

The Turkish Bond Market in the Global Context

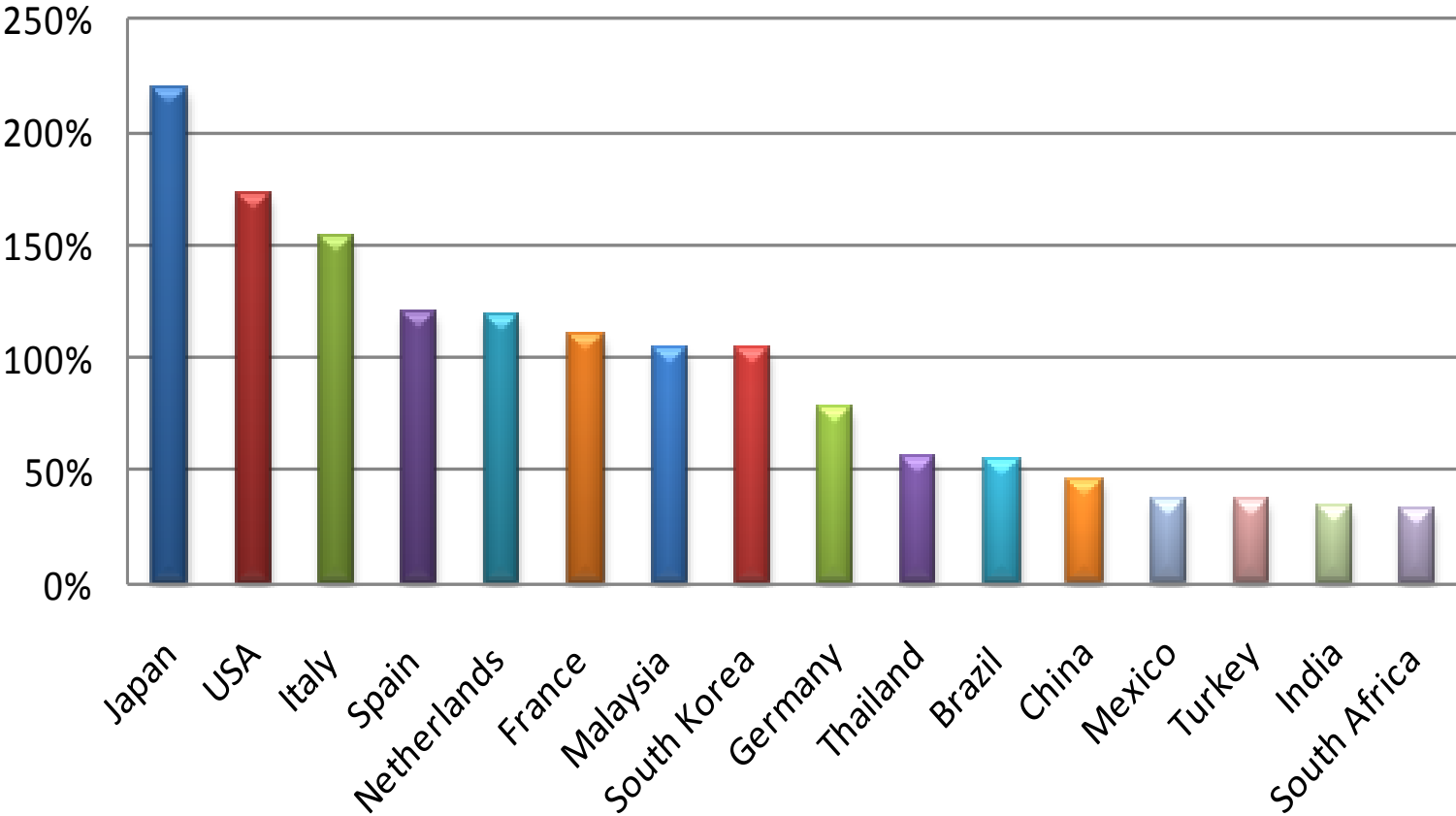
Ismail Dalla

**World Bank (consultant) and Visiting Scholar
Graduate School of Business
George Washington University**

**Istanbul, Turkey
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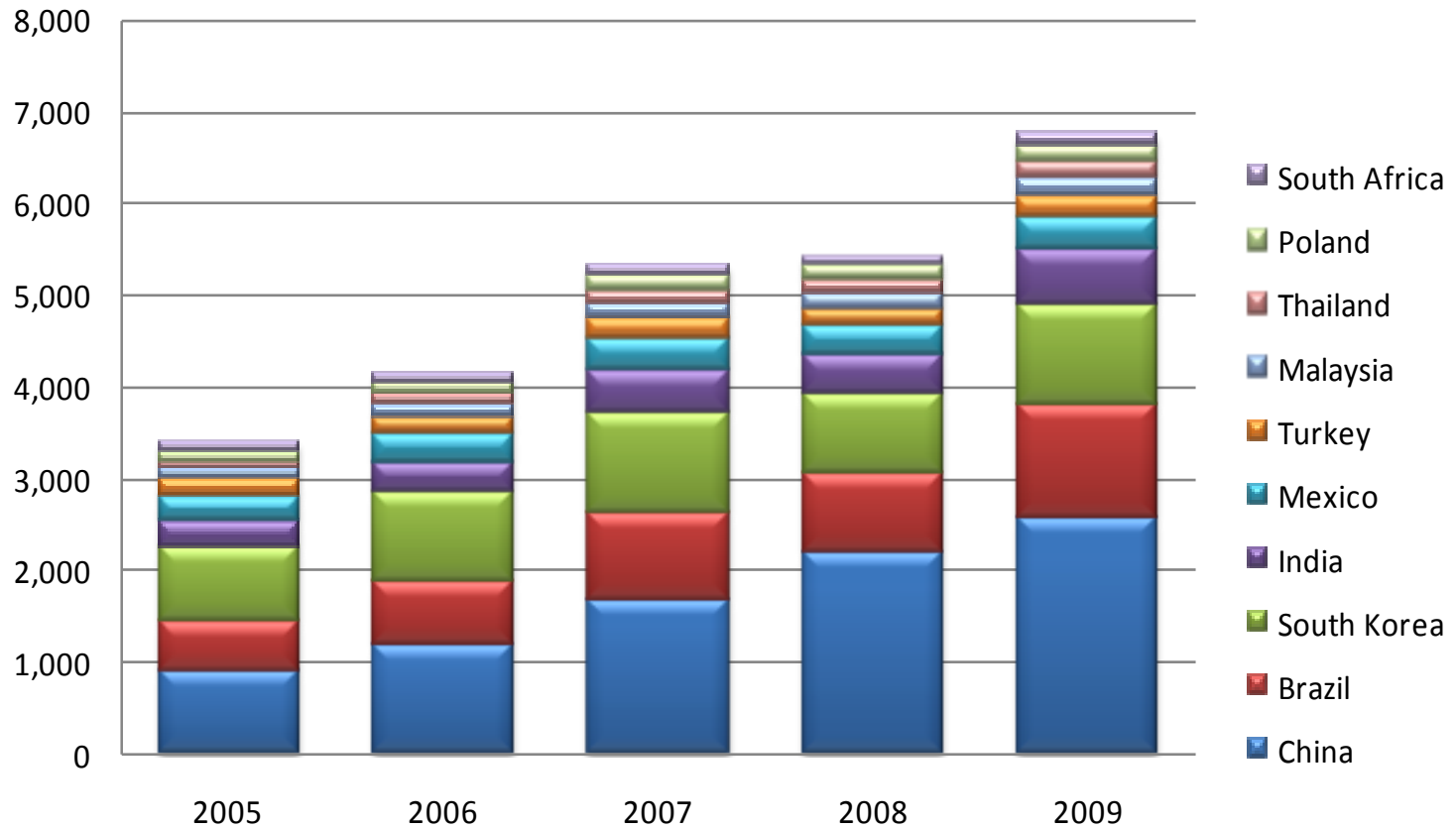
World Bond Markets as % of GDP (2009)

