
Current Intelligence Report Circular

CLASSIFICATION: DECLASSIFIED AND APPROVED FOR RELEASE

Report Topic: Turkish National Debt and GDP

Production Date: 27 January 2022

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Turkey's Widespread Inflation, GDP Issues and National Debt Crisis

In December 2020, Turkey's inflation surged to 36% due to a series of interest rate cuts by the Central Bank of Turkey. On 27 JAN, the Turkish lira traded weaker against the US dollar as the US Federal Reserve claimed tighter policies before the central bank's quarterly inflation report. Estimates for inflation range from 17% to 46% by the end of 2022. In 2011, Turkish President Recep Tayyip Erdogan had high hopes to make Turkey a global top-10 economy with a GDP of \$2 trillion and per capita GDP \$25,000 by 2023. At the end of 2020 GDP per capita was \$8,500. Authorities are claiming that one of their largest economic issues is the "chronic current account deficit", due to their heavy import bill. In 2021, GDP growth was at 10.1% but dropped to 3.5% in 2022 as Turkey is beginning to rebound from the COVID-19 pandemic. In 2013, Turkey's GDP was as high as \$957.78 billion USD, but has had a rollercoaster effect, and starting 2022 with an overall GDP at \$844.53 billion USD. In 2022, Turkey currently has a national debt 37.92% in relation to its GDP. This is a slight decrease from 2021 with a debt of 37.77%. END

CMCD Note

President Erdogan's economic policy is to slash interest rates for the purpose of stimulating the economy. Erdogan implemented this policy against the advice of economic experts, which is a factor of why we are seeing the inflation rate significantly rise. The priority of the Turkish administration to become a top-tier global economy is far from being achieved as the actions of President Erdogan have had the opposite effect. The Turkish lira is currently at an all-time low, indicating an economic crisis. Turkey's economy relies heavily on imported materials causing a large foreign trade deficit. The aforementioned relationship between the national debt and GDP will most likely have a negative correlation without a change in policy or economic intervention. END

Sources

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