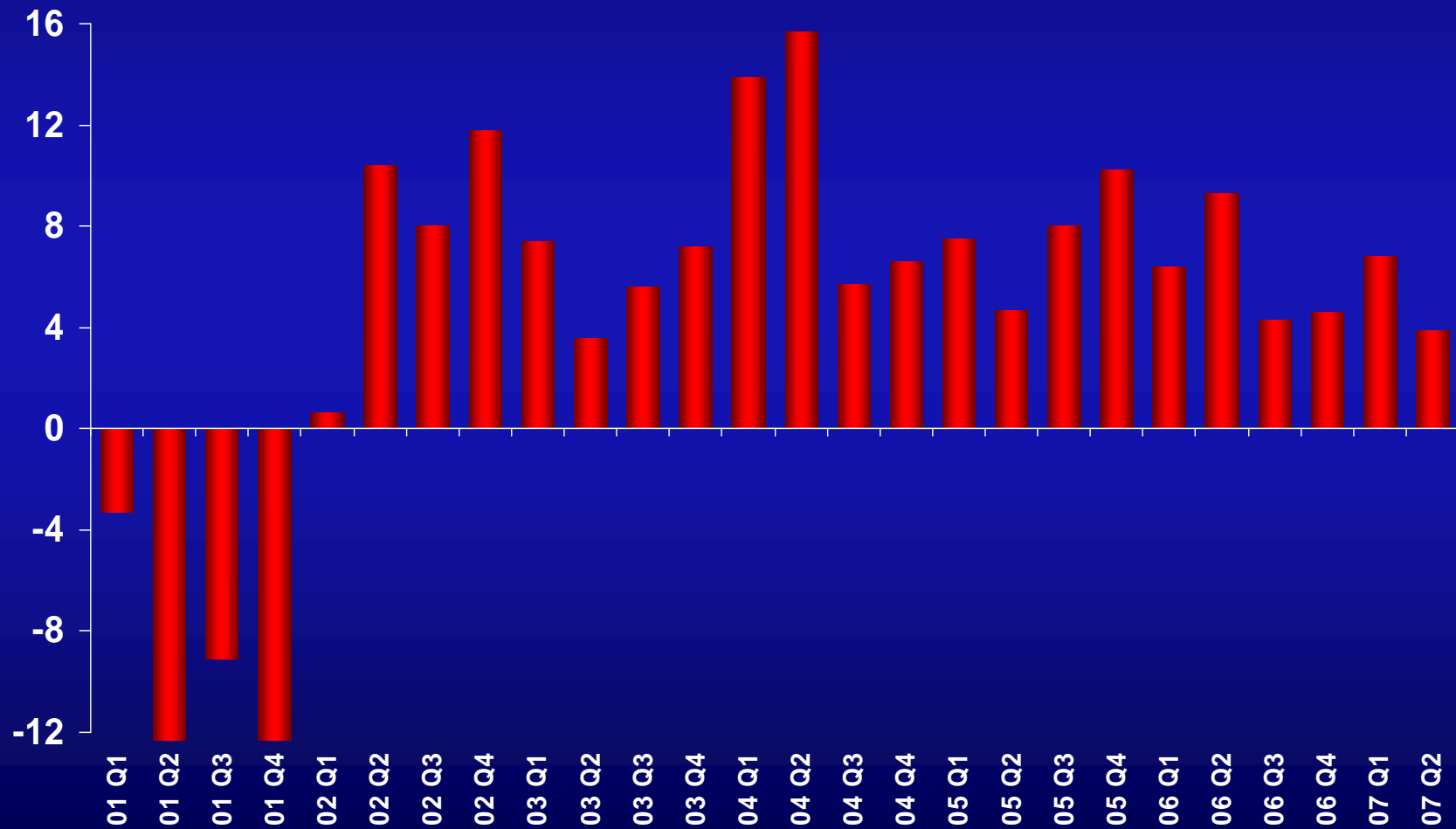




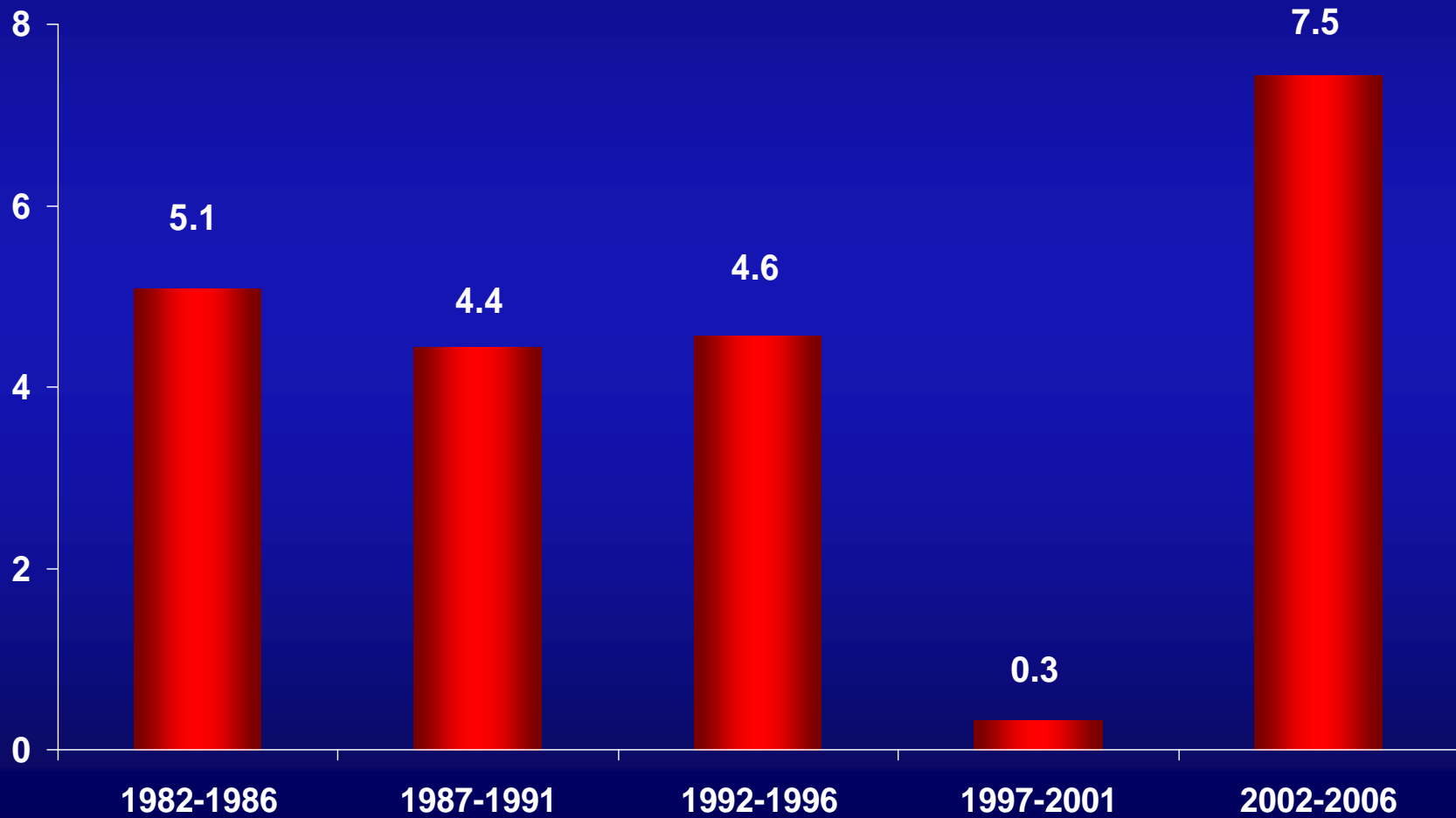
# **TURKEY: AN UPDATE**

**November 2007**

# GDP Growth Rates (% , YOY)



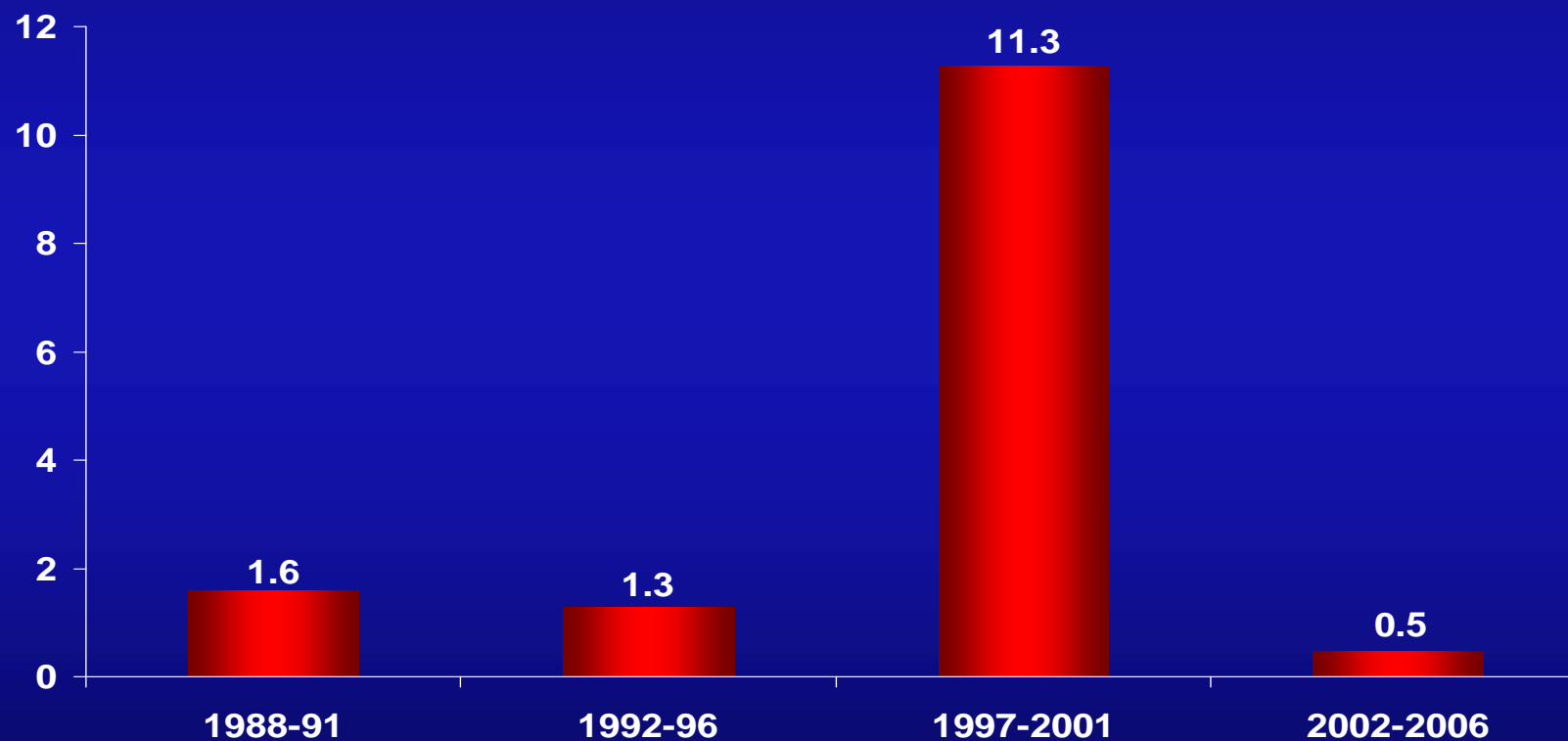
## GDP Growth Rate (% , 5 year average)



# Volatility of Growth\*

