



**TÜRKİYE CUMHURİYET  
MERKEZ BANKASI**

**Turkish-Austrian economic relations  
in a European and  
international context**

**Murat Çetinkaya  
Deputy Governor**

**March 18, 2013  
Vienna, Austria**

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- I. Turkey : Growth prospects and recent developments
- II. Turkish Banking Sector
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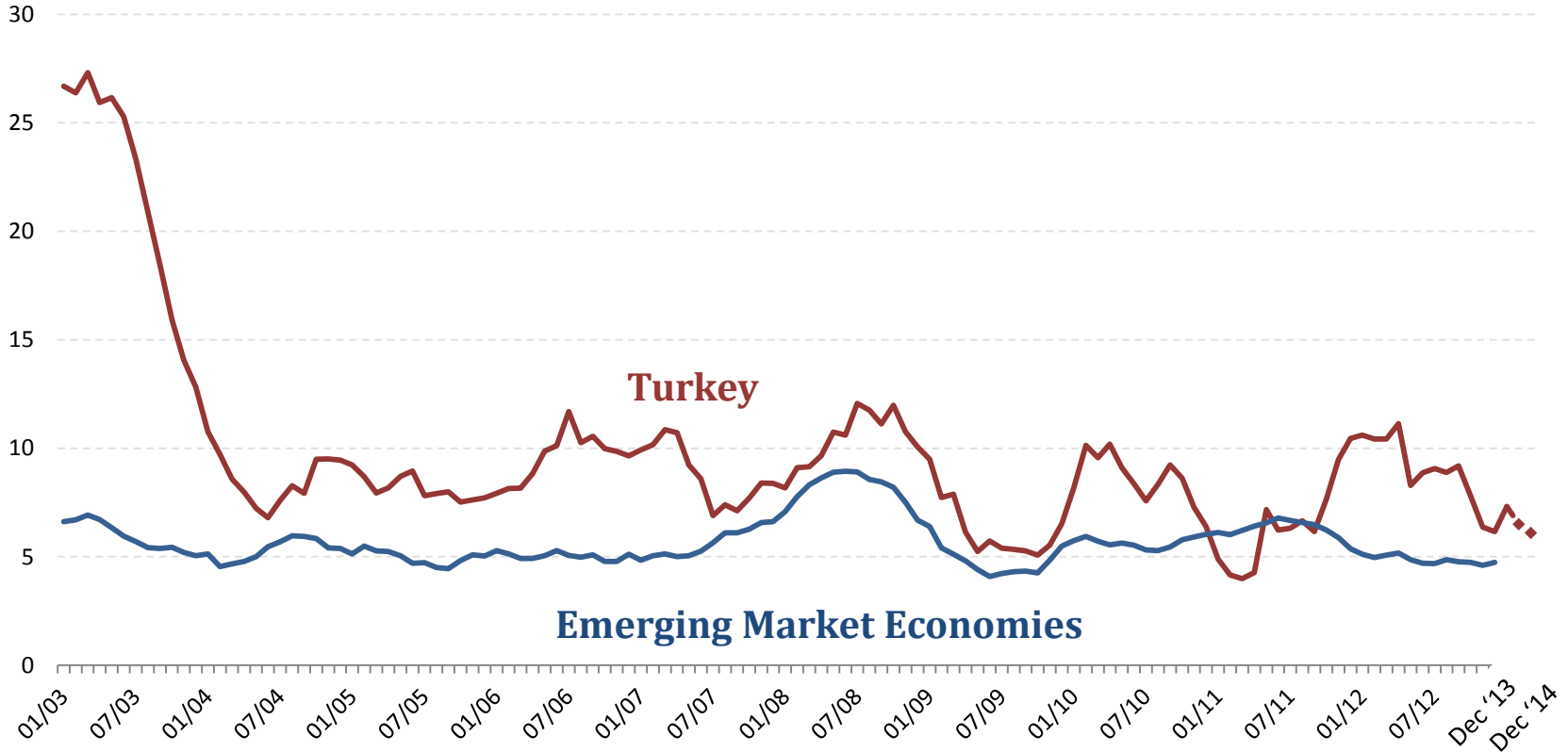
# TURKEY : RECENT DEVELOPMENTS AND GROWTH PROSPECTS

# Overview

- “Balanced growth”: A growth pattern that safeguards internal balance (*price stability*) and external balance (*balance of payments*).
- Financial stability is an important factor for balanced growth.

# Price Stability

## Inflation in Turkey vs. Emerging Market Economies (Percent, Weighted Average)

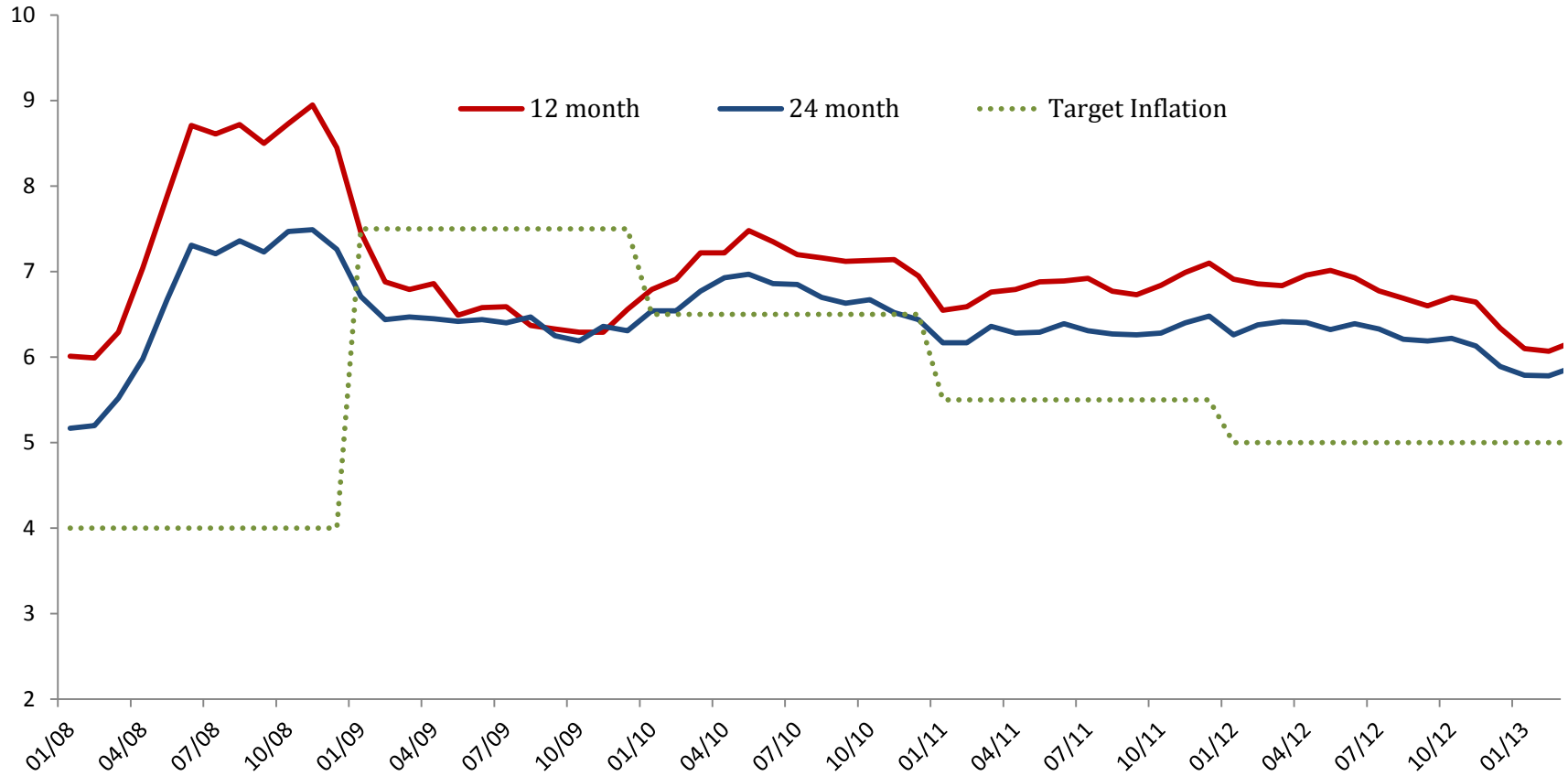


Source: Bloomberg, CBRT.

Emerging Market Economies: Brazil, Mexico, Czech Rep., Hungary, Poland, S. Africa, China, India, Russia, Turkey, Indonesia, Argentina, Thailand, Malaysia, Colombia, Romania, Ukraine, Vietnam, Chile, Peru, Egypt, Morocco, Lebanon, S. Arabia . \*Forecasts for end-2013 and end-2014 are taken from "Consensus Forecasts".

# Price Stability

## Medium Term Inflation Expectations\* (Percent)



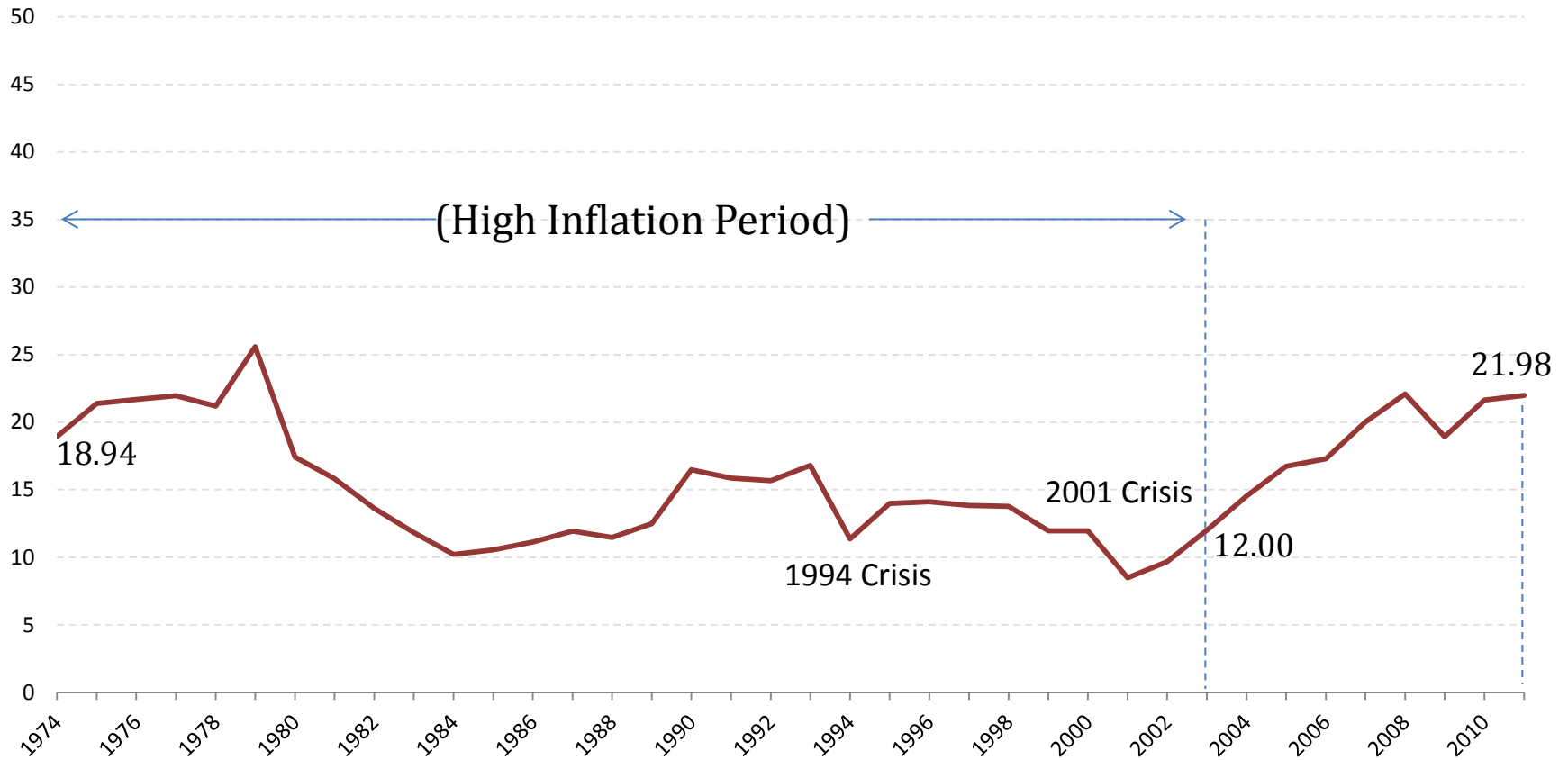
Source: CBRT.

