

Looking for a remedy in the crisis? Invest in Turkey

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The current global economic crisis, which stemmed from the financial sector in the developed economies (primarily the American mortgage lending market) and then spilled over the real sector, virtually affected all the countries in the world. Developing economies, which lead the world economy in the recent years with their high growth performance, are now facing the challenge of mitigating the contagion effect of the crises. In the shed of global economic storm, Turkish economy, which is very familiar with the economic fluctuations, appears to be a safe place to land. Financial crisis of 2001 was a milestone for Turkish economy that lined the way for Turkey to restructure its economy and start an ambitious recovery period. Through the stable macroeconomic policies and the structural reforms, Turkey is now much stronger and better positioned itself to face the undoubted economic challenges that lie ahead.

A stable economic performance

After the 2001 crisis, Turkey entered a period of high growth and structural transformation. Following the rebound growth of 6.2 percent in 2002, average annual growth was 6 percent over the past six years (2003-2008). These growth figures are well above average of European Union (2.3%) and peer Eastern European countries, during the same period. Although, the growth rates plunge into negative figures in 2009, recovery period is expected to begin in 2010. In the April World Economic Outlook Report of IMF, we see that growth trend is moving towards emerging market economies from developed countries. Turkey, which is among the 20 largest economies of the world as a developing economy, will definitely benefit from this mild wind towards emerging market economies. Besides the high growth rates, Turkish economy solved its everlasting inflation problem following the period of 2001 crises. Between year 2005 and 2008 Turkey's average inflation rate was 8.9%, this ratio was 51.5% for 1995-2005 time period, which shows the remarkable progress the Country has made in the recent years.

A sound banking system

One of the major strengths of Turkish economy in the face of a deleveraging global financial system is the sound banking



Gürman Tevfik
IS Asset Management

system of the country. Following 2001, Turkish government has undertaken a number of critical structural reforms, especially in the banking sector, that strengthen the domestic financial system. During the recovery period, the new banking regulations and prudential supervision mechanism helped banks to improve their capital basis and risk management techniques. Capital adequacy ratio for Turkish Banks is 18.5% (as of March, 2009) which is satisfactorily a high ratio and is quite above the Basel standards (8 percent). In addition, there is no exposure to toxic assets such as subprime mortgage of the magnitude currently afflicting banks in advanced economies and as a result Turkish banks have not required further government guaranty for the deposits during the current crises.

Growing opportunities for investors

The tremendous growth of Turkish stock market is worth to be noted. In 2009, the market cap of National 100 Indices firms in Istanbul Stock Exchange (ISE) has reached to USD 133 billion compared to USD 25 billion in 1997. It is necessary to pinpoint another major aspect which is the investment desire of foreign investors in Turkish financial markets. As of June 2009, foreign investors hold 65.54% of the stock value traded at ISE.

Despite the very challenging global outlook, Turkey's young and dynamic population and future membership to EU are the Country's driving forces of the economical development. Half of Turkey's population is younger than the age of 29 and this demographic structure is an asset for competitive productivity.

Prepared for the challenges

To sum up, Turkey took lessons from the past crises in its history and is well-prepared for the unexpected national and global economic fragilities. Stable macroeconomic policies, structural reforms, healthy financial sector helped the Country to confront the crises better compared to its peers and developed economies. Despite the slowdown in output demand and capital inflows, Turkey's economy expects to recover at the end of year 2009. Among other things Turkey moves towards EU accession and the Country's competitiveness will further increase and economy will become much powerful. Consequently, with all these characteristics, Turkey gleams as a safe port to invest in this global financial turmoil.