

## **Macroeconomic Targets and Policies in Turkey Medium Term Programme (2015 - 2017)**

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### **Abstract**

*Medium Term Programme (MTP), which initiates the budget process and covers the period of 2015-2017 is designed to perform the necessary breakthrough to achieve the 2023 goals on a more competitive and innovative ground. The main objective is to fight against inflation, to reduce the current account deficit and boost growth. To achieve these goals, monetary and fiscal policy stance continues to be tight and will accelerate structural reforms. During the Medium Term Program period of 2015 and 2017 the following areas have been identified as key priorities, increase in domestic savings, re-direction of available resources to productive areas, increase in production capacity of the economy and level of technology, improve efficiencies and increase the contribution of exports to growth. In this study, information will be given about the Medium Term Programme (MTP) 2015-2017, its objectives targets and the policies to be followed will be discussed.*

**Keywords:** Macroeconomi, Macroeconomic Targets, Macroeconomic Policies

**JEL Classifications:** E60, E61, E66

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### **Introduction**

The first Medium-Term Programme to cover the period 2006-2008 has been prepared with a view to formulating the public policies and henceforth allocating the resources on the basis of the strategic objectives in conformity with the Law No.5018, dated 10.12.2003 on Public Financial Management and Financial Control.The Medium-Term Programme,(MTP,2014)

- Designed as a road map to enhance predictability both for the public and the private sector, shall contribute further to the confidence and stability by strengthening the positive economic and social developments achieved in recent years on a more solid basis.
- It which presents a coherent and consistent set of objectives, policies and priorities on various topics, covers the basic development axes and main sectors, in addition to macro policies.
- In the programme, priorities to be focused on within a three-year period have been determined to facilitate the realization of long-term objectives.
- The objectives and priorities of the programme will be taken into account in the preparation of the budgets of ministries and government agencies, in the realization of administrative and legal arrangements and in the decision-making and implementation processes of the agencies.

Medium Term Programme (2015-2017), prepared by Ministry of Development was decided by issuing Cabinet Decree No. 2014/6840, 05.09.2014 and Published in Official Gazette No. 29139, 08.10.2014

Medium Term Programme (MTP), which initiates the budget process and covers the period of 2015-2017 is designed to perform the necessary breakthrough to achieve the 2023 goals on a more competitive and innovative ground.

## **2. Medium Term Programme(MTP) 2015-2017 Main Objective**

The main objective of the Medium Term Programme covering the period 2015-2017;(MTP,2014)

- To decisively continue fighting against inflation,
- Keep reducing current account deficit,
- To strengthen macroeconomic and financial stability by increasing growth performance

For this purpose, the tight stance in monetary and fiscal policies will continue while this stance will be supported by income policy. In addition, structural reforms will be accelerated.

The main priorities of the Medium Term Programme covering the period 2015-2017;(MTP,2014)

- to increase domestic savings,
- to redirect existing resources to productive areas,
- to increase production capacity and technological level of the economy,
- to increase the level of efficiency and the contribution of exports to growth

In this context; to improve the investment environment, to increase the variety of services and products with the depth of the financial markets, to raise quality of public revenues and expenditures, to complete the structural transformation and reforms that are initiated in the labor market, education and judicial system, informality, state aid, good governance, local government and regional development areas are important.

## **3. 2015-2017 Medium Term Programme(MTP) Assumptions**

The assumptions while determining the macroeconomic framework of the Medium Term Programme covering the period 2015-2017;

- It is assumed that global growth will increase gradually,
- Our trading partners will grow moderately,
- Geopolitical situation will not change,
- The effect of the expected interest rate increase decision of USA Central Bank on our economy will be limited,
- Domestic savings with foreign capital inflow will provide adequate contribution to financing of the growth,
- Terms of foreign trade will improve partially.

