Responding to the Coronavirus Crisis
Update on Turkey (13/11/20)

EBRD Policy Comparator

<table>
<thead>
<tr>
<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>
</tr>
</thead>
<tbody>
<tr>
<td>Policy rate reduced</td>
<td>Liquidity increased</td>
<td>Prudential req. loosened</td>
<td>Wage subsidies</td>
<td>Tax/ social sec. deferred</td>
<td>Loan subsidies</td>
<td>Guarantees/inspections suspended</td>
<td>Loans</td>
</tr>
<tr>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
</tbody>
</table>

Economic channels of disruption
Tourism, private consumption, external balance
- Partial lockdown (travel restrictions, weekend curfews, curfews for seniors and children, 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, continued during Q3, however as COVID-19 cases increasing rapidly in recent months partial lockdown for seniors and flexible working hours back to the agenda.
- 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 (September 2020) 2020: -3.5% 2021: 5%
- Economic sentiment October ESI 92.8 (October 2020): up 4.3 points m/m
- Purchasing Managers Index October Manufacturing PMI 53.9 (October 2020): up 1.1 points m/m
- Istanbul Stock Exchange BIST100 1,279 (November 11 2020) up 10.0% 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, restructuring of the private sector’s debt to the state, tax and social security holidays, and provision of low-cost loans through state banks.
- Layoffs temporarily banned, support to employees on unpaid leave, inclusion of informal labour to the formal market, increases in pension payments and social assistance programmes
- 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($5) 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: 0.84

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

To learn more about EBRD’s support to Turkey visit: https://www.ebrd.com/turkey.html
Media enquiries: Olga Rosca, olga.rosca@ebrd.com