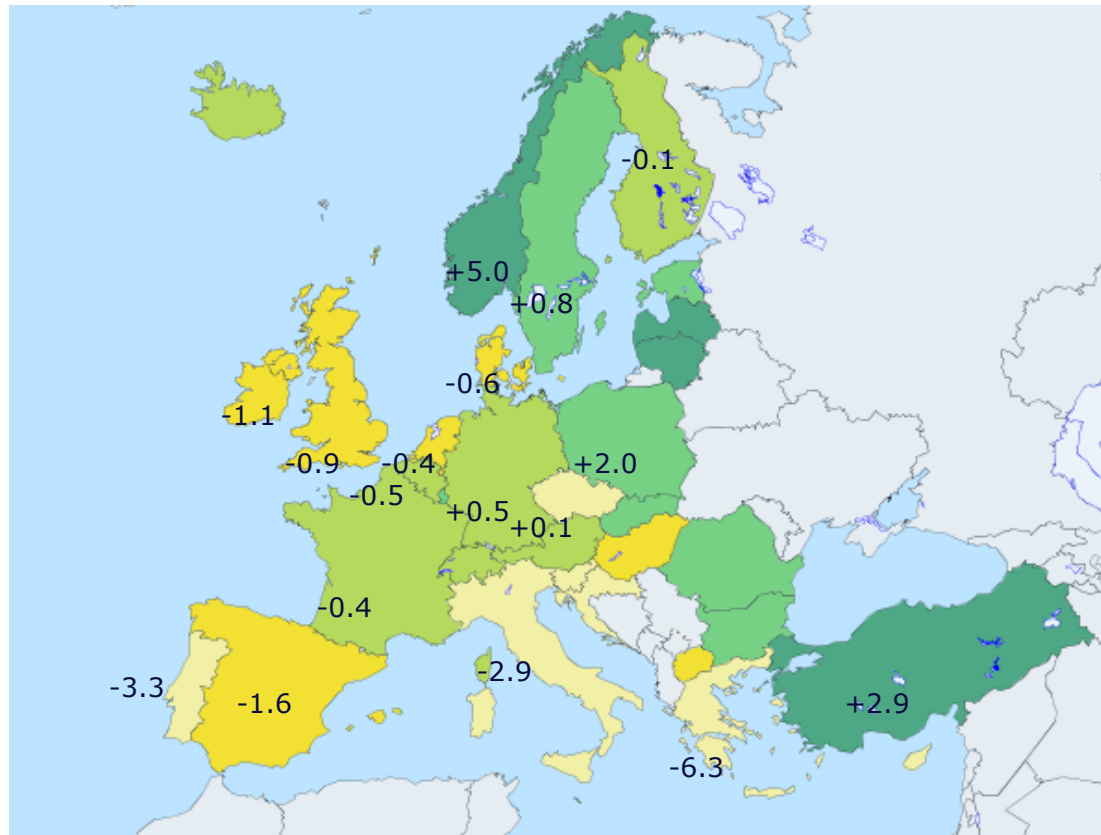


How resilient is
Turkey to spillovers
from Eurozone debt
crisis?