\$ 64 trillion



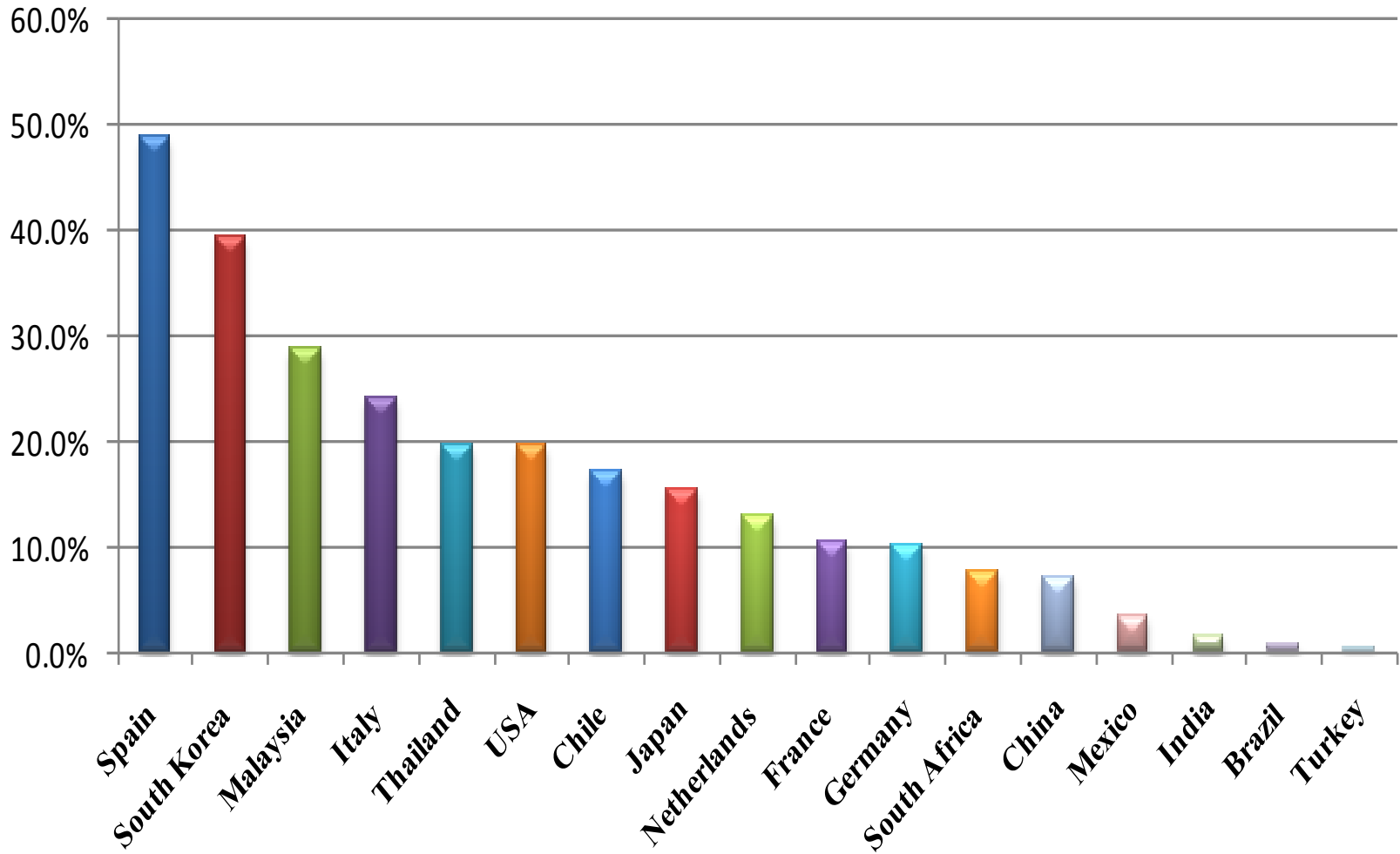
Source: BIS and Dalla and Hesse , VOXEU(2009)

