

# Turkey's Transitions



Overview Presentation

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# Turkey's Transitions

Turkey's economic turnaround since the 1980s

## Achievements

### Integration

- Trade
- Finance
- Enterprise
- Infrastructure

### Inclusion

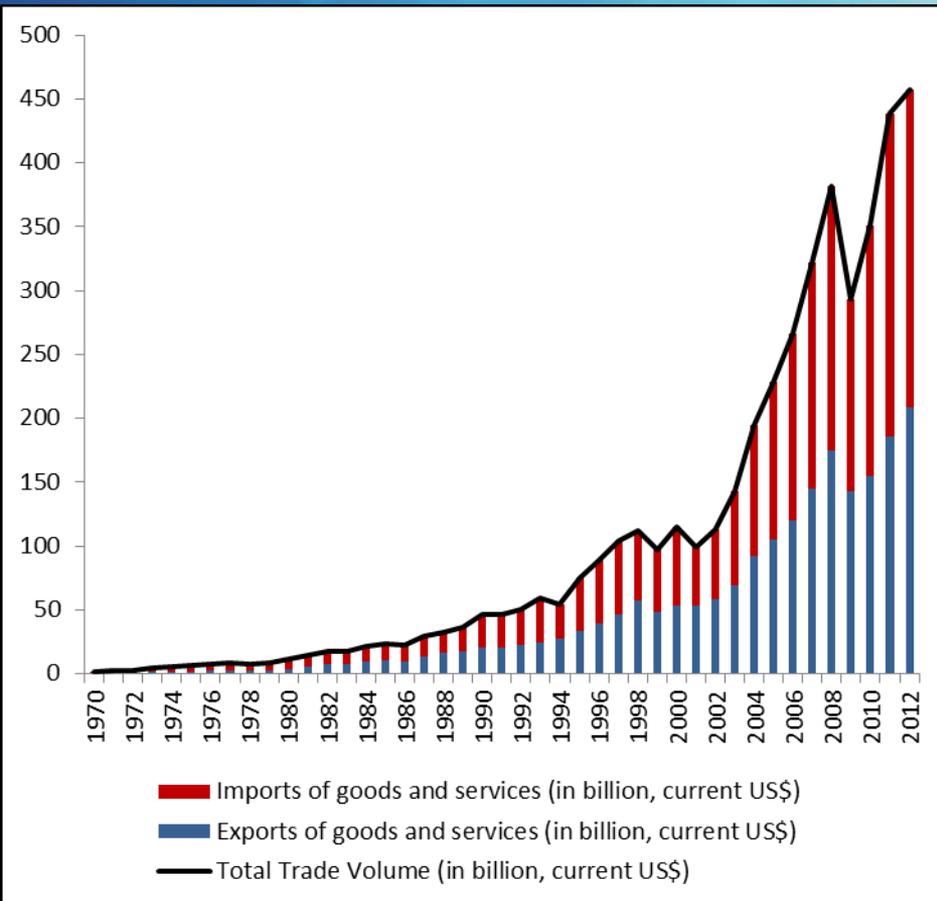
- Labor
- Cities
- Welfare
- Fiscal Space

## Challenges

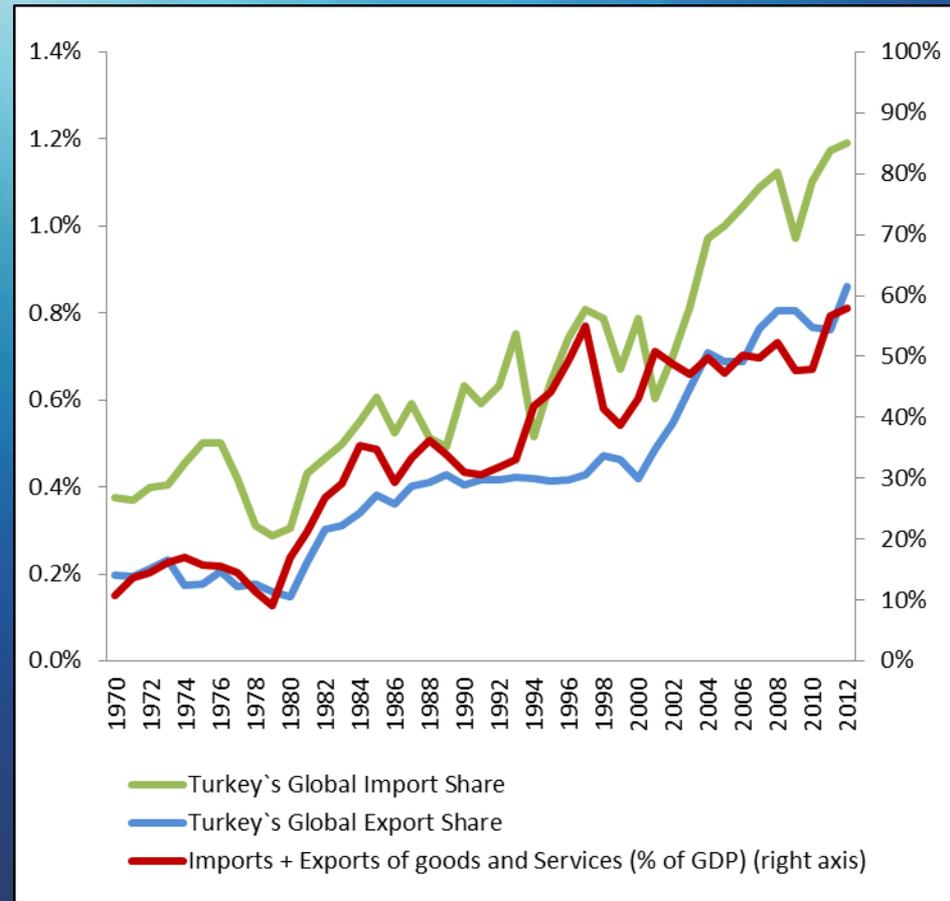
Escaping the Middle Income Trap

# Achievement 1: A substantial increase in trade and a rising global footprint

Exports and imports in USD, billion

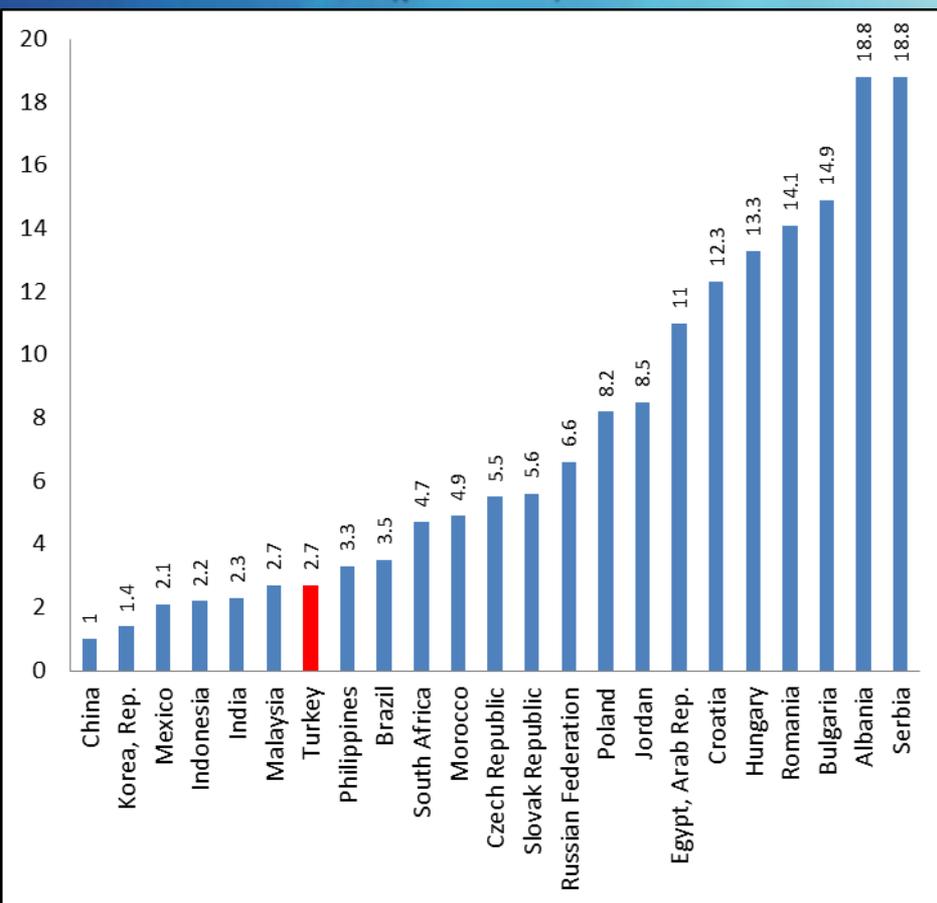


Turkey's share of global exports and imports

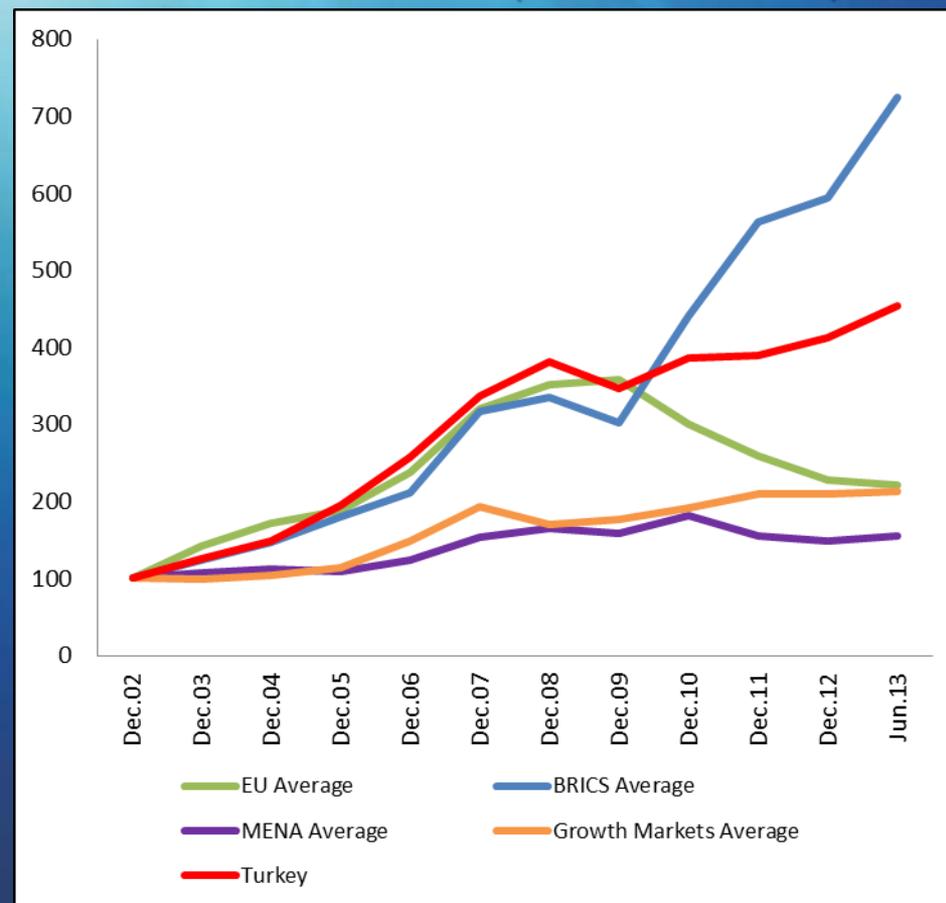


# Achievement 2: A stable banking sector that weathered the global crisis

Bank nonperforming loans to gross loans (percent)

