



Outlook for Turkish Economy

Mehmet ŞİMŞEK
Deputy Prime Minister

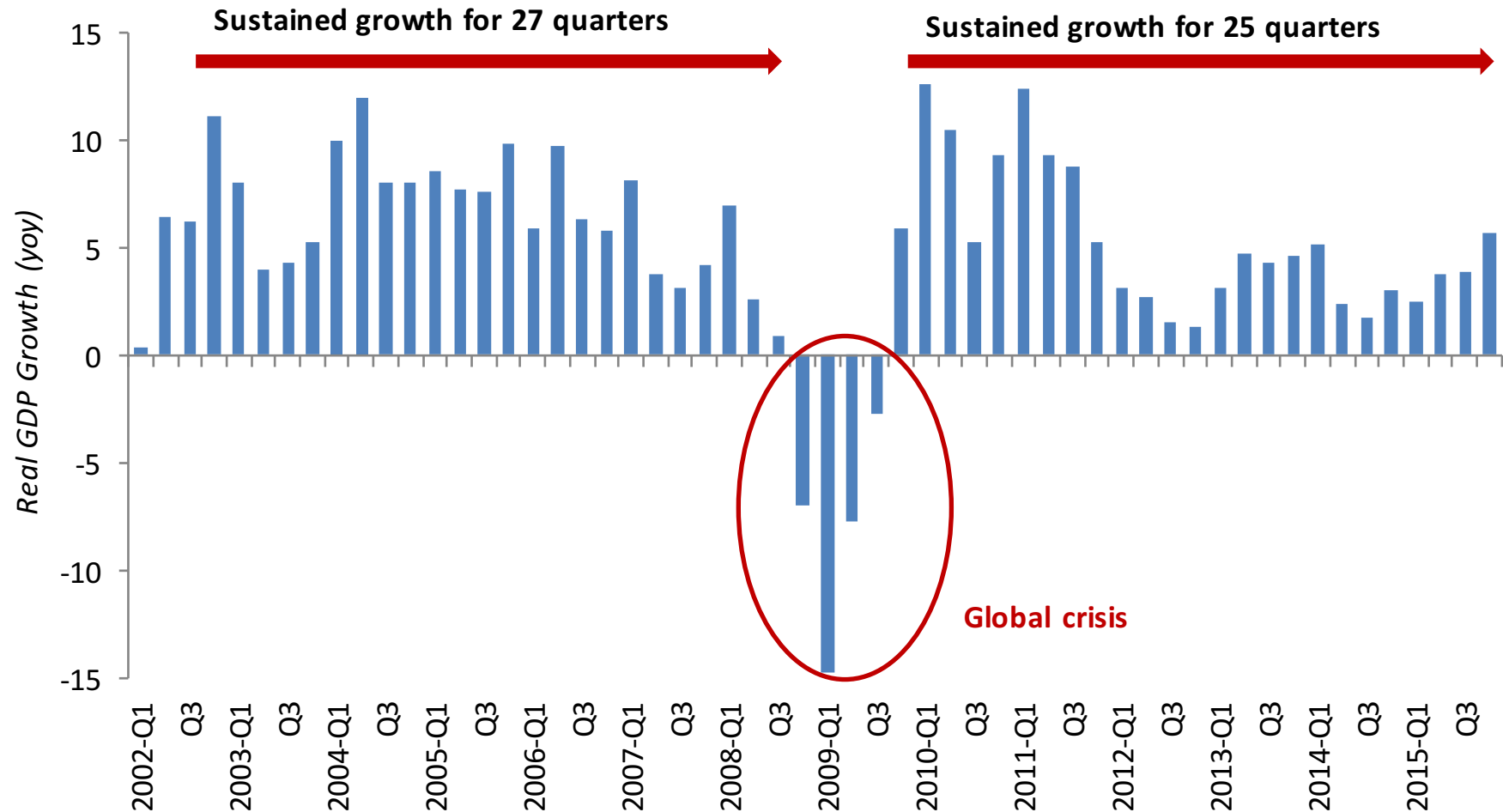
April 26, 2016



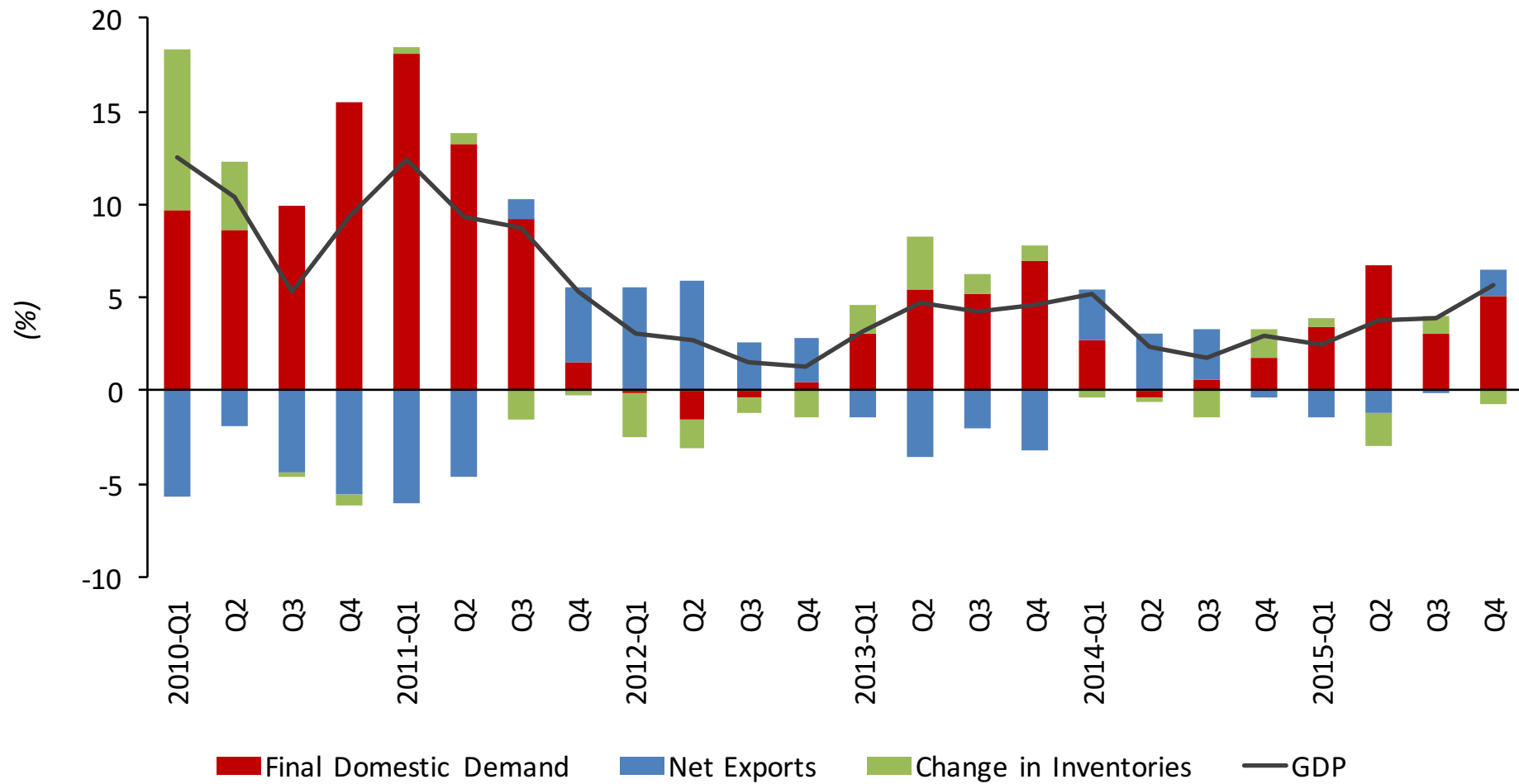


Outlook for Turkey

Resilient Growth

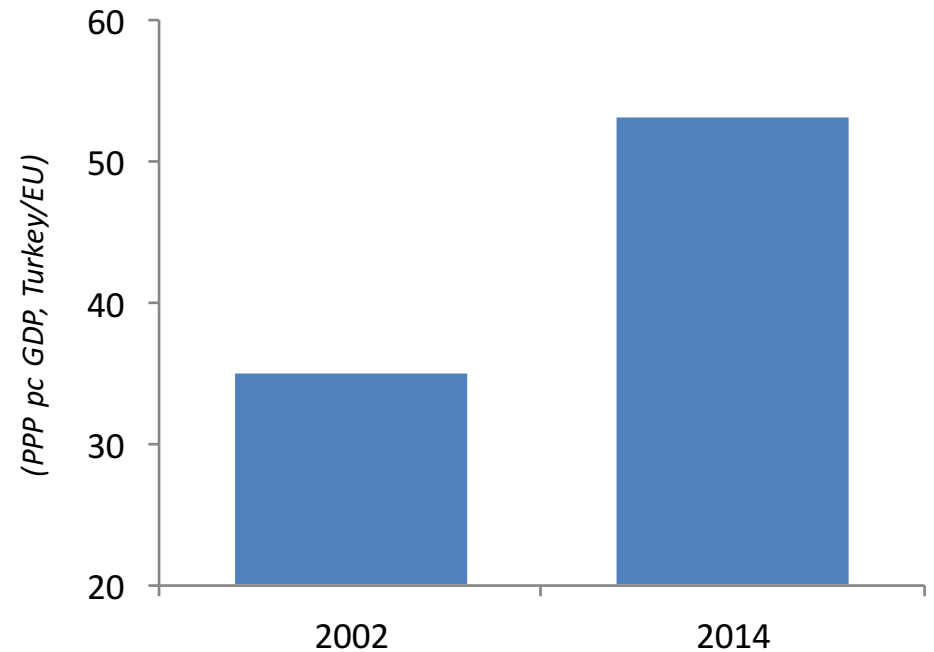
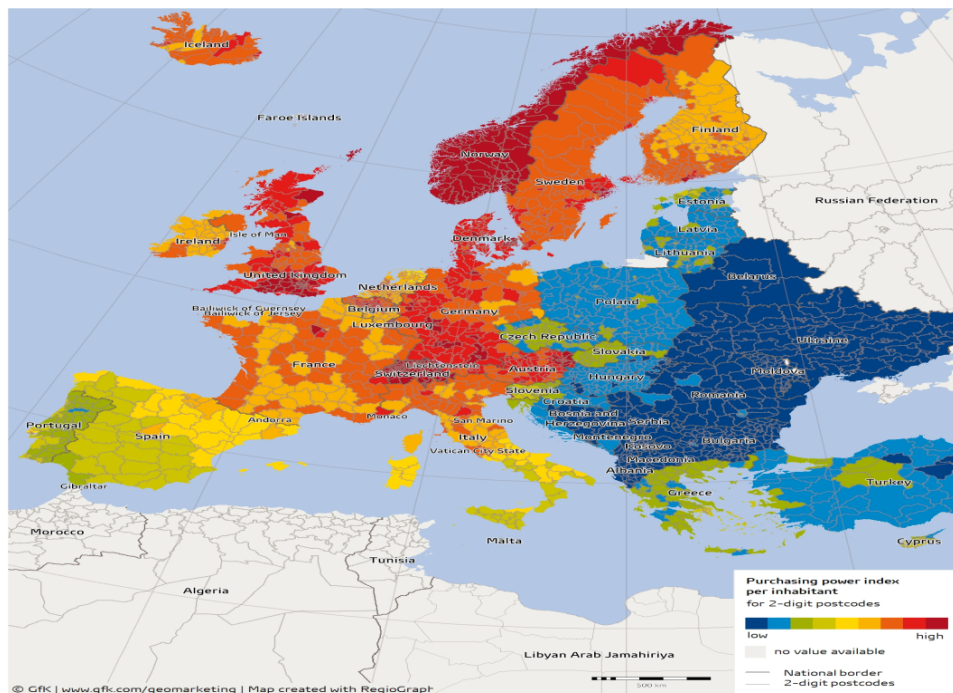


More Balanced Growth

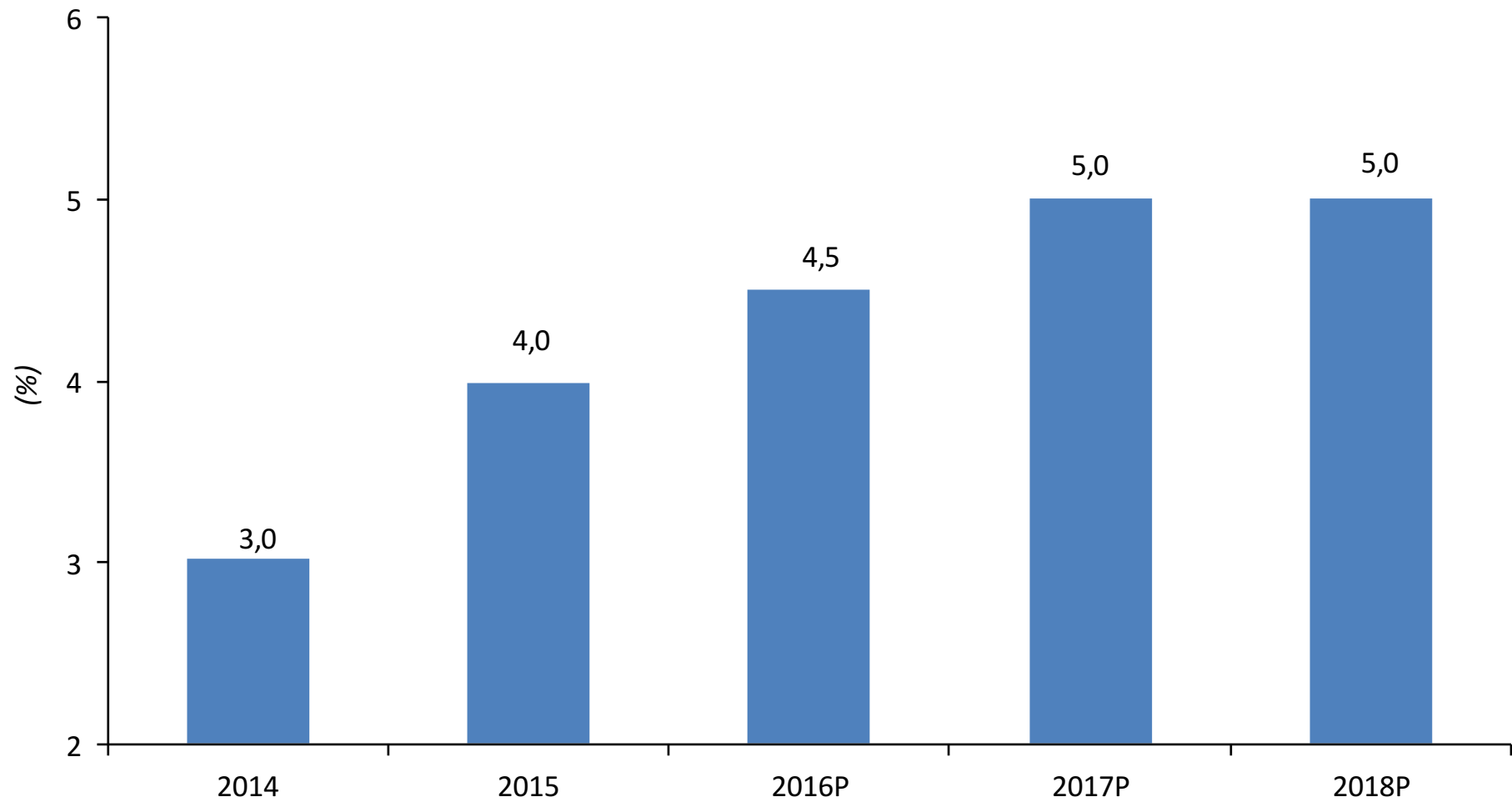


Real Convergence

Narrowing per capita GDP gap between Turkey and EU by nearly 20 percentage points