Top Emerging Local Currency Bond Markets Outstanding in 2009-US\$ 6.7 trillion

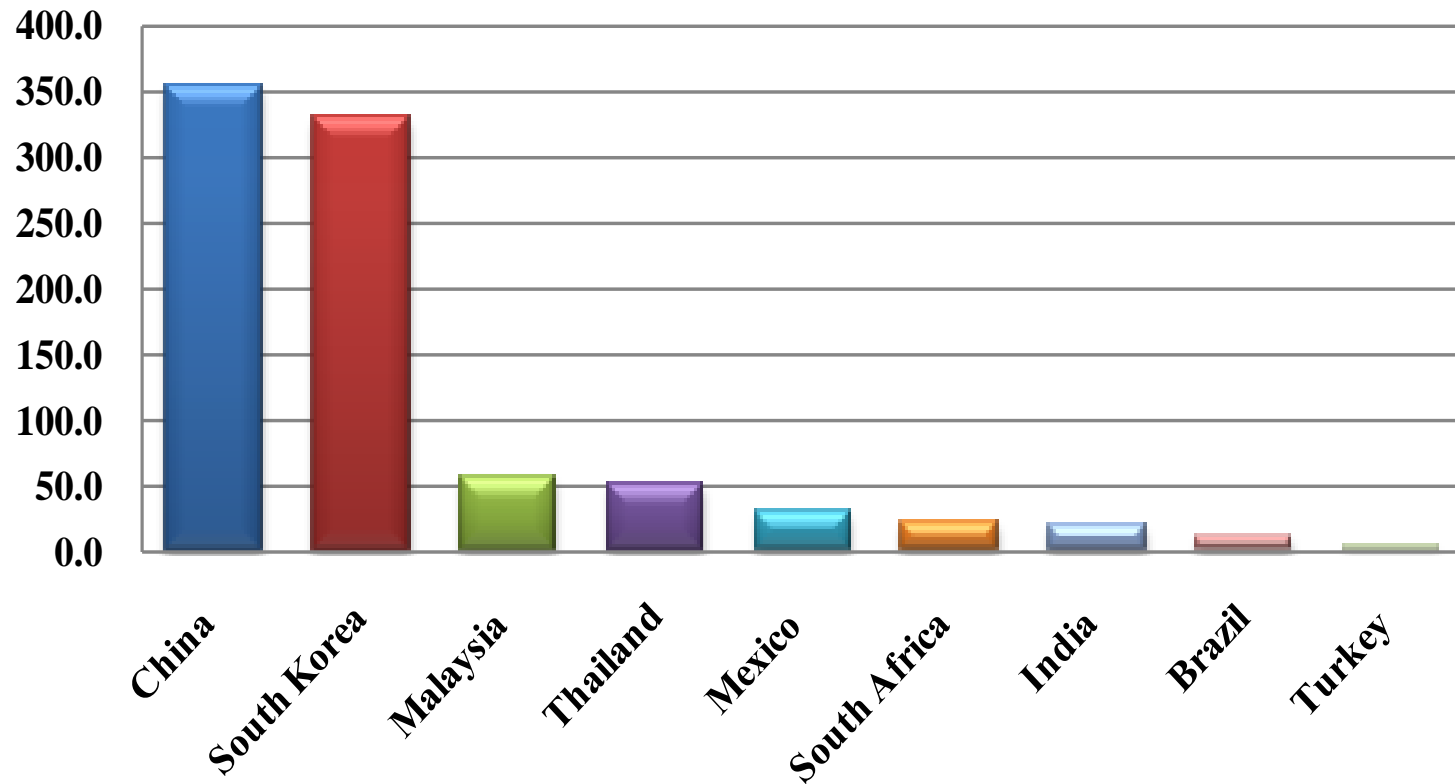


Source: BIS and author's calculations

Corporate Bonds Outstandings as % of GDP (2009)



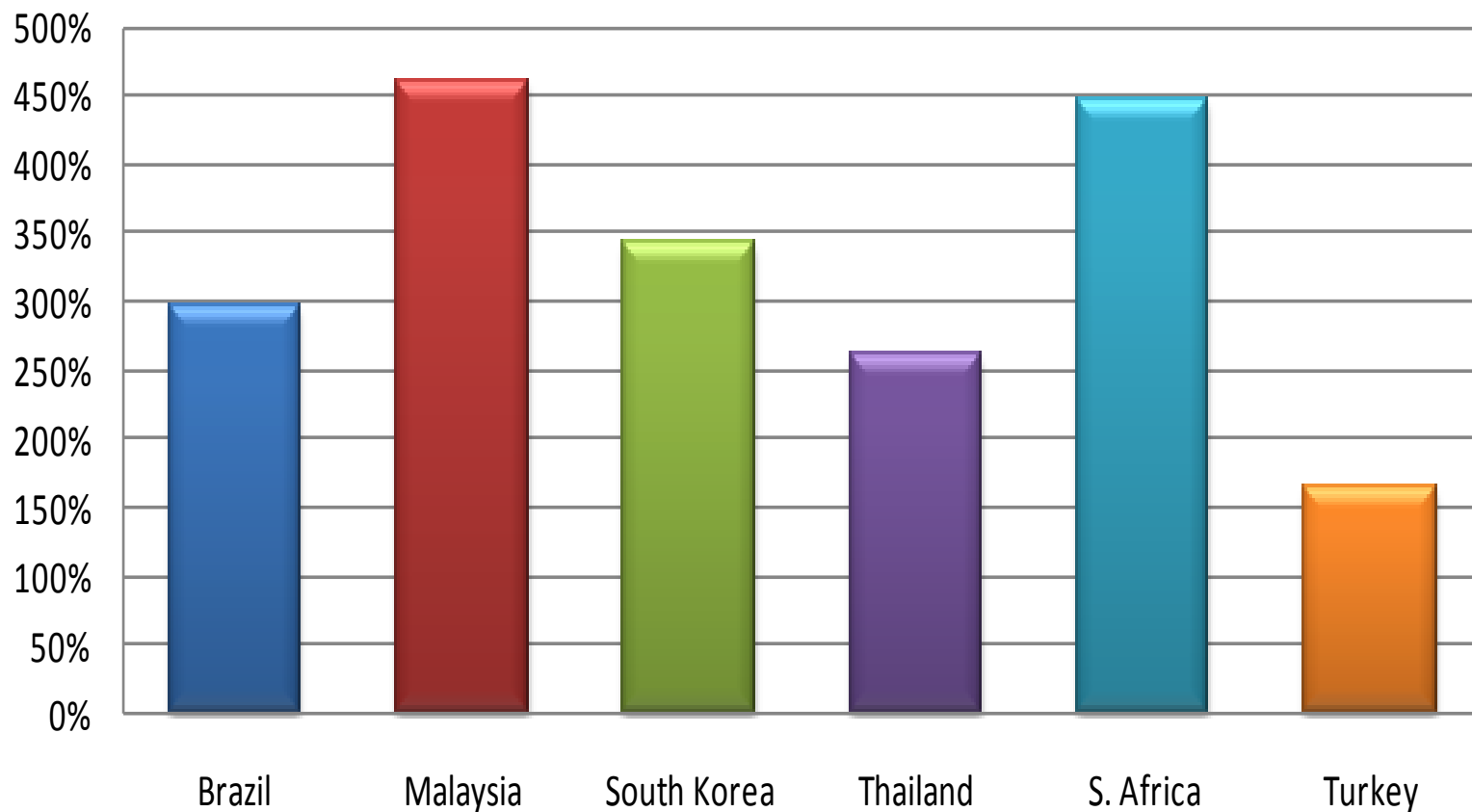
Top Emerging Market Corporate Bond Markets (US\$ billion, 2009)