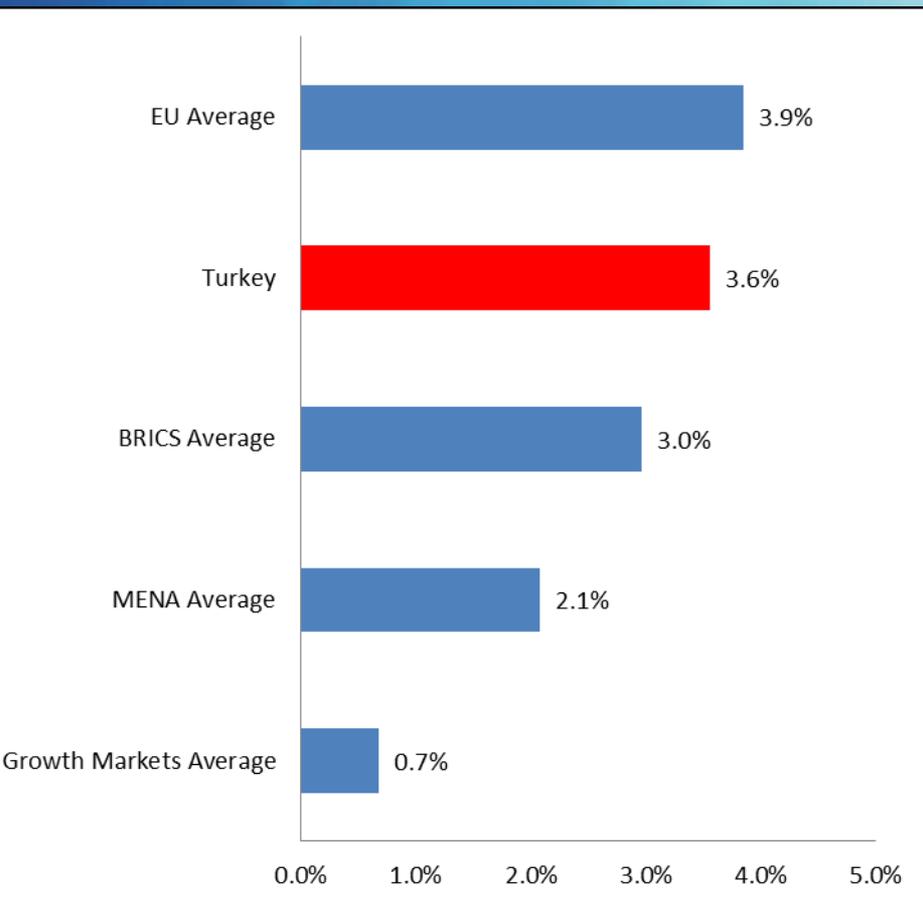


Index of external loans of reporting banks vis-à-vis all sectors (Dec 2002 = 100)

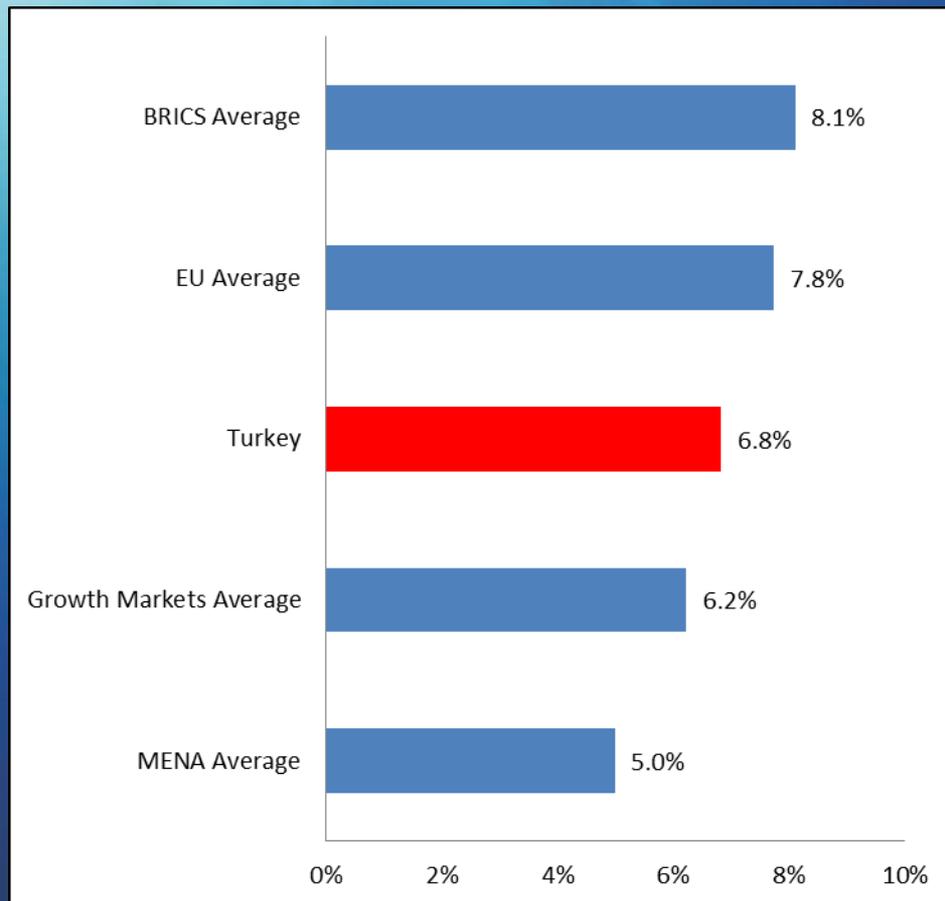


# Achievement 3: Enterprises have delivered productivity and exports

Productivity Growth (GDP per worker)  
1995–2011 (Average Ann. Compound Growth Rate)



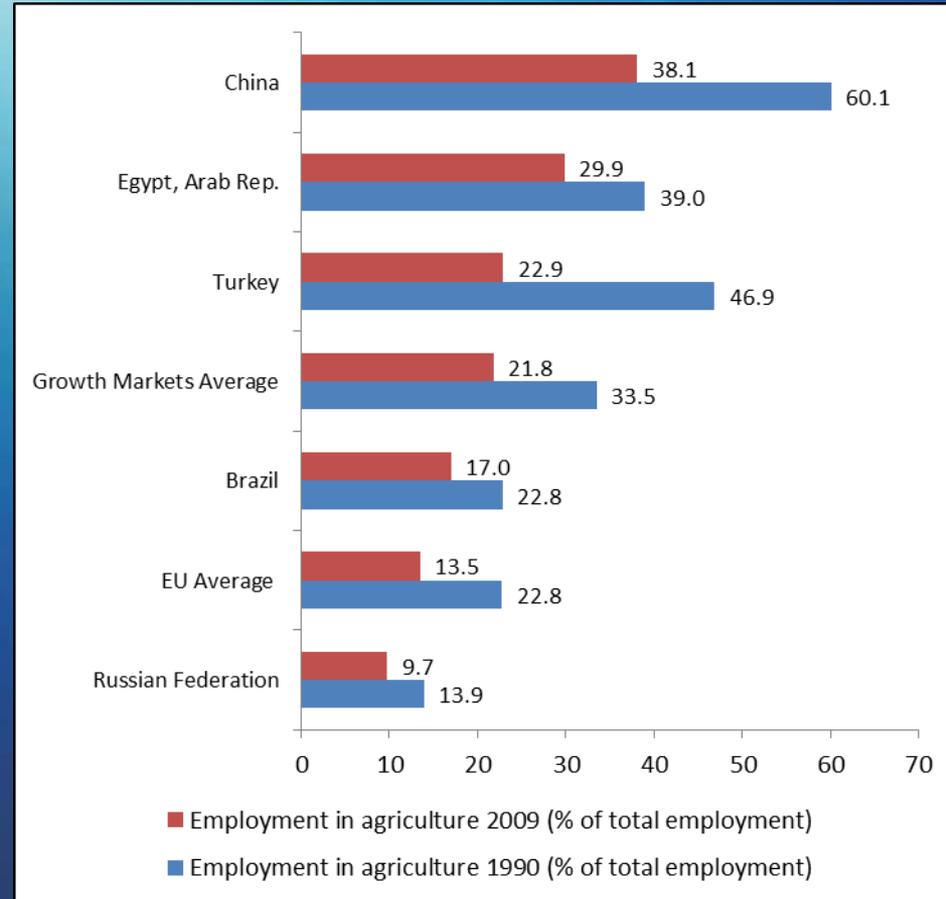
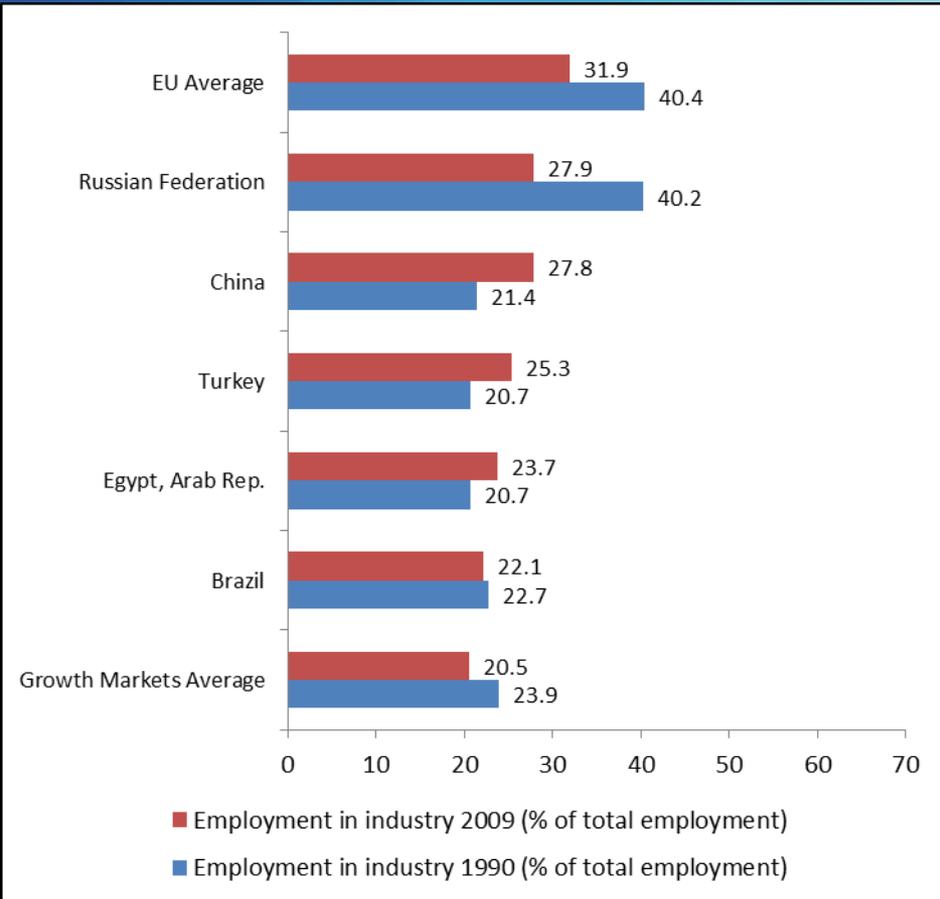
Growth in Real Exports of goods and services 1995 -  
2011 (Annual Average Compound Growth Rate)



