,574,916	-
	2014/'15	27,544	295,252	5,434,150	-
Secondary school	2012/'13	16,987	269,759	5,566,986	1,205,507
	2013/'14	17,019	280,804	5,478,399	1,275,541
	2014/'15	16,969	296,065	5,278,107	-
General secondary education	2012/'13	4,214	119,393	2,725,972	388,522
	2013/'14	3,744	117,353	2,906,291	429,943
	2014/'15	3,955	123,160	2,902,954	-
Vocational and technical secondary education	2012/'13	6,204	135,502	2,269,651	339,270
	2013/'14	7,211	161,288	2,513,887	426,866
	2014/'15	5,106	175,218	2,788,117	-
Faculty and school of higher education <sup>(5)</sup>	2012/'13	2,086	130,653	4,676,566	648,535
	2013/'14	2,748	142,437	5,139,469	-
	2014/'15	-	-	-	-

**Source: MoNE.**

(1): Includes also open primary education and open high school students.

(2): Includes associate degree and undergraduate students.

(3): Active schools were included.

(4): Total number of teachers includes the permanent staff teachers.

(5): Information of higher education 2014/'15 will be published by YÖK (Higher Education Council) as of August 2015.

In general secondary education, number of schools increased by 5,6% and rose to 3.955 and number of teachers increased by 4,9% and rose to 123.160, whereas number of students increased by 0,1% and dropped to 2.902.954. In vocational and technical secondary education, number of schools decreased by 29,2% to 5.106, whereas number of teachers increased by 8,6% to 175.218, and number of students increased by 10,9% to 2.788.117. In the school year 2013/2014, number of faculties and schools of higher education increased by 31,7% to 2.748, number of teachers increased by 9,0% to 142.437, and number of students increased by 9,9% to 5.139.469.

### 2.3 Health

According to the most recent statistics published by the Ministry of Health, in 2013, the total number of hospitals increased by 2,3% compared to the preceding year and reached 1.517. While the number of general hospitals which ranked first according to number of hospitals showed an increase by 2,7% compared to the preceding year, the number of gynecology and obstetrics hospitals decreased which ranked second decreased by 11,6%. Of the 1.517 hospitals in our country in 2013, 1.377 were general hospitals, 38

were gynecology and obstetrics hospitals, 26 were ocular diseases hospitals, and apart from these, 76 were hospitals serving in other branches (Table 128).

**Table 128. Numbers of Hospitals by Branches <sup>(1)</sup>**

Branches	2011	2012	2013
General hospital	1,304	1,341	1,377
Gynecology and obstetrics hospital	50	43	38
Ocular diseases hospital	25	26	26
Physiotherapy and rehabilitation hospital	14	15	16
Pulmonary diseases hospital	17	15	15
Psychiatry hospital	11	11	12
Dental hospital	8	8	9
Cardiovascular surgery hospital	6	6	6
Pediatric diseases hospital	6	5	5
Bone diseases hospital	3	3	3
Vocational diseases hospital	2	2	2
Oncology hospital	4	2	2
Surgery hospital	0	1	1
Veneral diseases hospital	1	1	1
Leprosy hospital	1	1	1
Orthopedics and traumatology hospital	1	1	1
Hospital for children with leukemia	0	1	1
Hospital and rehabilitation center for spastic children	0	1	1
<b>Total</b>	<b>1,453</b>	<b>1,483</b>	<b>1,517</b>

Source: MoH.

(1): Data of 2014 were not published as of the print date of the Report.

A regular increase is observed in the number of total healthcare staff. In 2013, compared to the preceding year, the number of specialist doctors increased by 5,4% to 73.886, the number of assistant doctors increased by 2,5% to 21.317, whereas the number of practitioners decreased by 0,8% to 38.572. Thus, the total number of doctors increased by 3,1% and rose to 133.775. The number of dentists and pharmacists increased by 4,2% to 22.295 and by 1,7% to 27.012, respectively. The number of nurses increased by 3,4% and became 139.544, whereas the number of midwives decreased by 0,1% and fell to 53.427 (Table 129, Graph 54).

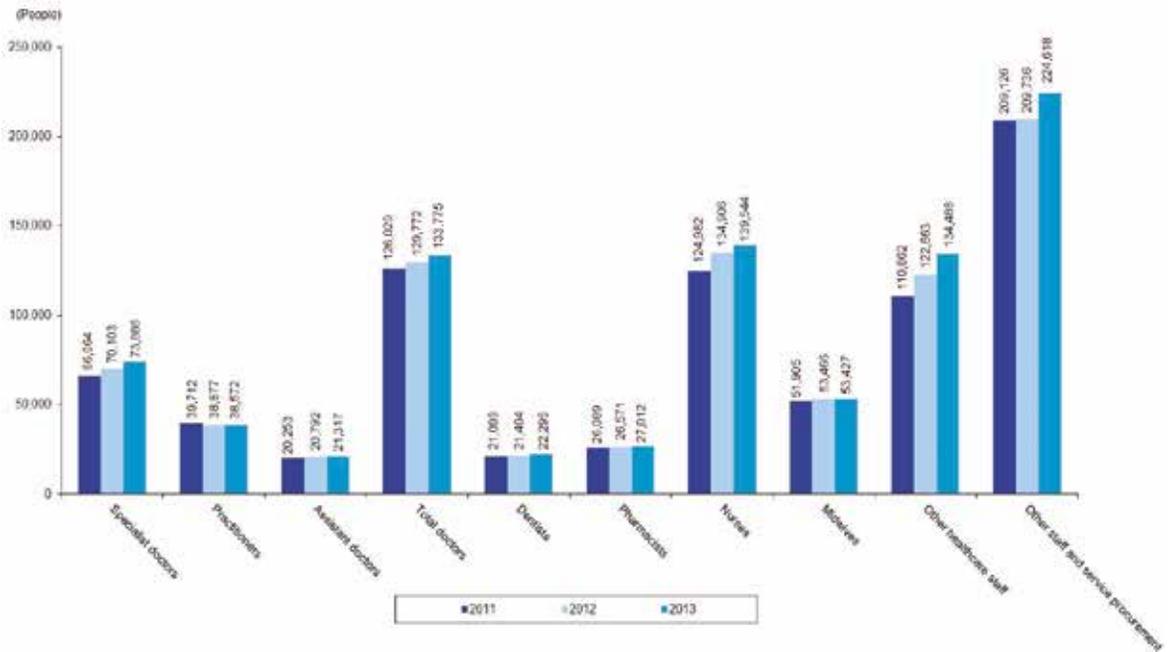
**Table 129. Total Numbers of Healthcare Staff <sup>(1)</sup>**

Healthcare Staff	2011	2012	2013
Specialist doctors	66,064	70,103	73,886
Practitioners	39,712	38,877	38,572
Assistant doctors	20,253	20,792	21,317
<b>Total doctors</b>	<b>126,029</b>	<b>129,772</b>	<b>133,775</b>
Dentists	21,099	21,404	22,295
Pharmacists	26,089	26,571	27,012
Nurses	124,982	134,906	139,544
Midwives	51,905	53,466	53,427
Other healthcare staff	110,862	122,663	134,488
Other staff and service procurement	209,126	209,736	224,618
<b>Total number of staff</b>	<b>670,092</b>	<b>698,518</b>	<b>735,159</b>

Source: MoH.

(1): Data of 2014 were not published as of the print date of the Report.

Graph 54. Total Numbers of Healthcare Staff



Source: MoH.

