MEDIUM TERM PROGRAMME

(2015 - 2017)

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MINISTRY OF DEVELOPMENT

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CONTENT

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INTRODUCTION

1. Medium Term Programme (MTP), which initiates the budget process and covers the period of 2015-2017 is designed to perform the necessary breakthrough to achieve the 2023 goals on a more competitive and innovative ground.

2. The main objective of the MTP is to strengthen macroeconomic and financial stability by increasing growth performance while keep reducing current account deficit and achieving inflation target.

3. Structural reforms, which are needed by our country for a new development move will be implemented during the MTP. In this regard, action plans, which are prepared in the framework of the primary transformation programs of the Tenth Development Plan will be implemented. Realization rate of this action plans will be increased by regular monitoring activities.

4. Despite the improvement in the US economy recently, the impact of the global financial crisis is still continuing in the EU and developing countries, thereby recovery in the global economy is slowing down. Tightening of monetary policy in the US while easing in the EU is on the agenda. Political developments in neighboring countries of Turkey are emerging as the geopolitical risk factor. The macroeconomic framework of the MTP was prepared by taking these external risks and opportunities into consideration.

A. WORLD ECONOMY

5. Despite a gradual but uneven recovery in the world economy, the low-growth process has been continued. Although the growth rate gradually improves in advanced economies, growth performance in emerging economies has weakened.

6. The world economy that grew by 3.3 percent in 2013, is also expected to grow at this level in 2014. The reason that a significant increase in the world growth in 2014 is not expected is especially slowdown in growth of emerging economies. In April, the world growth in 2014 has been projected to be 3.6 percent; this estimate was reduced to 3.3 percent in October[1]. In 2015, the growth is expected to be 3.8 percent as a result of expected acceleration of growth in both advanced and developing economies.

[1] The world economy data are the forecasts made by IMF on April and October 2014.

7. The advanced economies which grew by 1.4 percent in 2013, continued to grow at a moderate pace in 2014, however, divergence is observed between the growth performances of these countries. Indeed, while in the second quarter of 2014 a strong growth observed in the US economy, other advanced economies realized a weaker performance. International organizations were revised their forecasts of growth of advanced economies downward, for the reasons such as failure to provide a stable recovery in the Euro Area growth and Japan's tax increases have negative affect on growth. In April, while the advanced economies were projected to grow by 2.2 percent in 2014, this estimate was revised to 1.8 percent in October. In 2015, the growth of advanced economies, especially with the contribution of continued strong recovery in the US economy, is expected to be 2.3 percent.

8. The US economy which grew by 2.2 percent in 2013 has contracted by 2.1 percent in the first quarter of 2014. Adversely affecting of bad weather conditions to the investments and to the construction sector and more slowly increases of companies stocks have caused to realize for the first time in the last three years of this contraction. In April 2014, the growth of the US economy was estimated to be 2.8 percent, in October 2014, this ratio was decreased to 2.2 percent. However, high-growth rate by 4.6 percent observed in the second quarter of 2014, increases the likelihood that more powerful growth in 2014 as a whole can be achieved compared to 2013. This acceleration in the US economy is expected to continue and the growth is expected to be 3.1 percent in 2015.

9. After the recorded positive developments in the US economy, the US Federal Reserve Bank has decided to reduce purchasing of bonds on December 18, 2013 and bond purchasing has been reduced by 10 billion dollars every month since January 2014. Bond purchasing programme will be terminated as of October 2014 and interest rates are expected to be raised by the second half of 2015 in parallel with the expected improvements in economic indicators.

10. The effects of improvements in financial markets that are resulted from taken measures on reel sector was limited and adequate growth couldn’t be achieved in the Euro Area. Despite the ending of technical recession in the second quarter of 2013, the Euro Area was contracted by 0.4 percent for the whole year. After the 0.2 percent growth rate in the first quarter of 2014, no growth was achieved in the second quarter. In addition to weak economic performance in Italy and France, recording a contraction of 0.2 percent in German economy, one of the driving force of the region, in the second quarter of the 2014, decreased the probability of 2014 to be the year of strong recovery. In April, the Euro Area was estimated to grow by 1.2 percent in 2014, the estimation was reduced to 0.8 percent in October. In 2015, after a gradual recovery, the region is estimated to grow by 1.3 percent.

11. In the Euro Area, unsolved problems in the banking sector, high public debt, low levels of investment, low utilization capacity and structural problems such as high unemployment continue. In addition to these; low growth rates raises the risk of deflation in the region. Encountering with this risk, the European Central Bank (ECB)

cut policy interest rate first in June of 2014 with an anticipation of medium term inflation will not exceed 2 percent target. On the other hand, ECB continued the implementation of unconventional monetary policy measures. In addition, in order to stimulate the economy a new package of measure was introduced. The initial amount of the facilitation of banks long-term refinancing that is called Targeted Long-Term Refinancing Operations has been announced to be 400 billion euros. These policies are expressed to be continued until the achieving of desired recovery.

12. Since the second quarter of 2013, the United States' initiating the process of exit from the expansionary monetary policy, caused to volatility in global financial markets and many emerging economies, including Turkey, were negatively affected by this development. In particular, emerging economies that have high current account deficit problem experienced capital outflows, financial markets turmoil, depreciation of currencies and in these process many emerging economies, notably Brazil have raised interest rates. In addition, some developing countries that have structural problems, especially in China, growth has lost its momentum. In particular, as a result of the impact of weak outlook in the first quarter of 2014, the growth forecasts of the Chinese economy for 2014 and 2015 have been revised slightly downward, and estimated to be 7.1 percent and 7.4 percent, respectively. The growth rate of developing economies that was revised downward compared to the previous estimate, forecasted to be 4.4 percent and 5 percent for 2014 and 2015, respectively.

13. The growth rate of world trade volume that was recorded as 3 percent in 2013, is expected to remain limited in the following years, due to weak demand and weak global activity. In April, the growth rate of world trade volume have been estimated to be, 4.3 percent in 2014 and 5.3 percent in 2015, in October forecasts were revised downward to 3.8 percent for 2014 and to 5 per cent for 2015.

14. In advanced economies except the US, adequate employment cannot be created due to weak economic performance. In the US, the unemployment rate that was recorded as 7.3 percent in 2013, declined to 6.1 percent at August in 2014. Especially stronger economic performance in the second quarter of 2014 and low levels of labor force participation rate has been effective on this development. Weak economic outlook, weak demand and low production level in the Euro Area, makes it difficult to solve unemployment, which has become a chronic problem for the region. In the Euro Area, the unemployment rate recorded as 12.5 percent in 2013 and 11.5 percent in July 2014. In the same period, the youth unemployment rate has reached 23.2 percent.

15. Inflation has remained low due to weak demand on global scale. The world trade prices of goods and services, which decreased by 1.7 percent in 2012 declined by 0.3 percent in 2013. The world consumer prices which increased by 4.2 percent in 2012, increased by 3.9 percent in 2013. In this period, consumer price inflation in advanced economies decreased from 2 percent to 1.4 percent and inflation decreased from 6.1 percent to 5.9 percent in emerging markets and developing

economies. The inflation rate at the global level is estimated to be 3.8 percent in 2014 and 3.9 percent in 2015.

16. The weak global economic outlook has led to a decline in energy and industrial metal prices. Volatility in food prices was observed due to drought. The average price of Brent oil was realized as 109.4 dollars per barrel in 2013. However, since the first quarter of 2014, despite increasing geopolitical risks, due to weak demand and supply-side developments, oil prices have declined. This trend is expected to continue in the medium term, although geopolitical uncertainties may cause temporary price hikes.

17. The high public debts of the advanced economies, mainly in Japan, Euro Area and USA, are expected to maintain its high levels in the forthcoming period. No significant prospect of recovery in public debts was expected for the upcoming period, due to low growth performance and stimulus packages that set forth to vitalize the economy.

