

TURKEY

The economy contracted beginning in early 2008 as falling domestic demand compounded the effects of the international downturn. GDP is expected to decline by nearly 6% in 2009, before recovering in 2010. The large output gap will push inflation back down to the target range.

Given global and domestic uncertainties, the credibility of economic policy is key for sustaining confidence and the recovery. A robust medium-term spending framework would facilitate the operation of the automatic stabilisers and a new agreement with the International Monetary Fund would help to safeguard the confidence of domestic and international investors. Structural reforms to accelerate formalisation in the business sector would help improve longer-term growth prospects.

Turkey: Demand, output and prices

	2005	2006	2007	2008	2009	2010
	Current prices TRL billion	Percentage changes, volume (1998 prices)				
Private consumption	465.4	4.6	4.6	0.3	-4.4	1.7
Government consumption	76.5	8.4	6.5	1.8	3.0	2.2
Gross fixed capital formation	136.5	13.3	5.4	-4.6	-18.3	8.6
Final domestic demand	678.4	6.8	5.0	-0.5	-6.2	3.0
Stockbuilding ¹	- 6.8	-0.1	0.6	0.3	-2.9	0.1
Total domestic demand	671.6	6.7	5.6	-0.3	-8.9	3.1
Exports of goods and services	141.8	6.6	7.3	2.6	-12.0	2.8
Imports of goods and services	164.5	6.9	10.7	-3.1	-21.8	5.1
Net exports ¹	- 22.7	-0.3	-1.3	1.4	3.4	-0.6
GDP at market prices	648.9	6.9	4.7	1.1	-5.9	2.6
GDP deflator	–	9.3	6.2	11.5	6.6	6.5
<i>Memorandum items</i>						
Consumer price index	–	9.6	8.8	10.4	6.3	5.9
Private consumption deflator	–	9.8	6.8	10.5	6.5	6.2
Unemployment rate	–	9.7	9.6	10.4	15.2	16.4
Current account balance ²	–	-6.0	-4.2	-5.5	-2.1	-2.6

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of GDP.

Source: OECD Economic Outlook 85 database.