



**TÜRKİYE CUMHURİYET
MERKEZ BANKASI**

Turkish Economy after the Global Financial Crisis

**Erdem Başçı, Governor
Central Bank of Turkey**

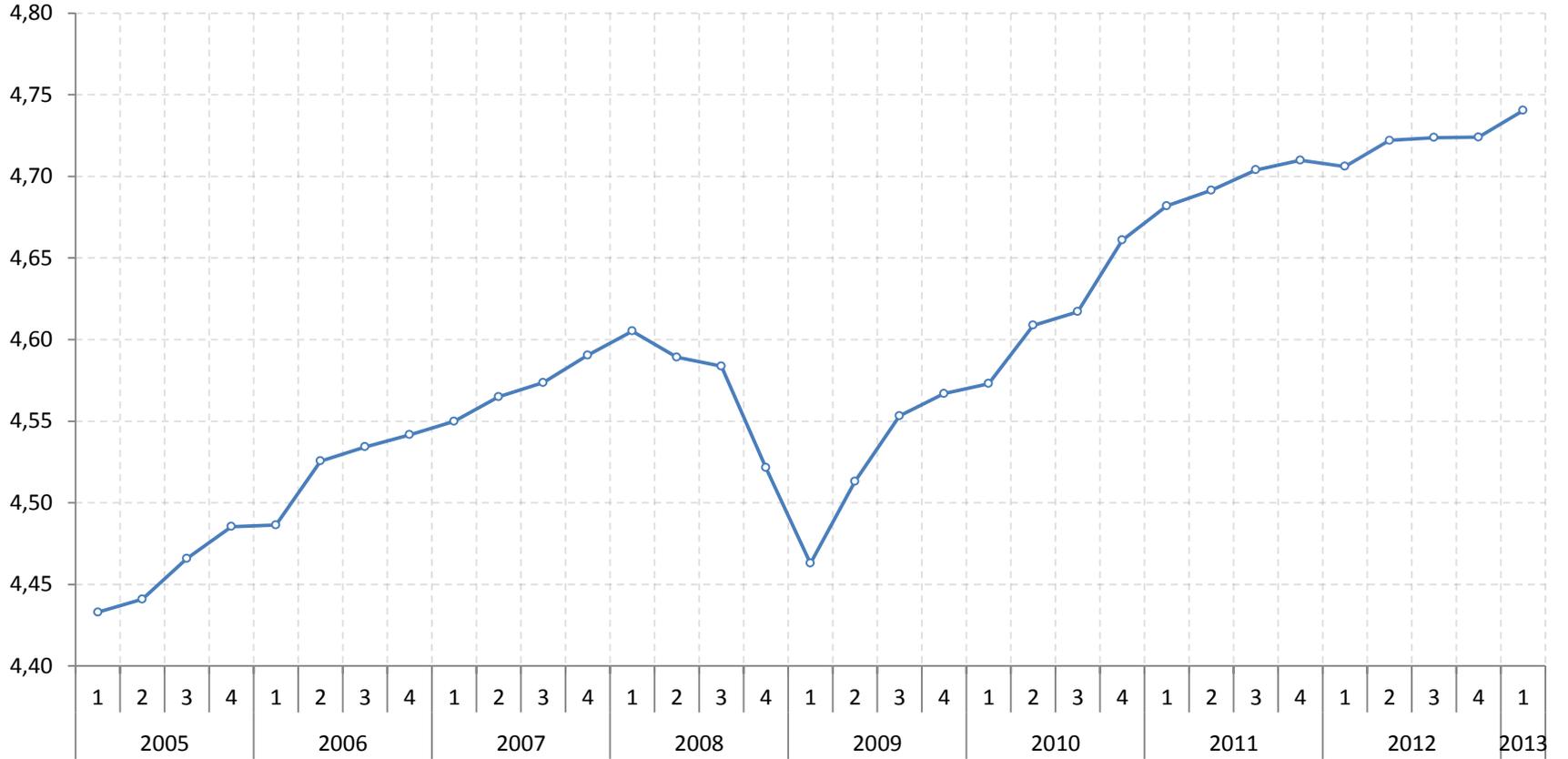
June 24, 2013

**Chamber of Commerce and Industry Switzerland - Turkey
Geneva**

TURKEY: HOW DID WE DO SO FAR?

Growth

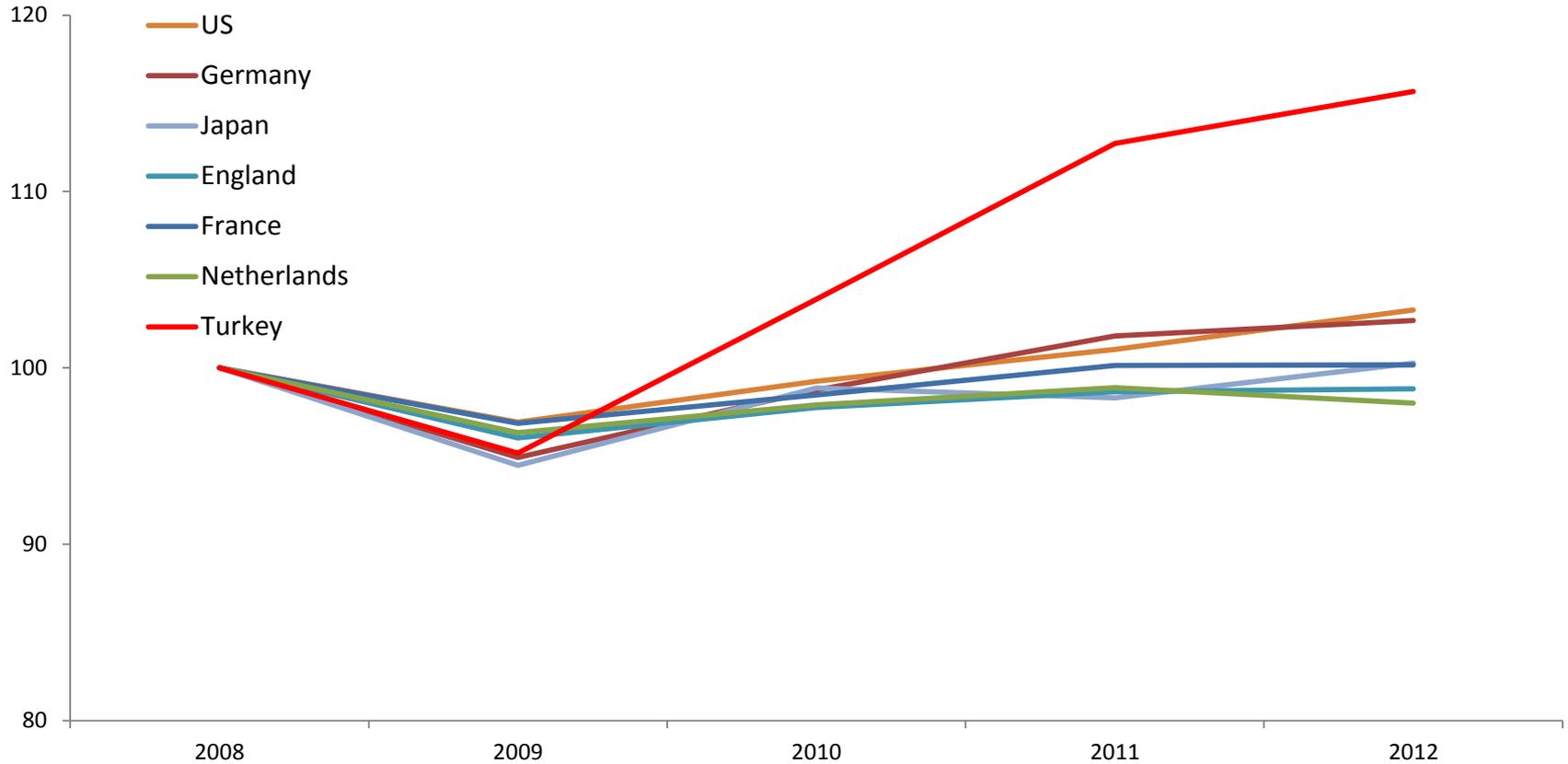
GDP (Seasonally Adjusted, Natural Logarithms)



Source: TurkStat, CBRT.

Growth Comparisons

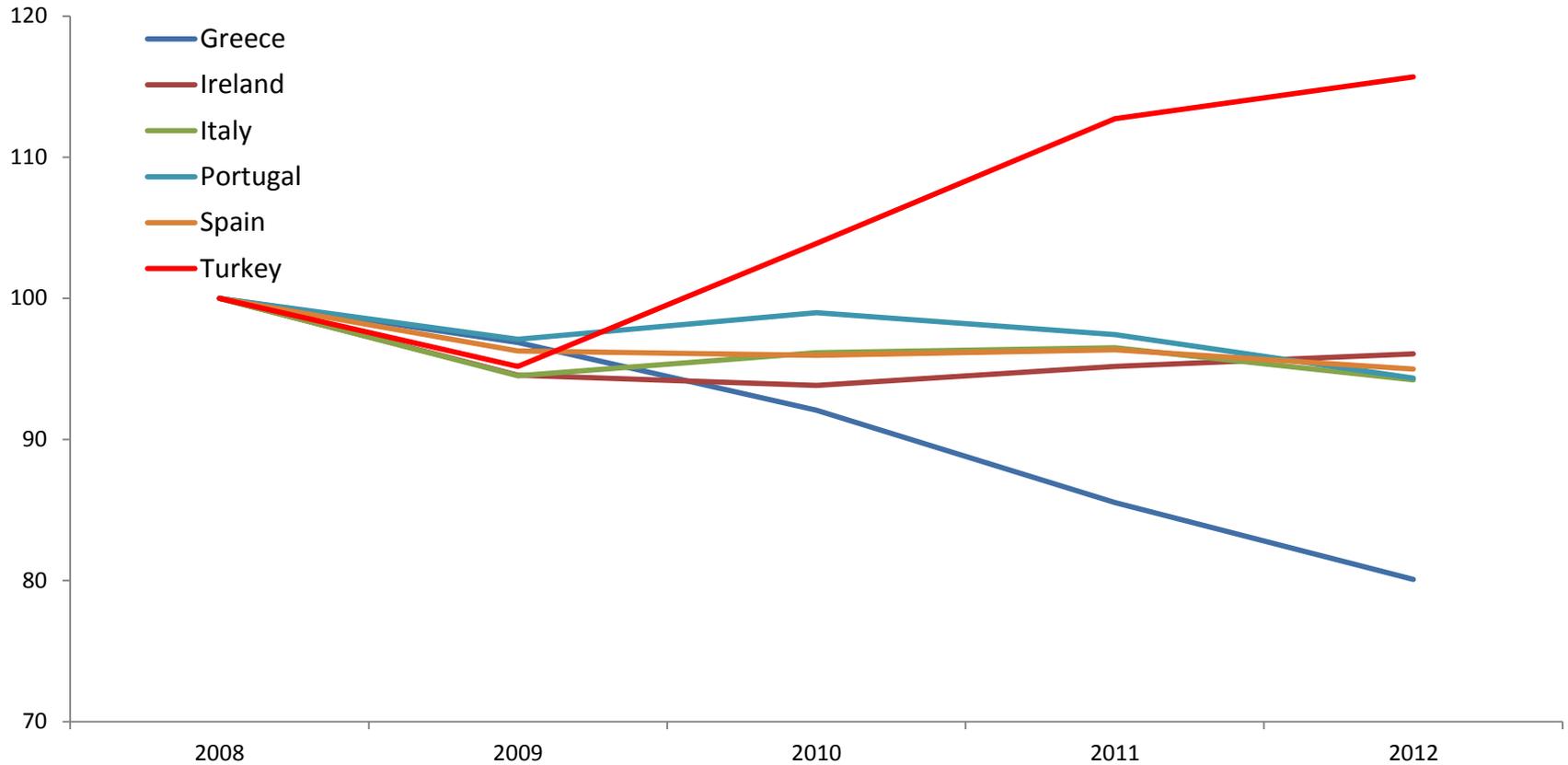
Advanced Economies and Turkey (Base Year 2008=100)



Source: IMF.