(coefficient of variation of the real growth rates)

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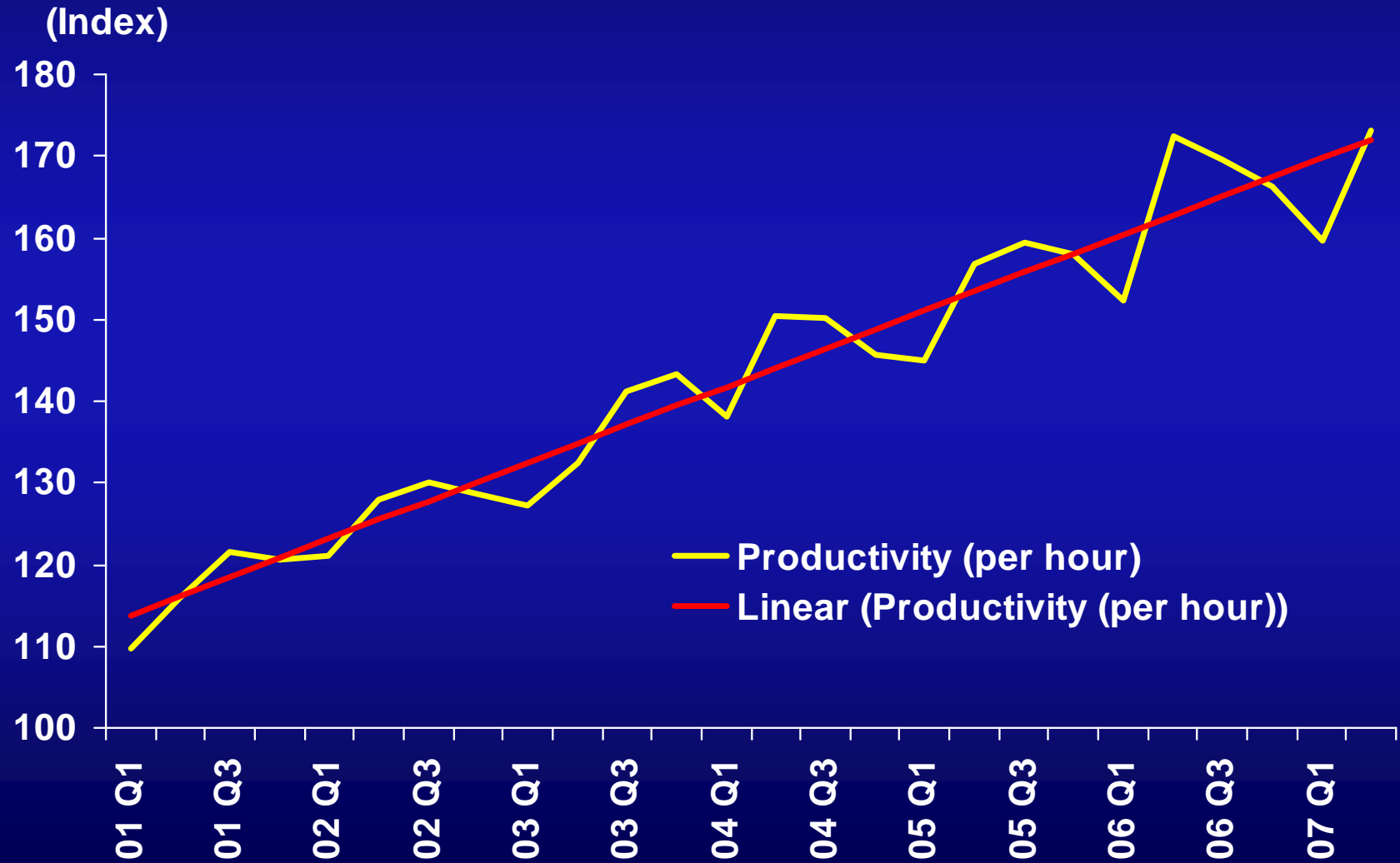


\* Standard deviation of quarterly annual GDP growth rates within the period divided by the average growth in that period.