November 2012



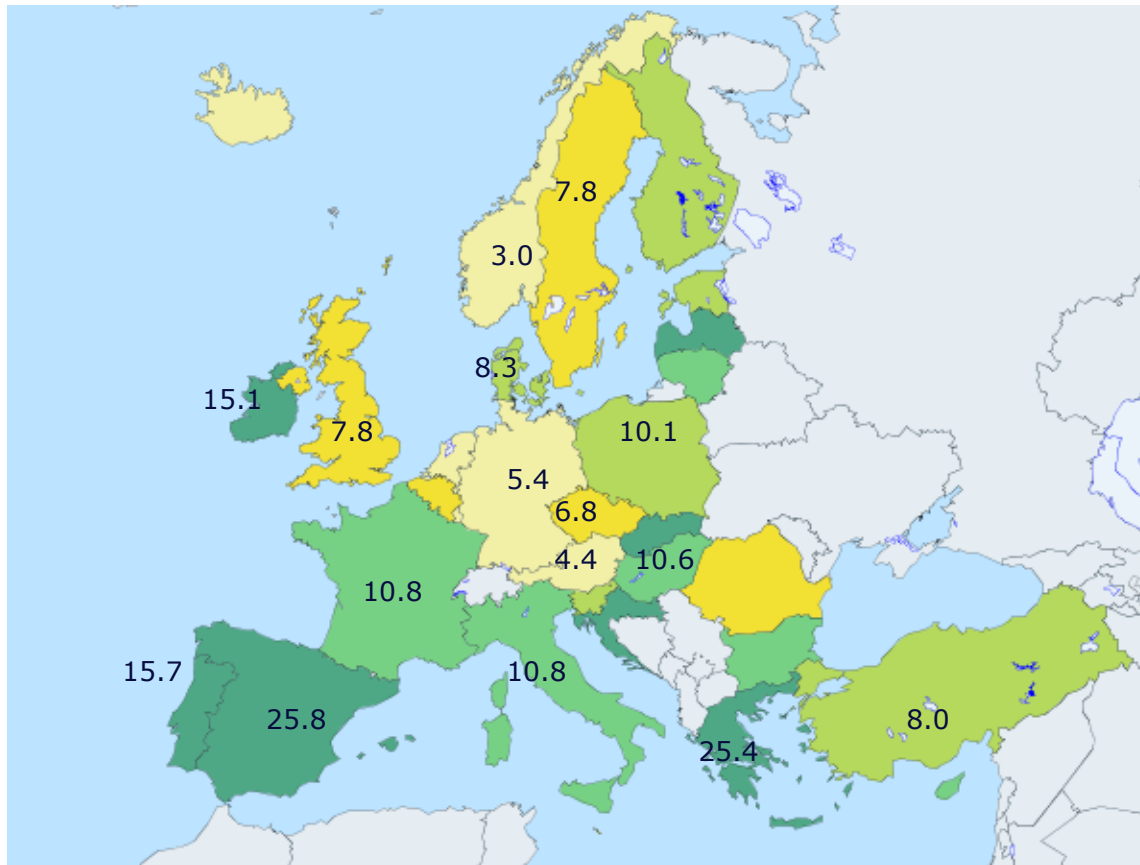
GDP Growth (2012 Q2, y-o-y % chg)



Source: Eurostat, Is Investment

- Growth on the European front remains weak under the shadow of sovereign debt crisis and concerns on the banking sector

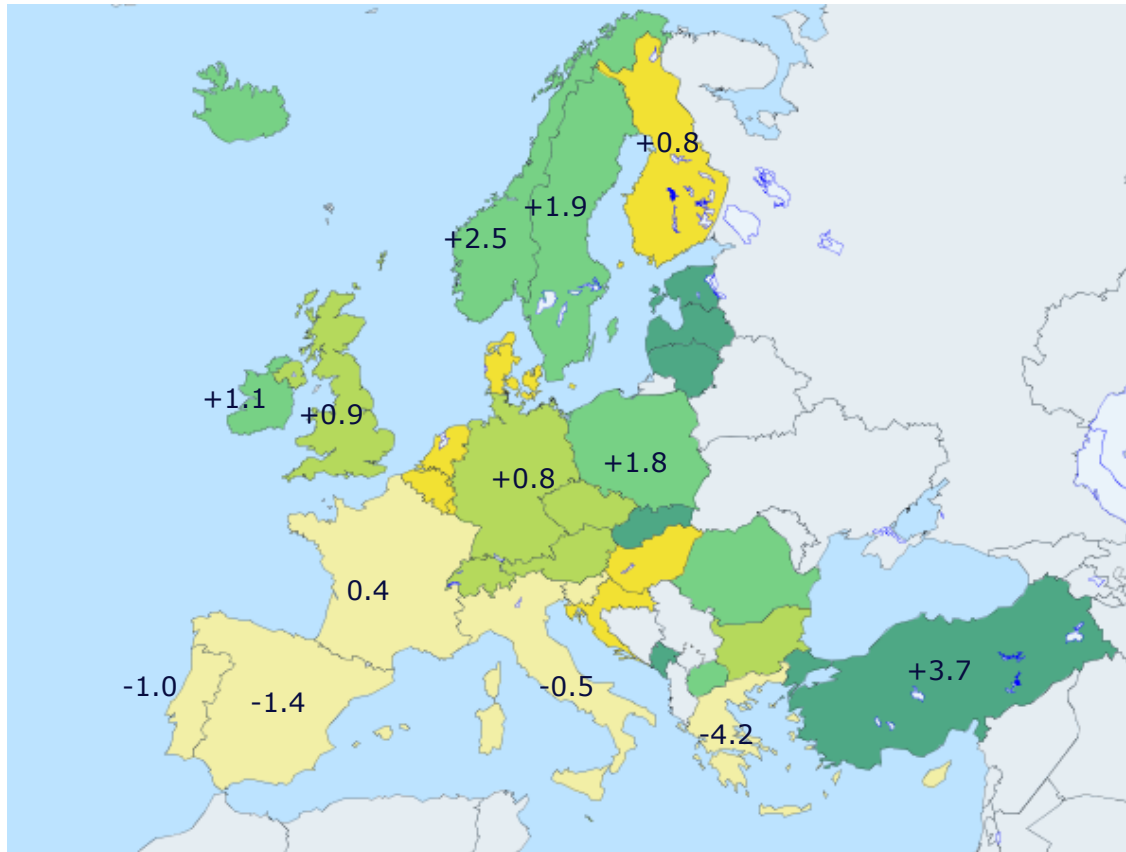
Unemployment Rate (2012 9M, %)