Growth Comparisons

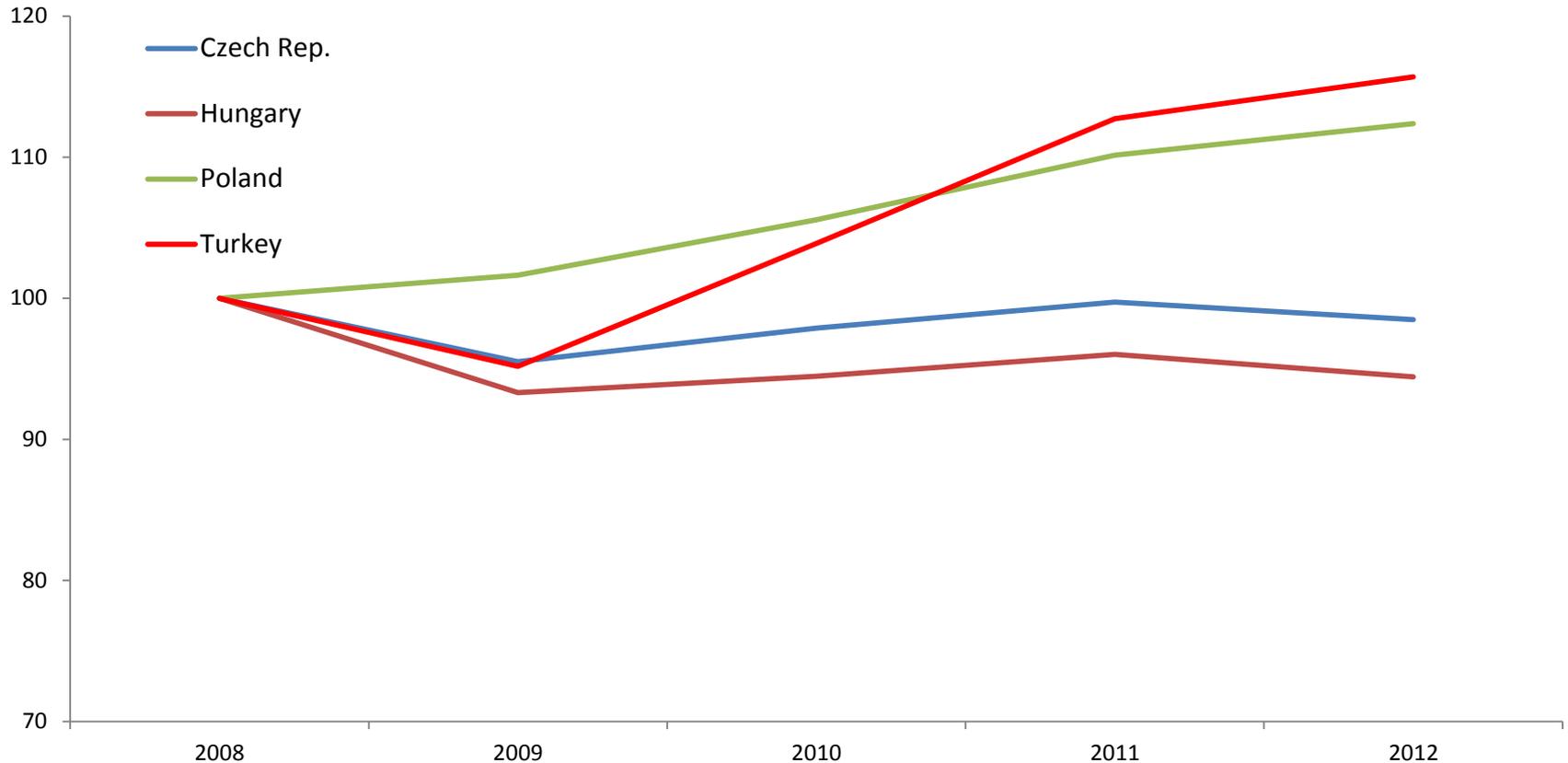
EU Periphery and Turkey (Base Year 2008=100)



Source: IMF.

Growth Comparisons

Eastern Europe and Turkey* (Base Year 2008=100)

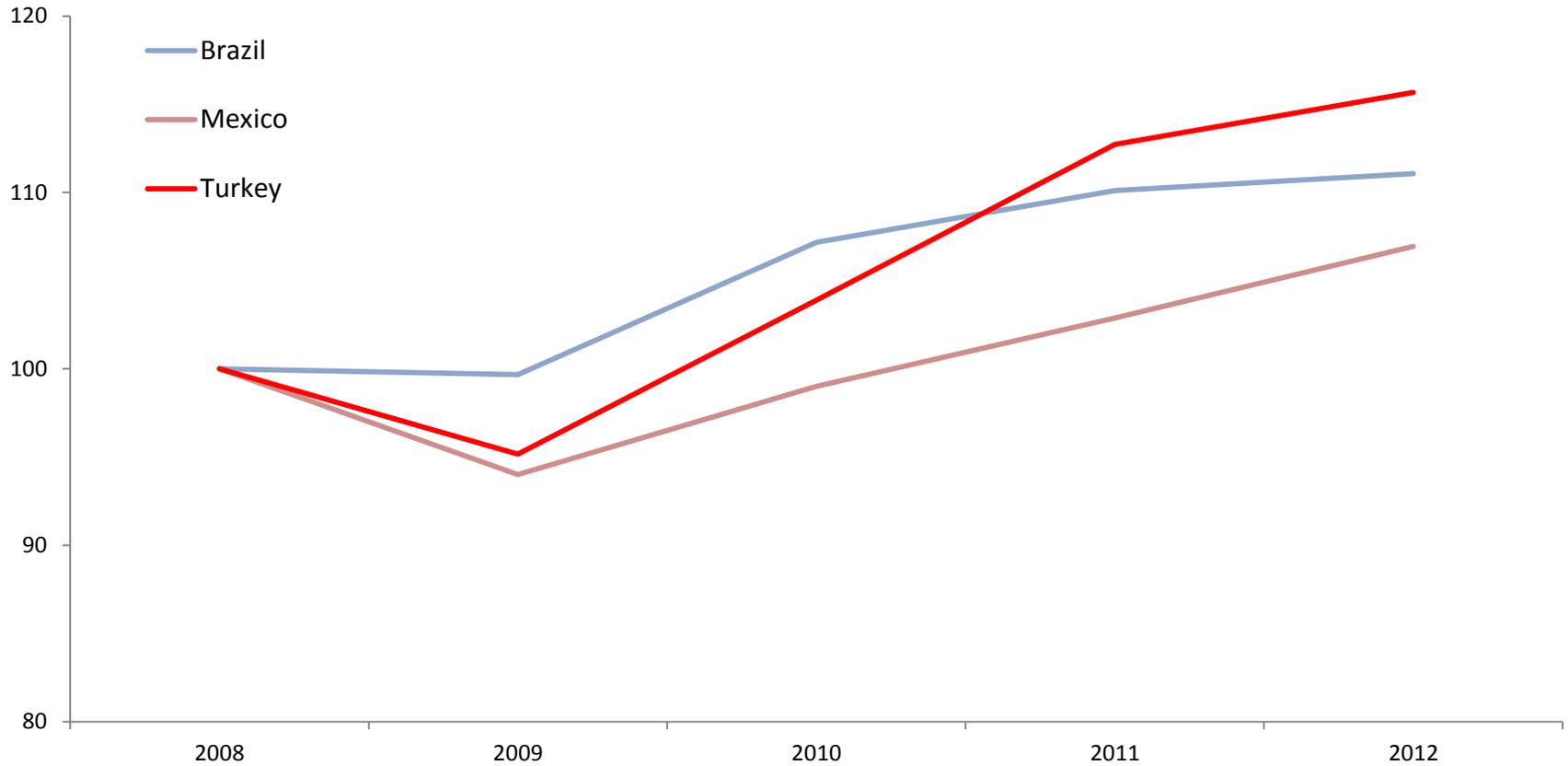


Source: IMF.

*Countries with comparable GDP per capita are selected

Growth Comparisons

Latin America and Turkey* (Base Year 2008=100)

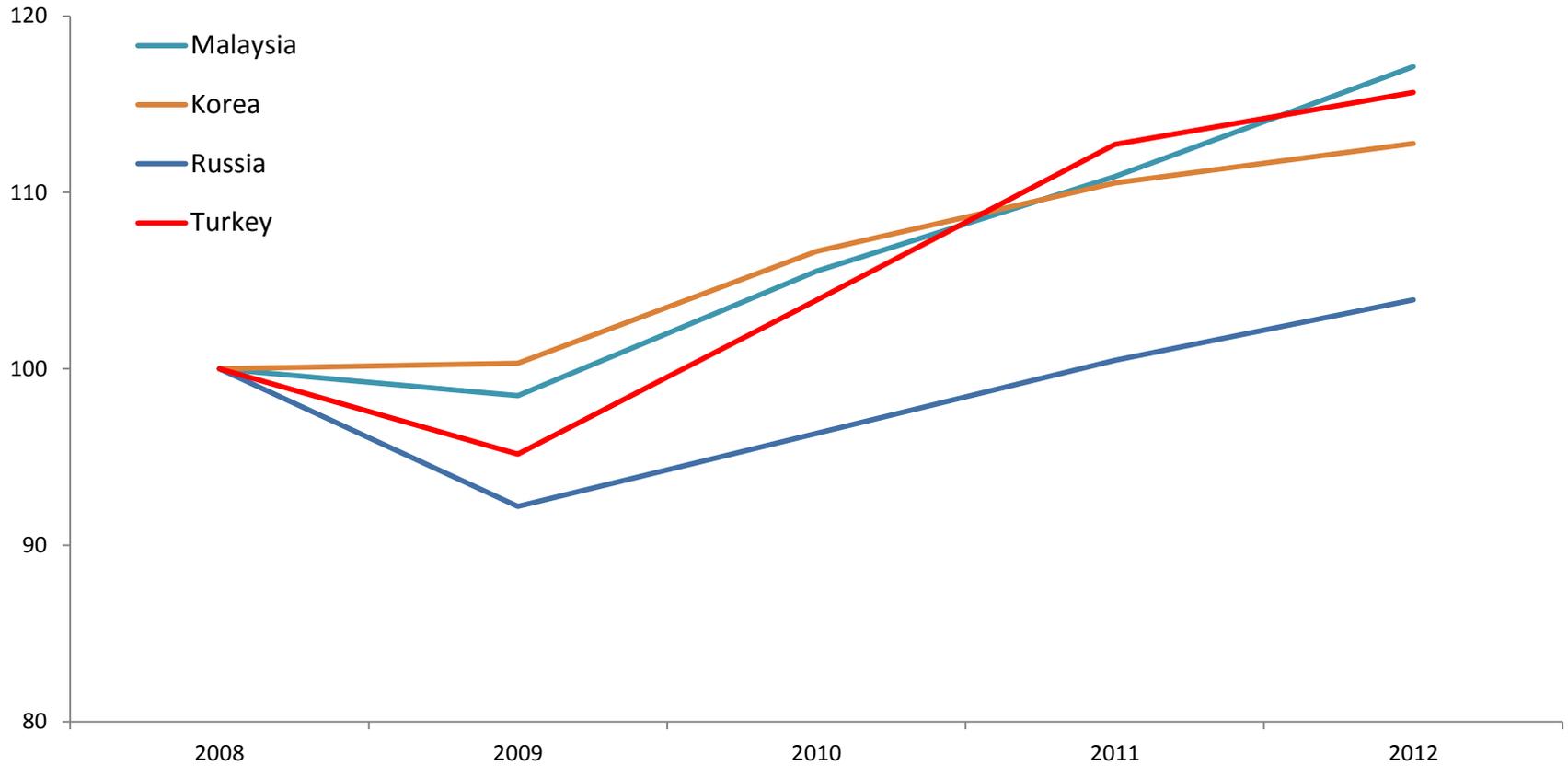


Source: IMF.