## **4. 2015-2017 Medium Term Programme(MTP) Differences**

The differences between the 2015-2017 (MTP) and other programs; The program has been prepared by taking the adverse conditions of both the national and international economies into consideration. Despite the political and economic risks in Europe, America and Middle East, It has been observed that Turkey's economy has not abandoned the 2023 economic targets and it has included the necessary structural reforms within the 2015-2017 Medium Term Program. The 25 item transformation package, that defined accordingly with the Tenth Development Plan, which is covering the 2023 targets has been included in the content of MTP. Also, the implementation period for the reforms included in the 10th Development Plan has been started with the MTP(2015-2017)

## **5. 2015-2017 Medium Term Programme (MTP) Projections of the World Economy**

2015-2017 Medium Term Programme Projections of the World Economy in creating a macroeconomic framework;

- Despite the improvement observed in the US economy, the effects of the global crisis is continuing in developing countries, and in the Euro Zone, slowing down the recovery of the global economy
- The tightening of monetary policy in the US, where the relaxation is on the agenda in the Euro area
- A global macroeconomic framework has been taken into account, with the geopolitical risk factors created by the political developments occurring in Turkey's surrounding geography

Despite a gradual but uneven recovery in the world economy, the low-growth process has been continued. Although the growth rate gradually improves in advanced economies, growth performance in emerging economies has weakened. The world economy that grew by 3.3 percent in 2013, is also expected to grow at this level in 2014. The reason that a significant increase in the world growth in 2014 is not expected is especially slowdown in growth of emerging economies. In April, the world growth in 2014 has been projected to be 3.6 percent; this estimate was reduced to 3.3 percent in October.(IMF,2014) In 2015, the growth is expected to be 3.8 percent as a result of expected acceleration of growth in both advanced and developing economies.

## 6. Makroeconomic Targets and Policies within Medium Term Programme(MTP) 2015-2017

### 6.1. Growth

Covering the period 2015-2017 Medium Term Program (MTP) in growth targets;(MTP,2014)

- GDP growth is forecasted to be 4 percent in 2015. On the other hand,
- GDP growth rates in 2016 and 2017 are targeted as 5 percent along with the growth strategy which is supported by investments to productive areas, financed by mainly domestic savings and based on productivity increases.
- During this period, it is foreseen that along with the increased growth, current account deficit will decline gradually.
- The contribution of total factor productivity to the growth will be increased by the policies for enhancing productivity in manufacturing particularly in industry sector and the transition to a more balanced growth structure in terms of the factors of production will be ensured.
- In the Programme period, real annual average growth is projected as 4 percent in private consumption expenditures; 3,1 percent in public consumption expenditures, 8.7 percent in private fixed capital investments and 2,7 percent in public fixed capital investments.

The main strategy for high and stable growth is developing the private sector-led, open, competitive and innovative production structure. To sustain growth;

- For the purpose of ensuring and strengthening macroeconomic stability; monetary, financial sector, fiscal and income policies will be carried out in coordination.
- Increasing domestic resources, directing the resources to more productive areas
- Increasing private sector investments in manufacturing, increasing the share of manufacturing sector in GDP and increasing labor productivity are important policy areas in terms of growth sustainability.

**Graphics: 1. GDP Growth in Turkey (%)**



**Source:** OVP (2015-2017), Kalkınma Bakanlığı,2014,Orta Vadeli Programa İlişkin Değerlendirme (2015-2017) İş Bankası Yayınları, Ekim 2014.

After the 2008 global economic crisis, shrinking at a rate of 4.7 percent in 2009, Turkey's economy continued its nineteenth positive growth trends for the next following period. In particular, during the period started in the second quarter of 2013; despite the internal and external shocks to the economy, Turkey has maintained its stable growth trend.

