

**Republic of Turkey**  
**Undersecretariat of Treasury**

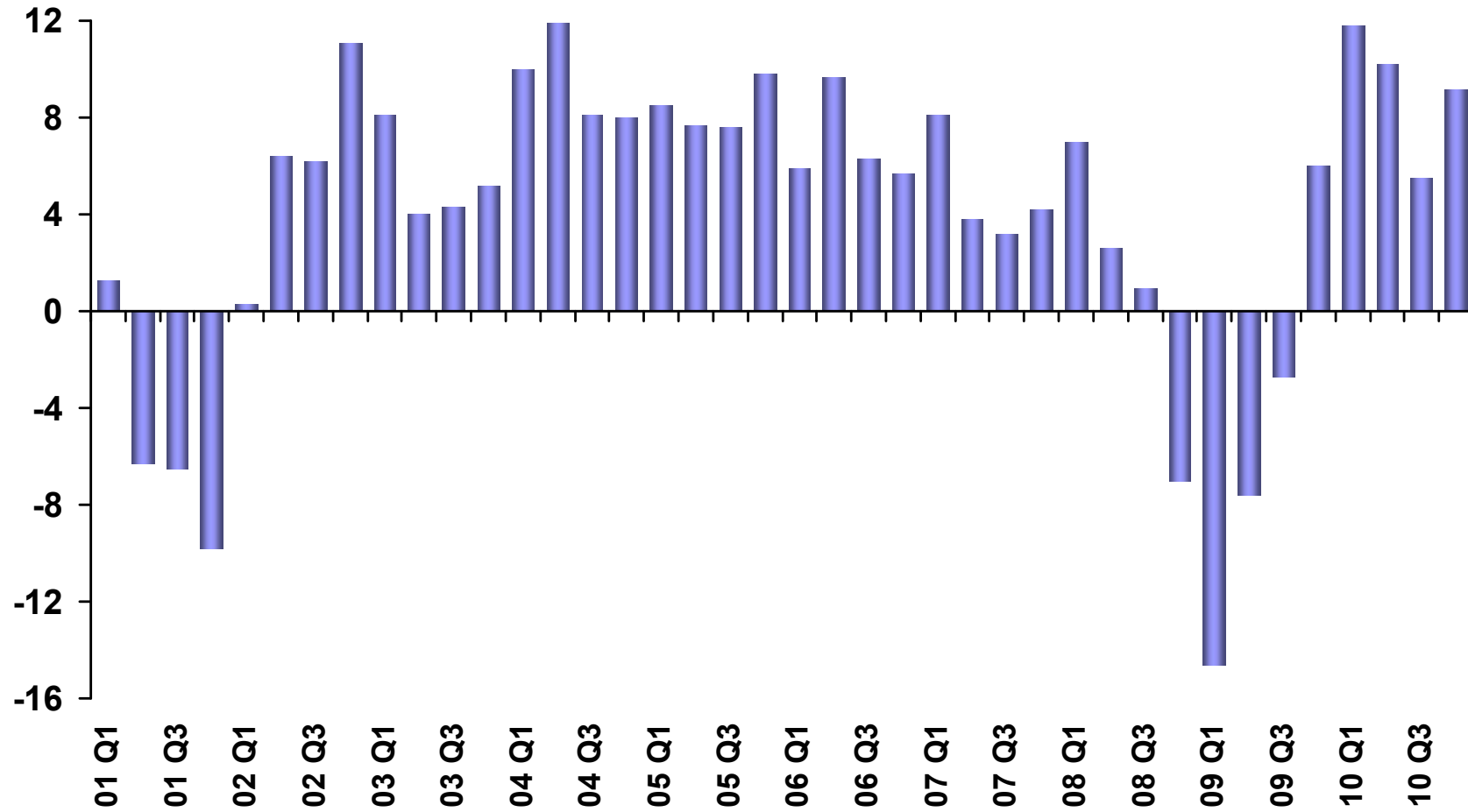
# **Turkish Economy: Recent Developments**

**İbrahim H. Çanakcı**

**Undersecretary of Treasury**

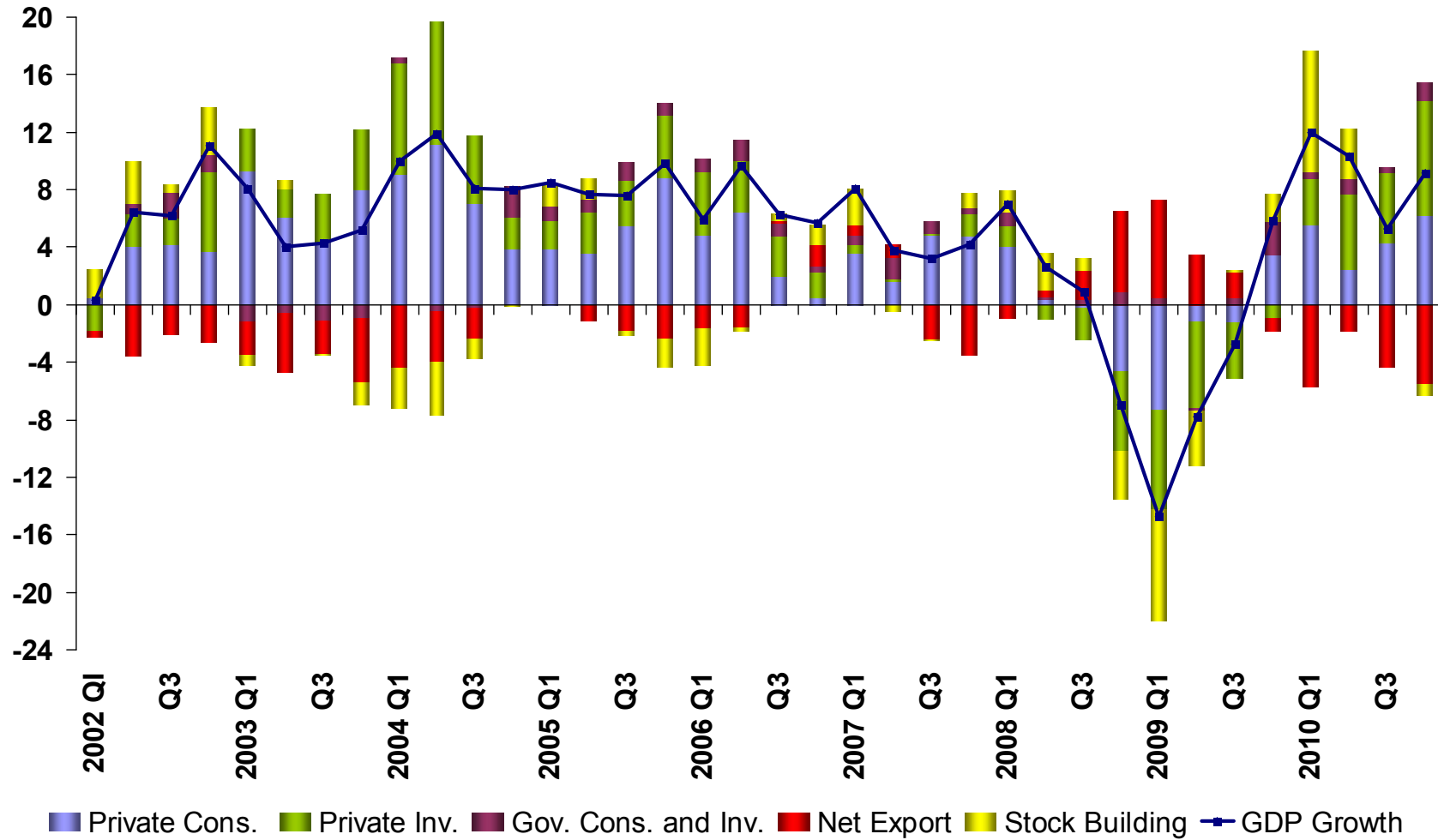
**April 2011**

# GDP Growth Rates (% YoY)



Source: TURKSTAT

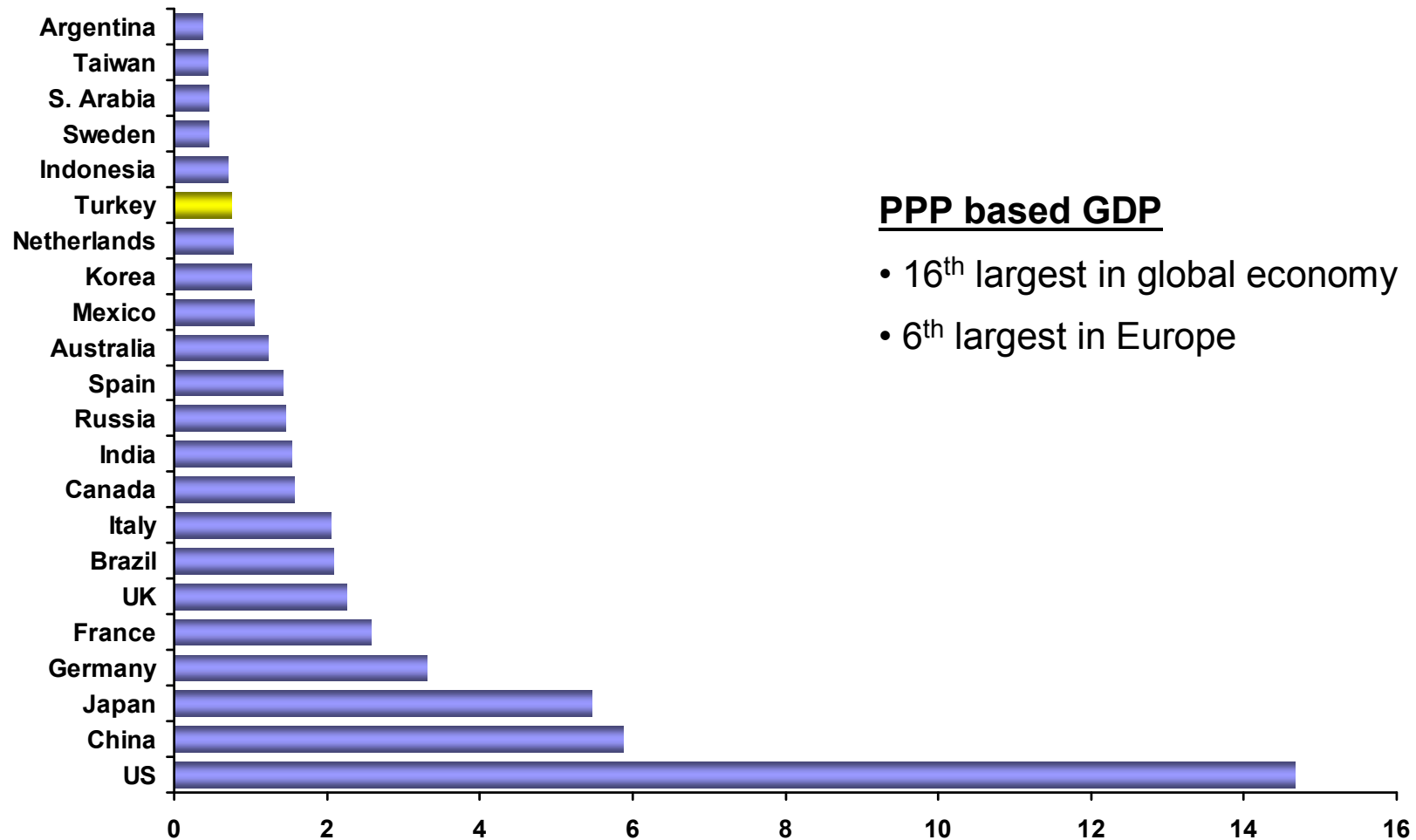
# Contribution to GDP Growth (%)



Source: TURKSTAT

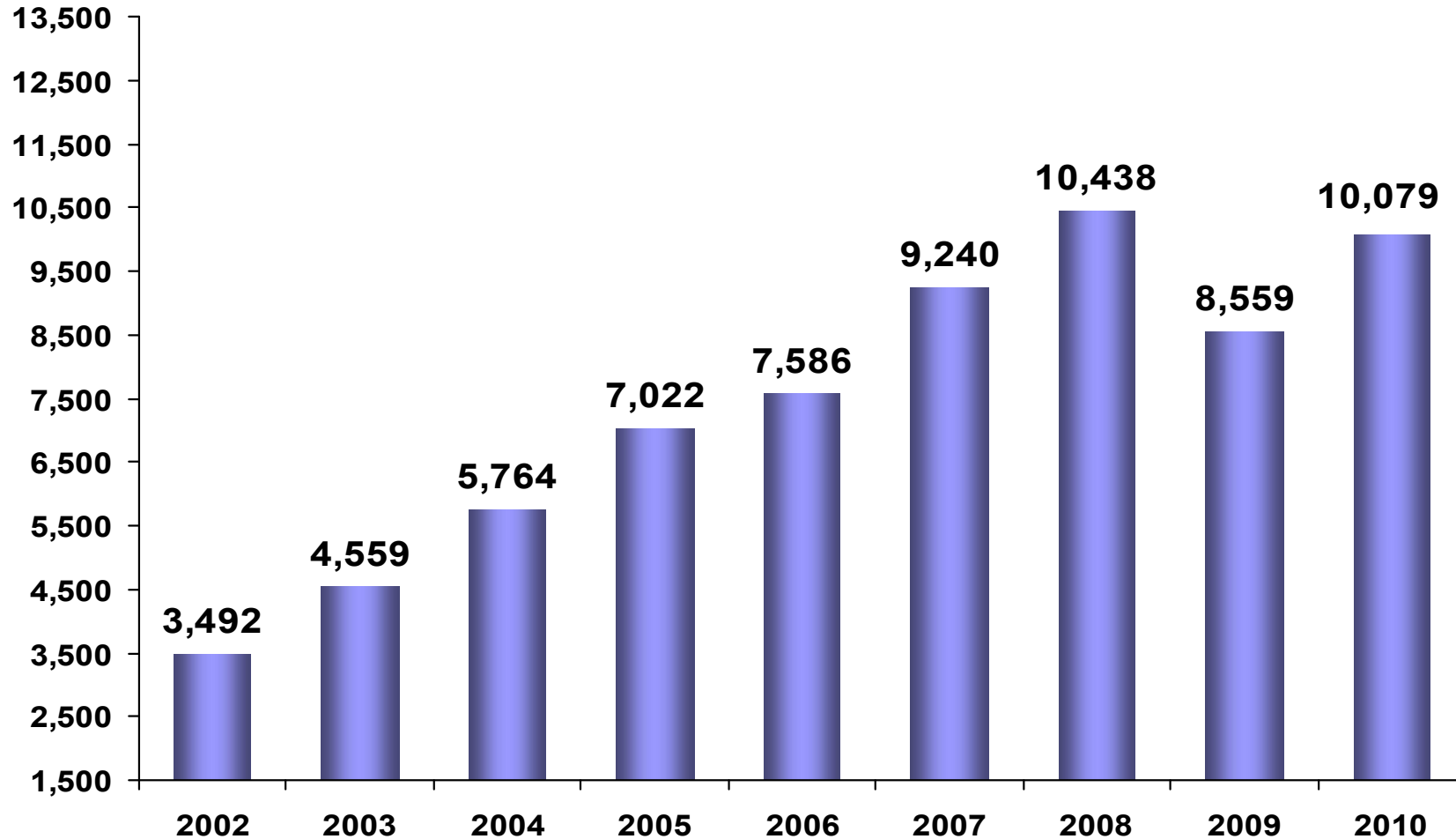
# Turkey: the 17th Largest Economy

(GDP based on Market Exchange Rates, trillion USD, 2010)