Last Observation: March 2013

\*CBRT Survey of Expectations.

# Value of Stability : Turkey

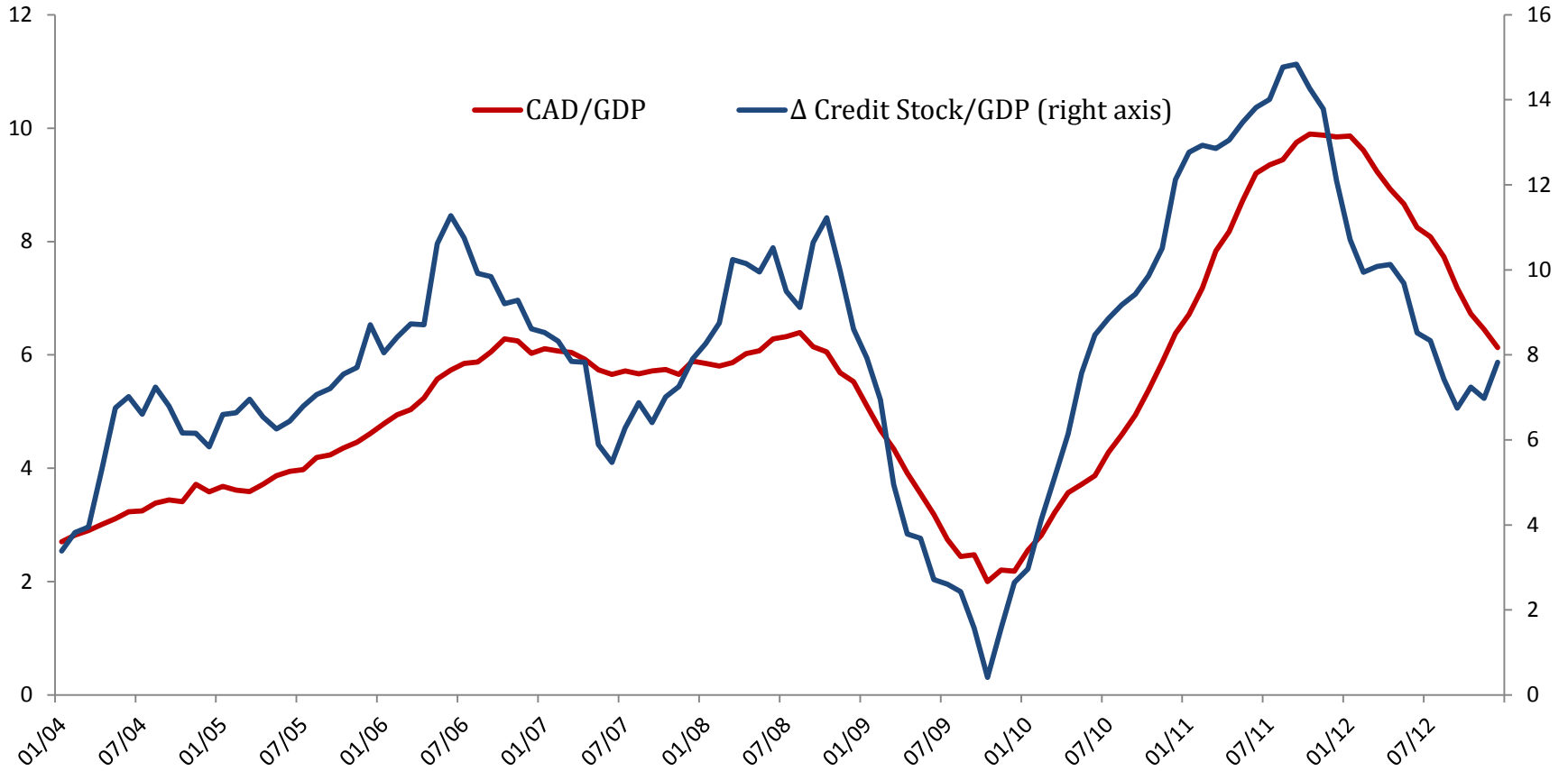
## Per Capita Income in Turkey with Respect to the US (Percent)



Source: UN, CBRT.

# Financial Stability

## Current Account Deficit and Credit Growth (Percent, 12-Month Cumulative)

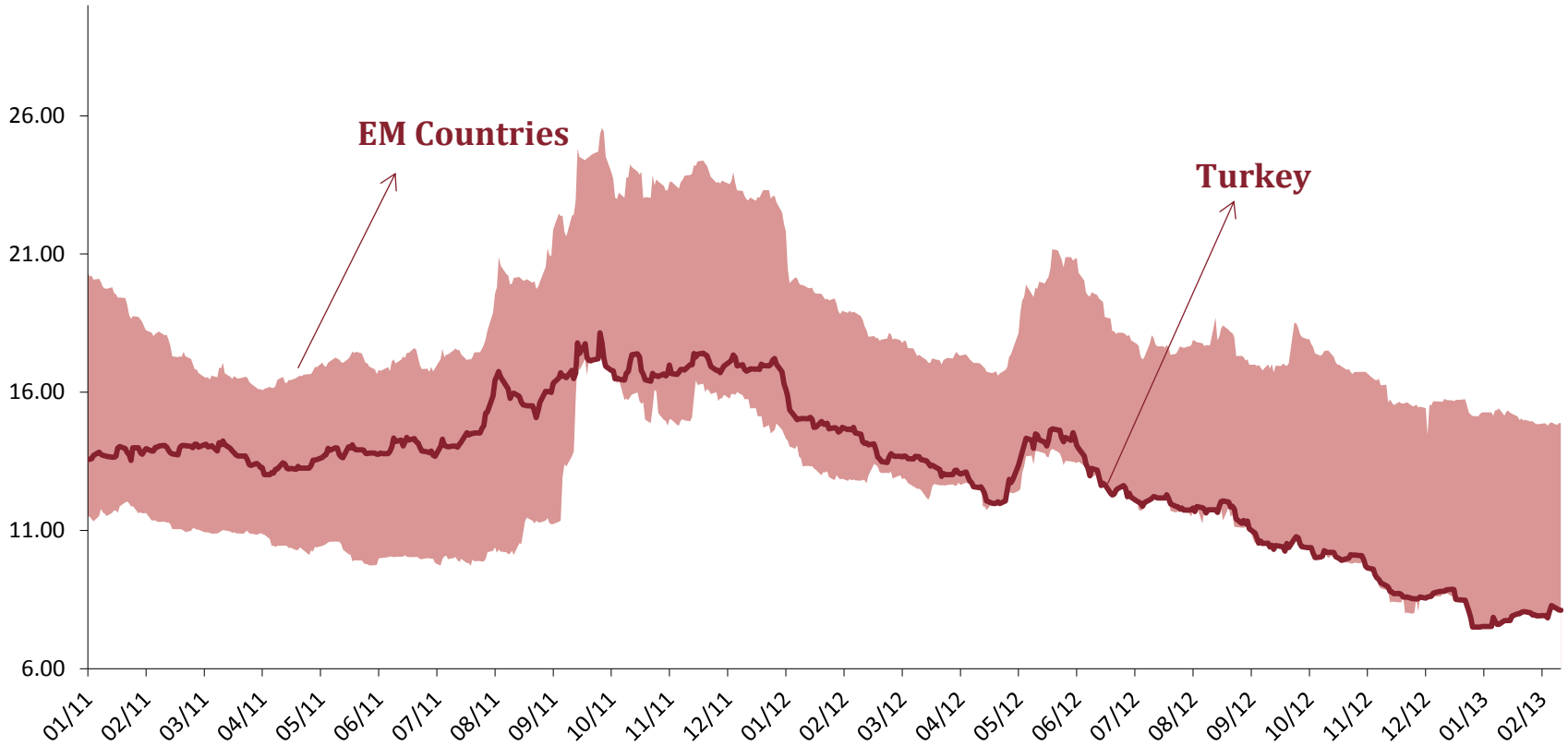


Source: CBRT.



# Low Currency Volatility

## Implied FX Volatility in Emerging Market Economies with CAD (Percent, Implied for the next 12 months)

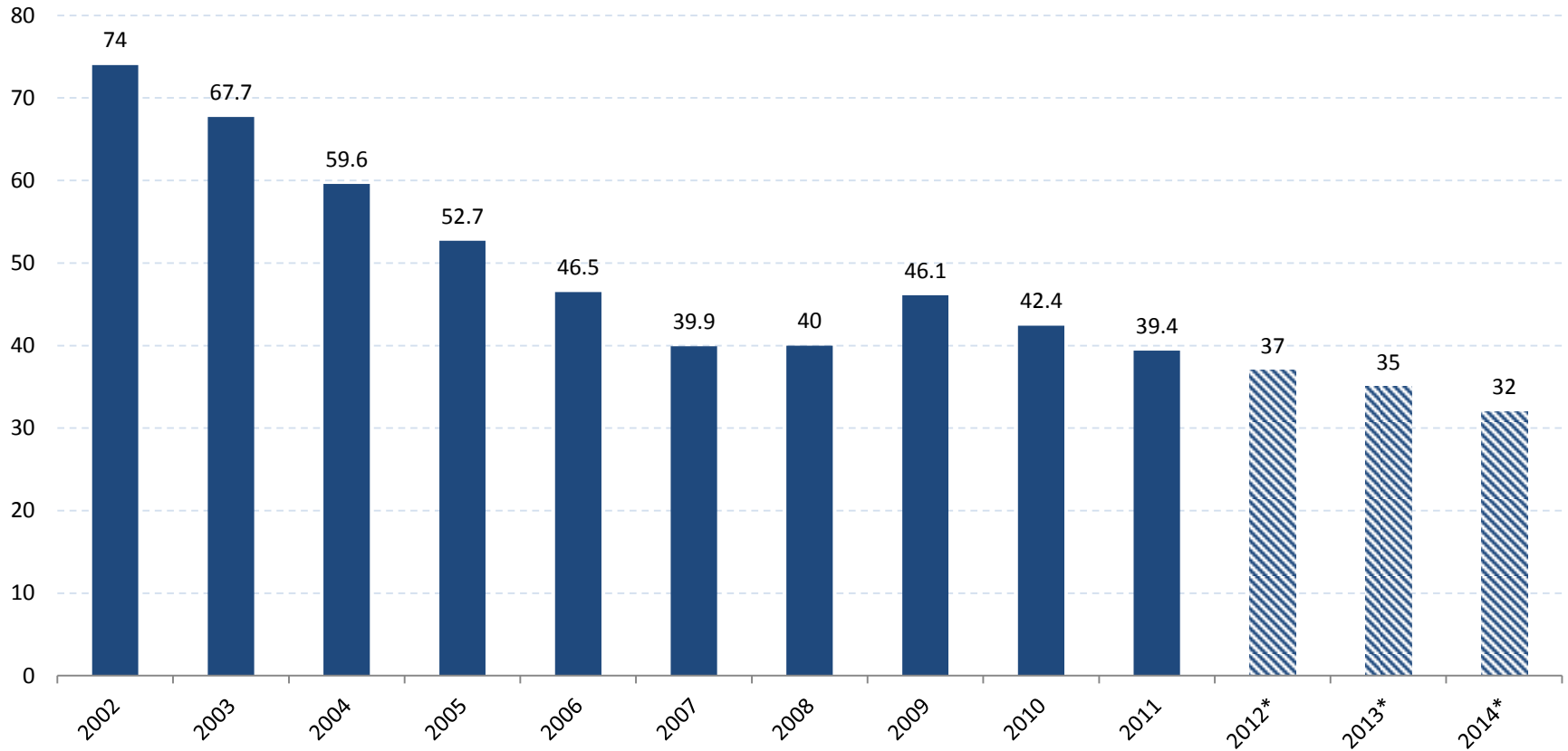


Source: Bloomberg, CBRT.