18. Global economy sustains it recovery in moderate momentum but with ups and downs. While advanced economies are faced with the risk of recession and low potential growth, potential growth rate of developing countries are decreasing. It is uncertain for global financial markets that when and what rate the US Fed will increase the interest rates, together with what sort of transition will be followed on short and medium term. The developing economies which have structural problems and fight against high inflation will be affected negatively from these fluctuations.

19. The unrest in Middle East and political conflict between Russian and Ukraine increases the risks concerning the global economy. As a result of the tension between Russian and Ukraine, the commercial and financial restrictions adopted mutually between Russia and West European countries ends up with negativity in economies of both regions. Along with rise in political risks, volatility in global financial markets increases and the developing economies which are in need of external financing, thus, are affected in a negative way. The ongoing political tensions can increase the prices of oil and natural gas, therefore an increase in these prices will affect negatively the global growth and balance of payments of countries which are energy importers and have high current account deficits.

20. In the conjuncture of global liquidity crunch that intensifies gradually, it is significant for Turkey to sustain its macroeconomic basis by the virtue of tightening fiscal policies, fighting with inflation in stronger terms and realizing structural reforms swiftly that its economy is in need of.

B. TURKISH ECONOMY

21. As a result of the measures taken to balance internal and external demand, growth rate which slowed down in 2012 was realized as 4,1 percent in 2013 with increasing acceleration because of domestic demand growth. On the production side,

value added increased by; 3,4 percent in the industry, 5,6 percent in the services sector and 3,5 percent in the agricultural sector in 2013. While growth rates of the industry and the services sector exceeded the expectations, the growth rate of the agricultural sector remained slightly below the expectations.

22. Considerable decline in private sector investments in 2012 did not perform the expected growth in 2013 either. The strong upward trend in government investment expenditure continued in 2013. In the same year, both public and private consumption expenditures exceeded income growth and this led to a decline of 1,1 points of domestic saving rates. Due to triggered effects of increasing domestic demand on imports and high amount of gold imports, contribution of net exports to the growth amounted to -2,6 points.

23. Excluding gold trade, rebalancing process began in 2012, continued in 2013 and the contribution of net exports to GDP growth was calculated as 2,3 points in 2012 and 0,6 points in 2013[2].

24. At the end of 2013 and the beginning of 2014 domestic demand tended to weaken as a result of macro prudential measures taken to control private consumption and to reduce the current account deficit. In this process, with the help of the developments in the exchange rate, while exports maintained the upward trend, imports began to decrease and the contribution of net exports to growth was recorded as 2,7 points in the first half of 2014. Following 3,3 percent growth recorded in the first half of the year, both net exports of goods and services and final domestic demand are predicted to continue their positive contribution to GDP growth in the second half of the year. In the second half of the year while industrial production is expected to remain on a moderate upward trend, agricultural production is expected to decrease due to the adverse weather conditions. Under these developments and projections, GDP growth is estimated to be 3,3 percent in 2014.

25. Private savings ratio, declined to 9,9 percent in 2013, is expected to increase by 1,8 points in 2014 due to slow down in private consumption expenditures. Public savings ratio is estimated to decline by 0,2 points in 2014 as real growth in public disposable income stays below the GDP growth rate. Therefore, total domestic savings ratio to GDP is estimated to rise 1,5 points comparing to previous year's level and to be 14,9 percent in 2014.

26. Although the private savings ratio to GDP is expected to increase in 2014, private investment expenditures are expected to decline; and public savings ratio to GDP is expected to decline while public investment expenditures are expected to keep its level at that of the previous year. Therefore, saving-investment gap is estimated to shrink for private sector and to increase for public sector.

27. In recent years, with the exception of the years with the years that slow or negative growth recorded, savings-investment gap has had a tendency to increase in general. The decline in private sector savings has been the major determinant of this

[2] Calculated by Ministry of Development.

tendency. Private sector savings play a crucial role in maintaining high and sustainable growth and ensuring healthy financing of the growth. As a result of insufficient private savings, weak performance of private investments has lowered the growth potential.

28. Utilizing domestic savings in productive areas, which are already limited, is crucial for increasing production potential. Insufficient taxing on real estate value hikes, a remarkable real estate rent created by public improvement regulations and public services and insufficient share on this rent received by the government have caused the resources to shift considerably to unproductive areas. This situation has carried a limitation on the growth potential.

29. Another constraint on the increase of potential growth is inadequate increase in total factor productivity. When the contribution of production factors to the growth was analyzed, the contribution to the growth completely came from capital stock and remarkably increased employment in 2013. Whereas, total factor productivity contributed to the growth at low negative levels. The growth in 2014 is also expected to stem completely from the increase in employment and capital stock. In 2015 and afterwards, having positive contribution from total factor productivity to growth and convergence of growth to the potential level are of utmost importance.

30. According to the new series of seasonally adjusted employment data, both labor force participation rate and employment rate will tend to increase since the beginning of 2012. However, as a result of the stronger effect of the increase in labor force participation rate on unemployment rate compared to the increase in employment, there has been an increasing trend in the unemployment rate since the middle of the year 2012. This upward trend accelerated further in the second quarter of 2014 and the unemployment rate rose to 9,9 percent in June period.

31. After slowdown in 2012, as a result of increase in economic activity and gold imports in 2013, imports in nominal terms, increased by 6,4 percent and reached to 251,7 billion dollars. As for exports, near the level of previous year, amounted to 151,8 billion dollars in consequence of gold exports return to normal levels. In 2012, gold trade reduced foreign trade deficit significantly, but in 2013 gold trade adversely effected foreign trade deficit. Respectively, the ratio of trade deficit to GDP increased to 12,1 percent in 2013 from 10,7 percent in 2012. In the same period, foreign trade deficit without gold trade fallen from 11,4 percent to 10.7 percent. Current account deficit to GDP ratio increased to 7,9 percent in 2013 from 6,2 percent in 2012. In the same period, current account deficit without gold trade declined to 6,5 percent from 6,9 percent.

32. Also with the impact of the taken macro prudential measures to limit domestic demand and increase in non-gold imports slowed down significantly and with the effect of normalization in gold imports, total imports is expected to be 244 billion dollars in 2014. Exports will maintain an upward trend and is estimated to be 160,5 billion dollars in 2014, due to the partial recovery in the EU countries, despite the contraction in exports to neighboring countries because of political turmoil. Based on

these developments, the foreign trade deficit to GDP ratio is projected to decline 10,3 percent and non-gold foreign trade deficit is expected to decline 10.2 percent. As a result of these developments in the trade deficit, current account deficit to GDP ratio is projected to decline 5,7 percent and excluding gold trade, is expected to fall 5,6 percent at the end of 2014.

33. Prices of basic goods which perform a decreasing trend in the first half of 2013 initiate to accelerate with depreciation of Turkish Lira in the second half of the year. In services prices, high increases have been recorded due to backward-looking pricing behavior which has gotten stronger gradually and increase in cost. In this context, core inflation (SHC I) which remained flat in the first half of 2013, has started to accelerate in the second half of the year and it was 7,1 percent by the end of 2013. Food prices have fluctuated due to the base effect and increase of the index realized 9,7 percent with a considerable acceleration over the same period of the previous year. A decreasing trend in energy prices has been monitored and prices of tobacco products have remained high due to tax adjustments. As a result of these developments, the annual rate of increase in CPI realized 7,4 percent in 2013.

34. In January-September period of 2014, the cumulative growth rate of CPI is recorded as 6,4 percent by increasing 1,4 percentage points over the same period of the previous year. In this development, increases recorded in core inflation due to depreciation of Turkish Lira and negative effect of deterioration the inflation expectation have been determinant factors. Also, food prices which increased considerably due to negative weather conditions and increases in tobacco prices also have affected the acceleration of the cumulative growth rate of CPI. Thus, the annual growth rate of CPI was 8,9 percent in September 2014. By the end of 2014, the annual growth rate of CPI is expected to be 9,4 percent.