Source: IMF, World Economic Outlook, April 2011

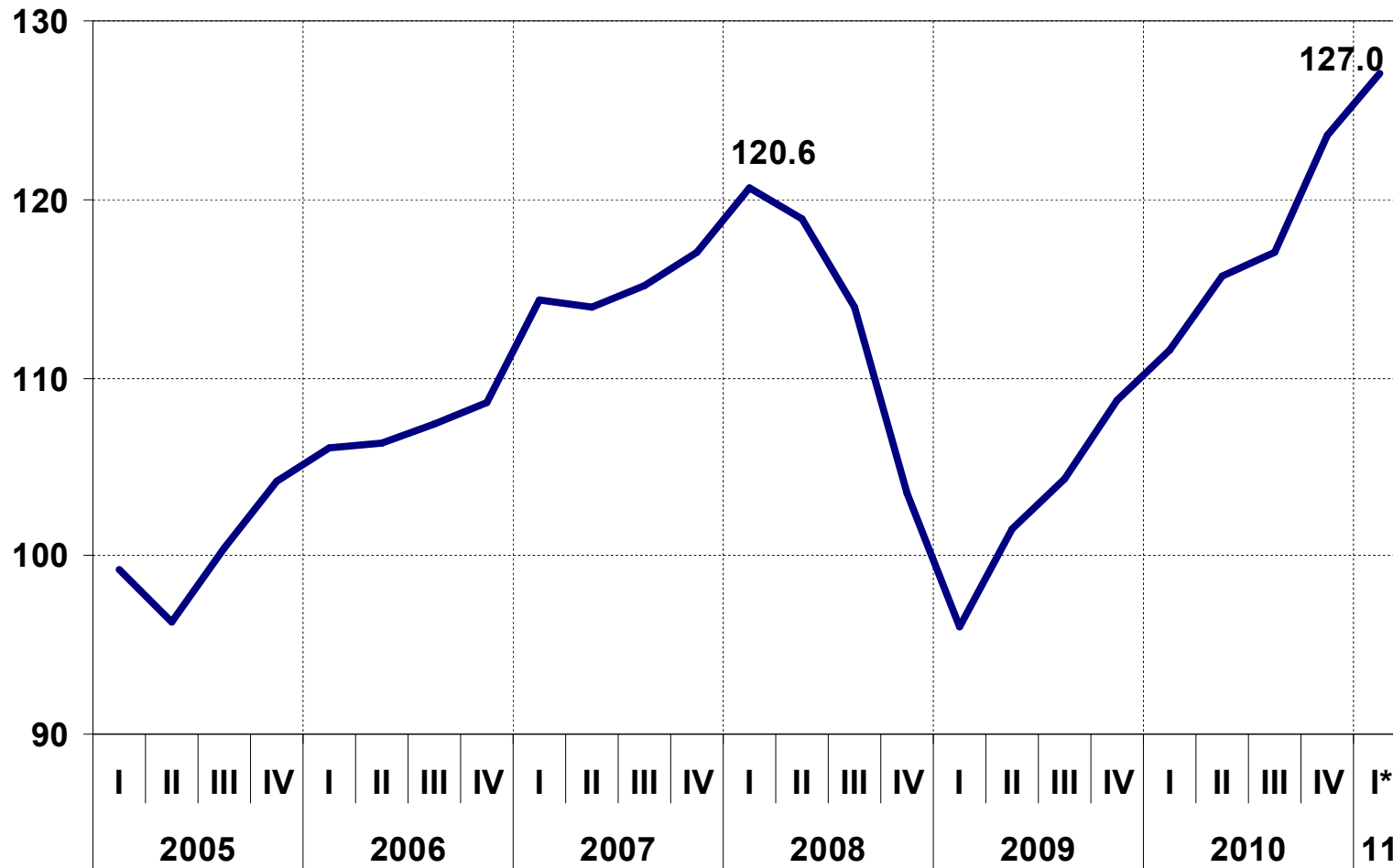
## Per Capita GDP (USD)



P: Medium Term Program (MTP) Projection

Source: 2011 Annual Programme, TURKSTAT, Medium Term Program

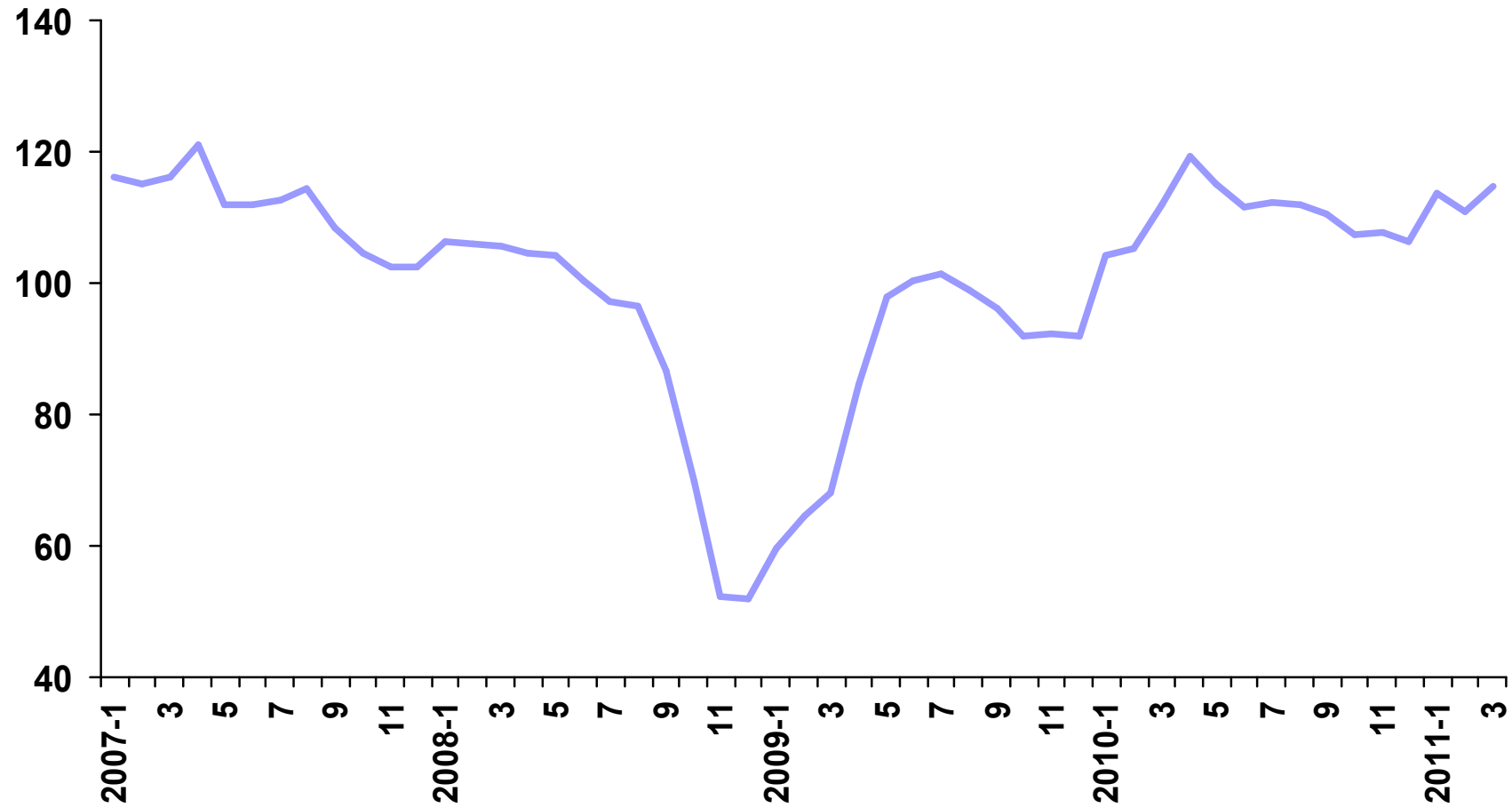
# Industrial Production Index (seas. adj.)