Emerging economies that are running current account deficit are: Brazil, Chile, Colombia, Mexico, Poland, Czech Rep., S. Africa, Indonesia, Romania and Turkey.

# Reduced Fiscal Dominance

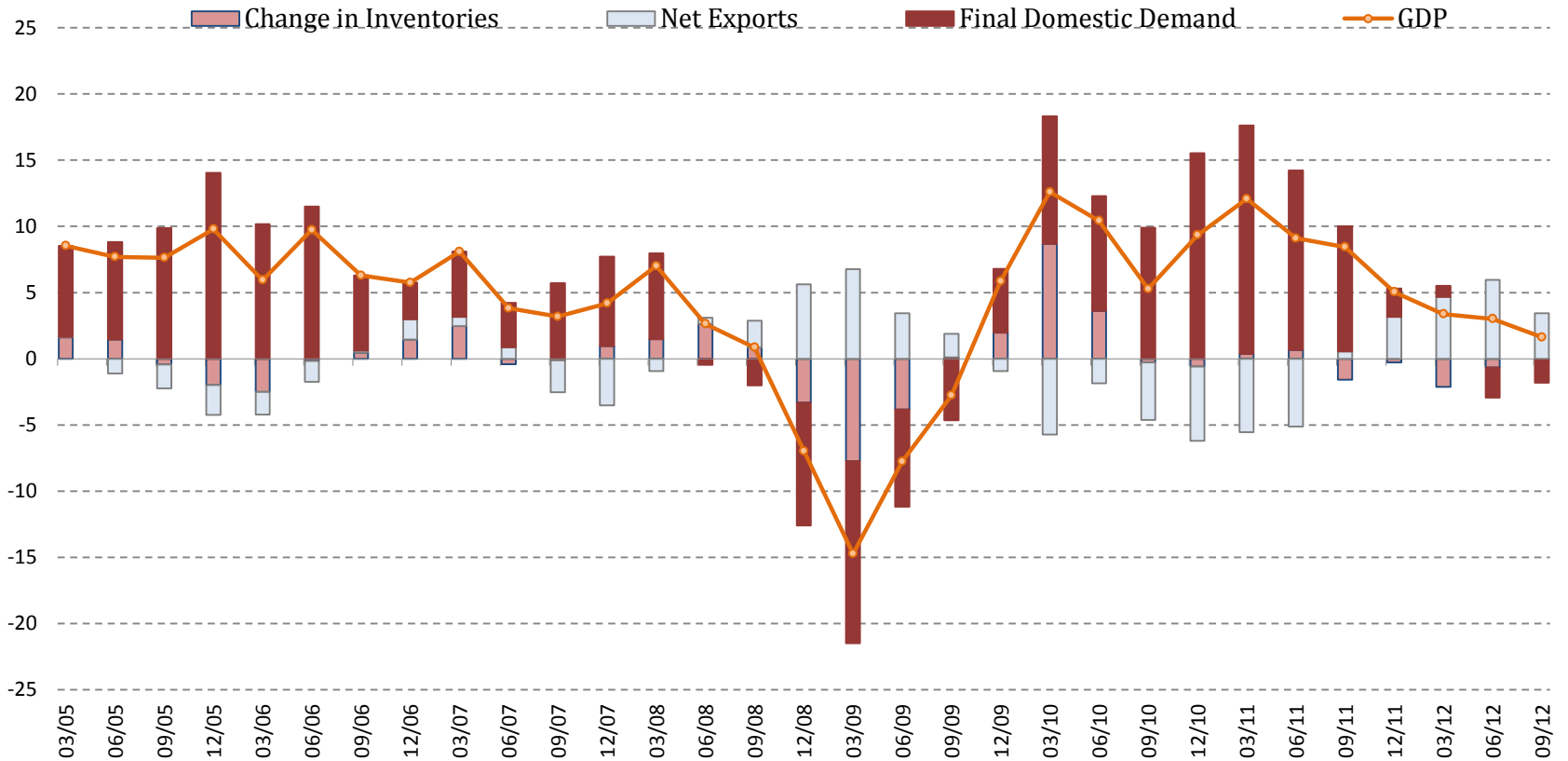
## Public Debt Stock (% of GDP)



Source: Treasury, CBRT.

\*Medium-Term-Program forecasts (2012-2014)

# Balanced GDP Growth

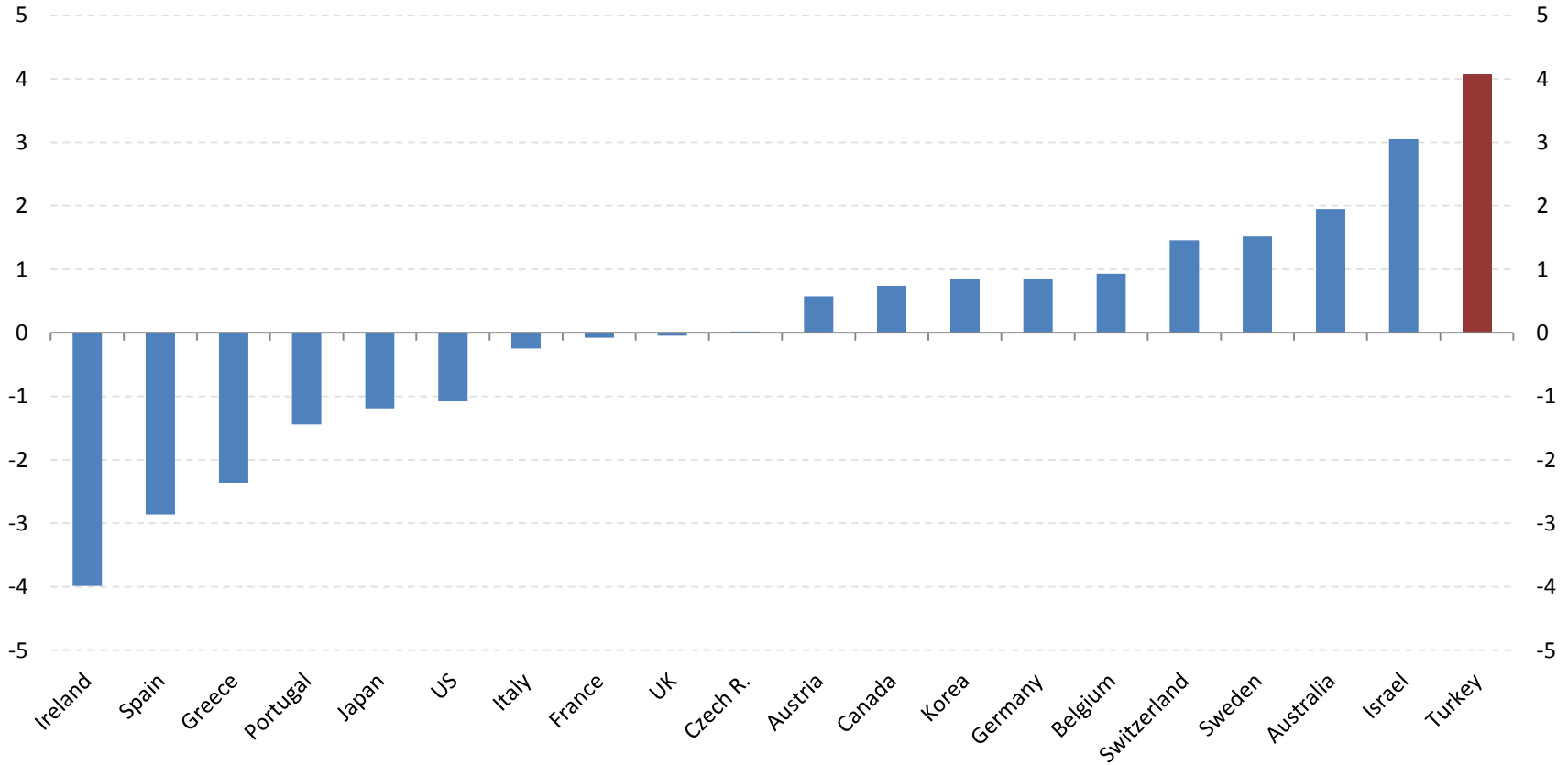


Source: TurkStat.

Last Observation: 2012 Q3.