35. Since in May 2013, capital flows directed to Turkey and other developing countries have started to fluctuate after increasing the uncertainty in global economy. CBRT firstly confronted negative effects of these fluctuations on domestic financial market with tools excluding the policy rate. In this context steps to increase cost of liquidity provided to market and foreign exchange liquidity in market have been taken. Central Bank has maintained this tight stance which has been provided by tools excluding policy rate toll by the end of 2013. However, towards to the end of 2013 risks regarding global economy and fluctuations on financial market due to domestic political developments. Negative conditions created by these fluctuations has deviated inflation outlook and expectations from medium term target level. Because of this, CBRT hiked the policy rate, one week repo rate, by 550 base points in a front-loaded way in January 2014. Since May 2014, after recovery on domestic financial market, CBRT has decided to deliver measured policy rate cuts without deteriorate tight monetary stance against inflationary risk.

36. With the effect of macro prudential policy measures that aiming decreasing current account deficit by limiting domestic demand and consumption expenditure, FX adjusted consumer credit increase rate, realized 27,7 percent in 2013, decreased

14,3 percent as of 19 September 2014. Because of the macro prudential measures focus on consumer credits decreasing trend of corporate credits was limited as predicted. FX adjusted corporate credits increase rate that realized 30.3 percent by the end of 2013, decreased to 22 percent as of 19 September 2014. These developments have influenced in decreasing trend of current account deficit in 2014.

37. With the effects of economic and political developments that occurred both in foreign and domestic growth performance of economy has been weak for the past several years. On the other hand, Inflation has initiated to increase due to factors such as pass through effect, oil price, price of unprocessed food and tax adjustments. These developments of growth and inflation side has increased requirement further that executing the monetary, fiscal and revenues policies in a coordinate manner and supporting this with structural reform.

38. Upward trend in general government revenues and primary expenditures remained in 2013. However, the increase in the general government expenditures was compensated by general government revenue performance, so that the general government primary surplus realized as 2.6 percent of GDP, which was previously projected as 2 percent.

39. In the year 2013, particularly receipts from indirect taxes, social security premiums, and privatization proceeds were the main drivers for 2.1 point increase in general government revenues recorded as 40 percent of GDP. On the other hand, general government primary expenditures increased by 2.1 point and realized as 37.4 percent of GDP in 2013, primarily boosted by the rises of 0.5 point in current expenditures, 0.7 point in investments, and 0.9 point in transfer payments.

40. In 2014, tax revenues are anticipated to be less than the projected level in the previous program; however, with the help of the increase in non-tax revenues and factor incomes, the general government total revenues is expected to beat the previous program projections by 0.6 points and expected to be 39.1 percent of GDP. Cash transfers from the abolished special provincial administrations and dividends from public banks were the main determinants of the aforementioned rises in non-tax revenues. Nevertheless, general government primary spending is expected to surpass previously determined level by 0.6 point, reaching to 36.9 percent of GDP in 2014, mainly stemmed from discretionary additional appropriations for public investments.

41. In line with these developments, general government deficit in 2014 is expected to be at 0.8 percent of GDP, lower than the projected level of 1.1 percent. General government primary surplus is anticipated to reach to 2.2 percent of GDP, slightly higher than projected level of 2.0 percent.

42. General government surplus excluding interest payments and privatization proceeds, is expected to fall slightly from 1.7 percent of GDP in 2013 to 1.6 percent in 2014, while program defined general government balance is expected to yield a surplus of 0.6 percent of GDP.

43. Public sector borrowing requirement, which was realized at 0.5 percent of GDP in 2013, is expected to increase to 1 percent in 2014. At the same period, program defined public sector primary surplus is expected to decline from 1 percent to 0.4 percent of GDP.

44. In 2014, EU-defined general government debt is projected to fall to 33.1 percent of GDP from 36.2 percent of previous year's level.

II. MAIN OBJECTIVE

45. The main objective of MTP covering the period 2015-2017 is to decisively continue fighting against inflation and to decrease current account deficit gradually and thereby increase the growth. For this purpose, the tight stance in monetary and fiscal policies will continue while this stance will be supported by income policy. In addition, structural reforms will be accelerated.

46. During the Programme period, to increase domestic savings, to redirect existing resources to productive areas, to increase production capacity and technological level of the economy, to increase the level of efficiency and the contribution of exports to growth are our main priorities.

47. In this context; to improve the investment environment, to increase the variety of services and products with the depth of the financial markets, to raise quality of public revenues and expenditures, to complete the structural transformation and reforms that are initiated in the labor market, education and judicial system, informality, state aid, good governance, local government and regional development areas are important. In this regard, the 25 Primary Transformation Programme of the Tenth Development Plan will be implemented effectively during the MTP period.

III. MACROECONOMIC OBJECTIVES AND POLICIES

A. TARGETS AND INDICATORS IN THE PROGRAMME PERIODS

48. While determining the macroeconomic framework of the Programme, it is assumed that global growth will increase gradually, our trading partners will grow moderately, geopolitical situation will not change, the effect of the expected interest rate increase decision of USA Central Bank on our economy will be limited, domestic savings with foreign capital inflow will provide adequate contribution to financing of the growth and terms of foreign trade will improve partially.

1. Growth

49. GDP growth is forecasted to be 4 percent in 2015. On the other hand, GDP growth rates in 2016 and 2017 are targeted as 5 percent along with the growth

strategy which is supported by investments to productive areas, financed by mainly domestic savings and based on productivity increases. During this period, it is foreseen that along with the increased growth, current account deficit will decline gradually.

50. The contribution of total factor productivity to the growth will be increased by the policies for enhancing productivity in manufacturing particularly in industry sector and the transition to a more balanced growth structure in terms of the factors of production will be ensured. The contribution of total factor productivity to the growth, which is negative in 2013 and 2014, is estimated to increase rapidly during the Programme period.

51. In the Programme period, real annual average growth is projected as 4 percent in private consumption expenditures; 3,1 percent in public consumption expenditures, 8.7 percent in private fixed capital investments and 2,7 percent in public fixed capital investments.

52. Domestic savings, which decreased significantly in recent years, is expected to increase along the Programme period and to reach 17,1 percent at the end of the period. In this development, the increase in private domestic savings will be determinant factor.

53. During the Programme period, a decrease in saving-investment gap in the public sector and an increase in saving-investment gap in private sector are expected.

2. Public Finance

54. Public sector balance as a ratio to GDP is targeted to decrease to 0.4 percent in 2015, and to run a surplus of 0.1 percent at the end of the Program period.

55. Similarly, general government balance, which is estimated to run a 0.5 percent deficit in 2015, is targeted to yield a surplus of 0.1 percent in 2017.

56. Program defined public sector surplus, which is expected to be 1.2 percent of GDP in 2015, is estimated to increase continuously and finally reach to 1.8 percent at the end of the Program period.

57. General government expenditures and revenues, as a ratio to GDP, are estimated to decrease gradually from 2015 levels, 38.7 percent and 38.2 percent respectively, to 37.2 percent and 37.3 percent at the end of the Program period.

58. Tax burden which is expected to increase by 0.4 point in 2015 owing to the restructuring of social security premiums, is projected to decrease gradually to 28.2 percent of GDP at the end of the Program period.

59. EU-defined general government debt, which is estimated to be 31.8 percent of GDP in 2015, is projected to reduce to 28.5 percent at the end of the Program period.

3. Balance of Payments

60. In the Programme period, real annual average growth is estimated as 8,4 percent in exports and 7.6 percent in imports.

61. Exports, which are expected to be 173 billion dollars in 2015, are estimated to reach 203,4 billion dollars, and imports, which are expected to be 258 billion dollars in 2015, are estimated to reach 297,5 billion dollars at the end of the Programme period. Thus, the foreign trade deficit, which is expected to be 85 billion dollars in 2015, will reach 94,1 billion dollars at the end of the Programme period.

62. Despite the estimated increase in the growth with the contribution of policies aiming to increase domestic savings and decrease the high import dependency of production during the Programme period, the current account deficit to GDP ratio, which is expected to realize as 5,4 percent in 2015, is targeted to decrease to 5,2 percent at the end of the Programme period.

63. Energy imports, which are expected to be 57,3 billion dollars in 2015, are expected to increase 63,9 billion dollars at the end of the Programme period taking into consideration the growth performance and oil price expectations.