(\*) As of February

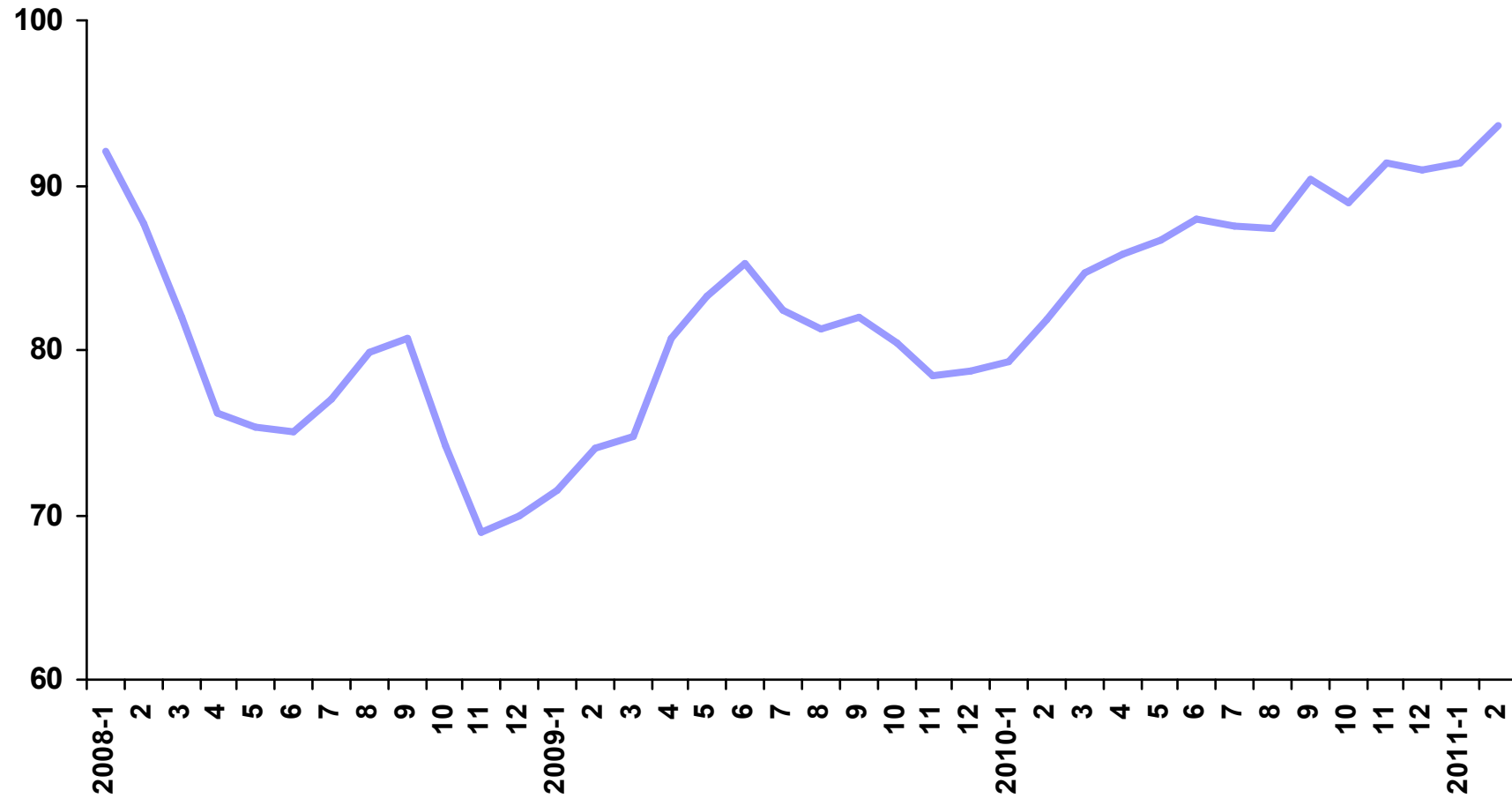
Source: TURKSTAT

# Real Sector Confidence Index



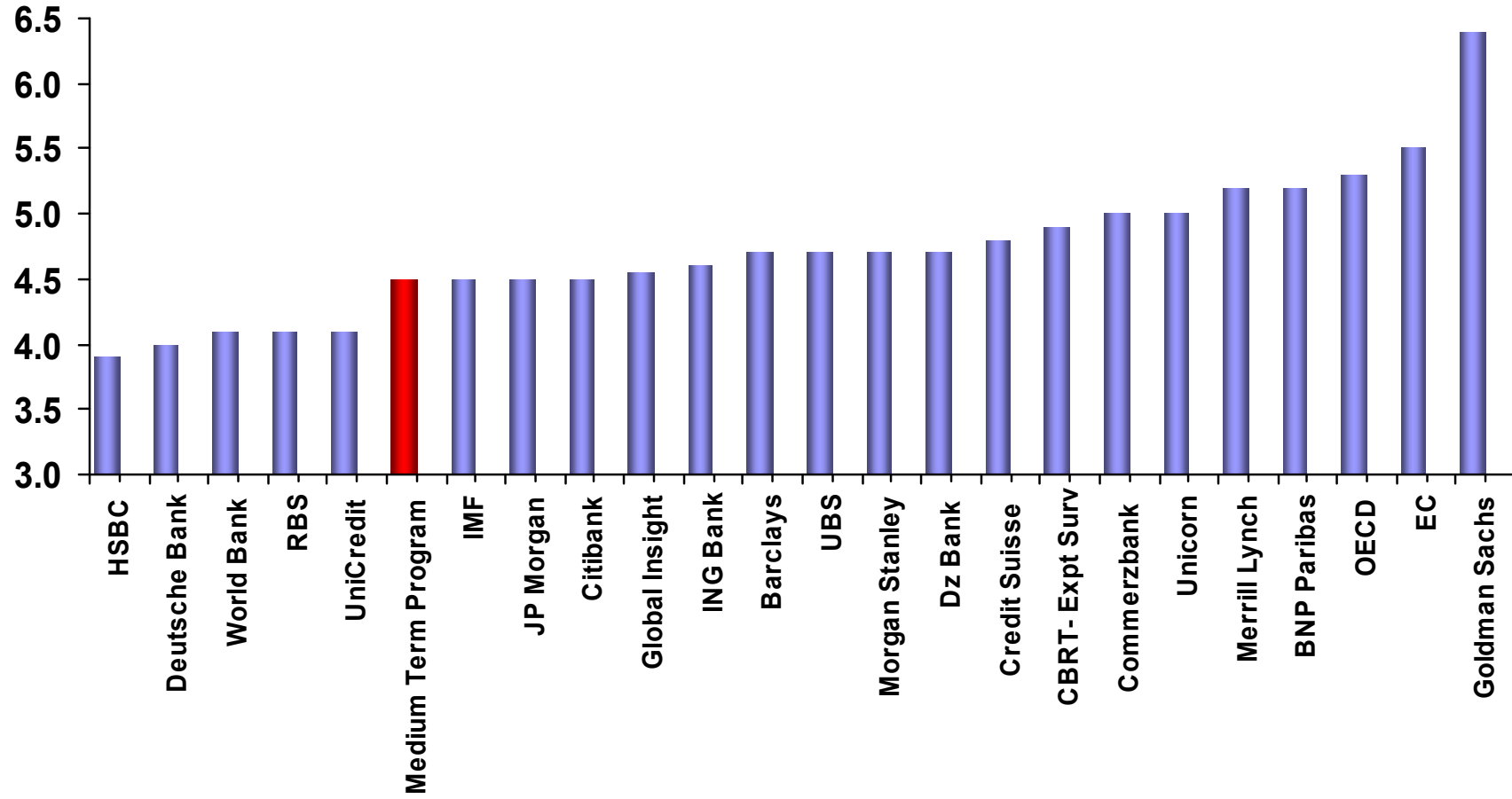
Source: CBRT

# Consumer Confidence Index



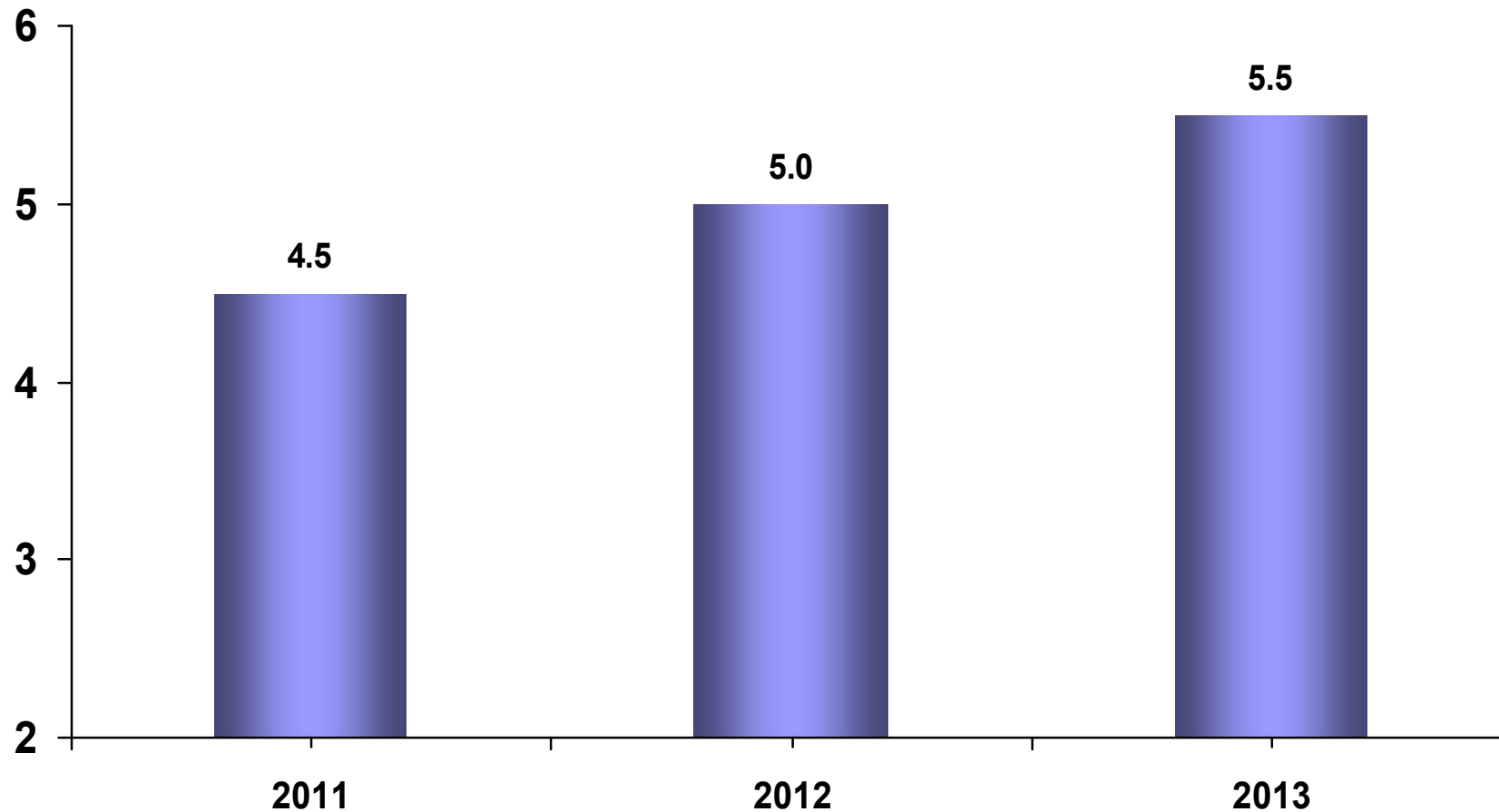
Source: TURKSTAT-CBRT

# GDP Growth Projections for 2011

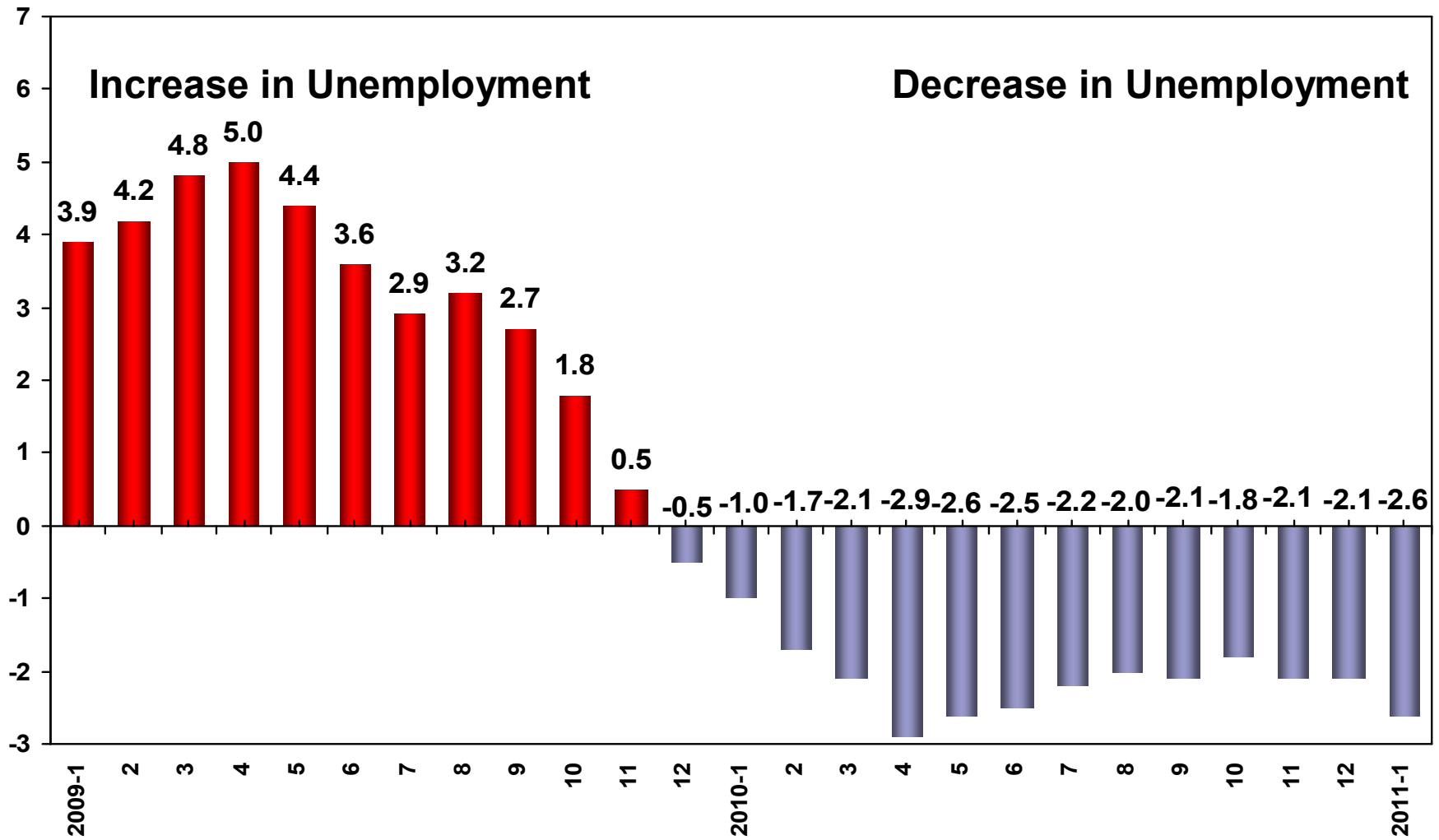




## GDP Growth: Medium Term Program Projections (annual % change)

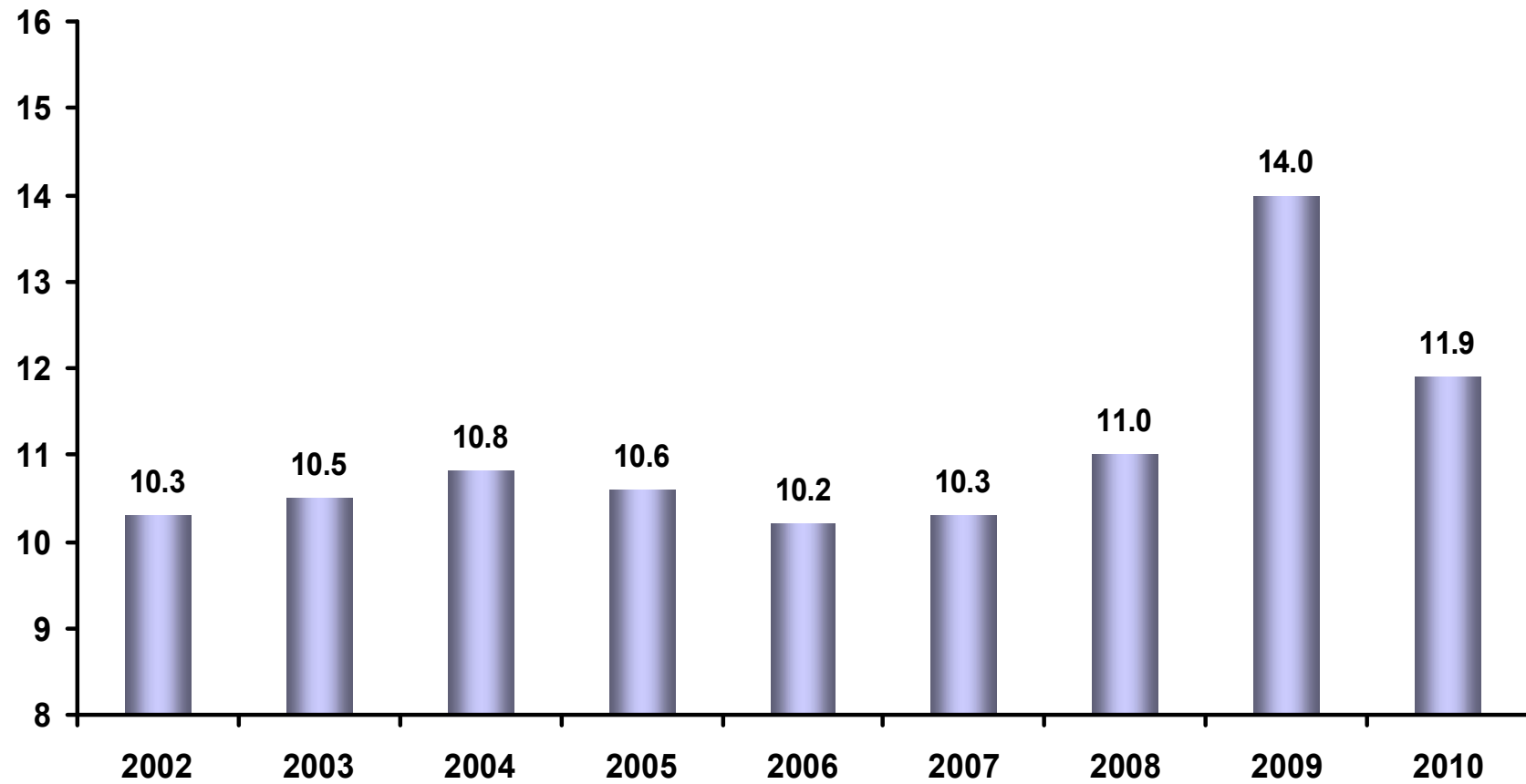


# Annual Change in Unemployment Rate (percentage points)



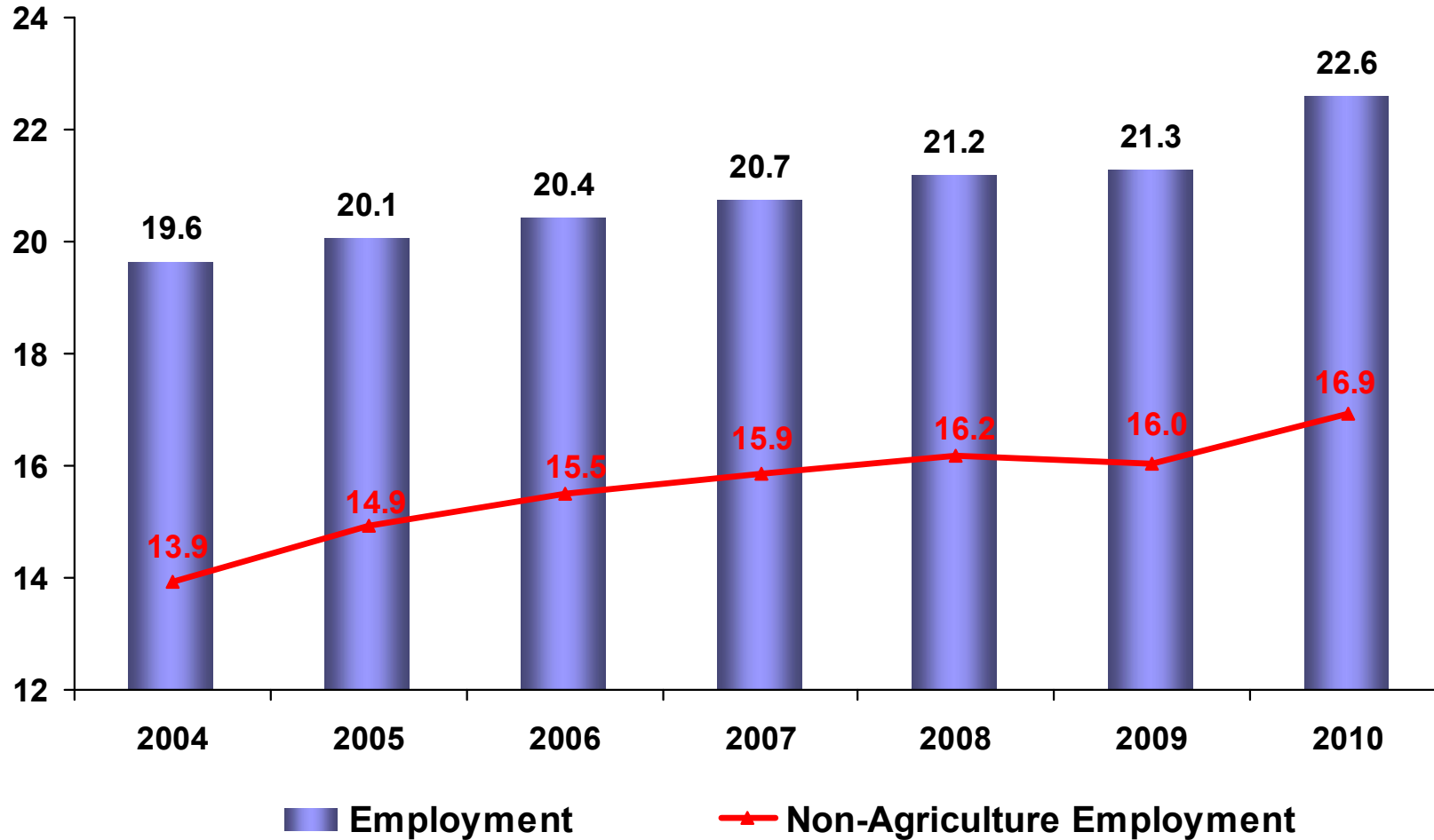
Source: TURKSTAT

## Unemployment Rate (%)

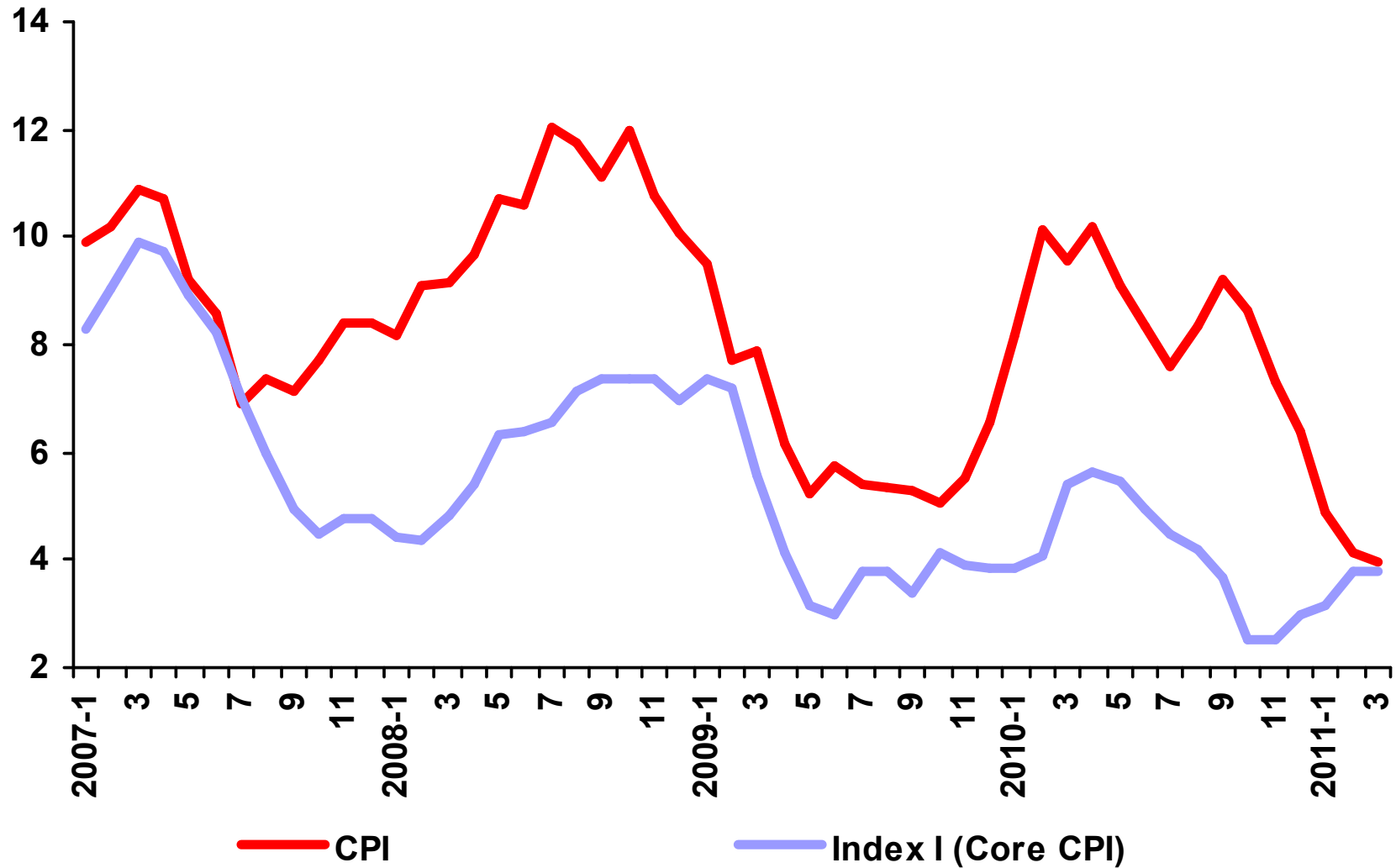


Source: TURKSTAT

## Employment (million people)

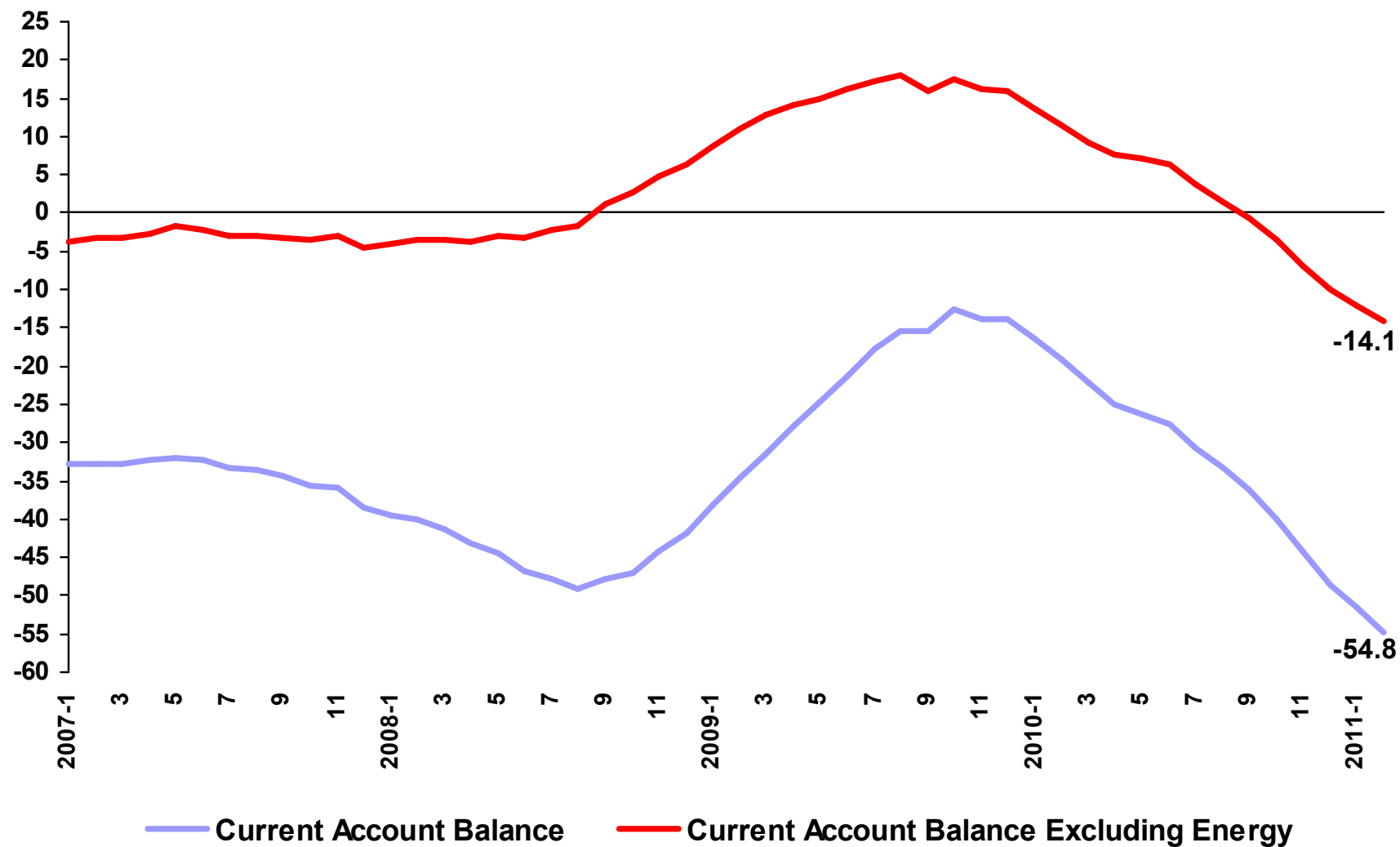


# CPI and Core Index (annual % change)



Source: CBRT

## External Balance (annualized, billion USD)



Source: CBRT

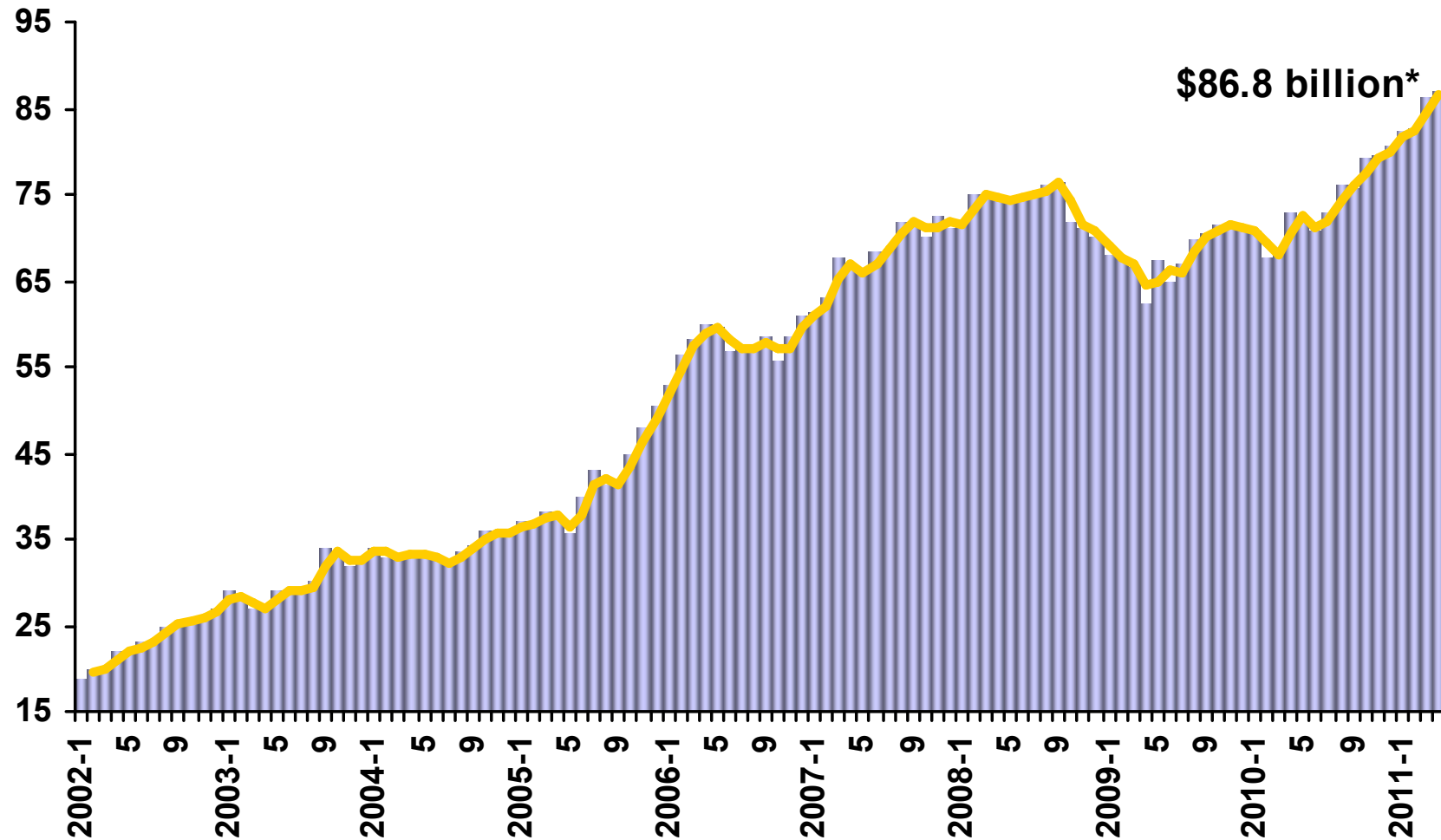
## External Financing (billion USD)

	2006	2007	2008	2009	2010	2011*
<b>CURRENT ACCOUNT BALANCE</b>	<b>-32.2</b>	<b>-38.4</b>	<b>-42.0</b>	<b>-14.0</b>	<b>-48.5</b>	<b>-54.8</b>
<b>CAPITAL AND FINANCIAL ACCOUNT (excluding official reserves)</b>	<b>38.2</b>	<b>44.7</b>	<b>36.2</b>	<b>9.0</b>	<b>56.8</b>	<b>61.4</b>
<b>Direct Investment (net)</b>	<b>19.3</b>	<b>19.9</b>	<b>17.0</b>	<b>6.9</b>	<b>7.3</b>	<b>6.7</b>
FDI Inflows	20.2	22.0	19.5	8.4	9.1	9.1
<b>Portfolio Inflows</b>	<b>8.1</b>	<b>1.9</b>	<b>-4.4</b>	<b>1.1</b>	<b>14.2</b>	<b>17.4</b>
Equity	1.9	5.1	0.7	2.8	3.5	2.1
Debt Securities	6.1	-3.3	-5.1	-1.7	10.7	15.3
<b>Deposits</b>	<b>4.6</b>	<b>-3.3</b>	<b>4.4</b>	<b>4.1</b>	<b>13.9</b>	<b>8.6</b>