*Countries with comparable GDP per capita are selected.

Growth Comparisons

Asia and Turkey* (Base Year 2008=100)

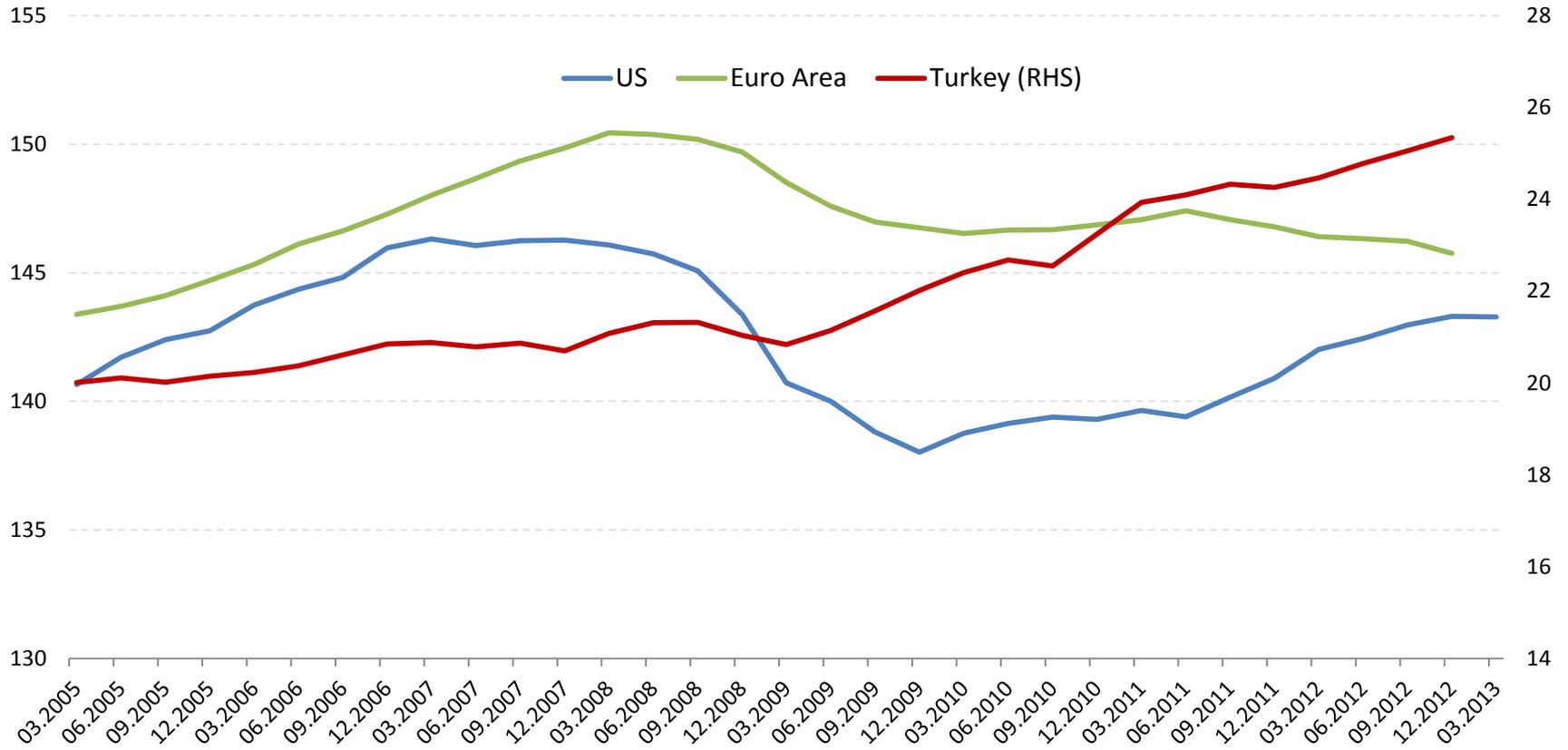


Source: IMF.

*Countries with comparable GDP per capita are selected

Employment: US, Euro Area and Turkey

Total Employment* (Million Person)

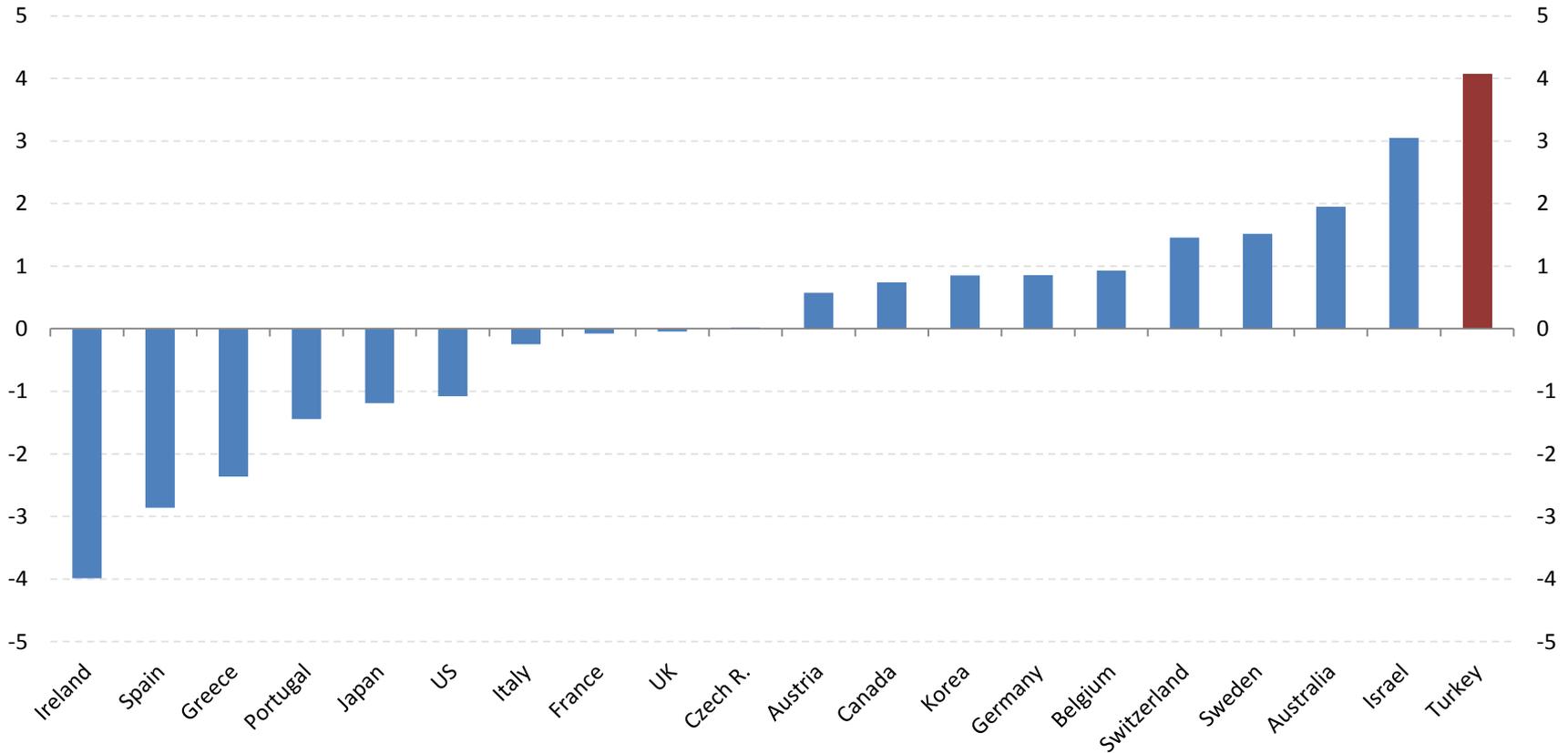


Source: BLS, ECB, TurkStat.

*Seasonally Adjusted

Employment

Annual Average Growth of Employment* (Percent Growth, 2007-2011)



Source: IMF WEO, TURKSTAT.