GDP Growth Outlook



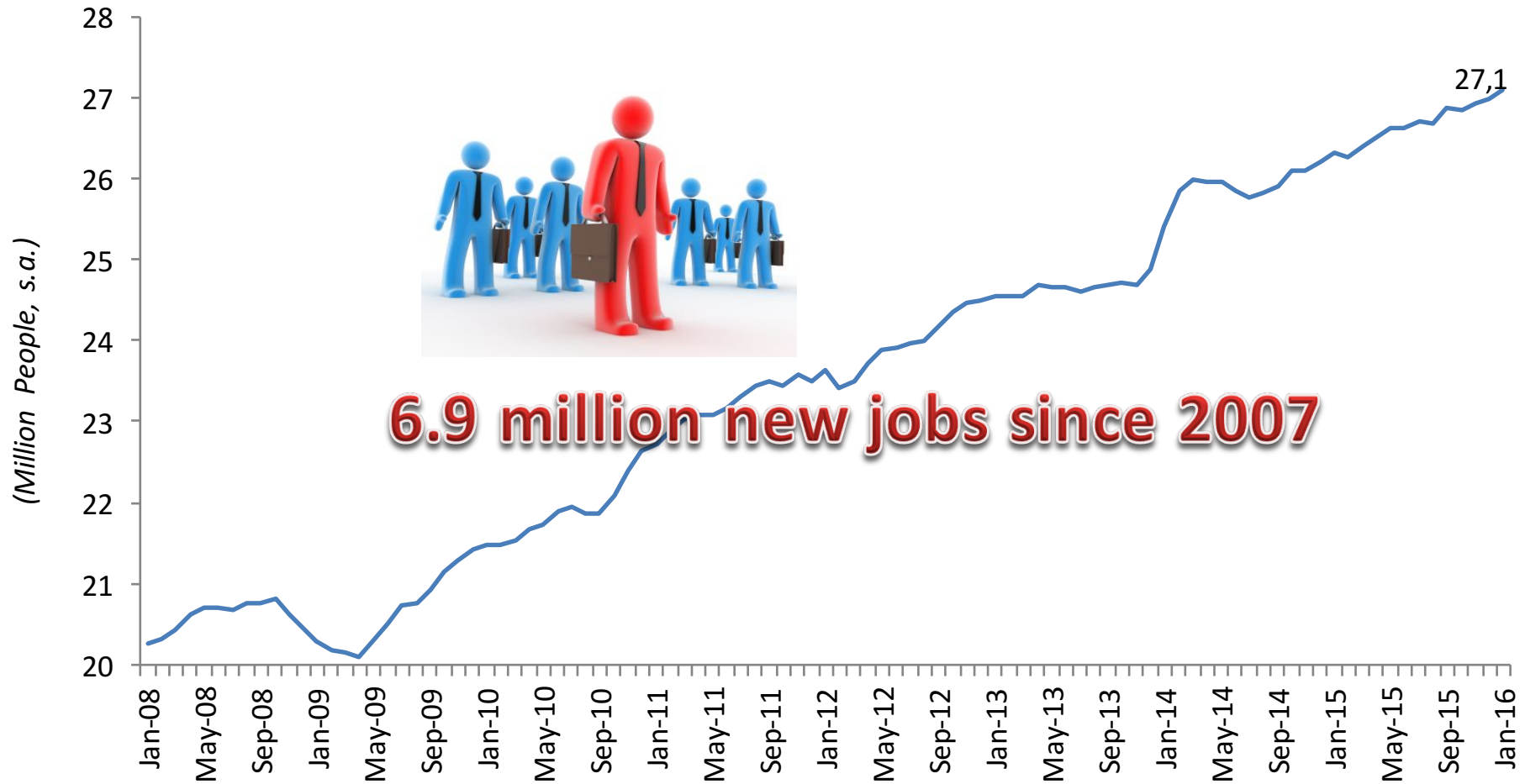
Risks to Growth Outlook

Geopolitical tensions

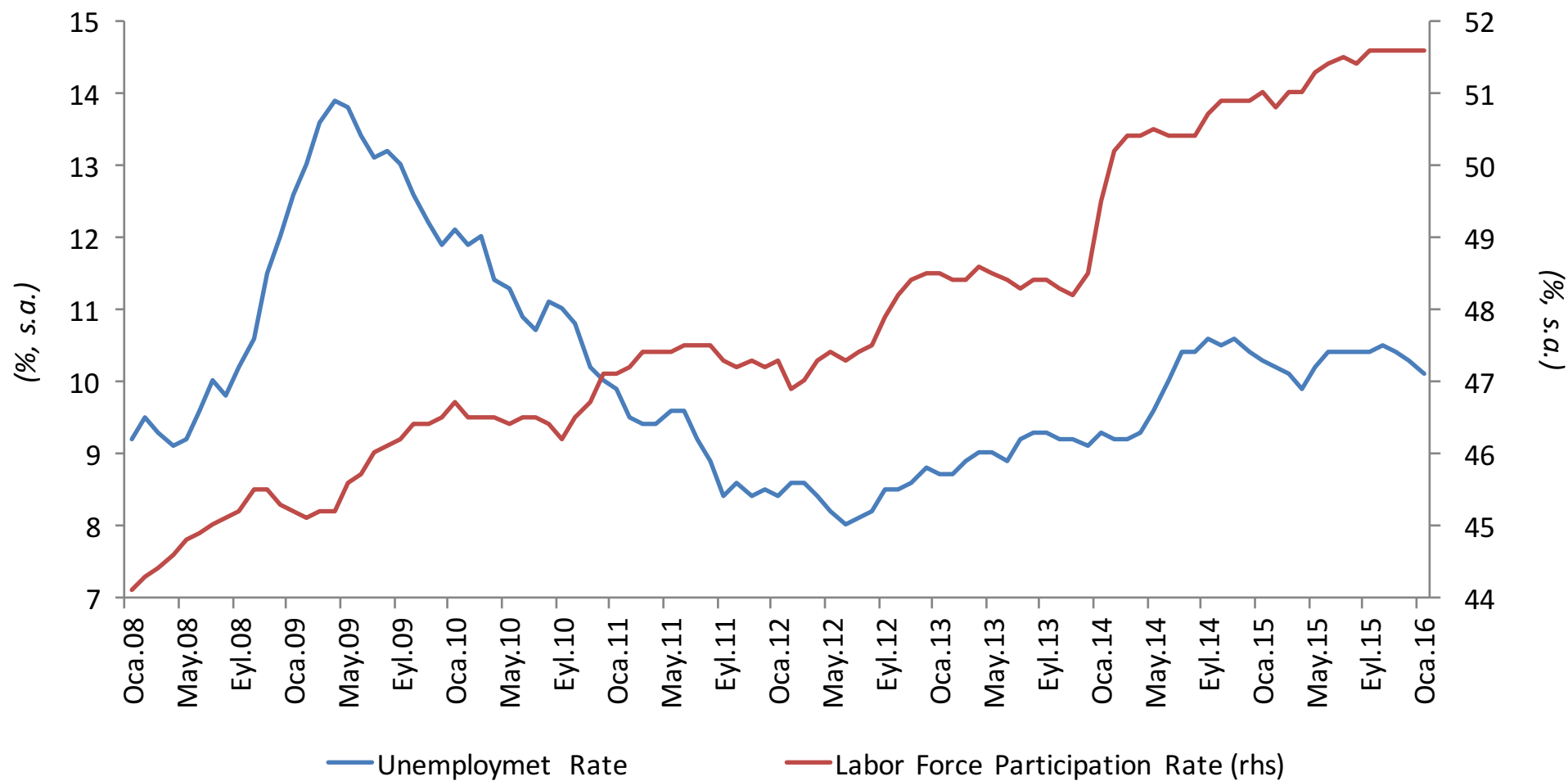
Limited or no progress in structural reforms