Foreign Banks'	5.9	-2.1	5.2	4.0	14.2	10.3
<b>Public Sector (net)</b>	<b>-1.9</b>	<b>-3.0</b>	<b>4.0</b>	<b>2.7</b>	<b>5.4</b>	<b>4.2</b>
Eurobond Issuance	5.8	4.6	4.0	3.8	6.7	5.7
<b>Banks (net)</b>	<b>-4.5</b>	<b>2.1</b>	<b>-5.8</b>	<b>1.6</b>	<b>26.0</b>	<b>24.5</b>
Change in Banks' FX Currency and Deposits	-10.3	-3.5	-9.1	6.1	13.5	9.8
<b>Non-Bank Private Sector (net)</b>	<b>18.8</b>	<b>26.0</b>	<b>19.8</b>	<b>-4.4</b>	<b>-8.9</b>	<b>0.8</b>
<b>Trade Credits (net)</b>	<b>-1.7</b>	<b>2.7</b>	<b>3.3</b>	<b>-2.5</b>	<b>0.8</b>	<b>0.3</b>
<b>Other</b>	<b>-4.5</b>	<b>-1.6</b>	<b>-2.1</b>	<b>-0.5</b>	<b>-2.0</b>	<b>-1.0</b>
<b>NET ERRORS AND OMISSIONS</b>	<b>0.2</b>	<b>1.8</b>	<b>4.7</b>	<b>5.1</b>	<b>4.6</b>	<b>8.1</b>
<b>CHANGE IN OFFICIAL RESERVES ("-" sign denotes an increase)</b>	<b>-6.1</b>	<b>-8.0</b>	<b>1.1</b>	<b>-0.1</b>	<b>-12.8</b>	<b>-14.6</b>

(\*) Annualized as of February 2011

Source: CBRT

# Central Bank's Gross FX Reserves (billion USD)



(\*) As of April 1, 2011

Source: CBRT

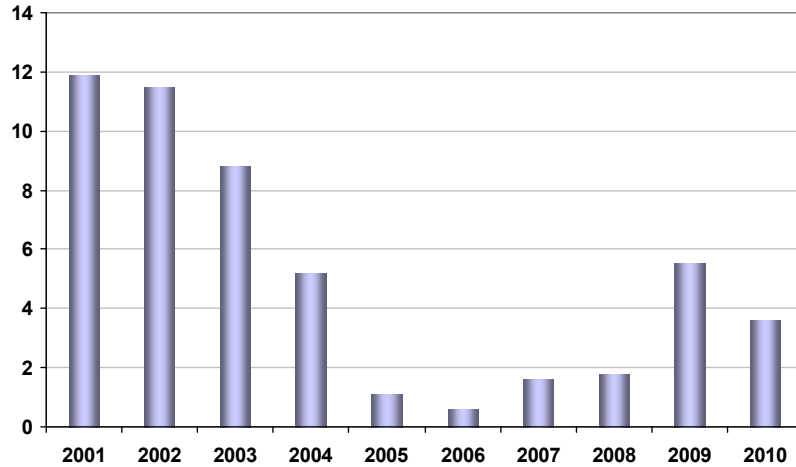


## Policies and Programs on External Balance & Financing

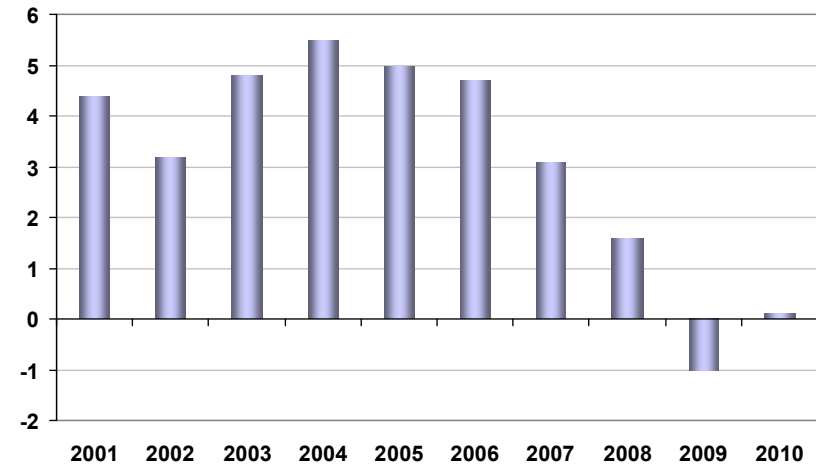
- Energy Sector Reform Program:
  - Nuclear Energy, Renewable Energy, Energy Efficiency, Privatization of Distribution and Generating Companies
- New Investment Incentive System
- R&D and Innovation Support Program
- Diversification of Exports Markets
- Measures to Increase Private Saving Ratio
- Preserving Fiscal Discipline
- Investment Environment Reform Program
- Measures to lengthen the maturity of external bond issuances by Banks & Corporates