Source: BIS and staff calculations

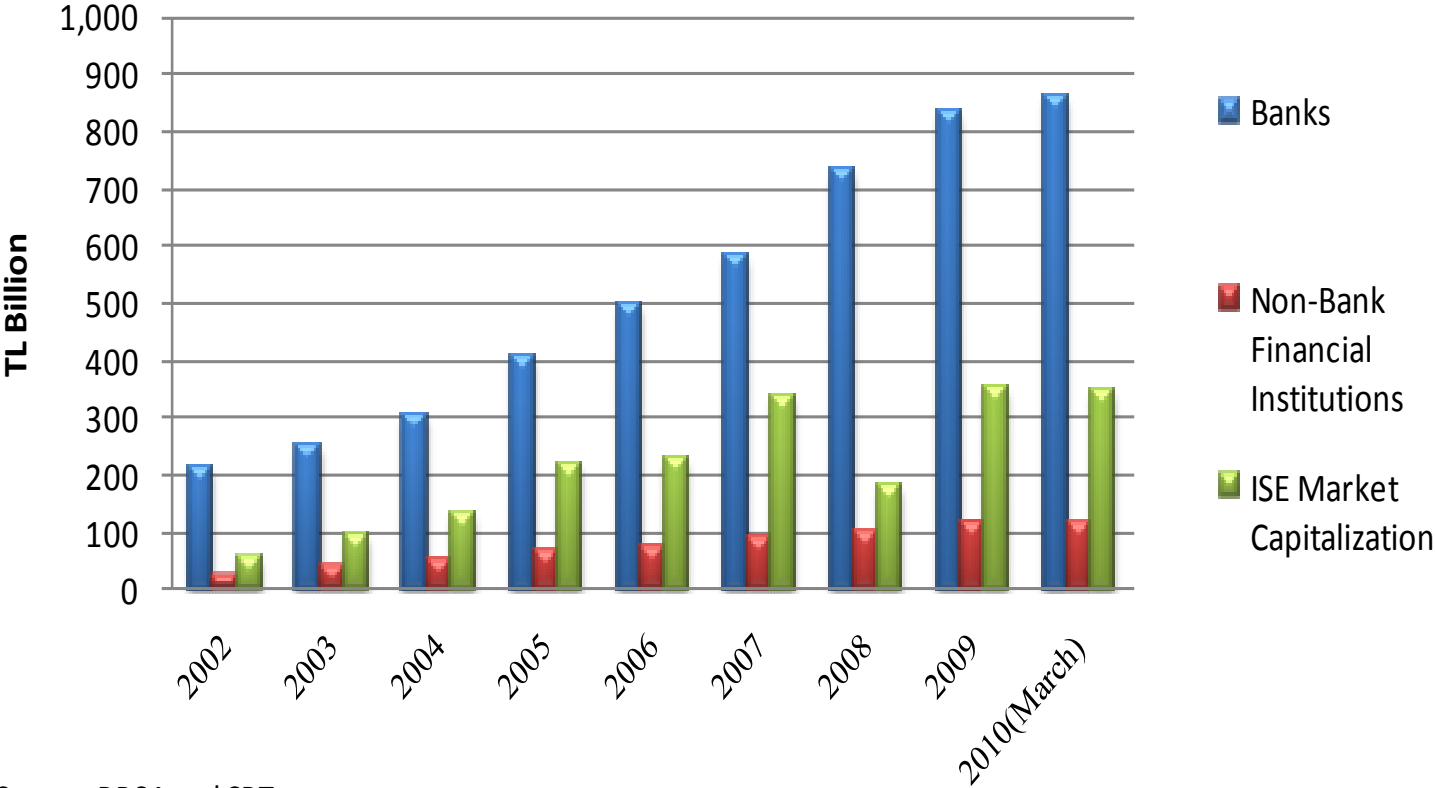
Selected Emerging Market Countries				
Composition of Financial Markets				
	(% of GDP, 2009)			
	Stock Market	Bond Market	Banking System	Financial Markets
Brazil	85.0%	78.6%	132.3%	295.8%
Malaysia	157.0%	99.0%	204.0%	460.0%
South Korea	91.6%	128.1%	121.7%	341.4%
Thailand	74.2%	55.3%	130.7%	260.1%
S. Africa	278.2%	48.9%	120.0%	447.0%
Turkey	37.7%	36.0%	90.4%	164.1%
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Sources: Central banks, BIS, authors' calculations				

Financial Markets as % of GDP (2009)