*Difference of natural logarithms

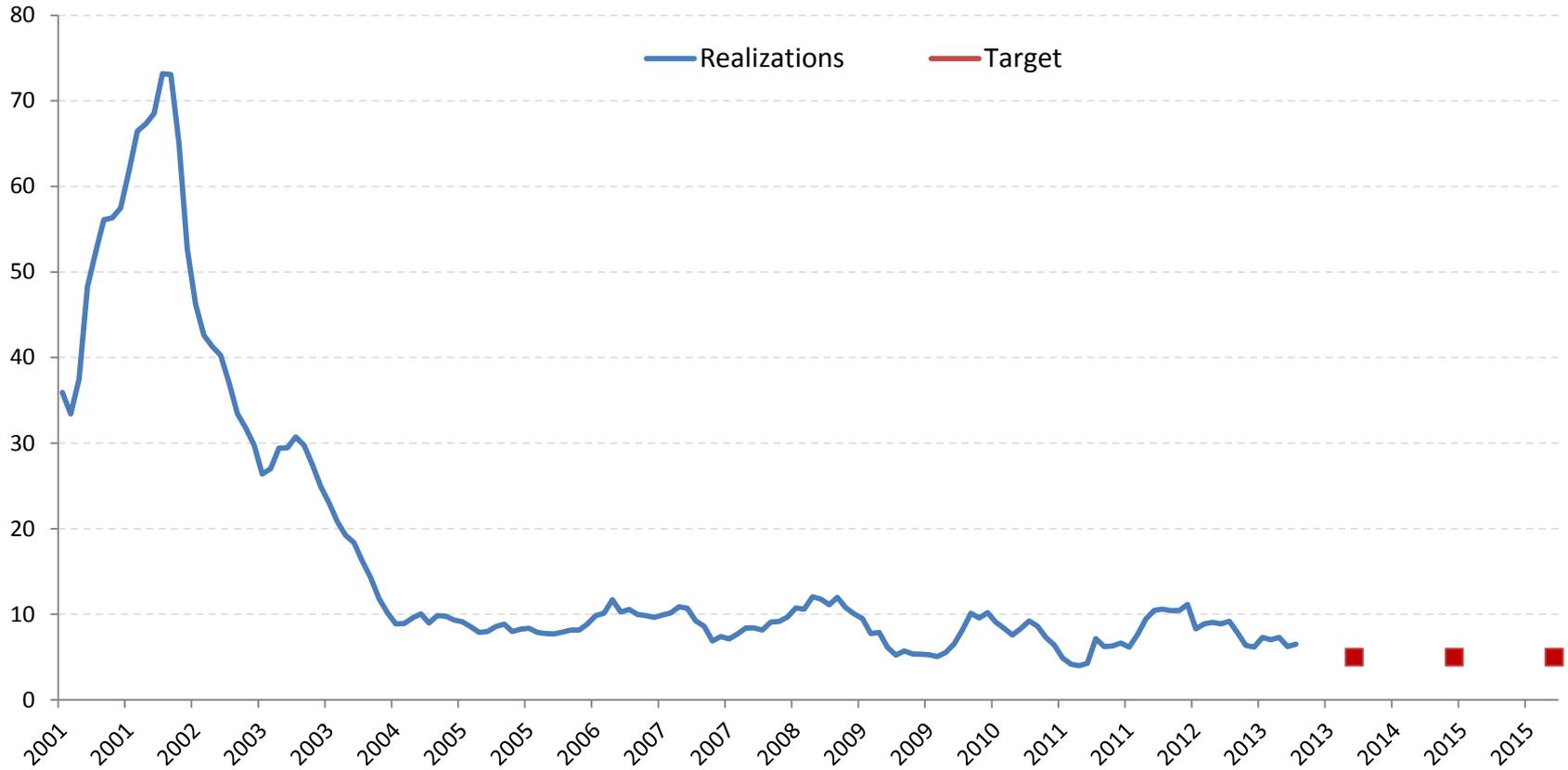
PILLARS OF GROWTH

Three Pillars of Growth

- I. Price Stability
- II. Financial Stability
- III. Productivity Growth

Inflation

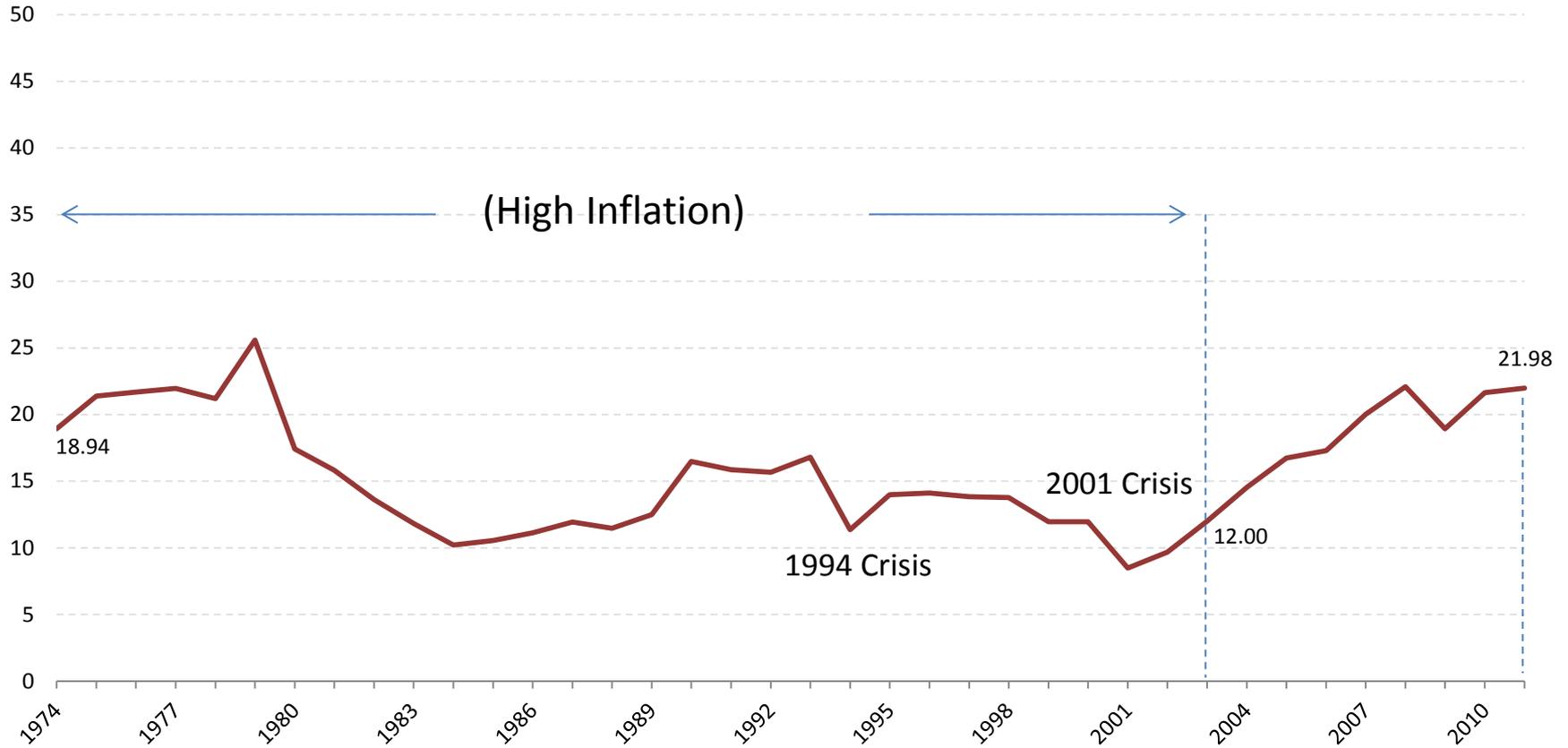
Inflation Realizations and Target (Percent)



Source: CBRT.

Inflation and Cost of Crises

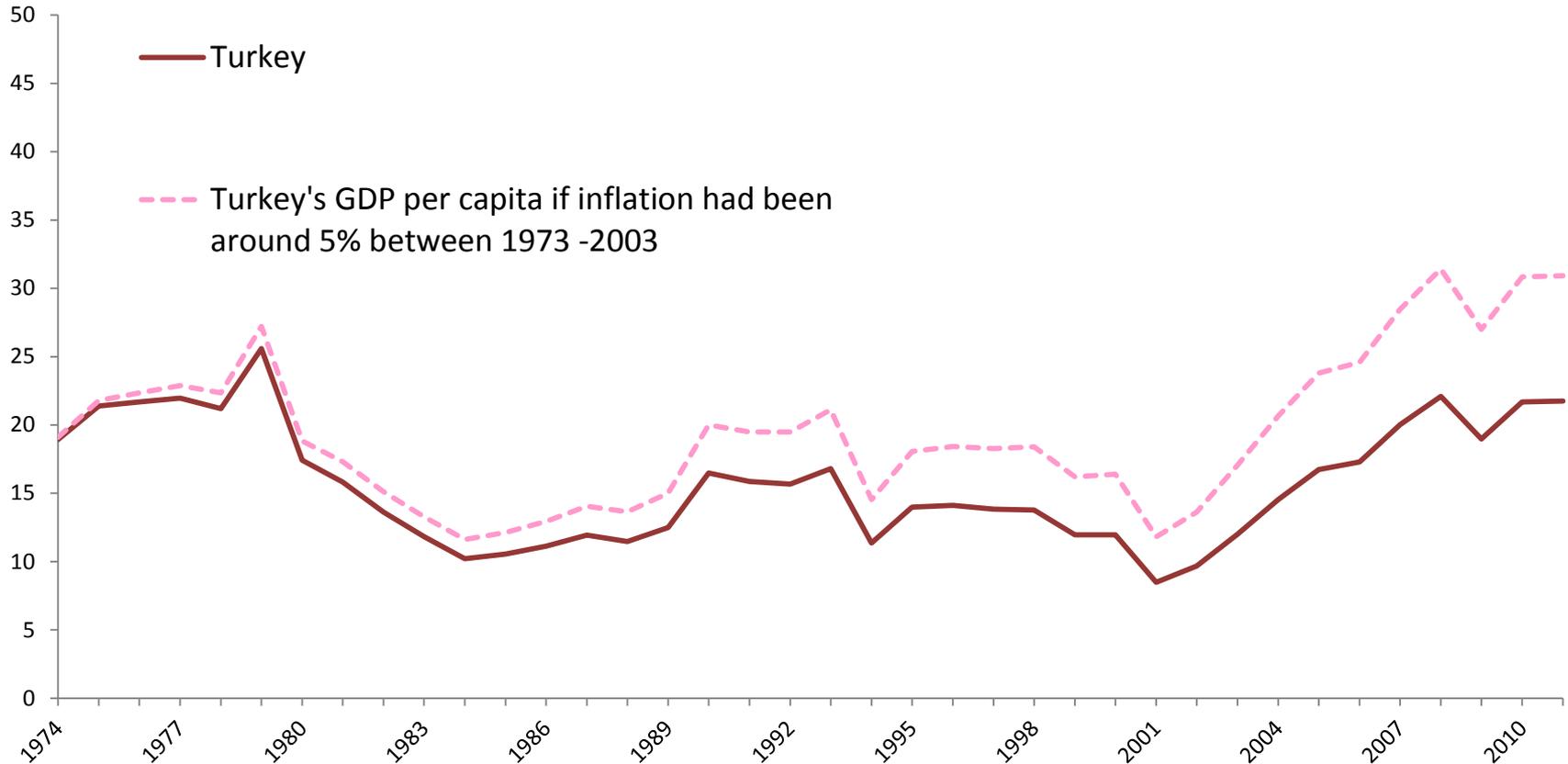
Per Capita Income in Turkey with Respect to the US (Percent)



Source: UN, CBRT

A Counterfactual Exercise

Per Capita Income with Respect to the US (Percent)