## 2.4 Labor Life

### 2.4.1 Employment

#### 2.4.1.1 Labor Force Indicators

Despite the low growth rate in economy in 2014, increase was observed in employment. However, due to participations in labor force, unemployment rate continued to increase despite the increase in the employment. Turkish Statistics Institute switched to new arrangements beginning from February 2014 with a view to ensure full compliance with the European Union standards in the Labor Force Research. These arrangements resulted in difference of the attained labor force indicators with the previous series, and took away the possibility of comparison with the previous years. Hence, only the results of 2014 were given for the labor force indicators.

In 2014, the population aged 15 years and higher increased by 1,8% compared to the preceding year and reached 56.986 thousand people. This was composed of males with 28.145 thousand and females with 28.841 thousand (Table 130, Table 131).

**Table 130. Basic Labor Force Indicators**

Indicators	2012	2013	2014	(15+ Years, Thousand People, %)	
				2013	2014
				Variation (%)	
Population aged 15 years and higher	54,961	55,982	56,986	1.9	1.8
Labor force	26,141	27,046	28,786	3.5	6.4
Employed	23,937	24,601	25,933	2.8	5.4
Unemployed	2,204	2,445	2,853	10.9	16.7
Population not included in labor force	28,820	28,936	28,200	0.4	-2.5
				Difference (Points)	
Rate of participation in labor force (%)	47.6	48.3	50.5	0.7	2.2
Employment rate (%)	43.6	43.9	45.5	0.3	1.6
Unemployment rate (%)	8.4	9.0	9.9	0.6	0.9
Non-agricultural unemployment rate (%)	10.3	10.9	12.0	0.6	1.1
Young population (15-24 years) unemployment rate (%)	15.8	17.1	17.9	1.3	0.8

Source: TURKSTAT.

**Table 131. Basic Labor Force Indicators on Gender Basis, 2014**

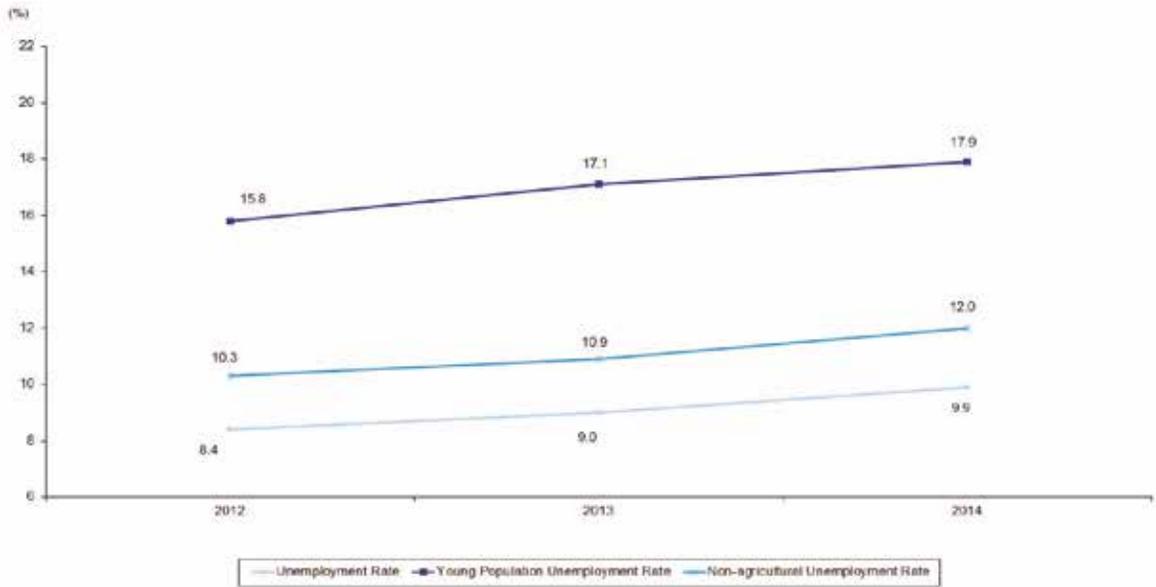
Indicators	(15+ Years, Thousand People, %)		
	Male	Female	Total
Population aged 15 years and higher	28,145	28,841	56,986
Labor force	20,057	8,729	28,786
Employed	18,244	7,689	25,933
Unemployed	1,813	1,040	2,853
Population not included in labor force	8,089	20,112	28,200
Rate of participation in labor force (%)	71.3	30.3	50.5
Employment rate (%)	64.8	26.7	45.5
Unemployment rate (%)	9.0	11.9	9.9
Non-agricultural unemployment rate (%)	10.3	16.5	12.0
Young population (15-24 years) unemployment rate (%)	16.6	20.4	17.9

Source: TURKSTAT.

In 2014, labor force rose to 28.786 thousand people with an increase by 1.740 thousand people. The labor force increase included 20.057 thousand males and 8.729 thousand females. While additional employment was provided to 664 thousand people in 2013 since the economic recovery was below the expectations, additional employment rose to 1.332 thousand people in 2014. Of the 25.933 thousand employed people in 2014, 18.244 thousand were male, and 7.689 thousand were female. Number of the unemployed increased from 2.445 thousand to 2.853 thousand, including 1.813 thousand males and 1.040 thousand females.

Employment rate advanced to 45,5% with in 2014 with an increase by 1,6 points compared to the preceding year. Employment rate was 64,8% in males and 26,7% in females. Unemployment rate rose to 9,9% with an increase by 0,9 points compared to the preceding year, because the labor force increase was more than the employed. This was 0,5 points over 9,4%, the program target for the year 2014. Unemployment rate was 9,0% in males and 11,9% in females (Graph 55).

Graph 55. Unemployment Rates

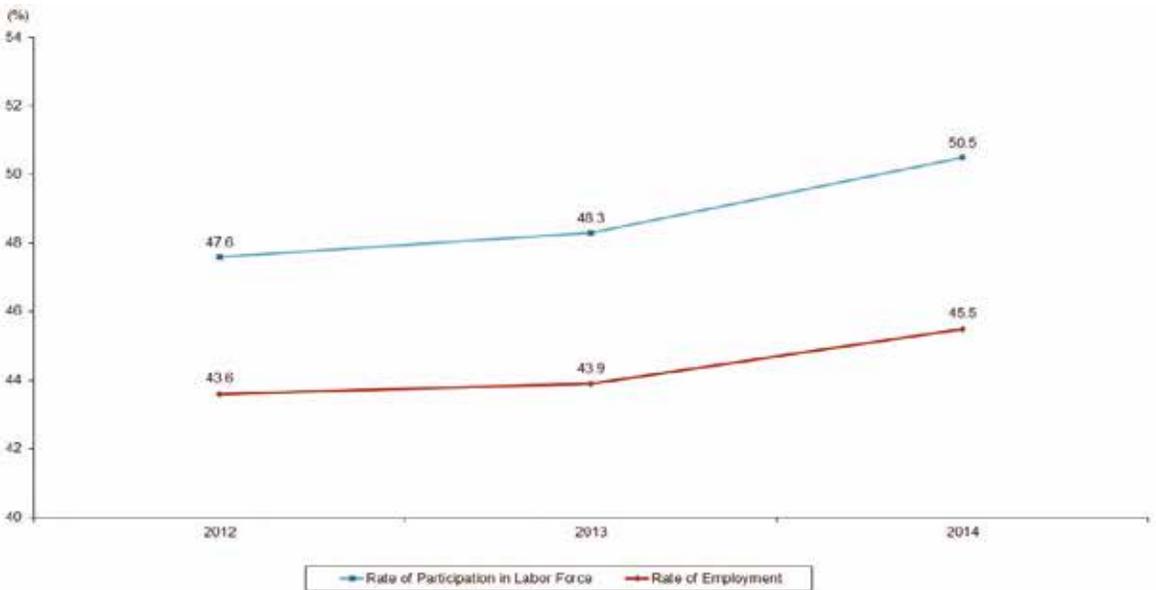


Source: TURKSTAT.