More aggressive FED rate hikes

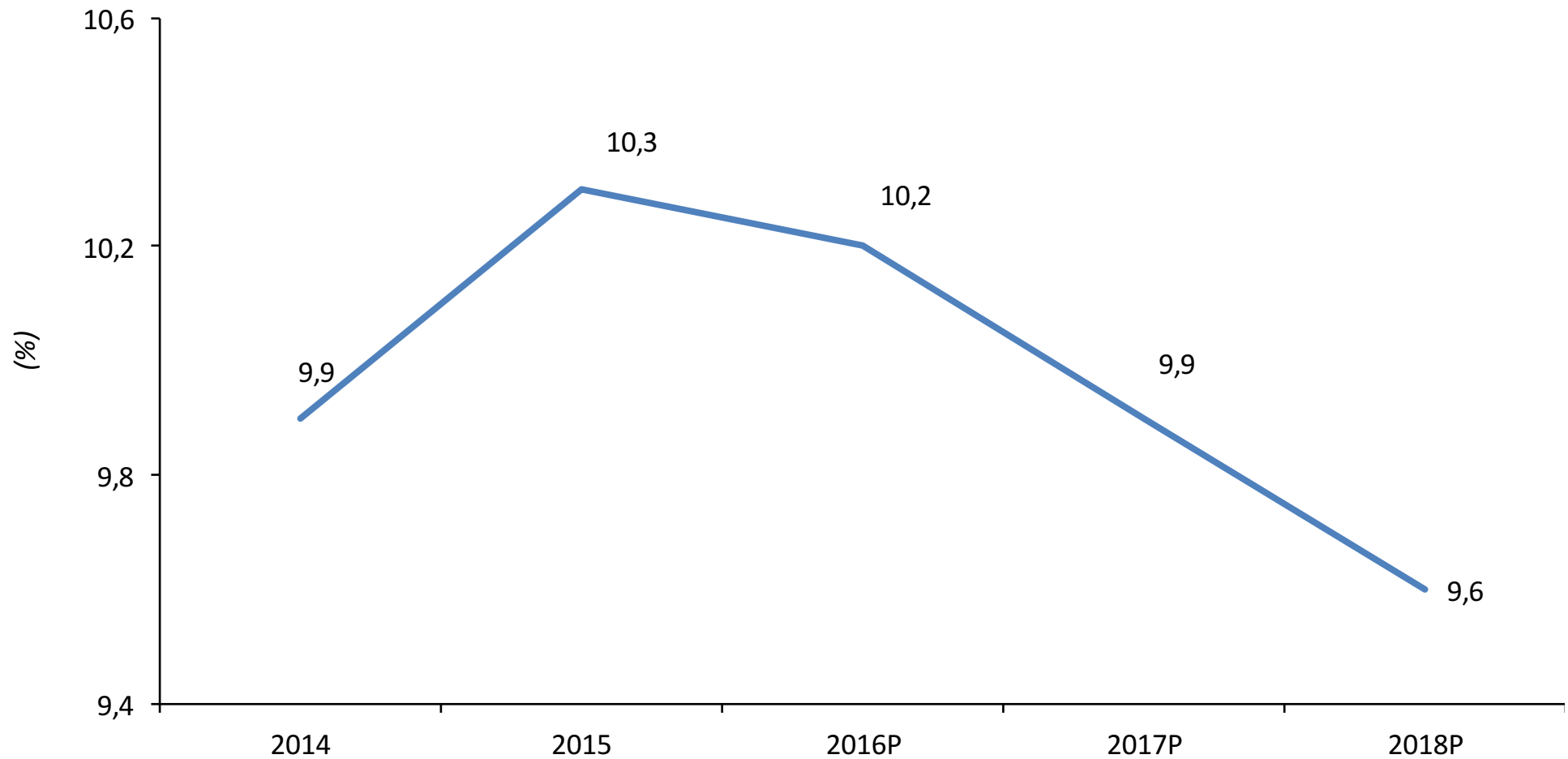
Strong Job Creation



Unemployment Remains High



Unemployment Outlook



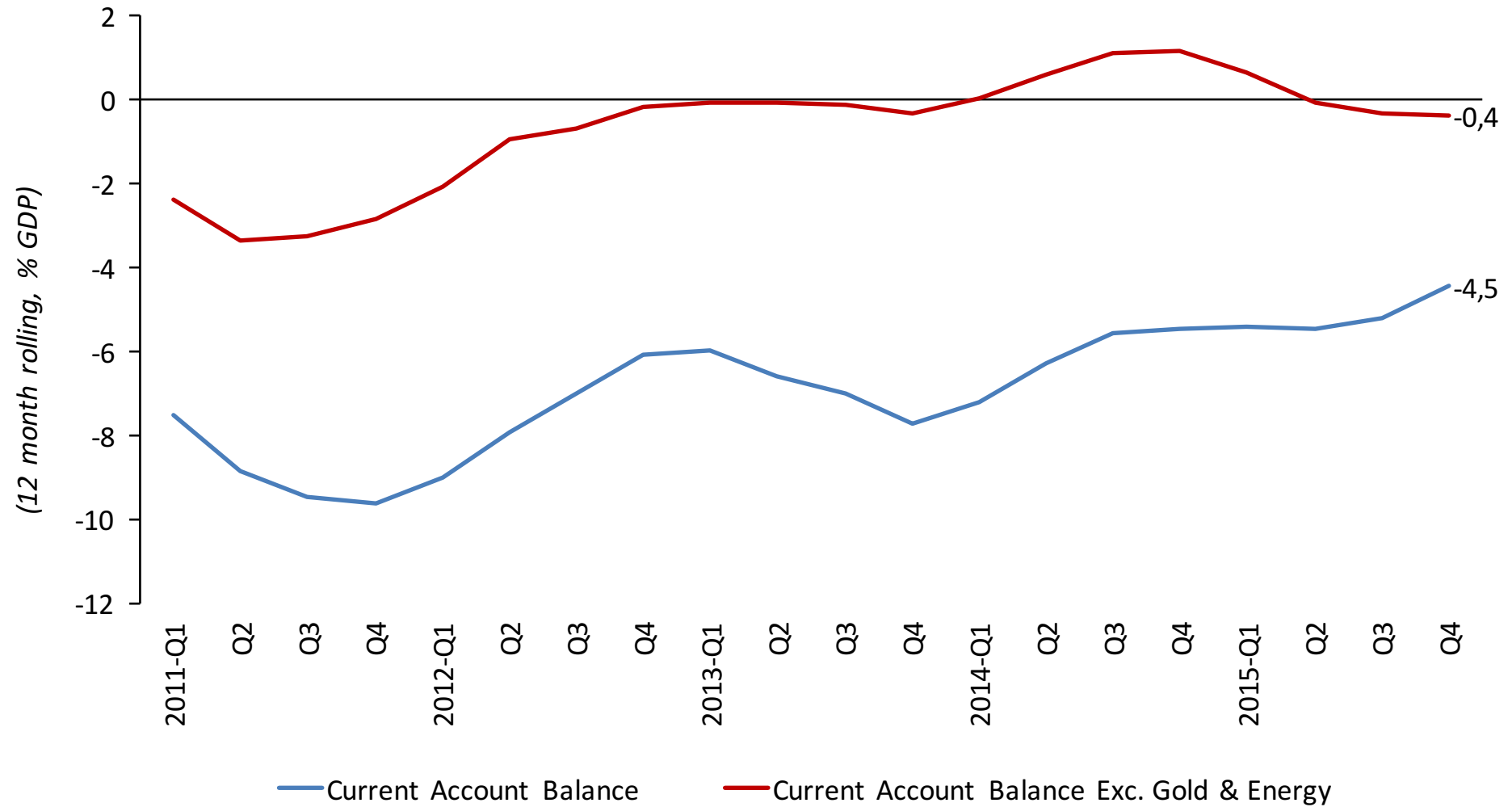
Risks to Employment Outlook

Shocks to expected growth

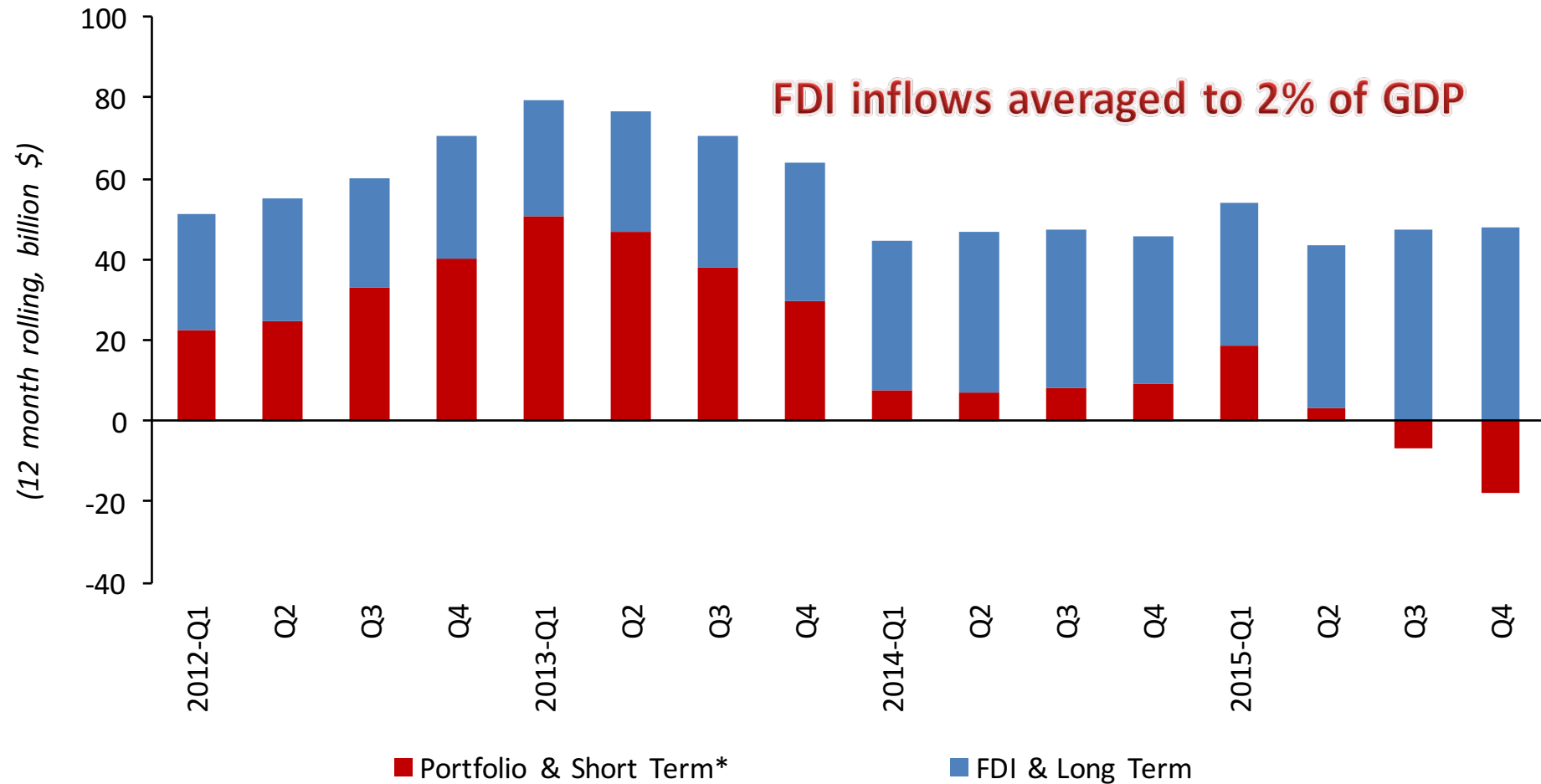
Limited or no progress on Labour
Market Reform

Increase in # of refugees

Current Account Balance



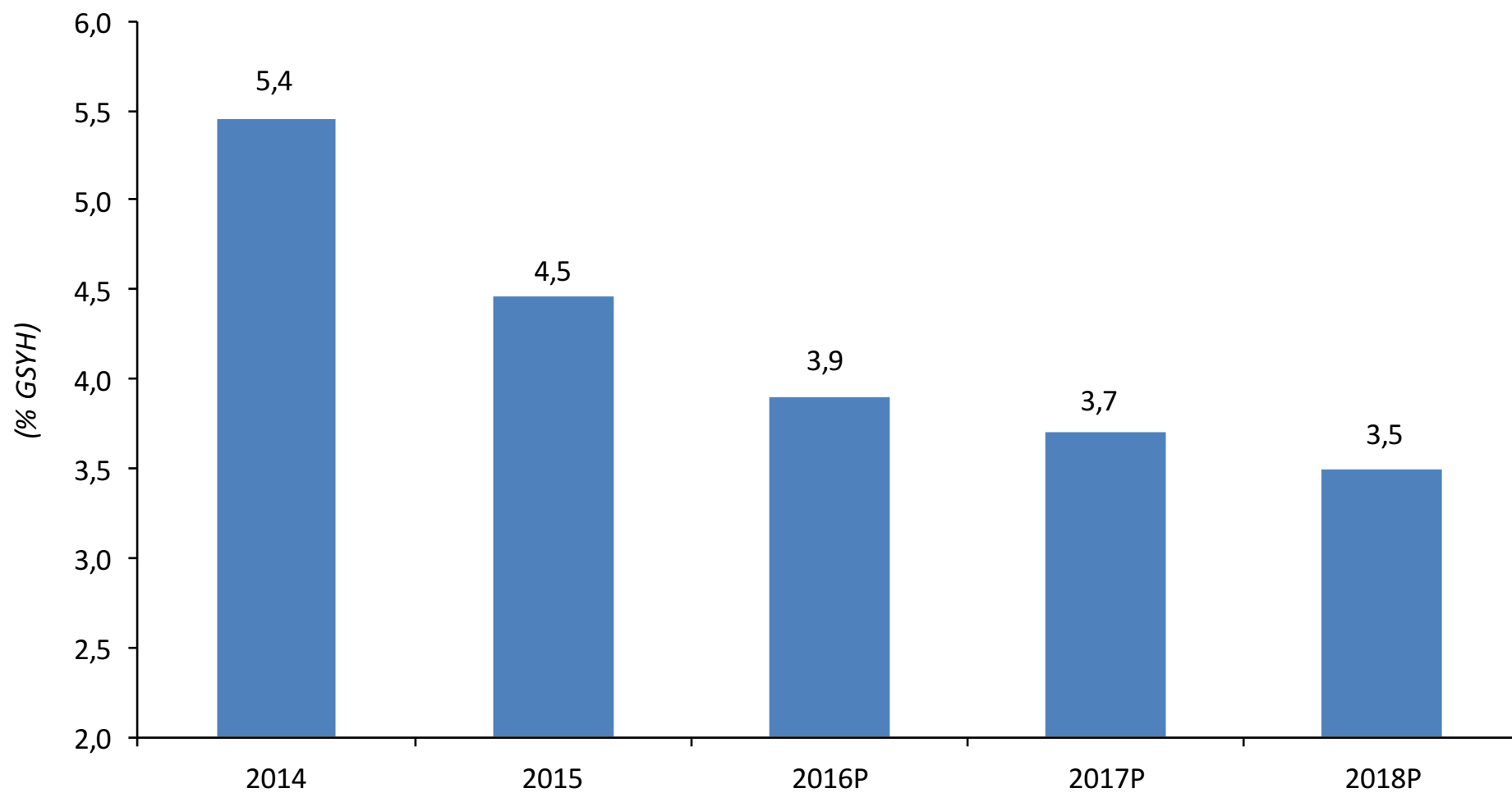
Financing of C/A Deficit has Improved



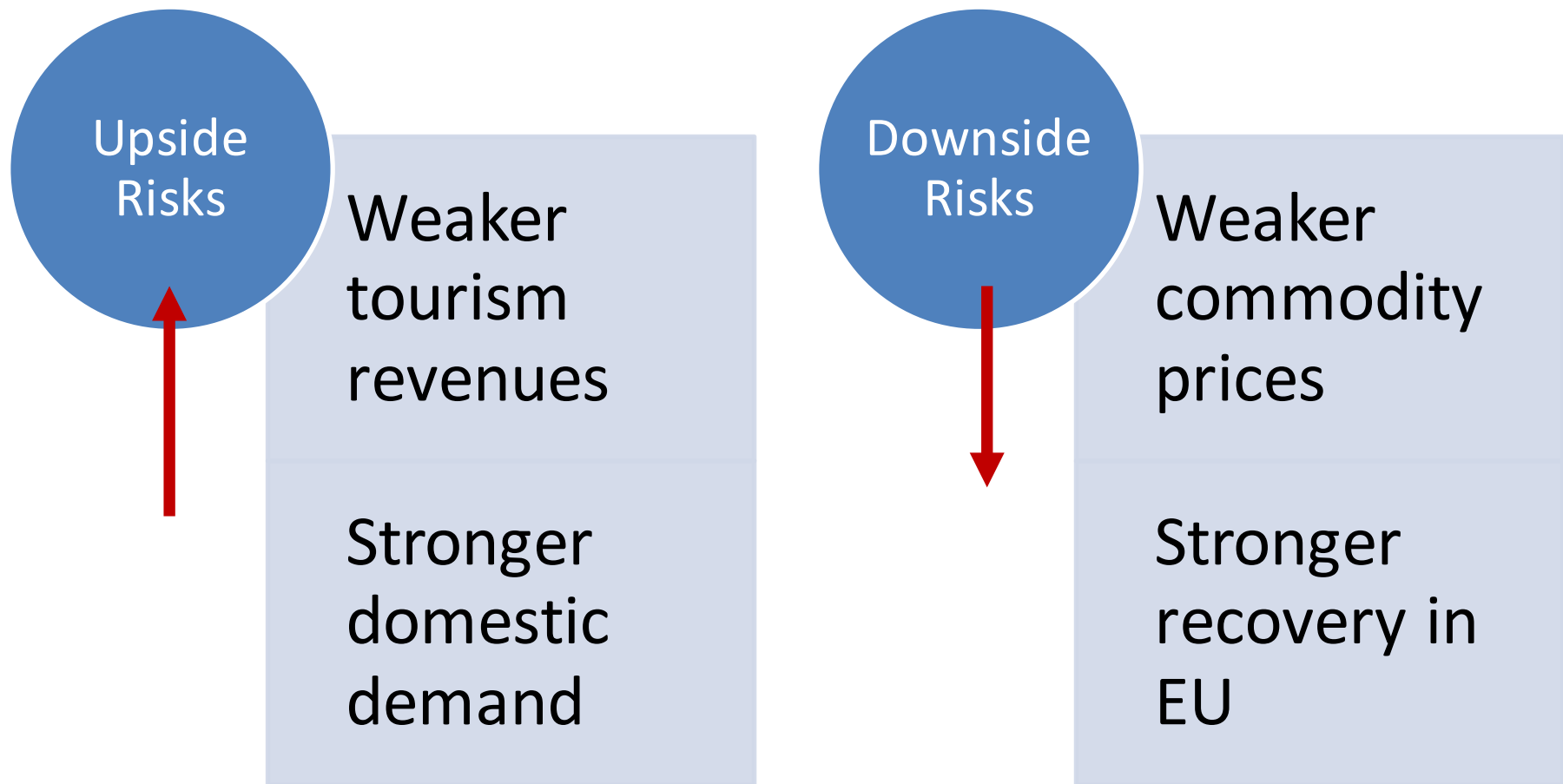
Source: CBRT

(*) Short term capital flows includes banks and other sectors' net short term loans and banks' currency and deposits.