# Achievement 3: Structural change has driven productivity growth, like in Asia

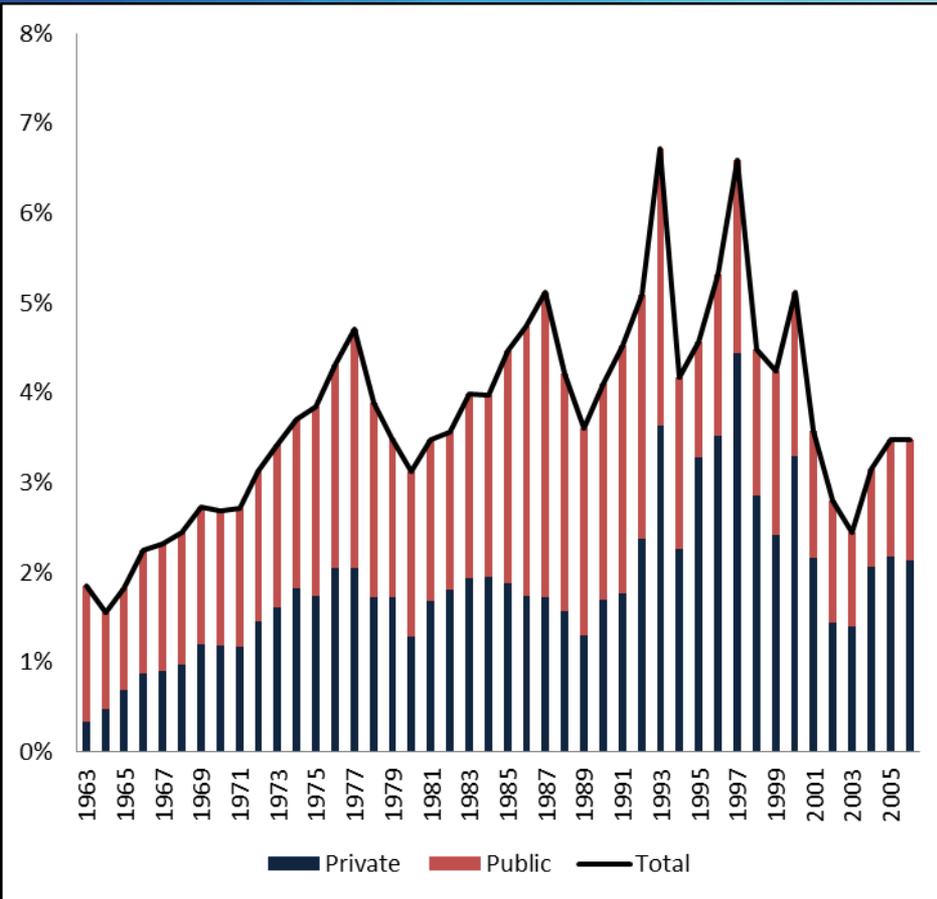
## Share of employment in industry

## Share of employment in agriculture

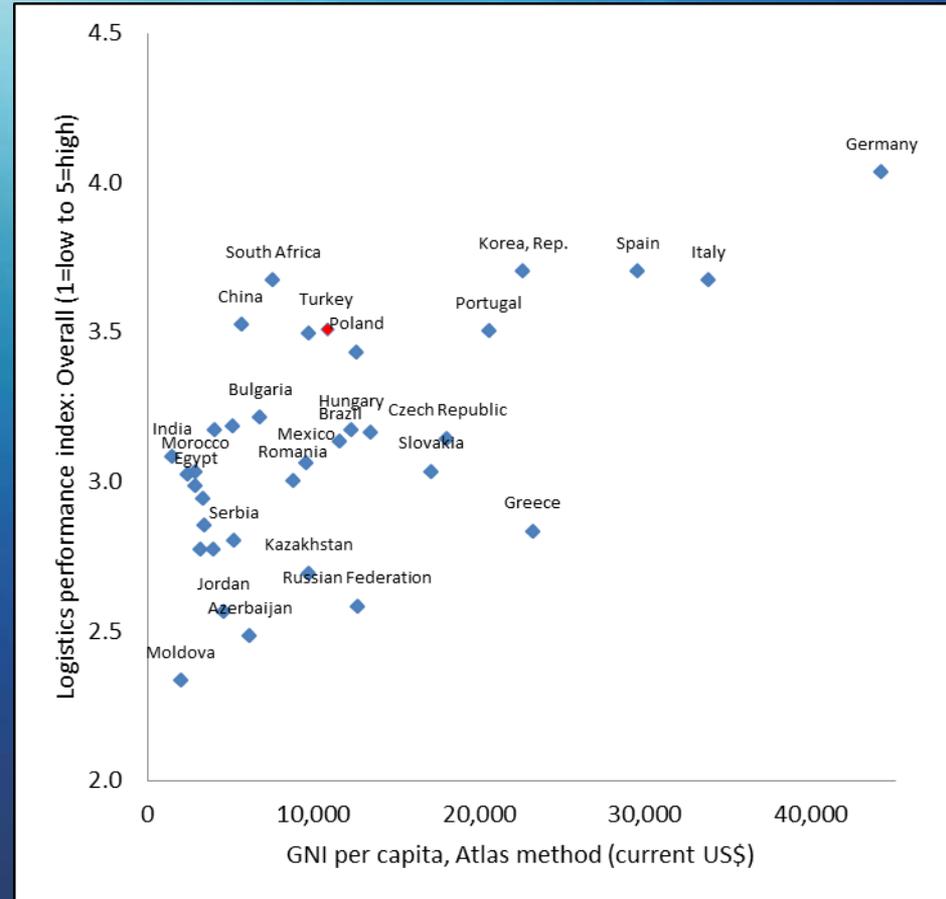


# Achievement 4: Improved Connectivity Thanks to Private Investment

Transport Sector Investments 1963-2008

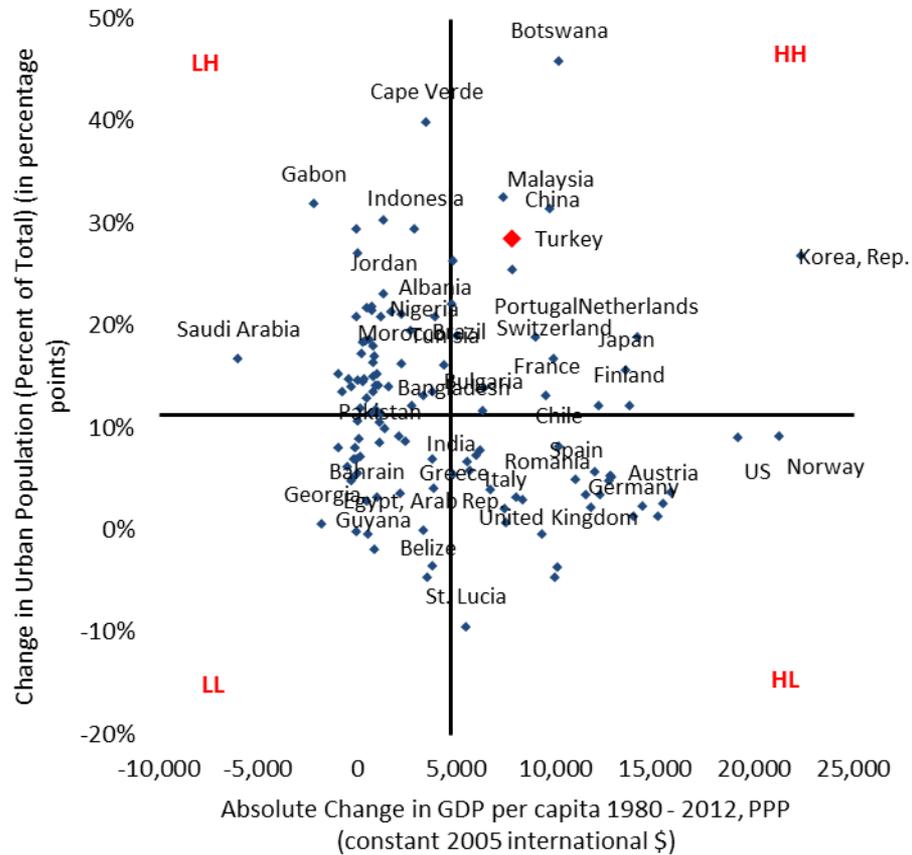


Turkey's logistics are strong for its income level

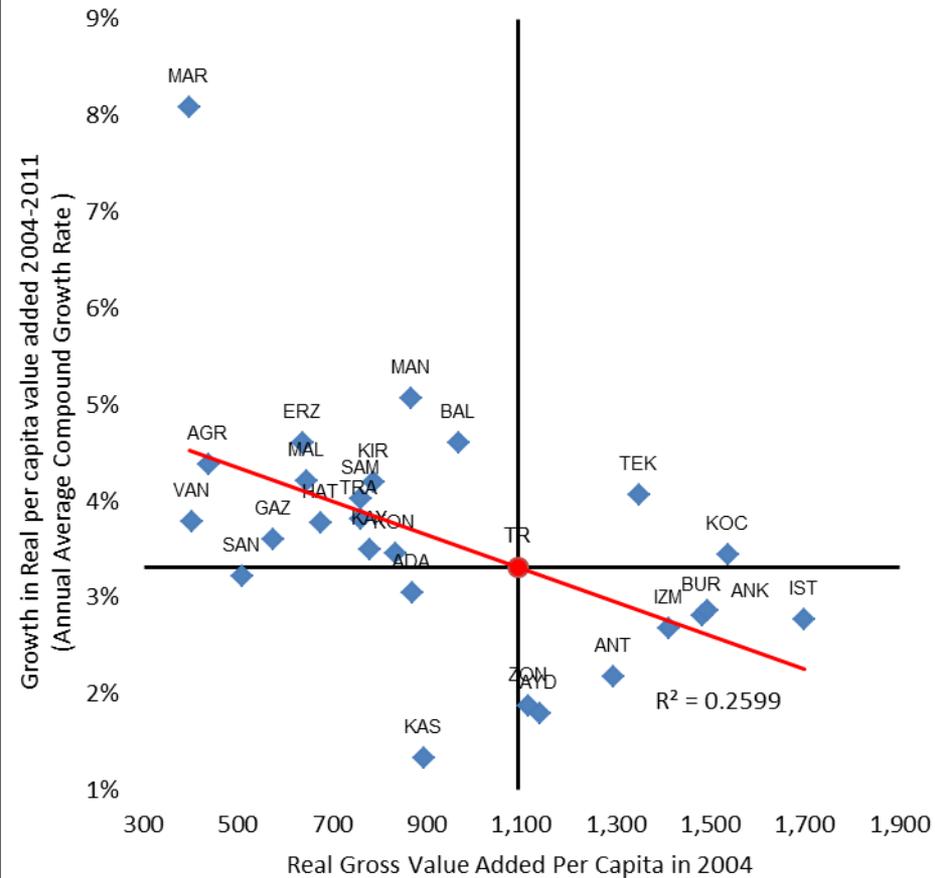


