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## Business

### 'Companies under strain as banks turn off loan tap'

Banks in Turkey have chosen to lend money to the state instead of to companies since there is a lack of confidence in the markets amid the current volatile atmosphere, Turkish Union of Chambers and Commodity Exchanges (TOBB) Chairman Rifat Hisarciklioğlu has said.



TOBB Chairman Rifat Hisarciklioğlu speaks to economy journalists at a meeting in Kocaeli.

Speaking during the Economy Summit organized jointly by the Economy Journalists Association (EGD) and TOBB in Kocaeli on Sunday, Hisarciklioğlu said there had been a serious decline in the amount of bank loans extended to the non-financial sector while Treasury bonds saw a TL 31 billion increase in March over the same month last year. "Banks have more faith in the state than in us. The financial sector makes a huge profit, while others suffer heavy losses amid the global financial turbulence," he stated.

The TOBB chairman noted that annual interest rates for banks loans extended to companies were around 20 to 25 percent, while interest on Treasury bonds is only 14 percent. "We cannot accept such unfair treatment. If we are to weather this storm together, then we need to support each another. We are all in the same boat," he said.

With regards to declarations made by a number of banks that everything is fine despite the crisis, Hisarciklioğlu said: "One day you see a bank manager saying they have no financial problems, then the next day they dismiss 1,500 employees. I don't know what kind of paradox this is." Banks are not at risk for the time being, he added.

Hisarciklioğlu said the crisis would come to an end one way or another but that the important thing was to manage the economy well. "In order to make it through the crisis safe and sound, we need to concentrate on short-term plans and take steps to this end. We need to maintain our hope for the future," he stated. Underlining that the world was taking measures for the short term to fend off the destructive effects of the current financial turbulence, he said short-term plans would be effective in minimizing the adverse impact of the

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## Effects of crisis on Turkish economy

Battered by the destructive impact of the ongoing financial crisis, the Turkish economy has sustained serious injury. The number of newly established businesses contracted by 20 percent in March compared to the same month in 2008. Non-performing assets increased by 36 percent in 2008 over the preceding year. Industrial production fell by 24.2 percent in January compared to the same month of 2008. There are currently 6 million unemployed people in Turkey, the majority of whom live in İstanbul. The budget deficit grew 2.18 percent in February. Non-interest expenditures jumped by 30 percent, while tax revenue fell by 6 percent in 2008.

crisis. The TOBB head said Turkey has a chance to strengthen its place in world markets when the crisis atmosphere dissipates and that the government should lose no time and take action. He said the precautions taken by the government had proved effective in easing the burden on ailing markets to some extent. "I think with the positive atmosphere

Analysts suggest that the government should focus on reviving domestic consumption - - around 68 percent of the national income comes from private consumption in Turkey. Turkey urgently needs a consistent stimulus program along with new incentives for employment. Companies should be supported amidst the crisis. A healthy inflow of liquidity should be maintained in markets and fiscal discipline should be established in the medium term so as to fend off problems as quickly as possible.

created in global markets, the Turkish economy is likely to see an increase in growth in 2010," he added. He said the recent private consumption tax (ÖTV) cut also helped reinvigorate markets, but he criticized car dealers who increased prices in order to take advantage of the recovery in sales. With regards to the outcome of the local elections, the TOBB head said everyone should respect the choices made by the people. "Turkey managed to boost growth in its economy between 2002 and 2005; however, starting from 2006, everyone became lethargic, and this eventually led to serious losses. Starting from the end of 2006, we saw a decline in growth; growth slowed in 2007; and finally with the emergence of the crisis, we faced recession," he said. Hisarcıklođlu said Turkey was the fifth on the list countries with the most serious recession in their economies in the final quarter of 2008.

07 April 2009, Tuesday

İBRAHİM TÜRKMEN KOCAELİ

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