The national economy which had 9 and 8.5 percent high growth rate in 2010 and 2011 respectively, has been forced to reduce its growth rate because of structural problems such as the current account deficit from the past. The government has recently announced the 2015-2017 Medium-Term Programme (MTP). Accordingly, the government has revised its 2014 GDP growth target down to 3.3%, from 4.0%. The government also lowered its 2015 GDP growth target to 4% from 5%. The MTP envisages 2016 GDP growth rate at 5%. But, Turkey grew 2.9 in 2014, slightly below its target.

**Table :1. Growth in Turkey (%) and Per Capita Income**

	2013	2014 <sup>(1)</sup>	2015 <sup>(2)</sup>	2016 <sup>(2)</sup>	2017 <sup>(2)</sup>
<b>GROWTH</b>					
GDP (Billion TL, Current Prices)	1,565	1,764	1,945	2,150	2,370
GDP (Billion Dollars, Current Prices)	822	810	850	907	971
GDP Per Capita (Dollars)	10,807	10,537	10,936	11,541	12,229
GDP Growth <sup>(3)</sup>	4.1	3.3	4.0	5.0	5.0
Total Consumption <sup>(3)</sup>	5.2	1.9	3.8	4.0	3.9
Public	7.1	4.5	2.2	3.8	3.3
Private	4.9	1.6	4.0	4.0	4.0
Total Fixed Capital Investment <sup>(3)</sup>	4.5	-1.8	4.2	8.9	9.3
Public	20.7	-0.9	-2.1	7.2	3.3
Private	0.7	-2.1	6.1	9.3	10.9
Total Domestic Savings / GDP	13.4	14.9	15.2	16.2	17.1
Public	3.4	3.2	3.1	3.6	4.0
Private	9.9	11.7	12.2	12.6	13.1
Total Saving - Investment Difference / GDP <sup>(4)</sup>	-7.6	-5.7	-5.4	-5.4	-5.2
Public	-1.5	-1.6	-1.4	-1.1	-0.6
Private	-6.0	-4.1	-4.0	-4.3	-4.6
Total Final Domestic Demand <sup>(3)</sup>	5.0	1.0	3.9	5.1	5.3
Total Domestic Demand <sup>(3)</sup>	6.7	1.3	4.0	5.2	5.0
Contribution of Net Exports to Growth	-2.6	2.0	0.0	-0.2	-0.1

Note: (1) Estimation, (2) Programme, (3) Percentage changes in fixed prices, (4) The difference between total saving-investment difference and current account deficit comes from using weighted exchange rate in national income accounts,

**Source:** Medium Term Programme (2015 - 2017), Ministry of Development, October 2014

Policies and Strategies have been explained to implement the new production model in the Medium-Term Programme (MTP) covering the period of 2015-2017, which was described as open, innovative and competitive.

- High value added production and exports will be risen through extending information and communication technologies, especially in services sector.
- R&D based, innovative and high value added production structure will be supported, products' commercializing and trademarking processes will become effective and micro reforms will be accelerated on these areas.
- The current incentive mechanisms will be effectively applied to support new investments, especially in manufacturing industry, to increase exports and technology level and the current incentive framework will be revised in necessary areas.
- Necessary policies will be adopted to transform natural resource abundance and agricultural product diversity into production and competitive advantage by the help of technology.
- Privatization policy will be implemented in line with the policy of supporting new domestic investments in productive areas.

## 6.2. Public Finance

Covering the period 2015-2017 Medium Term Program (MTP) in public finance target;(MTP,2014)

- Public sector balance as a ratio to GDP is targeted to decrease to 0.4 percent in 2015, and to run a surplus of 0.1 percent at the end of the Program period.
- Similarly, general government balance, which is estimated to run a 0.5 percent deficit in 2015, is targeted to yield a surplus of 0.1 percent in 2017.