Source: Eurostat, Is Investment

- Record high unemployment is calling for a quick fix to the sluggish growth problem

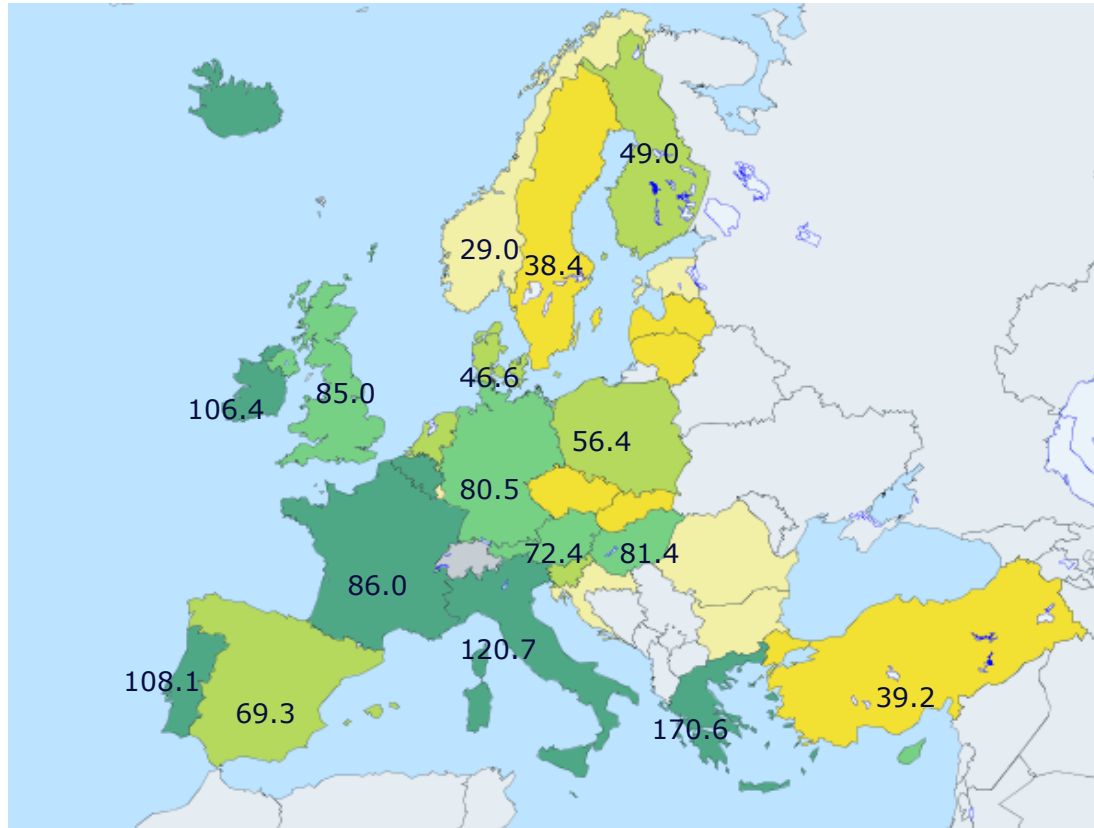
GDP Growth Forecasts for 2013 (%)