64. Tourism revenues, which are expected to be 31,5 billion dollars in 2015, are estimated to reach 35,5 billion dollars at the end of the Programme period with an annual average increase rate of 6,4 percent.

4. Inflation

65. The contribution of total demand conditions to disinflation is expected to continue in the programme period. It is assumed that after recorded as 9 percent in 2015 food inflation will fluctuate around 8 percent in following years and the average annual price of crude oil (Brent) will be about 99 dollars per barrel by the end of the period. Referring to these projections and assumptions, the annual growth rate of CPI is expected to decline to 6,3 percent and to become 5 percent by the end of the period.

5. Employment

66. During the Programme period, as a result of policies to be implemented to increase the labour force participation and employment, non-agricultural sector is expected to employ an additional 2.158 thousand persons. During this period, with the limited effect of the increase in agricultural employment, the total employment is expected to increase by 1.775 thousand persons.

67. The labour force participation rate, which is expected to be 50,1 percent at the end of 2014, is targeted to reach 50,5 percent at the end of the Programme period.

68. At the end of the Programme period, the employment rate, which is expected to be 45,3 percent in 2014, is expected to rise to 45,9 percent. Thus, a total of 27.599 thousand persons will be employed at the end of the Programme period.

69. The share of agriculture in the employment, which is expected to be 21,3 percent in 2014, is estimated to decrease to 18,5 percent at the end of the Programme period.

70. The unemployment rate, which is estimated to be 9,6 percent at the end of 2014, is expected to fall to 9,1 percent in 2017.

B. MACROECONOMIC POLICIES

1. Growth

71. The main strategy for high and stable growth is developing the private sector-led, open, competitive and innovative production structure.

72. For the purpose of ensuring and strengthening macroeconomic stability; monetary, financial sector, fiscal and income policies will be carried out in coordination.

73. Increasing domestic resources, directing the resources to more productive areas and increasing private sector investments in manufacturing, increasing the share of manufacturing sector in GDP and increasing labor productivity are important policy areas in terms of growth sustainability.

74. In programme period, private consumption expenditures are targeted to rise not higher than private disposable income do, private investment expenditures are targeted to be robust and public savings are targeted to rise gradually. Efforts will be directed to keep rebalancing process and net exports not to affect GDP growth negatively.

75. Accountability and supremacy of law principles will continue to prevail within a rule-based perspective in order to minimize uncertainties and to reach high institutional quality in both public sector and private sector. The contribution of the firms to the growth will be increased by improving their institutional capacity and quality.

76. In the event of an incompatible structure of private consumption with an increase in disposable income, macro-prudential measures will be taken.

77. Policies will be implemented to avoid waste of resources and to enhance saving behavior in both public and private sector.

78. Measures will be taken to decrease cost of labor, energy and transportation in domestic production along with taking into account the public financial balance.

79. High value added production and exports will be risen through extending information and communication technologies, especially in services sector.

80. Specific measures will be taken for energy efficiency to decrease the energy intensity of the economy.

81. R&D based, innovative and high value added production structure will be supported, products' commercializing and trademarking processes will become effective and micro reforms will be accelerated on these areas.

82. The current incentive mechanisms will be effectively applied to support new investments, especially in manufacturing industry, to increase exports and technology level and the current incentive framework will be revised in necessary areas.

83. Bureaucratic and legal processes regarding investments and businesses will be improved and legislation will be updated in line with international standards and best practices.

84. Land in available conditions will be assigned to investors by provision of land, inventory of suitable land for investments will be compiled especially for public land and more efficient allocation processes will be designed.

85. While considering international liabilities, luxury and highly import intensive consumption goods will be determined and deterrent taxation will be imposed on them in order to rise domestic savings.

86. Regulations on real estate selling gains taxation will be revised in order to direct the resources to productive areas.

87. The attraction of non-productive investments will be decreased by differentiating tax and credit costs and savings will be channeled to investments in productive areas.

88. Privatization policy will be implemented in line with the policy of supporting new domestic investments in productive areas.

89. Water will be used efficiently in agricultural activities by solving the problems which are come along with unfavorable climate conditions and wrong or over irrigation.

90. Necessary policies will be adopted to transform natural resource abundance and agricultural product diversity into production and competitive advantage by the help of technology.

91. Natural resources will be effectively used and wastes will be recycled.

92. Public procurements will be used as an effective tool for technological development and increasing domestic production.

93. SME's R&D, innovation and export capacity will be developed; moreover, their branding, institutionalization and development of innovative business models will be supported effectively.

94. Institutional capacities and cooperation capabilities of all agencies and institutes, which provide services and supports in entrepreneurial ecosystem, will be enhanced.

95. Organized industrial zone, technology development zone, small industrial site and industrial zone practices will be enhanced, quantity, quality and efficiency of

incubator and business development centers will be increased and clustering will be supported.

96. The transformation in the education system - which develops personalities and skills of individuals, enhances its harmonization with labor markets in the framework of lifelong learning, is based on equal opportunities and is quality oriented - will be continued.

97. Policies for improving income distribution within humanitarian development perspective will be continued.

98. Regional development disparities will be lessened, the competitiveness power of all regions will be increased and their contribution to growth will be maximized by utilizing their capacities.

99. Green growth will be supported by taking the opportunities regarding new business areas, revenue sources, product developments and technological advancements provided by environment friendly approaches.

100. Credit conditions will be facilitated in order to enhance machinery and equipment investments in manufacturing sector.

101. In the urban renewal, value added sectors, creative industries, hi-tech, environment friendly and innovative production and energy efficiency will be supported.

102. Combined and intermodal transport will be developed, Logistics Master Plan, which will optimize value chain management and make Turkey be an attractive regional and logistics center, will be prepared and a strategy and institutional establishment will be made.

2. Fiscal Policy

103. Fiscal policy will be implemented in line with the goals of supporting economic stability, increasing domestic savings, curbing current account deficit, fighting against inflation and boosting the economic growth potential.

104. Sustainability of the fiscal policy will be pursued by curbing public sector borrowing requirement and primary expenditures, and achievements in public finances will be preserved in the future.

105. Public savings-investment gap will be reduced gradually by controlling current outlays and transfer payments.

106. Along with controlling the pace of increase in spending, flexibility of public expenditures will be improved by taking fiscal burden of new spending programs into account in budget process.

107. Spending programs will be prioritized especially in infrastructure investments bolstering the economic growth, in promoting regional development, education and R&D support.

108. By considering the highly sensitive structure of public finances to cyclical effects, policies will be implemented to increase the quality of public revenues in order to have a stronger public finance. Policies financed by one-off revenues, which would lead permanent increases at the level of expenditures in the medium and long term, will not be implemented.

109. General government financial statistics, which is essential in the process of policy formulation and analysis, will be published on regular basis in compliance with international standards and in adequate detail to meet the needs of users.

a. Public Expenditure Policy

110.It is essential that government expenditure policy will be applied within a multi-year budgeting approach, in line with the determined policy priorities and ceilings. Line ministries are to spend their allocated resources effectively, efficiently, and consistent with their legal appropriations. In the decision making process for public service expansions, staying within the limits of institutional budget appropriations will be given importance.

111. In order to strengthen accountability, and to increase efficiency in resource utilization, before scaling up regulations, which would expand public services and create a permanent burden on public finance, pilot programs will be implemented.

112. In the budgeting process, zero-based budgeting approach will be applied in determining the appropriations for purchase of goods and services.

113. In order to increase the efficiency of public expenditures, IT infrastructures which are used in the public financial management and control system will be integrated.

114. Compliance of institutional strategic plans with Development Plan objectives will be pursued, and priorities and programs which are set in the strategic plans and performance programs will be reflected to the budget preparation and implementation process more efficiently.

115. Investments to be made within the scope of PPP schemes will be planned by taking the impact of contractual liabilities on public finances into account.

116. Cost and benefit analysis will be utilized in the decision making process of public expenditures, particularly purchases related to the services.