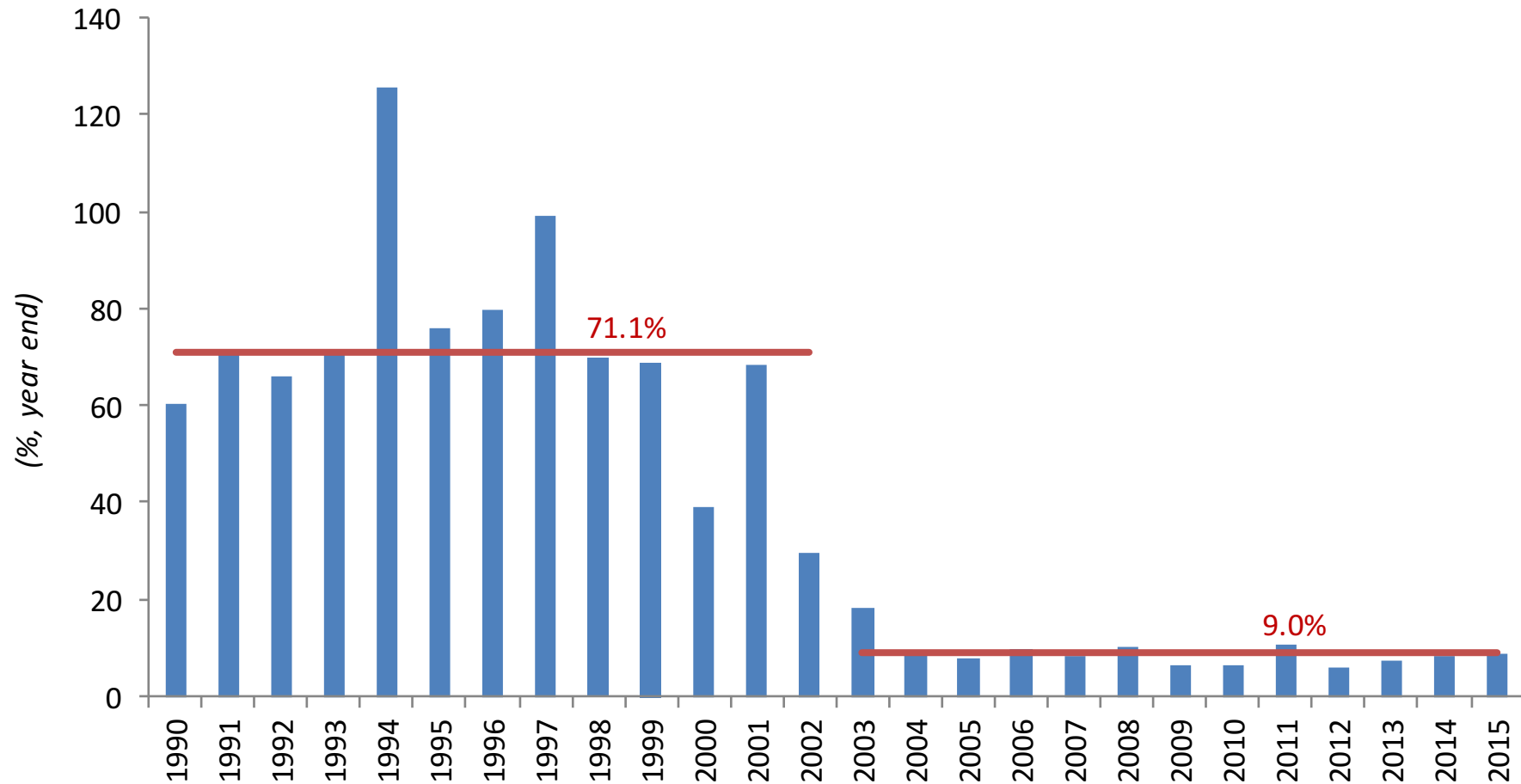
C/A Deficit Outlook



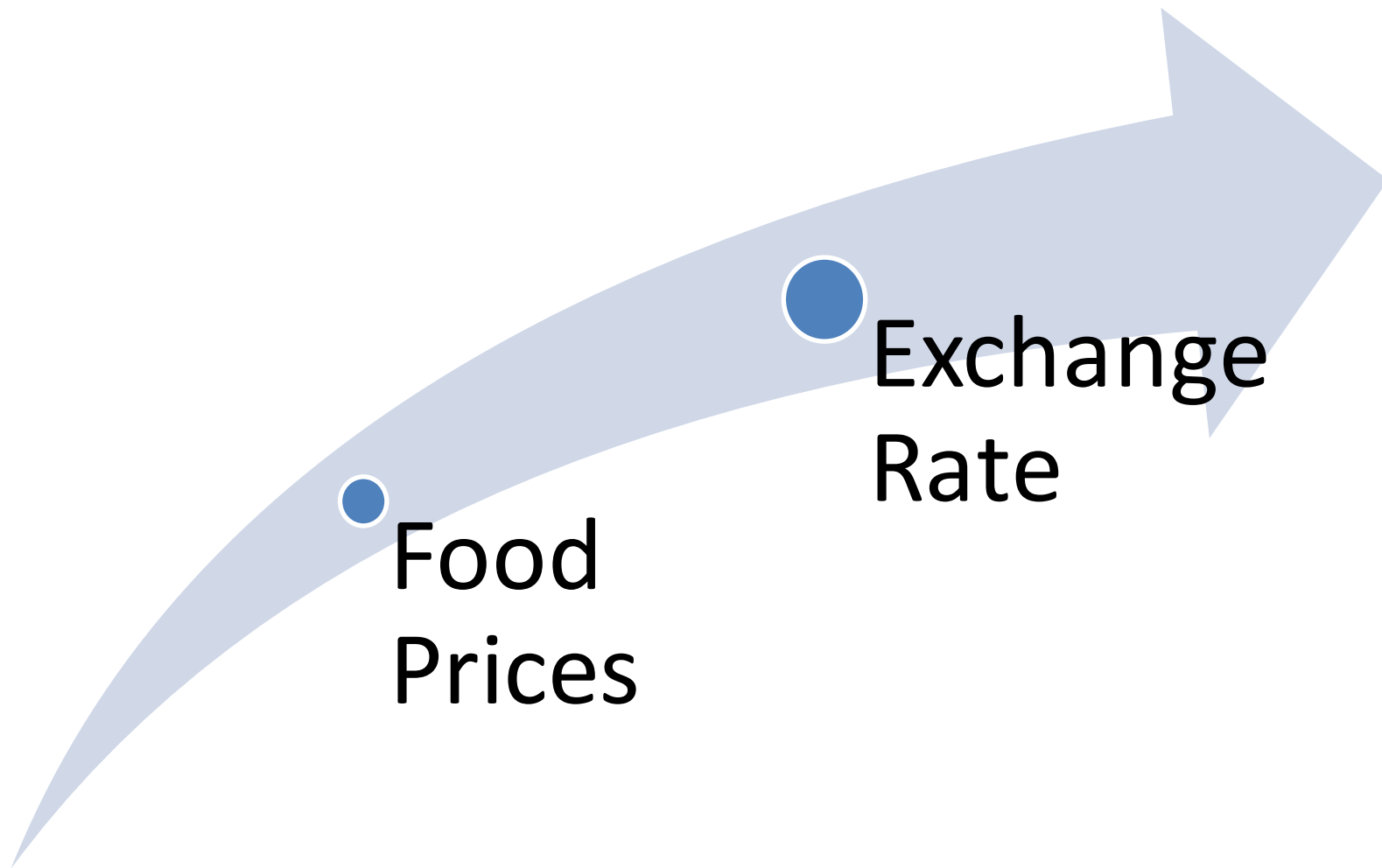
Risks to C/A Outlook



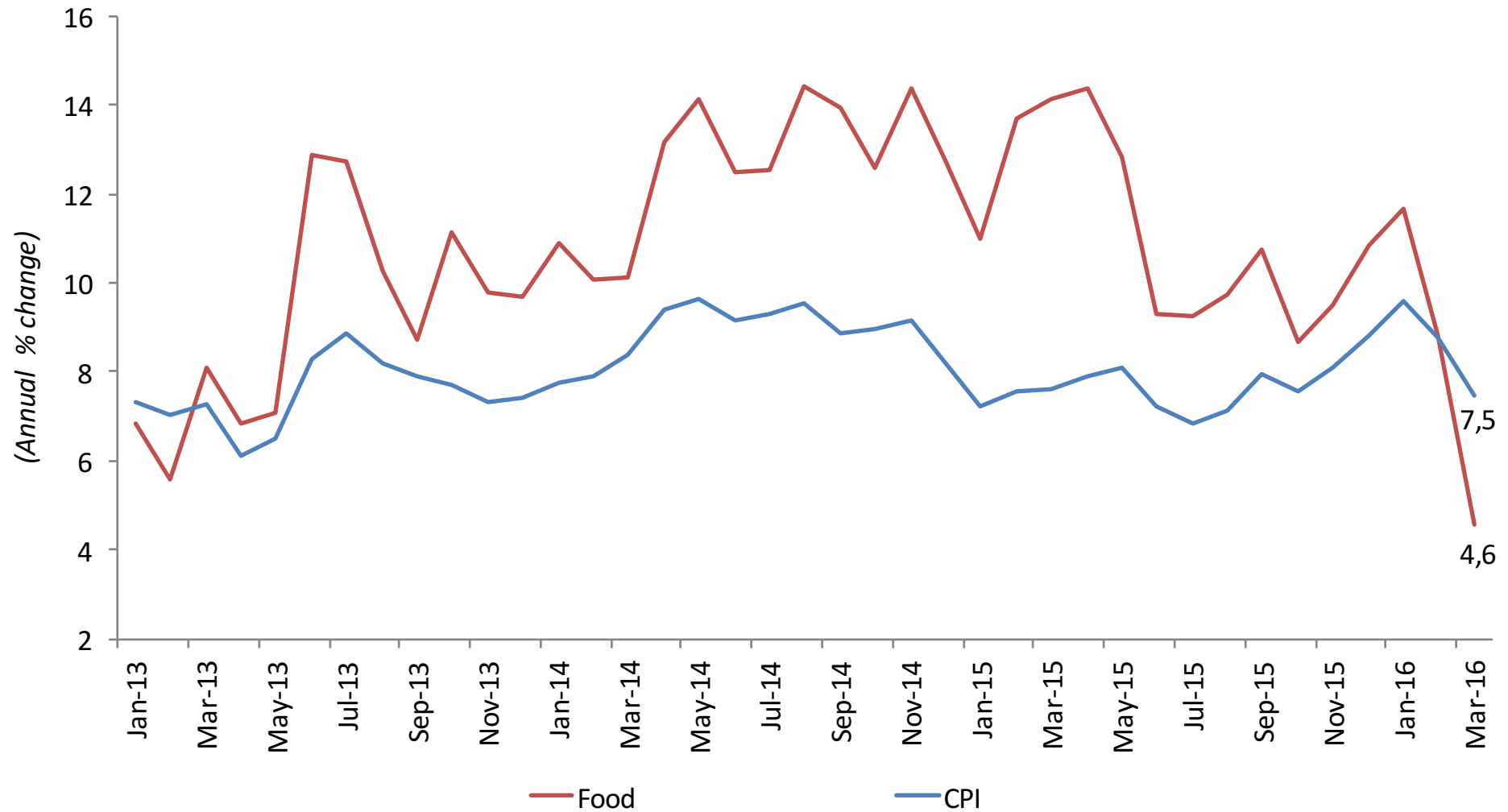
Inflation is Down to Single Digits



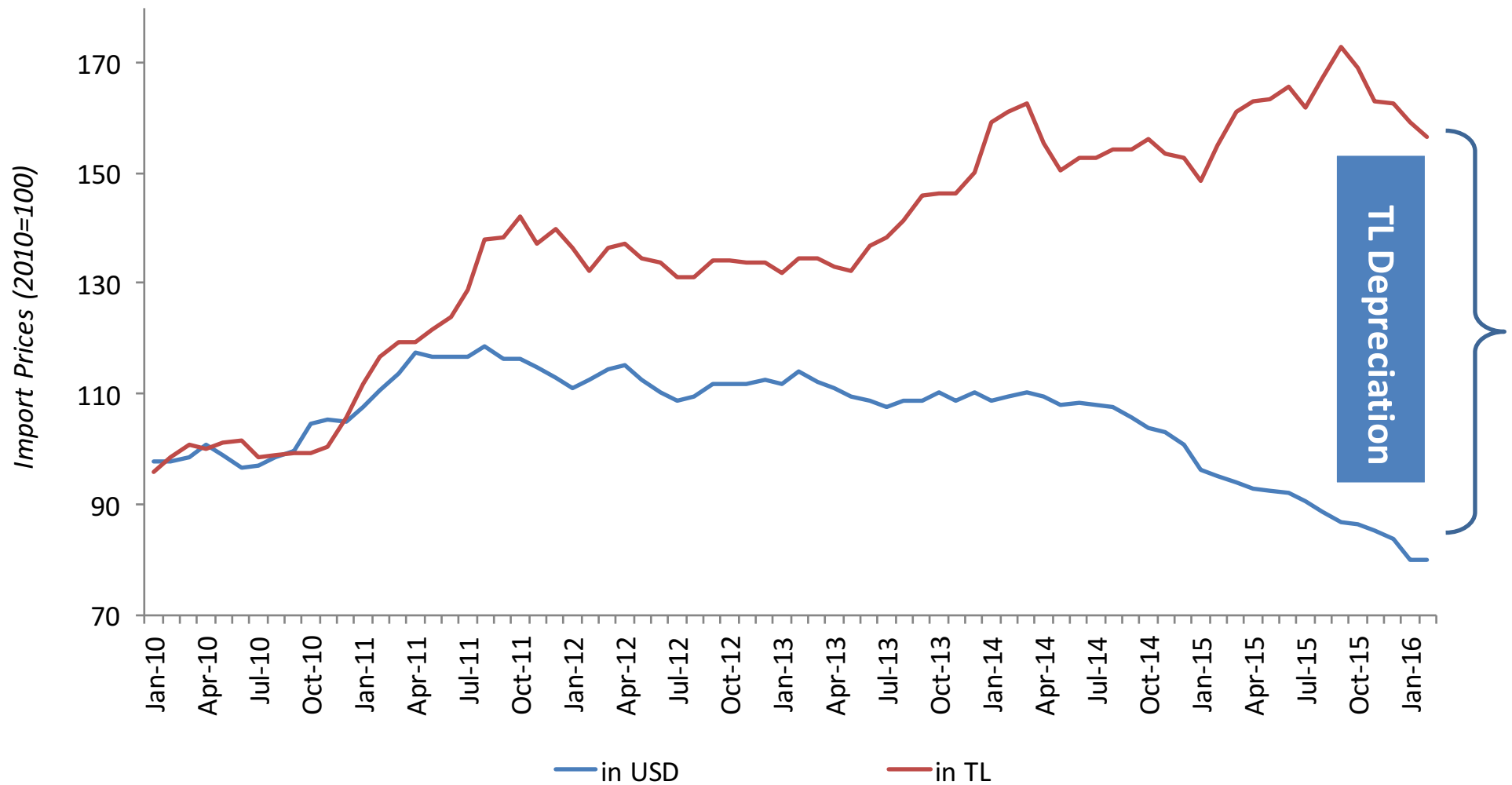
Why is Inflation above the Target?