# Strong Employment Growth

## Annual Average Growth of Employment\* (Percent Growth, 2007-2011)

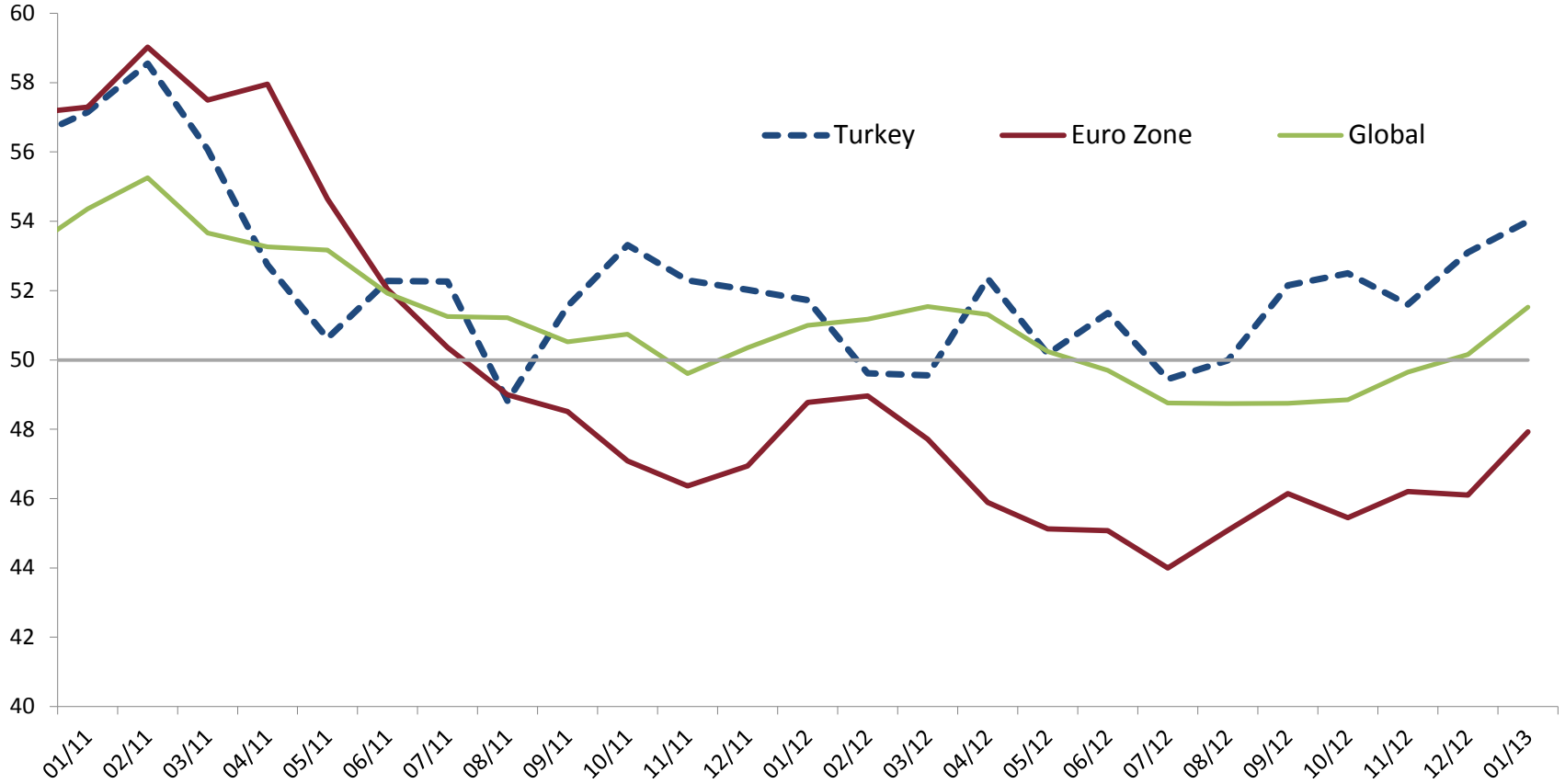


Source: IMF WEO, TurkStat.

\*Difference of natural logarithms

# PMI: Turkey, Eurozone, and Global

## Manufacturing PMIs (Seasonally Adjusted)



Source: MARKIT.

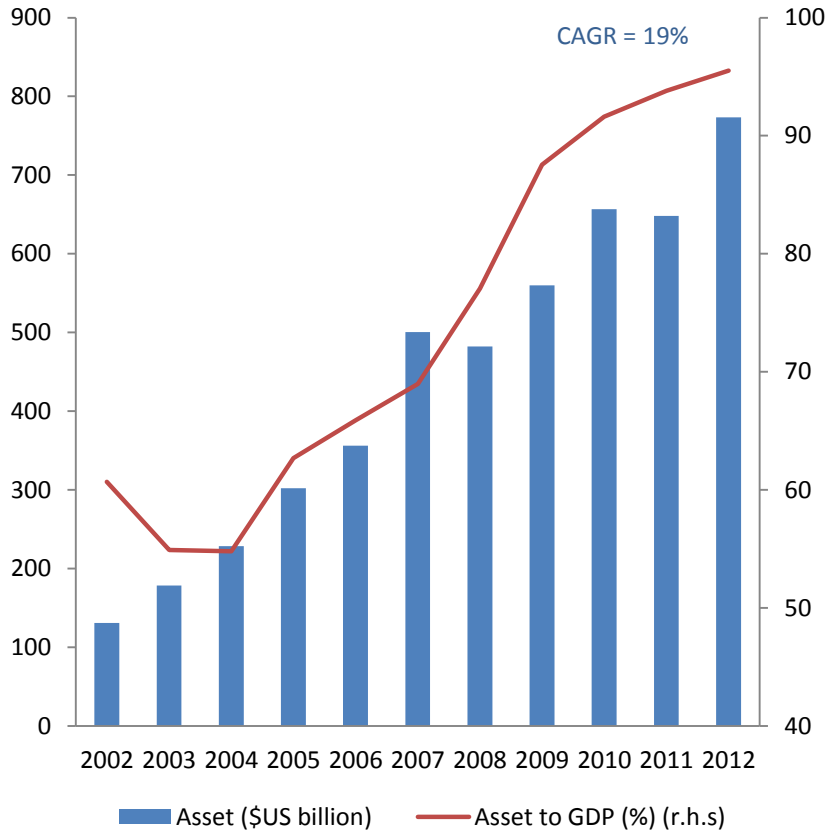
# TURKISH BANKING SECTOR

# Sound Financial System

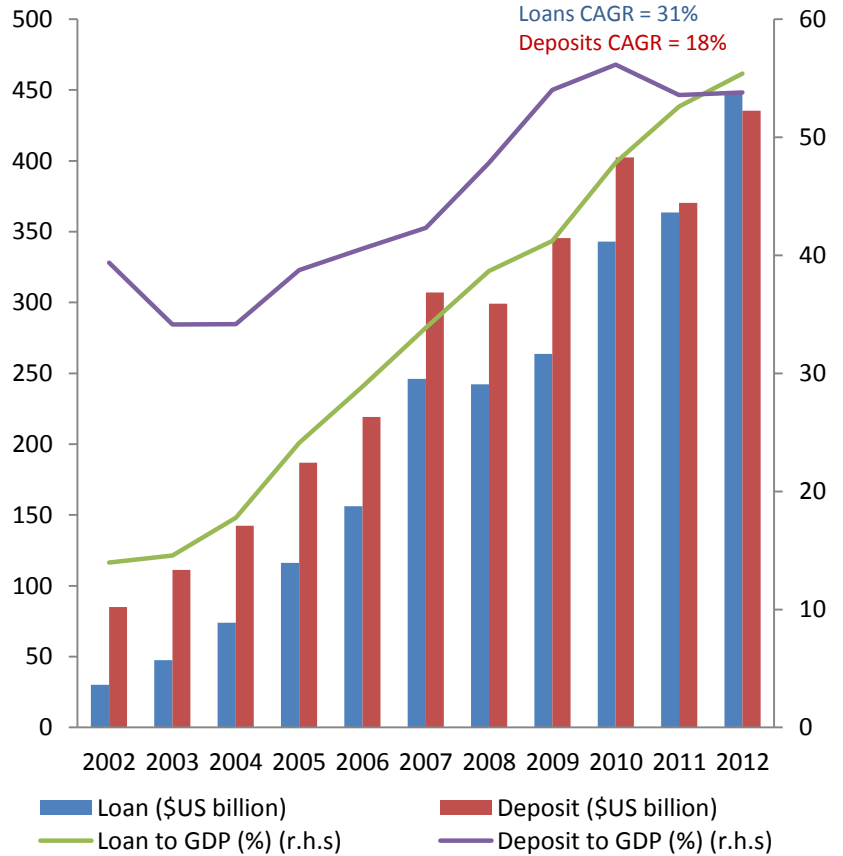
- Financial stability is important for balanced growth.
- We need sound financial institutions for financial stability.
- Robust financial institutions enable policy makers to implement countercyclical tools effectively.

# Steady Growth

## Total Assets



## Total Loans and Deposits



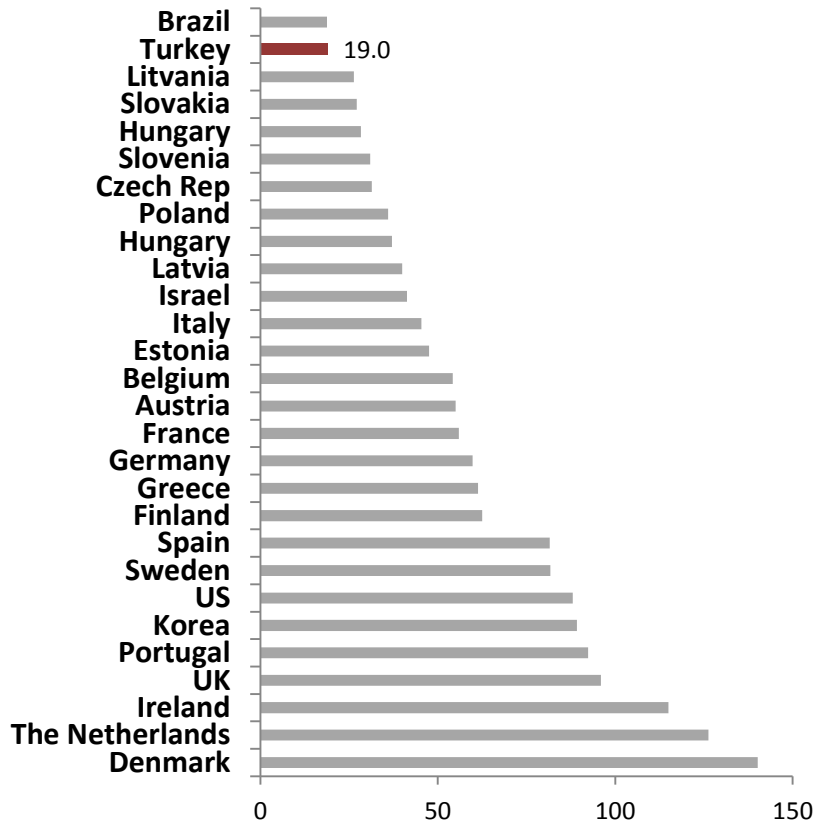
Source: BRSA, CBRT.

Source: BRSA, CBRT.



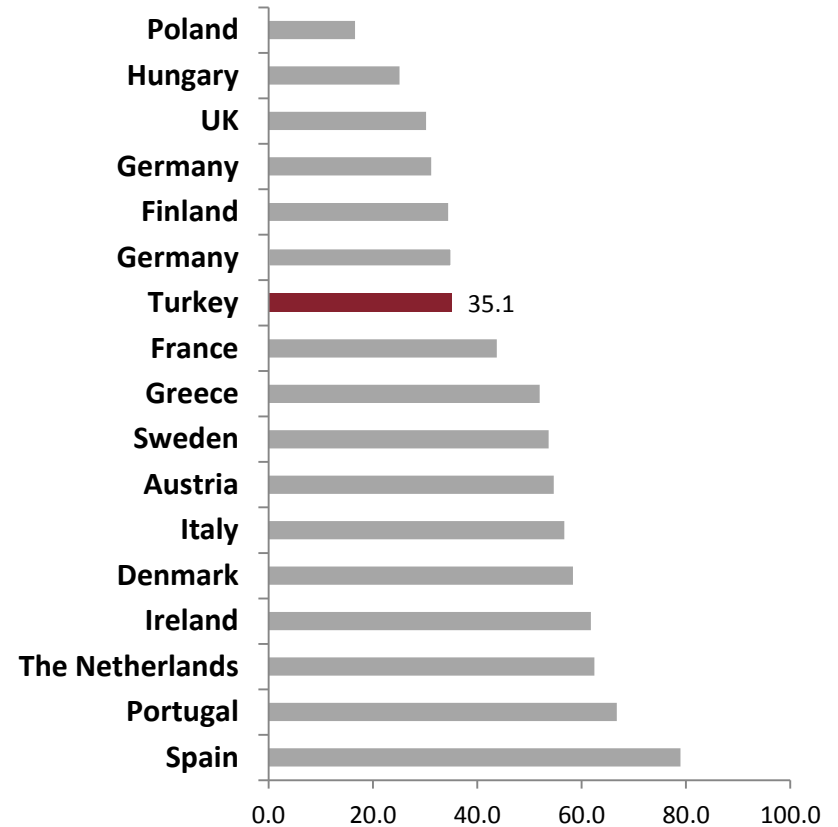
# Room for Growth

## Household Liabilities (% of GDP)



Source: ECB, CBRT.

