



**TÜRKİYE CUMHURİYET
MERKEZ BANKASI**

Growth Prospects in Turkey

Erdem Başçı

Governor, Central Bank of Turkey

17 May 2013

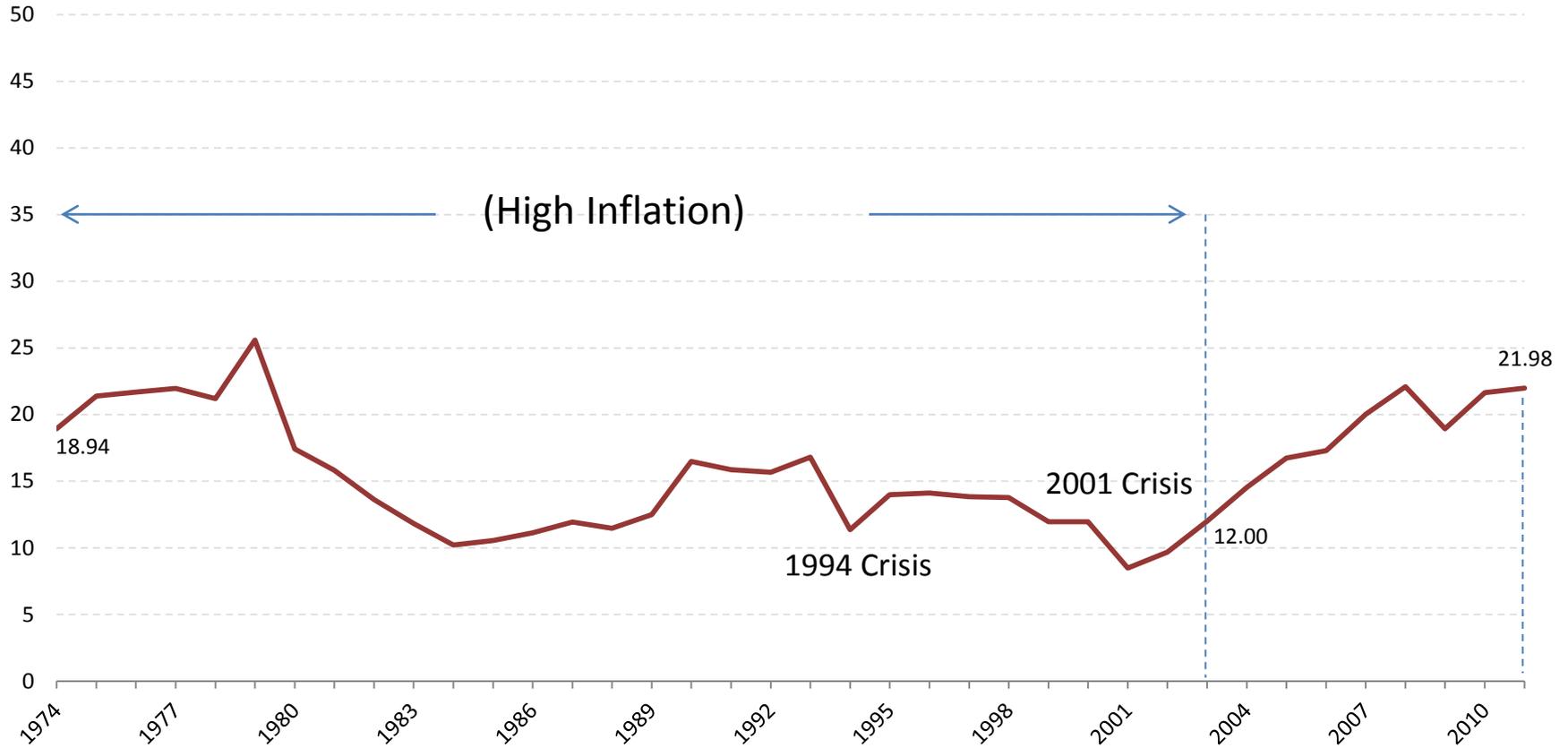
44. Konstanz Seminar on Monetary Theory and Policy

Three Pillars of Growth

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

Costs of Inflation and Financial Crises

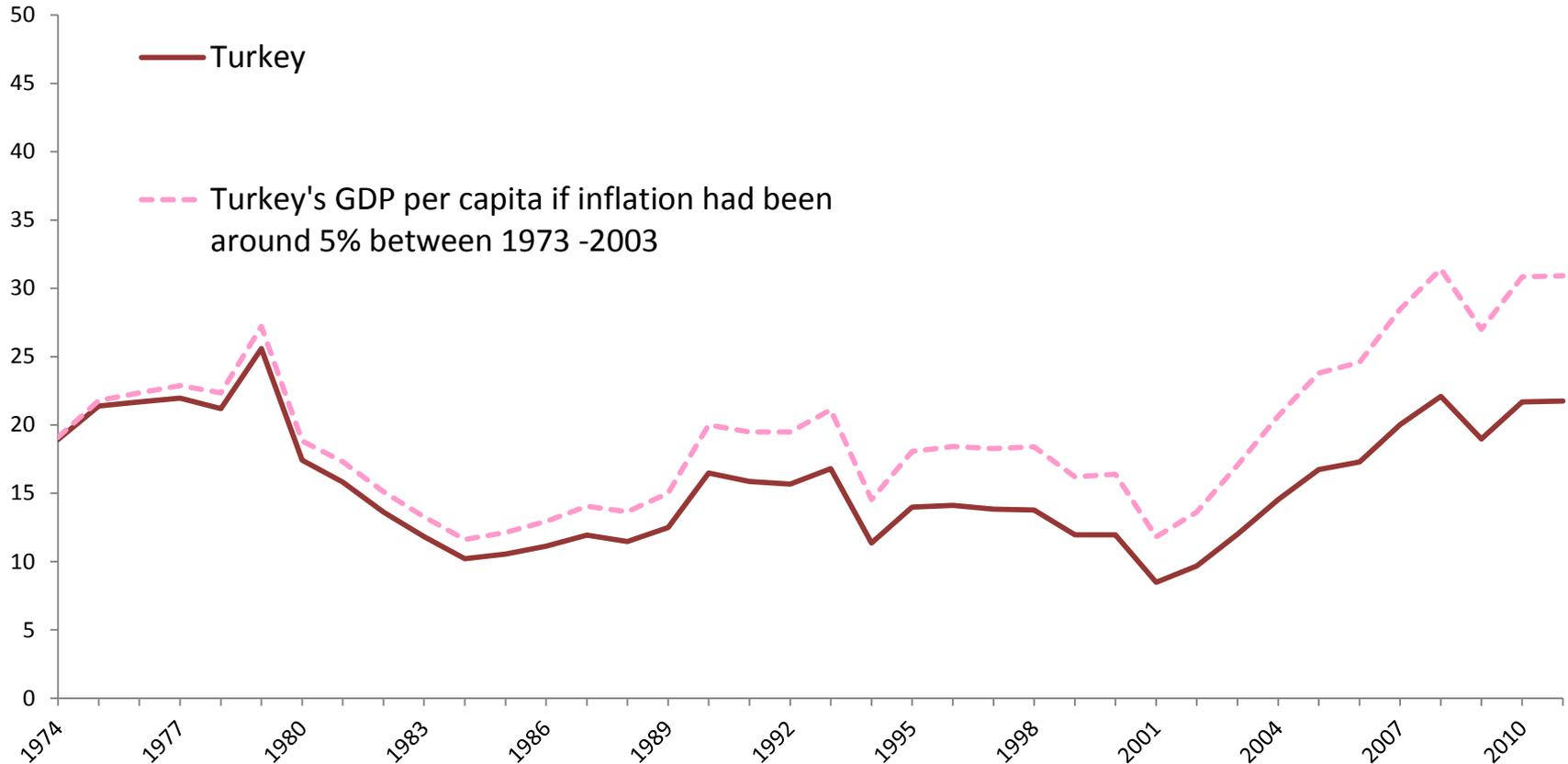
Per Capita Income in Turkey with Respect to the US (Percent)