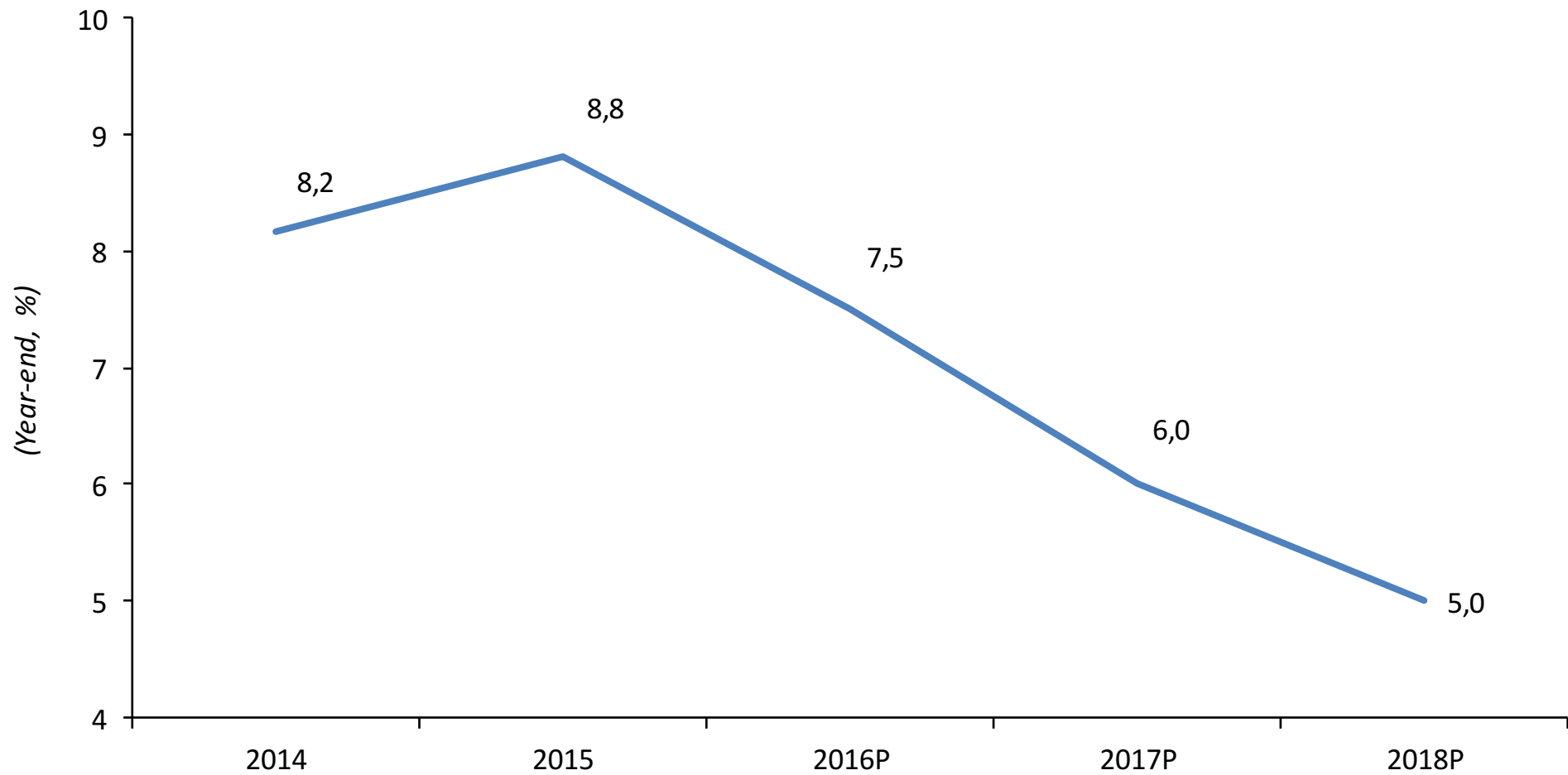
Headline Inflation vs Food Inflation



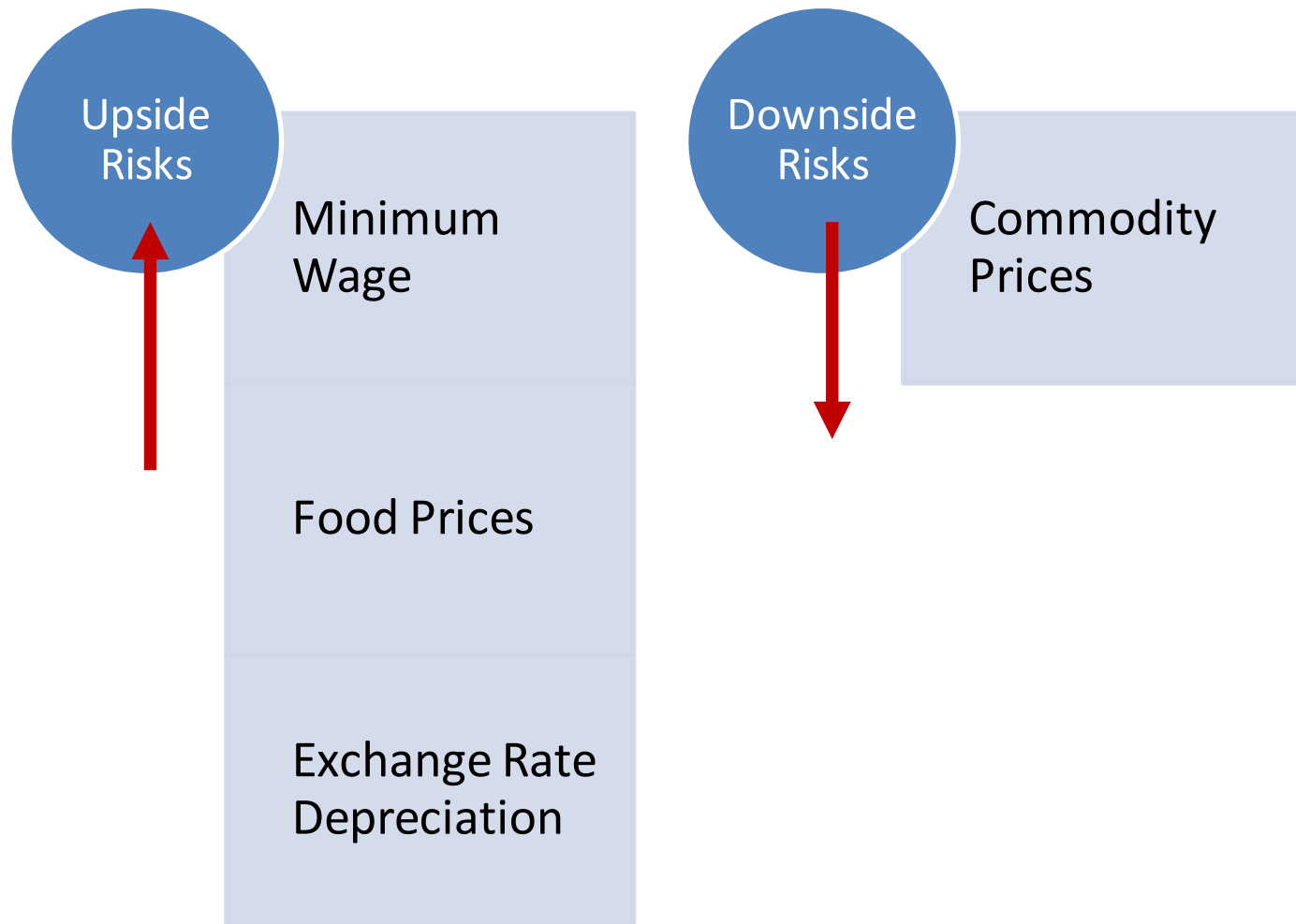
Impact of Currency Weakness



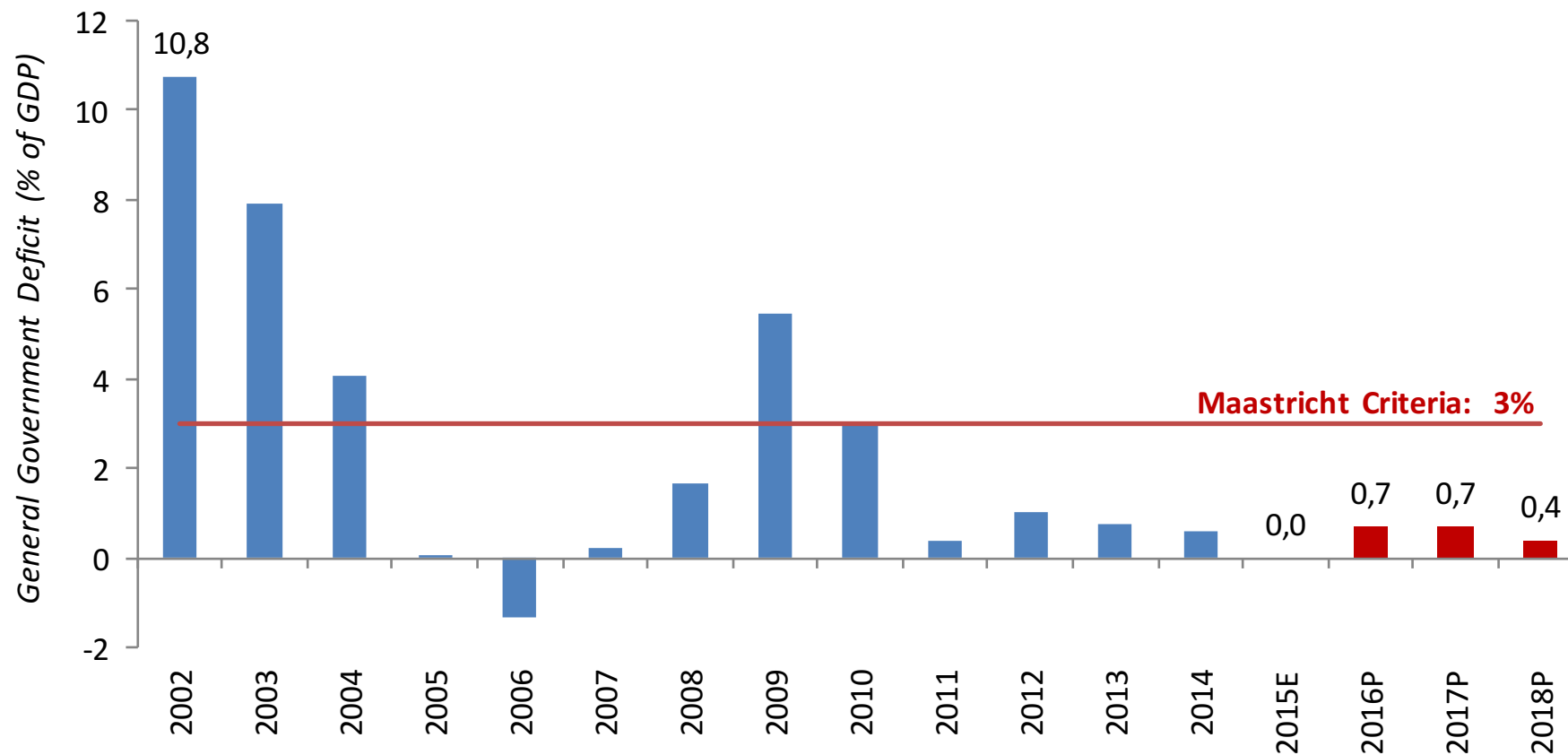
Inflation Outlook



Risks to Inflation Outlook



Strong Fiscal Position



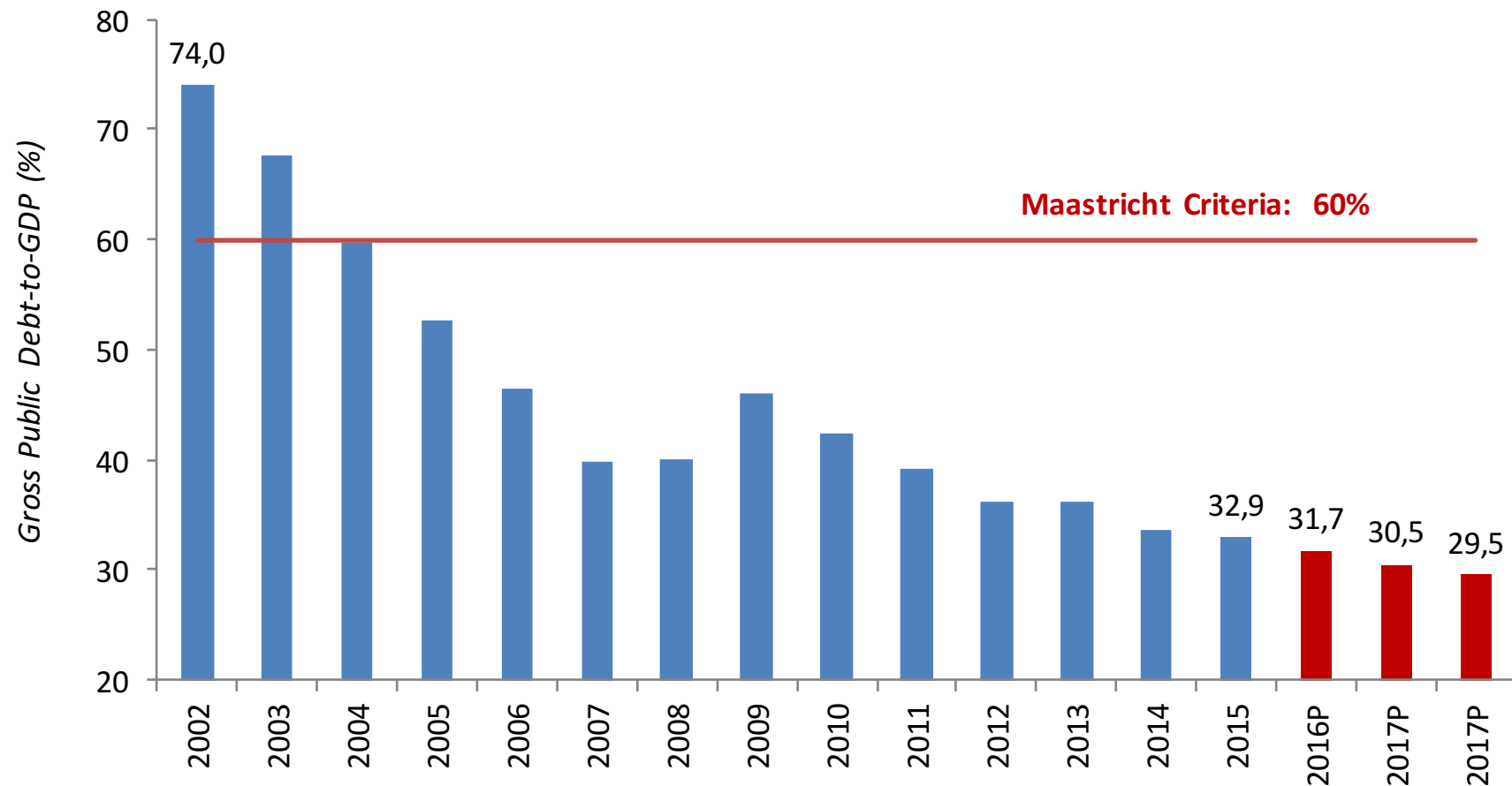
Satisfied Maastricht Criteria except 2009

