

OECD ECONOMIC SURVEYS

TURKEY

ISSN 0376-6438, e-ISSN 1609-7513

January 2021

[Consulta en línea desde Intranet](#)

Executive Summary	9
1 Key policy insights	15
The COVID-19 shock is having a large economic and social impact	16
Targeted lockdowns and health policy initiatives were initially effective but there is a second wave	16
Strong policy stimulus triggered a vigorous rebound which faced headwinds	19
Balance-of-payment strains have been significant	25
The recovery will be uneven and there are important risks	26
Policy priorities for containing the pandemic and supporting the recovery	28
Strengthening macroeconomic fundamentals after the shock	29
Re-balancing demand and securing external sustainability	29
Moving to a more transparent and predictable fiscal framework	33
Boosting long-term fiscal credibility	39
Stabilising inflation and increasing monetary policy credibility	42
Strengthening employment, job quality and social cohesion after the COVID-19 shock	48
Resuming progress in well-being and social cohesion	54
Regional convergence of living standards	56
Social trust	57
The region's special challenges	58
De-carbonising the economy and improving air quality	59
Upgrading public governance	62
Policy choices will be key to how Turkey emerges from the COVID-19 crisis and in the years ahead	68
Annex A. Turkey's follow-ups to main past OECD recommendations	71
Annex B. Fiscal implications of the reform recommendations of this Survey	73
Bibliography	74
2 Unleashing the full potential of the business sector	81
Growth of potential output has lost steam	81
Despite high entrepreneurial spirit, business dynamism has slowed down	84
Strengthening the business sector through more market-friendly reforms is key to more durable economic growth	90
The need for more formalisation	90
A complex system of regulations entrenches the fragmentation of the business sector	93
Streamlining business incentives would sharpen their effectiveness	95
Avoiding size traps in the business tax system	97

Addressing the debt overhang	100
Reforms of the insolvency system could speed up the economic recovery after the Covid-19 pandemic and improve the allocation of resources	101
Improving the supply of equity capital	104
Helping SMEs to raise more equity capital	107
Tapping the benefits of increased adoption of digital technologies	109
Improving digital skills	110
Bibliography	114

Tables

Table 1. The upturn will be gradual	10
Table 1.1. Macroeconomic indicators and projections	27
Table 1.2. Events that could trigger major changes in the economic outlook	28
Table 1.3. Public-private partnerships*	40
Table 1.4. GDP impacts of reforms	68
Table 2.1. Construction sectors account for a significant share in the economy	86
Table 2.2. Tax Status of Capital Companies and Sole Proprietorships	98
Table 2.3. SME stock market segments in selected emerging markets	107
Table 2.4. Thresholds for statutory audits in Turkey	108

Figures

Figure 1. The short-term recovery was sharp	10
Figure 2. Recovery prospects are complicated by high debt burdens	10
Figure 3. Labour force participation is low	11
Figure 4. The productivity gap between small and large firms has increased over time	12
Figure 5. Educational outcomes need to be upgraded	12
Figure 1.1. An intense second wave after the initial success against the pandemic	18
Figure 1.2. A sharp macroeconomic shock	24
Figure 1.3. The current and capital accounts have deteriorated	25
Figure 1.4. Re-balancing has made progress, but with slower growth and job creation	30
Figure 1.5. External debt is expanding strongly	31
Figure 1.6. Risk premia are excessive and should be reduced	32
Figure 1.7. Credit growth was exceptional after the COVID-19 shock	34
Figure 1.8. Banks have weathered the 2018 strains but will come under pressure after the pandemic	35
Figure 1.9. The fiscal stance loosened considerably already before the COVID-19 shock	37
Figure 1.10. High interest costs and ageing create pressures on public debt	41
Figure 1.11. Monetary policy has failed to achieve the inflation target	45
Figure 1.12. Nominal and real exchange rates have deteriorated before the recent uptick	46
Figure 1.13. The COVID-19 shock worsened the already weakened labour market situation	51
Figure 1.14. Unregistered employment varies across regions, sectors, firm sizes and education levels	52
Figure 1.15. Labour force participation is low, particularly for women	53
Figure 1.16. Labour market reforms would stimulate job creation in the formal sector	54
Figure 1.17. Well-being can be improved in several dimensions	55
Figure 1.18. Working-age people who are unemployed or in inactivity are more likely to be poor	56
Figure 1.19. Income and wealth inequalities remain high	56
Figure 1.20. The convergence of living standards tended to stall	57
Figure 1.21. The carbon intensity of the economy should be reduced	59
Figure 1.22. There is little or no carbon pricing in most sectors, except for road fuel	60
Figure 1.23. Air quality and other local environmental conditions should improve	62
Figure 1.24. Room for progress in governance institutions exists	63
Figure 1.25. Rule-of-law should be improved	64
Figure 1.26. Risks of corruption, tax opacity and money laundering	67
Figure 2.1. Productivity growth has slowed	82
Figure 2.2. Educational enrolments have increased but quality has fallen behind	83
Figure 2.3. Qualification mismatch in OECD countries	84

Figure 2.4. The population displays high entrepreneurial spirit	85
Figure 2.5. Value added per technological intensity	87
Figure 2.6. Business dynamism is high but appears to slow down	88
Figure 2.7. The speed at which resources flow to more productive firms varies across technological intensity and firm size	89
Figure 2.8. Informal employment is more frequent in smaller firms	91
Figure 2.9. Larger more formal firms are, more productive	92
Figure 2.10. Employment per firm size	92
Figure 2.11. Product market regulations are restrictive	95
Figure 2.12. Statutory corporate tax rates are moderate	97
Figure 2.13. Effective average and marginal tax rates for a hypothetical investment project	99
Figure 2.14. Leverage of manufacturing firms has increased over time	101
Figure 2.15. The recovery rate of the insolvency regime is low	103
Figure 2.16. Equity markets could play a larger role in financing investment	105
Figure 2.17. Cost of capital of listed firms is high	106
Figure 2.18. Turkish firms lag behind in the adoption of advanced ICT tools and activities	110
Figure 2.19. Digital skills and low numbers of high speed broadband subscriptions impede the adoption of advanced digital technologies	112

Boxes

Box 1.1. Main COVID-19 support measures	20
Box 1.2. Curbing the high risk premia	32
Box 1.3. The Sovereign Wealth Fund (TVF)	38
Box 1.4. Upgrading fiscal institutions	40
Box 1.5. Capital flows and exchange rate measures	46
Box 2.1. Industry composition and breakdown by technological intensity of the business sector	86
Box 2.2. Firm-level data from the Entrepreneur Information System Database	90
Box 2.3. Overcoming fragmentation in the business sector	92
Box 2.4. Can public equity injections help the corporate sector to weather the COVID-19 shock?	102