117. Necessities and costs will be taken into account in the provision process of public buildings and vehicles.

118. Reduction in cost of services and improvement in quality of services will be gained via acceleration of e-transformation activities in public sector.

119. In the allocation of public R&D spending, priority will be given to direct private investments to the manufacturing sectors with high trade deficit.

120. Agricultural subsidies will be reviewed with the objectives of increasing effectiveness, efficiency, and value-added, and hence, necessary regulations will be introduced.

121. Efficiency of social programs will be assessed, coordination among public, private sector and NGOs will be developed and multiple utilizations will be prevented.

122. In order to prevent unnecessary utilization without compromising the quality of health services; medicine, medical equipment and treatment expenditures will be rationalized

123. Auditing models, based on previous behaviors of health service providers, will be developed; software, hardware and education infrastructure will be strengthened in the fields of risk analysis and data mining.

124. Measures will be taken to overcome the structural problems in university hospitals.

125. Implementations which might have negative repercussions on the financial sustainability of the social security system will be avoided.

b. Public Investment Policy

126. The main goal is to maximize the contribution of public investments for fostering economic growth, supporting private sector investments, enhancing regional development potential, increasing employment and welfare of the country.

127. Public investment appropriations will be directed towards infrastructure investments such as rail and maritime transport and logistic center supporting productive private sector activities.

128. Public investment projects will be prioritized by concentrating on projects that will be completed in short term and maintenance-replacement, maintenance-repair and rehabilitation expenditures will be emphasized in order to ensure maximum benefit from the existing capital stock.

129. Public and private sector investments will be addressed with a holistic approach and public investments will be intensified on economic and social infrastructure areas that could not be fulfilled by private sector.

130. Including PPP projects, in public investments education, health, drinking water and wastewater, science-technology, information technologies, transportation and irrigation sectors will be given priority.

131. Economic and social infrastructure projects that supporting private sector investments and human resource development projects and other projects within the action plans of the South Eastern Anatolian Project, Eastern Anatolian Project, Konya Plain Project and Eastern Black Sea Project plans will be carried on.

132. Works towards the preparation of a PPP strategy guide, drafting a framework law that embraces all PPP legislation and, improving the coordination of PPP policies and implementation will be initiated

133. The process of planning, implementation, monitoring and evaluation of the public investment projects will be enhanced; in this context the capacity of public institutions will be improved.

c. Public Revenue Policy

134. Revenue policies which support financial, economic and social objectives will be implemented in a way to collect the public revenues from buoyant and permanent sources, improve income distribution, contribute to sustainable development, raise domestic savings, and enhance competitiveness of the economy.

135. In order to have a more balanced distribution of indirect-direct taxes, to direct resources to productive areas, and to offset loss of income stemmed from the efforts to stop the excessive growth of consumption, measures will be taken to increase direct tax collection.

136. Tax system will be reviewed in terms of encouraging savings.

137. In order to increase competiveness of the economy, tax policies which support R&D activities and production of high value-added products, will be implemented.

138. Within the framework of economic and social policies, efforts will be continued to make main tax legislation simple and easy to comply with.

139. Tax legislation and implementations will be handled with an approach that improve taxpayer confidence and protect taxpayer rights.

140. Stability and predictability in taxation will be essential; amendments related to the tax legislation will be taken place through the process of gathering contributions of the community and stakeholders.

141. Taxpayer services will be made more efficient on the basis of improving voluntary tax compliance.

142. Reviewing the tax expenditures will be continued and detailed information will be provided on regular and timely basis.

143. Tax system will be improved in order to meet the needs emerged as a result of technological and international developments.

144. Fighting efficiently against the informal economy will be maintained in order to prevent unfair competition, to enhance competitiveness of the economy, and to increase public revenues. To this end, auditing capacity will be improved, and audits will be made more efficient, administrative capacity for implementation and IT infrastructure of public institutions will be strengthened, combating against smuggling, collaboration among institutions and data sharing will be enhanced, and public awareness against the informality will be raised.

145. Transaction taxes imposing burden on economic activities will be reduced within the budget limits.

146. In designing and implementing the tax policies, priority will be given to the policies, on combating the environmental pollution and climate change, and increasing the efficiency in energy consumption.

147. Own revenues of local governments will be increased by considering the social and economic objectives. In this context, property tax system will be reviewed and local taxes will be harmonized with the general tax system.

148. A system will be developed to ensure that the public will get a share from the increase in the value of real estates which stems from public investments and zoning ordinance updates. Besides, beneficiaries will make contributions to the financing of some public investments which lead to a notable increase in the value of real estates.

149. Collection process will be improved by taking measures to strengthen the administrative capacity for collecting overdue receivables of the Social Security Administration.

d. Public Borrowing Policy

150. Implementing a sustainable, transparent and accountable debt management policy, which considers macroeconomic balances and is consistent with monetary and fiscal policies is essential. Public debt management policy will be carried out to meet the financing needs in the medium and long term at minimum cost within a reasonable risk level determined according to domestic and international market conditions and cost factors.

151. Debt management policies based on strategic benchmarking will be continued in order to control liquidity, interest and exchange rate risks which debt portfolio subjected. In this context, extending the average maturity, holding strong reserves and borrowing mainly TL denominated and fixed interest rate instruments will be main strategic benchmarks of borrowing policies.

152. Efforts for monitoring and managing the risks of contingent liabilities arising from Treasury guarantees and commitments including those carried out through PPP models on debt sustainability will be continued.

153. Switching and the buy-back auctions may be used to ensure a balanced debt redemption profile and to increase the price efficiency of secondary market.

154. In order to enhance liquidity on the yield curve and to provide liquidity in the secondary market, re-openings and new issuances of the benchmark bonds on a regular basis will be sustained.

155. In order to broaden the investor base of domestic government bonds, efforts to diversify the borrowing instruments and to improve investor relations will be continued.

156. Efforts to improve bond market will be continued.

157. Primary dealership system will be continued.

158. As a part of effective cash management policy, financing instruments specified in “The Regulation on Money Market Cash Transactions Financing” published in the Official Gazette No. 27048 might be used whenever needed.

e. Public Financial Management and Audit

159. Multi-year budgeting approach in the public administrations and compliance of institutional budgets with strategic plans and performance programs will be strengthened.

160. In order to reap the intended benefits of public financial management reform, efficiency of the implementation will be increased, and rules, regulations and practices that are considered as deviation from the reform will be avoided.

161. The compliance level of the public administrations’ operations with the standards of internal control and internal audit will be improved.

162. Quality and quantity of human resources for public financial management will be strengthened.

163. In order to ensure an effective external audit in the public sector, implementation capacity of Court of Accounts will be strengthened.

f. State Economic Enterprises and Privatization

164. It is essential that SEEs will be operated in accordance with profitability, productivity and corporate governance principles.

165. All corporate policies, especially pricing, of SEEs will be determined so as to attain the targets foreseen in the strategic plans and in the general investment and financial decrees, and implemented efficiently. SEEs’ activities will be carried out without causing any negative effects on market mechanism.

166. A strategic management approach based on delegation, accountability, transparency, efficiency in decision making processes and performance-based management in SEEs will be made widespread.

167. SEE legislation will be renewed in accordance with changing conditions.

168. Independent external audit will be implemented in the SEEs

169. SEEs will prepare their financial statements in accordance with Turkey Accounting Standarts.

170. SEEs will carry out their activities in compliance with strategic plans and performance programs.

171. The process of establishing internal audit and internal control system will be completed in all SEEs and internal audit units will be activated.

172. SEEs will not be employed in activities that aim societal benefit and public good as long as it is not obligatory. If SEEs are assigned to such activities, their duty losses will be compensated in time.

173. SEEs will focus on high value-added products via developing technological infrastructure and R&D activities. They will also benefit from domestic energy resources and will take advantage of new opportunities for exports.

174. Implementation of an efficient employment policy in SEEs will be continued.

175. Exploration activities will be accelerated for oil and natural gas at home and abroad. Exploration and production activities for domestic resources such as lignite and geothermal fields will be maximized. Comprehensive research will be conducted towards shale gas and other new technologies.