# Achievement 5: Turkey's cities have been an engine of growth and regional convergence

Pace of urbanization and rise in incomes

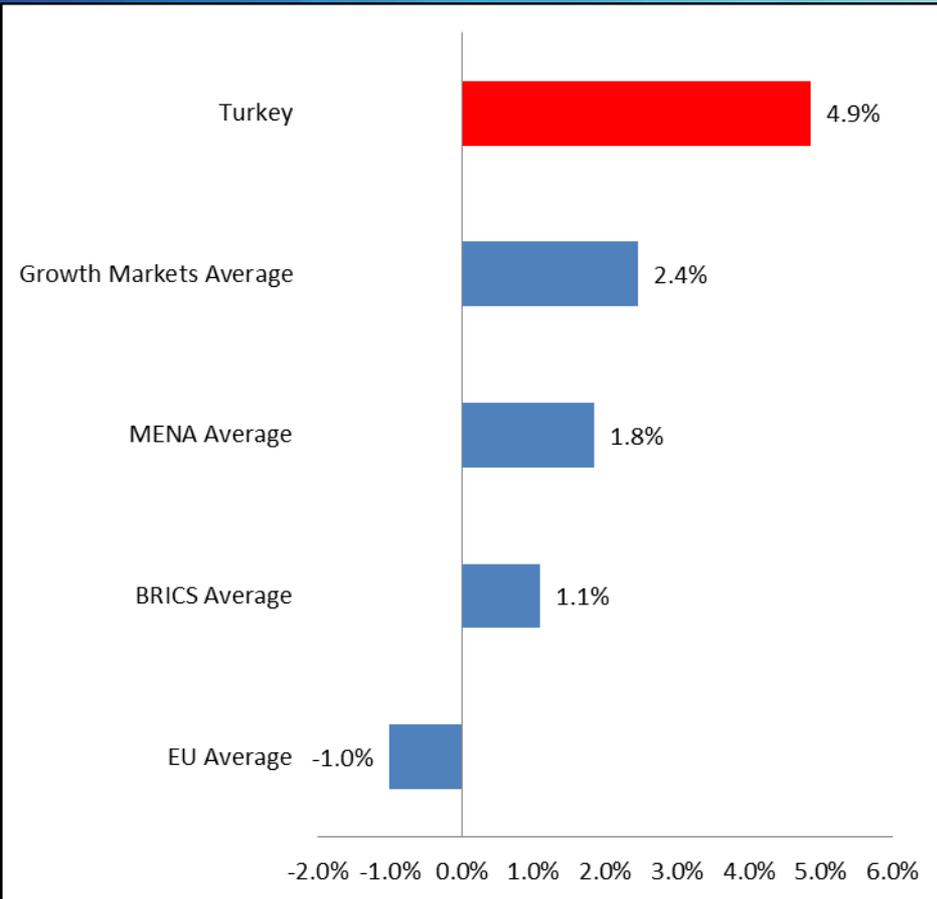


Regional income level and growth 2004-2011

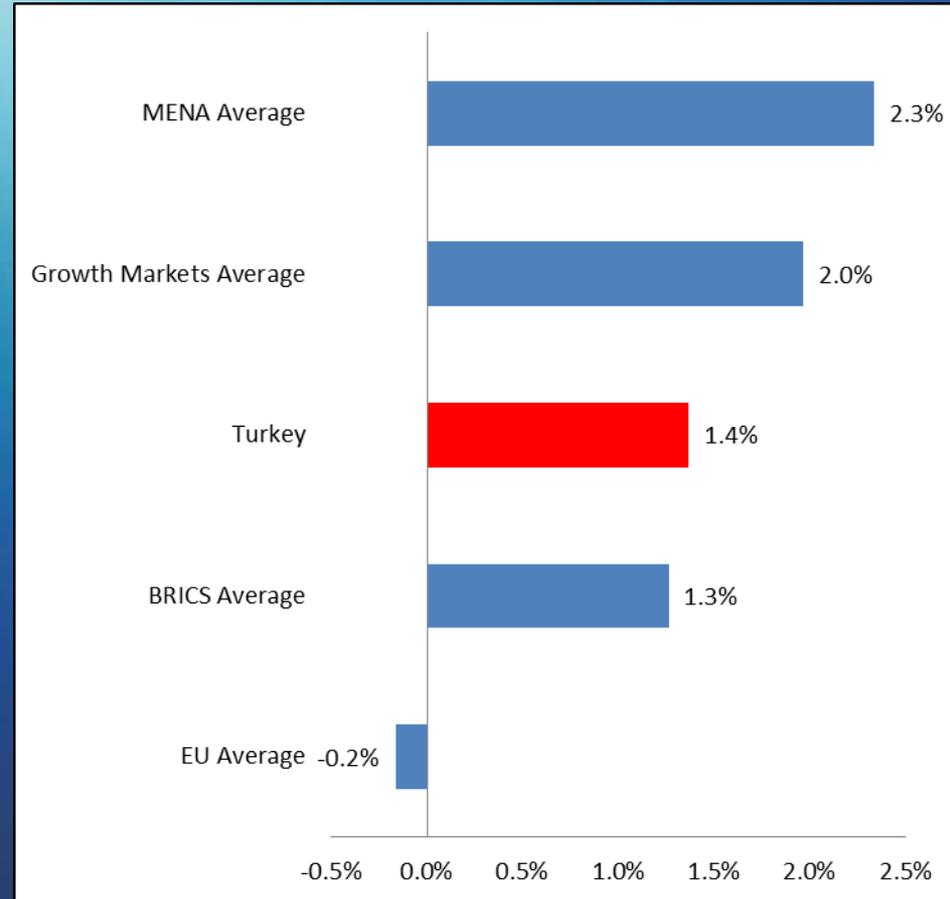


# Achievement 6: Turkey is post-crisis job creation champion – but not before

## Employment growth 2009-2012

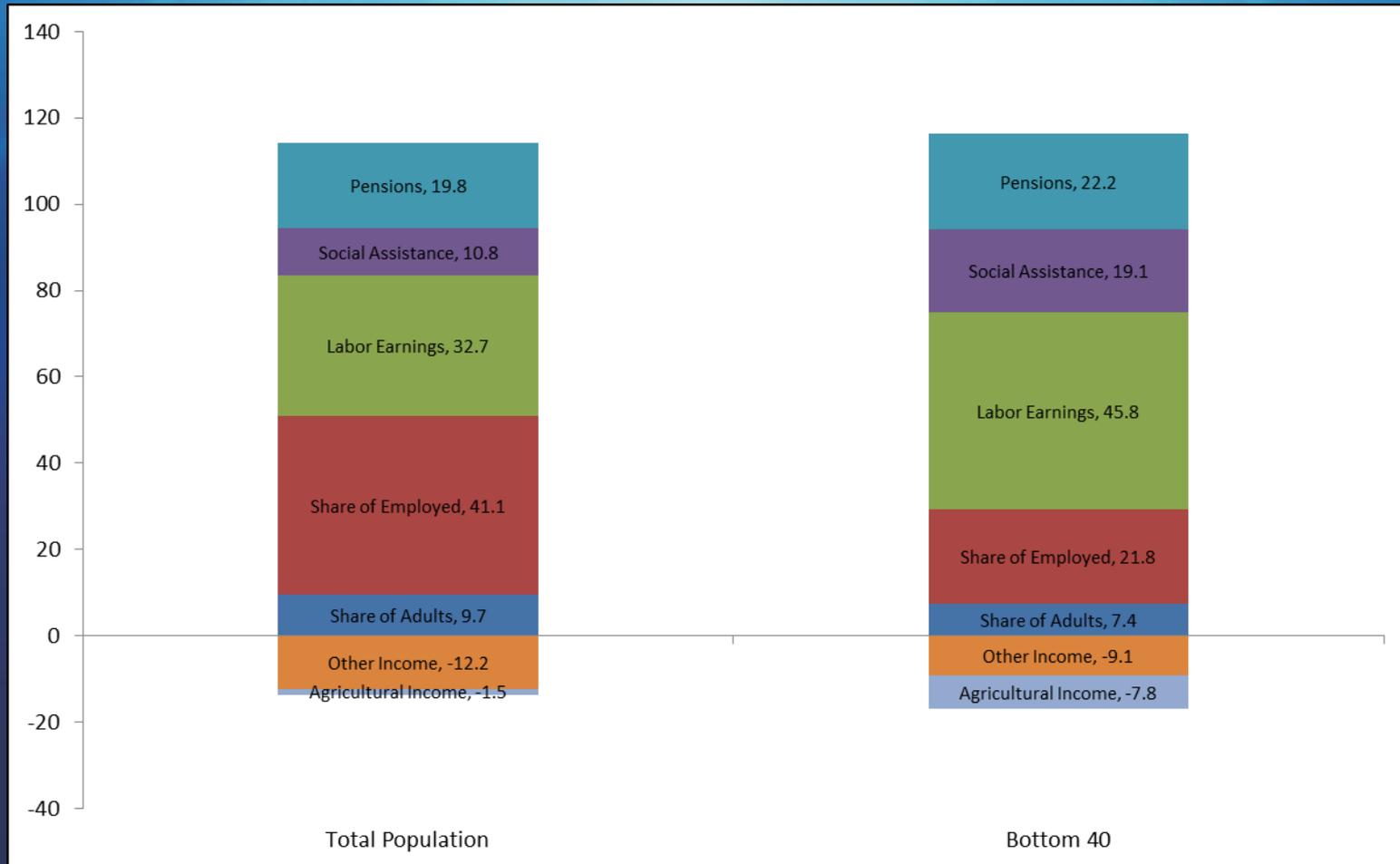


## Employment growth 1995-2011



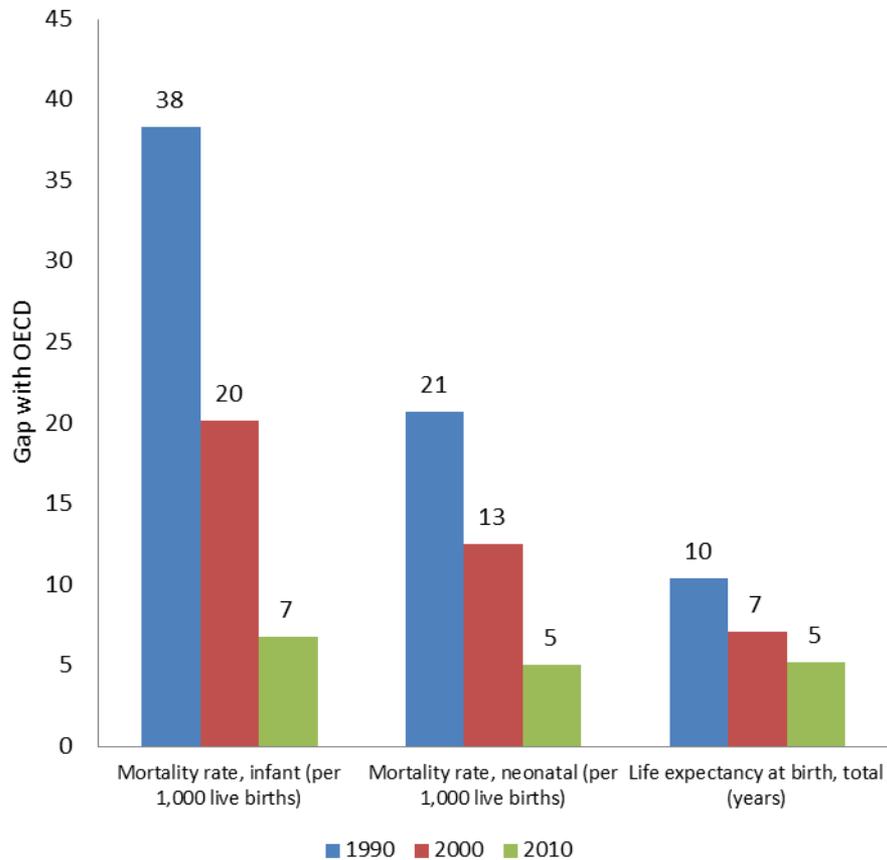
# Achievement 6: The labor market has ensured that prosperity was shared