Source: UN, CBRT

A Counterfactual

Per Capita Income with Respect to the US (Percent)

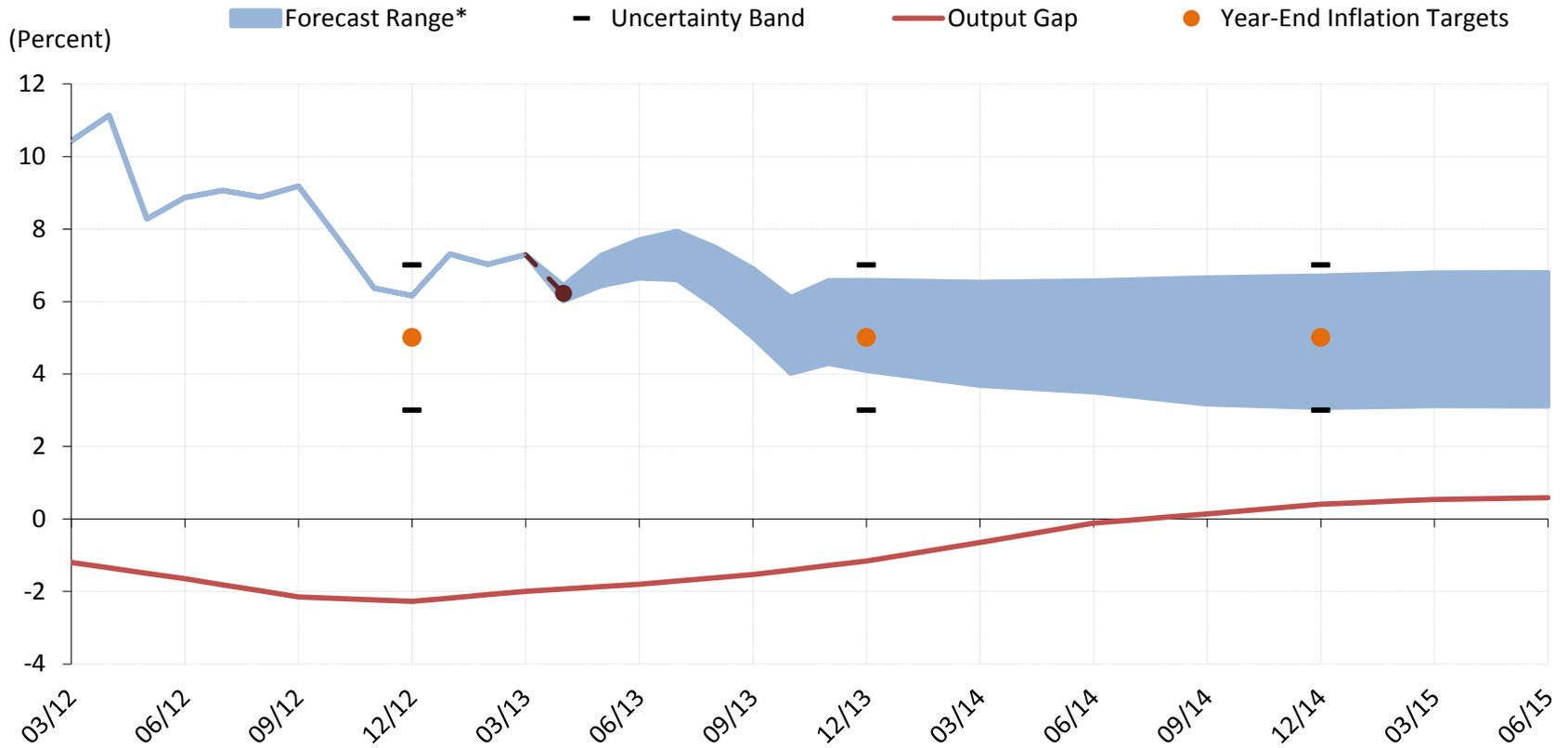


Source: UN, CBRT.

*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 Forecasts and Realizations



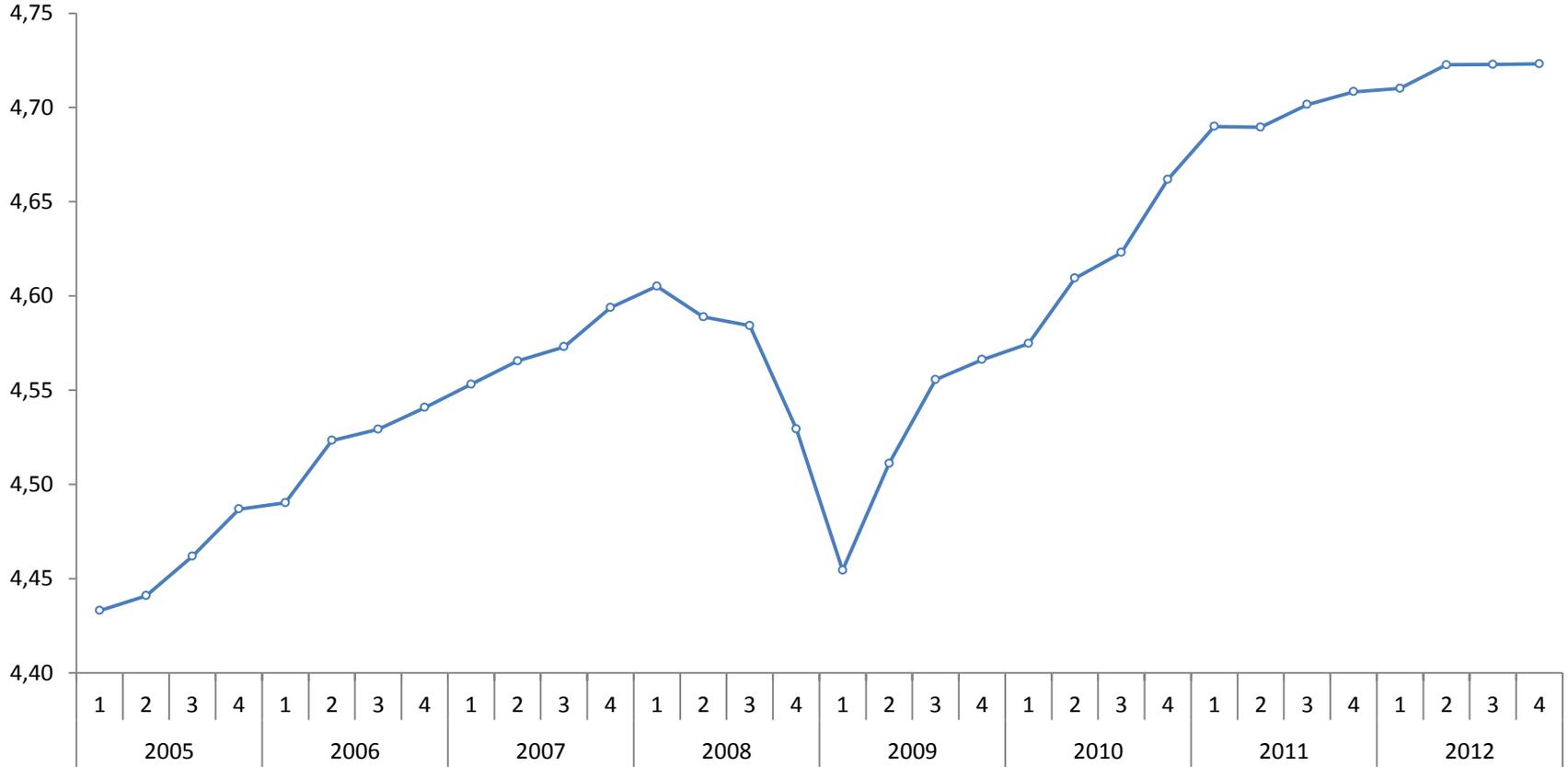
Source: CBRT.