Source: Eurostat, Is Investment

- No fast lane out of recession is on the cards

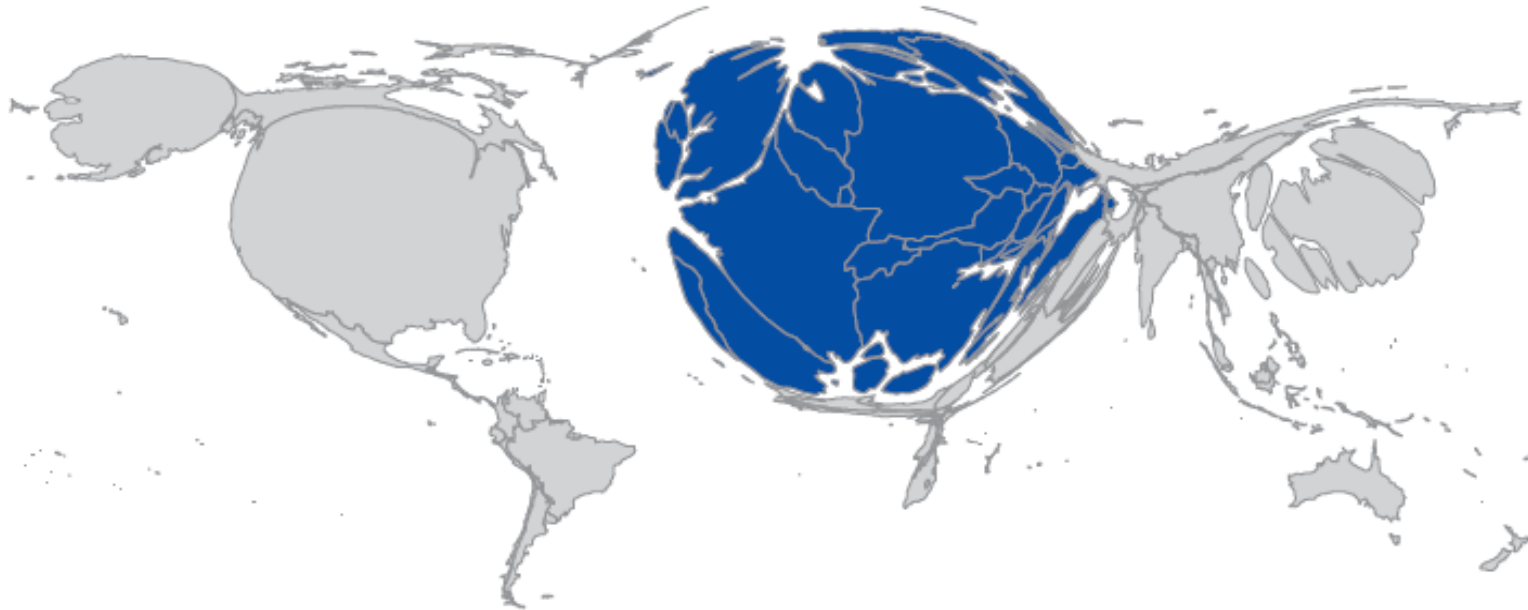
Public Debt / GDP (%)



Source: Eurostat, Is Investment

- Countries dealing with a sovereign debt crisis coupled with deleveraging in banking sector face sub par growth over the next five to seven years