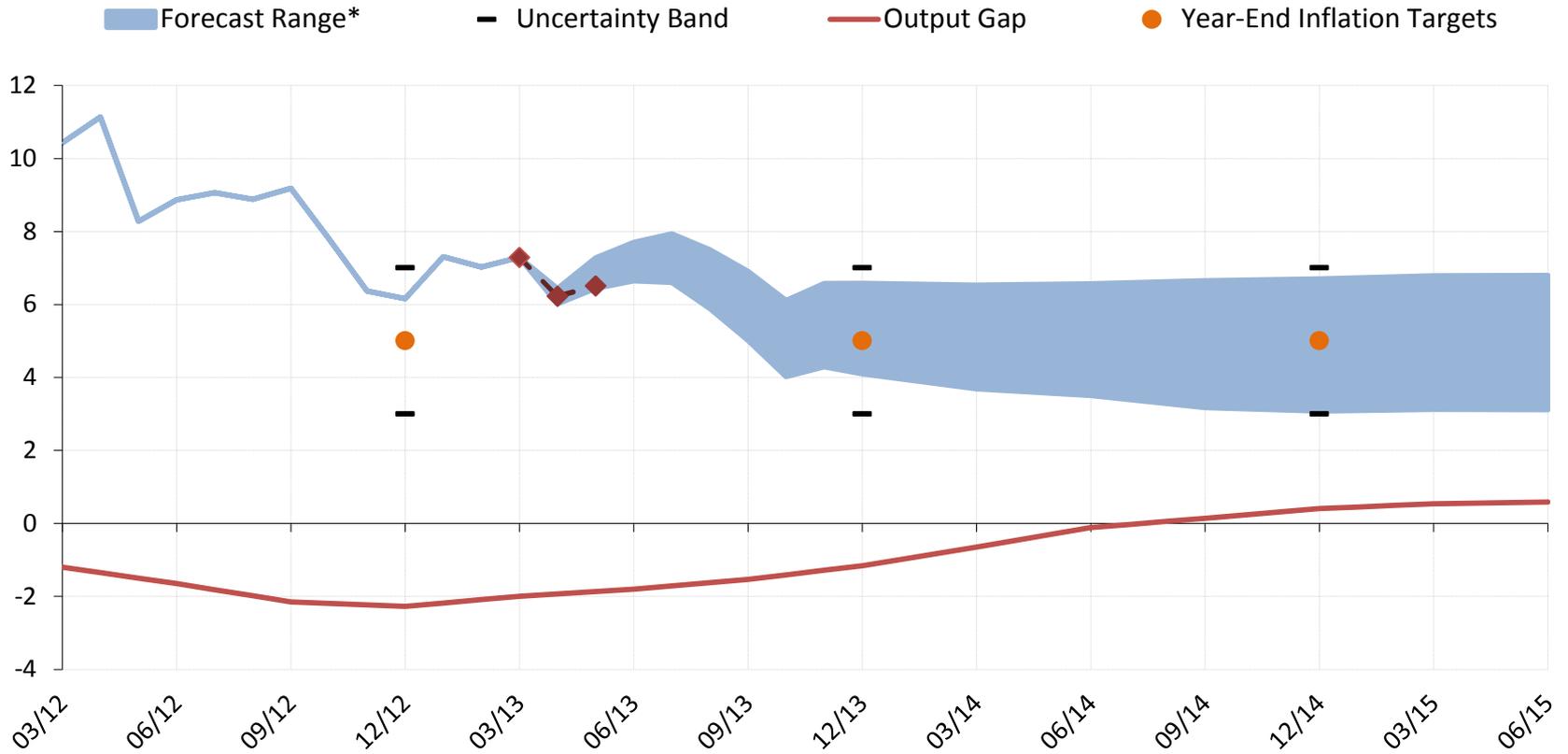
Source: UN, CBRT.

*Average inflation in Turkey between 1973 and 2003 is 54.5 percent.

An inflation which is higher on average by 10 percentage points leads to a reduction in GDP growth rate by 0.25 on average according to Barro, Robert J. (1995). "Inflation and Economic Growth."

Inflation

Inflation Forecasts and Realizations (Percent)

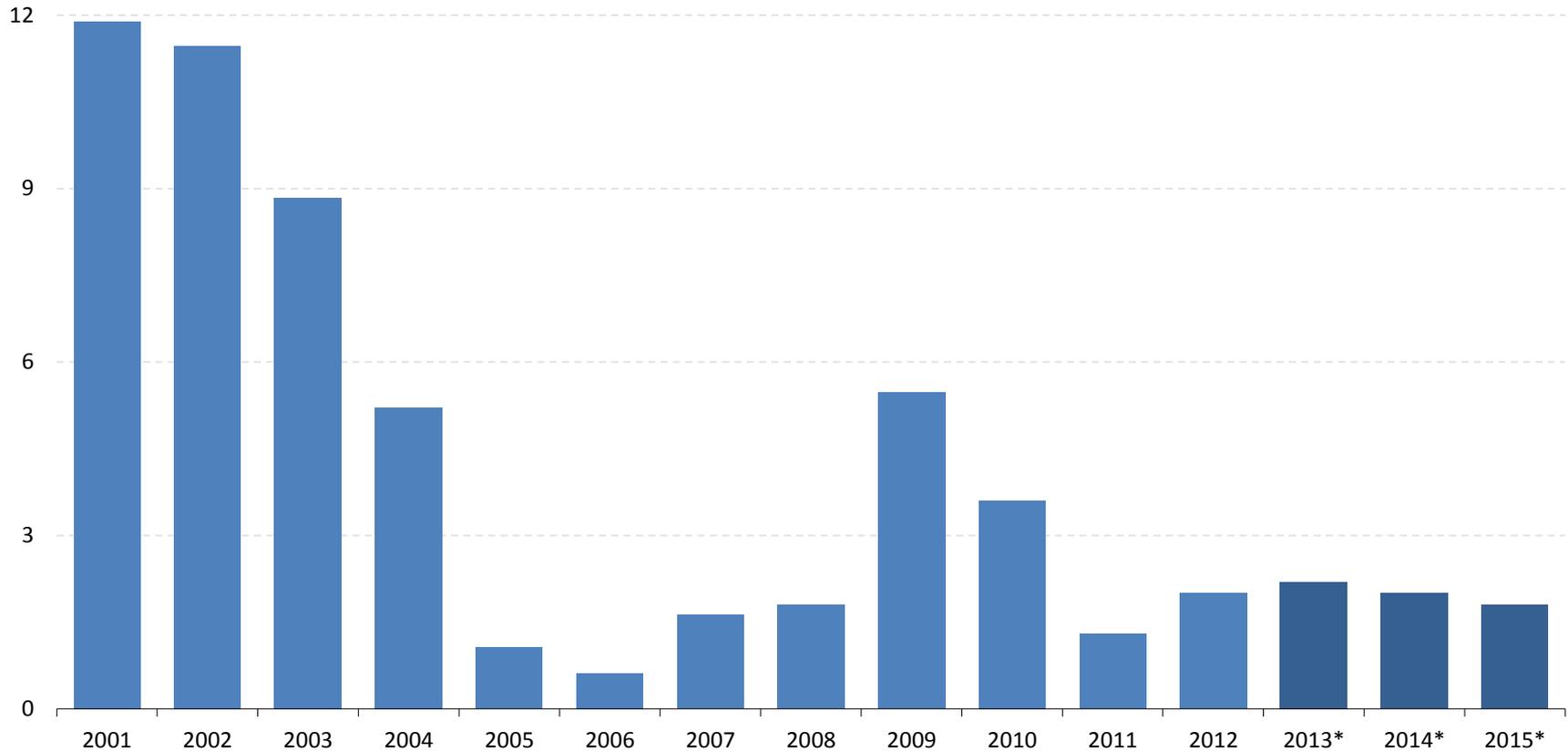


Source: CBRT.

*Shaded region indicates the 70 percent confidence interval for the forecast.

Budget Deficit: Turkey

Budget Deficit to GDP (Percent)

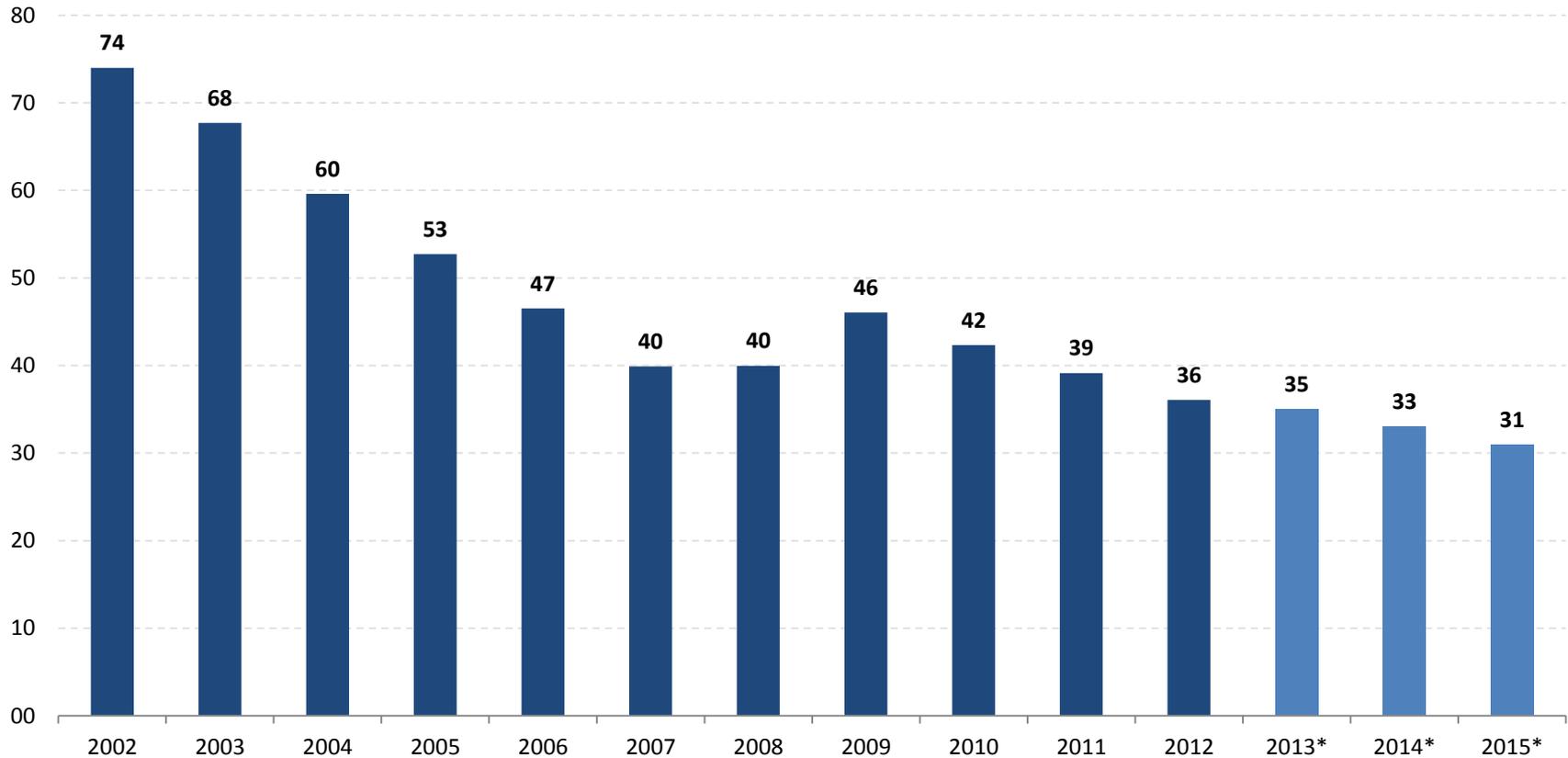


Source: Ministry of Finance, MTP (2013-2015).