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

Growth

GDP

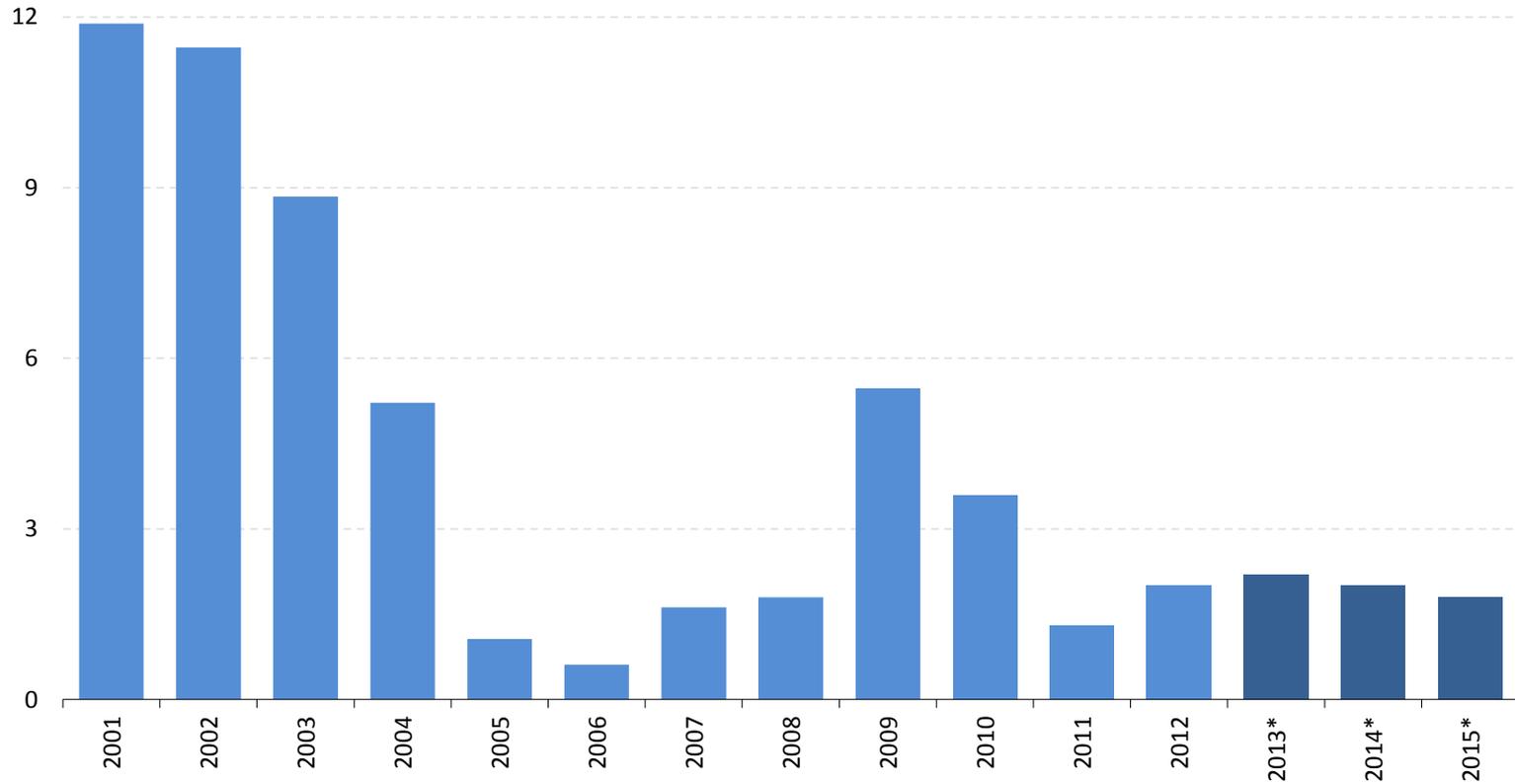
(Base Quarter: 2008Q1, Seasonally Adjusted, Natural Logarithms)



Source: TURKSTAT, CBRT.

Fiscal Policy

Budget Deficit to GDP (Percent)