Source: Ministry of Development, TURKSTAT

E: Realization Estimate

P: Program

Favorable Debt Dynamics

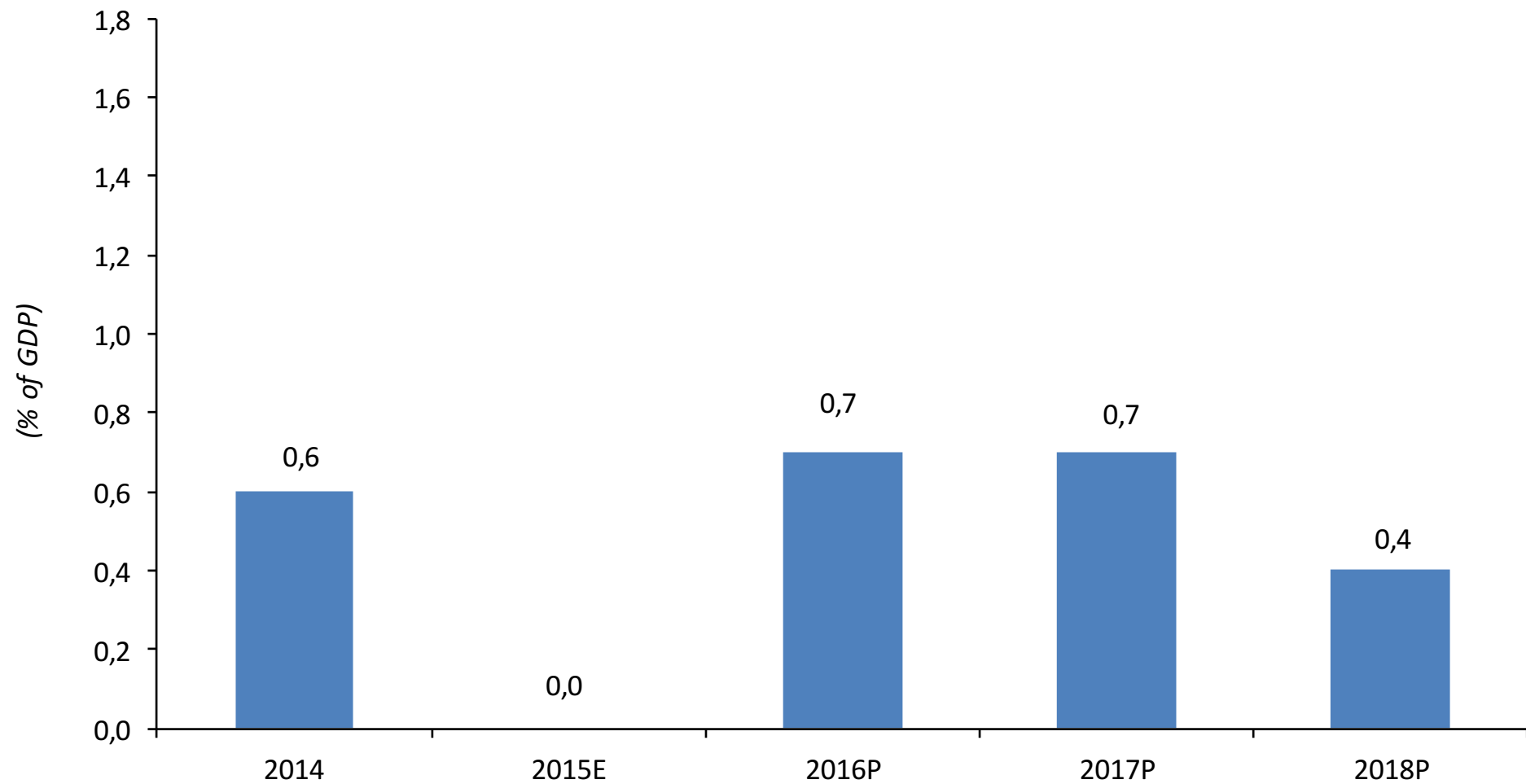


Satisfying Maastricht Criteria since 2004

Source: Undersecretariat of Treasury, Ministry of Development, TURKSTAT

P: Program

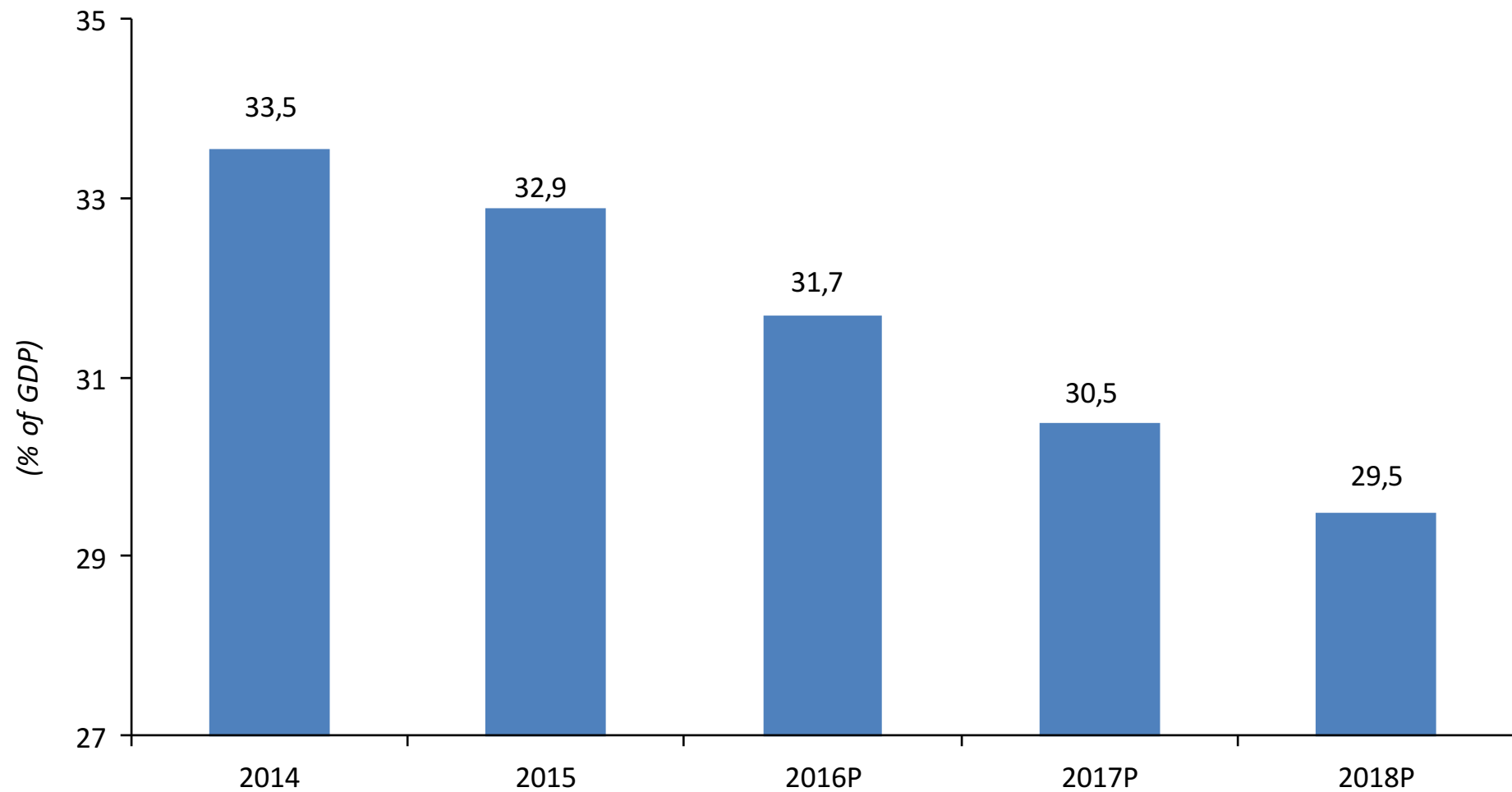
General Government Deficit



E: Realization Estimate

P: Program

Gross Public Debt

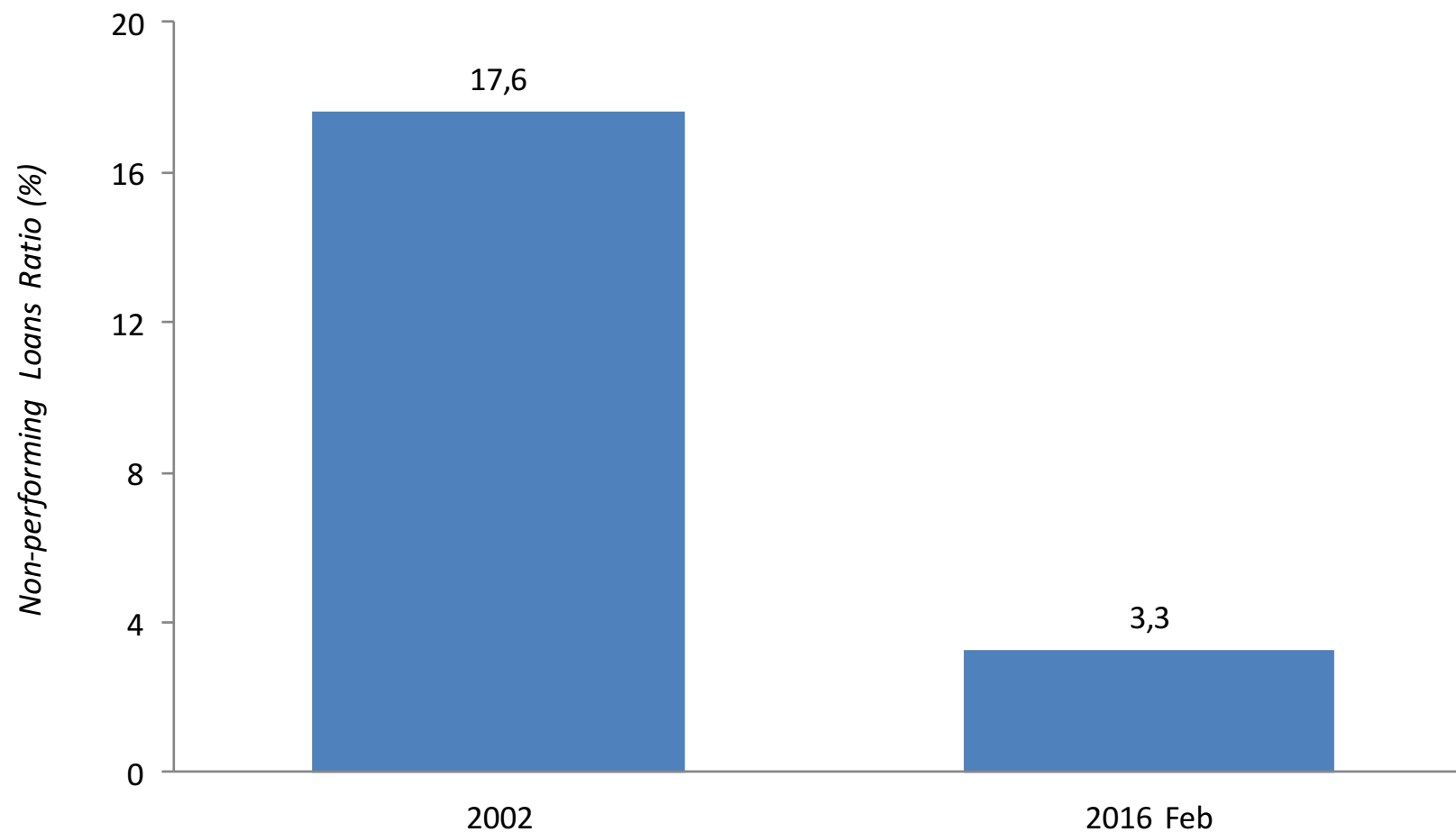


Risks to Fiscal Outlook

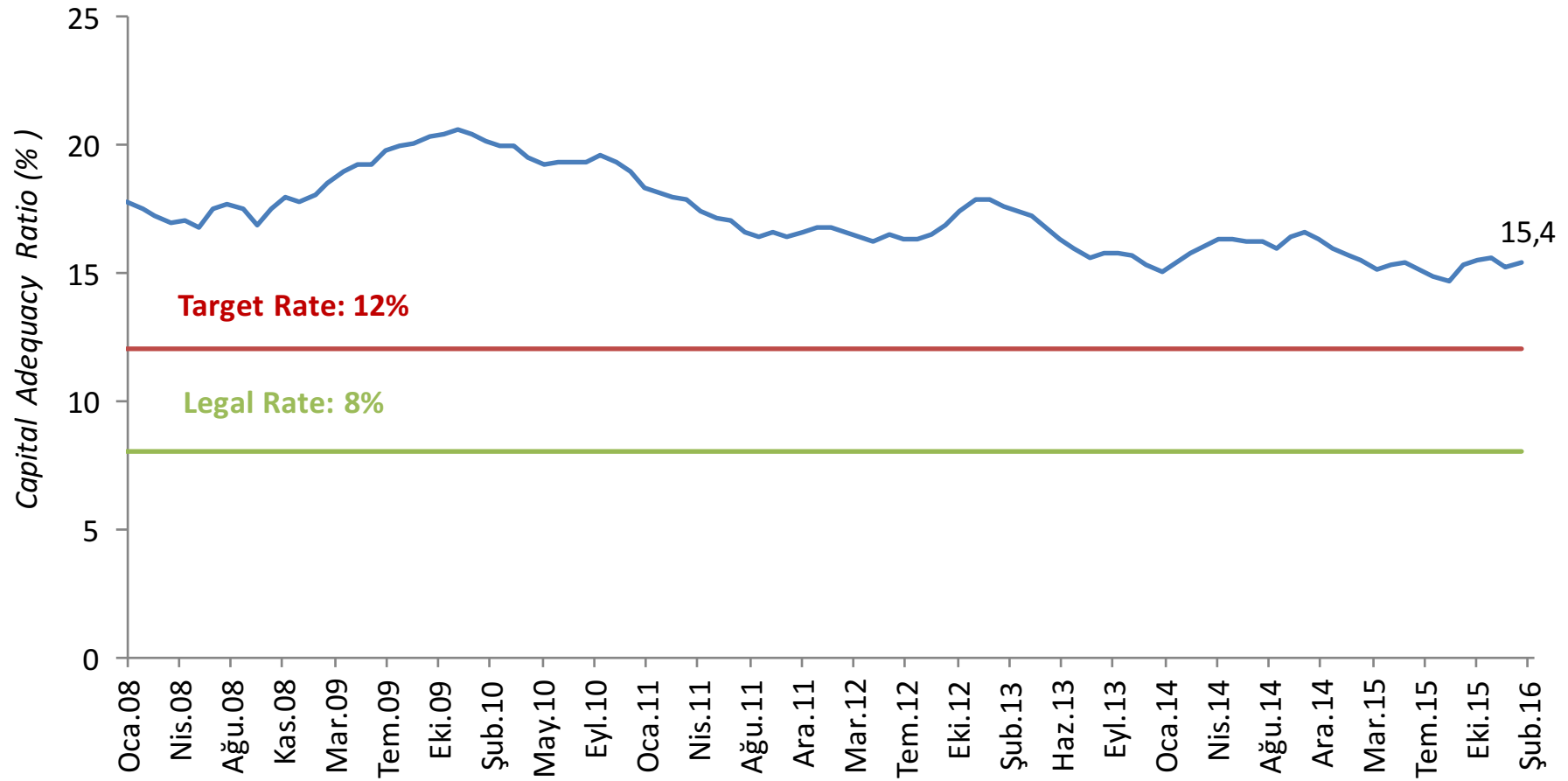
Slower Growth

The diagram features a blue rounded rectangle containing the text 'Slower Growth'. This rectangle is positioned within a larger, light blue rectangular frame. A thin blue line extends from the left side of the rectangle, goes down, and then continues horizontally to the right, ending at the right side of the frame.