In 2014, the non-agricultural employment rate rose to 12,0% with an increase by 1,1 point and young unemployment rate rose 17,9% with an increase by 0,8 points.

The rate of participation of in labor force for the population aged 15 years and higher increased by 0,7 points in 2013 compared to the preceding year, and rose to 50,5% in 2014 with an increase by 2,2 points (Graph 56).

Graph 56. Rates of Participation in Labor Force and Employment



Source: TURKSTAT.

Table 132. Labor Force Indicators as per Nomenclature of Territorial Units for Statistics Level-1 – 1, 2014

Region Code	NUTS Level-1	(15+ Years, Thousand People, %)														
		Male						Female						Total		
		Population Aged 15 Years and Higher	Labor force	Employed	Unemployed	Population not included in Labor Force	Share (%)	Population Aged 15 Years and Higher	Labor force	Employed	Unemployed	Population not included in Labor Force	Share (%)	Employed	Unemployed	Population not included in Labor Force
TR1	Istanbul	5,487	4,061	3,643	419	1,425	19.1	5,495	1,723	1,454	270	3,772	18.8	5,096	688	5,197
TR2	West Marmara	1,309	929	877	52	380	4.5	1,289	423	385	38	866	4.3	1,262	90	1,246
TR3	Aegean	3,830	2,739	2,534	205	1,091	13.7	3,944	1,403	1,232	171	2,541	12.6	3,766	376	3,631
TR4	East Marmara	2,758	1,989	1,857	132	769	9.6	2,776	878	777	101	1,898	9.4	2,867	233	2,667
TR5	West Anatolia	2,743	1,987	1,831	156	756	9.8	2,818	840	719	121	1,978	9.8	2,850	277	2,734
TR6	Mediterranean	3,517	2,490	2,242	248	1,027	12.5	3,631	1,052	907	146	2,578	12.8	3,149	394	3,606
TR7	Central Anatolia	1,399	988	905	82	411	5.0	1,440	379	341	39	1,061	5.3	1,246	121	1,472
TR8	West Black Sea	1,664	1,136	1,069	67	529	6.2	1,775	620	578	43	1,154	6.0	1,646	109	1,683
TR9	East Black Sea	970	661	619	42	309	3.5	1,002	382	359	23	619	3.1	979	65	929
TRA	Northeastern Anatolia	730	519	485	34	211	2.6	743	256	249	7	487	2.4	734	41	698
TRB	Central Eastern Anatolia	1,260	877	775	102	382	2.6	1,303	344	316	28	958	2.6	1,091	130	1,341
TRC	Southeastern Anatolia	2,479	1,681	1,405	276	798	4.5	2,625	426	373	53	2,199	4.4	1,779	328	2,997
TR	Turkey	28,145	20,057	18,244	1,813	8,089	100.0	28,841	8,729	7,689	1,040	20,112	100.0	25,933	2,853	28,200
TR1	Istanbul	19.5	20.2	20.0	23.1	17.6	19.1	19.7	19.7	18.9	26.0	18.8	19.7	20.1	24.1	18.4
TR2	West Marmara	4.7	4.6	4.8	2.9	4.7	4.5	4.8	5.0	5.0	3.7	4.3	4.9	4.7	3.2	4.4
TR3	Aegean	13.6	13.7	13.9	11.3	13.5	13.7	16.1	16.0	16.0	16.4	12.6	14.4	14.5	13.2	12.9
TR4	East Marmara	9.8	9.9	10.2	7.3	9.5	9.6	10.1	10.1	10.1	9.7	9.4	10.0	10.2	8.2	9.5
TR5	West Anatolia	9.7	9.9	10.0	8.6	9.3	9.8	9.6	9.4	9.4	11.6	9.8	9.8	9.8	9.7	9.7
TR6	Mediterranean	12.5	12.4	12.3	13.7	12.7	12.6	12.1	11.8	11.8	14.0	12.8	12.5	12.3	12.1	12.8
TR7	Central Anatolia	5.0	4.9	5.0	4.5	5.1	5.0	4.3	4.4	4.4	3.8	5.3	5.0	4.7	4.2	5.2
TR8	West Black Sea	5.9	5.7	5.9	3.7	6.5	6.2	7.1	7.5	7.5	4.1	5.7	6.0	6.1	3.8	6.0
TR9	East Black Sea	3.4	3.3	3.4	2.3	3.8	3.5	4.4	4.7	4.7	2.2	3.1	3.5	3.6	2.3	3.3
TRA	Northeastern Anatolia	2.6	2.6	2.7	1.9	2.6	2.6	2.9	3.2	3.2	0.7	2.4	2.6	2.7	2.8	1.4
TRB	Central Eastern Anatolia	4.5	4.4	4.2	5.6	4.7	4.5	3.9	4.1	4.1	2.7	4.8	4.5	4.2	4.6	4.8
TRC	Southeastern Anatolia	8.8	8.4	7.7	15.2	9.9	9.1	4.9	4.9	4.9	5.1	10.9	9.0	7.3	11.5	10.6
TR	Turkey	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: TURKSTAT.

### 2.4.1.1 Regional Labor Force Indicators

In 2014, when the labor force indicators according to NUTS Level-1 are examined, it is observed that the highest rates in all indicators are in Istanbul region. 19,3% of the population aged 15 years and higher, 20,1% of the labor force, 19,7% of the employed, 24,1% of the unemployed and 18,4% of the people not included in the labor force are in Istanbul region. In terms of all indicators, Northeastern Anatolia region is the region with the lowest rate in Turkey. 2,6% of the population aged 15 years and higher, 2,7% of the labor force, 2,8% of the employed, 1,4% of the unemployed and 2,5% of the people not included in the labor force are in Northeastern Anatolia region (Table 132).

### 2.4.2 Regional Employment

In 2014, according to NUTS Level-1, the region where the rate of participation in labor force was highest was the Aegean with 53,3%, and the region which had the lowest rate was Southeastern Anatolia region with 41,3%. Among males, the highest rate of participation in labor force was in Istanbul region with 74,0% and among females, it was East Black Sea region with 38,2%. The region with the lowest rate of participation in labor force was Southeastern Anatolia with 67,8% among males and 16,3% among females.

**Table 133. Labor Force Indicators as per Nomenclature of Territorial Units for Statistics Level-1 – 2, 2014**

		(15+ Years, %)								
		Male			Female			Total		
Region Code	NUTS Level-1	Rate of Participation in Labor Force	Unemployment Rate	Employment Rate	Rate of Participation in Labor Force	Unemployment Rate	Employment Rate	Rate of Participation in Labor Force	Unemployment Rate	Employment Rate
TR1	Istanbul	74.0	10.3	66.4	31.4	15.6	26.5	52.7	11.9	46.4
TR2	West Marmara	71.0	5.6	67.0	32.8	9.0	29.9	52.1	6.7	48.6
TR3	Aegean	71.5	7.5	66.2	35.6	12.2	31.2	53.3	9.1	48.4
TR4	East Marmara	72.1	6.6	67.3	31.6	11.5	28.0	51.8	8.1	47.6
TR5	West Anatolia	72.4	7.9	66.7	29.8	14.4	25.5	50.8	9.8	45.9
TR6	Mediterranean	70.8	10.0	63.7	29.0	13.8	25.0	49.6	11.1	44.1
TR7	Central Anatolia	70.6	8.3	64.7	26.3	10.2	23.6	48.1	8.9	43.9
TR8	West Black Sea	68.2	5.9	64.2	35.0	6.9	32.5	51.1	6.2	47.9
TR9	East Black Sea	68.1	6.3	63.8	38.2	6.1	35.8	52.9	6.2	49.6
TRA	Northeastern Anatolia	71.1	6.5	66.5	34.5	2.9	33.5	52.6	5.3	49.8
TRB	Central Eastern Anatolia	69.6	11.6	61.6	26.4	8.2	24.2	47.7	10.6	42.6
TRC	Southeastern Anatolia	67.8	16.4	56.7	16.2	12.4	14.2	41.3	15.6	34.8
TR	Turkey	71.3	9.0	64.8	30.3	11.9	26.7	50.5	9.9	45.5

Source: TURKSTAT.