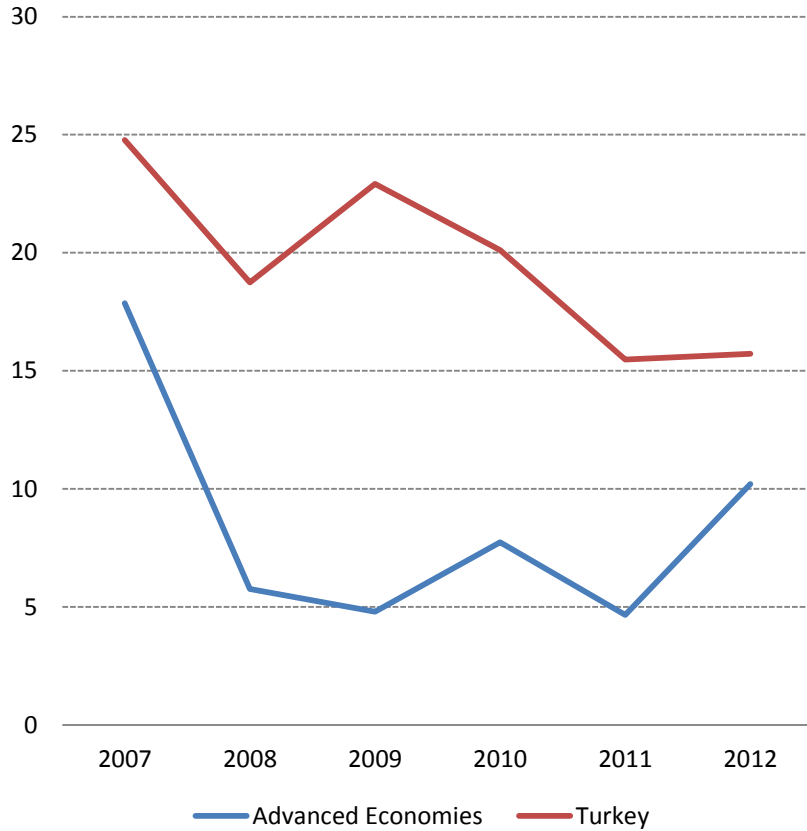
## Corporate Liabilities (% of GDP)



Source: ECB, CBRT.

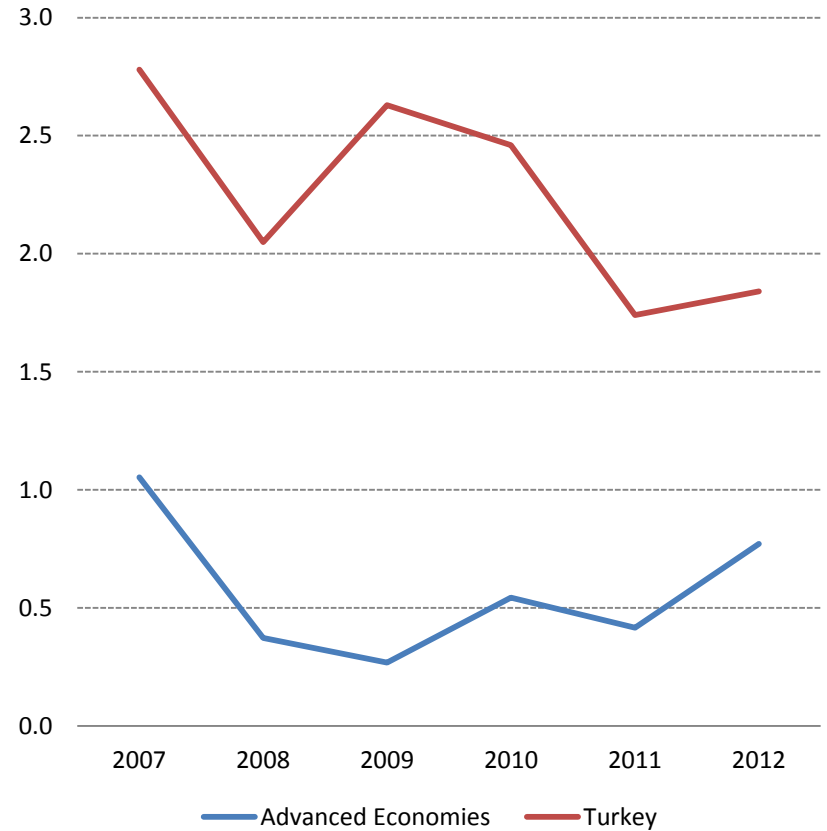
# Strong Profitability

## Return on Equity (%)



Source: FSI – IMF, BRSA.

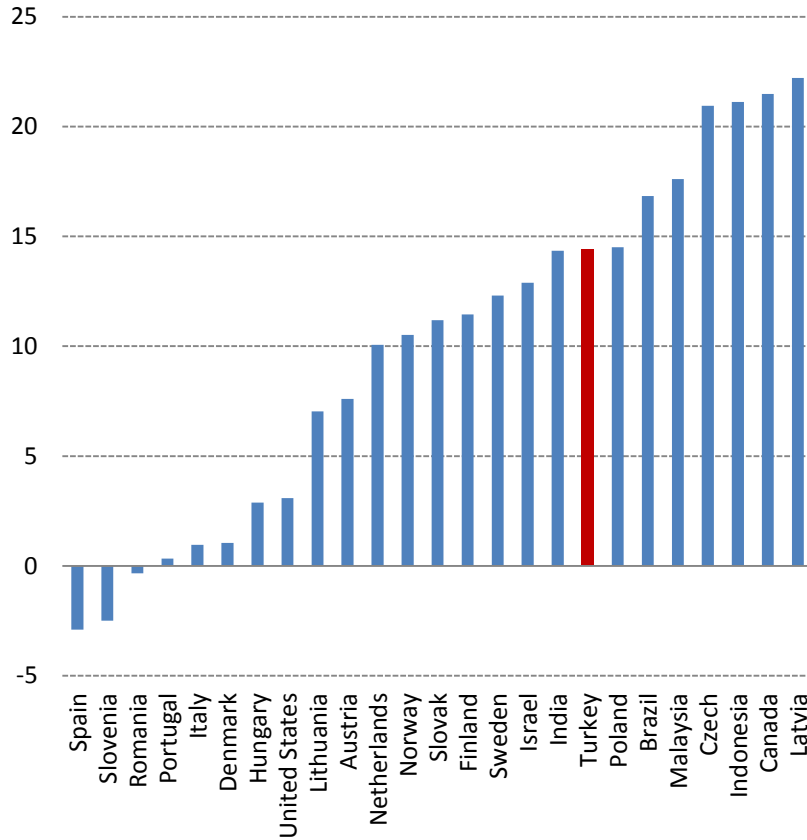
## Return on Asset (%)



Source: FSI – IMF, BRSA.

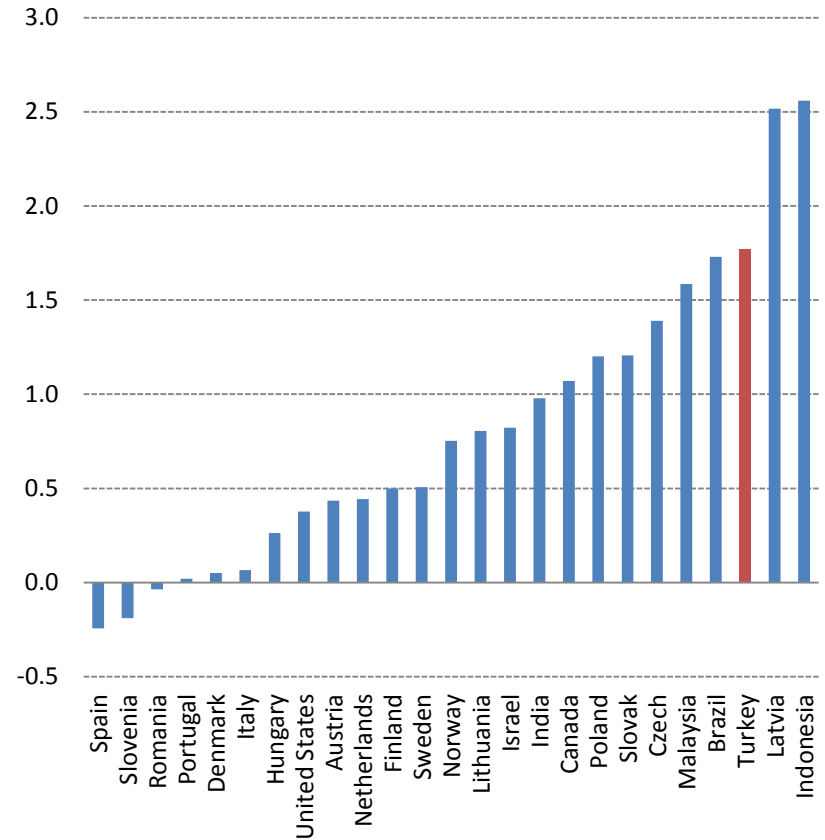
# Strong Profitability

## Return on Equity (%) (as of 2012Q3)



Source: FSI – IMF, BRSA.

## Return on Asset (%) (as of 2012Q3)



Source: FSI – IMF, BRSA.

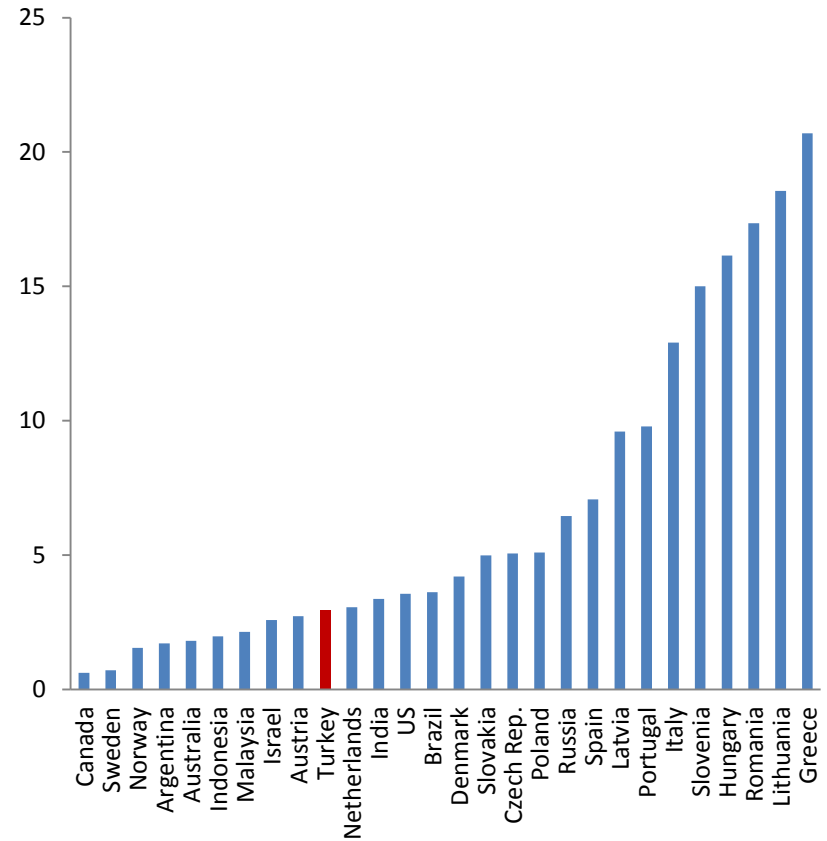
# Sustained Asset Quality

## Nonperforming Loans to Total Loans (%)



Source: FSI – IMF, BRSA.

