

Coronavirus response in 2021: building back better

Update on Turkey (16/06/21)



Covid-19: policy response

- **The economy avoided contraction in 2020 thanks to a policy response that consisted mainly of monetary easing and a major credit stimulus**, in addition to mostly off-budget fiscal support measures such as loan guarantees and tax deferrals.
- **After the monetary and credit stimulus was withdrawn, fiscal policy has become the main tool of Covid-19 response in 2021**, and consists of the short-time working allowance and payments to furloughed workers and establishments affected most by the pandemic.
- **The need to contain high inflation is limiting the options available to revive the economy**, which leaves economic recovery largely dependent on the pace of vaccinations and the return of tourists.

Macroeconomic indicators (%)

	2018	2019	2020	Short-term indicators
GDP growth	2.8	0.9	1.8	EBRD GDP growth forecast (June 2021) 2021: 5.5%; 2022: 4.0%
Annual inflation (end-year)	16.3	15.2	12.3	Quarterly GDP growth: 7% (Q1 2021 year-on-year)
Government balance/GDP	-1.9	-2.9	-3.6	Economic sentiment: 92.6 (May 2021)
Current account balance/GDP	-2.7	1.1	-5.1	PMI: 49.3 (May 2021)
Net FDI/GDP	-1.2	-0.8	-0.7	Retail sales: 41.7% y/y, -6.3% m/m (April 2021)
Public debt/GDP (end-year)	30.2	33.0	39.5	Annual inflation: 16.6% (May 2021)
Unemployment rate (end-year)	10.9	13.5	12.9	

Key short-term priorities

- Balance the need to contain inflation with targeted support measures to households and companies most affected by the pandemic.
- Prioritise structural reforms that will increase the effectiveness and credibility of institutions.
- Enhance productivity and competitiveness through investments in skills and innovation.

EBRD assessment of transition qualities, 2020¹



Building back better: key ongoing initiatives

Competitive	• The government is establishing an independent market regulation and management body to monitor and enforce compliance with product market regulations.
Well-governed	• The government has laid out plans to simplify and increase the transparency of public procurement processes.
Green	• The Environment Agency has been established to prevent pollution, protect natural areas, and establish, operate, monitor and audit a deposit management scheme.
Inclusive	• The government is increasing financial support to apprenticeships for youth in vocational education.
Resilient	• The government has revealed plans to set up a Bonds Guarantee fund to support bond issuance by the private sector.
Integrated	• Major investments in infrastructure are under way, including high-speed railways, motorways and a new bridge across the Dardanelles.
Digital	• The use and scope of e-government has increased, with 600 new services added over the past year.

To learn more about the EBRD's support to Turkey visit: <https://www.ebrd.com/turkey.html>.

¹ For more details on ATQs, see EBRD (2020), [Transition Report 2020/21: The State Strikes Back](#), London.