*MTP (2013-2015) projections

Public Debt: Turkey

EU Defined Public Debt Stock (Ratio to GDP, Percent)

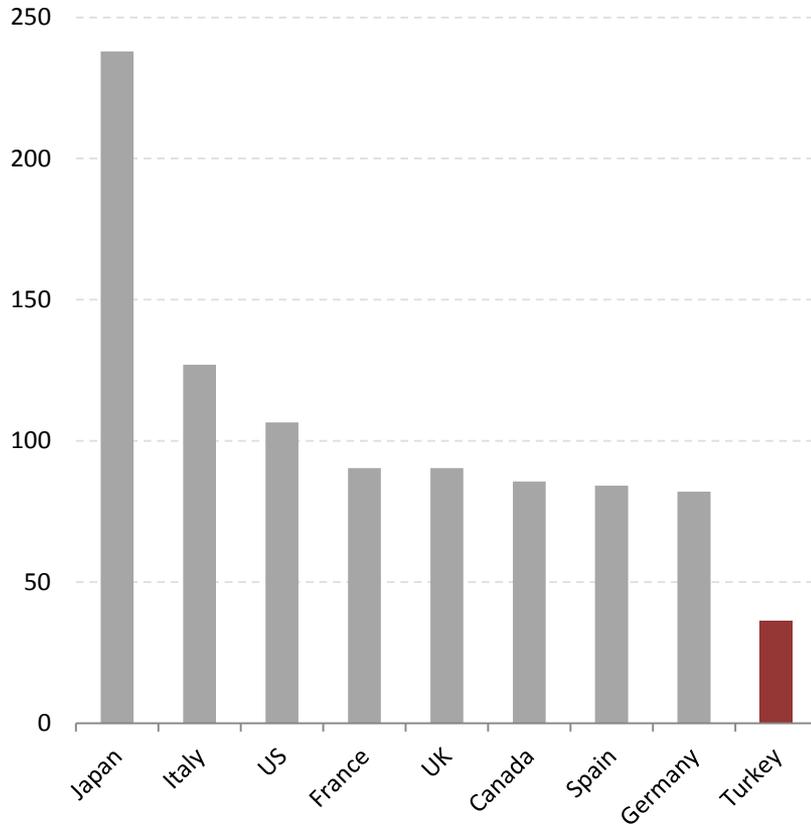


Source: Ministry of Finance, MTP (2013-2015).

*MTP (2013-2015) projections

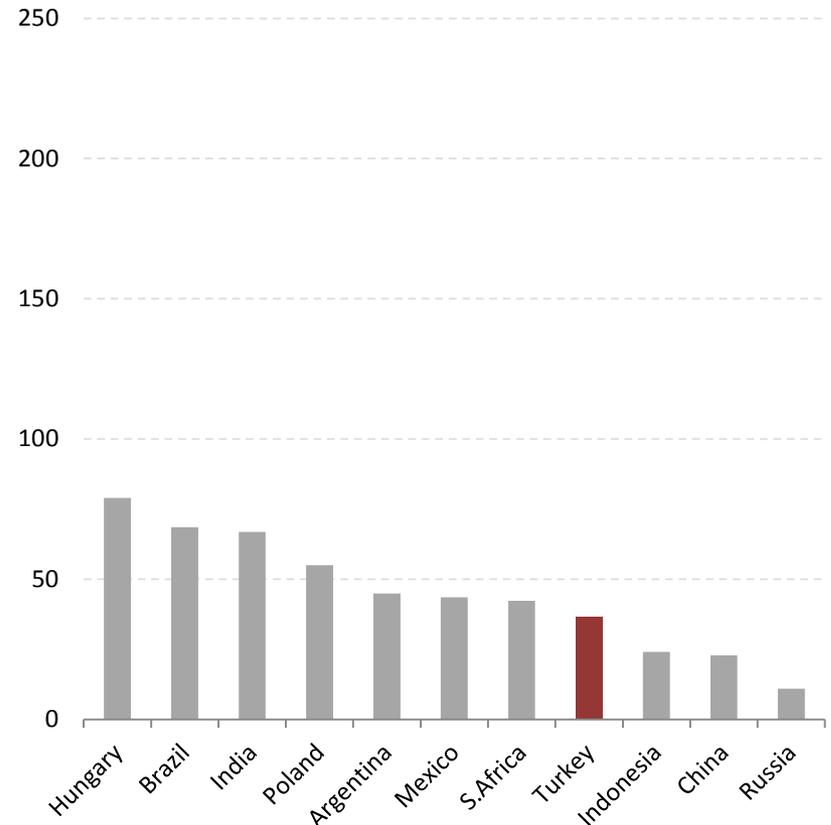
Public Debt Comparison

Advanced Economies and Turkey (Ratio to GDP, Percent, 2012)



Source: IMF Fiscal Monitor

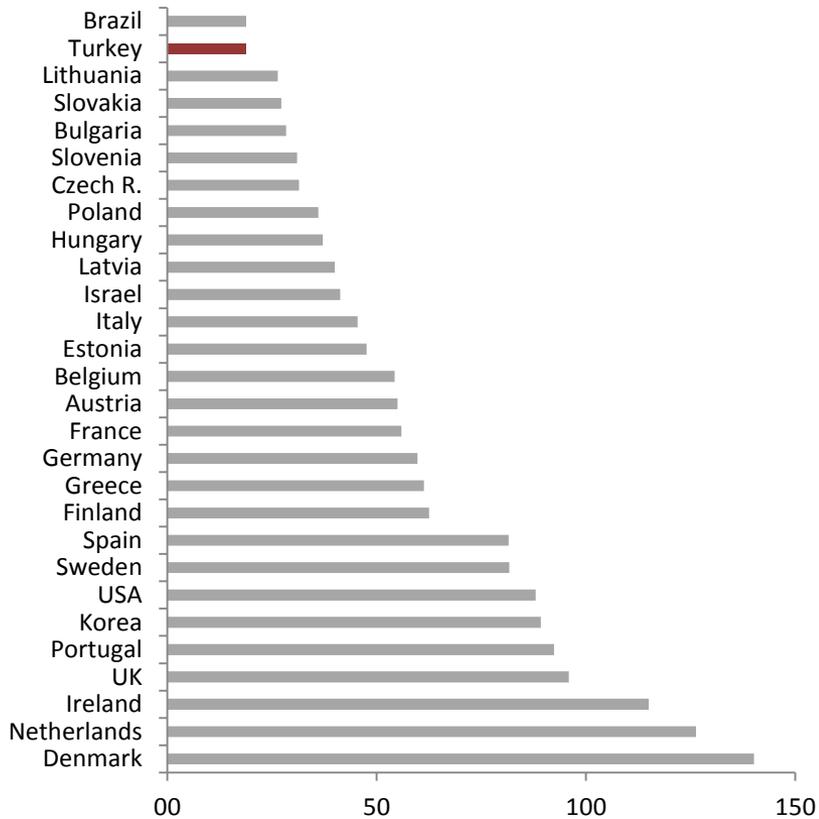
Emerging Economies and Turkey (Ratio to GDP, Percent, 2012)



Source: IMF Fiscal Monitor

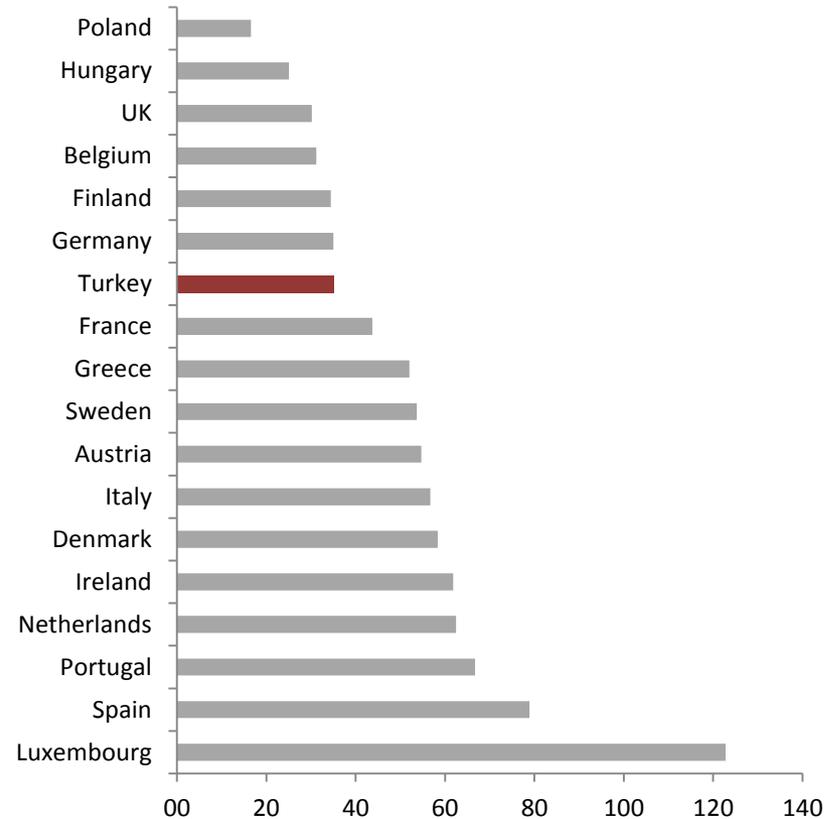
Real Sector Debt

Household Liabilities (Ratio to GDP, Percent)



Source: ECB, CBRT.

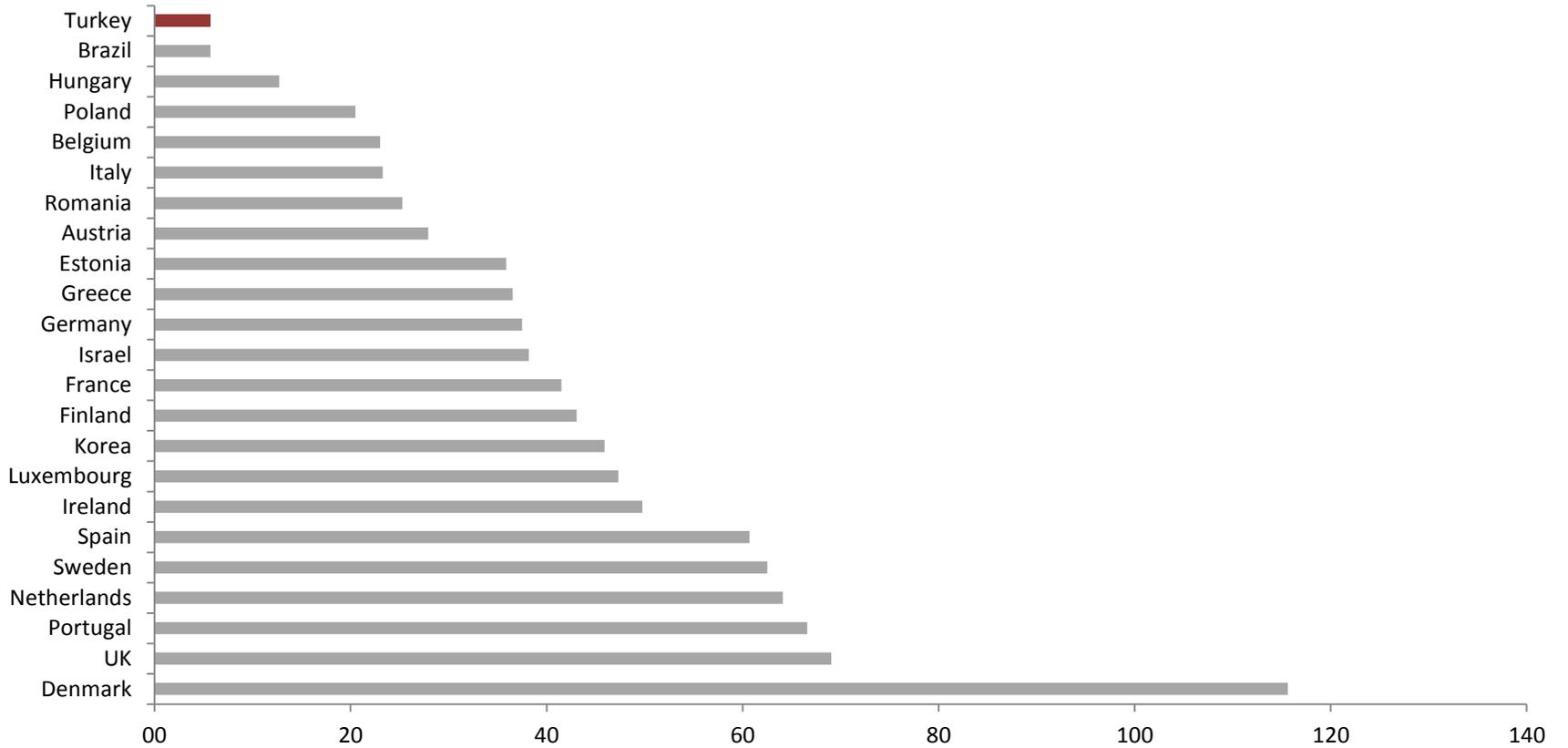
Corporate Liabilities (Ratio to GDP, Percent)



Source: ECB, CBRT.