## Sources of Income, 2002-2011

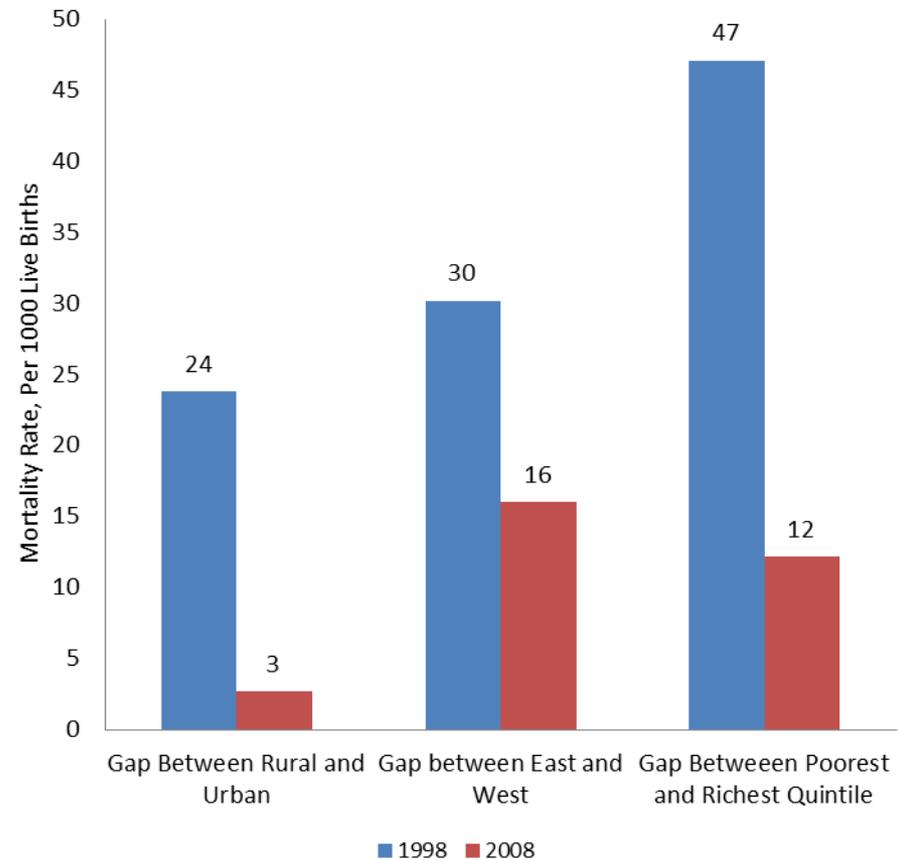


# Achievement 7: Turkey is closing the gap in health outcomes...

## Gap health outcomes to OECD average

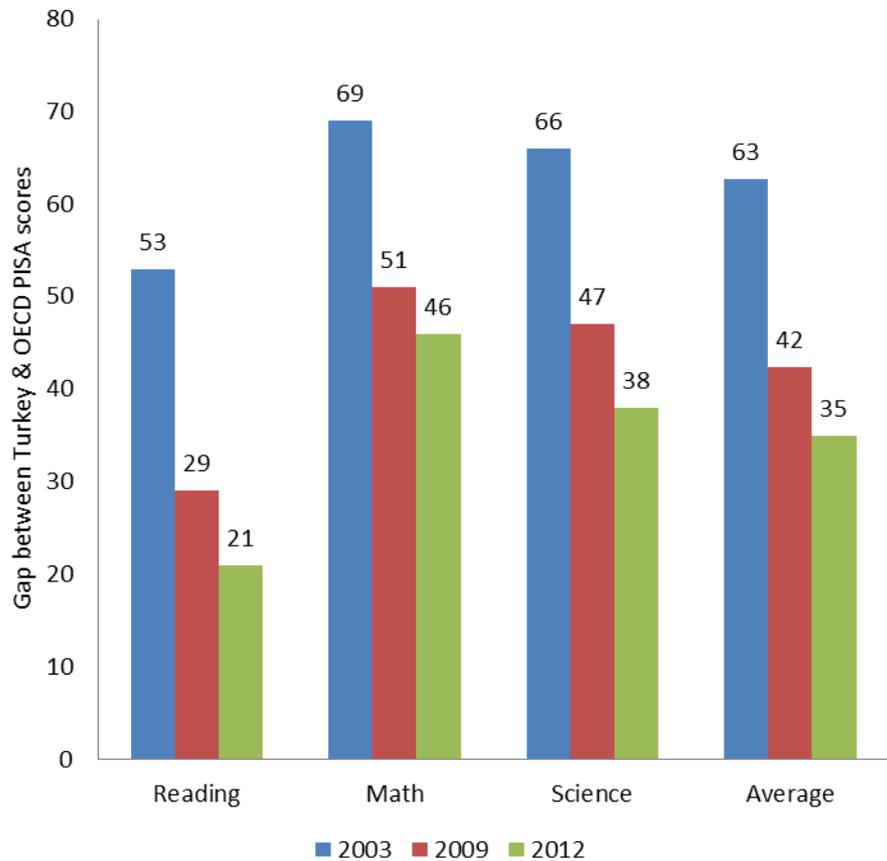


## Gap in health outcomes, domestically

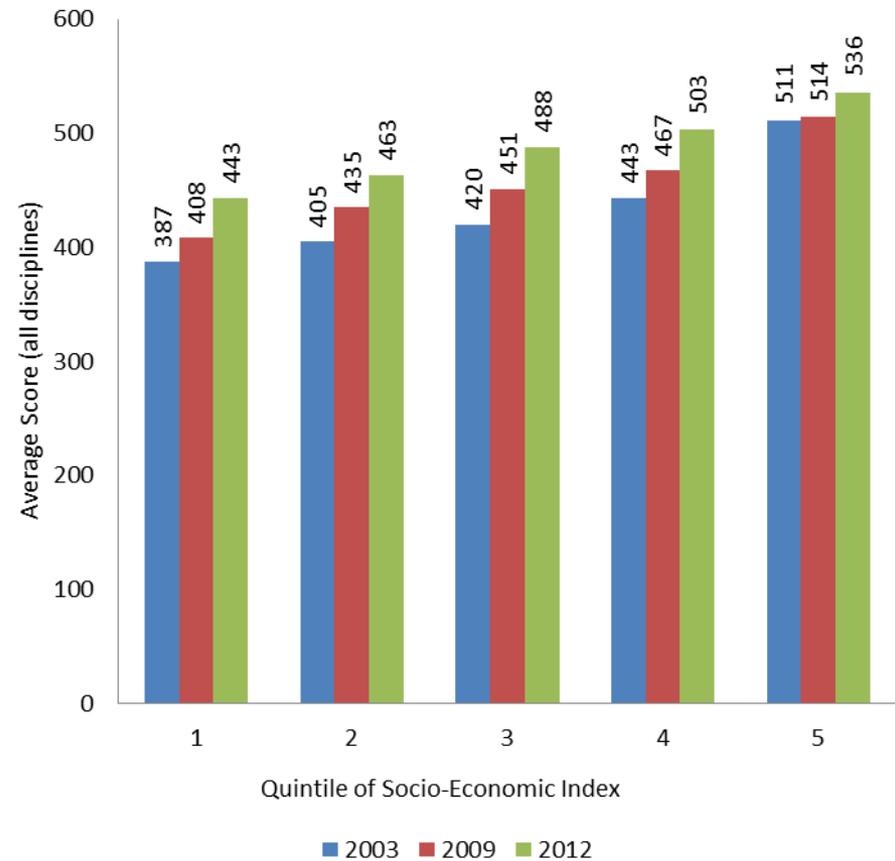


# Achievement 7: ... and in education outcomes

Gap in education outcomes to OECD average



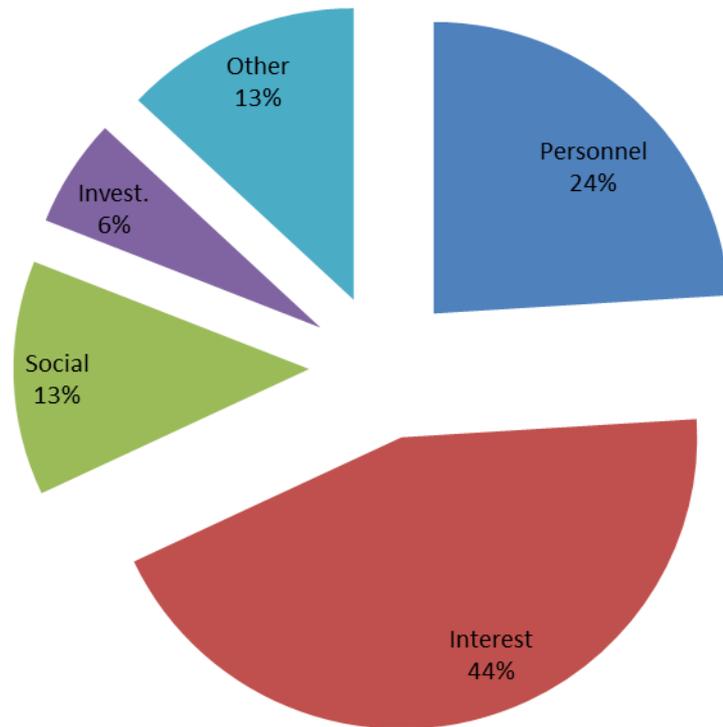
Gap in education outcomes, domestically



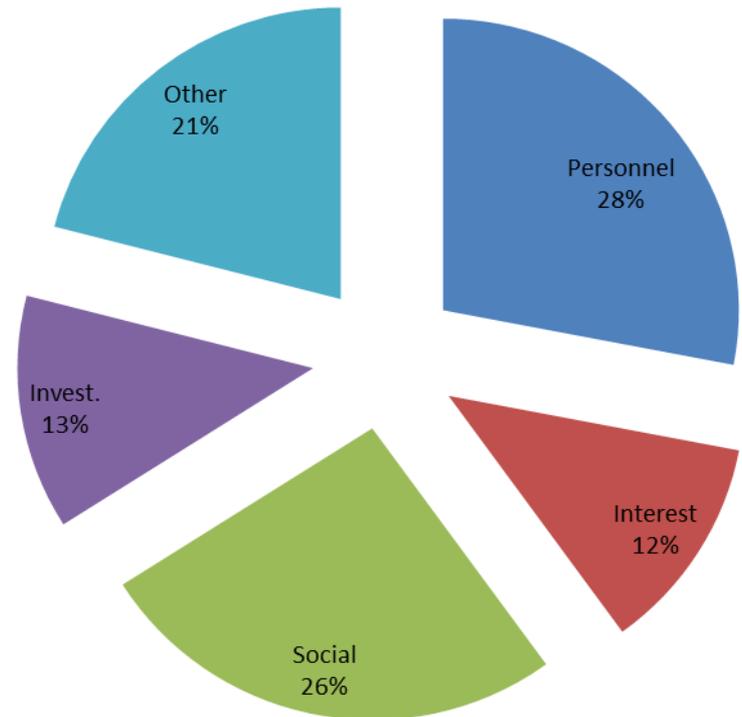
# Achievement 8: Public sector reforms have created fiscal space for improved services

Share of public spending in 2000 and 2013

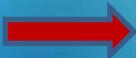
2000



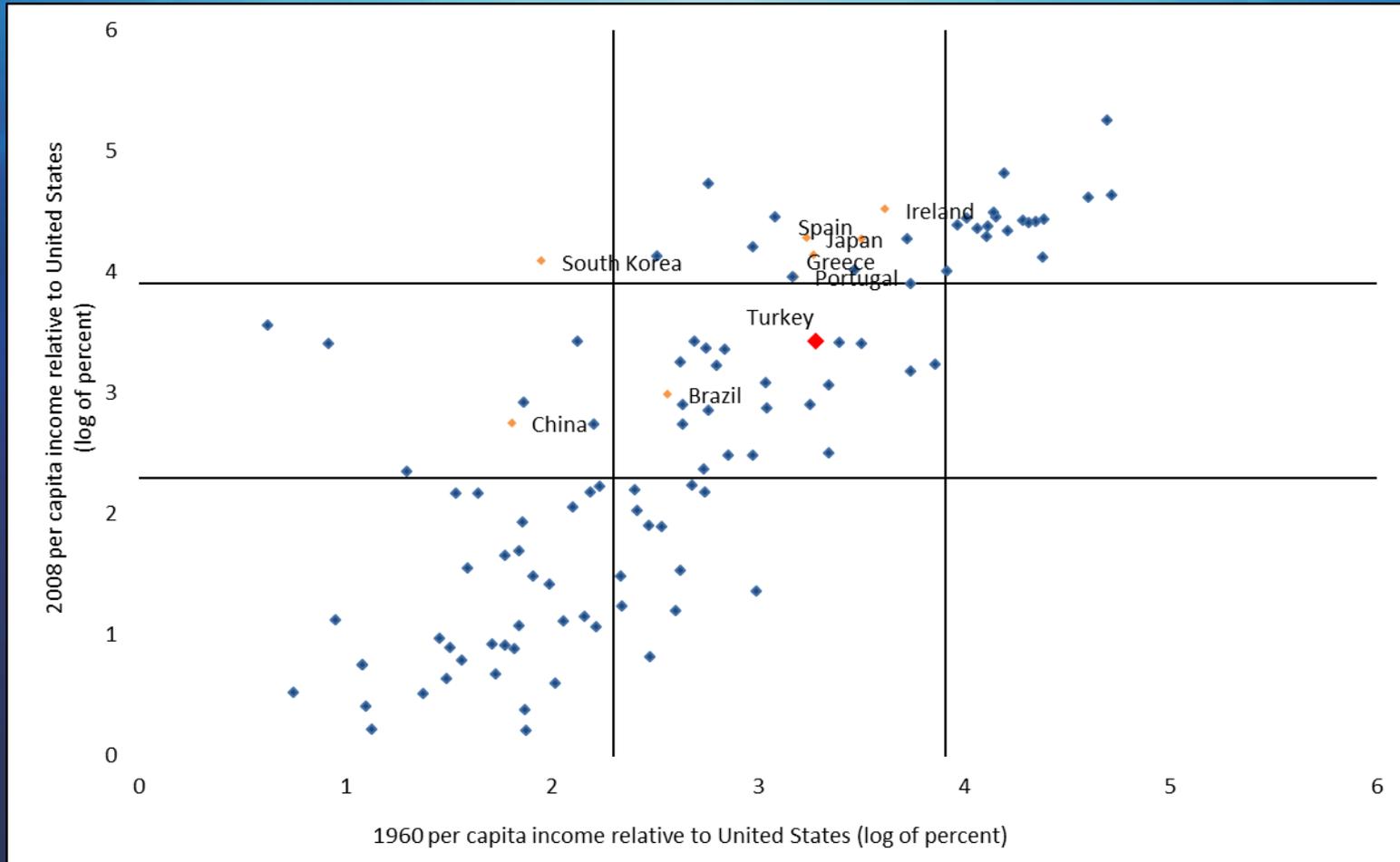
2013



# Eight achievements, eight key policies

Surge in trade		Özal opening, EU Customs Union
Stable finance		2002 banking reforms