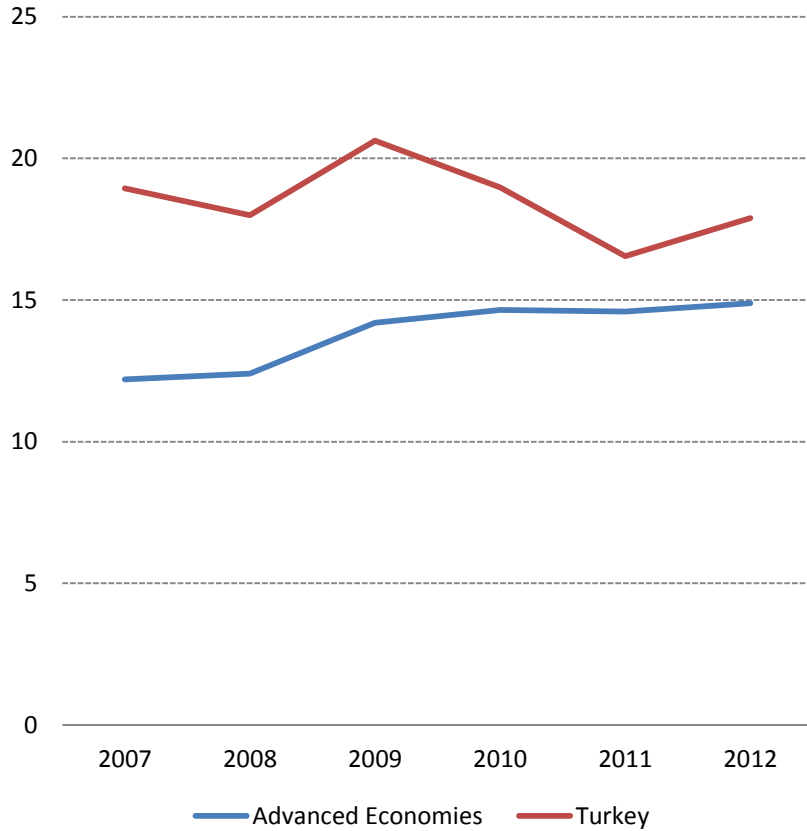
## NPL Ratios (as of 2012 Q3, %)



Source: FSI – IMF.

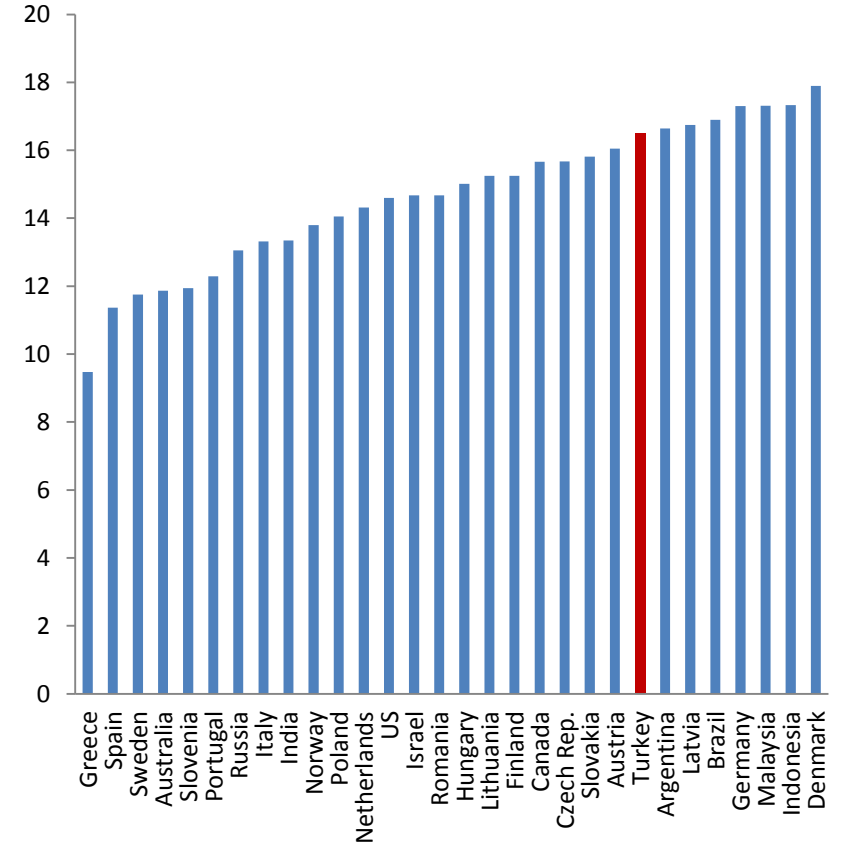
# Strong Capitalization

## Capital Adequacy Ratio (%)



Source: FSI – IMF, BRSA.

## Capital Adequacy Ratio (as of 2012 Q3, %)



Source: FSI – IMF.