In 2014, the region where the unemployment rate was highest was the Southeastern Anatolia region with 15,6%, and the region which had the lowest rate was Northeastern Anatolia region with 5,3%. The region where unemployment rate was highest was Southeastern Anatolia with 16,4% among males, and Istanbul with 15,6% among females. The region where unemployment rate was lowest was West Marmara region with 5,6% among males and Northeastern Anatolia region with 2,9% among females.

In 2014, the employment rate was highest in the Northeastern Anatolia region with 49,8%, and lowest in Southeastern Anatolia region with 34,8%. The region where employment rate was highest was the East Marmara region with 67,3% among males and East Black Sea region with 35,8% among females. The region where the employment rate was lowest was Southeastern Anatolia with 56,7% among males and 14,2% among females.

### 2.4.3 Sectoral Distribution of Employment

In 2014, compared to the preceding year, the number of those employed in the agriculture sector rose to 5.470 thousand people with an increase by 5,1%, the number of those employed in the industry sector rose to 7.228 thousand people with an increase by 5,2%, and the number of those employed in the services sector rose to 13.235 thousand people with an increase by 5,6%. In 2014, share of the agriculture sector within the total employment dropped to 21,1% with a decrease by 0,1 point compared to the preceding year, share of the industry sector remained the same at 27,9%, and share of the services sector elevated to 51,0% with an increase by 0,1 point (Table 134, Graph 57).

**Table 134. Sectoral Distribution of the Employed**

Sectors	(15+ Years, Thousand People)							
				Share (%)			Variation (%)	
	2012	2013	2014	2012	2013	2014	2013	2014
Agriculture	5,301	5,204	5,470	22.1	21.2	21.1	-1.8	5.1
Industry <sup>(1)</sup>	6,620	6,869	7,228	27.7	27.9	27.9	3.8	5.2
Services	12,016	12,528	13,235	50.2	50.9	51.0	4.3	5.6
Total	23,937	24,601	25,933	100.0	100.0	100.0	2.8	5.4

Source: TURKSTAT.

(1): Construction sector was considered within the industry sector.

**Graph 57. Sectoral Distribution of the Employed**



Source: TURKSTAT.

When the sectoral distribution of employment in 2014 is analyzed according to NUTS Level-1, it is observed that the agriculture sector takes the highest value in Aegean region with 935 thousand people, and the lowest value in Istanbul with 28 thousand people. The industry sector takes highest value in Istanbul region with 1.870 thousand people and the lowest value in Northeastern Anatolia region with 96 thousand people. The service sector, like with the industrial sector, takes the highest value in Istanbul region with 3.198 thousand people and the lowest value in Northeastern Anatolia region with 231 thousand people (Table 135).

Of the employed male population, 2.937 thousand were employed in the agriculture sector, 5.912 thousand were employed in the industry sector and 9.394 thousand were employed in the services sector. The region where males were most employed in the

industry and services sectors excluding agriculture sector was Istanbul region. Of the employed female population, 2.533 thousand were employed in the agriculture sector, 1.315 thousand were employed in the industry sector and 3.841 thousand were employed in the services sector. In females, the region where they were most employed in the industry and services sectors excluding agriculture sector was Istanbul region.

**Table 135. Sectoral Distribution of the Employed as per Nomenclature of Territorial Units for Statistics Level-1, 2014**

		(15+ Years, Thousand People)						
Region Code	NUTS Level-1	Sectors				Share (%)		
		Agriculture	Industry <sup>(1)</sup>	Services	Total	Agriculture	Industry	Services
		Male						
TR1	Istanbul	19	1,439	2,184	3,643	0.5	39.5	60.0
TR2	West Marmara	192	298	387	877	21.9	34.0	44.2
TR3	Aegean	488	789	1,257	2,534	19.3	31.1	49.6
TR4	East Marmara	208	827	823	1,857	11.2	44.5	44.3
TR5	West Anatolia	149	581	1,100	1,831	8.2	31.7	60.1
TR6	Mediterranean	417	600	1,225	2,242	18.6	26.8	54.6
TR7	Central Anatolia	204	257	445	905	22.5	28.4	49.1
TR8	West Black Sea	325	285	459	1,069	30.4	26.7	42.9
TR9	East Black Sea	202	153	265	619	32.5	24.7	42.7
TRA	Northeastern Anatolia	209	90	187	485	43.1	18.5	38.5
TRB	Central Eastern Anatolia	218	186	372	775	28.1	24.0	47.9
TRC	Southeastern Anatolia	306	409	691	1,405	21.8	29.1	49.1
TR	Turkey	2,937	5,912	9,394	18,244	16.1	32.4	51.5
		Female						
TR1	Istanbul	9	431	1,014	1,454	0.6	29.6	69.8
TR2	West Marmara	124	94	168	385	32.1	24.3	43.6
TR3	Aegean	447	218	567	1,232	36.3	17.7	46.0
TR4	East Marmara	173	225	378	777	22.3	29.0	48.7
TR5	West Anatolia	102	101	517	719	14.2	14.0	71.8
TR6	Mediterranean	325	91	491	907	35.9	10.0	54.1
TR7	Central Anatolia	165	24	152	341	48.4	7.0	44.6
TR8	West Black Sea	348	52	177	578	60.3	9.0	30.7
TR9	East Black Sea	236	18	106	359	65.6	4.9	29.5
TRA	Northeastern Anatolia	198	6	44	249	79.6	2.5	17.8
TRB	Central Eastern Anatolia	210	18	88	316	66.5	5.5	27.9
TRC	Southeastern Anatolia	196	39	139	373	52.4	10.3	37.2
TR	Turkey	2,533	1,315	3,841	7,689	32.9	17.1	50.0
		Total						
TR1	Istanbul	28	1,870	3,198	5,096	0.5	36.7	62.8
TR2	West Marmara	315	392	555	1,262	25.0	31.0	44.0
TR3	Aegean	935	1,007	1,824	3,766	24.8	26.7	48.4
TR4	East Marmara	381	1,052	1,201	2,634	14.5	39.9	45.6
TR5	West Anatolia	252	682	1,617	2,550	9.9	26.7	63.4
TR6	Mediterranean	742	691	1,716	3,149	23.6	21.9	54.5
TR7	Central Anatolia	368	281	597	1,246	29.6	22.5	47.9
TR8	West Black Sea	673	337	636	1,646	40.9	20.5	38.6
TR9	East Black Sea	437	171	370	979	44.7	17.5	37.8
TRA	Northeastern Anatolia	407	96	231	734	55.5	13.0	31.5
TRB	Central Eastern Anatolia	428	203	460	1,091	39.3	18.6	42.1
TRC	Southeastern Anatolia	502	447	830	1,779	28.2	25.1	46.6
TR	Turkey	5,470	7,227	13,235	25,933	21.1	27.9	51.0

Source: TURKSTAT.

