

# FEM/İSDER ISTANBUL MEETING

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# GLOBAL OUTLOOK

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- ✓ **The world has been testing for the last two years its ability to survive a unique financial and economic crisis.**
- ✓ **Unprecedented stimulus packages, increased cooperation and collaboration among the regulators, enhanced activities of G-20 indicate that not only the financial and monetary architecture but social and political architecture are subject for a fundamental transformation.**
- ✓ **Key for a global sustainable growth:**
  - **Restoration of the erosion of confidence in markets (financial, commodity)**
  - **Avoiding the “de-globalisation” at any cost (i.e. protectionism)**

# OUTLOOK FOR TURKEY

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- ✓ **Turkey facing an earlier crisis in 2001 gone through a significant period of;**
  - **restructuring banking sector**
  - **structural reforms**
  - **prudent macroeconomic management**
  - **resiliency improvement to external shocks**
- ✓ **Thanks for the above policies Turkish financial sector, particularly banks were stronger, sounder and more immune to contagion.**
- ✓ **This made Turkey weather the 2008 global crisis smoothly.**



## **POLITICS**

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Turkey is on the way to become a real parliamentary democratic state with major constitutional reforms.

# ECONOMICS

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Considering the following expected year-end macro-economic performance parameters, it can confidently be said that “Turkey is emerging as a safer bet”.

2010 Real GDP, % y/y	6.1
2010 CPI, % y/y	7.0
2010 Net Public Debt, % GDP	30.2
2010 Current Account Deficit, % GDP	-5.0
2010 CBT FX Reserves, months of import	5.6
2010 Unemployment Rate	12.0
Sept. 2010 CDS Spread	163.0
Banking System Capital Adequacy Ratio	19.2
Banks' Leverage Ratio	8
Household Debt % GDP	15.4

The CDS spread of Turkey is now below those of Spain and Italy since August 2010.



## **EU TURKEY**


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- ✓ If the EU plans to assume global responsibilities, we are confident that it can not do without Turkey.

## CHALLENGES AHEAD

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1. No distraction from the EU adjustment process
2. No distraction from the normalization and further democratisation.
3. 2011 parliamentary elections will be a good test for the current government's degree of populism and its commitment to the medium term fiscal adjustment.
4. To concentrate and ensure private-sector-led sustainable growth based on productivity, innovation and use of technology.
5. More emphasis should be given on increasing domestic savings, improving the quality of financing current account deficit and fighting with unregistered economy.

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6. Fiscal easing and buoyant bank lending should keep output robust this year and next. But continuing further, export market diversification with value added products will be the key.
  7. To further strengthen the strategy and action plan for making Istanbul a regional and specialized in certain segments, financial centre with the cooperation of local banking community.
  8. To capitalize and make further use of the G-20 status by being pro-active and making positive contribution.
  9. Last but not least, the real challenge for the authorities from today onward will be to “decorate” Turkey with an “investment grade”.



## **TO CONCLUDE**

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We all know and are convinced that to speed up this process what we need most is a secular, democratic parliamentary regime and the loyalty to the rule of law.