Responding to the Coronavirus Crisis
Update on Turkey (08/07/20)

EBRD Policy Comparator

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Economic channels of disruption
Tourism, private consumption, external balance
- Partial lockdown (travel restrictions, weekend curfews, curfews for seniors and children, schools and most public places closed) has had a major impact on domestic consumption, in particular the retail sector (26% of GDP). Easing of lockdown measures has started in May and is planned to continue into Q3.
- Tourism and related sectors (12% of GDP) are being heavily hit, impacting the current account.
- Macro-instability is a risk because of the depreciating currency and rapidly declining reserves

Key crisis impact indicators
EBRD GDP growth forecast (April 2020)
2020: -3.5%
2021: 6%

Economic sentiment
June ESI 73.5
(June 2020): up 11.7 points m/m

Purchasing Managers Index
June Manufacturing PMI 53.9
(June 2020): up 13.0 points m/m

Istanbul Stock Exchange BIST100
119.3
(July 7 2020): up 8.8% m/m

Crisis response measures to date
Support for vulnerable households, workers and businesses
- Size of support measures have reached ₺280 bn (6.5% of GDP) in June
- Measures to ease liquidity for SMEs include loan repayment deferrals, expansion of credit guarantees and short-time working allowance, tax and social security holidays and provision of low-cost loans through state banks.
- Increases in pension payments and social assistance programmes.
- Layoffs temporarily banned, support to employees on unpaid leave
- Expansionary monetary policies include rate cuts, quantitative easing, increasing liquidity to banks through auctions and lower reserve requirements.
- Relaxing the classifications of non-performing and probation (Stage II) loans.

Key crisis response indicators
Support to employee salaries
Employees on unpaid leave to receive ₺39($6) a day

Payment holidays for loans
Up to 12 months, for affected firms and individuals

VAT reduction
From 18% to 1% for airfares

Reserve adequacy
IMF ARA metric: 0.83
Reserves/Short-term Debt: 0.61

Key short-term priorities
Provide liquidity to the economy, particularly SMEs, and revenue support to vulnerable workers and other individuals