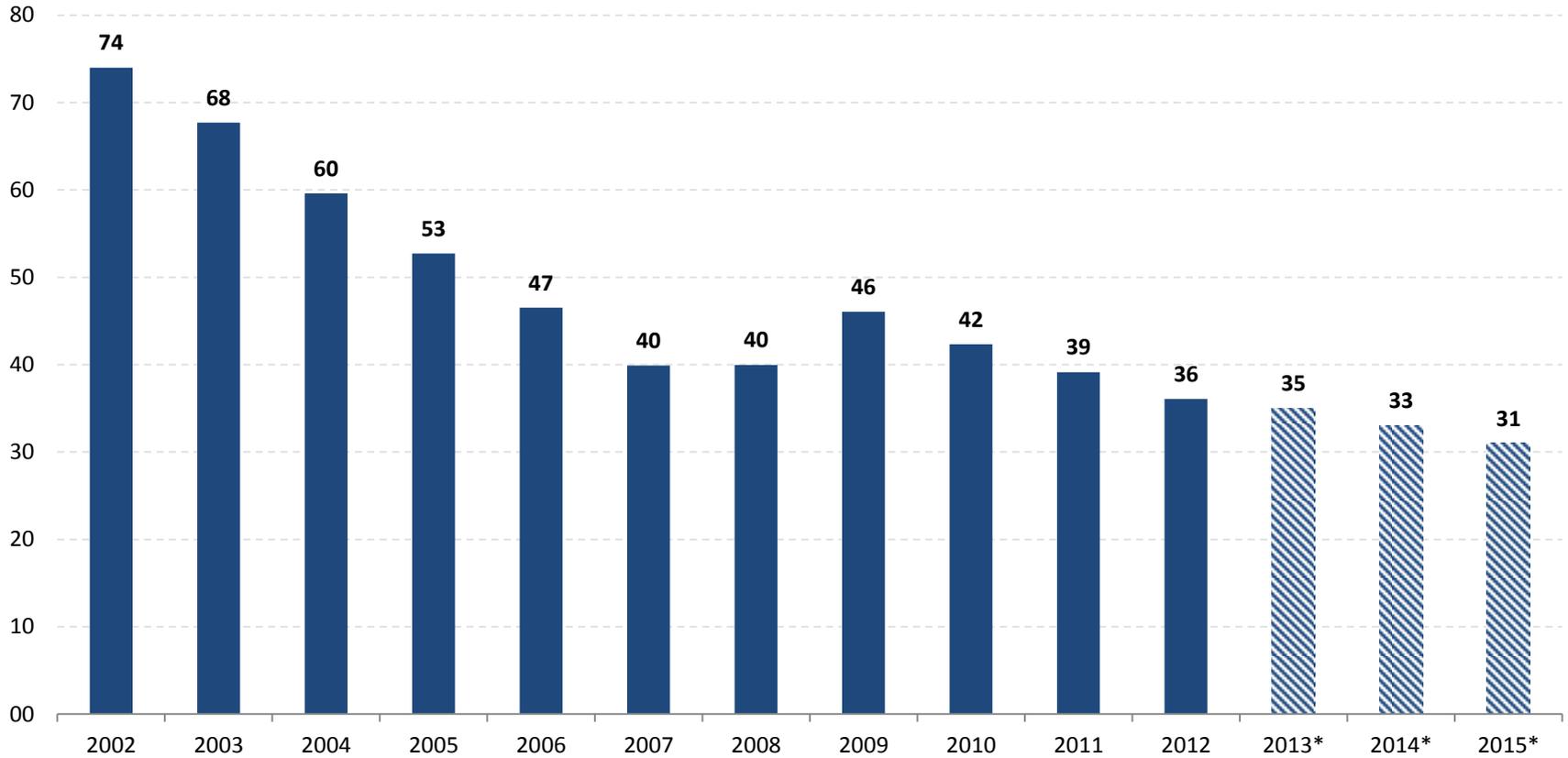


Source: Ministry of Finance

*Medium Term Program projections.

Fiscal Policy

EU Defined Public Debt to GDP (Percent)

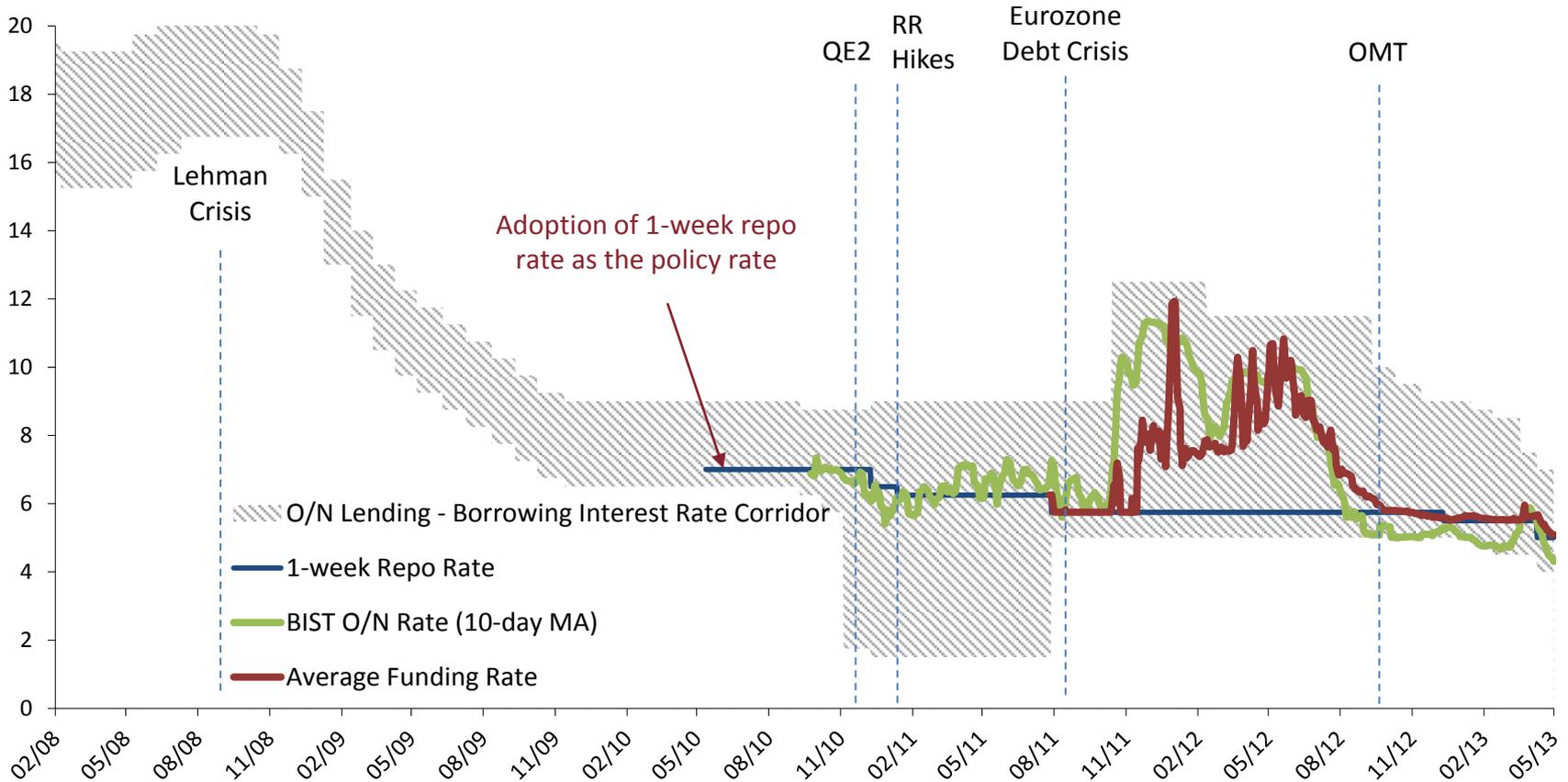


Source: Ministry of Finance

*Medium Term Program projections.