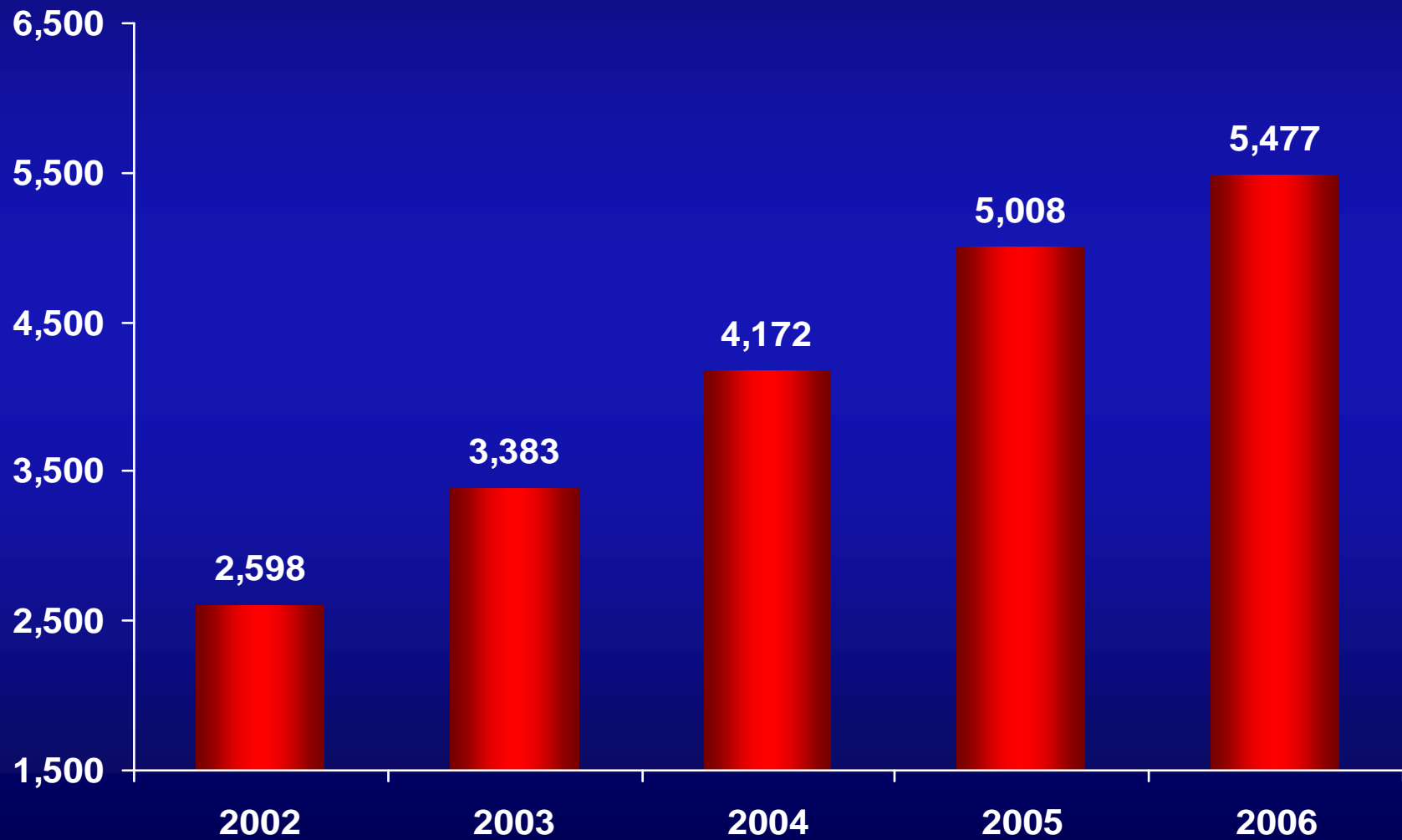
## Contribution of Private Sector Investments to GDP Growth (%)