176. The restructuring of Turkish State Railways will be completed, and private sector will be allowed to enter freight and passenger transportation by railways. The fiscal burden of Turkish State Railways on the treasury will be reduced to a sustainable level.

177. TÜLOMSAŞ, TÜDEMSAŞ and TÜVASAŞ will be restructured in a way that will meet the market expectations, which occurred after new legislative arrangements in the railway sector.

178. Privatization implementations will continue based on a program within the framework of macroeconomic policies and long term sectoral priorities. Public offerings will be heavily utilized in privatization implementations.

3. Balance of Payments

179. It is essential to reduce foreign trade deficit by decreasing dependency on imports and increasing exports of products with high value added and to finance foreign trade deficit by direct investments and long-term sources to a possible extent.

180. While exports to traditional markets will be increased, target and priority countries in exports will be determined and market diversification will be achieved. In this context, studies will be conducted to facilitate entry to export markets.

181. Investments will be supported to ensure that industrial inputs which have high density dependence on imports and technologies, will be domestically produced.

182. Domestically produced goods and products using domestic inputs will be preferred in public procurements.

183. Dependency on imports of energy will be reduced by increasing resources allocated for mining, energy raw materials, renewable energy and nuclear energy investments.

184. The awareness and knowledge of consumers will be increased to make domestic goods more preferable instead of import products.

185. Domestic and foreign direct investments will be increased by supporting proper functioning of markets and competition environment, protection of intellectual property rights and attractive and predictable business and investment climate.

186. Within the framework of Input Supply Strategy, actions will be initiated that are intended to ensure procurement of more efficient and low cost inputs in export oriented production, to decrease dependence of production and exports on intermediate goods imports and to contribute to the sustainable competitiveness in exports.

187. The compliance with the terms of competition in strategic sectors of production as well as export-oriented production and the procurement at reasonable costs of strategic raw materials and inputs, which could not be produced in our country, will be provided by investing abroad.

188. Increasing the standard, quality and technological level of domestically produced intermediate goods will be supported.

189. Original design activities in exporting products for consumption will be encouraged, qualified designers will be trained, patent registration and creation of international trademark will be supported and supports related to marketing and promotion will be enhanced according to the needs of exporters.

190. With the aim of exporting products of quality and quantities which are appropriate to foreign demand conditions, supportive programs will be implemented by taking into account manufacturing process.

191. Considering effectiveness of export subsidies, sectors which has a potential for development will be supported preferably.

192. Notably machinery and automotive industries; iron and steel, textiles, garments and apparel, electrical and electronics with chemicals will continue to be the leading sector of our exports strategy. In addition to this, in the fields of the new refinery construction, electrical car manufacturing, aircraft engines which included high-tech and manufacturing of their parts, pharmaceutical and medical device manufacturing domestic production capacity will be increased by strengthening R & D and investment incentives system.

193. By becoming more effective in Customs Union, increasing export market share in EU countries and strengthening trade and investment relations with EU will be top priority.

194. Notably the ongoing negotiations between the European Union and the United States, Transatlantic Trade and Investment Partnership Agreement, free trade agreements which directly affect our country's foreign trade to work towards a positive effect will be accelerated.

195. Free trade agreements including services and investments will be top priority.

196. Inward Processing Regime procedures will be re-evaluated in terms of domestic production conditions and foreign trade policies.

197. Free zone activities will be directed in order to facilitate foreign direct investments and the imports of high technology and to encourage exports.

198. Measures will be taken to reduce the cost of exports in customs operations.

199. In order to ensure the achievement of export goals, large-scale port capacity will be created and railway and highway connections of ports will be constructed.

200. In important areas of production and consumption, logistic centers will be established to meet regional and global necessities and to support the competitiveness of main exporting sectors.

201. Required mechanisms will be developed for e-Commerce to contribute to the exports, but not to the imports of consumption goods.

202. Imported products will be safe and favorable for technical regulations by increasing the efficiency of market monitoring and supervision system in imports.

203. In tourism sector, a structure will be built up which increases the quality of the service, targets high income groups through diversifying marketing channels, which seeks to balance protection and use, and emphasizes the types of tourism that have comparative advantage.

204. Tourism investments will be diversified by shifting them from developed regions with intensive demand to other areas and policies, will be adopted to spread tourism-oriented activities to the entire year.

205. Service quality and competitiveness will be enhanced by developing in the field of health tourism infrastructure which Turkey is one of emerging markets in the world. In this area, an effective promotion and marketing strategy will be carried out in target markets.

206. The activities which enhances the export potential of constructing material and increase the quality of overseas contracting services will be supported, to increase overseas contracting services revenues, highly qualified and knowledge-intensive projects in abroad are preferred.

207. Technical consultancy and technical services in abroad intended for export will be supported.

208. Investors' rights will be guaranteed and protected in foreign countries.

209. Opening big stores in foreign countries and selling of high value-added and high quality products in these stores will be supported.

210. In order to increase in Turkish exports, technical assistance will be provided to countries in need and Turkey's effectiveness will be improved on a global and regional scale within the scope of Turkey's bilateral and multilateral cooperation activities.

4. Monetary Policy

211. The main objective of the monetary policy is to ensure and to sustain the price stability.

212. Monetary policy will be implemented in accordance with the inflation targeting framework. In this regime, financial stability, as a supportive objective, will also continue to be taken into consideration.

213. Besides the usage of short term interest rates as the main monetary policy tool, the complementary instruments such as reserve requirements and interest rate corridor and Turkish Lira and foreign exchange liquidity applications will continue to be practiced together.

214. Inflation targets will be determined by the Government and Central Bank for the following three years.

215. In cases which inflation realizations performs excessive deviations from the target or when any probable risk of deviation emerges, to ensure accountability and transparency of the monetary policy, the Central Bank will declare in written form to the government and announce to the public the reasons of the deviation from the target and measures that should be taken in order to converge to the original target again.

216. The operational framework of monetary policy enabling a flexible and efficient liquidity management will continue to be followed in the forthcoming years.

217. The floating exchange rate regime will continue to be pursued.

218. FX selling auctions may be started if uncompetitive price setting or excess volatility occurs as a result of loss of depth in the market. Moreover, in case of distortive speculative attacks, the foreign exchange market can be intervened directly.

219. In periods of available market conditions, FX buying auctions to build up reserves will be carried out in the pre-announced programme. Besides, accumulation of FX reserves through exports rediscount credits will continue.

220. Using reserve option mechanism as an automatic stabilizer against fluctuations in capital flows will be continued.

221. Communication channels concerning monetary policy tools and decisions will be strengthened.

5. Financial Market

222. It is a priority target that financial markets have an effective and transparent structure with a variety of financial products which meets the needs of the real sector and contributes to increasing in domestic savings.

223. The progress of Istanbul being an international financial center will have gain a new momentum by the implementation of IFC Privileged Transition Programme.
224. The regulation and supervision of the banking sector will be developed by considering the country conditions and compliance with international standards.
225. In order to reduce the impact of the business cycles and maintain financial stability, macro prudential measures will be carried out when there will be necessary.
226. The variety of financial products and services and the number of institutions operating in interest-free finance sector (Islamic Finance) will be increased. Efforts to strengthen the sector's institutional and legal infrastructure will be carried out and the use of non-interest bearing financial products will be generalized.
227. Tax practices which are creating a unfair competition between different financial institutions will be identified and removed.
228. Tax practices for financial intermediates and their base securities will be harmonized.
229. Financial education will be generalized in order to increase the level of knowledge of individuals about financial products, to broaden the investor base, to increase domestic savings and to provide better functioning of financial markets.
230. Applications to ensure a fair exchange environment between financial consumers and those who supply of financial products and services will be implemented.
231. To improve the investor’s rights in the capital markets, implementations will be developed.
232. To resolve disputes concerning financial markets quickly and effectively, arrangements will be made and the application will be strengthened.
233. Necessary regulations will be made to shift the savings to long-term financial instruments.
234. The access to finance for SMEs and entrepreneurs will be facilitated by improving alternative financial intermediates.