# Fiscal Policy Performance (2001-2010)

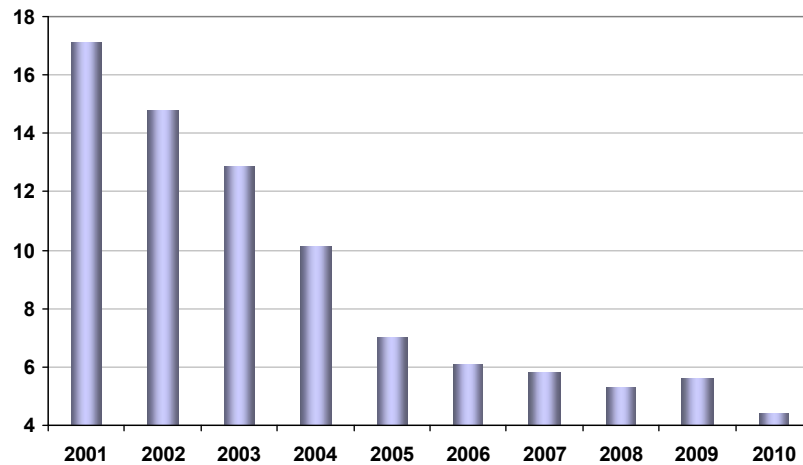
Central Government Budget Deficit / GDP (%)



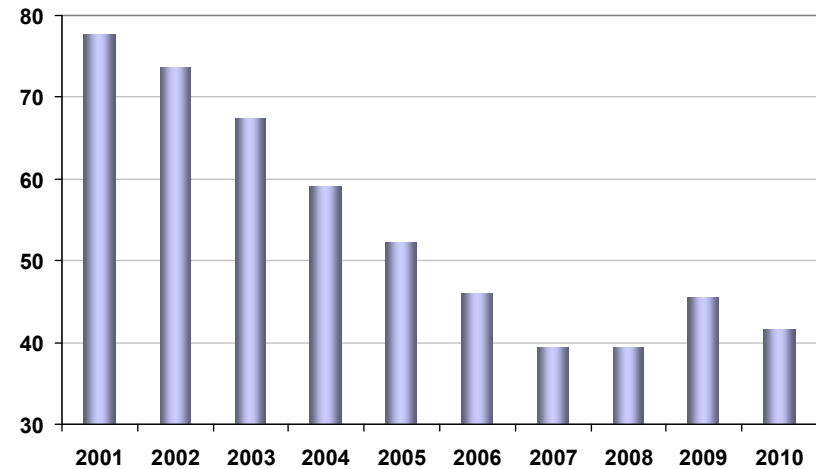
IMF Defined Public Sector Primary Balance/GDP (%)



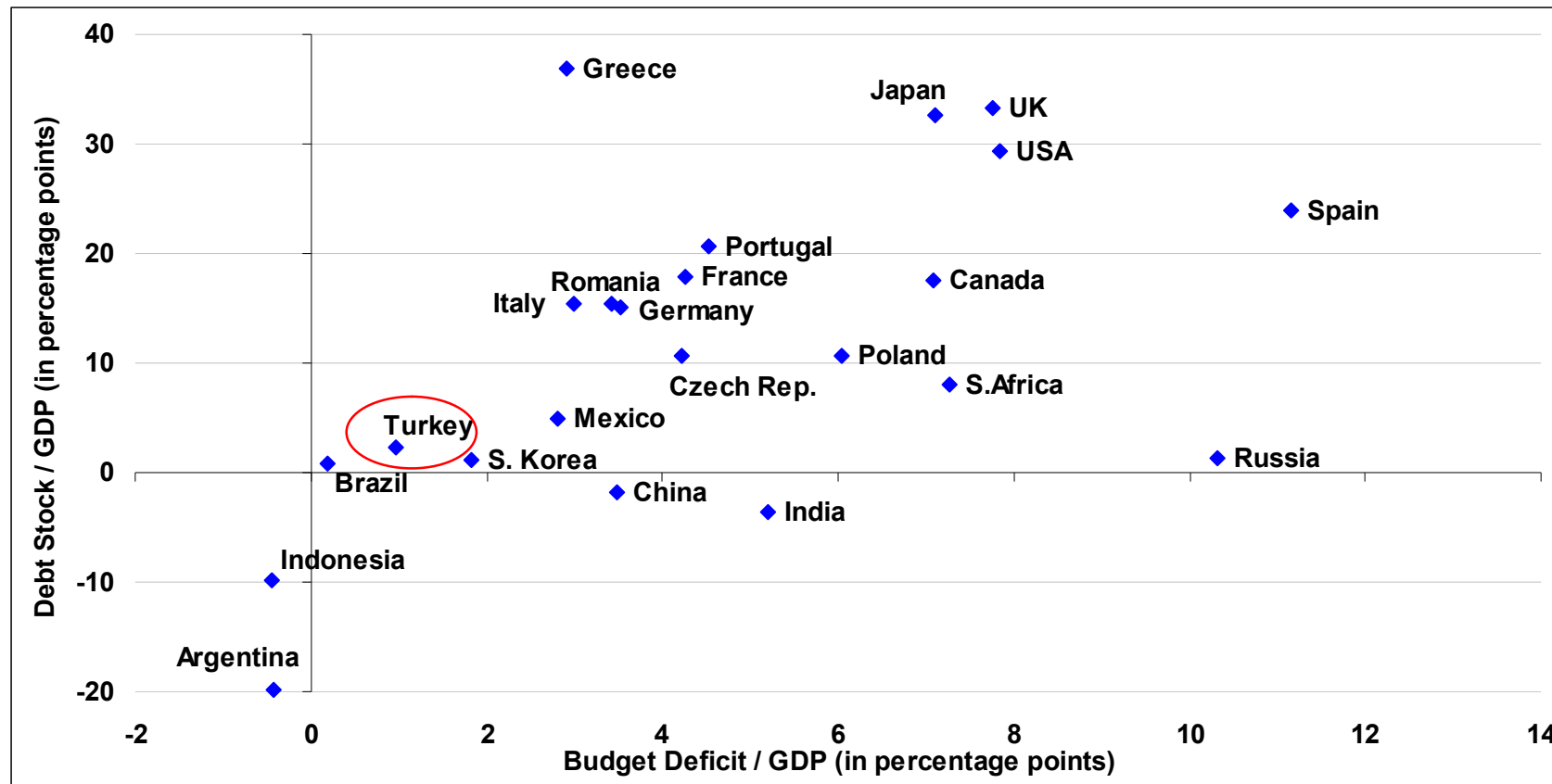
Interest Payments/GDP (%)



EU Defined General Gov't Gross Debt Stock / GDP (%)

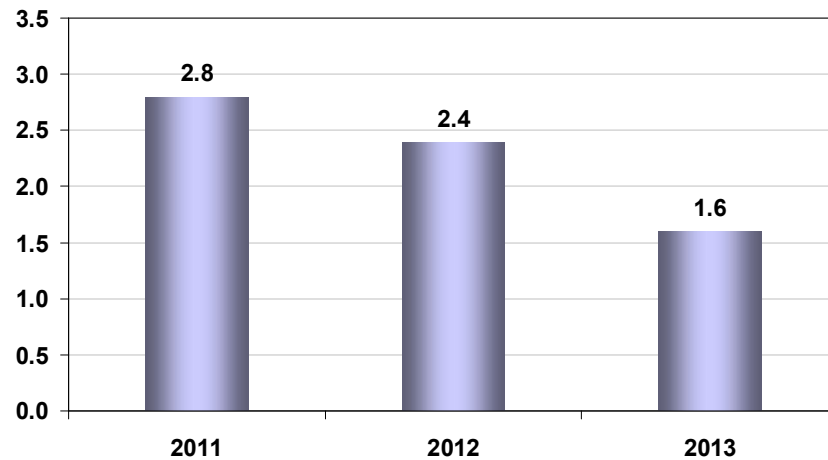


# Change in General Government Debt Stock and Budget Deficit between 2007 and 2010

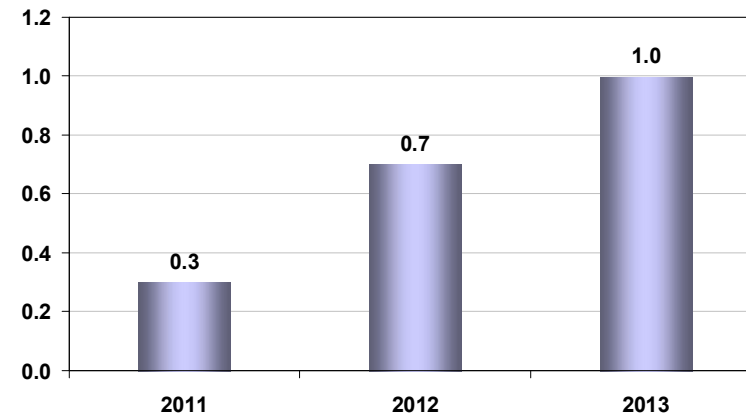


# Fiscal Policy: Medium Term Program Targets (2011-2013)

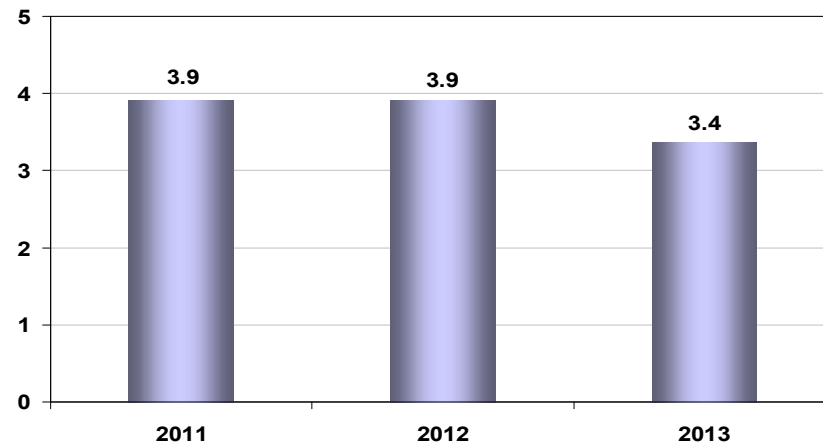
Central Government Budget Deficit / GDP (%)



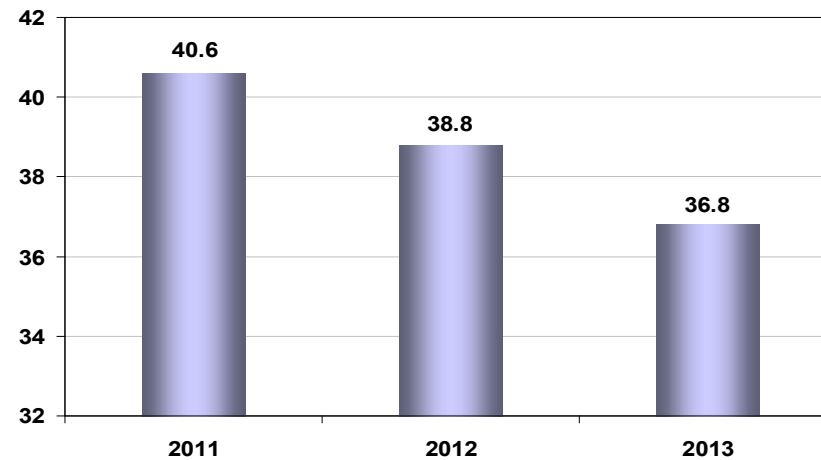
IMF Defined Public Sector Primary Balance / GDP (%)



Interest Payments / GDP (%)

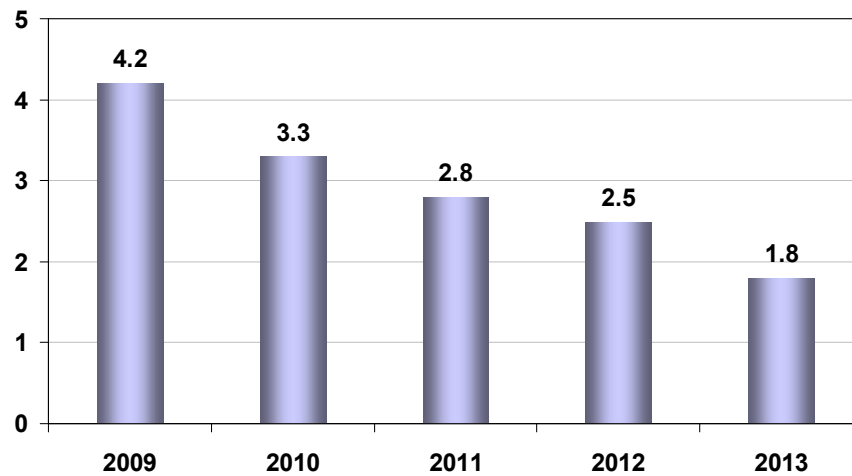


EU Defined General Gov't Gross Debt Stock / GDP (%)

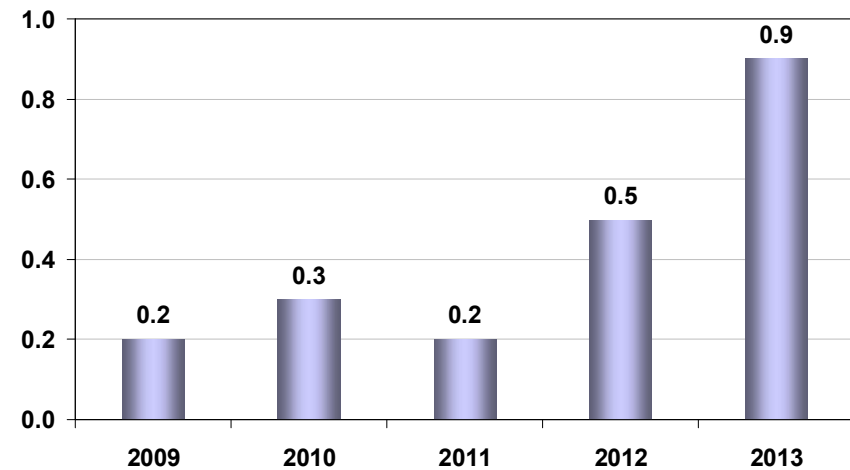


# Fiscal Policy (2009-2013, cyclically adjusted)

Central Government Budget Deficit / GDP (%)



IMF Defined Public Sector Primary Balance / GDP (%)