- Program defined public sector surplus, which is expected to be 1.2 percent of GDP in 2015, is estimated to increase continuously and finally reach to 1.8 percent at the end of the Program period.
- General government expenditures and revenues, as a ratio to GDP, are estimated to decrease gradually from 2015 levels, 38.7 percent and 38.2 percent respectively, to 37.2 percent and 37.3 percent at the end of the Program period.
- Tax burden which is expected to increase by 0.4 point in 2015 owing to the restructuring of social security premiums, is projected to decrease gradually to 28.2 percent of GDP at the end of the Program period.
- EU-defined general government debt, which is estimated to be 31.8 percent of GDP in 2015, is projected to reduce to 28.5 percent at the end of the Program period.

When examined fiscal targets of public finance in the Medium Term Programme (MTP) covering the period of 2015-2017, it is understood that the share of public expenditure and public revenue in GDP will gradually continue to fall, as a result their impact on economic activities will continue to decline.

**Table:2. Central Government Budget (As of GDP, %)**

Budget	2013	2014(RE)	2015(P)	2016(P)	2017(P)
<b>Expenditures</b>	<b>26.1</b>	<b>25.4</b>	<b>24.3</b>	<b>23.6</b>	<b>22.8</b>
Primary Expenditures	22.9	22.6	21.5	21.1	20.5
Interest Expenditures	3.2	2.8	2.8	2.5	2.3
<b>Revenues</b>	<b>24.9</b>	<b>24.0</b>	<b>23.2</b>	<b>22.8</b>	<b>22.5</b>
General Budget Tax Revenues	20.8	19.9	20.0	19.9	19.8
Other Revenues	4.1	4.1	3.2	2.9	2.8
<b>Budget Balance</b>	<b>-1.2</b>	<b>-1.4</b>	<b>-1.1</b>	<b>-0.7</b>	<b>-0.3</b>
<b>Primary Balance</b>	<b>2.0</b>	<b>1.5</b>	<b>1.7</b>	<b>1.8</b>	<b>2.0</b>
<b>Program Defined Expenditures</b>	<b>22.9</b>	<b>22.6</b>	<b>21.5</b>	<b>21.1</b>	<b>20.5</b>
<b>Program Defined Revenues</b>	<b>23.8</b>	<b>23.1</b>	<b>22.6</b>	<b>22.4</b>	<b>22.2</b>
<b>Program Defined Balance</b>	<b>0.9</b>	<b>0.5</b>	<b>1.1</b>	<b>1.3</b>	<b>1.7</b>

RE: Realization estimate P: Program

**Source:** Medium Term Programme (2015 - 2017), Ministry of Development, October 2014

According to Budget Deficit / GDP (%) in Turkey, the ratio was estimated to be 1.4 percent in 2014. Despite the 0.2% growth potential, Turkey's growth rate is much higher than the EU norm. As a result of studies on the effectiveness of expenditure policies in MTP covering the period of 2015-2017, it was foreseen that the ratio of budget deficit/gdp for 2015 will be 1.1 and 0.7 for 2016. The estimated rate of 0.3 percent for 2017 shows that Turkey's balanced budget goals is embodied.

**Graphics: 2. Budget Deficit in Turkey / GDP (%)**



**Source:** OVP (2015-2017), Kalkınma Bakanlığı, 2014, Orta Vadeli Programa İlişkin Değerlendirme (2015-2017) İş Bankası Yayınları, Ekim 2014.

Covering the period 2015-2017 Medium Term Program (MTP) in public finance policy;(MTP,2014) Fiscal policy will be implemented in line with the goals of supporting economic stability, increasing domestic savings, curbing current account deficit, fighting against inflation and boosting the economic growth potential. It is essential that government expenditure policy will be applied within a multi-year budgeting approach, in line with the determined policy priorities and ceilings. Line ministries are to spend their allocated resources effectively, efficiently, and consistent with their legal appropriations. In the decision making process for public service expansions, staying within the limits of institutional budget appropriations will be given importance. Compliance of institutional strategic plans with Development Plan objectives will be pursued, and priorities and programs which are set in the strategic plans and performance programs will be reflected to the budget preparation and implementation process more efficiently Public Investment Policy; The main goal is to maximize the contribution of public investments for fostering economic growth, supporting private sector investments, enhancing regional development potential, increasing employment and welfare of the country.