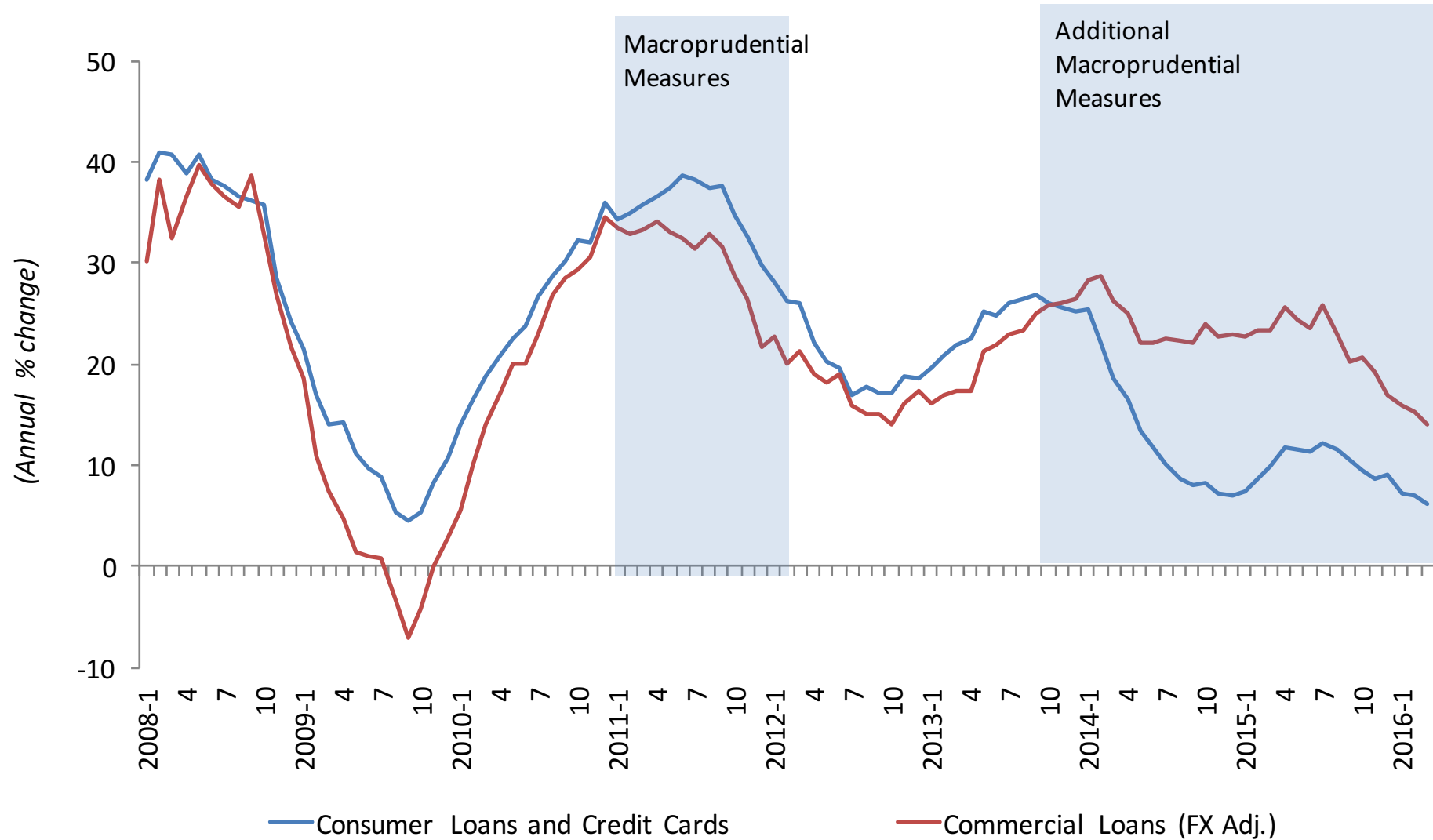
Banking Sector: High Asset Quality



Banking Sector: Well Capitalized



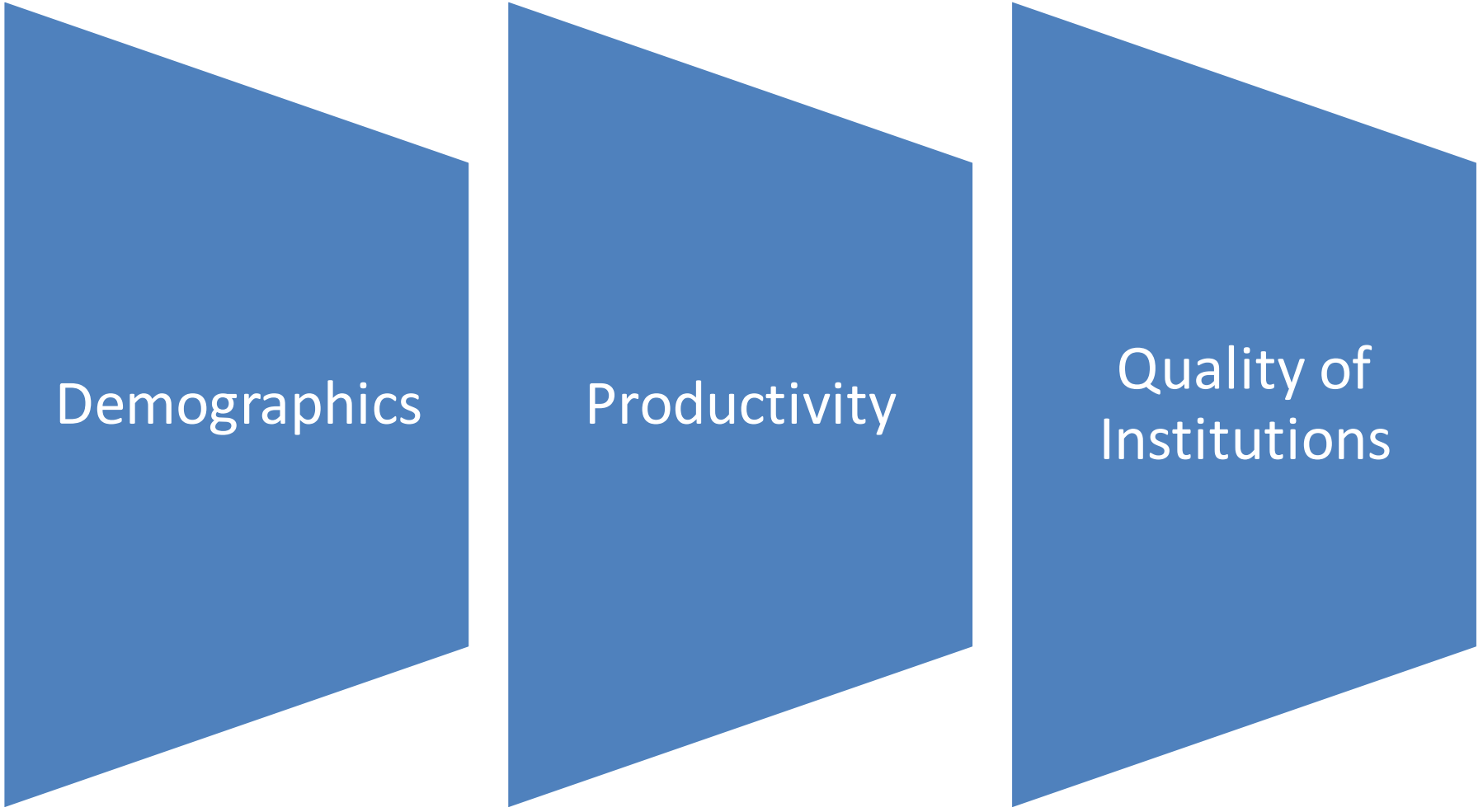
Credit Growth is Moderating





Long-Term Prospects

Determinants of Long-Term Growth

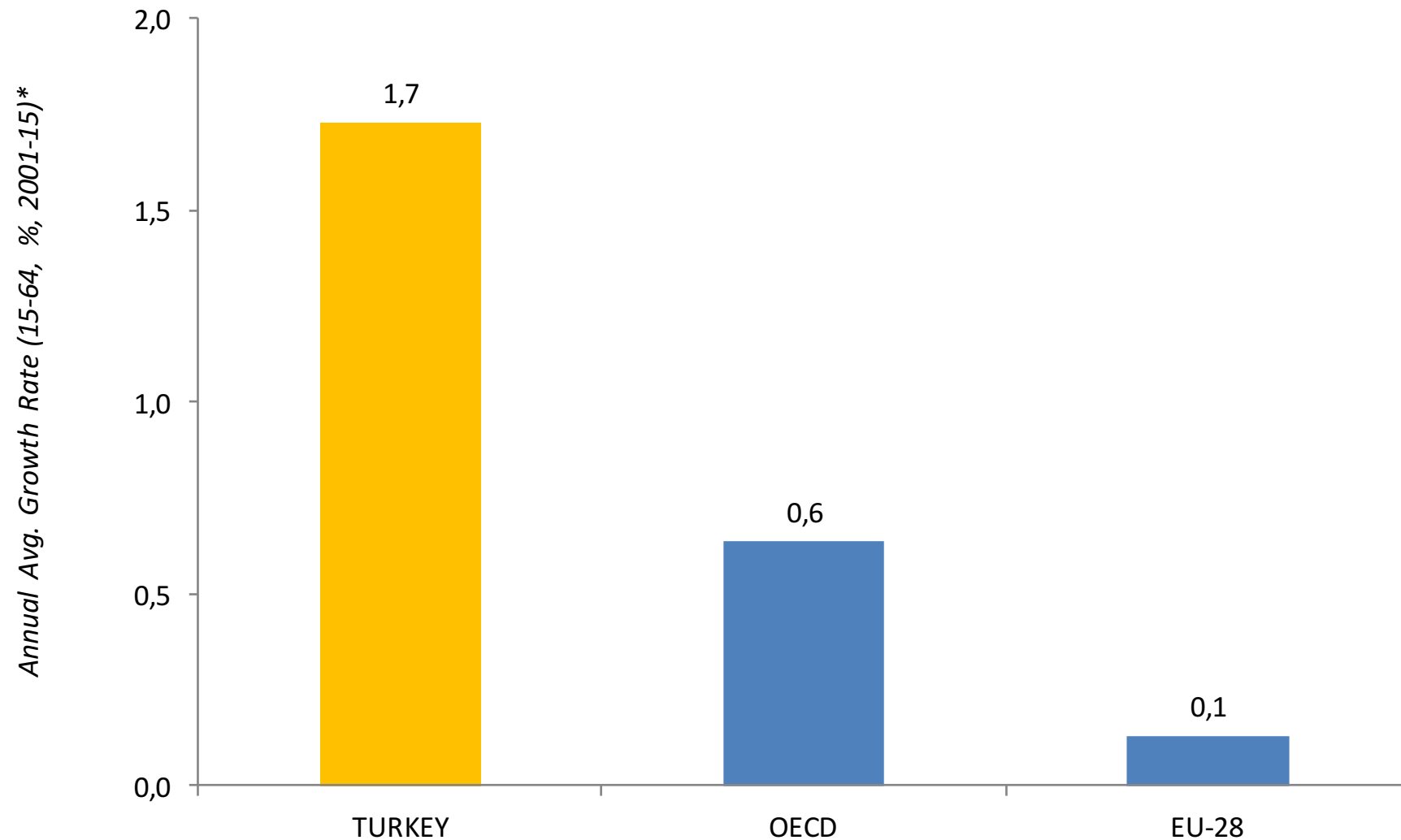


Demographics

Productivity

Quality of
Institutions

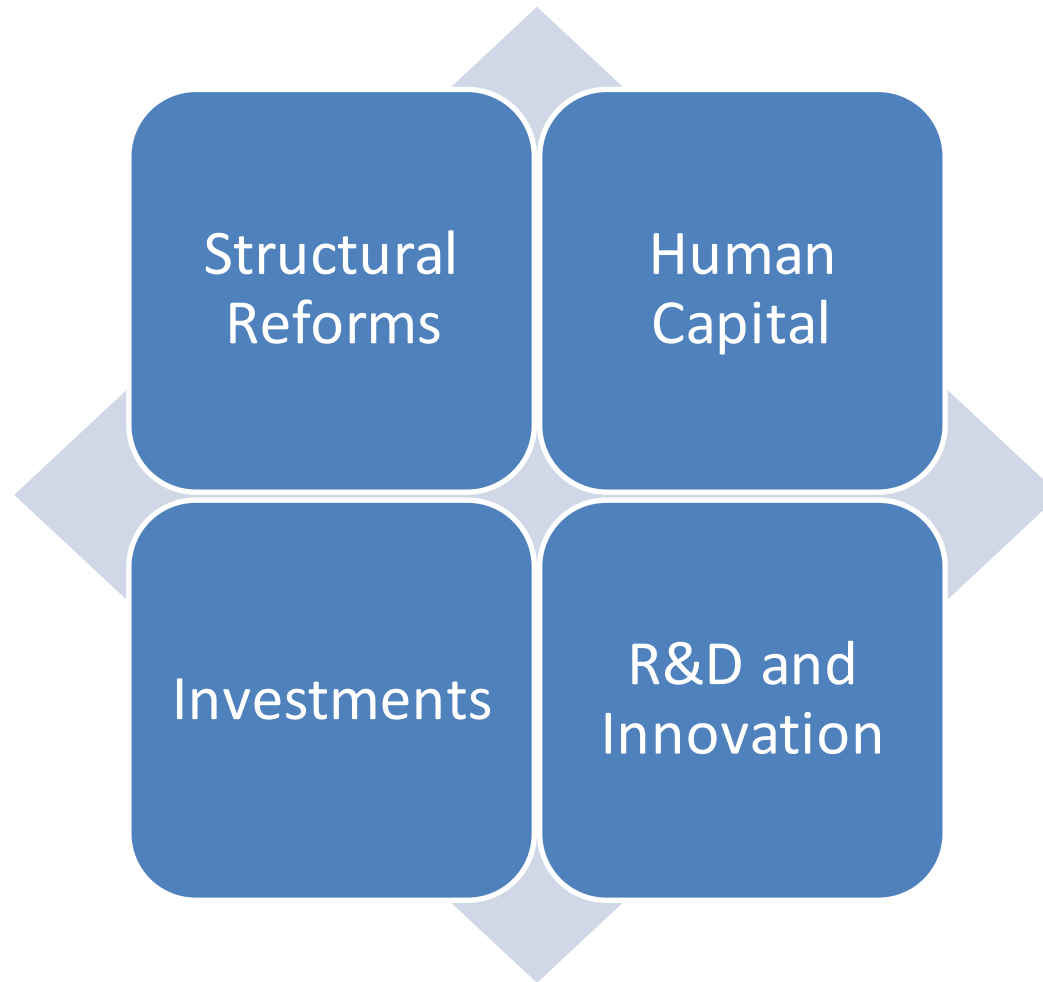
Demographics: Working Age Population Growth