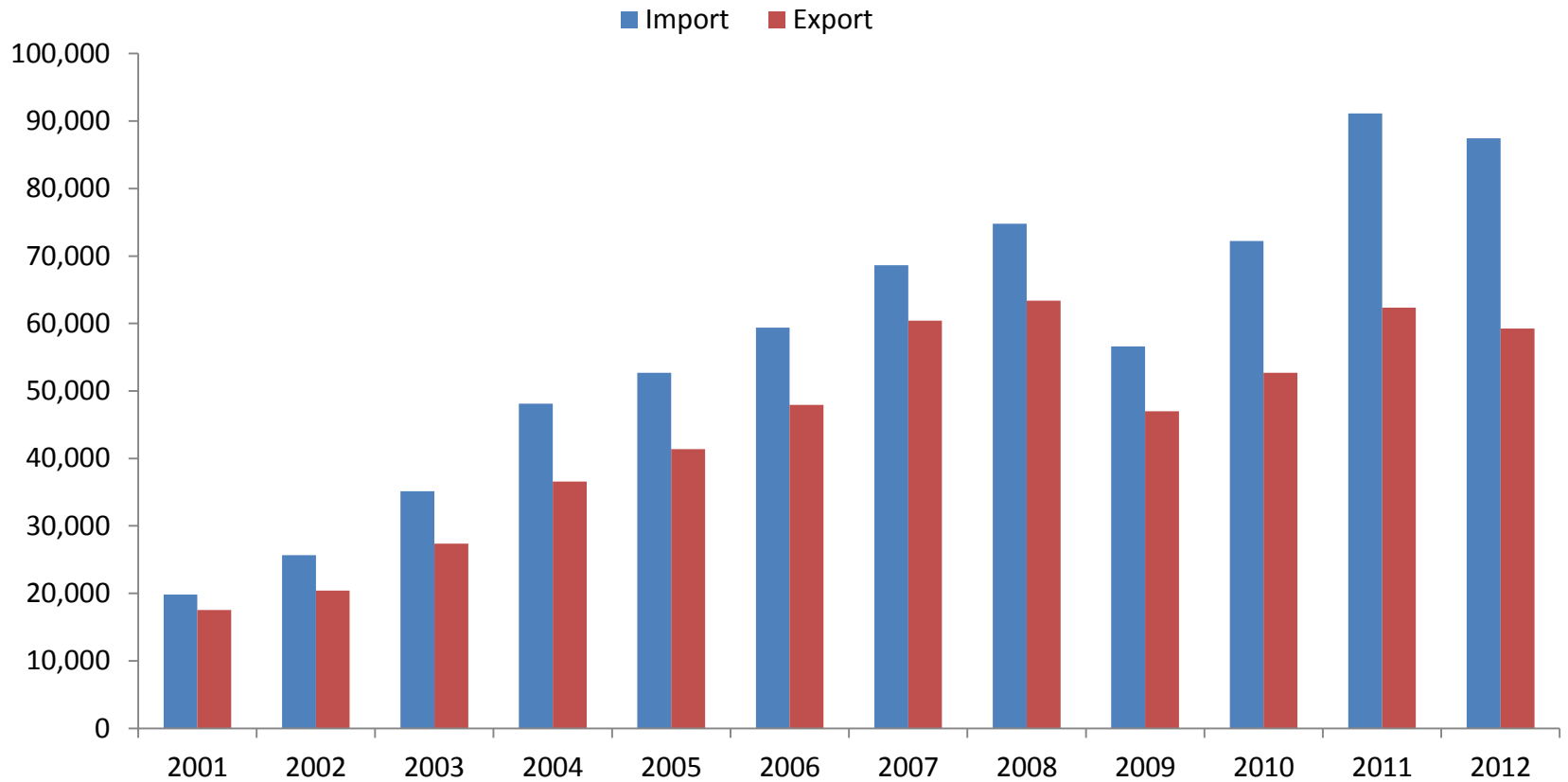
# COOPERATION : THE WAY AHEAD

# Cooperation : Channels

- Trade
- Foreign Direct Investment
- Finance

# Trade : EU and Turkey

## Turkish Export and Import (Million USD)

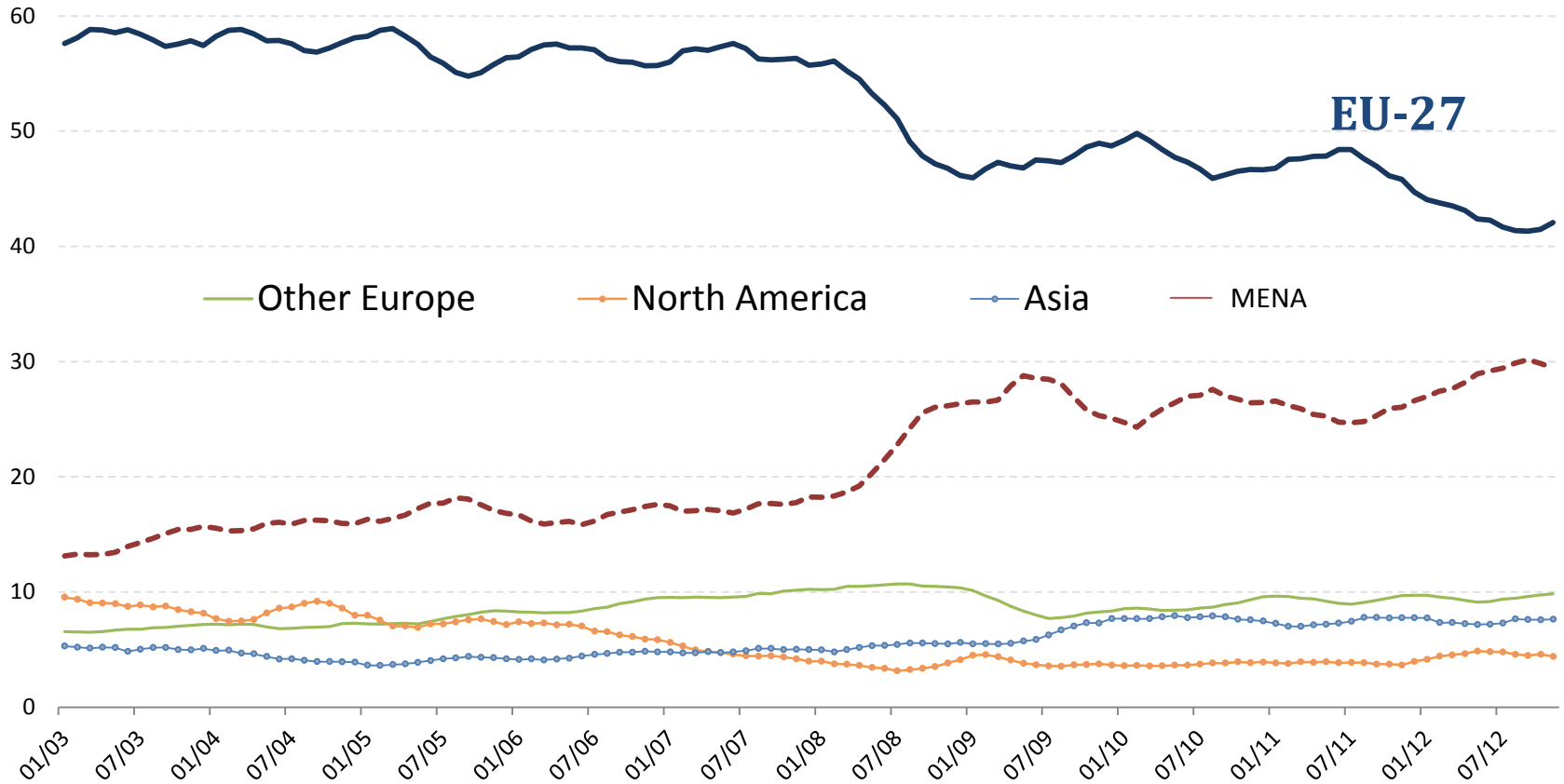


Source: TurkStat.



# EU : Main Trade Partner

## Exports Market Share\* (6-Month Cumulative, Percent)

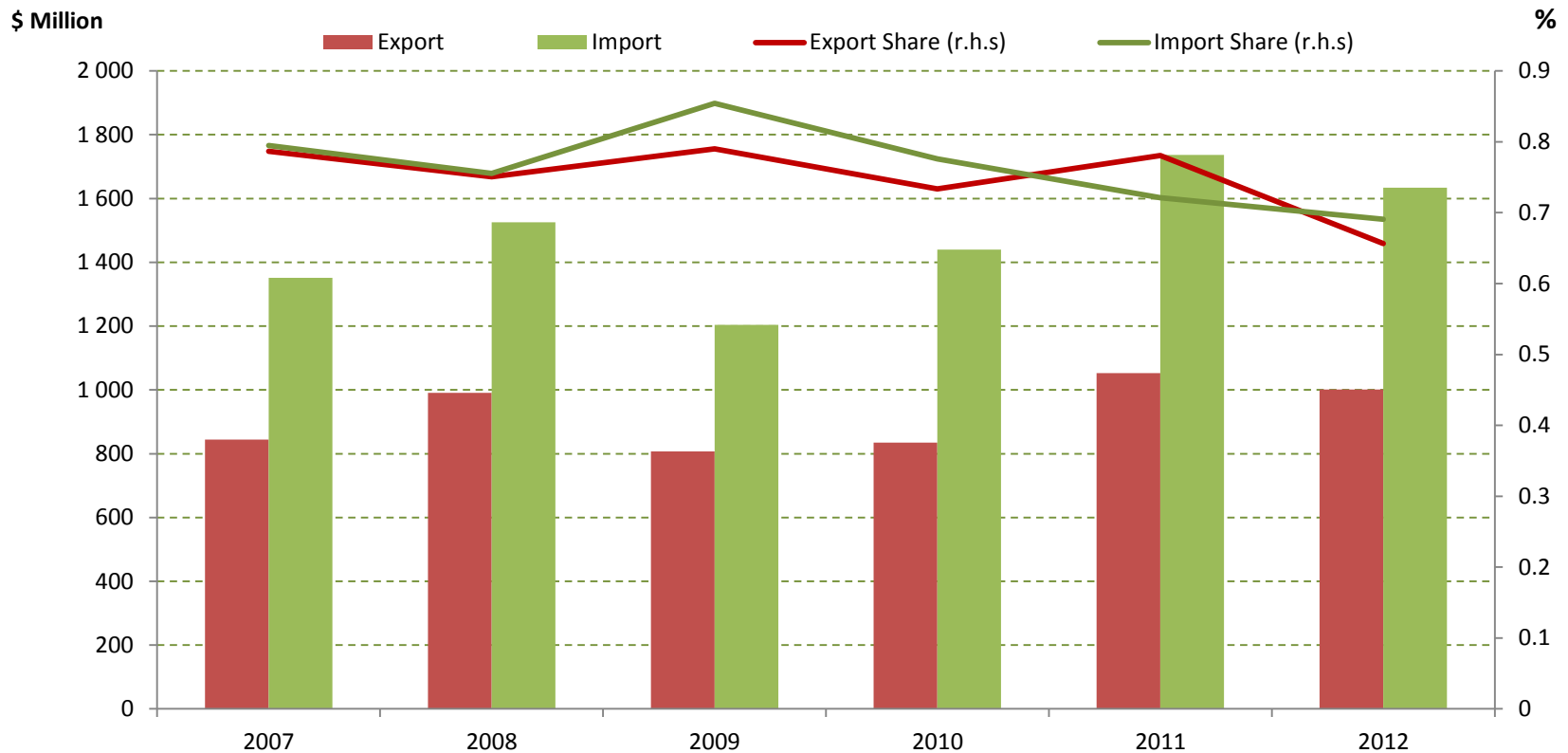


Source: TurkStat.

\*Excluding gold.

# Trade : Austria and Turkey

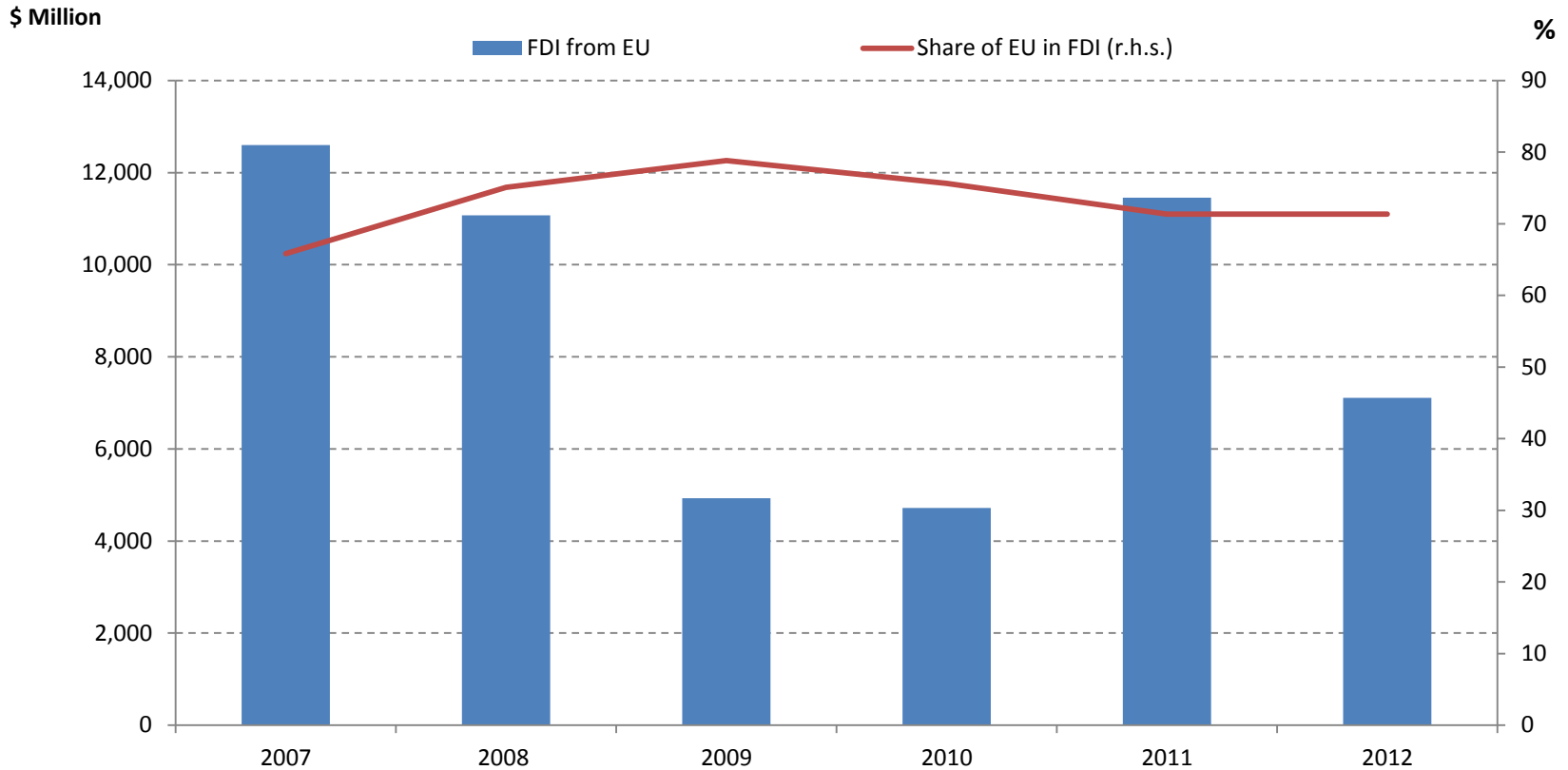
## Turkish Export and Import



Source: TurkStat.