Housing Loans

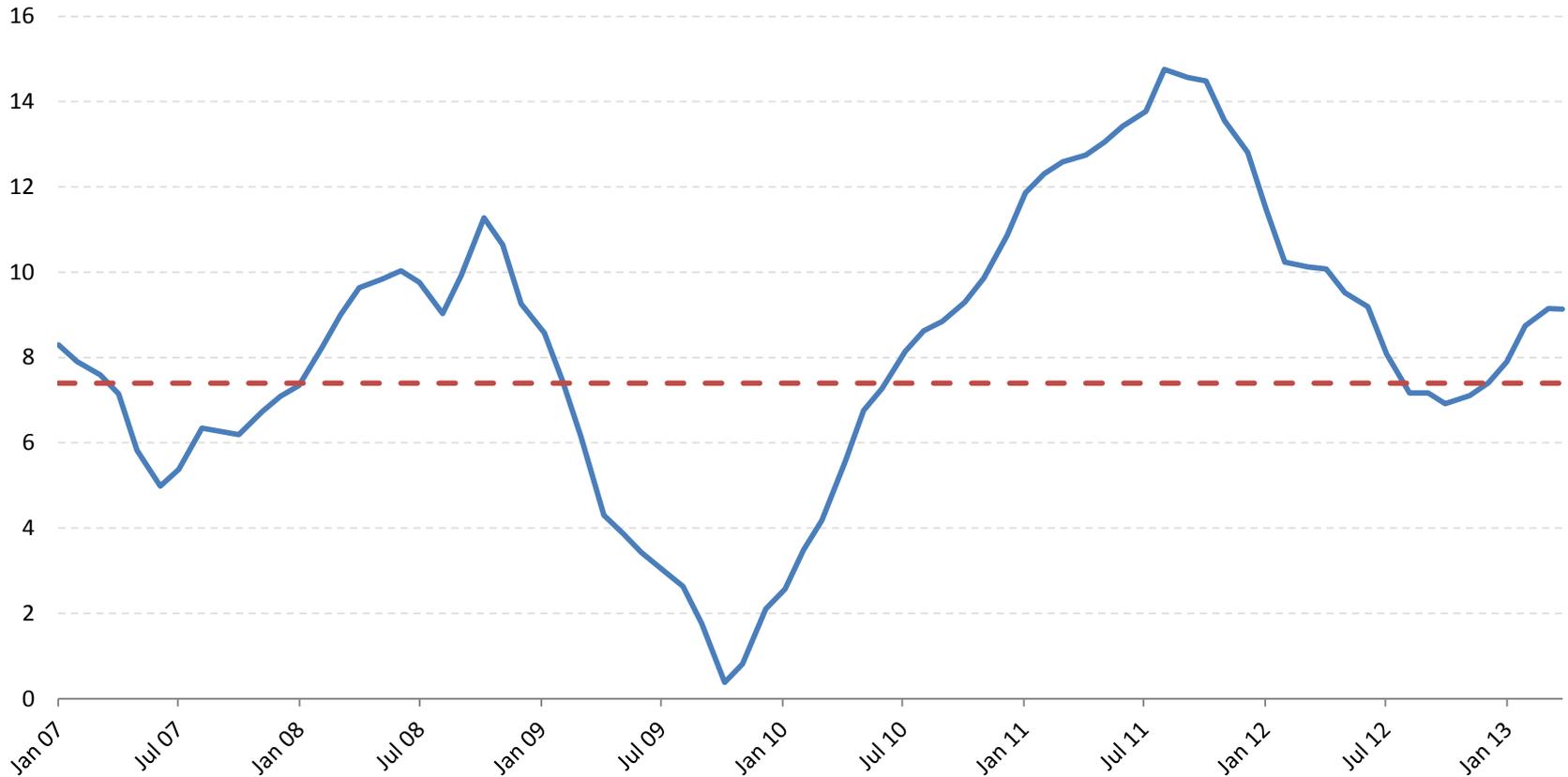
Housing Loans (Ratio to GDP, Percent)



Source: ECB, CBRT.

The Credit Cycle in Turkey

Total Loans*
(Ratio of Annual Change to GDP, Percent)

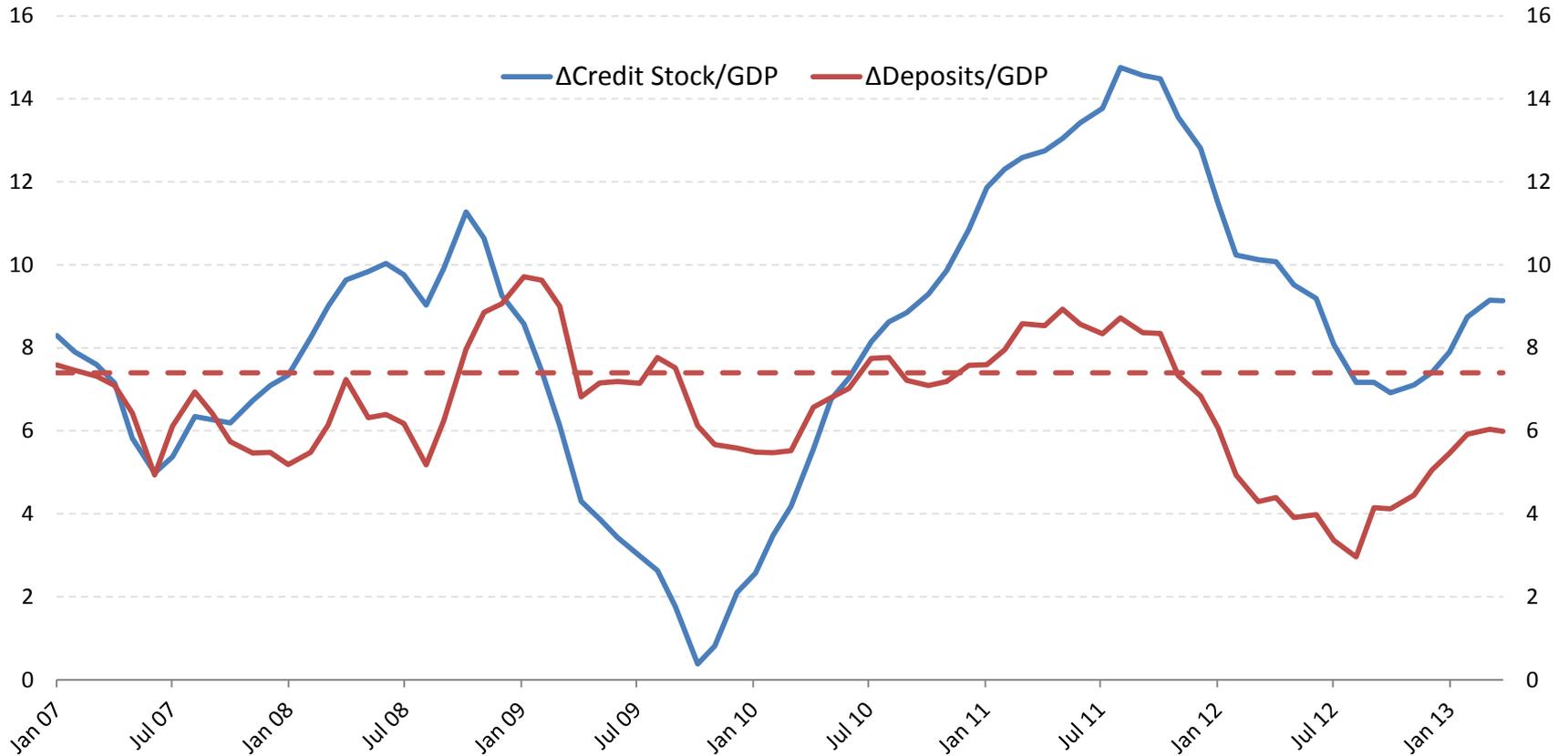


Source: CBRT.

*Participation banks are included.

The Credit Cycle in Turkey

Total Loans and Total Deposits*
(Ratio of Annual Change to GDP, Percent)