Monetary Policy

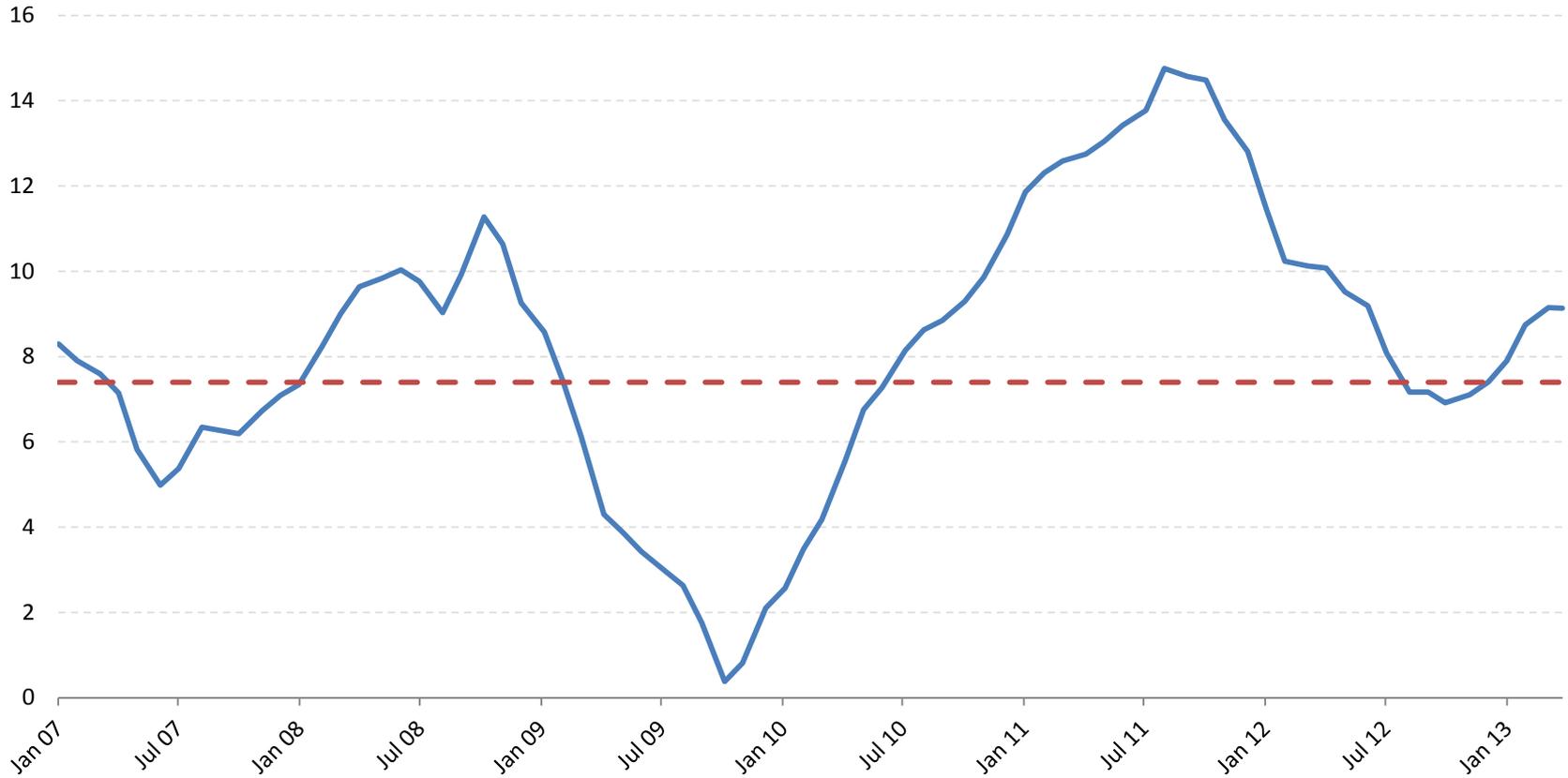
Interest Rate Corridor and Average Funding Rate (Percent)



Source: BIST, CBRT.

The Credit Cycle in Turkey

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

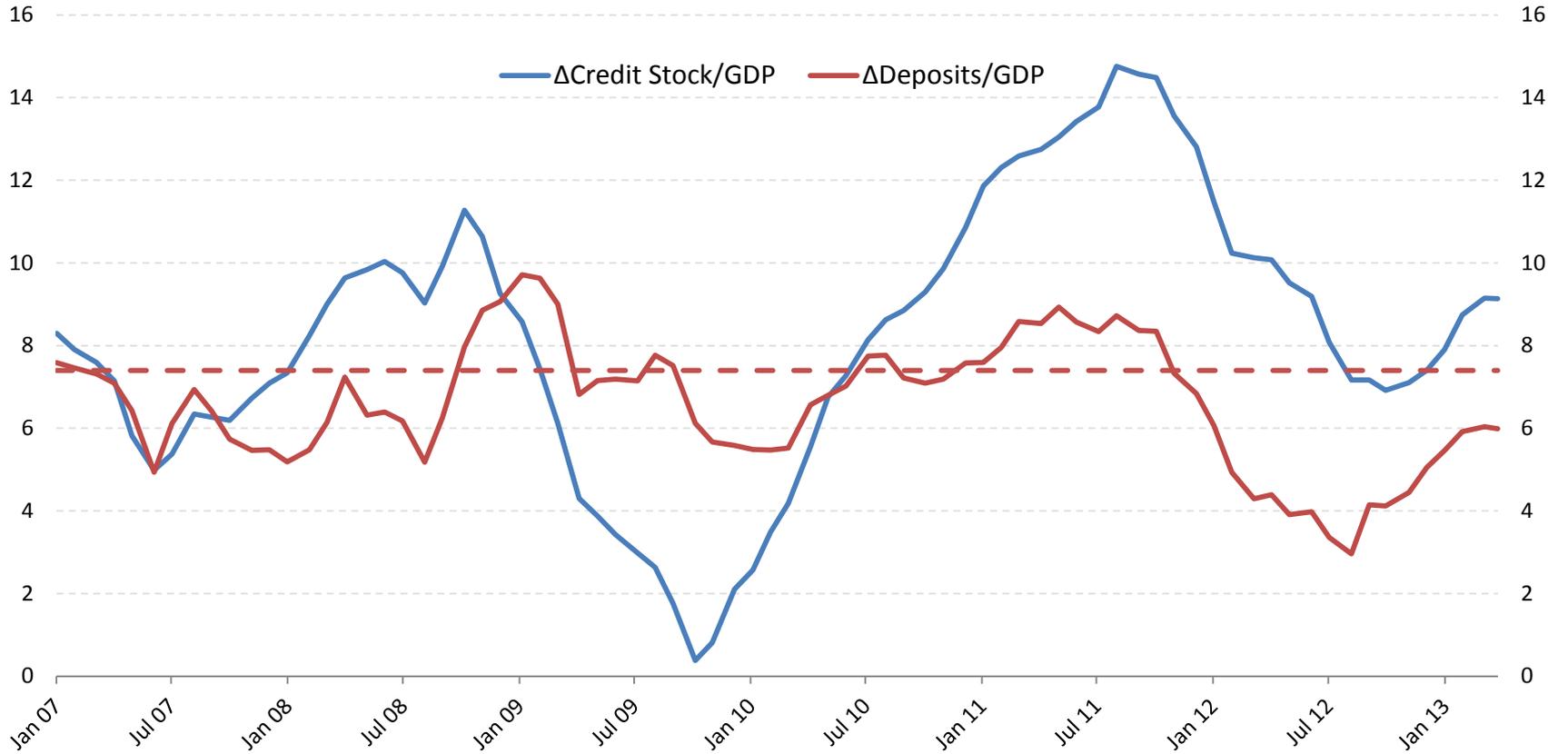


Source: CBRT.