Public Revenue Policy; Revenue policies which support financial, economic and social objectives will be implemented in a way to collect the public revenues from buoyant and permanent sources, improve income distribution, contribute to sustainable development, raise domestic savings, and enhance competitiveness of the economy. Public Borrowing Policy; Implementing a sustainable, transparent and accountable debt management policy, which considers macroeconomic balances and is consistent with monetary and fiscal policies is essential. Public debt management policy will be carried out to meet the financing needs in the medium and long term at minimum cost within a reasonable risk level determined according to domestic and international market conditions and cost factors.

### 6.3. Balance of Payments

Covering the period 2015-2017 Medium-Term Programme (MTP) in the balance of payments targets; (MTP,2014)

- In the Programme period, real annual average growth is estimated as 8,4 percent in exports and 7.6 percent in imports.
- Exports, which are expected to be 173 billion dollars in 2015, are estimated to reach 203,4 billion dollars, and imports, which are expected to be 258 billion dollars in 2015, are estimated to reach 297,5 billion dollars at the end of the Programme period. Thus, the foreign trade deficit, which is expected to be 85 billion dollars in 2015, will reach 94,1 billion dollars at the end of the Programme period.
- Despite the estimated increase in the growth with the contribution of policies aiming to increase domestic savings and decrease the high import dependency of production during the Programme period, the current account deficit to GDP ratio, which is expected to realize as 5,4 percent in 2015, is targeted to decrease to 5,2 percent at the end of the Programme period.
- Energy imports, which are expected to be 57,3 billion dollars in 2015, are expected to increase 63,9 billion dollars at the end of the Programme period taking into consideration the growth performance and oil price expectations.
- Tourism revenues, which are expected to be 31,5 billion dollars in 2015, are estimated to reach 35,5 billion dollars at the end of the Programme period with an annual average increase rate of 6,4 percent.

**Table:3. Turkey Foreign Trade**

Foreign Trade	2013	2014(1)	2015(2)	2016(2)	2017(2)
Exports (fob) (Billion Dollars)	151.8	160.5	173.0	187.4	203.4
Imports (cif) (Billion Dollars)	251.7	244.0	258.0	276.8	297.5
Crude Oil Price-Brent (Dollars / Barrel)	109.4	105.4	101.9	100.4	98.8
Energy Imports (Billion Dollars)	55.9	56.2	57.3	60.1	63.9
Foreign Trade Balance (Billion Dollars)	-99.9	-83.5	-85.0	-89.4	-94.1
Exports / Imports (%)	60.3	65.8	67.1	67.7	68.4
Foreign Trade Volume / GDP (%)	49.1	49.9	50.7	51.2	51.6
Tourism Revenues (Billion Dollars)	28.0	29.5	31.5	33.5	35.5
Current Account Balance (Billion Dollars)	-65.1	-46.0	-46.0	-49.2	-50.7
Current Account Balance / GDP (%) (4)	-7.9	-5.7	-5.4	-5.4	-5.2
Current Account Balance Excl. Gold / GDP (%)	-6.5	-5.6	-5.1	-5.1	-4.8

Note: (1) Estimation, (2) Programme, (3) Percentage changes in fixed prices, (4) The difference between total saving-investment difference and current account deficit comes from using weighted exchange rate in national income accounts,

**Source:** Medium Term Programme (2015 - 2017),Ministry of Development, October 2014

Despite the contraction in exports for neighboring countries due to political developments, exports maintained its upward trend in 2014 and is estimated to be USD 160.5 billion level because of the partial recovery in EU countries. In the previous MTP, exports in 2014 was estimated to be USD 166.5 billion. In accordance to conserving growth in export and decline in imports; It was estimated that the current account deficit to GDP ratio will fall to 5.7% from the previous year's 7.9% by the end of 2014. During the program, the annual average exports of 8.2% in USD, while imports are estimated to increase by 6.8%. At the end of 2014, the Current Account Deficit / GDP (%) ratio was respectively. 5.7% as estimated.

