

Responding to the Coronavirus Crisis

Update on Turkey (15/05/20)



EBRD Policy Comparator

Financial Sector			Direct support to firms					Payment holidays			Temporary controls		Support to individuals				Increased social benefits			Health	External Assistance
Policy rate reduced	Liquidity increased	Prudential req. loosened	Wage subsidies	Tax/ social sec. contr. deferred	Loan subsidies	Guarantees	Inspections/ audits suspended	Loans	Rent	Utilities	Prices	Exports	Universal transfers	Self-employed	Pensioners	Low income households	Enhanced sick leave	Enhanced unemp. benefits	Public works	Additional spending	(available or negotiated)
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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 (May 2020)	2020: -3.5%
	2021: 6%
Economic sentiment	April ESI 51.3
	(April 2020): (down 44.1 points m/m)
Purchasing Managers Index	April Manufacturing PMI 33.4
	(April 2020) (down 14.7 points m/m)
Istanbul Stock Exchange BIST100	99.0
	(May 14 2020) (up 0.5% m/m)

Crisis response measures to date

Support for vulnerable households, workers and businesses

- Size of support measures have reached ₺240bn (5% of GDP) in May
- 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
	(months)
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