# Manufacturing Industry Productivity



## Per Capita GDP (USD)

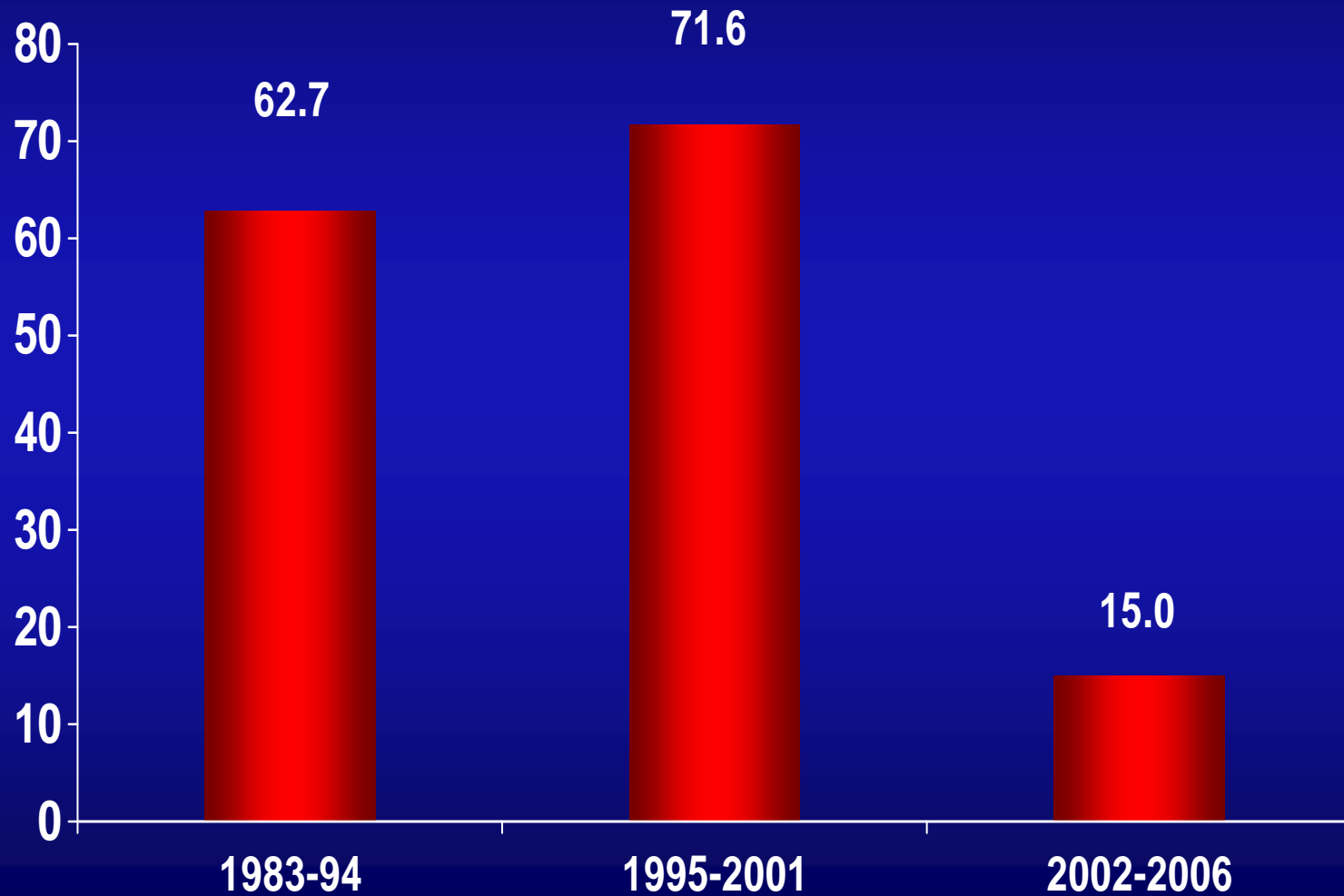


# Inflation Expectations

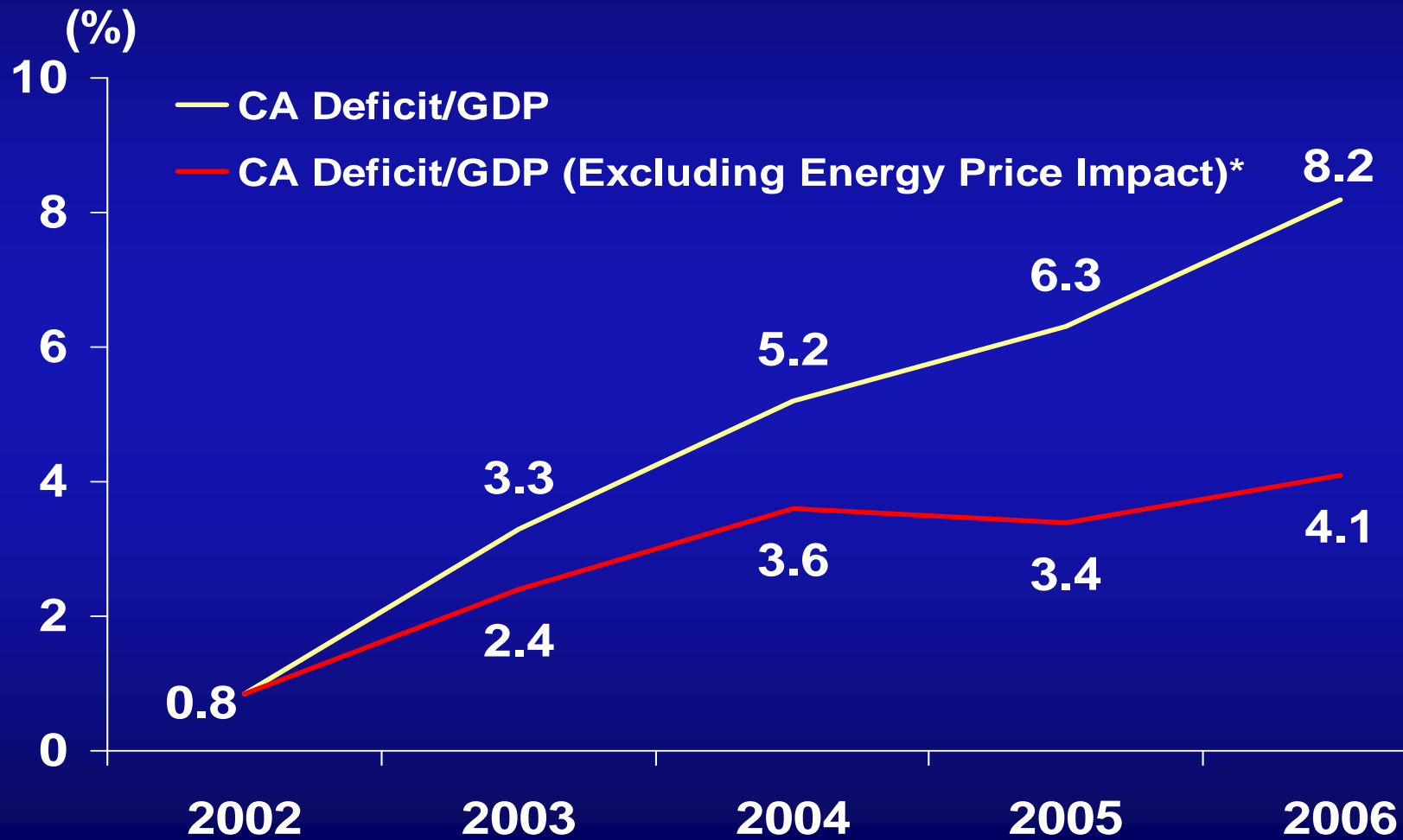


◆ Source: CBRT's Survey of Expectations

## Inflation (%)

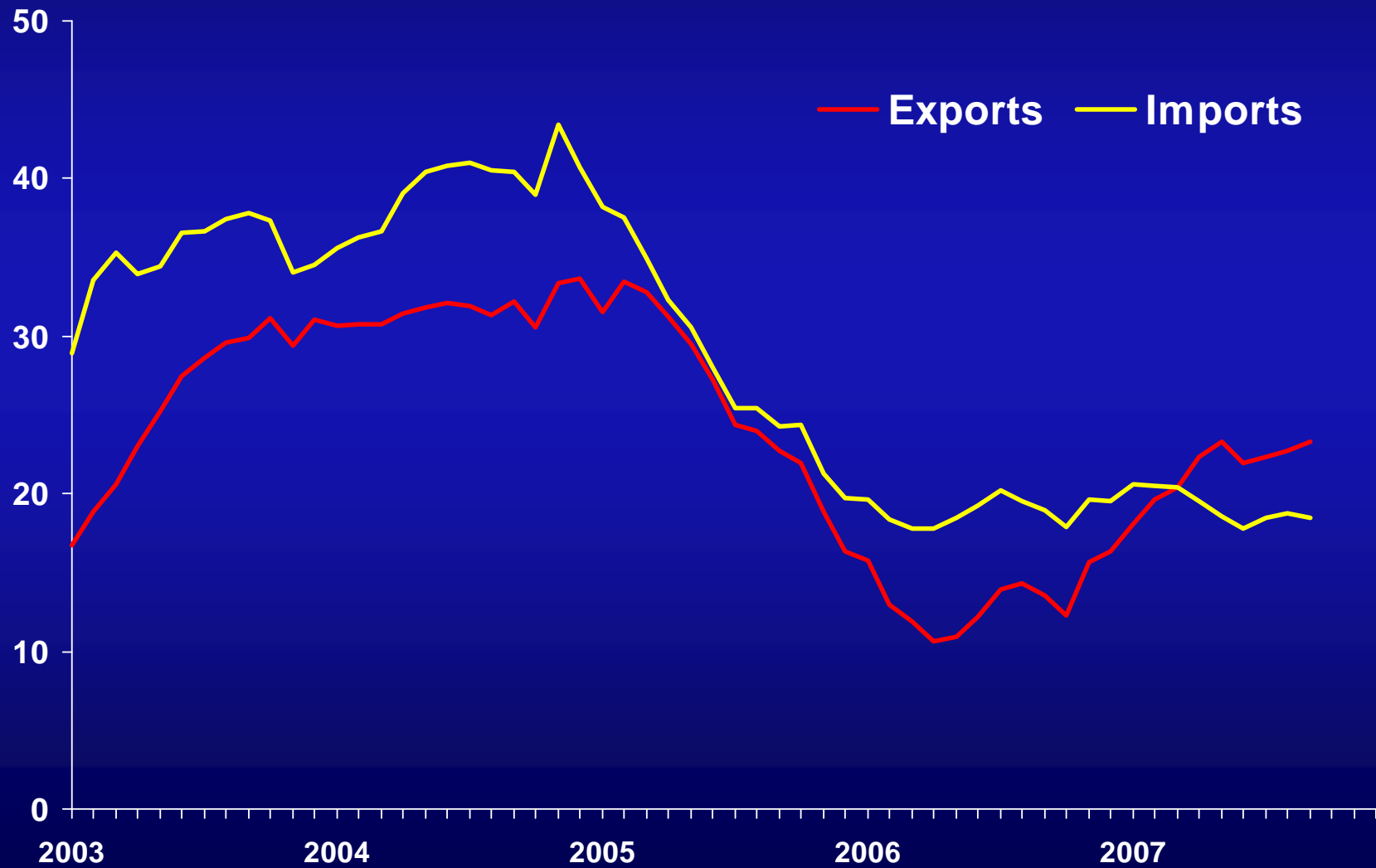


# Current Account Deficit / GDP

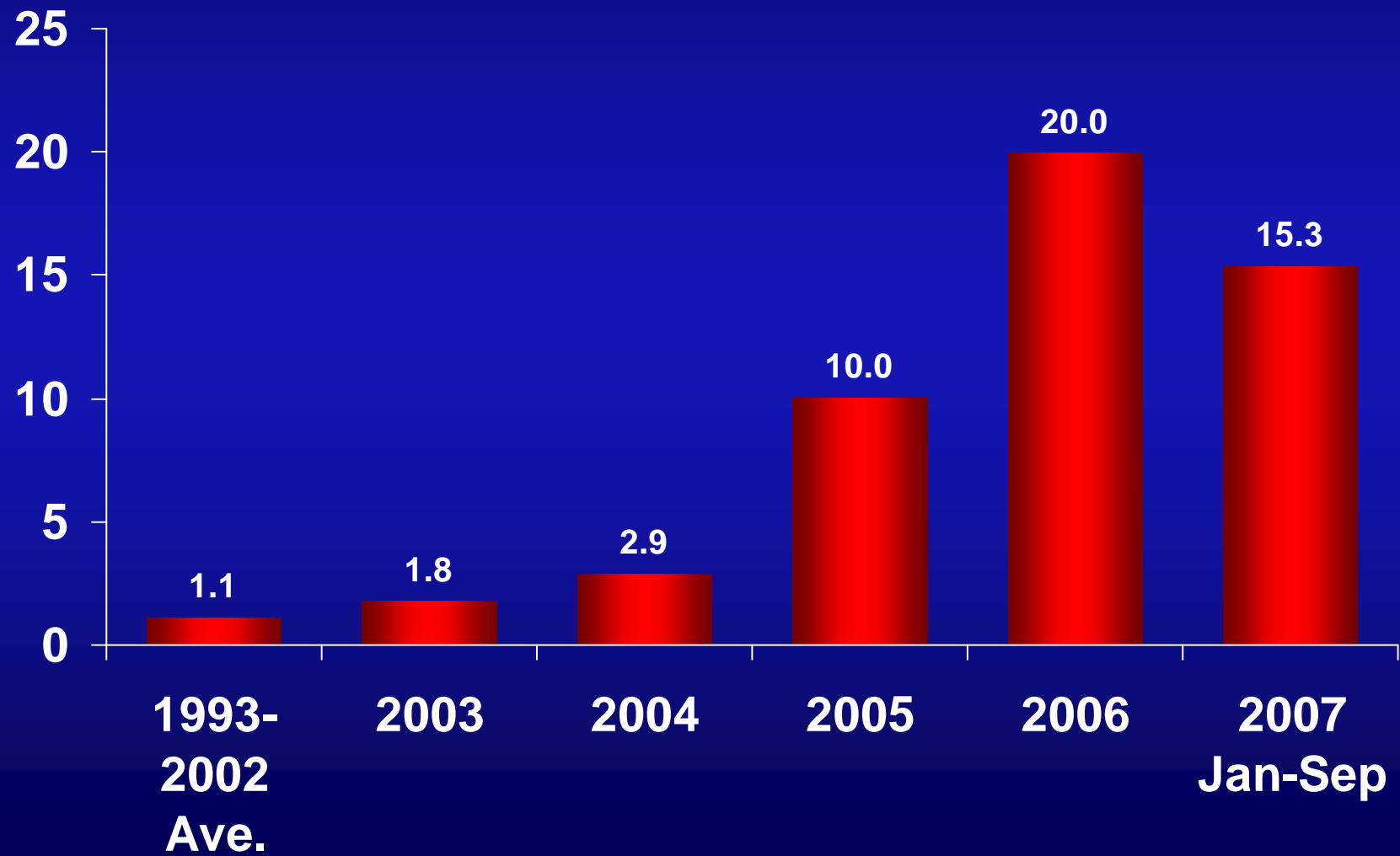


\* With 2002 energy prices