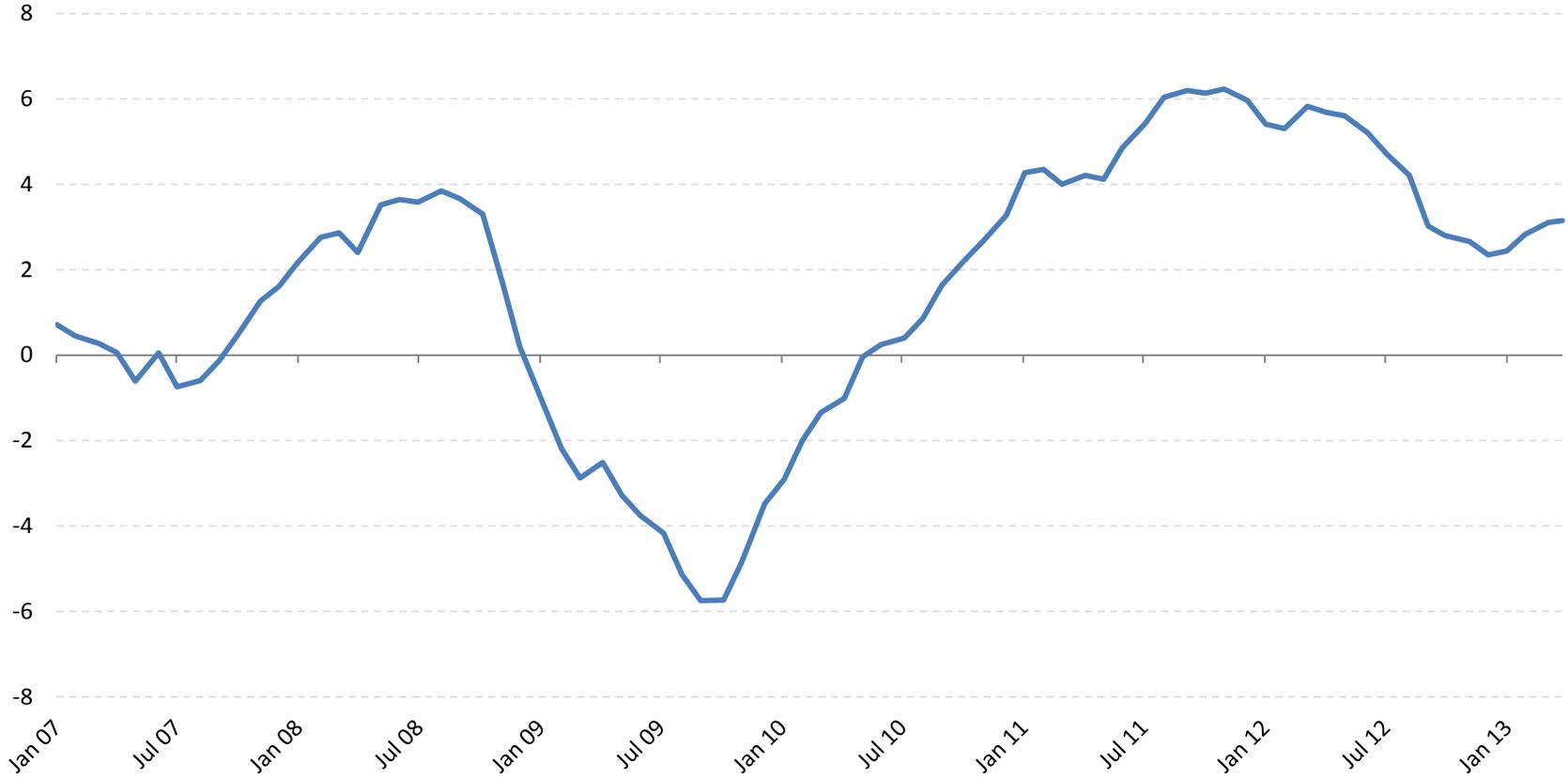


Source: CBRT.

*Participation banks are included, interbank deposits are excluded.

The Credit Cycle in Turkey

Difference Between Total Loans and Deposits* (Ratio of Annual Change to GDP, Percent)

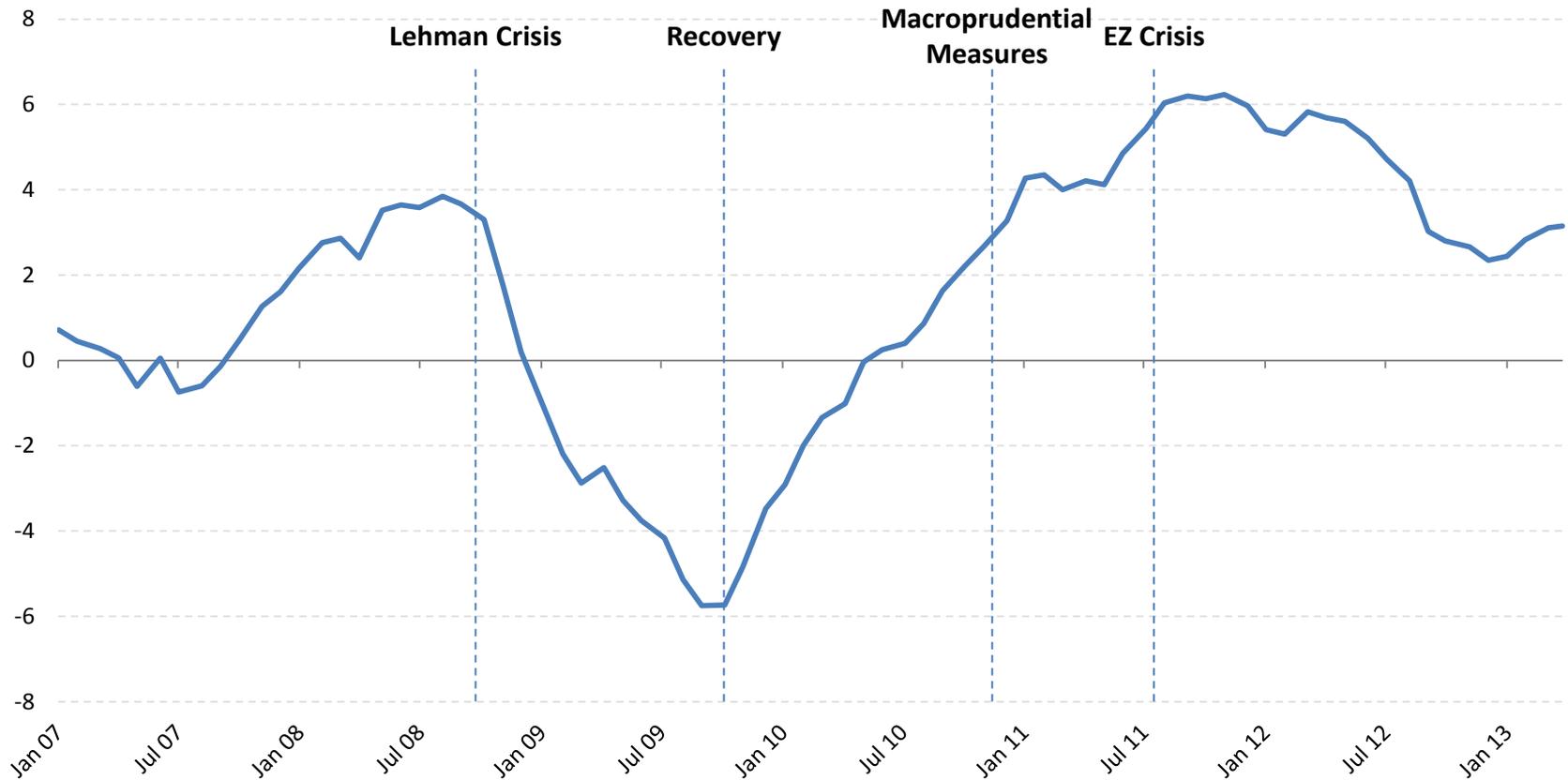


Source: CBRT.

*Participation banks are included, interbank deposits are excluded.

The Credit Cycle in Turkey

Difference Between Total Loans and Deposits* (Ratio of Annual Change to GDP, Percent)

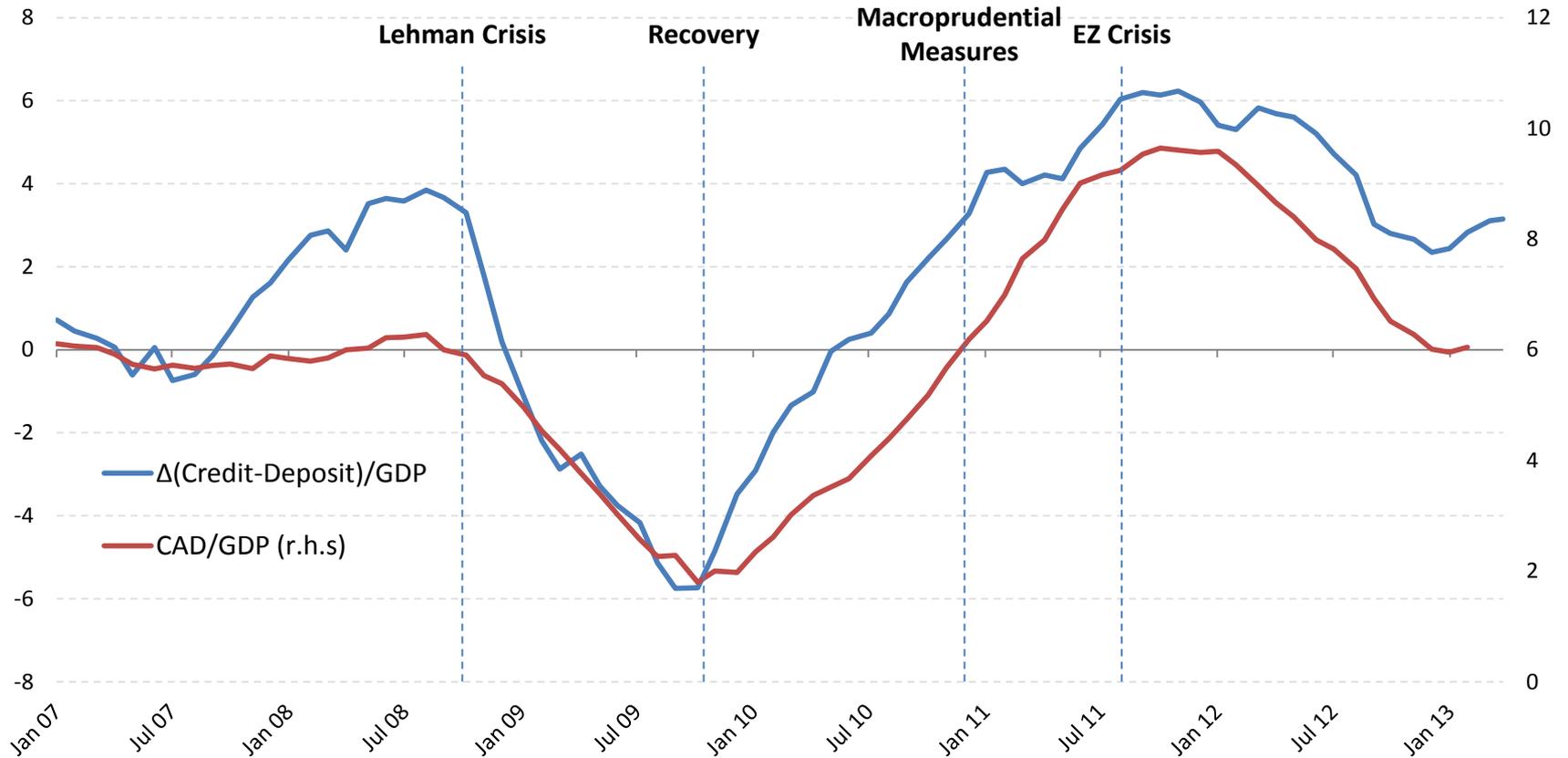


Source: CBRT.

*Participation banks are included, interbank deposits are excluded.

The Credit Cycle in Turkey

Difference Between Total Loans and Deposits* and Current Account Deficit (Annual Change, Percent)



Source: CBRT.

*Participation banks are included, interbank deposits are excluded.

Macroprudential Measures

- Loan-to-Value Restrictions
- Risk Weight on Consumer Loans
- General Provision Requirements
- Reserve Requirements
- Levy on Consumer Loans

Reserve Requirements

- Maturity-Based Reserve Requirements
- Currency-Based Reserve Requirements
- Leverage-Based Reserve Requirements
- Reserve Options Mechanism

Summary

- Bringing inflation down to single digits has removed one of the most important obstacles to growth in Turkey.
- Reducing inflation to the 5 percent target will bring additional benefits regarding financial stability.
- Financial stability is closely related to fiscal discipline and a prudent financial sector.
- Productivity enhancing structural reform agenda will be the key element for a stronger growth performance.



**TÜRKİYE CUMHURİYET
MERKEZ BANKASI**

Turkish Economy after the Global Financial Crisis

**Erdem Başçı, Governor
Central Bank of Turkey**

June 24, 2013

**Chamber of Commerce and Industry Switzerland - Turkey
Geneva**