6. Employment Policies

235. The main objective is to create a more competitive labour market where the employment opportunities are improved with a sustainable and inclusive growth approach, the labour market is enhanced and the labour force is better qualified.

236. Individuals will be equipped with the fundamental and vocational skills compatible with the demands of the labour market, work and family life will be harmonized and active labour market policies will be implemented on the basis of impact assessments.

237. Labour force participation and employment rates of particularly women, youth and the disabled will continue to be increased through an efficient and integrating employment policy.

238. Employment incentives will be simplified and straightforward; the monitoring system will be established to increase the effectiveness of incentives.

239. The number of private employment agencies will be increased and their fields of activity will be extended to include temporary employment relationship.

240. Subcontracting practice will be reconsidered with balances between the labour rights and the competitiveness of the economy.

241. Audits will be activated in the field of health and safety of workers, through incentives and awareness raising activities, particularly in high-risk sectors, safety culture will be extended in working life.

242. In order to increase the employability of the poor and facilitate their transition to a productive position, the connection between social assistance and employment will be strengthened.

243. In dialogue with the social partners, a severance payment system to be utilized by all workers based on individual accounts will be advanced.

244. Through combating with informal employment and undeclared wages, the premium base will be extended and the number of registered employees will be increased.

245. In order to perform structural transformation in the industry and to improve the quality of the labor market, especially in the research field, accelerating the migration of skilled labor from abroad will be provided.

Annex Table 1: Main Economic Indicators

	2013	2014 (1)	2015 (2)	2016 (2)	2017 (2)
GROWTH					
GDP (Billion TL, Current Prices)	1,565	1,764	1,945	2,150	2,370
GDP (Billion Dollars, Current Prices)	822	810	850	907	971
GDP Per Capita (Dollars)	10,807	10,537	10,936	11,541	12,229
GDP Growth (3)	4.1	3.3	4.0	5.0	5.0
Total Consumption (3)	5.2	1.9	3.8	4.0	3.9
Public	7.1	4.5	2.2	3.8	3.3
Private	4.9	1.6	4.0	4.0	4.0
Total Fixed Capital Investment (3)	4.5	-1.8	4.2	8.9	9.3
Public	20.7	-0.9	-2.1	7.2	3.3
Private	0.7	-2.1	6.1	9.3	10.9
Total Domestic Savings / GDP	13.4	14.9	15.2	16.2	17.1
Public	3.4	3.2	3.1	3.6	4.0
Private	9.9	11.7	12.2	12.6	13.1
Total Saving - Investment Difference / GDP (4)	-7.6	-5.7	-5.4	-5.4	-5.2
Public	-1.5	-1.6	-1.4	-1.1	-0.6
Private	-6.0	-4.1	-4.0	-4.3	-4.6
Total Final Domestic Demand (3)	5.0	1.0	3.9	5.1	5.3
Total Domestic Demand (3)	6.7	1.3	4.0	5.2	5.0
Contribution of Net Exports to Growth	-2.6	2.0	0.0	-0.2	-0.1
EMPLOYMENT					
Population (Midyear, Thousands)	76,055	76,903	77,738	78,559	79,366
Labor Force Participation Rate (%)	48.3	50.1	50.2	50.3	50.5
Employment (Thousands)	24,601	25,824	26,340	27,002	27,599
Employment Rate (%)	43.9	45.3	45.4	45.7	45.9
Unemployment Rate (%)	9.0	9.6	9.5	9.2	9.1
FOREIGN TRADE					
Exports (fob) (Billion Dollars)	151.8	160.5	173.0	187.4	203.4
Imports (cif) (Billion Dollars)	251.7	244.0	258.0	276.8	297.5
Crude Oil Price-Brent (Dollars / Barrel)	109.4	105.4	101.9	100.4	98.8
Energy Imports (Billion Dollars)	55.9	56.2	57.3	60.1	63.9
Foreign Trade Balance (Billion Dollars)	-99.9	-83.5	-85.0	-89.4	-94.1
Exports / Imports (%)	60.3	65.8	67.1	67.7	68.4
Foreign Trade Volume / GDP (%)	49.1	49.9	50.7	51.2	51.6
Tourism Revenues (Billion Dollars)	28.0	29.5	31.5	33.5	35.5
Current Account Balance (Billion Dollars)	-65.1	-46.0	-46.0	-49.2	-50.7
Current Account Balance / GDP (%) (4)	-7.9	-5.7	-5.4	-5.4	-5.2
Current Account Balance Excl. Gold / GDP (%)	-6.5	-5.6	-5.1	-5.1	-4.8
INFLATION					
GDP Deflator	6.1	9.1	6.0	5.3	5.0
Consumer Prices Index (End of Year, % Change) (5)	7.4	9.4	6.3	5.0	5.0

Note: (1) Estimation, (2) Programme, (3) Percentage changes in fixed prices,
(4) The difference between total saving-investment difference and current account deficit comes from using weighted exchange rate in national income accounts, (5) 2014 and 2015 data are the estimations of the Ministry of Development.

Annex Table 2: Public Sector General Balance (1)

	2013	2014 (RE)	2015 (P)	2016 (P)	2017 (P)
			(In Billions of TL)		
Public Sector General Balance (PSGB)	**-7.1**	**-17.4**	**-8.7**	**-2.3**	**2.9**
General Government	**-11.7**	**-13.7**	**-8.9**	**-3.7**	**2.7**
Central Government Budget	-18.5	-24.4	-21.0	-15.8	-7.1
Local Governments	-2.3	-0.1	-2.1	-2.7	-6.8
Extra Budgetary Funds	-2.6	-0.3	2.0	2.1	2.1
Unemployment Insurance Fund	9.2	10.4	11.3	11.7	13.4
Social Security Institutions	-5.1	-6.4	-10.7	-13.3	-17.3
General Health Insurance	5.8	6.4	10.7	13.3	17.3
Revolving Funds	1.9	0.6	0.8	1.0	1.1
SEE's	**4.5**	**-3.7**	**0.2**	**1.4**	**0.2**
Public Sector Primary Balance	**44.7**	**35.1**	**47.7**	**54.1**	**60.9**
Public Sector Balance Exc. Interest Exp. and Privatization Rev.	**32.0**	**24.5**	**35.9**	**44.2**	**55.4**
			(As of GDP, %)		
Public Sector General Balance (PSGB)	**-0.5**	**-1.0**	**-0.4**	**-0.1**	**0.1**
General Government	**-0.7**	**-0.8**	**-0.5**	**-0.2**	**0.1**
Central Government Budget	-1.2	-1.4	-1.1	-0.7	-0.3
Local Governments	-0.1	0.0	-0.1	-0.1	-0.3
Extra Budgetary Funds	-0.2	0.0	0.1	0.1	0.1
Unemployment Insurance Fund	0.6	0.6	0.6	0.5	0.6
Social Security Institutions	-0.3	-0.4	-0.6	-0.6	-0.7
General Health Insurance	0.4	0.4	0.6	0.6	0.7
Revolving Funds	0.1	0.0	0.0	0.0	0.0
SEE's	**0.3**	**-0.2**	**0.0**	**0.1**	**0.0**
Public Sector Primary Balance	**2.9**	**2.0**	**2.5**	**2.5**	**2.6**
Public Sector Balance Exc. Interest Exp. and Privatization Rev.	**2.0**	**1.4**	**1.8**	**2.1**	**2.3**

(1) Public sector covers; central government budget, local governments, unemployment insurance fund, social security institutions, SEE's, revolving funds, extra-budgetary funds and general health insurance scheme.
RE: Realization estimate
P: Program

Annex Table 3: Public Sector General Balance (Program Definition) (1)