### 2.4.4 Status of Employees at Work

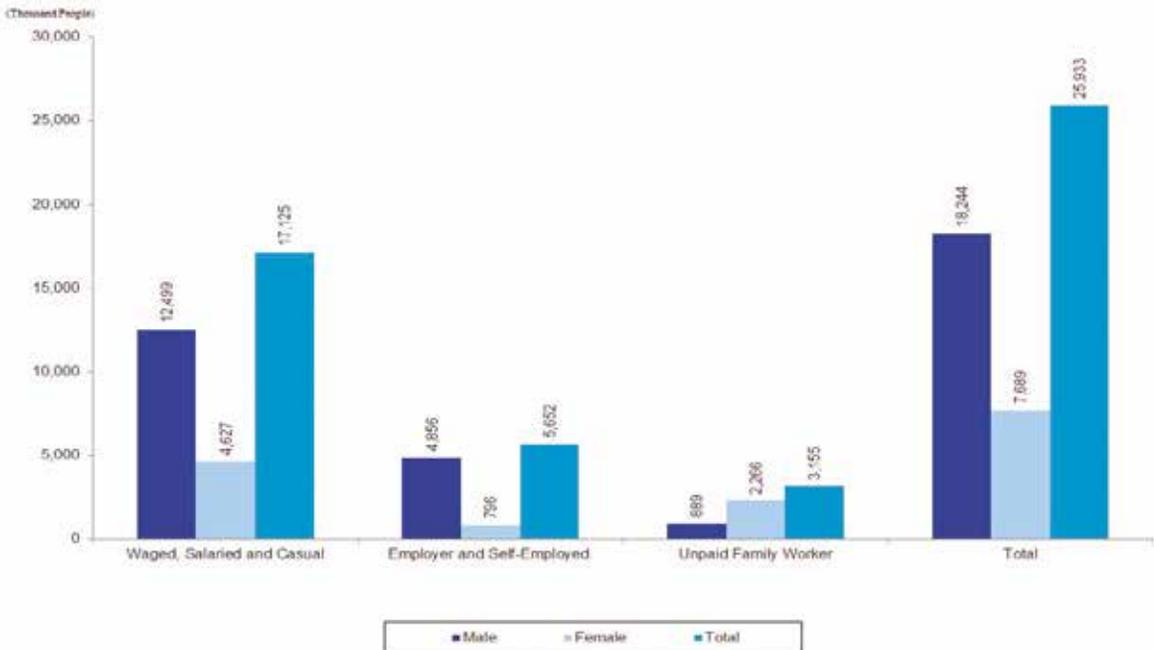
In 2014, within the 25.933 thousand people constituting the total population aged 15 years and higher, 17.125 thousand were employed as waged, salaried and casual workers, 5.652 thousand were employers or self-employed people, and 3.155 thousand were unpaid family workers (Table 136, Graph 58).

**Table 136. Status of the Employed at Work, 2014**

Status at Work	(15+ Years, Thousand People)			Share (%)		
	Male	Female	Total	Male	Female	Total
Agriculture	2,937	2,533	5,470	16.1	32.9	21.1
Waged, salaried and casual	332	214	546	2.7	4.6	3.2
Employer and self-employed	1,984	272	2,256	40.9	34.2	39.9
Unpaid family worker	621	2,047	2,668	69.9	90.3	84.6
Non-agricultural	15,307	5,156	20,462	83.9	67.1	78.9
Waged, salaried and casual	12,166	4,413	16,579	97.3	95.4	96.8
Employer and self-employed	2,872	524	3,396	59.1	65.8	60.1
Unpaid family worker	268	219	487	30.1	9.7	15.4
Total	18,244	7,689	25,933	100.0	100.0	100.0
Waged, salaried and casual	12,499	4,627	17,125	100.0	100.0	100.0
Employer and self-employed	4,856	796	5,652	100.0	100.0	100.0
Unpaid family worker	889	2,266	3,155	100.0	100.0	100.0

Source: TURKSTAT.

**Graph 58. Status of the Employed at Work, 2014**



Source: TURKSTAT.

5.470 thousand people, representing 21,1% of the employed, work in the agriculture sector. Within the population employed in agriculture, 546 thousand people were employed as waged, salaried and casual, 2.256 thousand people were employers and self-employed, and 2.668 thousand people were employed as unpaid family workers.

20.462 thousand people, representing 78,9% of the employed, work in non-agricultural sectors. Within the population employed in non-agricultural sectors, 16.579 thousand people were employed as waged, salaried and casual, 3.329 thousand people were employers and self-employed, and 3.396 thousand people were employed as unpaid family workers.

According to the evaluation of the total employment based on the status at work in 2014, the region where waged, salaried and casual workers are most as per NUTS Level-1 was Istanbul with 4.201 thousand people, and the region where they are list is the North-eastern Anatolian region with 272 thousand people. The region where the employers and self-employed people were most was the Aegean region with 866 thousand people, and the region where they were least was the Northeastern Anatolian region with 205 thousand people. The regions where the unpaid family workers were most and least were the Aegean region with 549 thousand people and Istanbul region with 60 thousand people, respectively (Table 137).

In the agriculture sector, the region where the waged, salaried and casual workers were most was the Mediterranean region with 142 thousand people, and the region where they were least was Istanbul region with 4 thousand people. The region where the employers and self-employed people were most was the Aegean region with 376 thousand people, and the region where they were least was Istanbul region with 20 thousand people. The regions where the unpaid family workers were most and least were the Aegean region with 449 thousand people and Istanbul region with 4 thousand people, respectively.

In the non-agricultural sector, the region where the waged, salaried and casual workers were most was the Istanbul region with 4.196 thousand people, and the region where they were least was the Northeastern Anatolia region with 261 thousand people. The region where the employers and self-employed people were most was the Istanbul region with 816 thousand people, and the region where they were least was the Northeastern Anatolian region with 57 thousand people. Number of unpaid family workers took the highest value in the Aegean region with 99 thousand people and the lowest value in the Northeastern Anatolia region with 9 thousand people.

#### **2.4.5 Educational Status of Employees**

In 2014, 55,9% of the total labor force consisted of persons with degrees lower than high school, and this was followed by graduates of higher education with 19,8%, high school graduates with 10,3%, graduates of vocational/technical high school with 9,9%, and illiterate people with 4,1% (Table 138).



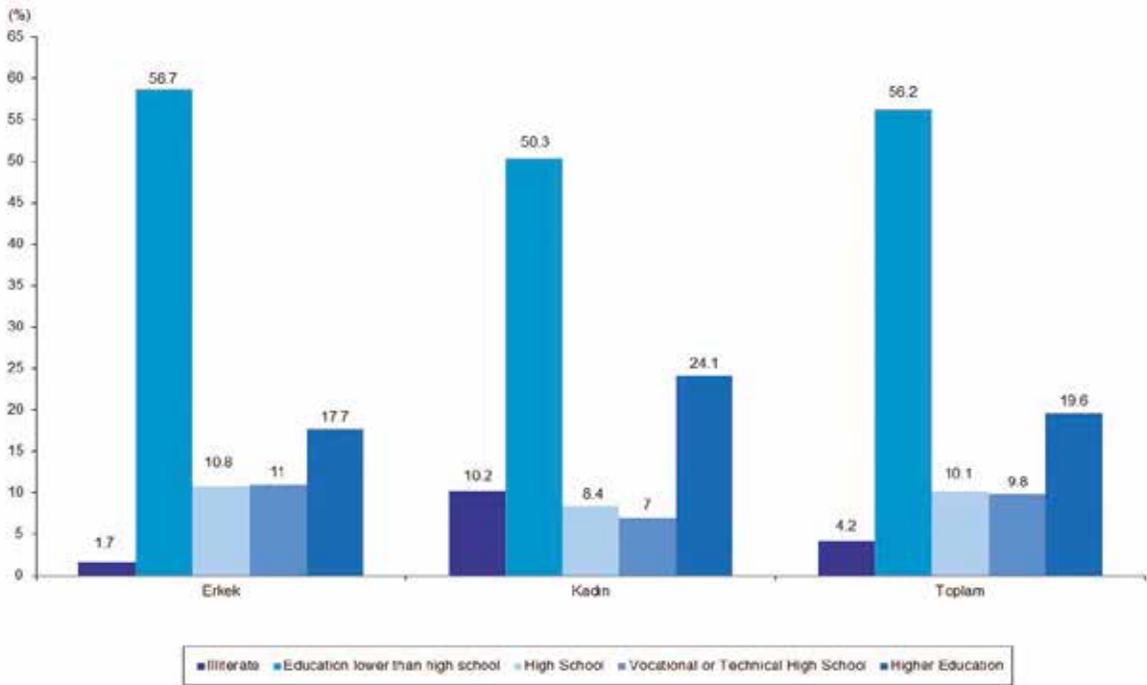
**Table 138. Labor Force Status by Educational Status, 2014**