## Treasury Financing Program (billion TL)

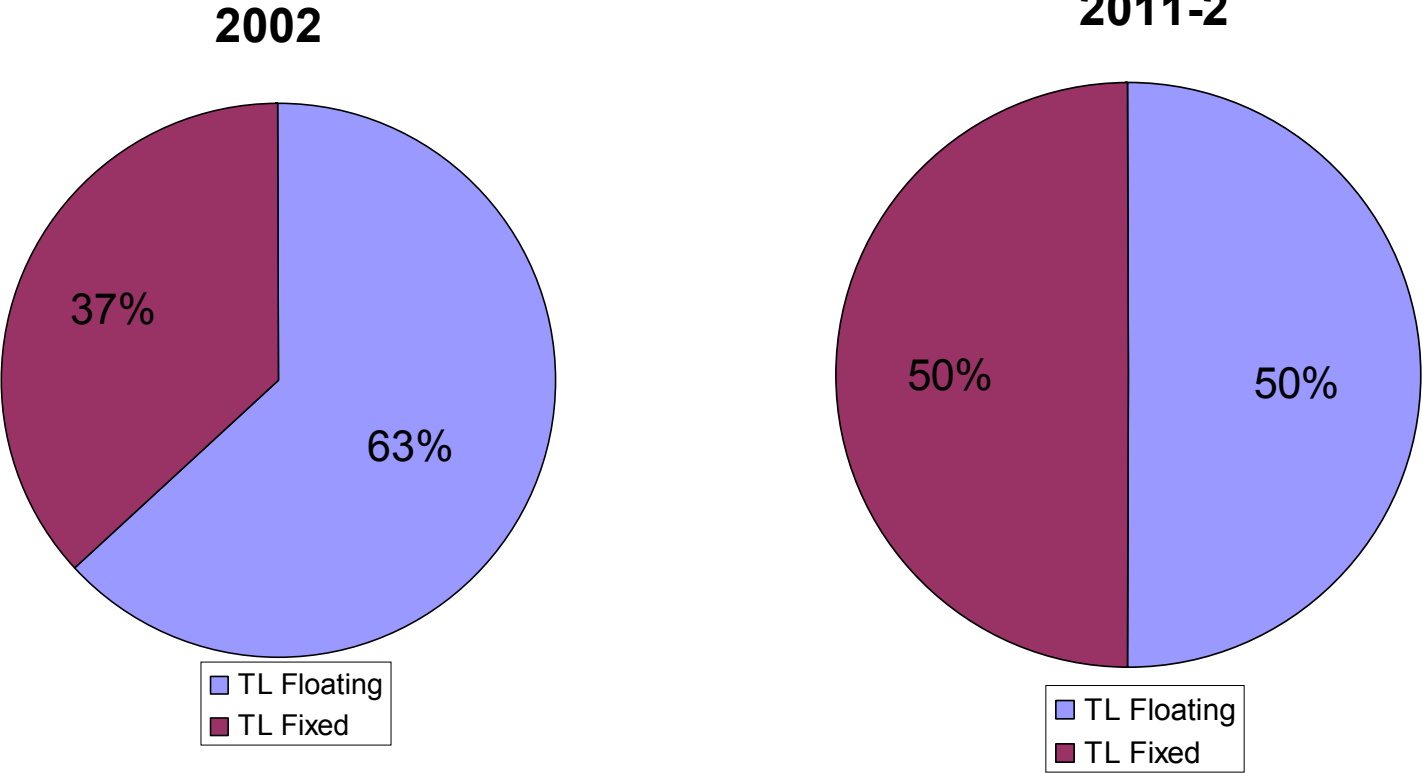
	2009	2010	2011 Program
<b>I- TOTAL DEBT SERVICE</b>	<b>148,9</b>	<b>194,8</b>	<b>152,8</b>
Domestic Debt Service	134,2	178,1	135,0
External Debt Service	14,6	16,7	17,8
<b>II- FINANCING</b>	<b>148,9</b>	<b>194,8</b>	<b>152,8</b>
<b>NON-DEBT CREATING FINANCING SOURCES*</b>	<b>-1,3</b>	<b>20,9</b>	<b>21,1</b>
<b>TOTAL BORROWING</b>	<b>150,2</b>	<b>173,9</b>	<b>131,7</b>
Domestic Borrowing	138,9	159,0	119,1
External Borrowing	11,3	14,9	12,5
<b>Domestic Debt Rollover Ratio (%)</b>	<b>103,5</b>	<b>89,3</b>	<b>88</b>

(\*) The cash primary balance; proceeds from privatization, unemployment insurance fund and saving deposit insurance fund; receipts from on lending and guaranteed debt; and change in cash balance

Source: TREASURY

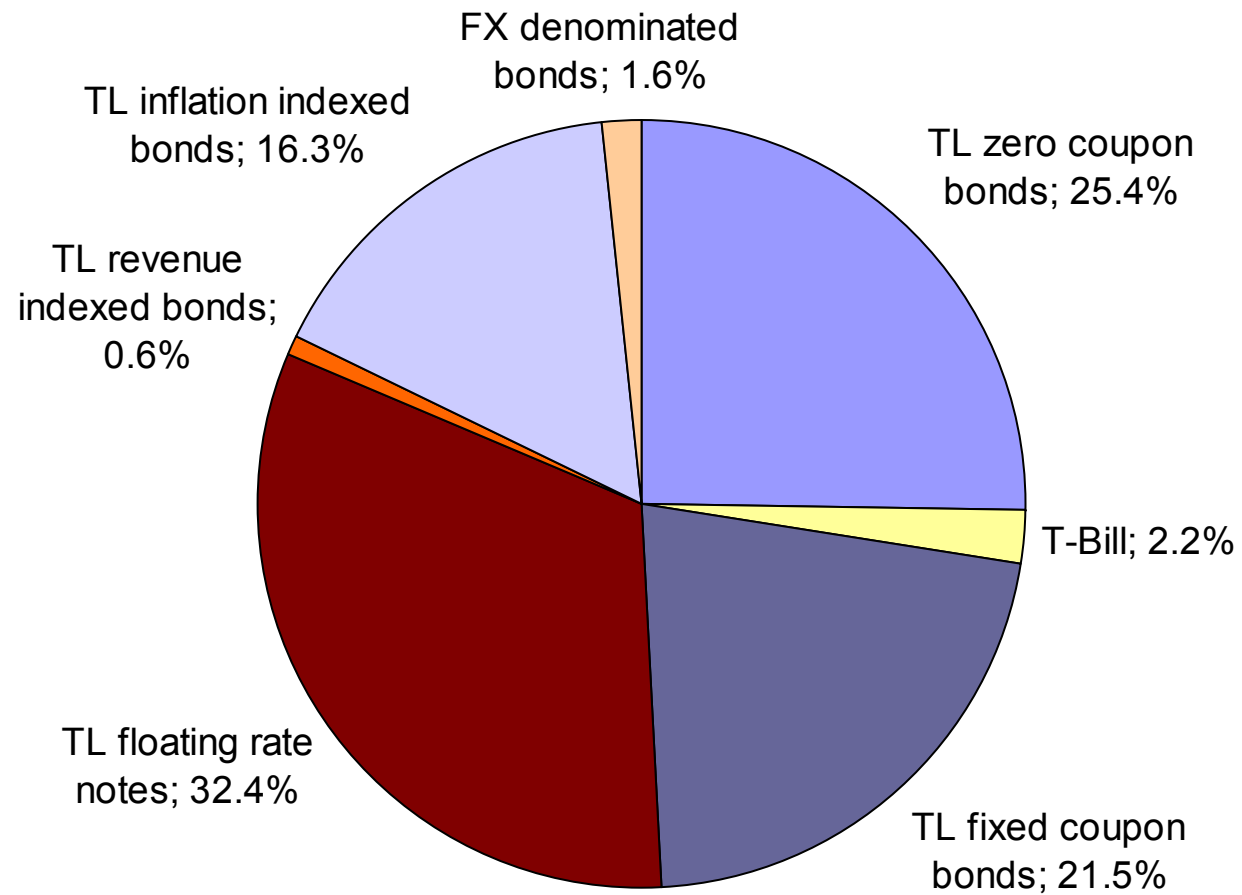


# Composition of TL Denominated Domestic Debt (%)



Source: TREASURY

## Instrument Type of Domestic Debt\* (%)



(\* As of February 2011

Source: TREASURY



## Sensitivity of Gross Public Debt to Shocks

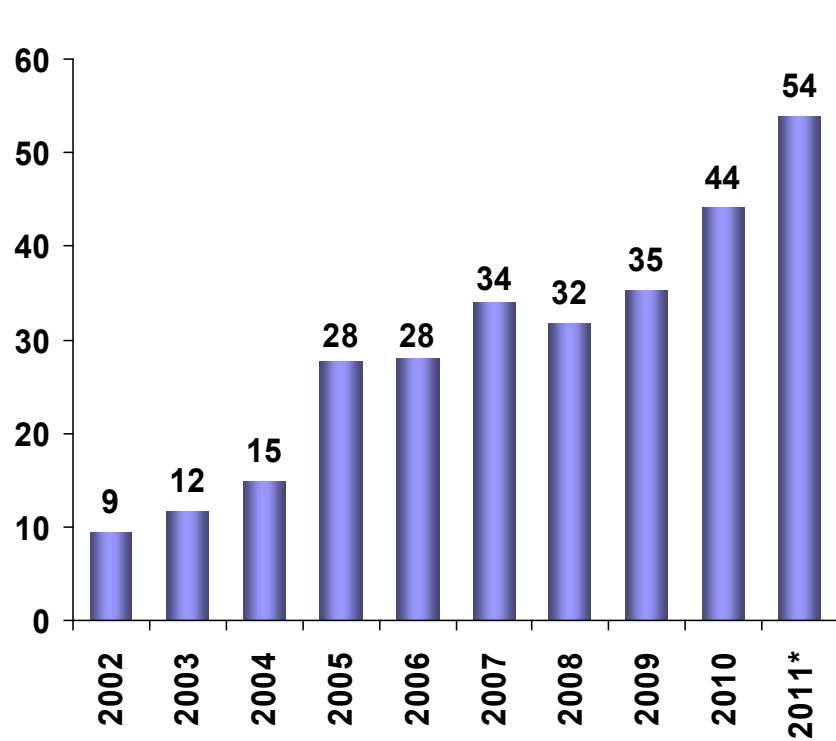
	2001	2010
Change in real exchange rate by 5 percentage points	+ / - 2.2 points	+ / - 0.6 points
Change in TL real interest rate by*		
10 percent	+ / - 2.0 points	+ / - 0.3 points
25 percent	+ / - 5.0 points	+ / - 0.7 points
Change in GDP growth rate by 2 percentage points	+ / - 1.5 points	+ / - 0.8 points

(\*) Reflects percent change in TL real interest rate realized in respective years.

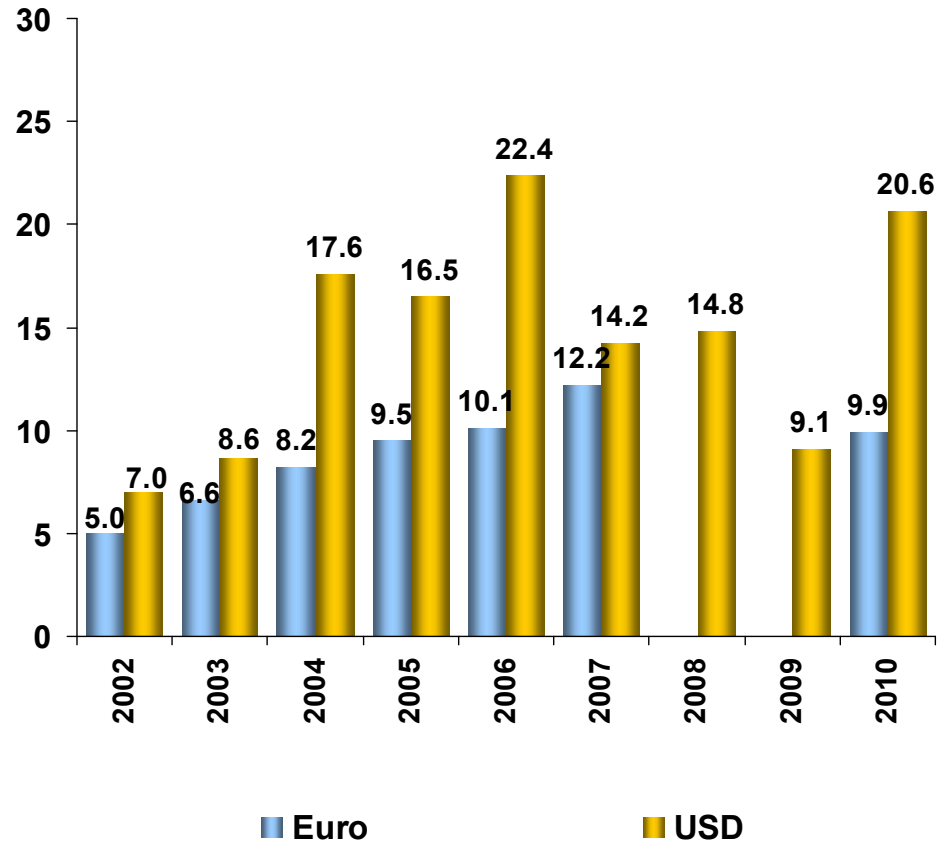
Note: The effects of scenarios on “Gross Public Debt Stock/GDP” ratio measured by deviations from baseline scenarios (as defined by ESA standards) based on end-2001 and end-2010 stock realizations.