Structural change		Deregulation and privatization
Connectivity		Independent regulators
Functional cities		Metropolitan planning and housing policies
Job creation		Targeted payroll tax reductions
Improved health and education outcomes		HTP 2003, 1997 and 2000 education reforms, increased public spending
Fiscal space		Fiscal discipline and PFM reforms

# Looking Ahead: A Middle Income Trap?

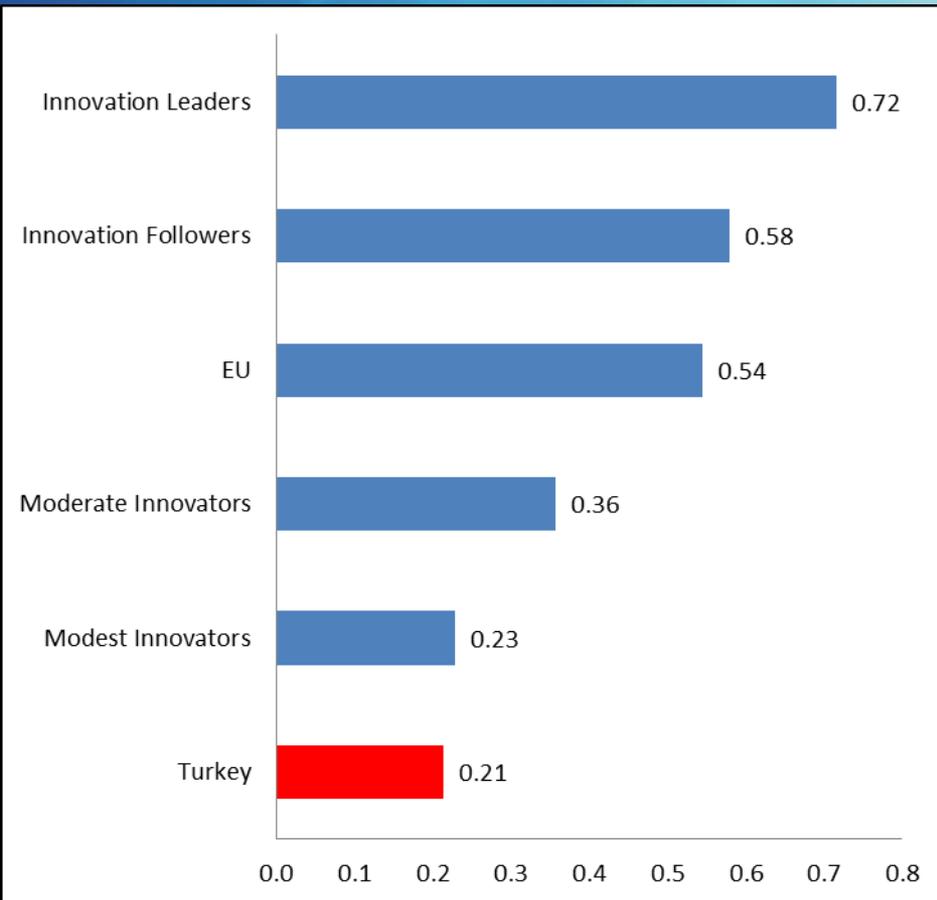


# Three challenges to “escape” the middle income trap

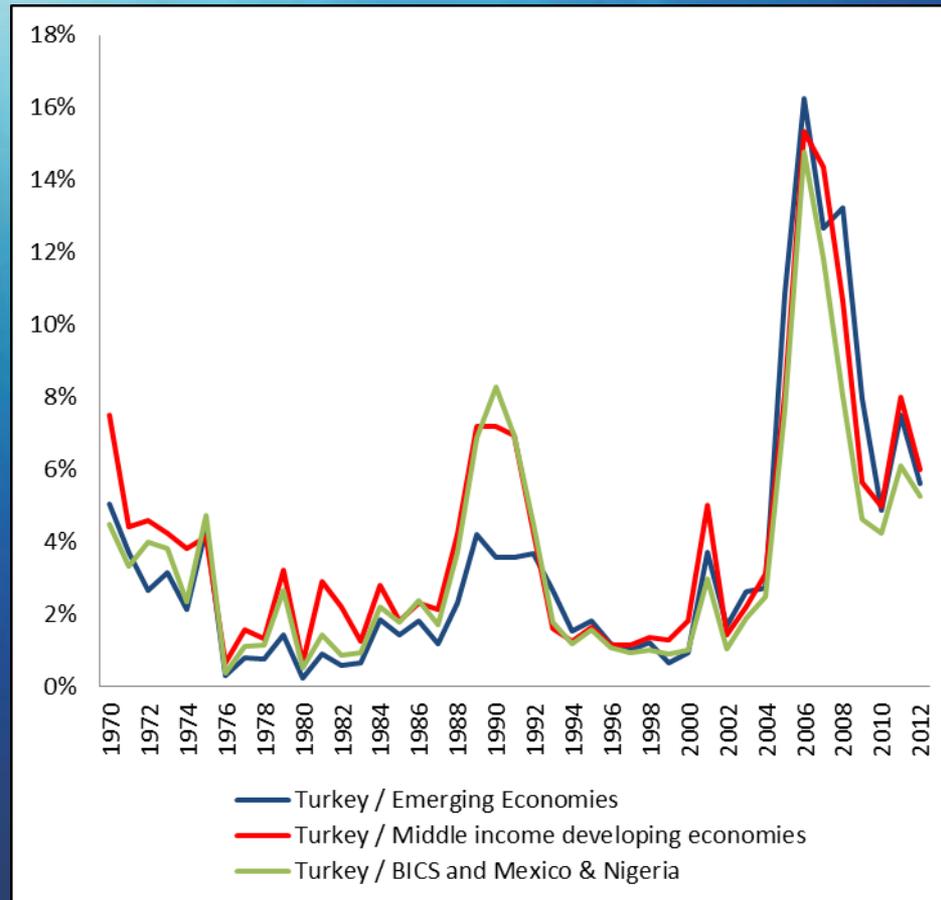
- Sustaining productivity growth when structural change slows down → Innovation, FDI, capital markets, world class regulation
- Boosting participation to earn the demographic dividend → Flexible labor markets, child care and family policies, skills
- Deepening institutional reforms to compete with the best → Rule of law, strengthen IRAs, complete PFM reforms