*Participation banks are included.

The Credit Cycle in Turkey

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

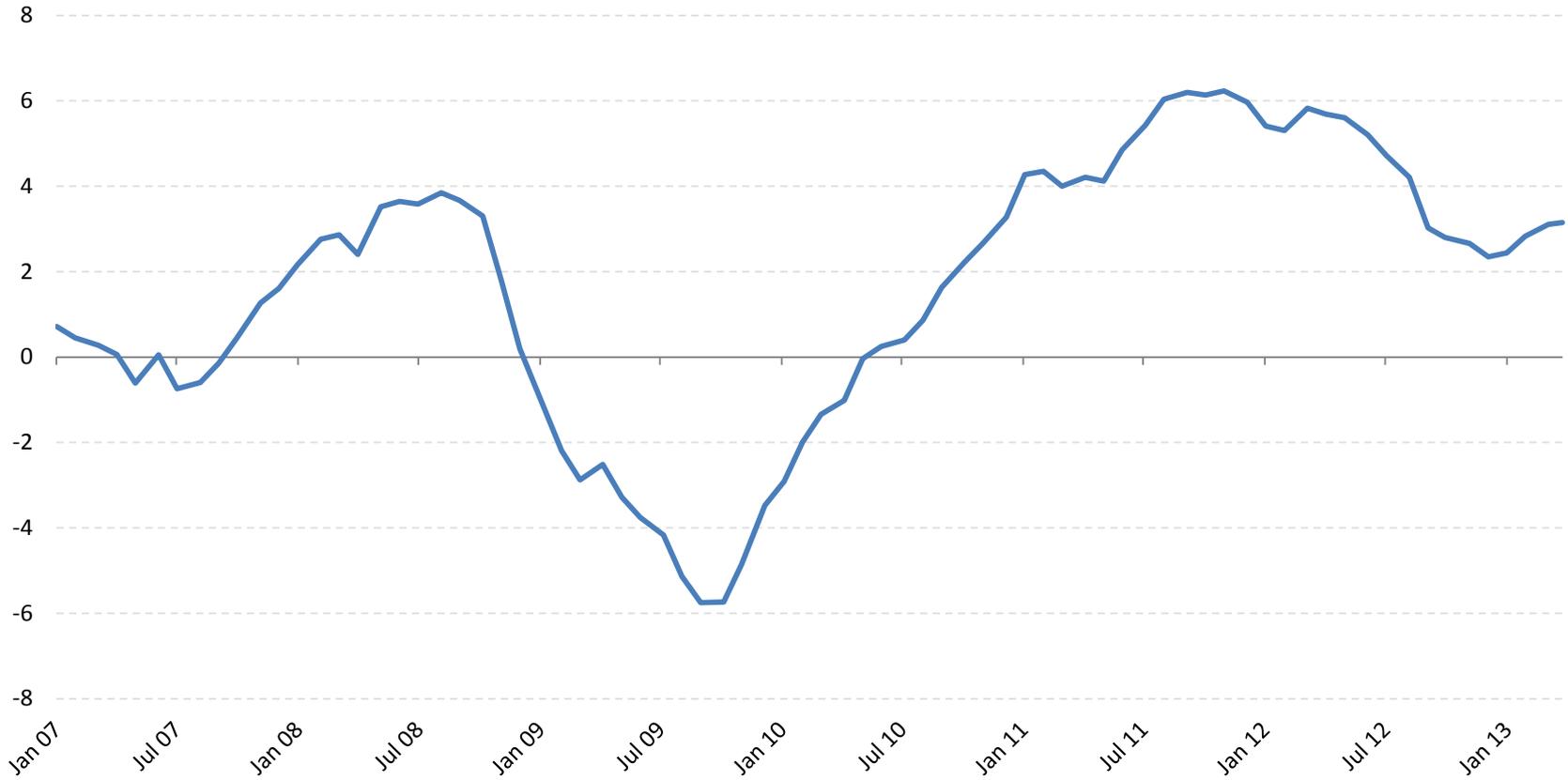


Source: CBRT.

*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)