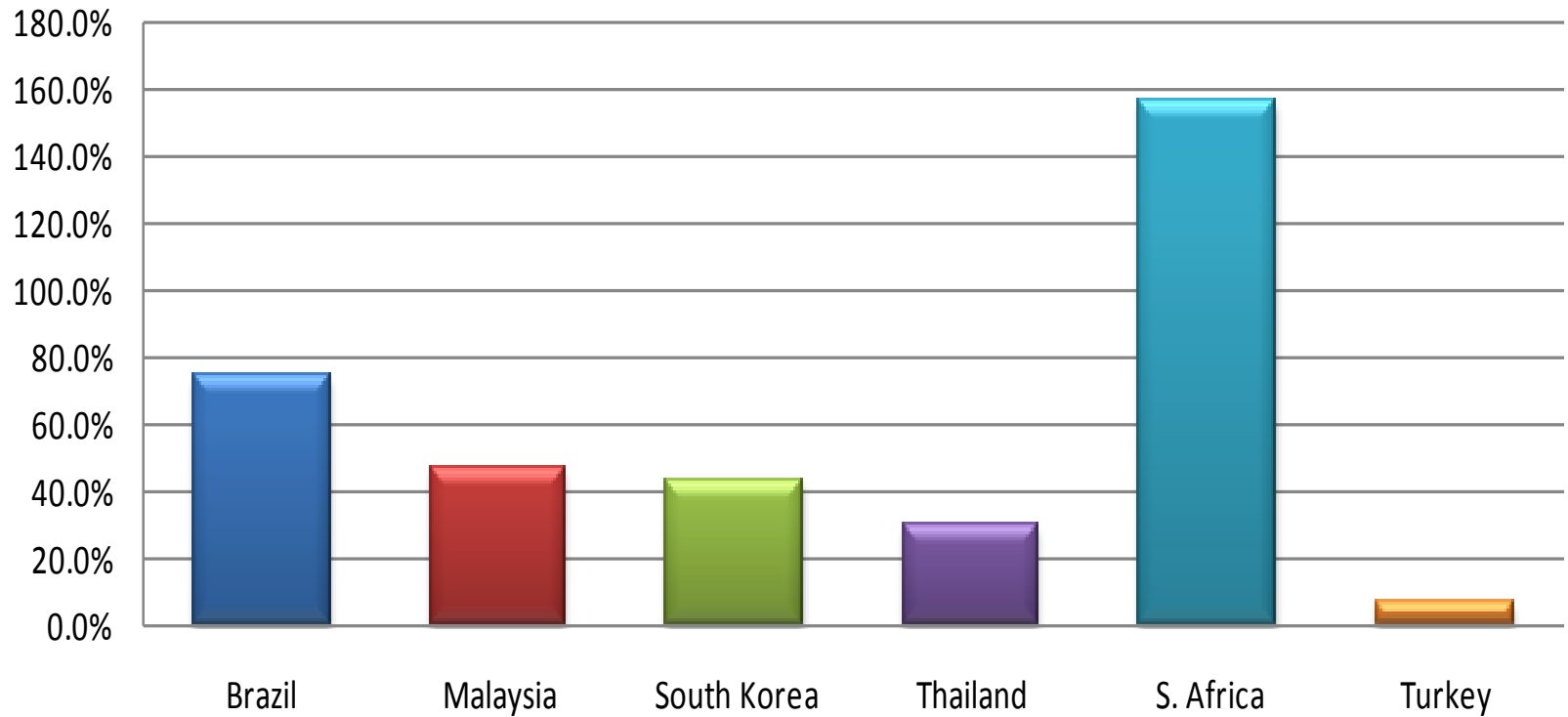
Sources: central banks and staff calculations

