Responding to the Coronavirus Crisis
Update on Turkey (14/04/20)

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

**EBRD Policy Comparator**

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<th>Financial Sector</th>
<th>Direct support to firms</th>
<th>Payment holidays</th>
<th>Temporary controls</th>
<th>Support to individuals</th>
<th>Increased social benefits</th>
<th>Health</th>
<th>External Assistance</th>
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<td>Policy rate reduced</td>
<td>Liquidity increased</td>
<td>Prudential req. loosened</td>
<td>Wage subsidies</td>
<td>Tax/social contr. deferral</td>
<td>Loan subsidies</td>
<td>Guarantees</td>
<td>Inspections/audits suspended</td>
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**Economic channels of disruption**
Tourism, private consumption, macroeconomic stability
- Partial lockdown (curfews for seniors and children, schools and most public places closed, restrictions to travel) are having a major impact on domestic consumption, in particular the retail sector (26% of GDP).
- Tourism and related sectors (12% of GDP) heavily hit, around half of reservations have been cancelled.
- Macro-instability is a risk because of the depreciating currency since the start of February and rapidly declining reserves.

**Selected crisis impact indicators**
EBRD GDP growth outlook (April 2020) [new forecasts out on May 13]
- 2020: recession
- 2021: strong recovery

Economic sentiment (March 2020): March ESI 98.1 (down 5.9 points m/m)

Purchasing Managers Index (March 2020): March PMI 48.1 (down 4.3 points m/m)

Istanbul Stock Exchange BIST100 (April 01 2020) 89.553 (down 20% m/m)

**Crisis response measures to date**
Support for vulnerable households, workers and businesses
- 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.
- Expansionary monetary policies include policy rate cuts, quantitative easing, increasing liquidity provided to banks through auctions and lower reserve requirements.
- Relaxing the classifications of non-performing and probation (Stage II) loans.

**Selected crisis response indicators**
Support to employee salaries
- TRY 100 billion (US$ 15 billion)
- Equivalent to 2% of GDP

Payment holidays for loans (months)
- 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