## Export & Import Growth (% YoY)



## FDI Inflows (Billion USD)

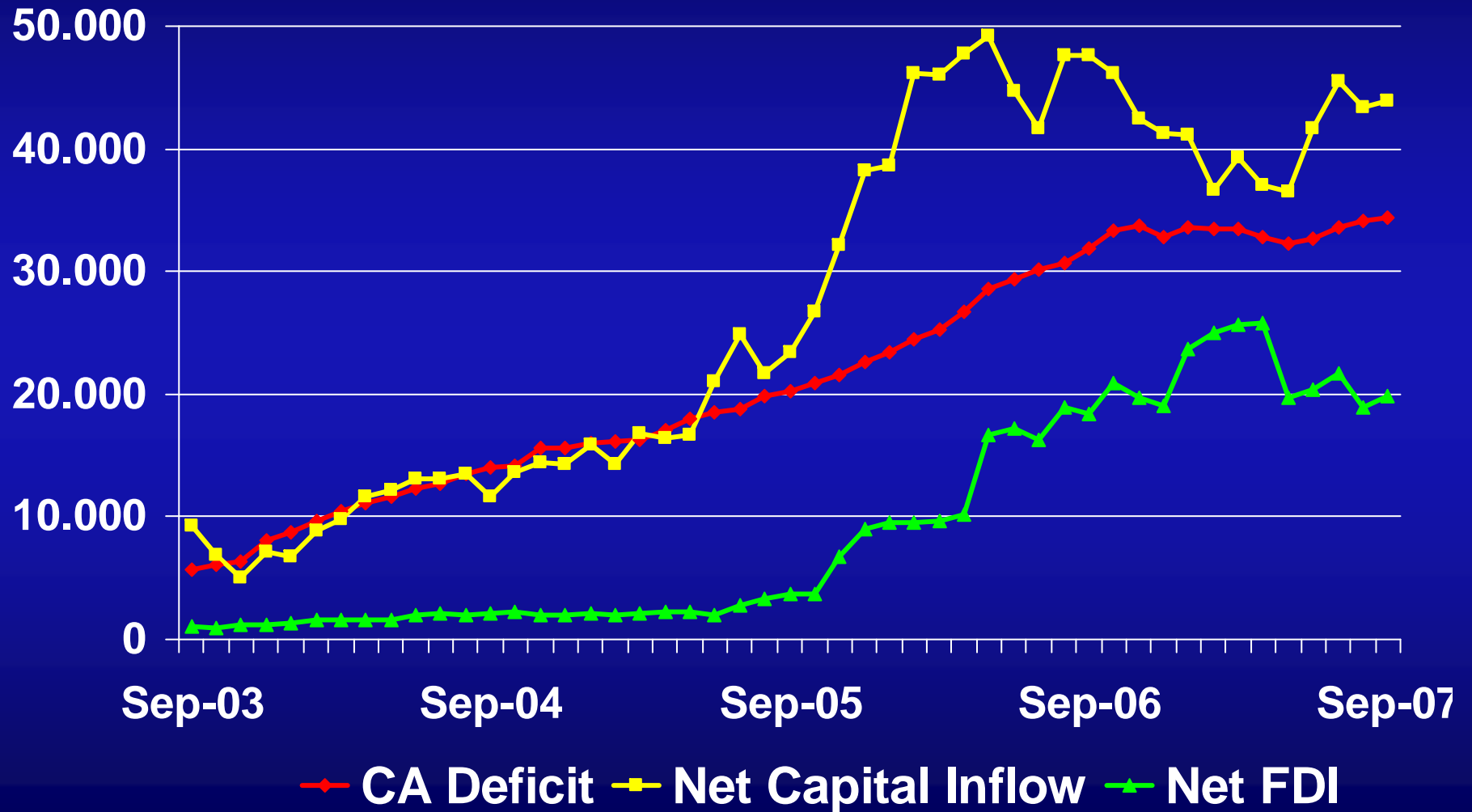


# Financing of Current Account Deficit (Billion USD)

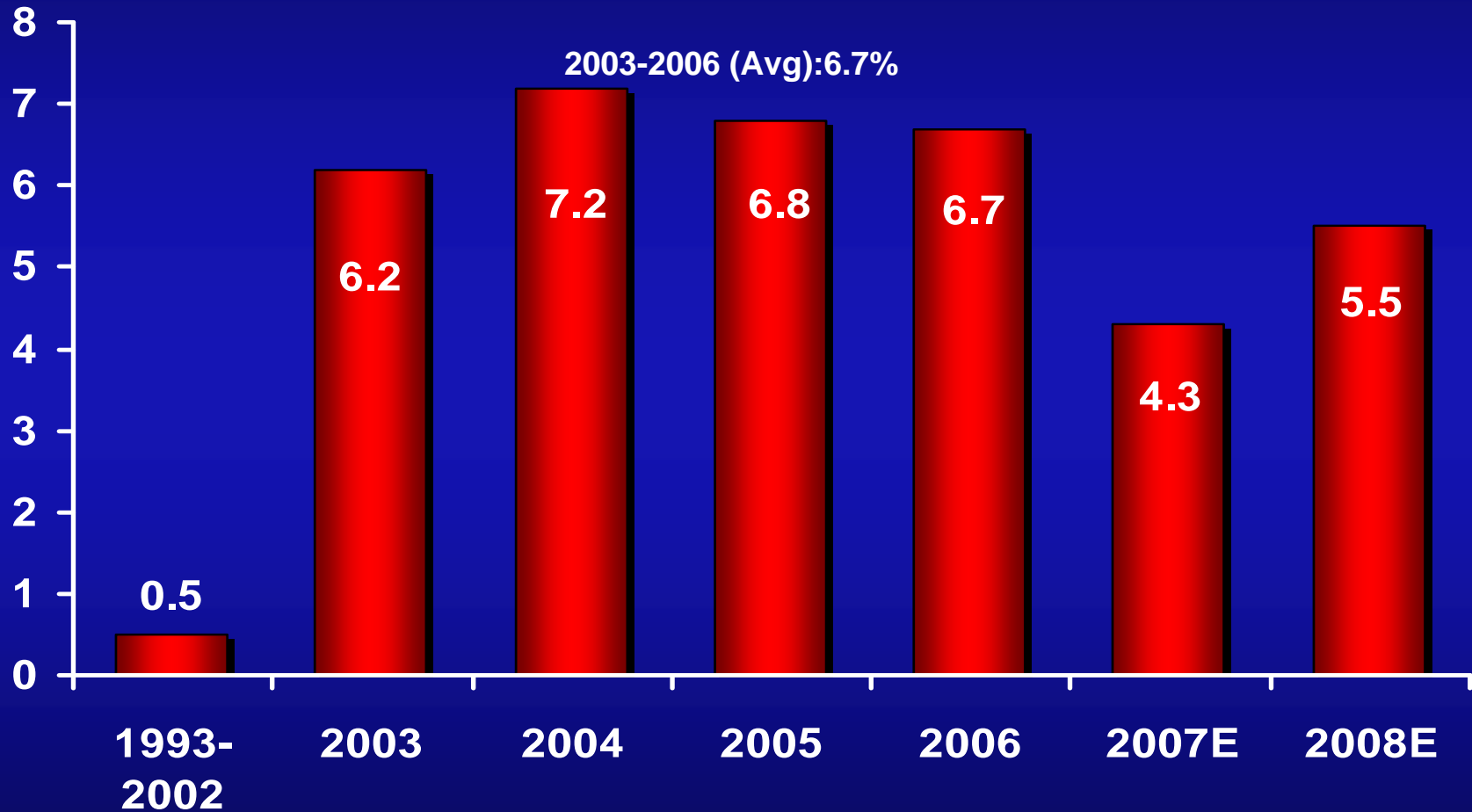
	2002	2003	2004	2005	2006	2007 Jan-Sep
<b>1. Current Account Balance</b>	-1.5	-8.0	-15.6	-22.6	-32.9	-26.1
<b>2. Total Capital Inflows</b>	7.6	7.1	14.2	38.3	41.2	33.4