# Average Maturity of Borrowing

**Domestic Borrowing (months)**

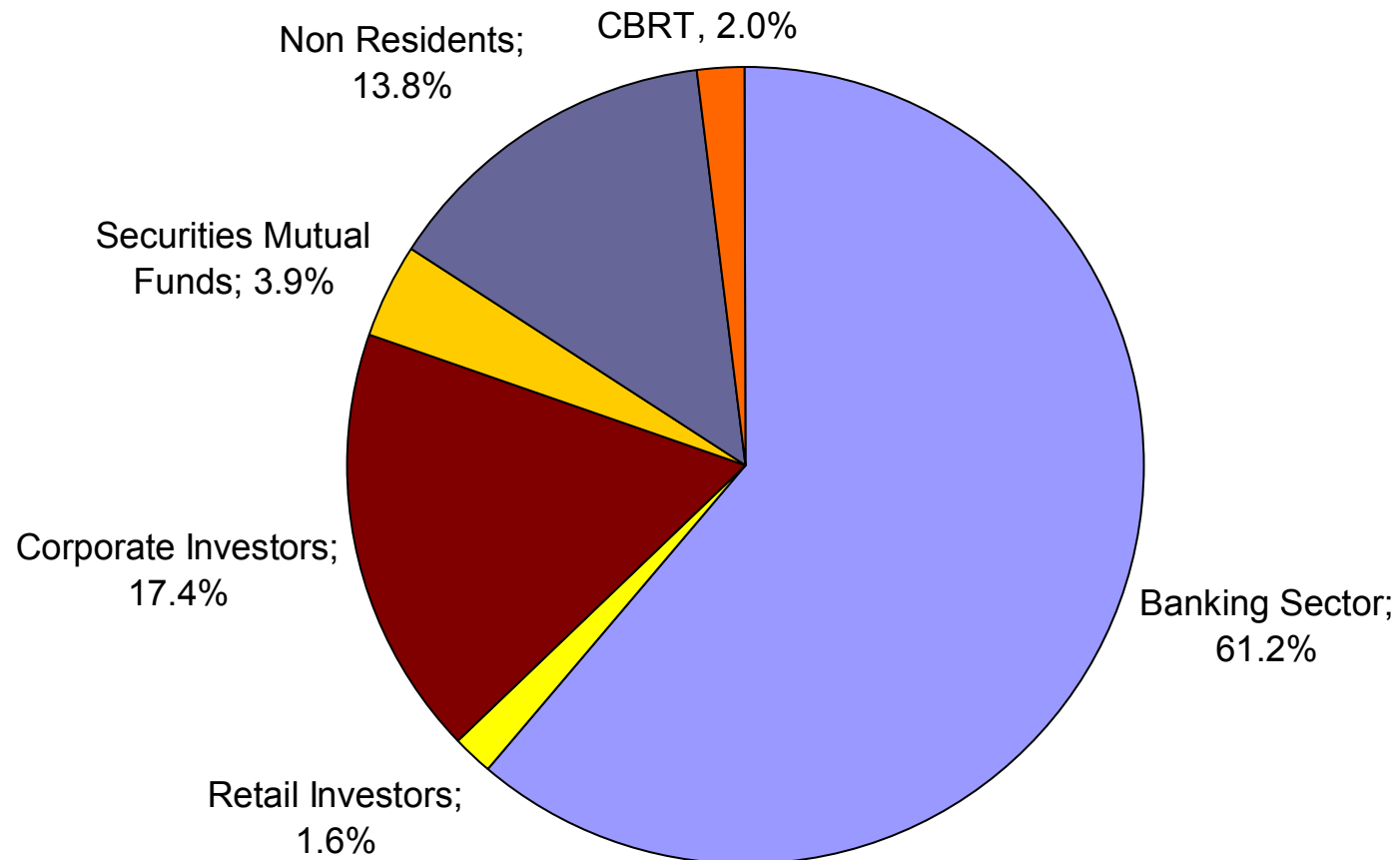


**Eurobond Issuance (years)**



(\*) As of March 2011  
Source: TREASURY

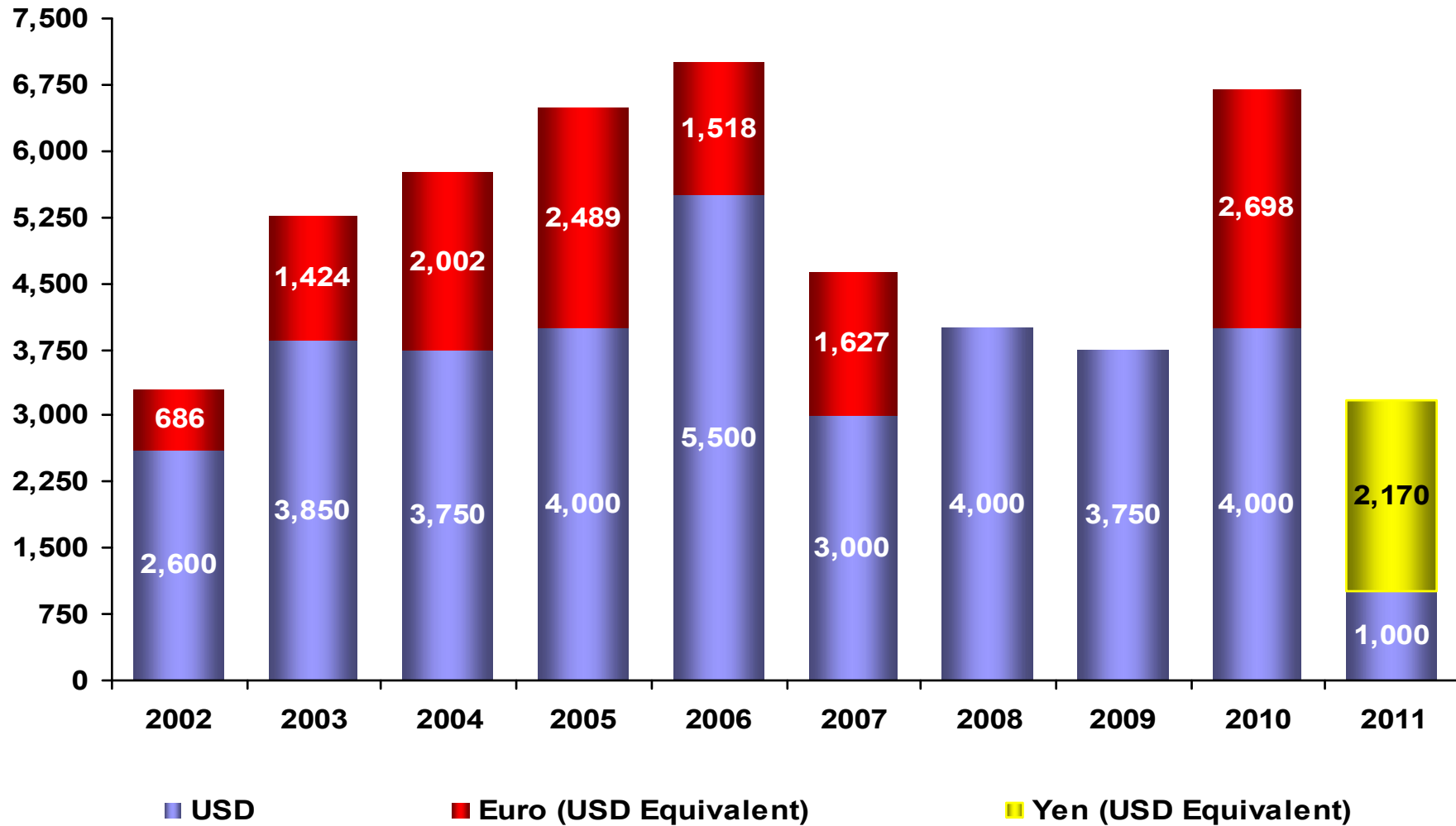
## Holders of Domestic Debt\* (%)



(\* ) As of February 2011

Source: TREASURY

# Eurobond Issuances (million USD)

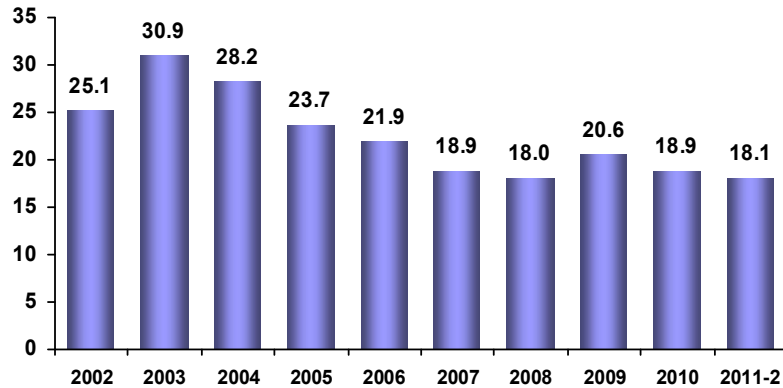


Source: TREASURY

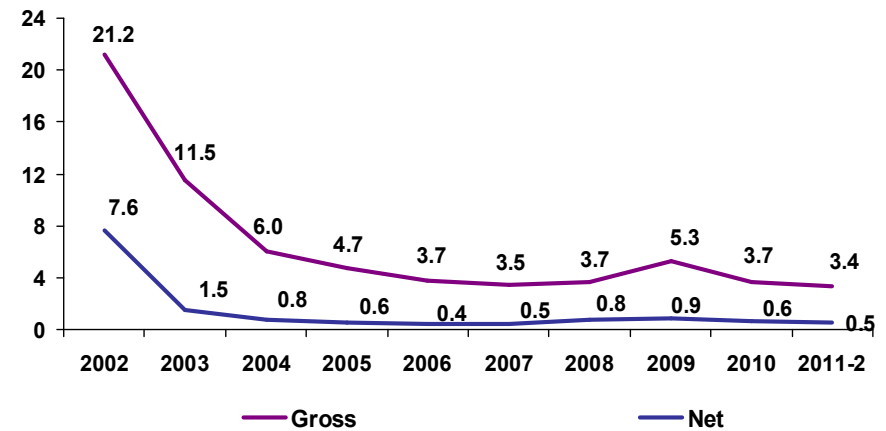
\* As of April

# Banking Sector Indicators

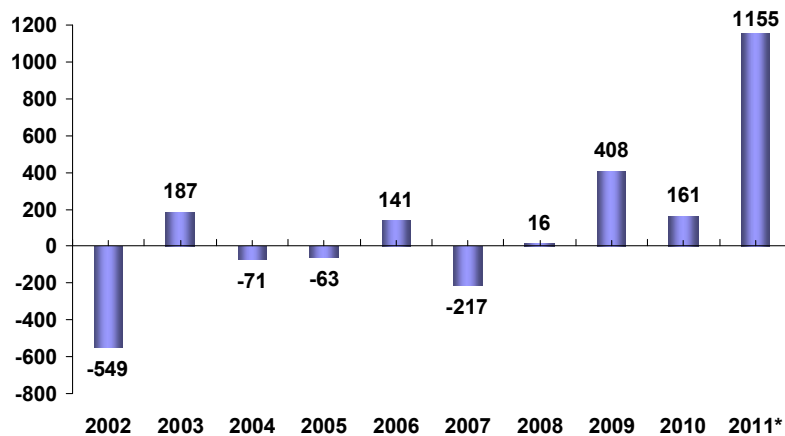
### Capital Adequacy Ratio (%)



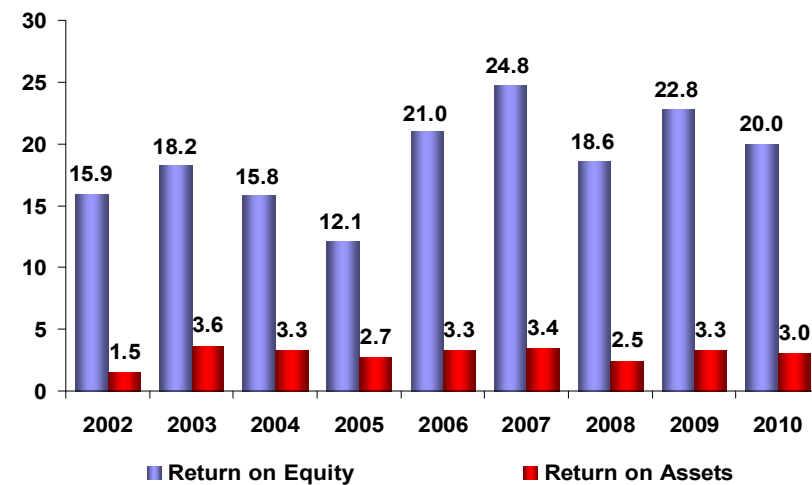
### Asset Quality (NPL Ratio, %)



### FX Position (million USD)



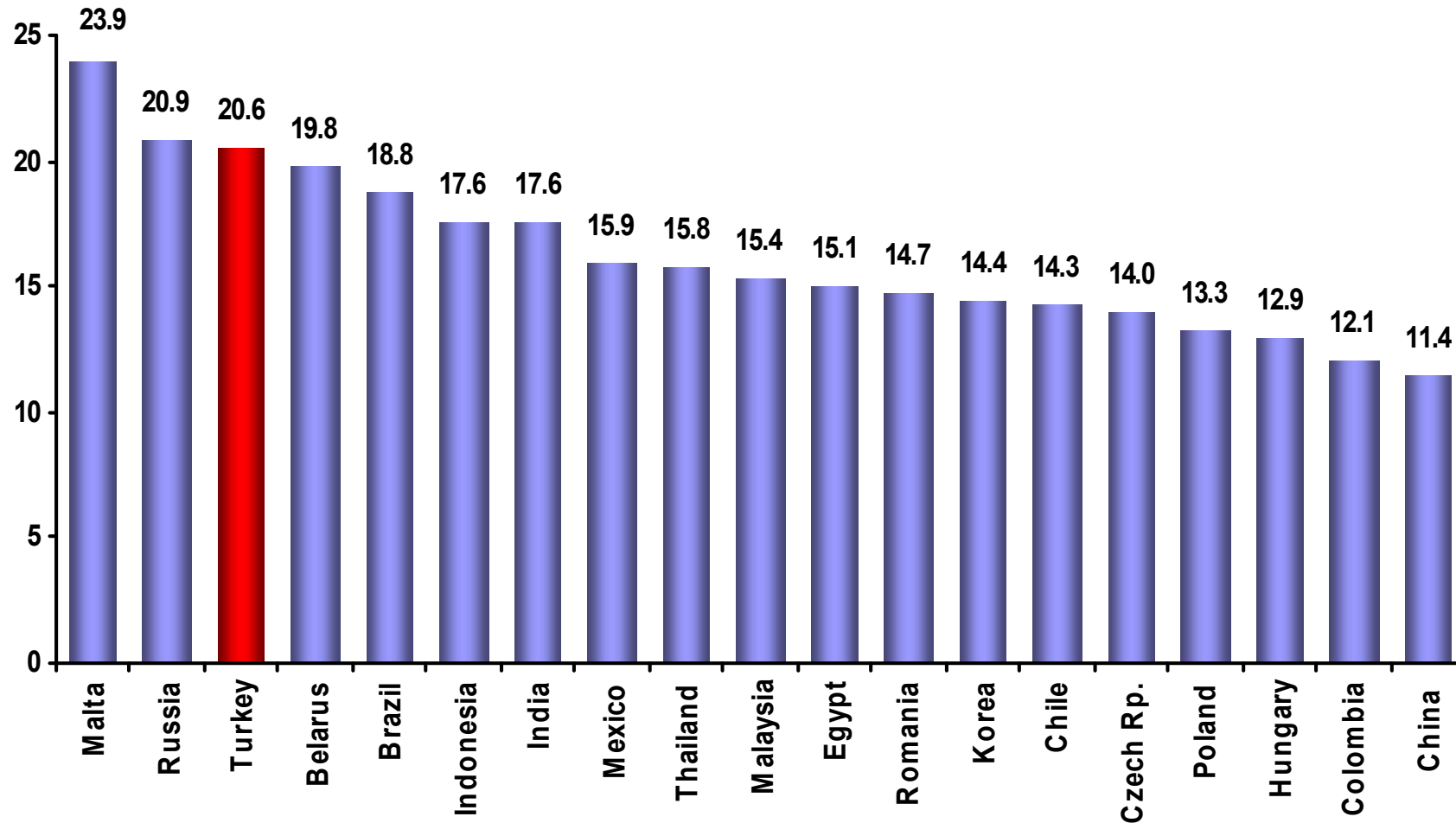
### Return on Equity and Assets (%)



(\* As of April 1, 2011)