# Foreign Direct Investment (FDI)

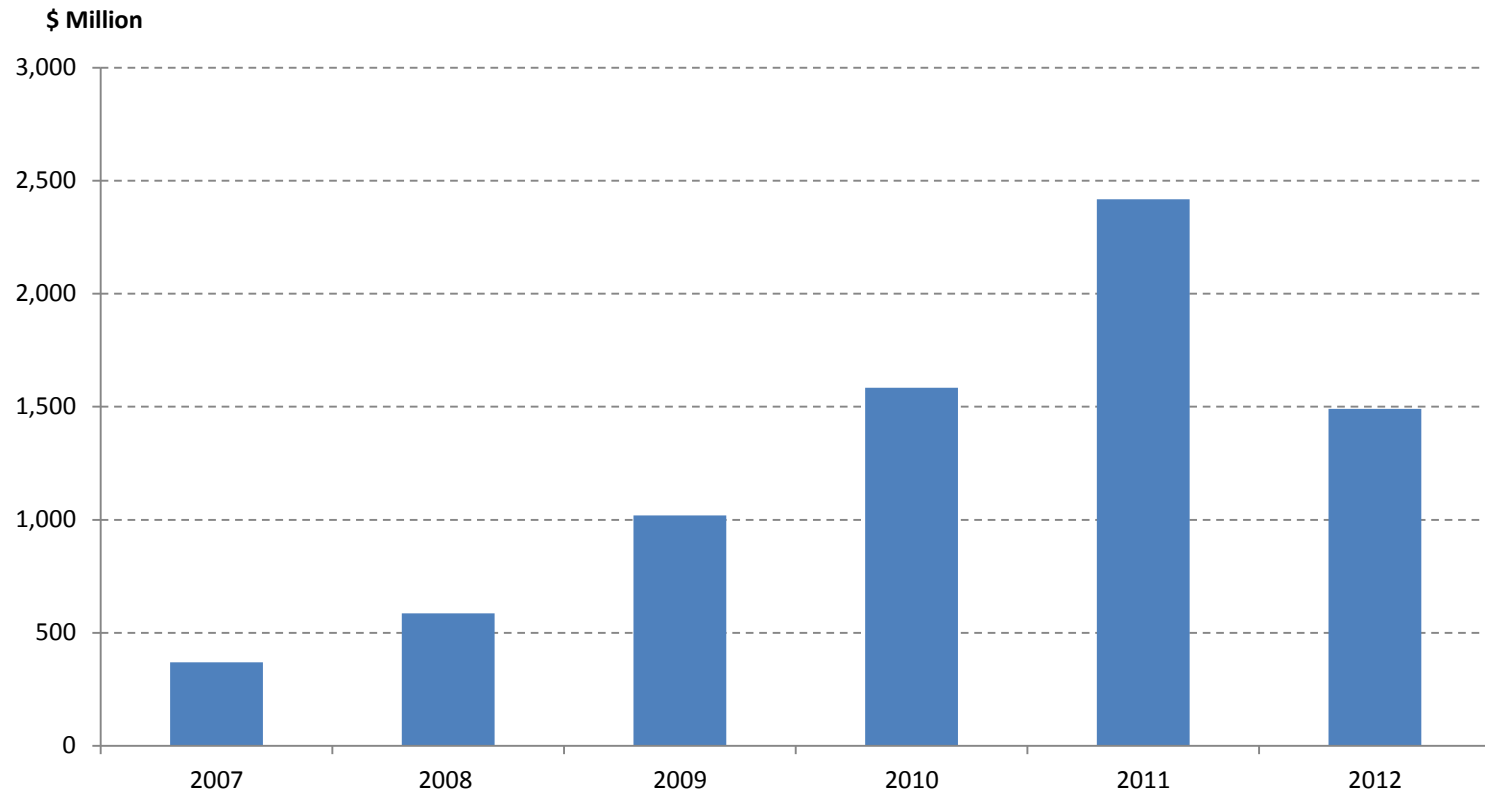
## FDI from European Union to Turkey



Source: CBRT.

# Foreign Direct Investment (FDI)

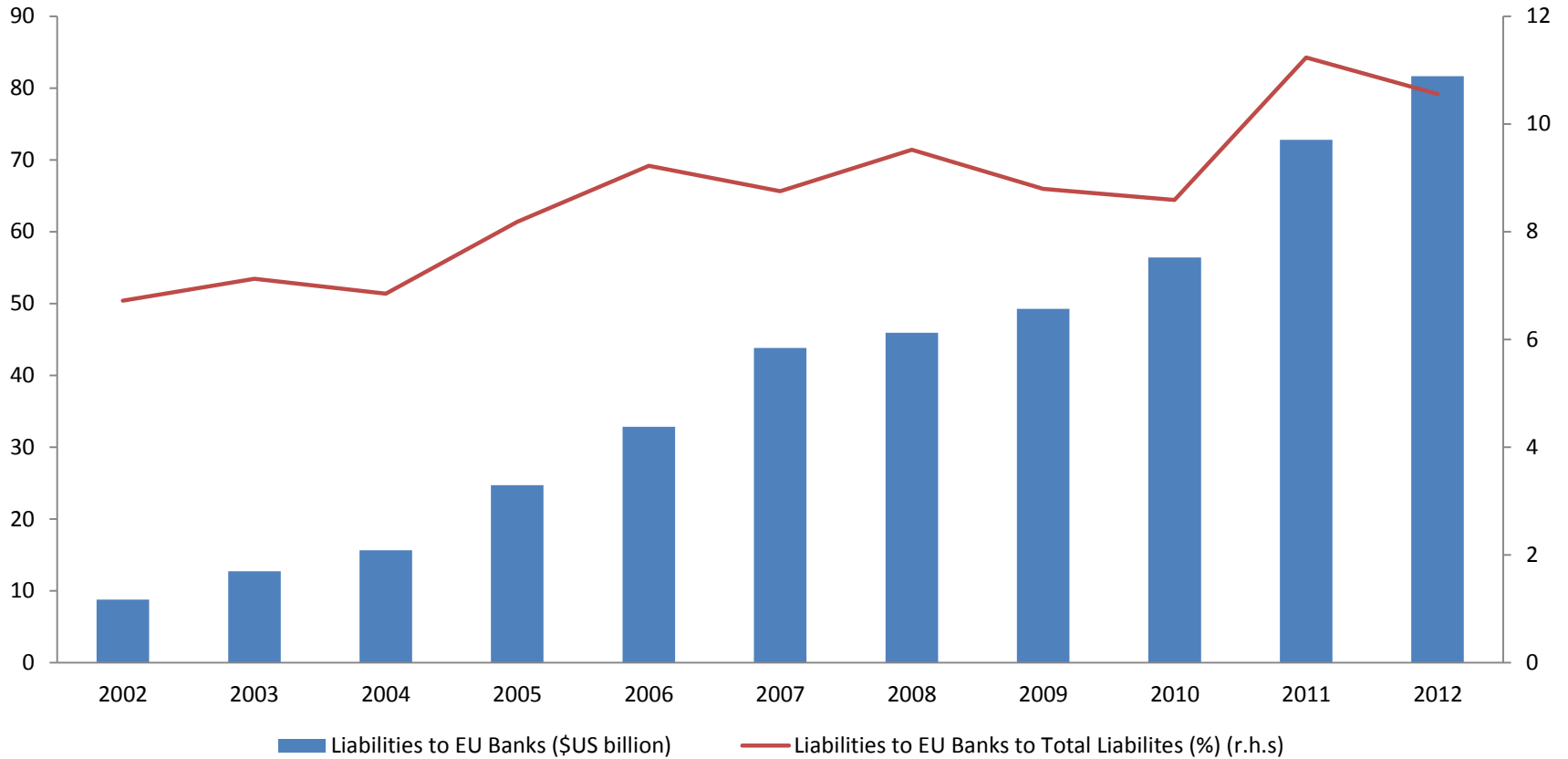
## FDI from Austria to Turkey



Source: CBRT.

# Banking Relations

## EU Banks' Funding to Turkish Banks



Source: BRSA.

# Turkish Banks in EU

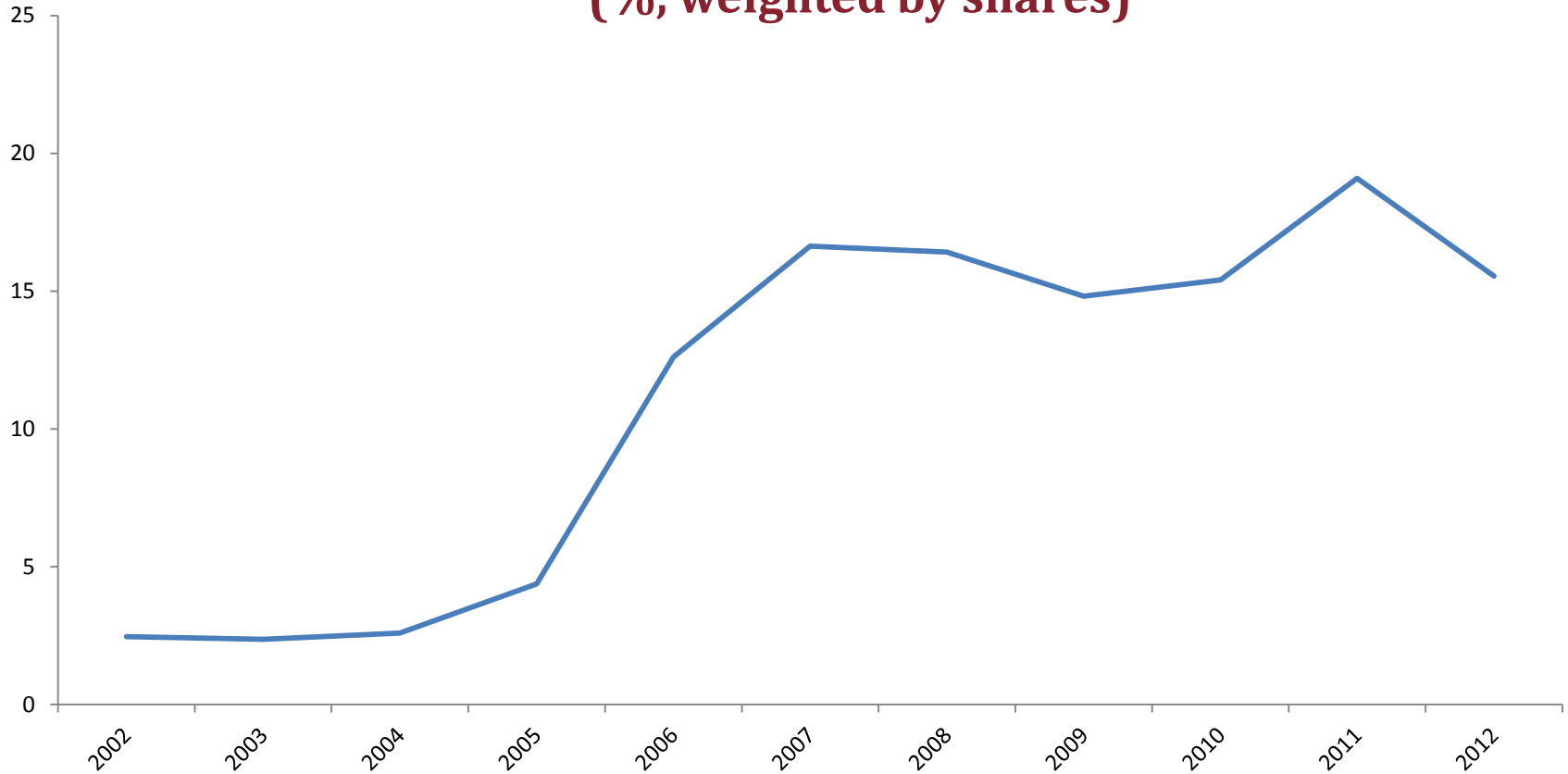
	<b>Subsidiary</b>	<b>Branch</b>	<b>Total</b>
<b>Austria</b>	<b>2</b>	<b>-</b>	<b>2</b>
Bulgaria	-	4	4
Germany	4	-	4
Greece	-	4	4
Ireland	1	-	1
Luxembourg	1	1	2
Malta	-	2	2
Netherlands	8	-	8
UK	-	2	2
<b>Total</b>	<b>16</b>	<b>13</b>	<b>29</b>

# EU Banks' Investments in Turkey

- EU banks have shares in eleven Turkish banks.
- In eight banks, they have the controlling stake.
- These eleven banks' total market share is 31.7%.

# Banking Sector Share of EU Banks

## Share of EU Banks in Turkish Banking Sector's Total Assets (%, weighted by shares)



Source: BRSA.



# CONCLUSION

# Summary

- Improvements in price stability and financial stability improve balanced growth prospects in Turkey.
- Strong banking sector has been an important factor for the achievements of Turkey after the global financial crisis.
- Financial institutions play a critical role for cooperation.
- EU is the most significant trade partner for Turkey.
- There is still room for growth in trade volume between Austria and Turkey.
- More cooperation in real and financial sector will benefit both Austria and Turkey.



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