Covering the period 2015-2017 Medium Term Program (MTP) balance of payments policy; (MTP,2014)

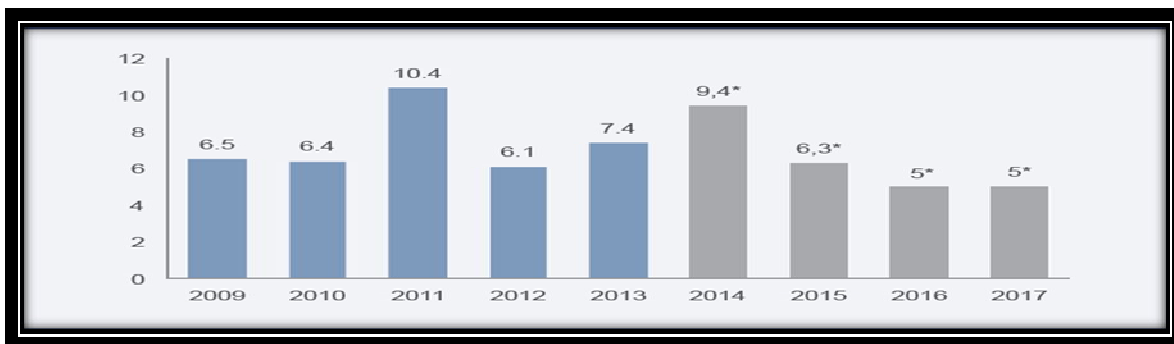
- It is essential to reduce foreign trade deficit by decreasing dependency on imports and increasing exports of products with high value added and to finance foreign trade deficit by direct investments and long-term sources to a possible extent.
- While exports to traditional markets will be increased, target and priority countries in exports will be determined and market diversification will be achieved. In this context, studies will be conducted to facilitate entry to export markets.
- Investments will be supported to ensure that industrial inputs which have high density dependence on imports and technologies, will be domestically produced.
- Domestically produced goods and products using domestic inputs will be preferred in public procurements.

#### 6.4.Inflation

Covering the period 2015-2017 Medium-Term Programme (MTP) in the inflation targets; (MTP,2014)

- The contribution of total demand conditions to disinflation is expected to continue in the programme period.
- It is assumed that after recorded as 9 percent in 2015 food inflation will fluctuate around 8 percent in following years and the average annual price of crude oil (Brent) will be about 99 dollars per barrel by the end of the period.
- Referring to these projections and assumptions, the annual growth rate of CPI is expected to decline to 6,3 percent and to become 5 percent by the end of the period.

**Graphics: 3 Inflation in Turkey (%)**



**Source:** OVP (2015-2017), Kalkınma Bakanlığı,2014,Orta Vadeli Programa İlişkin Değerlendirme (2015-2017) İş Bankası Yayınları, Ekim 2014.

Covering the period 2015-2017 Medium Term Program (MTP) in inflation policy; (MTP,2014)

- The main objective of the monetary policy is to ensure and to sustain the price stability.
- Monetary policy will be implemented in accordance with the inflation targeting framework. In this regime, financial stability, as a supportive objective, will also continue to be taken into consideration.
- Inflation targets will be determined by the Government and Central Bank for the following three years.
- In cases which inflation realizations performs excessive deviations from the target or when any probable risk of deviation emerges, to ensure accountability and transparency of the monetary policy, the Central Bank will declare in written form to the government and announce to the public the reasons of the deviation from the target and measures that should be taken in order to converge to the original target again.