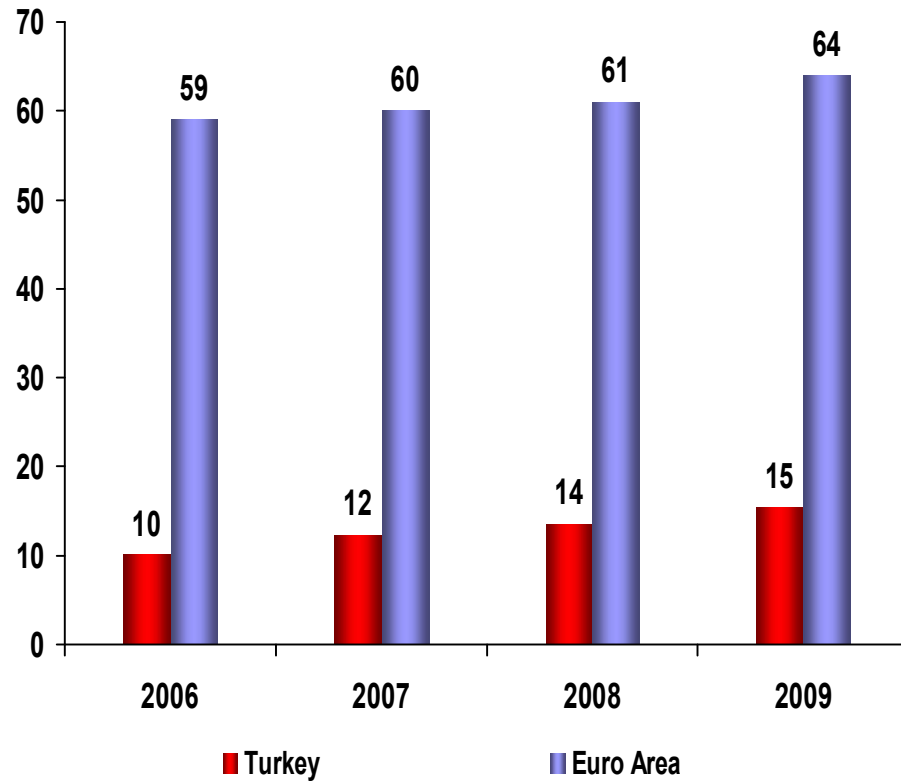
Source: BRSA

## Banking Sector: Capital Adequacy Ratio in Selected Emerging Markets (% , 2009)



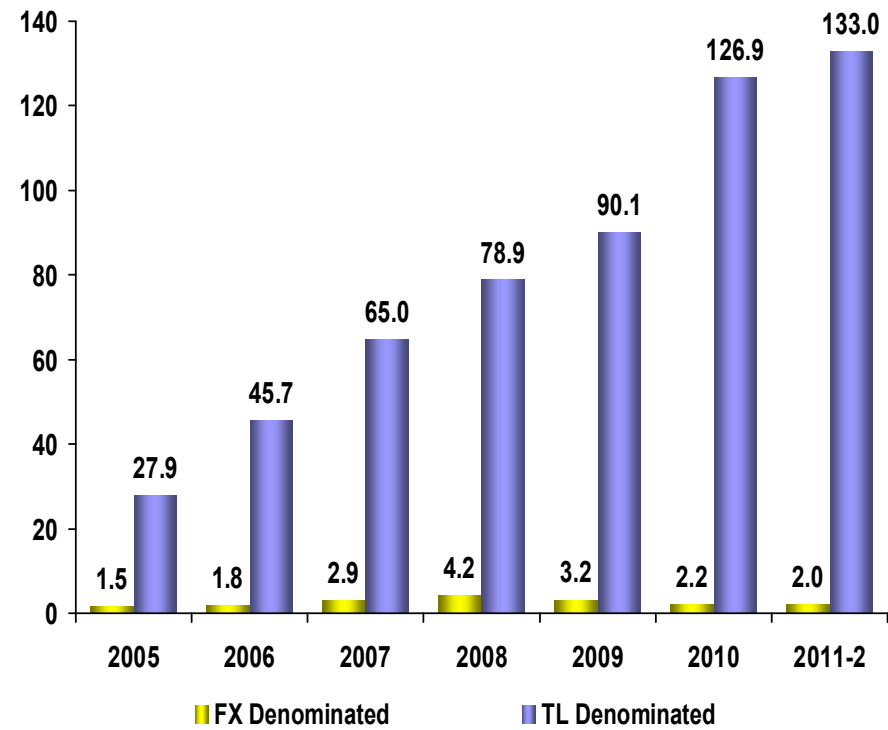
Source: IMF, BRSA

## Household Liabilities (% of GDP)



Source: CBRT, ECB

## Consumer Credits (billion TL)



Source: BRSA



# Structural Reforms: Achievements I

- Public Sector Reform

- Public Financial Management and Control Law, 2003
- Turkish Court of Accounts Law, 2010

- Financial Sector Reform

- Restructuring the financial system and improving the capital adequacies
- Banking Law, 2005 (Regulating the banking sector in line with the EU legislation)

- Social Security and Health Reform

- Social Security Law, 2008

(Rehabilitating the social security system via parametric reform and unifying social security institutions, payments, introducing universal health insurance system)



## Structural Reforms: Achievements II

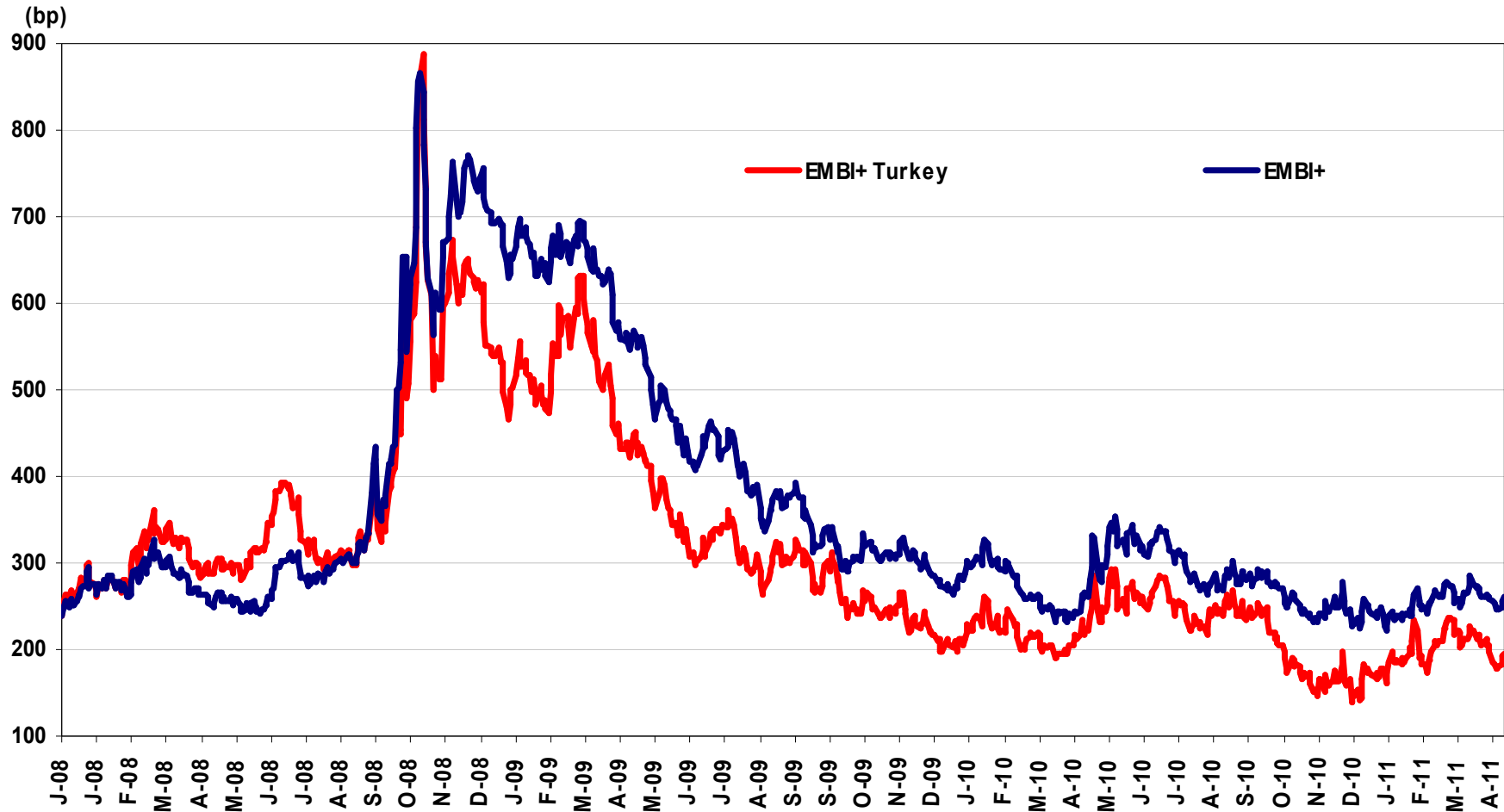
- Enhancing the Role of Private Sector
  - The Coordination Council for the Improvement of Investment Environment
  - FDI Law, 2003
  - Code of Obligations, 2011
  - Commercial Code, 2011
- Labor Market Reform
  - Employment Package, 2008
- Energy Sector Reform
  - Renewable Energy Law, 2005
  - Energy Efficiency Law, 2007
  - Nuclear Energy Law, 2008



## Structural Reforms: Future Agenda

- Labour Market Reforms
- Personal Income Tax Reform
- Fight Against Informality
- Local Administration Revenue and Financial Management Reforms
- Adapting New Rules in Financial Sector Regulation & Supervision
- Istanbul Finance Center Project
- SEE Governance Reform and Privatizations
- Investment Environment Reform Program
- Regional Development Programs
- Reforms under EU Accession Process

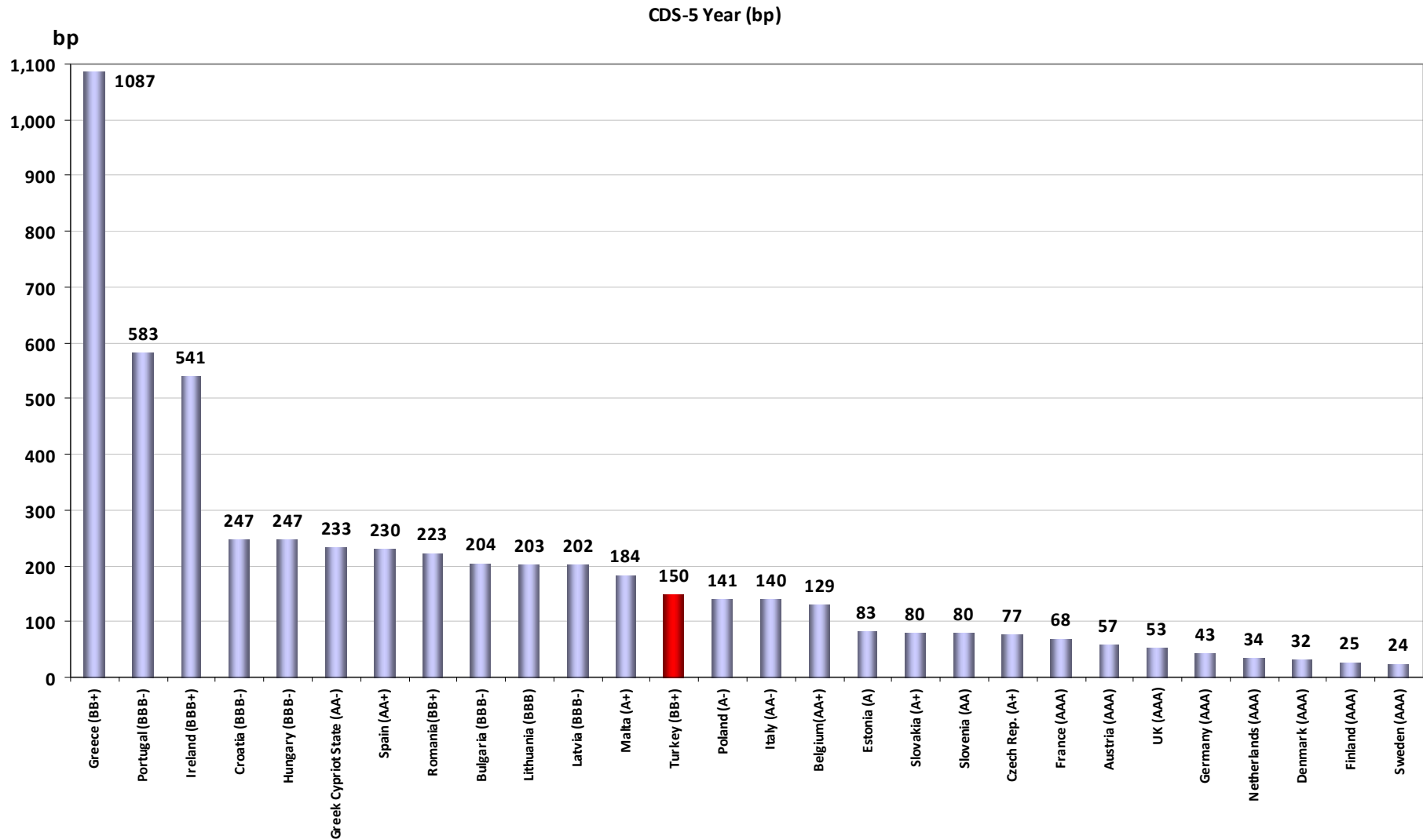
# EMBI+ and EMBI+ Turkey Subindex



(\*) As of April 13, 2011

Source: BLOOMBERG

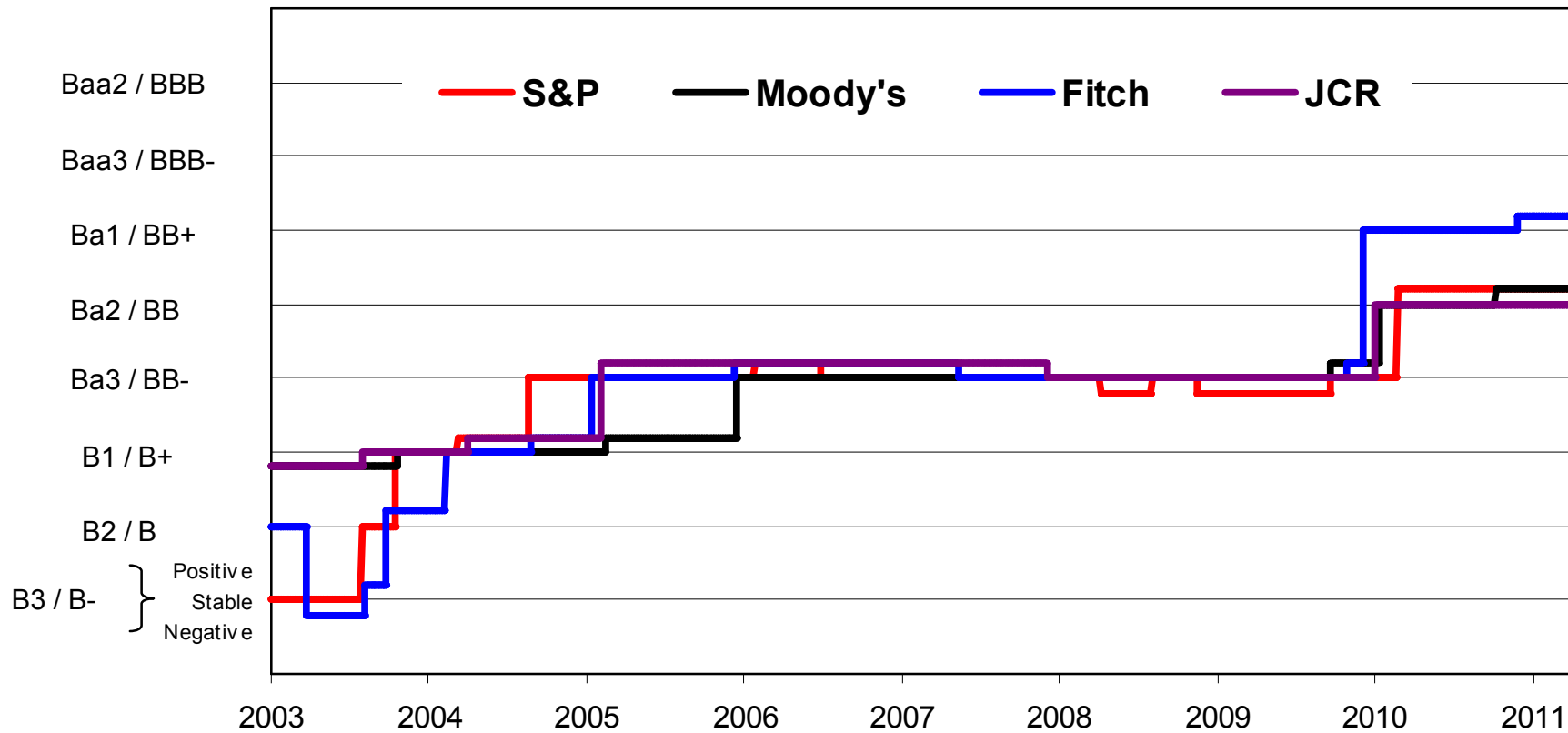
# Turkey's CDS Level in Comparison with EU Countries



(\* As of April 13, 2011

Source: BLOOMBERG

# Turkey's Credit Rating History





THANK YOU

For further information please contact our  
Investor Relations Office

<http://www.hazine.gov.tr/iro.htm>

E-mail: [iro@hazine.gov.tr](mailto:iro@hazine.gov.tr)

Tel: +90 312 212 8887

Fax: +90 312 212 8550