

TURKISH ECONOMY



Go South East

November 8, 2010

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'SICK MAN OF EUROPE'

- January 9, 1853 > Ottoman Empire
- United Kingdom 1960-1970
- Ireland prior 1990
- Portugal before 1990 and 'A new Sick Man of Europe in 2007
- Greece before 1990 and in 2009
- Italy: 'The Real Sick Man of Europe'
- France: 'New Sick Man of Europe' in 2007

>> 'SICK MEN OF EUROPE'

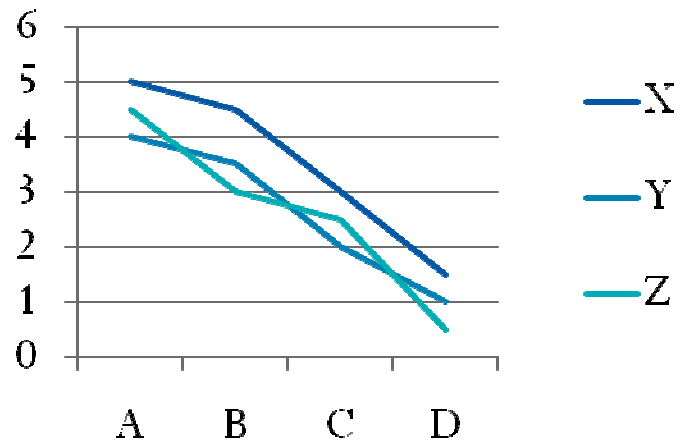


Tsar Nicholas I of Russia

A ROLLER COASTER ?



Year of the crisis: 'February 21, 2001'



***\$ 7.500.000.000.- outflow from Central Bank
7.500% overnight interest rates !***

The years after...

- Greater political stability
- Policy reforms
 - Overhaul of financial sector supervision
 - Introduction of inflation targeting
 - Setting conservative targets
- EU accession negotiations
 - Improved confidence in economic management



Bounce back...



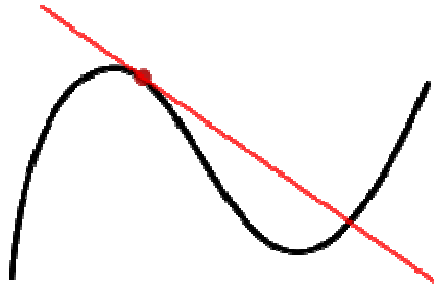
- GDP growth to $6^{3/4}\%$ on the average during 2002-2007
- Sound macro policies
- Large fiscal primary surplusses
- Rapid retreat of public debth
- Moderate inflation
- Strong bank balance sheets

Enviromental factors...

- Improved growth prospects
- Abundant global liquidity
- Attracting strong capital inflow



GLOBAL CRISIS !!!



‘Global crisis will pass tangent to the Turkish Economy’



- Turkey entered the global crisis in a stronger position, **BUT**
 - Capital flight
 - Seizing up of bank lending
 - Collapse of external demand
 - Domestic political turbulence
- CAUSED DOMESTIC CONFIDENCE TO ERODE.**

CONSEQUENCES...

- Drop in investments
- Drop in inventories
- Decline in exports
- Layoffs
- Contraction %4,7 in 2009

MEASURES TAKEN...

- Temporary cuts in consumption taxes
- Relaxed monetary policy
- Measures against layoffs ($\frac{1}{4}$ of wages)

Advantages...

- Strong & controlled banking system
- Almost no mortgage problem
- While inflation is dropping average time deposit is for 3 months
- Long term government borrowings
- Magnitude of personal borrowings is low
- Flexible and dynamic industry
 - Manufacturing abroad
 - New markets
 - Shrinking

Today...

- Growth rate %11.7 in Q1/2010
- GDP expansion expected for 2011 %7.8
- Economic growth is likely to be strongest of OECD in 2010
- Financial stability
- International investor confidence
- Dynamic private sector
- Expected to be the 16th largest economy in 2011

Agricultural Sector...

- %29.5 of labor force
- %9.3 of the GDP
- Incentive system dismantled
- GAP (Southeastern Anatolia Project)
 - 22 dams
 - 19 hydraulic power plants (7.476 MW)
 - Irrigation for 1.82 million hectares of land
- Nr.1 in hazelnut, cherry, fig, apricot, quince and pomegranade
- Nr.2 in watermelon, cucumber and chickpea
- Nr.3 in tomato, eggplant, green pepper, lentil and pistacchio

Industrial Sector...

- Consumer electronics and home appliances
 - Largest TV producer in Europe
 - Second largest white good producer
- Textiles
- Motor vehicles and automotive products
- Shipbuilding

Construction & Contracting

- World's 2. largest behind China



Service Sector...

- **Transport**
 - 88 airports
 - 8.697 km railways
 - 10.630 km gas & 3.636 km oil pipelines
 - World's 18 th largest merchant marine
- **Communication**
 - 17.5 mio. fixed & 65.8 mio. mobile telephones
 - 25 mio. internet users
- **Tourism**
 - 11 of the 100 best hotels (TUI)
 - 31 mio. visitors

- **Thank you...**