Turkey-Financial Markets



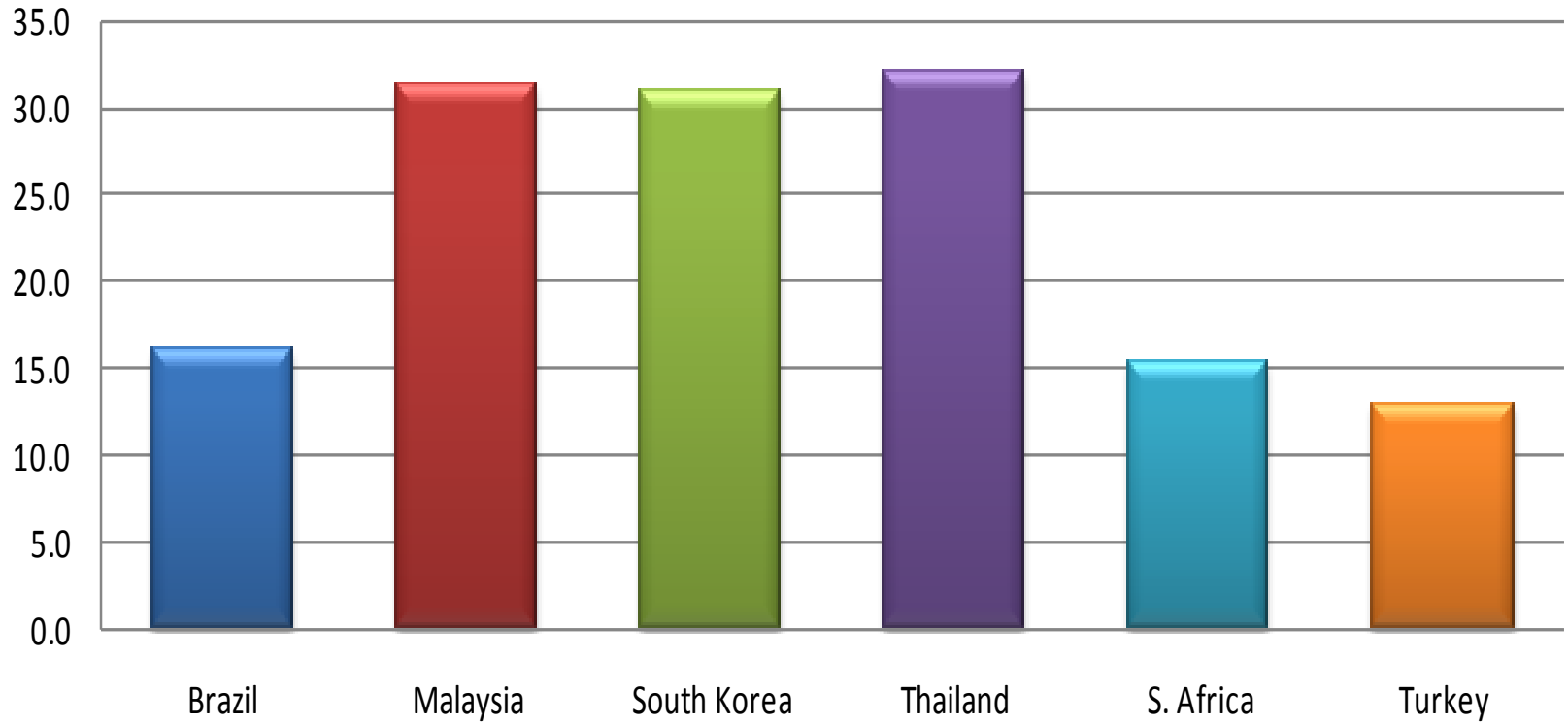
Source: BRSA and CBT

Institutional Investors as % of GDP (2009)



Sources: central banks and staff calculations

Savings as % of GDP (2009)