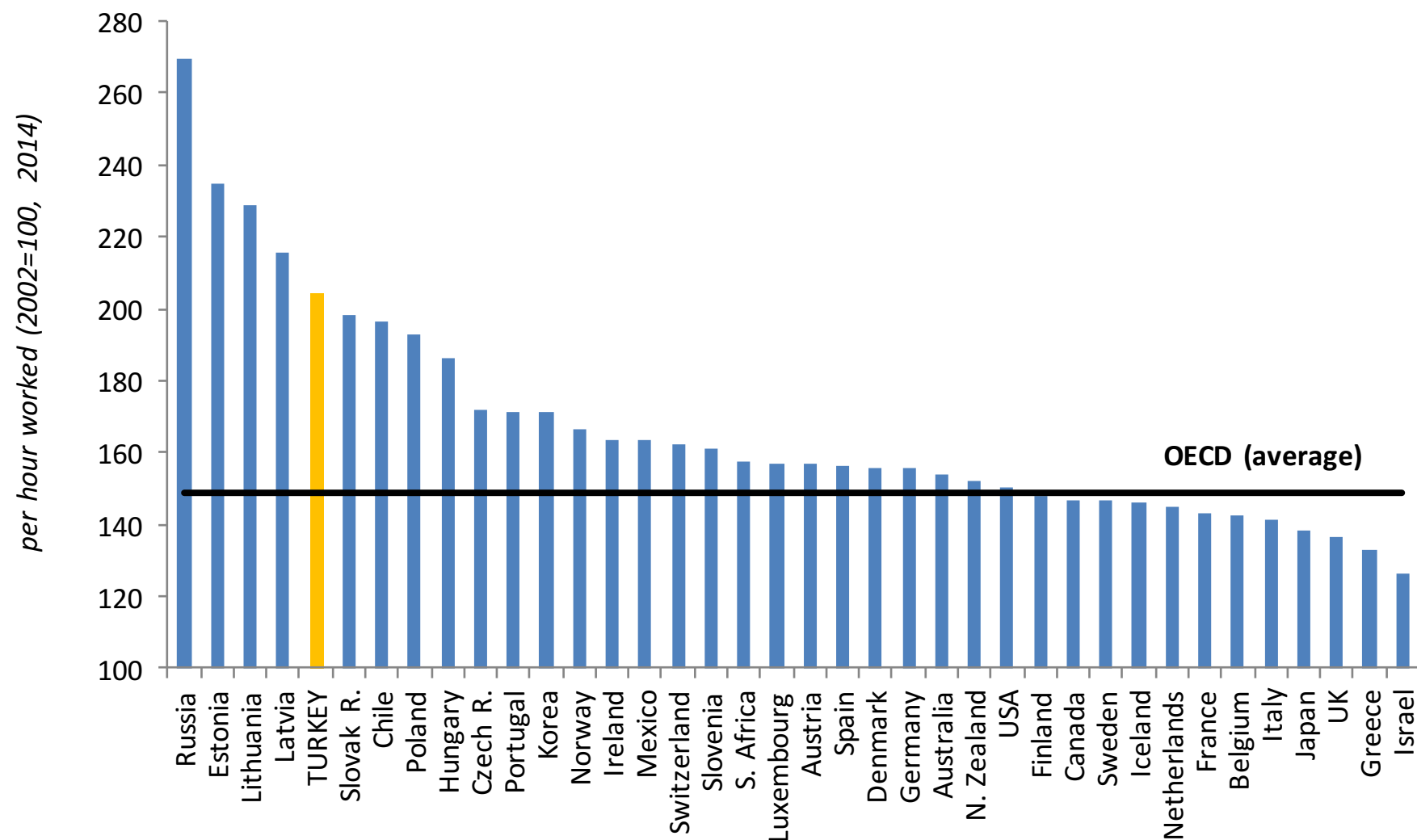
Source: OECD, EUROSTAT, TURKSTAT

(*) The latest data available

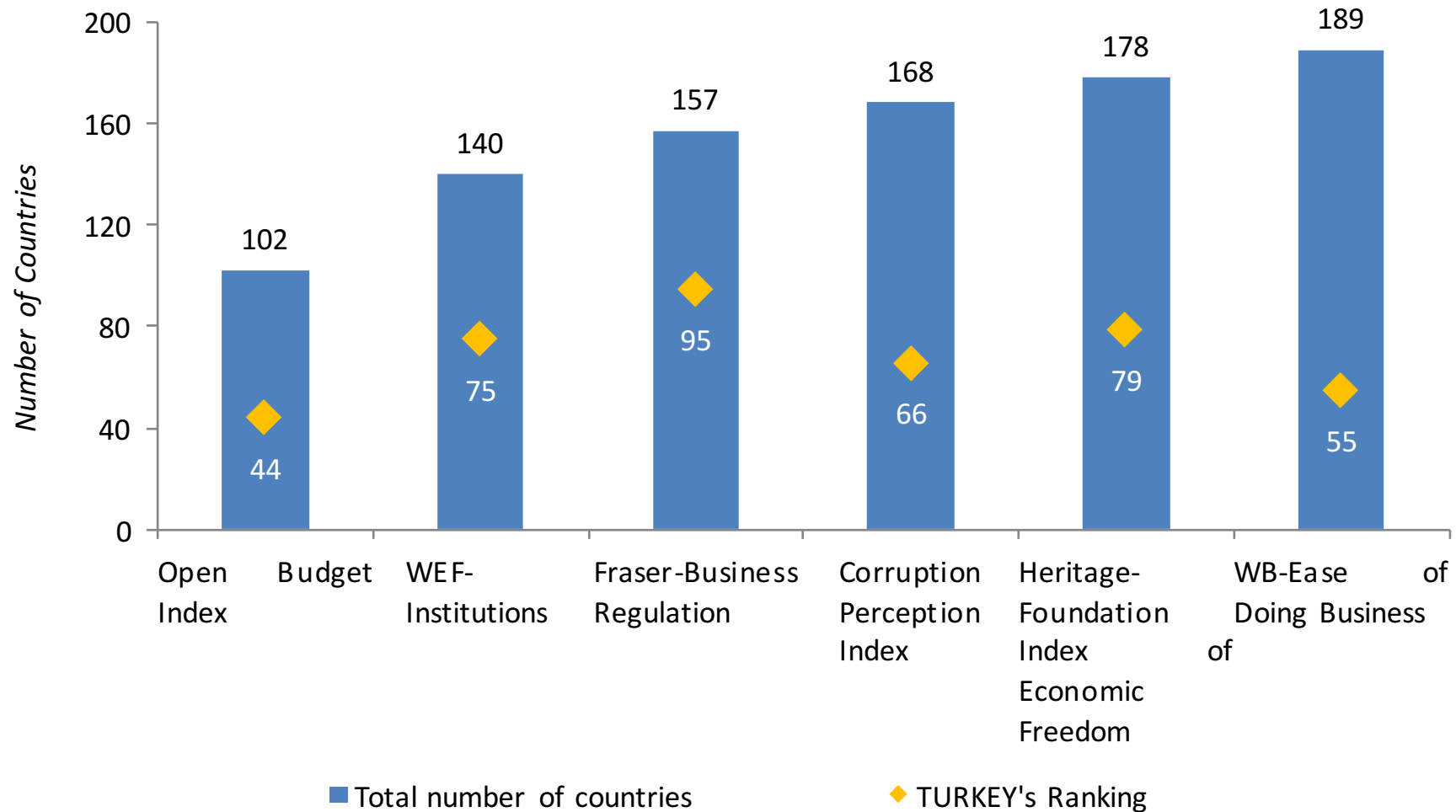
Determinants of Productivity



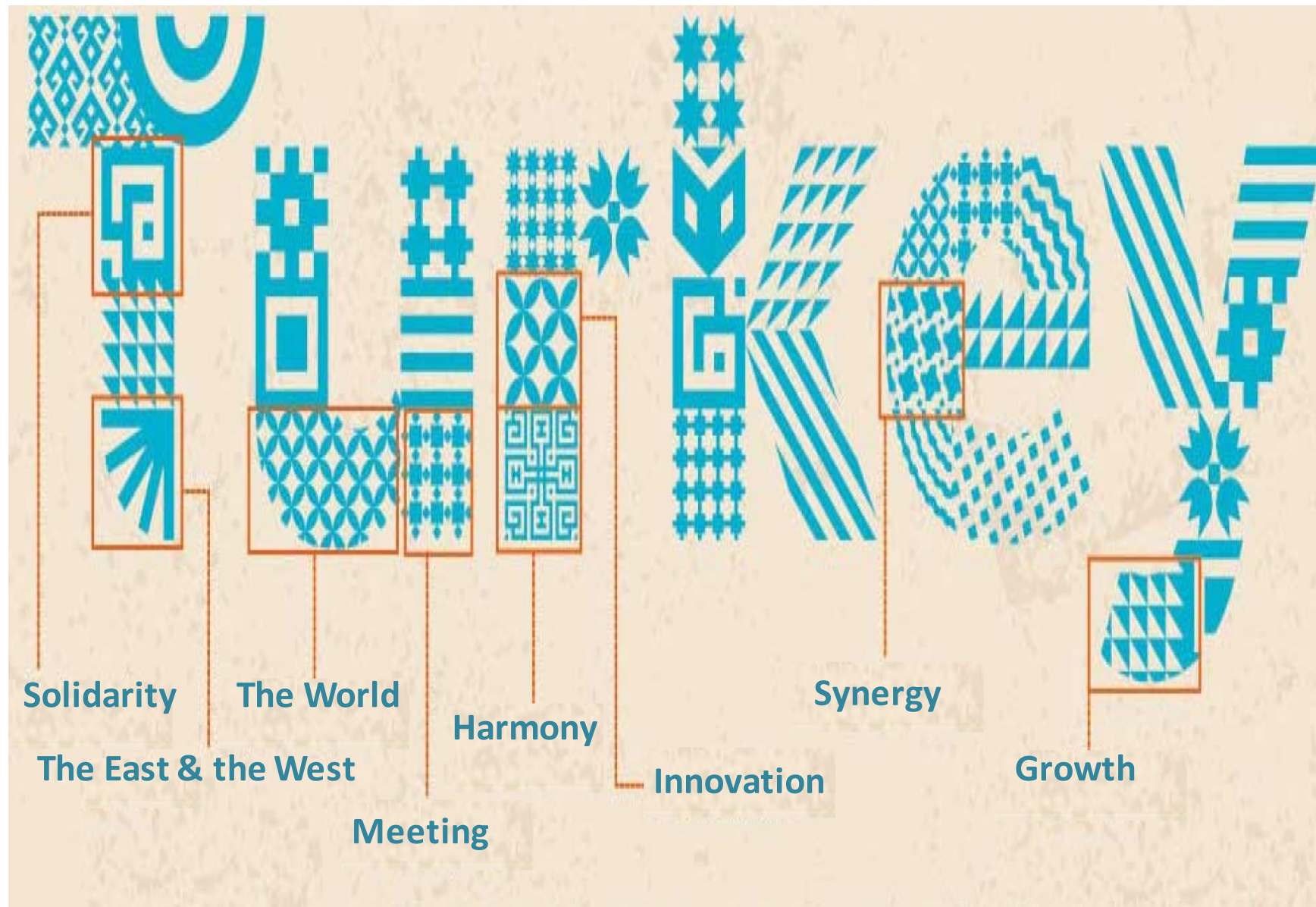
Rising Productivity



Quality of Institutions



Source: World Bank, World Economic Forum, Fraser Institute, Heritage Foundation, Transparency International



THANK YOU...