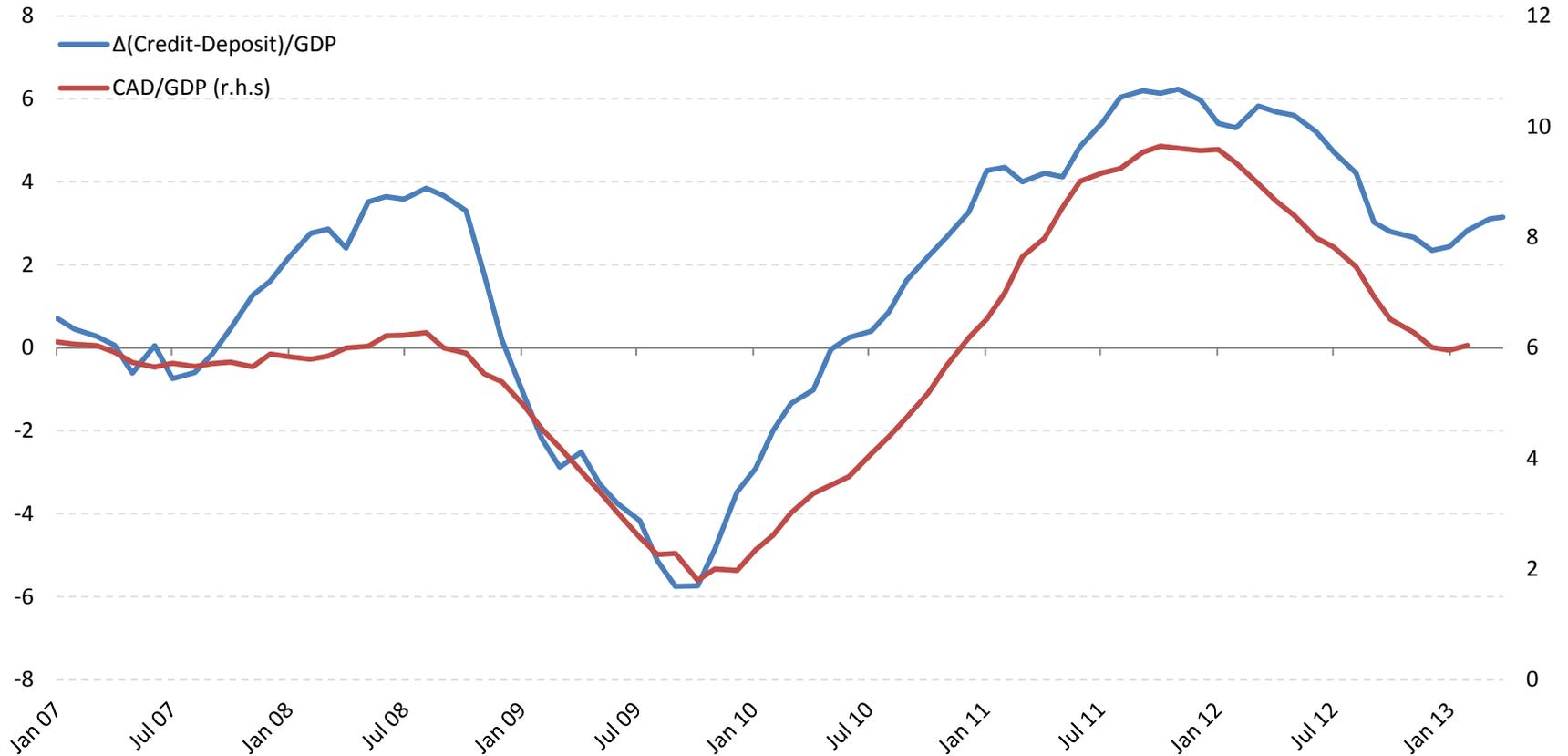


Source: CBRT.

*Participation banks are included, interbank deposits are excluded.

The Credit Cycle in Turkey

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

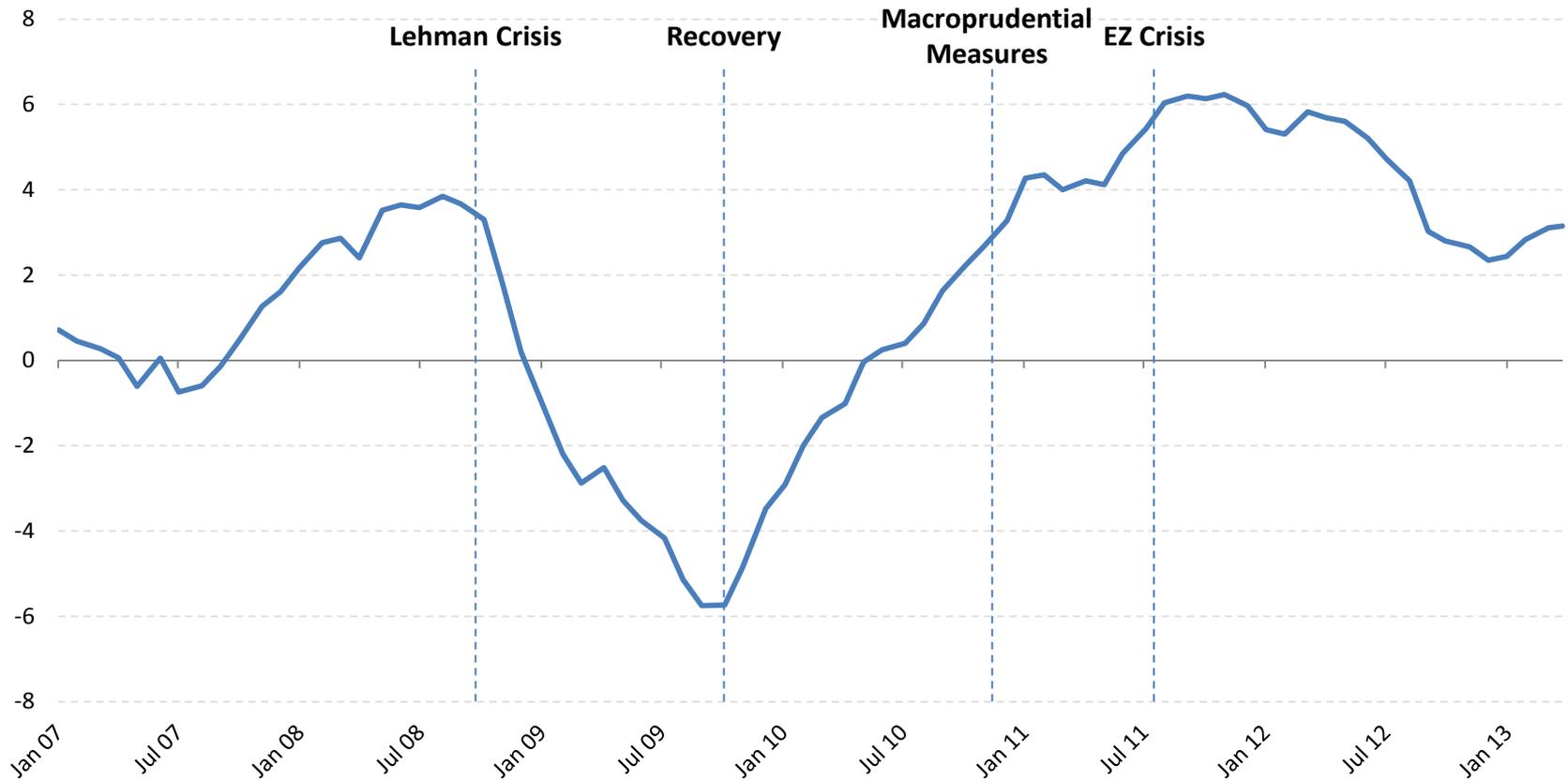


Source: CBRT.

*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.