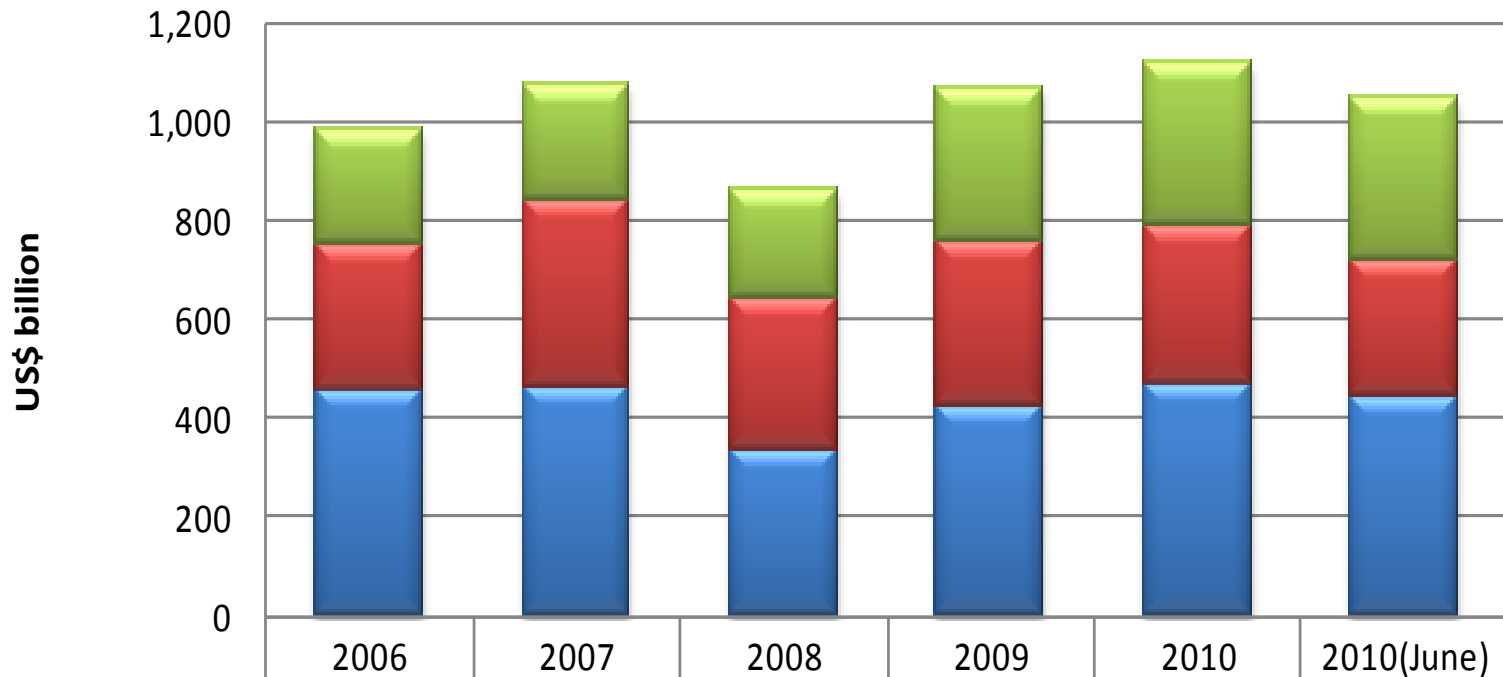


Sources: Central banks and staff calculations



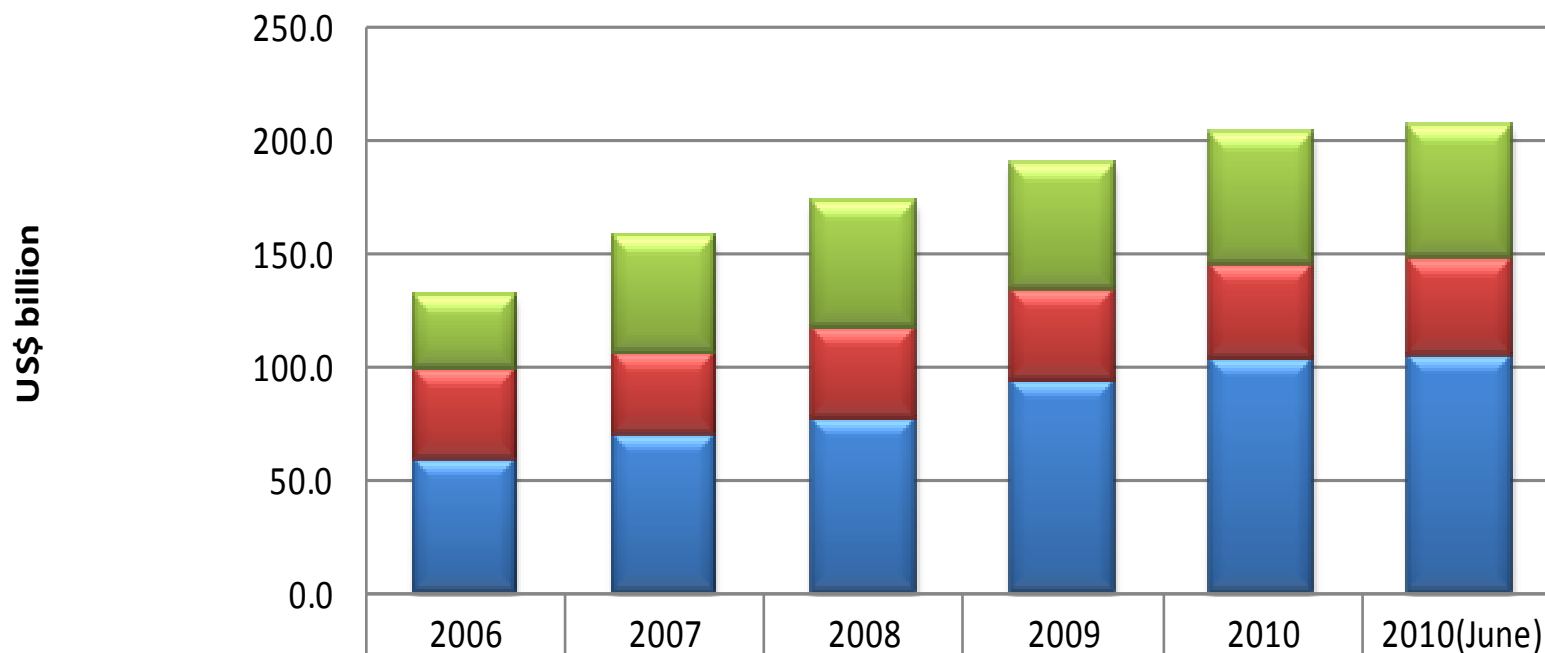
Bond Markets in Selected Countries

South Korea-Bond Outstandings by type of Issuers (2006-2010)



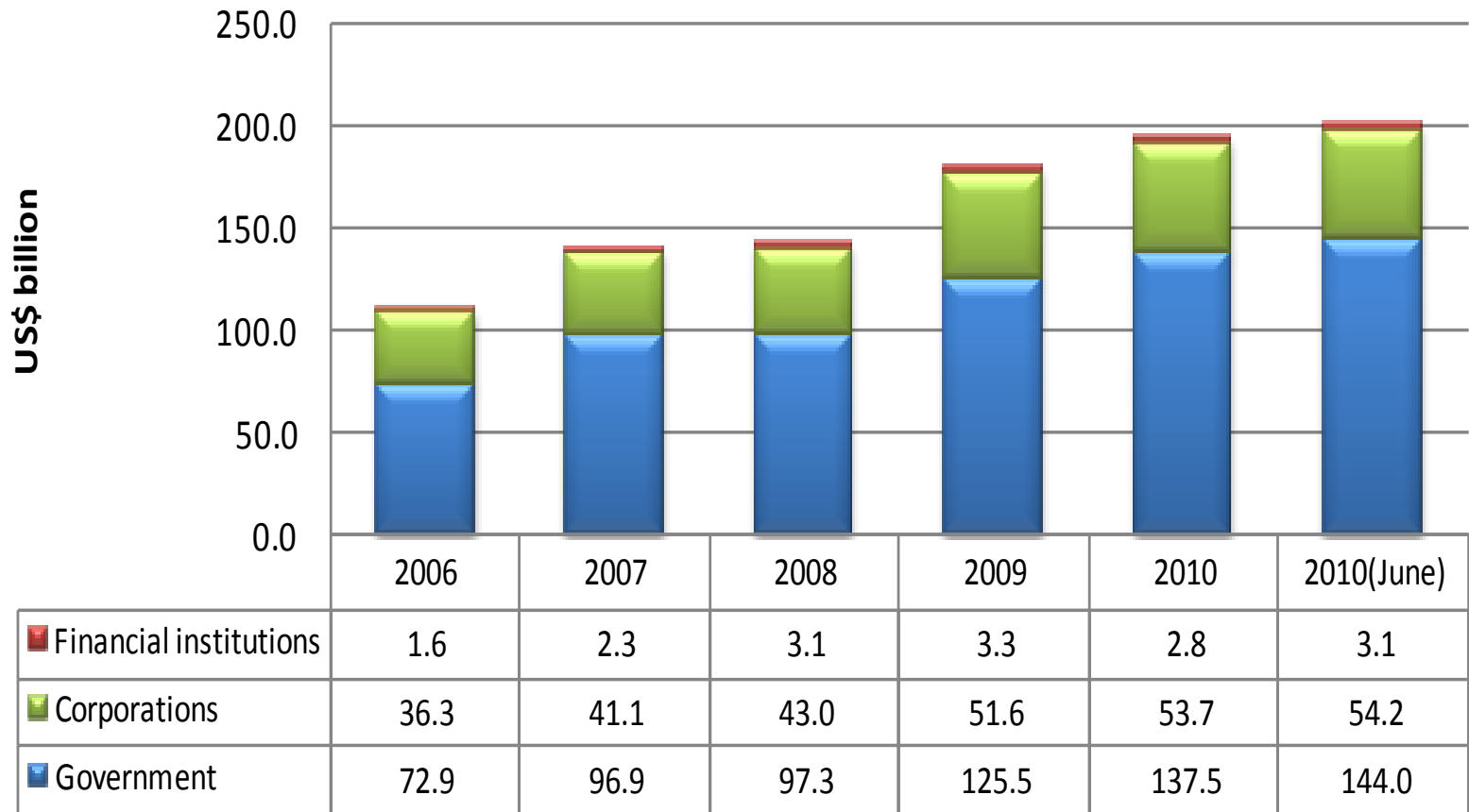
■ Corp	230.9	231.0	218.1	310.8	333.7	328.7
■ FI	291.9	379.7	307.9	331.0	316.9	275.6
■ Government	459.9	466.0	337.5	425.6	471.2	444.8