– FDI Inflows	1.1	1.8	2.9	10.0	19.9	15.3
– External Borrowing of Non-Bank Private Sector (net)	1.9	2.3	7.7	13.5	20.3	23.1
– Other (net)	4.5	3.1	3.6	14.7	0.9	-5.0
<b>3. Errors and Omissions</b>	0.1	4.9	2.2	2.1	-2.3	0.6
<b>4. Change in FX Reserves</b>	-6.2	-4.1	-0.8	-17.9	-6.1	-7.9

# Current Account Deficit and Capital Inflows

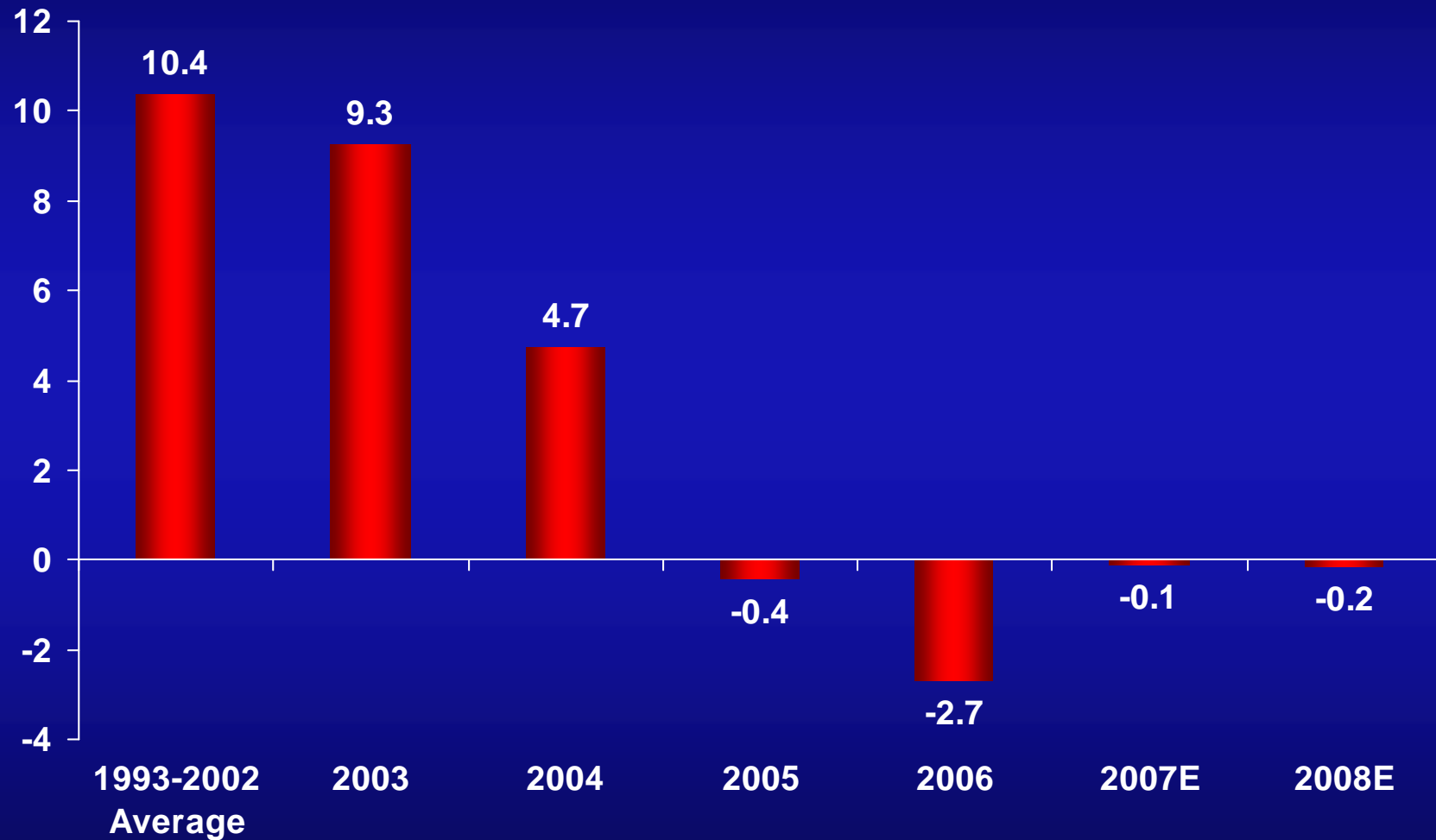
(millions of US Dollars)