# Sustaining productivity: innovation and FDI

## Summary Innovation index

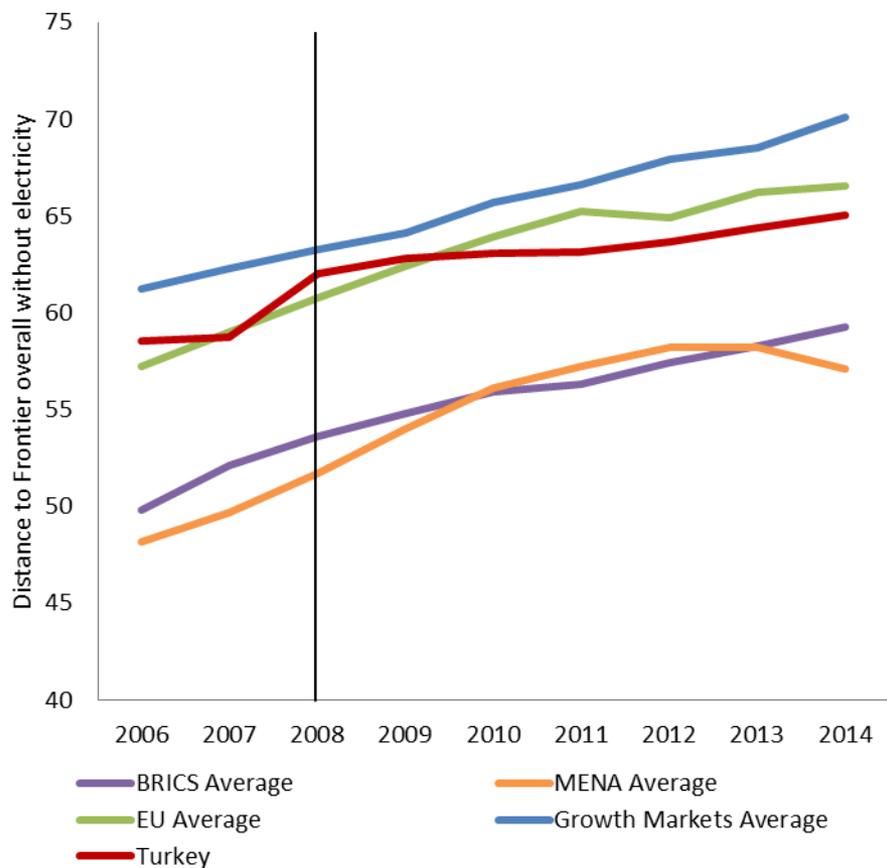


## FDI Inflows

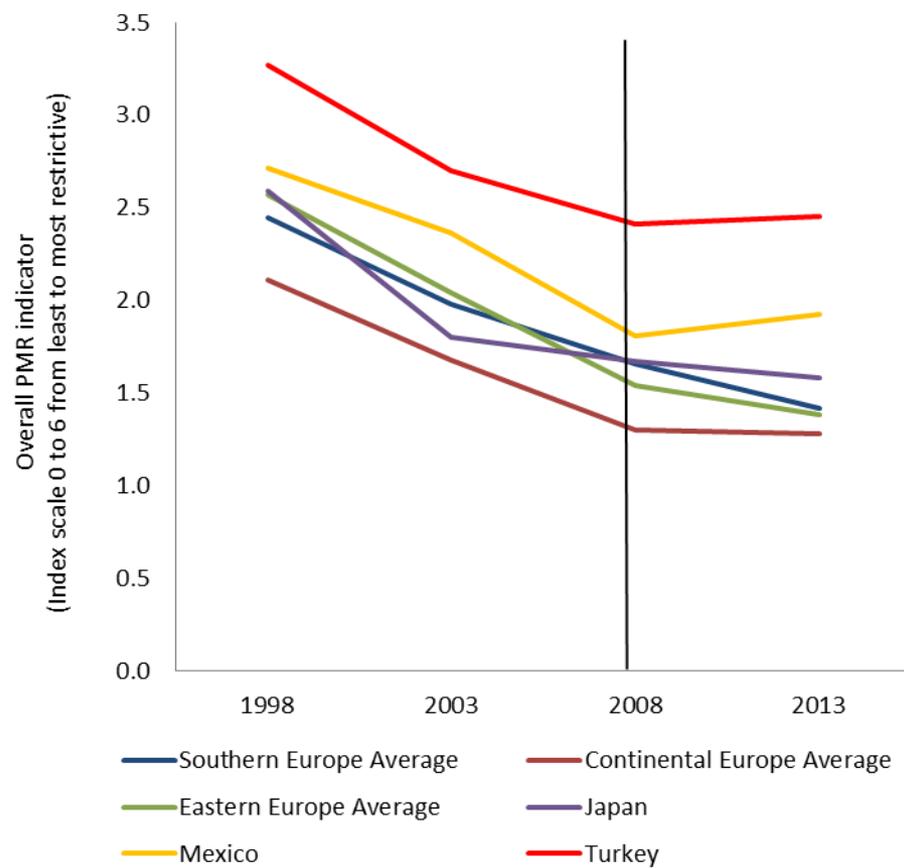


# Sustaining productivity: world class regulation

## Distance to the frontier, DB

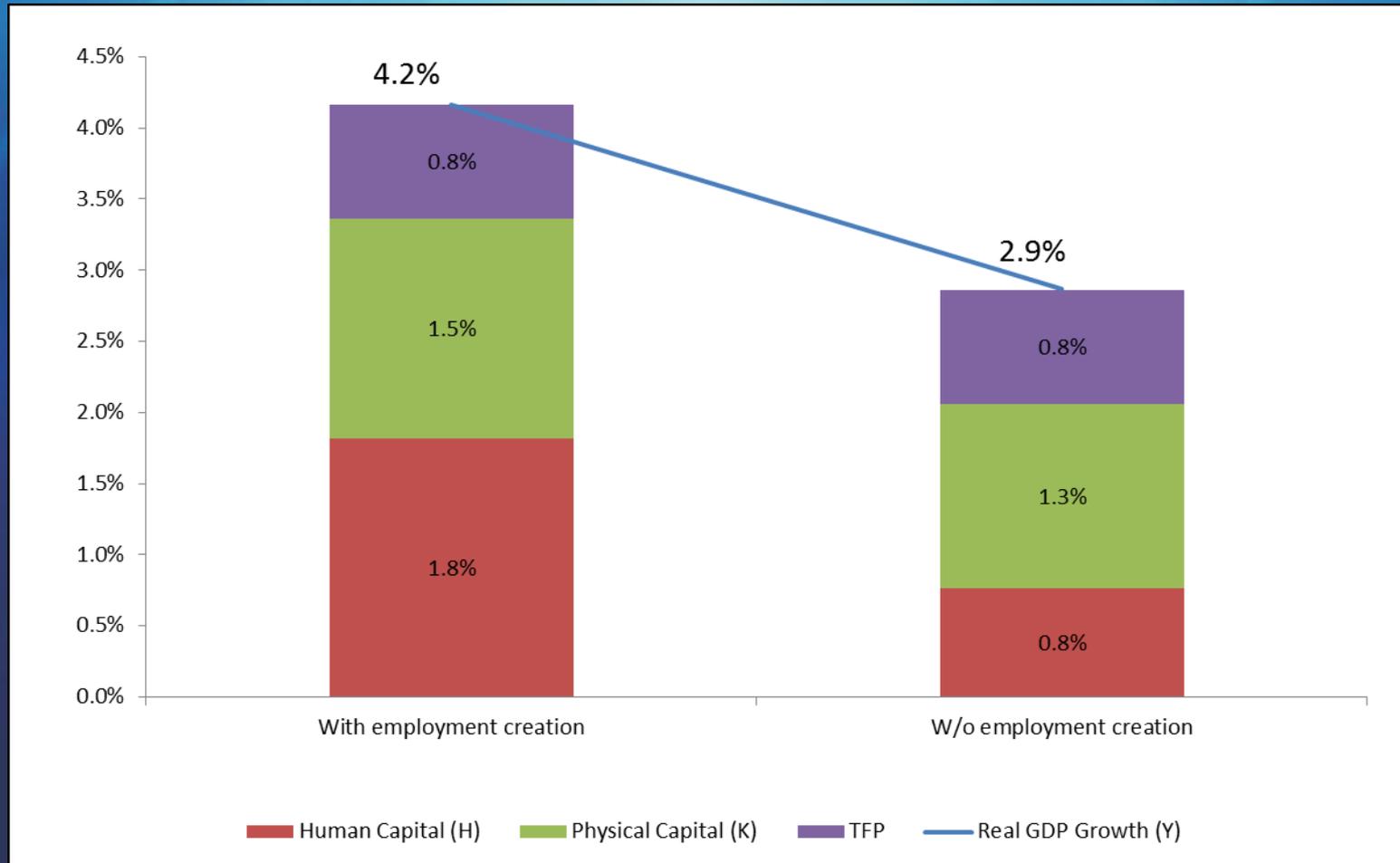


## OECD, PMR index



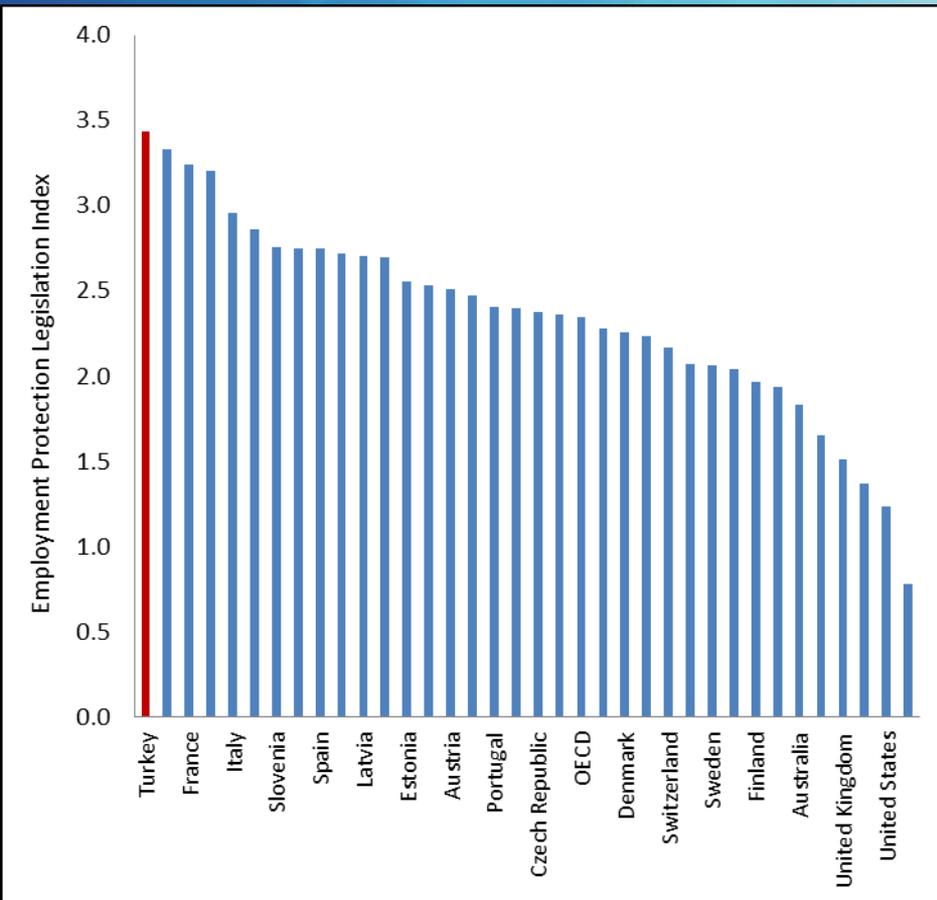
# Boosting participation: the double dividend

Potential Growth (2014-2030)

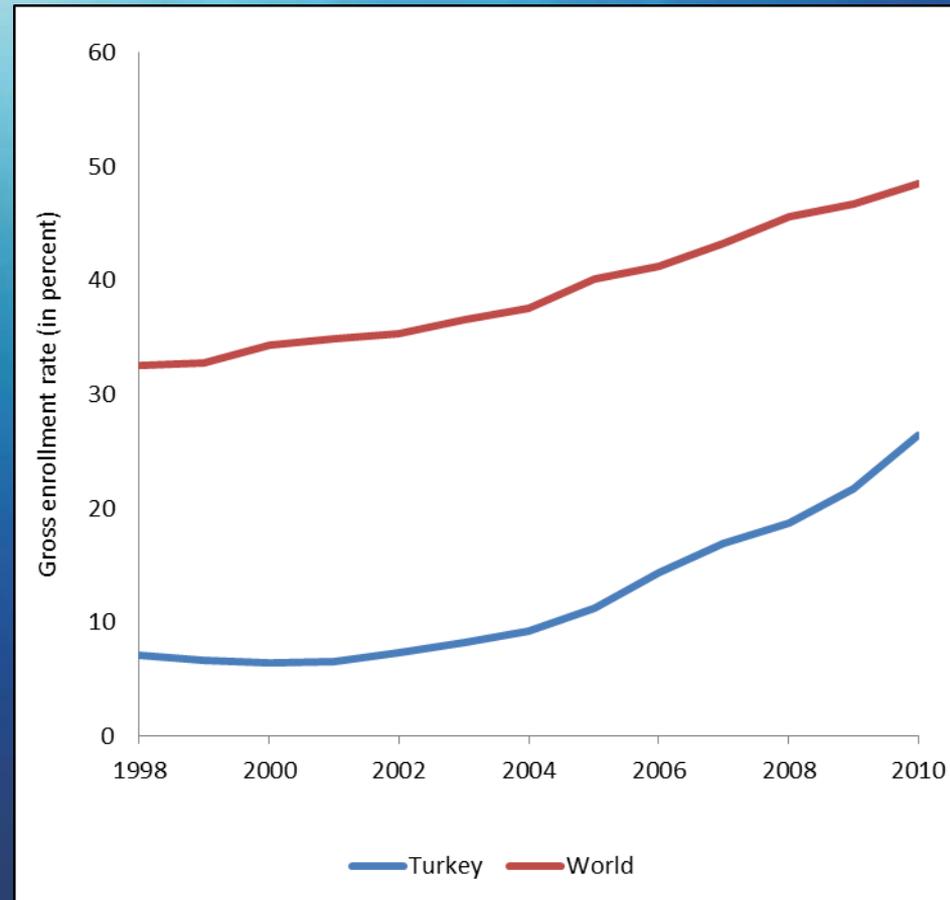


# Boosting participation: more flexible labor markets and policies to support female employment

OECD, Index of Employment Protection