Macroprudential Measures

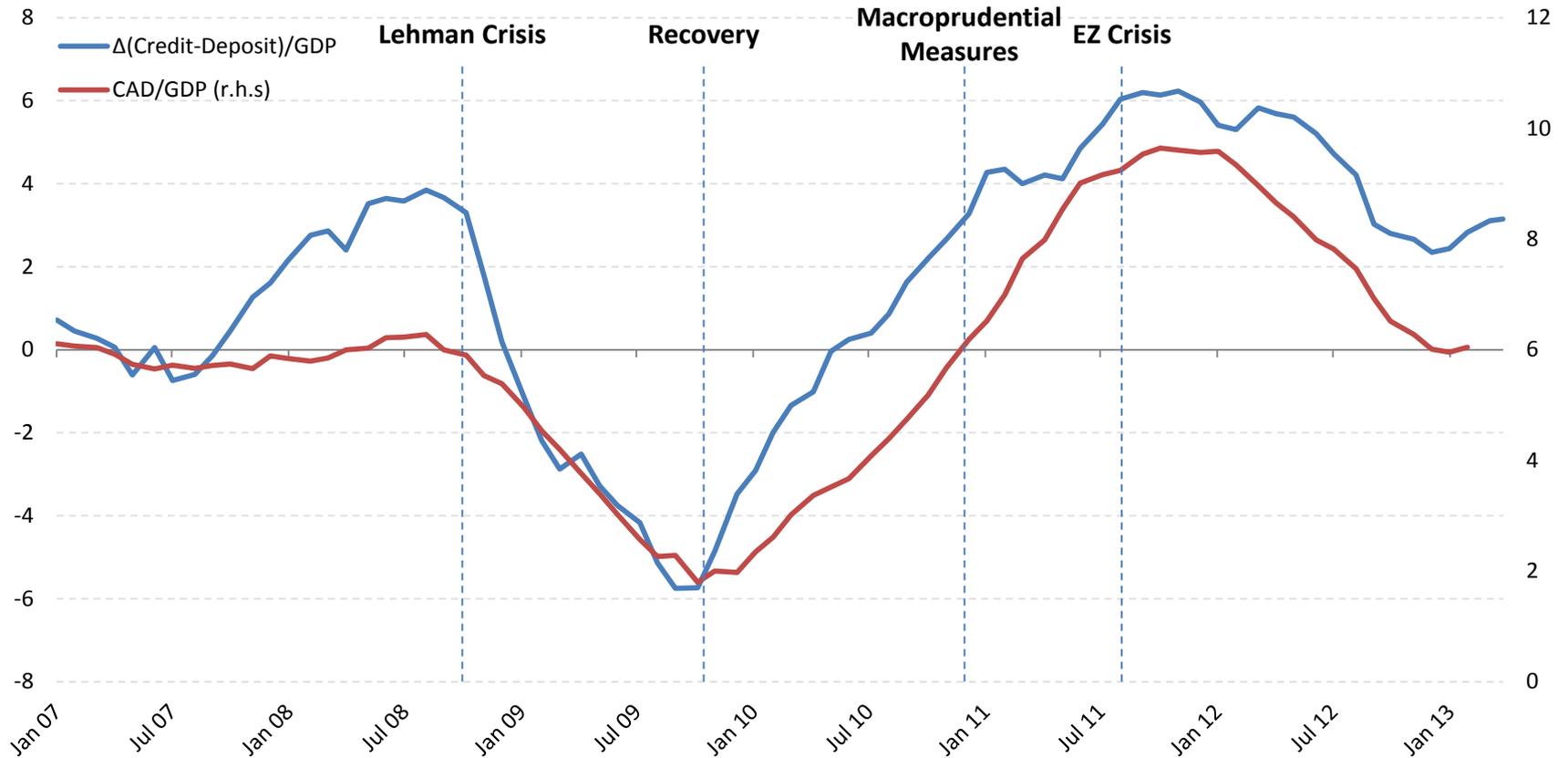
- Loan-to-Value Restrictions
- Risk Weights on Consumer Loans
- General Provisioning Requirements
- Levy on Consumer Loans
- Reserve Requirements

Reserve Requirements

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

The Credit Cycle in Turkey

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

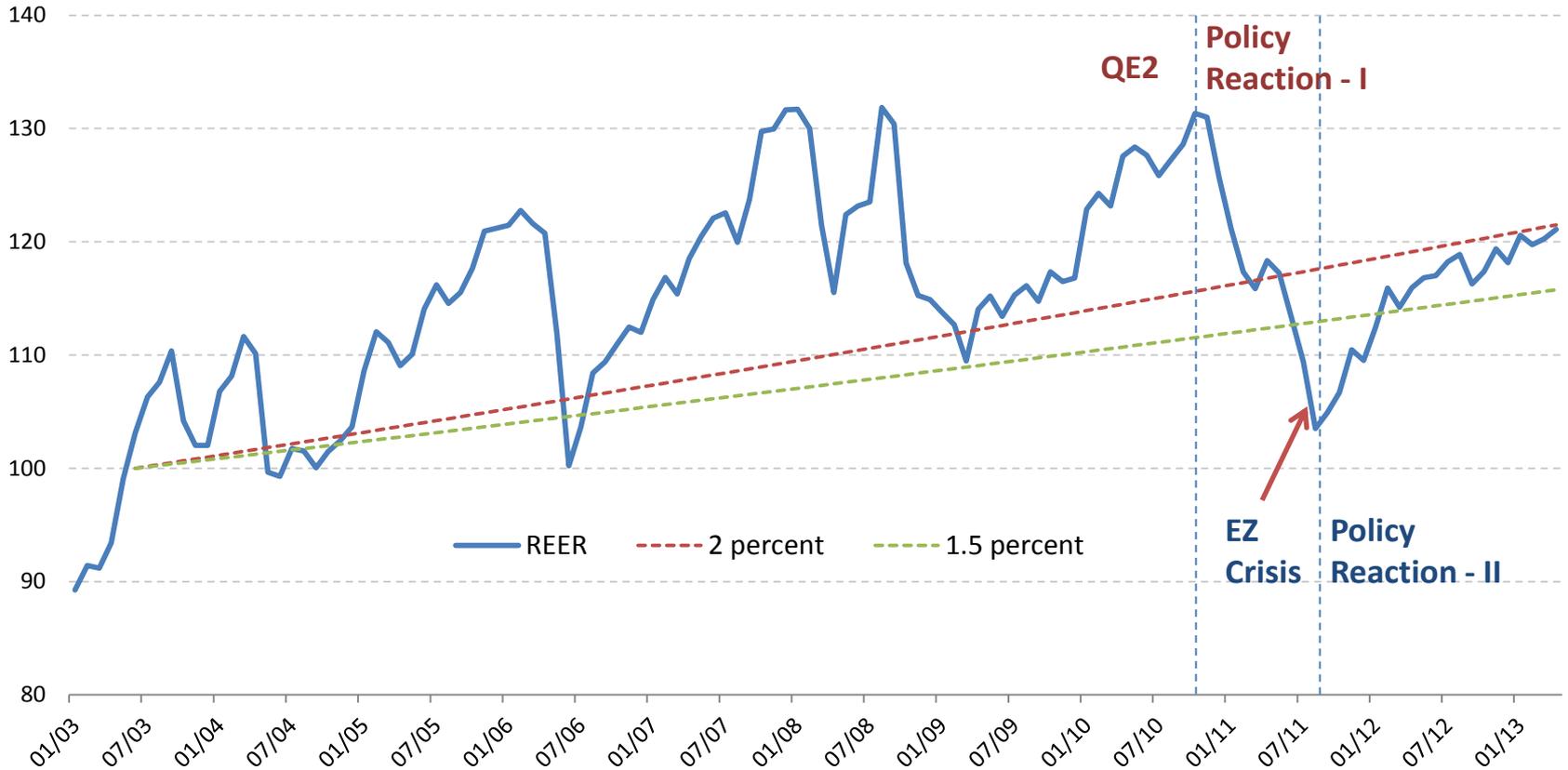


Source: CBRT.

*Participation banks are included, interbank deposits are excluded.

Real Effective Exchange Rate (REER)

CPI Based REER (Base year: 2003)



Source: CBRT.



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