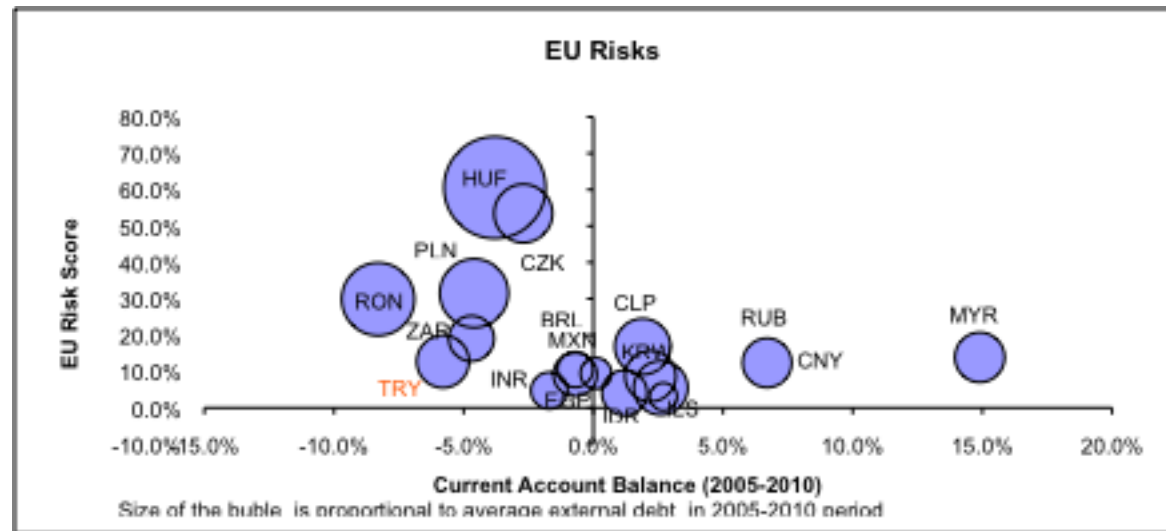
Global map resized by government spending



Source: World Bank

- **Lack of competitiveness lies at the heart of Eurozone debt crisis in our view**
- **Europe constitutes roughly 7% of global population, produces 25% of world GDP, spend near 60% of of social security and health expenditures.**

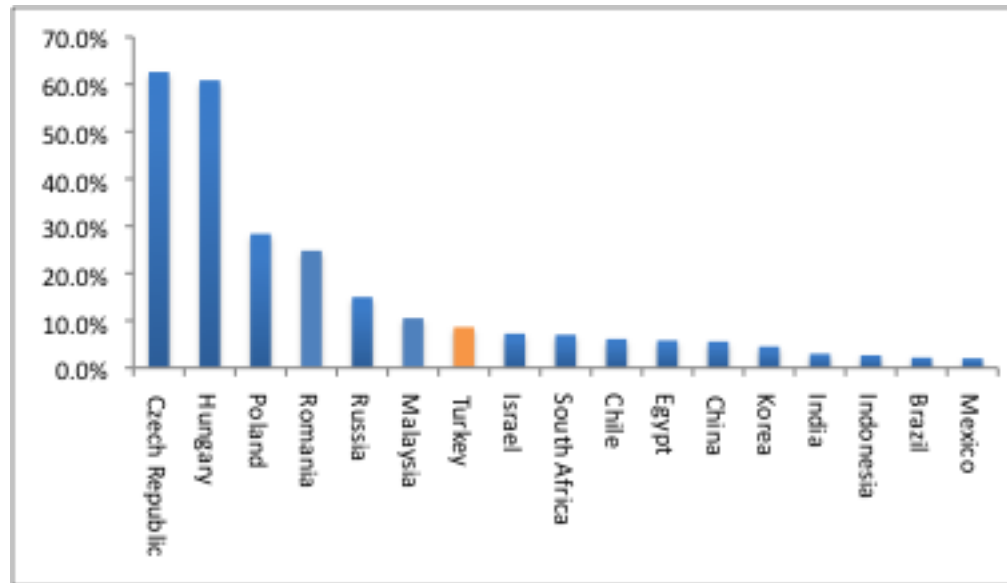
Spillover risks from Europe



Source: IMF, WB, Eurostat, Is Investment

- Given the downside risks on euro area , it's worth looking at spillover risks from Europe
- We analyzed linkages between Europe and seventeen emerging economies on four channels: exports, FDIs, credit and portfolio flows

