

Coronavirus response in 2021: building back better

Update on Turkey (25 November 2021)



Covid-19: policy response

- **The authorities' stimulus response to the pandemic has been largely phased out** following the lifting of most pandemic-related restrictions in June 2021.
- **Monetary policy is being loosened rapidly to spur domestic demand**, leading to a devaluation of the TRY and growing worries about a surge in the already high level of inflation.
- **Despite stubbornly high levels of infection, the authorities are not planning to introduce new restrictions.** Thanks to an extensive vaccination programme, mortality rates remain lower than in some EBRD economies, although a steep increase in case numbers may prompt the authorities to tighten restrictions again.

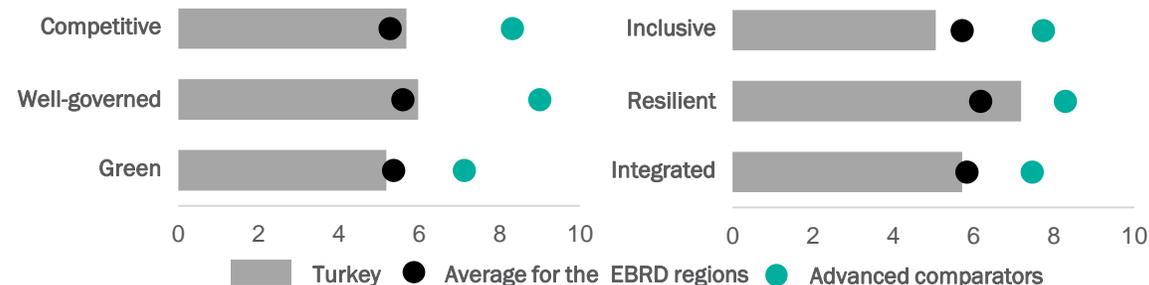
Macroeconomic indicators (per cent)

	2019	2020	2021	
GDP growth	0.9	1.8	9.0	Short-term indicators EBRD GDP growth forecast (Nov 2021) 2021: 9.0%; 2022: 3.5% Quarterly GDP growth: 21.7% (Q2 2021 year-on-year) Economic sentiment: 101.4 (Oct. 2021) PMI: 51.2 (Oct. 2021) Retail sales: 15.9% y/y, 1.2% m/m (Sept. 2021) Annual inflation: 19.9% (Oct. 2021)
Annual inflation (year end)	11.8	14.6	19.3	
Government balance/GDP	-3.0	-3.5	-4.9	
Current account balance/GDP	0.9	-5.2	-2.4	
Net FDI/GDP	-0.8	-0.6	-0.8	
Public debt/GDP (year end)	32.7	39.7	37.8	
Unemployment rate (year end)	13.5	12.9	11.7	

Key short-term priorities

- Containing inflation needs to remain a priority as economic activity revives and supply-side pressures increase.
- Implementation of the announced Economic Reform Package needs to be prioritised.
- Efforts to build back better need to focus on addressing inclusion challenges exacerbated by the pandemic.

EBRD assessment of transition qualities, 2021¹



Building back better: key ongoing initiatives

Competitive	<ul style="list-style-type: none"> • The government is establishing an independent market regulation and management body to monitor and enforce compliance with product market regulations.
Well-governed	<ul style="list-style-type: none"> • The government unveiled a high-level reform plan focusing on the public, employment and financial sectors.
Green	<ul style="list-style-type: none"> • The government has published its National European Union Green Deal Action Plan and ratified the Paris Agreement, pledging to achieve net zero emissions by 2053.
Inclusive	<ul style="list-style-type: none"> • The government is increasing financial support for apprenticeships for youth in vocational education.
Resilient	<ul style="list-style-type: none"> • The Capital Markets Board has introduced new regulations enabling the financing of public-sector projects through the capital markets.
Integrated	<ul style="list-style-type: none"> • Major investments in infrastructure are underway, including high-speed railways, motorways and a new bridge across the Dardanelles.
Digital	<ul style="list-style-type: none"> • 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 for Turkey visit: <https://www.ebrd.com/turkey.html>.

¹ For more details on ATQs, see EBRD (2021), *Transition Report 2021-22: System Upgrade: Delivering the Digital Dividend*, London.