		(15+ Years, Thousand People)					
					Share (%)		
Educational Status	Labor Force Status	Male	Female	Total	Male	Female	Total
Illiterate	Labor force	361	809	1,170	1.8	9.3	4.1
	Employment	312	785	1,097	1.7	10.2	4.2
	Unemployed	49	24	73	2.7	2.3	2.6
	Rate of participation in labor force (%)	33.6	16.0	19.1	-	-	-
	Unemployment rate (%)	13.6	3.0	6.3	-	-	-
People with degrees lower than high school	Labor force	11,831	4,269	16,100	59.0	48.9	55.9
	Employment	10,713	3,871	14,584	58.7	50.3	56.2
	Unemployed	1,118	397	1,516	61.7	38.2	53.1
	Rate of participation in labor force (%)	68.9	25.8	47.8	-	-	-
	Unemployment rate (%)	9.5	9.3	9.4	-	-	-
High School	Labor force	2,182	795	2,977	10.9	9.1	10.3
	Employment	1,979	643	2,623	10.8	8.4	10.1
	Unemployed	203	152	355	11.2	14.6	12.4
	Rate of participation in labor force (%)	71.0	31.9	53.5	-	-	-
	Unemployment rate (%)	9.3	19.1	11.9	-	-	-
Vocational or technical high school	Labor force	2,184	664	2,847	10.9	7.6	9.9
	Employment	2,009	535	2,544	11.0	7.0	9.8
	Unemployed	175	128	303	9.7	12.3	10.6
	Rate of participation in labor force (%)	80.4	39.8	65.0	-	-	-
	Unemployment rate (%)	8.0	19.3	10.6	-	-	-
Higher education	Labor force	3,498	2,193	5,691	17.4	25.1	19.8
	Employment	3,231	1,854	5,085	17.7	24.1	19.6
	Unemployed	267	339	606	14.7	32.6	21.2
	Rate of participation in labor force (%)	85.0	71.3	79.2	-	-	-
	Unemployment rate (%)	7.6	15.5	10.6	-	-	-
Total labor force		20,057	8,729	28,786	100.0	100.0	100.0
Total employment		18,244	7,689	25,933	100.0	100.0	100.0
Total unemployed		1,813	1,040	2,853	100.0	100.0	100.0

Source: TURKSTAT.

In 2014, of the total employed people, 56,2% were persons with degrees lower than high school, 19,6% were graduates of higher education, 10,1% were high school graduates, 9,8% were graduates of vocational or technical high school, and 4,2% were illiterate people (Graph 59).

Graph 59. Distribution of Employment by Educational Status, 2014



Source: TURKSTAT.

The rate of participation in was observed to be highest in graduates of higher education with 79,2%, and this was followed by graduates of vocational or technical high school with 65,0%, high school graduates with 53,5%, persons with degrees lower than high school with 47,8%, and illiterate people with 19,1%.

When status educational of the unemployed is examined, 53,1% have educational degree lower than high school, 21,2% are graduates of higher education, 12,4% are graduates of high school, 10,6% are graduates of vocational or technical high school, and 2,16 are illiterate.

The rate of participation in was observed to be highest in graduates of high school with 11,9%, and this was followed by graduates of vocational or technical high school and of higher education with 10,6%, persons with degrees lower than high school with 9,4%, and illiterate people with 6,3%.

#### 2.4.6 Collective Labor Agreement and Fees

In 2014, the number of collective labor agreements as well as the workplaces and workers covered by such agreements decreased by 36,5%, 28,1%, and 44,8%, respectively, compared to the previous year. In 2014, 1.680 collective labor agreements were made in 12.445 workplaces. Of the total 364.610 workers covered by the collective labor agreements, 102.321 which correspond to 28,1% work in the public sector and 262.289 which correspond to 71,9% work in the private sector (Table 139).

**Table 139. Workplaces and Number of Workers covered by Collective Labor Agreements**

Variable	Number			Share (%)			Variation (%)	
	2012	2013	2014	2012	2013	2014	2013	2014
Number of agreements made	1,503	2,644	1,680	-	-	-	75.9	-36.5
Number of workplaces	6,665	17,305	12,445	-	-	-	159.6	-28.1
Number of workers								
Public	99,995	227,394	102,321	43.9	34.4	28.1	127.4	-55.0
Private	127,677	433,392	262,289	56.1	65.6	71.9	239.4	-39.5
Total	227,672	660,786	364,610	100.0	100.0	100.0	190.2	-44.8

Source: MoLSS.

No public sector and private sector lockout was applied in 2014. 1 strike decision was made in the public sector but there was no participation. In 11 strikes in private sector, 6.880 workers attended, and 365.411 workdays were lost (Table 140).

**Table 140. Strike Applications**

Sector	Number of Strikes Held			Number of Workers Participated in the Strikes			Workdays Lost			Variation of the Workdays Lost (%)	
	2012	2013 <sup>(1)</sup>	2014 <sup>(1)</sup>	2012	2013 <sup>(1)</sup>	2014 <sup>(1)</sup>	2012	2013 <sup>(1)</sup>	2014 <sup>(1)</sup>	2013	2014 <sup>(1)</sup>
	Public	0	2	1	0	186	0	0	9,300	0	-
Private	8	17	11	768	16,446	6,880	36,073	298,594	365,411	727.7	22.4
Total	8	19	12	768	16,632	6,880	36,073	307,894	365,411	753.5	18.7

Source: MoLSS.

(1): Data are interim.

In 2014, the net worker wages covered by the collective labor agreements in the public sector increased by 10,1% compared to the preceding year and rose to 3.040,67 TL/month, the labor force cost increased by 10,6% and rose to 5.682,93 TL/month, in nominal terms, and the worker wages increased by 1,1% in real terms, and the labor force cost increased by 0,3%.

Data of 2014 are not announced yet for private sector. According to the data of 2013, the net worker wages reached 2.103,93 TL/month with a nominal increase by 9,3%, and labor force costs reached 3.906,1 TL/month with a nominal increase by 9,3%, compared to the preceding year. In 2013, the worker wages net received and labor force costs in the private sector increased by 1,7% and 4,6% in real terms compared to the preceding year (Table 141).

**Table 141. Developments in Worker Wages covered by the Collective Labor Agreements**

	Net Wage Received <sup>(1)</sup>	Nominal Variation (%)	Real Variation (%) <sup>(2)</sup>	Labor Force Cost	Nominal Variation (%)	(TL/Month)	Real Variation (%) <sup>(3)</sup>
Public Sector <sup>(4)</sup>							
2012	2,570.12	7.3	-1.5	4,766.69	7.2		1.0
2013	2,761.12	7.4	-0.1	5,136.21	7.8		3.2
2014	3,040.67	10.1	1.1	5,682.93	10.6		0.3
Private Sector <sup>(5)</sup>							
2012	1,924.91	10.9	1.8	3,573.83	12.1		5.7
2013	2,103.93	9.3	1.7	3,906.19	9.3		4.6

Source: MoD, KİS, TİSK.