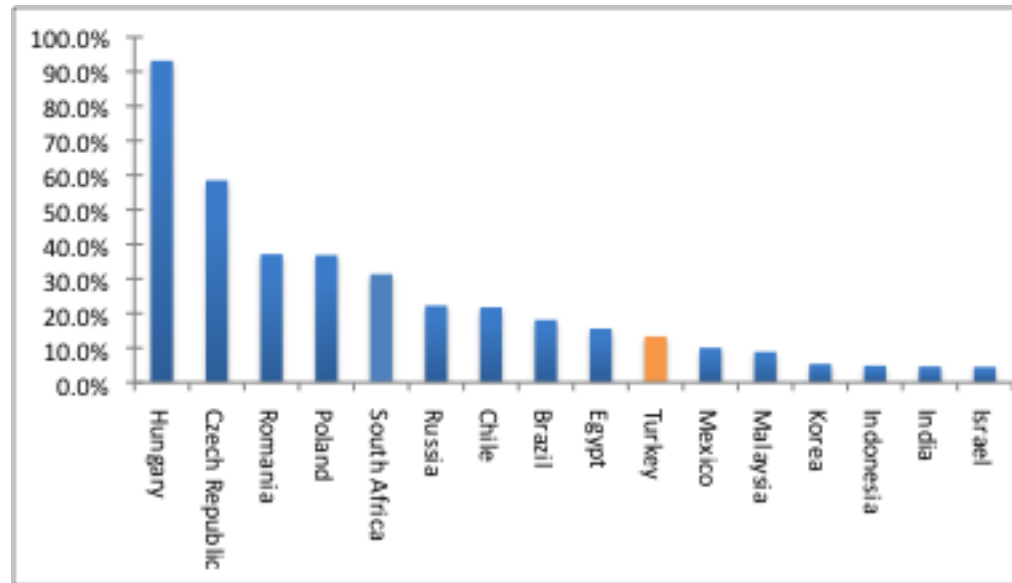
Spillover risks from Europe to EM – trade channel



Source: Eurostat, Is Investment

- Turkey ranks seventh in EM in terms of export vulnerability
- Russia and Malaysia have a relatively higher export exposure to Europe compared to Turkey

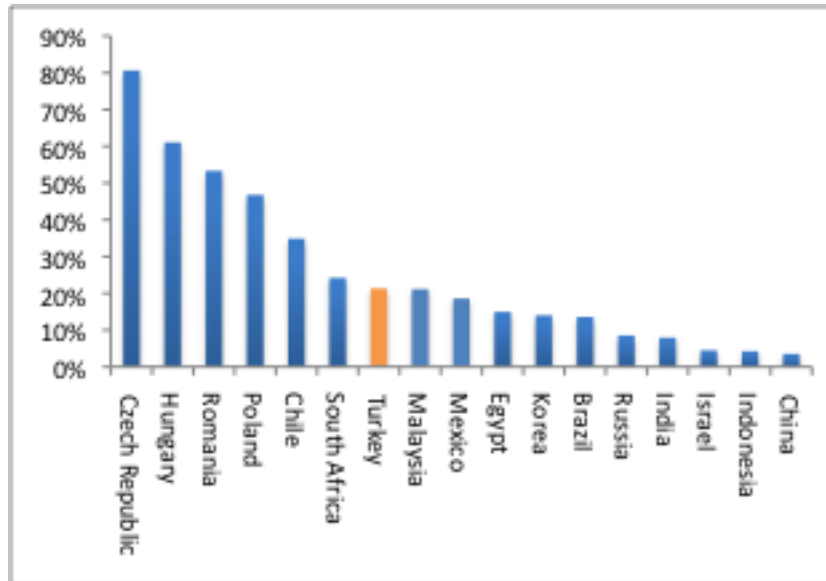
Spillover risks from Europe to EM – FDI channel



Source: IMF, World Bank, Is Investment

- Turkey ranked as the tenth player in terms of FDI linkage
- FDI flows from Europe to Turkey are lower than Russia, South Africa, Brazil, Korea, Malaysia, Israel