	2013	2014 (RE)	2015 (P)	2016 (P)	2017 (P)
	(In Billions of TL)				
Public Sector	**16.3**	**6.2**	**23.5**	**32.4**	**42.9**
General Government	**12.4**	**10.4**	**23.7**	**31.3**	**42.9**
Central Government Budget	13.8	8.6	20.7	28.1	39.3
Local Governments	-3.3	0.8	-3.9	-4.8	-5.5
Extra Budgetary Funds	-5.0	-3.8	1.9	2.1	2.3
Unemployment Insurance Fund	4.5	4.3	4.3	5.1	5.9
Social Security Institutions	-5.1	-6.4	-10.7	-13.3	-17.3
General Health Insurance	5.8	6.4	10.7	13.3	17.3
Revolving Funds	1.7	0.5	0.7	0.8	0.9
SEE's	**3.9**	**-4.2**	**-0.2**	**1.1**	**0.0**
	(As of GDP, %)				
Public Sector	**1.0**	**0.4**	**1.2**	**1.5**	**1.8**
General Government	**0.8**	**0.6**	**1.2**	**1.5**	**1.8**
Central Government Budget	0.9	0.5	1.1	1.3	1.7
Local Governments	-0.2	0.0	-0.2	-0.2	-0.2
Extra Budgetary Funds	-0.3	-0.2	0.1	0.1	0.1
Unemployment Insurance Fund	0.3	0.2	0.2	0.2	0.3
Social Security Institutions	-0.3	-0.4	-0.6	-0.6	-0.7
General Health Insurance	0.4	0.4	0.6	0.6	0.7
Revolving Funds	0.1	0.0	0.0	0.0	0.0
SEE's	**0.2**	**-0.2**	**0.0**	**0.1**	**0.0**

(1) Excluding interest payments and revenues, privatization revenues, dividends from public banks and some specific revenues and expenditures.
RE: Realization estimate
P: Program

Annex Table 4: Other Public Sector Figures

	2013	2014 (RE)	2015 (P)	2016 (P)	2017 (P)
	(As of GDP, %)				
Public Disposable Income	15.2	15.0	14.7	15.0	15.3
Public Consumption	-11.8	-11.8	-11.6	-11.5	-11.3
Public Saving	3.4	3.2	3.1	3.6	4.0
Public Investment	-4.9	-4.8	-4.5	-4.6	-4.6
Public Saving-Investment Gap	-1.5	-1.6	-1.4	-1.1	-0.6
Public Sector Privatization Revenues	0.8	0.6	0.6	0.5	0.2
Tax Burden (Including Social Security Premiums) (1)	29.0	28.1	28.5	28.4	28.2
Tax Burden (Excluding Social Security Premiums) (1)	21.5	20.5	20.7	20.7	20.6
EU Defined General Government Debt Stock	36.2	33.1	31.8	30.0	28.5

(1) Excluding rebates
RE: Realization estimate
P: Program

Annex Table 5: General Government Balance (1)

	2013	2014 (RE)	2015 (P)	2016 (P)	2017 (P)
	(In Billions of TL)				
Revenues	**625.3**	**688.9**	**743.1**	**809.9**	**883.5**
Taxes	334.4	361.5	401.2	445.0	486.9
Non-Tax revenues	29.5	38.7	34.9	38.0	44.9
Factor Income	90.8	100.7	96.7	102.1	109.2
Social Funds	158.0	177.3	198.4	214.9	237.0
Privatization Revenues	12.6	10.6	11.8	9.9	5.5
Expenditures	**637.0**	**702.6**	**752.0**	**813.5**	**880.8**
Primary Expenditures	**585.4**	**650.4**	**695.9**	**757.5**	**823.2**
Current Expenditures	281.6	313.4	337.9	366.6	395.1
Capital Expenditures	65.8	71.6	72.3	82.3	89.8
Transfer Expenditures	238.0	265.3	285.8	308.7	338.3
Stock Revaluation Fund	0.0	0.0	0.0	0.0	0.0
Interest Expenditures	**51.6**	**52.2**	**56.1**	**56.0**	**57.6**
General Government Balance	**-11.7**	**-13.7**	**-8.9**	**-3.7**	**2.7**
Primary Balance	**39.9**	**38.5**	**47.2**	**52.4**	**60.3**
Balance Excluding Privatization Revenues	**-24.3**	**-24.3**	**-20.7**	**-13.6**	**-2.8**
Balance Excluding Pri. Rev. and Int. Exp.	**27.3**	**27.9**	**35.4**	**42.4**	**54.8**
	(As of GDP, %)				
Revenues	**40.0**	**39.1**	**38.2**	**37.7**	**37.3**
Taxes	21.4	20.5	20.6	20.7	20.5
Non-Tax revenues	1.9	2.2	1.8	1.8	1.9
Factor Income	5.8	5.7	5.0	4.7	4.6
Social Funds	10.1	10.1	10.2	10.0	10.0
Privatization Revenues	0.8	0.6	0.6	0.5	0.2
Expenditures	**40.7**	**39.8**	**38.7**	**37.8**	**37.2**
Primary Expenditures	**37.4**	**36.9**	**35.8**	**35.2**	**34.7**
Current Expenditures	18.0	17.8	17.4	17.1	16.7
Capital Expenditures	4.2	4.1	3.7	3.8	3.8
Transfer Expenditures	15.2	15.0	14.7	14.4	14.3
Stock Revaluation Fund	0.0	0.0	0.0	0.0	0.0
Interest Expenditures	**3.3**	**3.0**	**2.9**	**2.6**	**2.4**
General Government Balance	**-0.7**	**-0.8**	**-0.5**	**-0.2**	**0.1**
Primary Balance	**2.6**	**2.2**	**2.4**	**2.4**	**2.5**
Balance Excluding Privatization Revenues	**-1.6**	**-1.4**	**-1.1**	**-0.6**	**-0.1**
Balance Excluding Pri. Rev. and Int. Exp.	**1.7**	**1.6**	**1.8**	**2.0**	**2.3**

(1) General government includes central government budget, local governments, unemployment insurance fund, social security institutions, revolving funds, extra-budgetary funds and general health insurance scheme.
RE: Realization estimate
P: Program

Annex Table 6: Central Government Budget

	2013	2014 (RE)	2015 (P)	2016 (P)	2017 (P)
	(In Billions of TL)				
Expenditures	**408.2**	**448.4**	**472.9**	**506.8**	**541.3**
Primary Expenditures	358.2	398.2	418.9	452.8	486.3
Interest Expenditures	50.0	50.2	54.0	54.0	55.0
Revenues	**389.7**	**424.0**	**452.0**	**491.0**	**534.2**
General Budget Tax Revenues	326.2	351.6	389.5	427.9	468.5
Other Revenues	63.5	72.4	62.5	63.2	65.7
Budget Balance	**-18.5**	**-24.4**	**-21.0**	**-15.8**	**-7.1**
Primary Balance	**31.4**	**25.8**	**33.0**	**38.2**	**47.9**
Program Defined Expenditures	**358.2**	**398.2**	**418.9**	**452.8**	**486.3**
Program Defined Revenues	**372.0**	**406.9**	**439.7**	**480.9**	**525.6**
Program Defined Balance	**13.8**	**8.6**	**20.7**	**28.1**	**39.3**
	(As of GDP, %)				
Expenditures	**26.1**	**25.4**	**24.3**	**23.6**	**22.8**
Primary Expenditures	22.9	22.6	21.5	21.1	20.5
Interest Expenditures	3.2	2.8	2.8	2.5	2.3
Revenues	**24.9**	**24.0**	**23.2**	**22.8**	**22.5**
General Budget Tax Revenues	20.8	19.9	20.0	19.9	19.8
Other Revenues	4.1	4.1	3.2	2.9	2.8
Budget Balance	**-1.2**	**-1.4**	**-1.1**	**-0.7**	**-0.3**
Primary Balance	**2.0**	**1.5**	**1.7**	**1.8**	**2.0**
Program Defined Expenditures	**22.9**	**22.6**	**21.5**	**21.1**	**20.5**
Program Defined Revenues	**23.8**	**23.1**	**22.6**	**22.4**	**22.2**
Program Defined Balance	**0.9**	**0.5**	**1.1**	**1.3**	**1.7**

RE: Realization estimate
P: Program