(1): For single employees, the net wage received includes the minimum living allowance.

(2): In the calculation of the real increase in the net wage received, TURKSTAT's 2003 basic year Consumer Price Index variation by twelve-month averages was used.

(3): In the calculation of the real increase in the labor force cost, TURKSTAT's 2003 basic year Domestic Producer Price Index variation by twelve-month averages was used.

(4): Municipalities were excluded.

(5): As the year 2014 data for the private sector were not announced at the time of preparation of the report, the relevant data could not be presented. Data of 2013 are estimate.

In 2014, daily legal gross minimum wage was established as TL 35,70 in the first six-month period and TL 37,80 in the second six-month period for those aged both below and above 16 years old. Monthly legal gross minimum wage was established as TL 1.071,0 in the first six-month period and TL 1.134,0 in the second six-month period for those aged both below and above 16 years old (Table 142).

**Table 142. Daily and Monthly Gross Minimum Wages**

Effective Dates	People aged above 16		Monthly Variation (%)	People aged below 16		Monthly Variation (%)
	Daily	Monthly		Daily	Monthly	
	01.01.2012 - 30.06.2012	29.55		886.5	5.9	
01.07.2012 - 31.12.2012	31.35	940.5	6.1	26.85	805.5	5.9
01.01.2013 - 30.06.2013	32.62	978.6	4.1	27.97	839.1	4.2
01.07.2013 - 31.12.2013	34.05	1,021.5	4.4	29.25	877.5	4.6
01.01.2014 - 30.06.2014	35.70	1,071.0	4.8	35.70	1,071.0	22.1
01.07.2014 - 31.12.2014	37.80	1,134.0	5.9	37.80	1,134.0	5.9

(TL)

Source: MoLSS.

In 2014, compared to the preceding year, the monthly gross minimum wage increased by 4,8% for people aged above 16 years old and 22,1% for people aged below 16 years old in the first half of the year, and increased 5,9% for people aged both above and below 16 years old in the second half of the year.

In 2014, cost of the minimum wage to the employer was TL 1.258,43 in the first half of the year, of which, TL 166,01 was SSI premium employer contribution and TL 21,42 was Employer Unemployment Insurance Fund deduction. Cost of the minimum wage to the employer was TL 1.332,45 in the second half of the year, of which, TL 175,77 was SSI premium employer contribution and TL 22,68 was Employer Unemployment Insurance Fund deduction (Table 143).

Table 143. Cost of Minimum Wage to Employer

	01.01.2012 -30.06.2012		01.07.2012 - 31.12.2012		
Minimum wage	886.50		940.50		
SSI premium 14,5% (employer contribution) <sup>(1)</sup>	128.54		136.37		
Employer Unemployment Insurance Fund 2%	17.73		18.81		
Total cost to employer	1,032.77		1,095.68		
	01.01.2013 - 30.06.2013		01.07.2013 - 31.08.2013		01.09.2013 - 31.12.2013
Minimum wage	978.60		1,021.50		1,021.50
SSI premium 14,5%-15,5% (employer contribution) <sup>(1),(2)</sup>	141.90		148.12		158.33
Employer Unemployment Insurance Fund 2%	19.57		20.43		20.43
Total cost to employer	1,140.07		1,190.05		1,200.26
	01.01.2014 - 30.06.2014		01.07.2014 - 31.12.2014		
Minimum wage	1,071.00		1,134.00		
SSI premium 15,5% (employer contribution) <sup>(1)</sup>	166.01		175.77		
Employer Unemployment Insurance Fund 2%	21.42		22.68		
Total cost to employer	1,258.43		1,332.45		

Source: MoLSS.

(1): As per subparagraph (i) of article 81 of the Law No. 5510, since it 5-point reduction is prescribed in the SSI premium employer contribution for those employers who meet the requirements specified in the subparagraph, the calculations were made accordingly. For those employees who do not meet the necessary requirements, SSI premium employer contribution was 19,5% until 31.09.2013 and 20,5% following 01.09.2013. Pursuant to the arrangement made by article 9 of the Law No. 6385, effective as of 01.09.2013, article 81 of the Law No. 5510 is "Short-term insurance branches premium rate is 2% of the earning of the insured basis for premium."

(2): SSI premium employer contribution was 14,5% until 31.08.2013 and 15,5% following 01.09.2013.

In 2014, the net received average civil servant salary increased by 10,0% in nominal terms, and rose to TL 2.253,27 per month, and the average salary cost increased by 11,2% and reached TL 2.997,18 per month. In real terms, the net average state servant salary increased by 1,1%, and the average salary cost increased by 0,9% (Table 144).

Table 144. Nominal and Real Variations in Civil Servant Salaries

	(TL/Month)					
Years	Weighted Average Salary <sup>(1)(2)</sup>	Nominal Variation (%)	Real Variation (%) <sup>(3)</sup>	Average Salary Cost	Nominal Variation (%)	Real Variation (%) <sup>(4)</sup>
2012	1,909.70	13.7	4.4	2,512.52	13.1	6.6
2013	2,048.43	7.3	-0.2	2,695.10	7.3	2.7
2014	2,253.27	10.0	1.1	2,997.18	11.2	0.9

Source: MoD, MoF, TURKSTAT.

(1): For single employees, the average net salary includes the minimum living allowance.

(2): Excludes the family benefit, state of emergency compensation, additional compensation payable for regions prioritized in development, overtime works payable over the highest civil servant salary, and payment out of the Income Administration Development Funds, and includes lodging compensation. The weighted average of all classes was taken.

(3): In the calculation of the real increases in the weighted average salaries, TURKSTAT's 2003 basic year Consumer Price Index variation by twelve-month averages was used.

(4): In the calculation of the real increase in the average salary costs, TURKSTAT's 2003 basic year Domestic Producer Price Index variation by twelve-month averages was used.