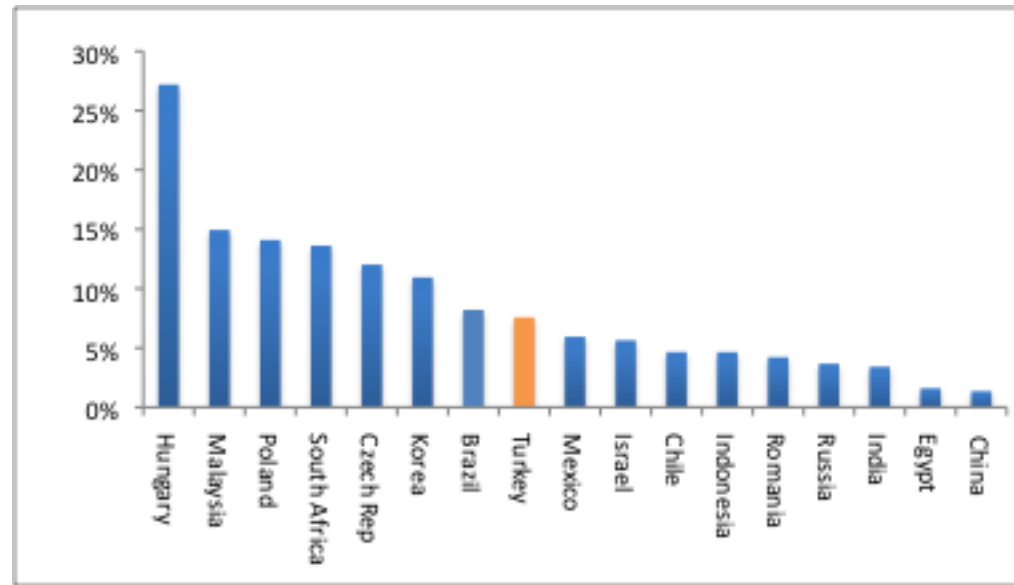
Spillover risks from Europe to EM – credit channel



Source: BIS, Turkey

- Turkey ranks ninth player in EM behind Chile, South Africa, Malaysia, Mexico in terms of foreign claims of EU banks

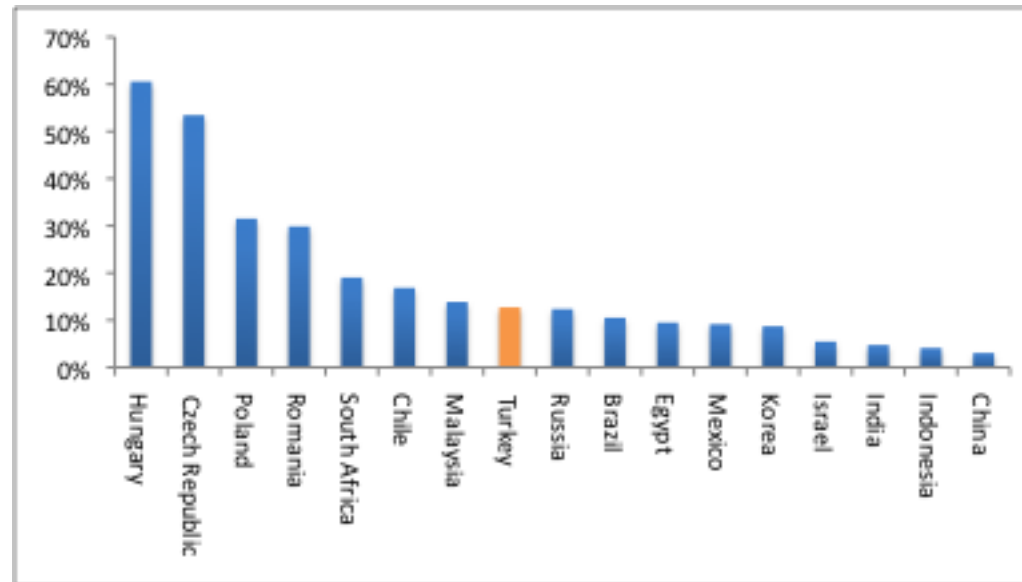
Spillover risks from Europe to EM – portfolio flows channel



Source: IMF, World Bank, Is Investment

- Turkey ranks eighth player behind South Africa, Malaysia, Korea and Brazil in terms of portfolio inflows from EU

Spillover risks from Europe to EM – EU Risk Score



Source: Eurostat, IMF, World Bank, BIS, Is Investment

- EU risk score of Turkey stands lower than South Africa, Chile, Malaysia, similar to Korea and Russia

Thank You

