



Update on Turkish Economy

August 10, 2011

Press release on the Economic Coordination Council Meeting held on August 9, 2011

Today, a meeting, chaired by the Prime Minister Mr. Recep Tayyip ERDOĞAN, was held with the participation of economic management to discuss the latest developments in global financial markets and the reflections of these developments on our country.

The negative developments in advanced countries are affecting many countries through expectations channel.

During the last week, stock exchanges in many countries plunged, local currencies of developing countries lost value against the U.S. Dollar and credit risk spreads rose significantly.

Our country, which has an advanced level of integration with international system in the fields of trade, investment and finance, is being affected from these developments in the short term. In this context, negative repercussions of recent global developments have been observed especially in equities and foreign exchange markets.

Considering the strong political stability and sound macro economic fundamentals of our country, the recent developments are not expected to have long term and permanent impact on the Turkish economy and financial markets.

Reforms realized in the fields of public finance, banking sector, labor markets, improvements in investment environment and development of social and physical infrastructure during our term have made Turkish economy quite robust against external shocks. Strength of our economy was clearly seen during the global financial crisis emerged in September 2008 and Turkey has become the country that had the fastest and strongest recovery.

On the other hand, all the institutions responsible for the management of the economy are closely following the developments, making preparations for all possible scenarios and taking necessary steps on time.

One of the most important issues that has a role in the reflection of global developments on our economy is the rise in current account deficit during the last two years. There are cyclical and structural factors underlying this. The cyclical reasons have been balanced to a significant extent with the ongoing monetary and fiscal policy implementations and macro prudential policies. In the period ahead, we will focus on swift implementation of structural policies that will bring permanent solution to current account deficit.

In this respect, priority will be given to below mentioned areas;



- We will continue to strengthen fiscal discipline in the coming periods
- We will continue to implement action plans regarding the improvement of the investment environment
- We will maintain policies supporting employment
- We are determined to continue fighting against informality
- We are committed to implement the Privatization Program
- We will complete our studies on Export Oriented Production Strategy, Input Supply Strategy and Diversification of Export Markets Strategy
- We will accelerate our work on the project aimed at positioning Istanbul as an International Finance Center
- We will continue to take steps towards decreasing energy import dependency
- We will effectively implement the programs aimed at improving R&D and innovation

The issues mentioned above will be detailed within the Medium Term Program for the 2012–2014 period.