**Table:3.Turkey Inflation (%)**

	2013	2014(1)	2015(2)	2016(2)	2017(2)
<b>INFLATION</b>					
<u>GDP Deflator</u>	6.1	9.1	6.0	5.3	5.0
<u>Consumer Prices Index (End of Year % Change) (3)</u>	7.4	9.4	6.3	5.0	5.0

Note: (1) Estimation, (2) Programme, (3) 2014 and 2015 data are the estimations of the Ministry of Development  
Source: Medium Term Programme (2015 - 2017), Ministry of Development, October 2014

In the Medium-Term Programme (MTP) covering the period of 2015-2017, lowering the rate of inflation as the main objective, the exchange rate, oil prices, factors such as unprocessed food plays a negative role. Therefore, the expected inflation rate at 9.4 percent in 2014, has moved away from the previous target of Medium-Term Programme (2014-2016) However, in order to achieve the desired level of growth and inflation rates, with the implementation of integrated monetary, fiscal and income policies, it is projected to be 6.3 percent in 2016, and 5 percent in both 2016 -2017.

Recently, along with rising currency exchange rates driving the costs of production up along with a falling gross domestic product (GDP) performance, inflation has become one of the most important problems for Turkey. In addition, rising tensions in the region raises more concerns over inflation in the Turkish economy.

### 6.5. Employment

The main objective is to create a more competitive labour market where the employment opportunities are improved with a sustainable and inclusive growth approach, the labour market is enhanced and the labour force is better qualified.

Covering the period 2015-2017 Medium Term Program (MTP) employment target; (MTP,2014)

- During the Programme period, as a result of policies to be implemented to increase the labour force participation and employment, non-agricultural sector is expected to employ an additional 2.158 thousand persons. During this period, with the limited effect of the increase in agricultural employment, the total employment is expected to increase by 1.775 thousand persons.
- The labour force participation rate, which is expected to be 50,1 percent at the end of 2014, is targeted to reach 50,5 percent at the end of the Programme period.
- At the end of the Programme period, the employment rate, which is expected to be 45,3 percent in 2014, is expected to rise to 45,9 percent. Thus, a total of 27.599 thousand persons will be employed at the end of the Programme period.
- The share of agriculture in the employment, which is expected to be 21,3 percent in 2014, is estimated to decrease to 18,5 percent at the end of the Programme period.
- The unemployment rate, which is estimated to be 9,6 percent at the end of 2014, is expected to fall to 9,1 percent in 2017.

**Table:4.Turkey Employment**

	2013	2014(1)	2015(2)	2016(2)	2017(2)
<b>EMPLOYMENT</b>					
<u>Population (Midyear, Thousands)</u>	76,055	76,903	77,738	78,559	79,366
<u>Labor Force Participation Rate (%)</u>	48.3	50.1	50.2	50.3	50.5
<u>Employment (Thousands)</u>	24,601	25,824	26,340	27,002	27,599
<u>Employment Rate (%)</u>	43.9	45.3	45.4	45.7	45.9
<u>Unemployment Rate (%)</u>	9.0	9.6	9.5	9.2	9.1

Note: (1) Estimation, (2) Programme,

**Source:** Medium Term Programme (2015 - 2017), Ministry of Development, October 2014



Covering the period 2015-2017 Medium Term Program (MTP) employment policy; (MTP,2014)

- Individuals will be equipped with the fundamental and vocational skills compatible with the demands of the labour market, work and family life will be harmonized and active labour market policies will be implemented on the basis of impact assessments.
- Labour force participation and employment rates of particularly women, youth and the disabled will continue to be increased through an efficient and integrating employment policy.
- Employment incentives will be simplified and straightforward; the monitoring system will be established to increase the effectiveness of incentives
- The number of private employment agencies will be increased and their fields of activity will be extended to include temporary employment relationship.
- Subcontracting practice will be reconsidered with balances between the labour rights and the competitiveness of the economy.
- Audits will be activated in the field of health and safety of workers, through incentives and awareness raising activities, particularly in high-risk sectors, safety culture will be extended in working life.
- In order to increase the employability of the poor and facilitate their transition to a productive position, the connection between social assistance and employment will be strengthened.
- In dialogue with the social partners, a severance payment system to be utilized by all workers based on individual accounts will be advanced.
- Through combating with informal employment and undeclared wages, the premium base will be extended and the number of registered employees will be increased.
- In order to perform structural transformation in the industry and to improve the quality of the labor market, especially in the research field, accelerating the migration of skilled labor from abroad will be provided.