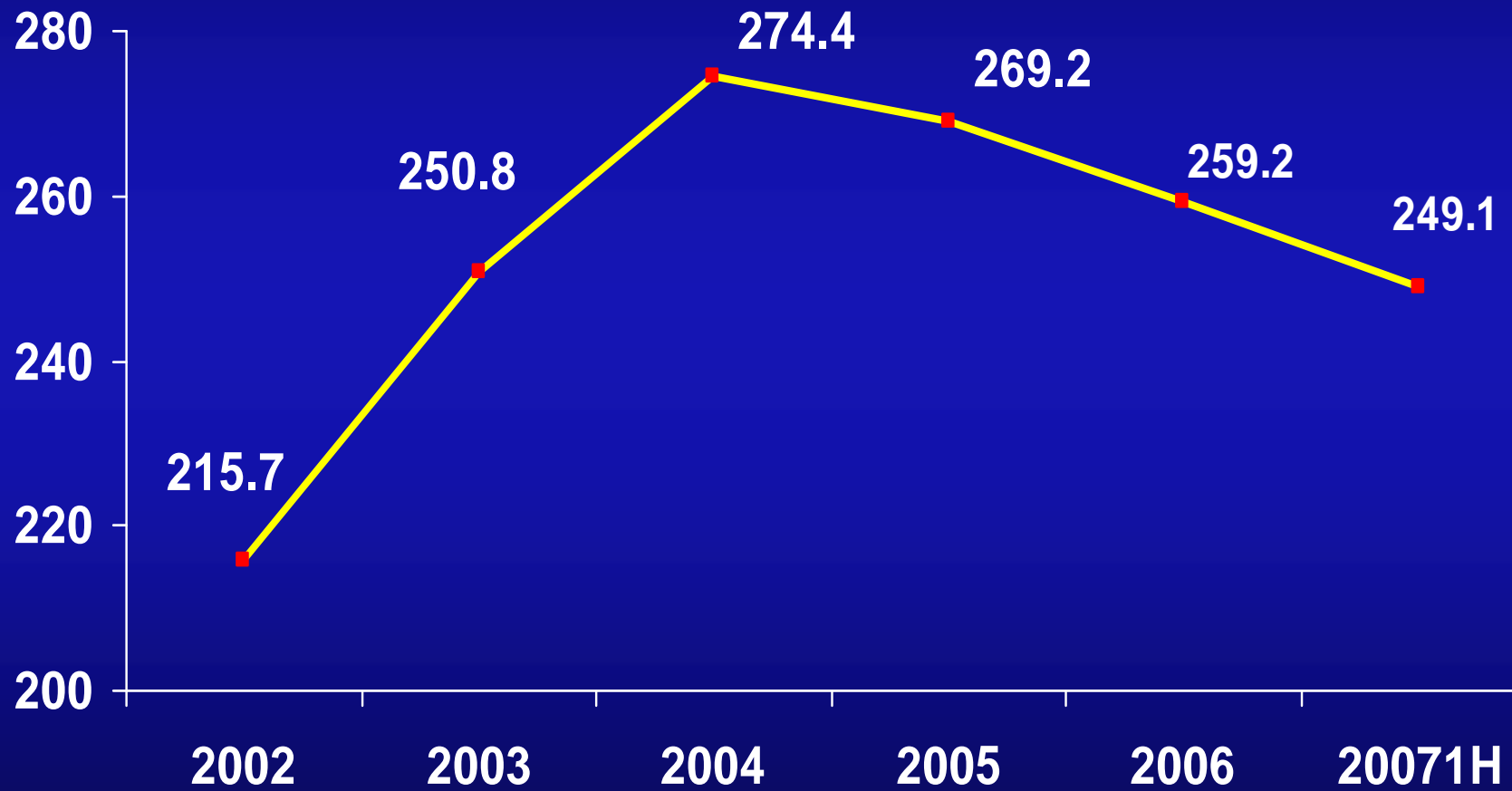
## Public Sector Primary Surplus (% of GDP, IMF Definition)



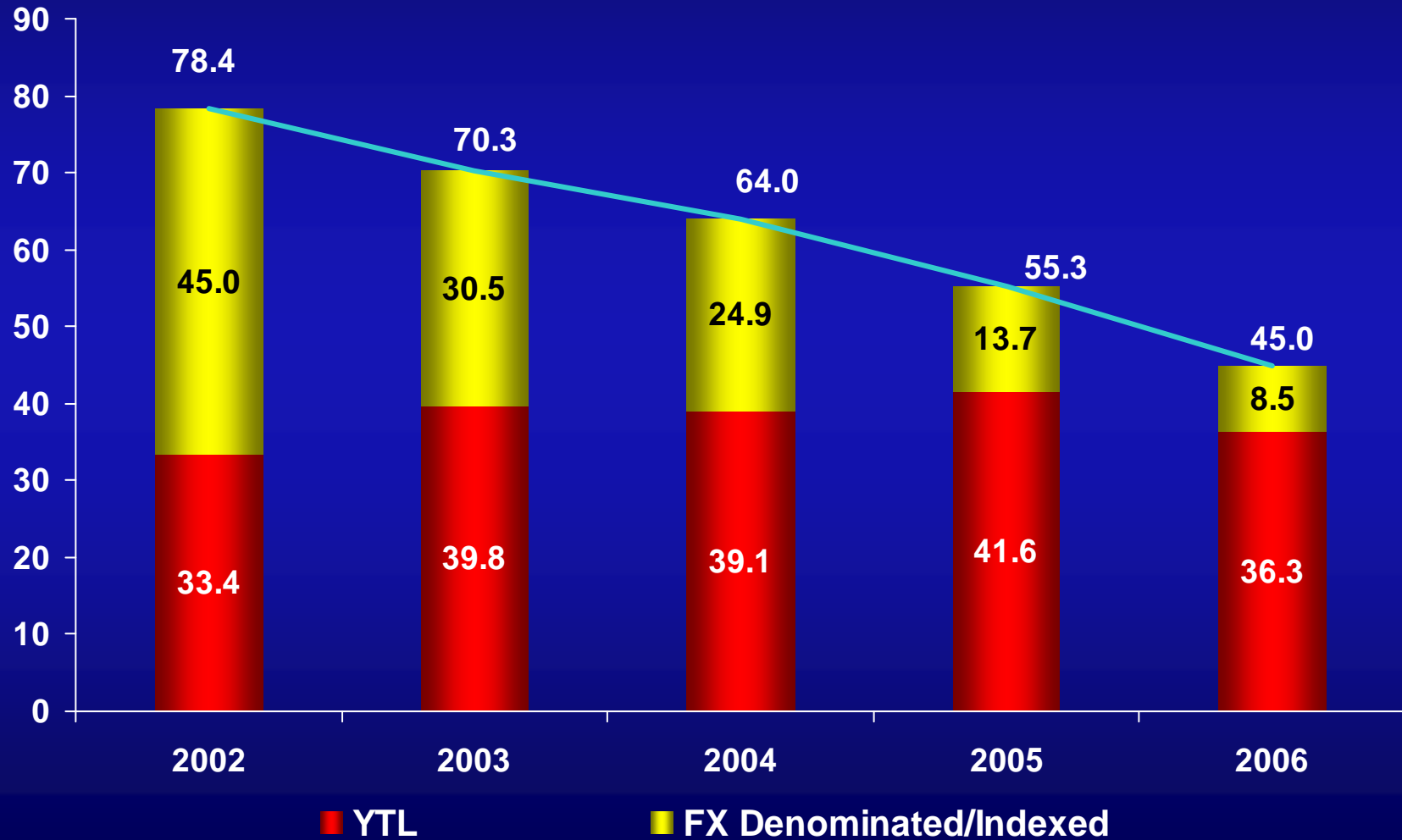
# Public Sector Borrowing Requirement (% of GDP)