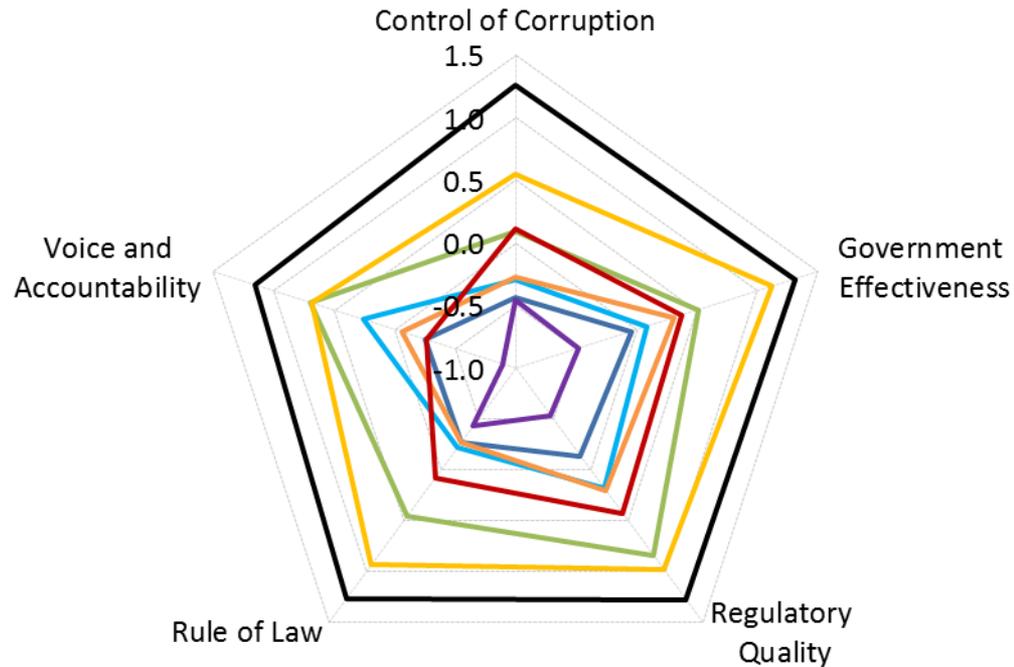


Enrollment in Early Childhood Education



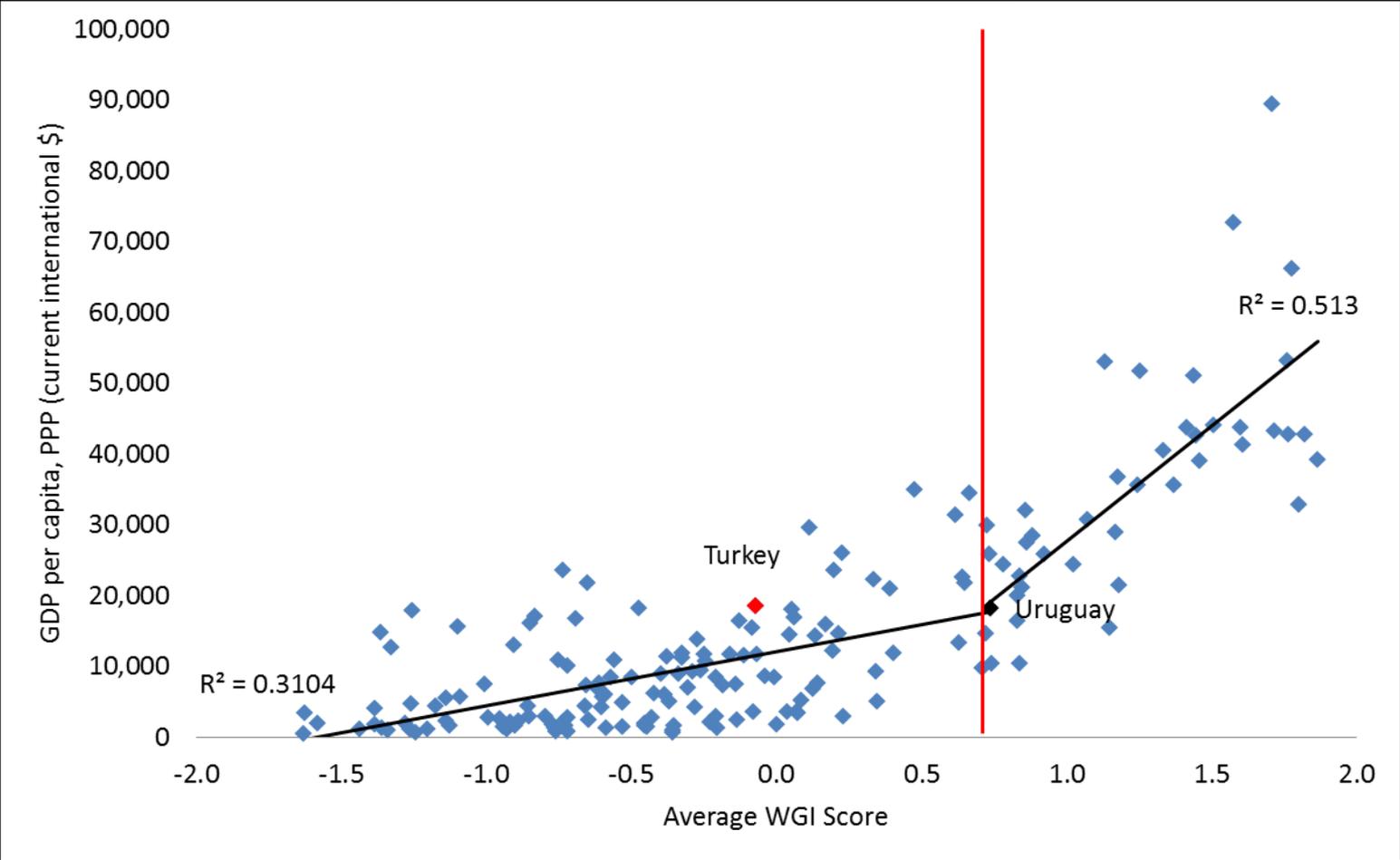
# Deepening institutional reforms

## World Governance Indicators: Turkey compared to peers



- BRICS Average
- EU Candidate Average
- Growth Markets Average (Excluded Korea)
- Turkey
- New EU Members Average
- MENA Average
- Korea, Rep.
- OECD Average

# Deepening institutional reform matters in particular for transition to high income



# Crossing the threshold to high income