# APPENDIX



## Selected Economic and Social Indicators (2010-2014)

I. ECONOMIC INDICATORS	2010	2011	2012	2013	2014
<b>GROSS DOMESTIC PRODUCT</b>					
With Current Prices (Million TL)	1,098,799	1,297,713	1,416,798	1,567,289	1,749,782
With Current Prices (Million \$)	731,608	773,980	786,283	823,044	800,107
With Fixed Prices (Million TL)	105,886	115,175	117,625	122,556	126,070
Per Capita GDP (\$)	10,003	10,428	10,459	10,822	10,404
<b>GROWTH RATES (with 1998 prices, %)</b>					
Agriculture	2.4	6.1	3.1	3.5	-1.9
Industry	13.9	10.0	1.6	4.1	3.5
Services	7.6	8.8	2.5	5.5	4.0
GDP	9.2	8.8	2.1	4.2	2.9
<b>GDP-SECTORAL DISTRIBUTION (with Current Prices, %)</b>					
Agriculture	9.5	9.0	8.8	8.3	8.0
Industry	26.4	27.5	26.7	26.6	27.1
Services	64.2	63.5	64.5	65.1	64.9
<b>PRODUCTION</b>					
Agricultural added value (As per 1998 basic prices, Million TL)	9,999	10,604	10,935	11,315	11,095
Industrial added value (As per 1998 basic prices, Million TL)	34,463	37,920	38,526	40,097	41,510
Industry production index (Adjusted for calendar effect)	100.3	109.9	112.5	116.5	120.6
Manufacturing industry production index (Adjusted for calendar effect)	100.3	110.4	112.7	117.7	121.4
Manufacturing industry capacity utilization rate (%)	72.6	75.4	74.2	74.6	74.4
<b>INVESTMENT</b>					
Fixed capital investments (With current prices, Million TL)	211,330	286,629	314,898	309,980	356,667
Public	47,003	53,247	57,688	70,024	80,432
Private	164,326	233,382	257,210	239,956	276,235
Investment incentive certificates (Number)					
Agriculture	3,965	4,236	4,245	4,917	4,059
Mining	430	240	119	107	94
Manufacturing	243	258	273	278	166
Energy	2,159	2,359	2,533	2,955	2,170
Service	156	205	194	184	276
<b>INFLATION</b>					
Annual average percentage variation	977	1,174	1,126	1,393	1,353
D-PPI	8.52	11.09	6.09	4.48	10.25
CPI	8.57	6.47	8.89	7.49	8.85
Year-end percentage variation					
D-PPI	8.87	13.33	2.45	6.97	6.36
CPI	6.40	10.45	6.16	7.40	8.17
<b>CASH-BANK (Million TL)</b>					
M1	133,885	148,455	181,929	225,331	251,992
M2	587,815	665,642	749,112	910,052	1,018,546
M3	616,201	700,491	791,993	950,979	1,063,152
Credit stock	465,937	622,197	738,070	990,796	1,172,732
Deposits	555,903	646,256	718,953	879,446	992,074
<b>CAPITAL MARKET</b>					
Volume of transactions (Million TL)	635,664	695,338	623,326	816,858	872,931
BIST 100 index	66,004	51,267	78,208	67,802	85,721
<b>PUBLIC FINANCE</b>					
Central government budget (Million TL)					
Revenues	254,277	296,824	332,475	389,682	425,758
Expenses	294,359	314,607	361,887	408,225	448,424
Budget balance	-40,082	-17,783	-29,412	-18,543	-22,666
Non-interest balance	8,217	24,448	19,004	31,443	27,242

Selected Economic and Social Indicators (2010-2014) (Continued)

	2010	2011	2012	2013	2014
Central government debt stock	473,561	518,350	532,199	585,837	611,957
Domestic debt stock (Million TL)	352,841	368,778	386,542	403,007	414,649
Foreign debt stock (Million TL)	120,720	149,572	145,657	182,830	197,308
Privatization transactions (Million \$)	3,082	1,358	3,021	12,486	6,341
<b>FOREIGN EXCHANGE RATES (Annual average)</b>					
TL/Dollar (Buying)	1.49843	1.67102	1.79227	1.90225	2.18679
TL/Euro (Buying)	1.98896	2.32329	2.30429	2.52768	2.90597
<b>FOREIGN TRADE (Million \$)</b>					
Export	113,883	134,907	152,462	151,803	157,642
Import	185,544	240,842	236,545	251,661	242,183
Balance of foreign trade	-71,661	-105,935	-84,083	-99,859	-84,541
Volume of foreign trade	299,428	375,749	389,007	403,464	399,825
Rate of imports covered by exports (%)	61.4	56.0	64.5	60.3	65.1
<b>BALANCE OF PAYMENTS (Million \$)</b>					
Balance of goods	-56,325	-89,160	-65,367	-79,907	-63,542
Export	120,992	142,392	161,948	161,789	168,959
Import	177,317	231,552	227,315	241,696	232,501
Current transactions balance	-45,312	-75,008	-48,535	-64,658	-45,846
Worker remittances	948	1,045	975	877	838
Travel revenues	22,585	25,054	25,345	27,997	29,552
<b>INTERNATIONAL RESERVES (Gross, Million \$)</b>	110,027	110,510	137,487	147,862	141,813
<b>DIRECT INTERNATIONAL INVESTMENTS (Million \$)</b>					
Direct international capital (Net)	6,592	14,123	10,647	9,308	7,822
Capital (Net)	6,221	14,146	10,126	9,298	8,445
Other capital (Net)	371	-23	521	10	-623
Real estate (Net)	2,494	2,013	2,636	3,049	4,321
Direct international investments (Net)	9,086	16,136	13,283	12,357	12,143
<b>FOREIGN DEBT STOCK (Million \$)</b>					
Short term	77,247	81,580	100,196	130,422	132,957
Long term	214,621	222,237	238,728	258,693	269,458
Total	291,868	303,817	338,924	389,115	402,415
Public	89,110	94,280	104,024	115,944	117,696
CBRT	11,565	9,334	7,088	5,234	2,484
Private	191,193	200,203	227,812	267,937	282,235
<b>II. SOCIAL INDICATORS</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>POPULATION (Thousand People)</b>					
Total population	73,723	74,724	75,627	76,668	77,696
Male	37,043	37,533	37,956	38,473	38,984
Female	36,680	37,191	37,671	38,195	38,712
Annual population growth rate (‰)	15.9	13.5	12.0	13.7	13.3
Population of Province and County centers	56,222	57,386	58,448	70,034	71,286
Share of the population of Province and County centers within the total population (%)	76.3	76.8	77.3	91.3	91.7
Population of Towns and Villages	17,501	17,339	17,179	6,633	6,410
Share of population of Towns and Villages within total population (%)	23.7	23.2	22.7	8.7	8.3
Population density	96	97	98	100	101
Total age dependency rate	48.9	48.4	48.0	47.7	47.6
Rate of young-age dependency (0-14 years)	38.1	37.5	36.9	36.3	35.8
Rate of elderly dependency (65+ years)	10.8	10.9	11.1	11.4	11.8
Crude birth rate (‰)	17.2	16.8	17.2	17.0	17.3
Total fertility rate (Number of children)	2.08	2.04	2.11	2.10	2.17
Average age for mothers giving birth	27.2	27.3	27.5	27.7	27.9
Median age	29.2	29.7	30.1	30.4	30.7
Net primary school schooling rate (Total)	-	-	98.9	99.6	96.3
Net secondary school schooling rate (Total)	-	-	93.1	94.5	94.6
Net secondary education schooling rate (Total)	-	-	70.1	76.7	79.4
Net higher education schooling rate (Total)	-	-	38.5	39.9	-

## Selected Economic and Social Indicators (2010-2014) (Continued)

	2010	2011	2012	2013	2014
<b>EMPLOYMENT</b>					
Population aged 15 years and higher (Thousand people)	52,904	53,985	54,961	55,982	56,986
Labor force (Thousand people)	24,594	25,594	26,141	27,046	28,786
Employed (Thousand people)	21,858	23,266	23,937	24,601	25,933
Agriculture	5,084	5,412	5,301	5,204	5,470
Industry <sup>(1)</sup>	6,049	6,522	6,620	6,869	7,228
Services	10,725	11,332	12,016	12,528	13,235
Labor force (Thousand people)	2,737	2,328	2,204	2,445	2,853
Population not included in the labor force (Thousand people)	28,310	28,391	28,820	28,936	28,200
Sectoral distribution of employment (%)					
Agriculture	23.3	23.3	22.1	21.2	21.1
Industry <sup>(1)</sup>	27.7	28.0	27.7	27.9	27.9
Services	49.1	48.7	50.2	50.9	51.0
Rate of participation in labor force (%)					
Employment rate (%)	46.5	47.4	47.6	48.3	50.5
Unemployment Rate (%)	41.3	43.1	43.6	43.9	45.5
Non-agricultural unemployment rate	11.1	9.1	8.4	9.0	9.9
Young population unemployment rate	13.7	11.3	10.3	10.9	12.0
	19.9	16.8	15.8	17.1	17.9

(1): Construction sector was considered within the industry sector.