Malaysia: Bond Outstandings by type of Issuers (2006-2010)

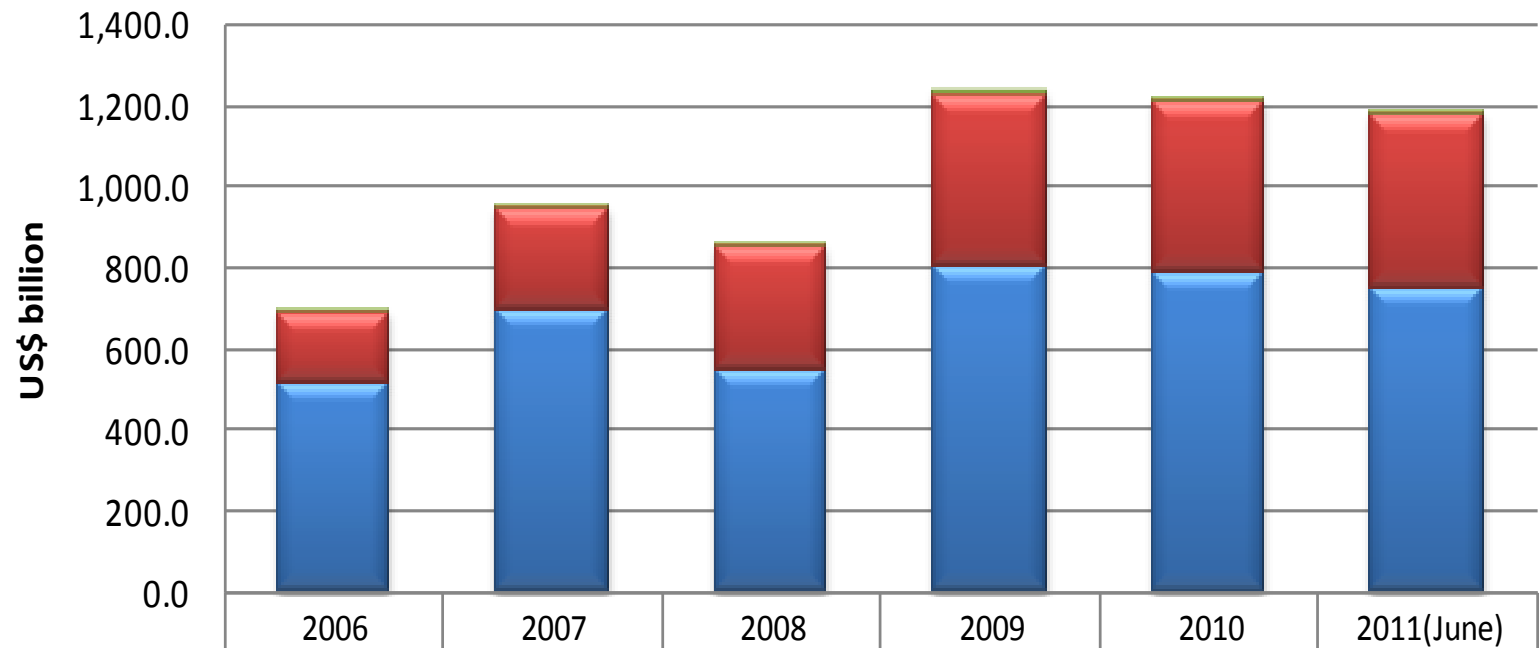


■ Corporations	32.5	52.1	55.7	54.9	57.5	57.7
■ Financial Institutions	39.2	36.1	40.4	40.6	42.5	42.7
■ Government	59.2	69.7	76.6	93.7	102.8	105.0

Thailand-Bond Outstandings by type of Issuers



Brazil: Bond Outstandings by type of Issuers (2006-2010)



■ Corporates	5.7	7.8	6.7	9.8	9.4	9.4
■ Financial institutions	178.2	250.9	306.2	423.8	422.0	423.7
■ Government	512.2	694.1	545.8	803.7	786.9	750.6

Measures Taken to deepen bond markets in Malaysia (1995-2009)

- Adopted A Capital Market Master Plan
- Adopted a Sound Regulatory Regime in consultation with the key stake holders
- Strengthened Primary Dealer System
- Introduced Securities Borrowing and Lending
- Permit short sales
- Develop Corporate Bond Market especially Islamic
- Create bond pricing companies similar to Korea
- Adopt marked to market accounting for valuation of fixed income securities
- Broaden investor base

Measures Taken to deepen bond markets in Malaysia

- Removed withholding tax on income from fixed income securities to improve market liquidity.
- Developed risk transfer markets such as futures and derivatives
- Adopted disclosure based regulatory regime with proper safeguards
- Established a credit insurance company (2009)
- Liberalized foreign portfolio investment in fixed income market
- Improved availability of market information to investors.



Turkey's Strengths and Weaknesses

Strengths

- Turkey has successfully developed a well functioning government bond market and supporting infrastructures
- Turkey has a well functioning banking system
- Turkey is developing risk transfer markets such as futures and derivatives
- Liberalized foreign portfolio investment in fixed income market

Weaknesses

- Very small corporate bond market
- Very small domestic investor base
- Relatively low domestic savings
- Bank dominance in financial markets limit NBFIs growth

Key Messages

- Turkey's financial market is dominated by the banking sector. Non-bank financial institutions (NBFI) accounted for only 12% of the financial markets at the end of 2009.
- Turkey has successfully developed a well functioning government bond market and supporting infrastructures. It is the fourteenth largest in the world when measured as percentage of GDP and the sixth largest emerging local currency bond market.
- However, the corporate bond market accounted for less than 1% of the financial markets.
- Investor base is small. At the end of 2009, total investor base of Turkey amounted to TL63 billion, or 6.6% of GDP.
- Turkey needs to build a more diversified financial market.
- Developing corporate bond market is logical next step.
- Concerted and collaborative efforts will be required to develop corporate bond market.



Thank You

Ismail Dalla

idalla@worldbank.org

idalla@gwu.edu