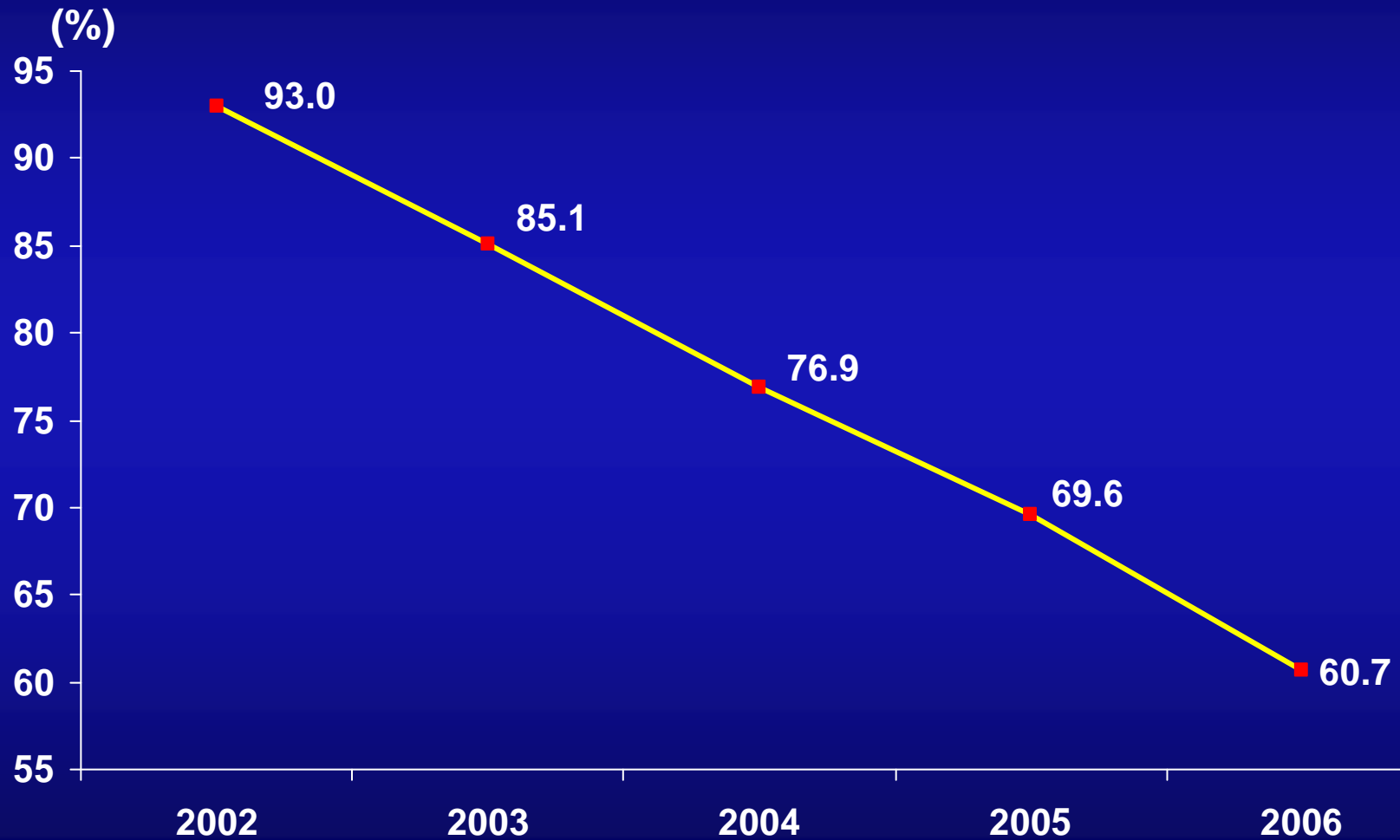
## Net Public Sector Debt Stock (Billion YTL)



## Composition of Net Public Sector Debt Stock (% of GDP)

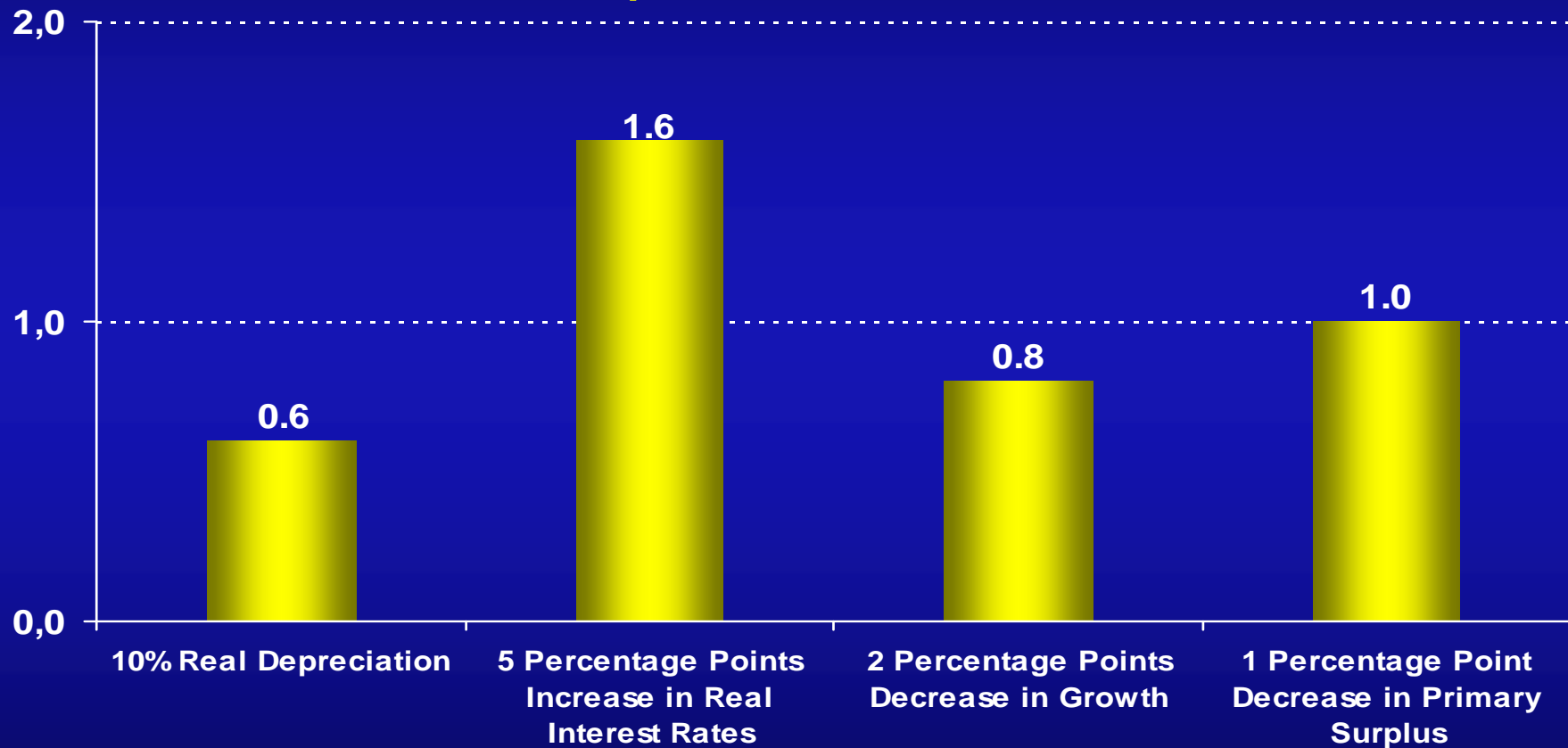


# Gross Public Debt / GDP (ESA 95)



# Resilience to Shocks

## Changes in Net Debt/GDP Ratio With Respect to Various Shocks



(\*) This shows the effect of the scenarios on the Public Net Debt Stock/GDP ratio based on the projected composition for end-2007.

# Completed Structural Reforms - I

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## Tax Reform

- **Personal Income Tax Reform: Rate Reform (April, 2006); Structure Reform (March, 2007)**
- **Corporate Income Tax Law (June, 2006)**
- **Establishment of a Semi Autonomous Revenue Administration (R. A.)**

## Social Security Reform

- **Social Security Administrative Reform Law (May, 2006)**
- **Pension and Universal Health Insurance Reform Law (June, 2006)**

## Public Sector Governance Reform

- **Public Financial Management and Control Law**
- **Public Procurement Law**

## Completed Structural Reforms - II

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### Financial Sector Reform

- New Banking and Insurance Laws
- Mortgage Law enacted in February, 2007

### Enhancing Private Sector's Role in the Economy

- Opening the Key Markets to Competition
- A New Investment Promotion Agency

## What did the Structural Reforms Achieve?

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- ❖ Sustainable Fiscal Position
- ❖ Independent Monetary Policy
- ❖ More Transparent and Accountable Government
- ❖ More Robust and Resilient Banking Sector
- ❖ Improved Investment Climate

## Structural Reforms on the Agenda – 2007 & 2008

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- ❖ Social Security Reform
- ❖ Revenue Administration Reforms
- ❖ Energy Sector Reform
- ❖ Labor Market Reform
- ❖ Civil Service Reform
- ❖ New Commercial Code
- ❖ Privatization