As a result of policies intended to increase labour force participation, it is predicted that an additional 2,158 thousand people will be employed outside agriculture. On the other hand, with the foresight to continue to increase labor force participation rate, it has been estimated that the improvement in the unemployment rate remained limited and throughout the program period, the unemployment rate will continue to trend over 9%.

In 2014 the estimated unemployment rate was 9.6 percent according to figures at the time, with the general frameworks outlined in the program, unemployment rate is now targeted to be 9.1 percent in 2017.

It was 9.6 percent, slightly above the 2014 estimates. In order to achieve this target, It is of primary importance that people gain professional skills through education and match those with labour markets.

## **7. Conclusions**

Turkey's economy, during a period where regional and global political / economic developments are occurring, has identified macroeconomic policies and goals it wants to achieve in 3 years with the Medium Term Programme covering the period 2015-2017 (MTP) The required actions, in order to successfully implement the three targets - reduce inflation, increase growth rate to ensure the continuation of the positive process and to reduce the current account deficit - has been described in detail. For the continuation of the Macroeconomic and financial outlook, It presents an overview of the preliminary assessment about the overall process to be followed by private and public sector.

In this context, these necessary policies has been included; improve production efficiency in industry, ensure contribution of private and public consumer spending to growth in coordination with amount of their income, create capital increase with the domestic savings in public and private sectors, reduce import dependence of production and reduce cost of labor, energy and transportation in production. The most important feature of the program apart from other programs is to include the 25 item transformation package which is defined within the Tenth Development Plan. Turkey's implementation of these reforms will ease and facilitate the achievement of 2023 economic goals. In addition, these reforms will ensure changes in Turkey's economic structure and the production model. Although, the global economic situation and the geopolitical risks were presented as the reasons of the downward revision of growth figures in MTP, Turkey's 2014 growth target of 4% to 3.3% and 2015 target was taken from 5% to 4%. Continuous downward revision made in growth rates and as in 2014, even remained under the revised target.(% 2,9)Turkey's growth performance has dropped. To accelerate the growth again, there is a need for comprehensive reforms and support.

Also, the inflation figures for the previous MTP in 2014 was 5.3%, it was increased to 9.4% in the new revised MTP. Although, the rate of inflation remains below 9.4% with 8.17%, it is still too high for 2015,2016 and 2017 targets. In addition, if increased depreciation in the Turkish lira in the last period continues, this will increase pressure on cost and will be difficult to achieve the target of 5%. To achieve 5% target, besides monetary policy, there is a need for structural reforms and policies to increase savings. What is important here is rather than the cyclical decline in inflation, a sustainable low inflation level. The 2014 unemployment rate was 9.9 slightly above the 2014 estimated unemployment rate of 9.6. During the years 2015 and 2016, 2017 the unemployment rates are estimated to be higher. Because growth is being revised downward, the increase will be seen in the unemployment rate.

In order to achieve this target, it is of primary importance that people gain professional skills through education and match those with labour market. Certainly the targets set in the MTP and policies to be followed is of great importance for Turkey's economy.

In particular, if the structural reforms are implemented quickly; inflation, current account deficit and growth targets can be achieved, otherwise the 2015 will continue to increase deviation in the target has already been seen in the first quarter, and this will have negative effects on long-term 2023 targets.

## 8. References

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