

FX- PROTECTED DEPOSIT ACCOUNTS AS A POLICY TOOL

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FISCAL POLICY FRAMEWORK

Organic View

- **Society is above the individual**

Mechanistic View

- **Individual objectives are important**

Liberal View

- **Small Government**

Social Democratic View

- **Large Government**

FISCAL POLICY TOOLS

**Expenditure
Policies**

**Revenue
Policies**

**Financing
Policies**

Regulations

**A NEW OBJECTIVE FOR THE FISCAL POLICY:
FX STABILITY**

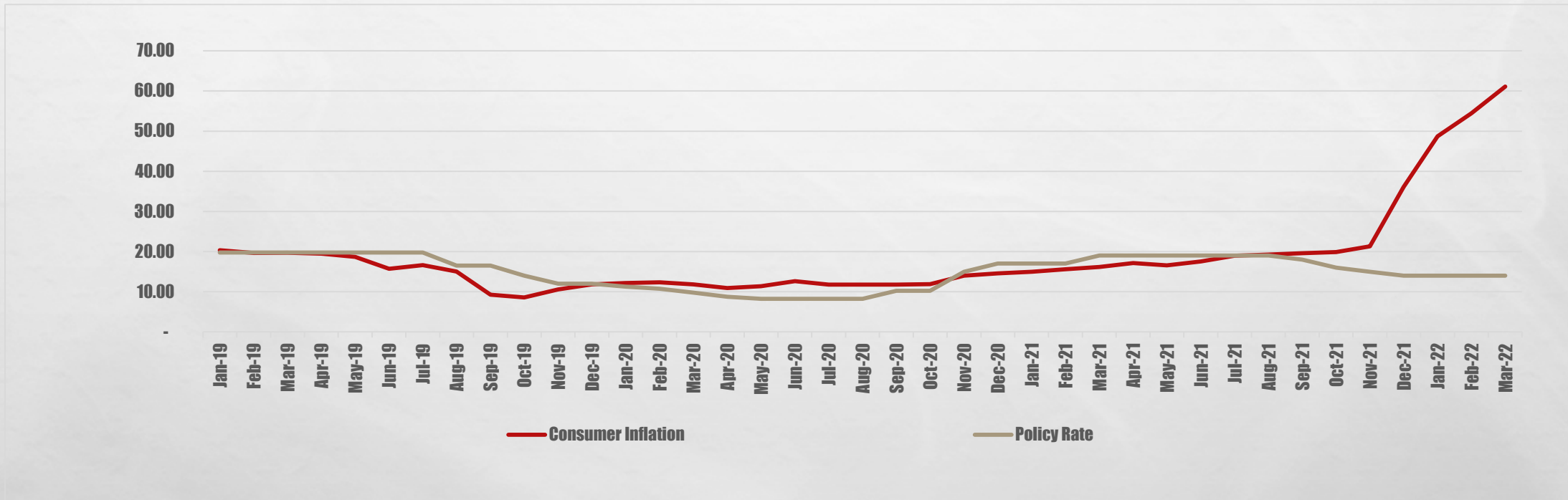


Fiscal Expenses



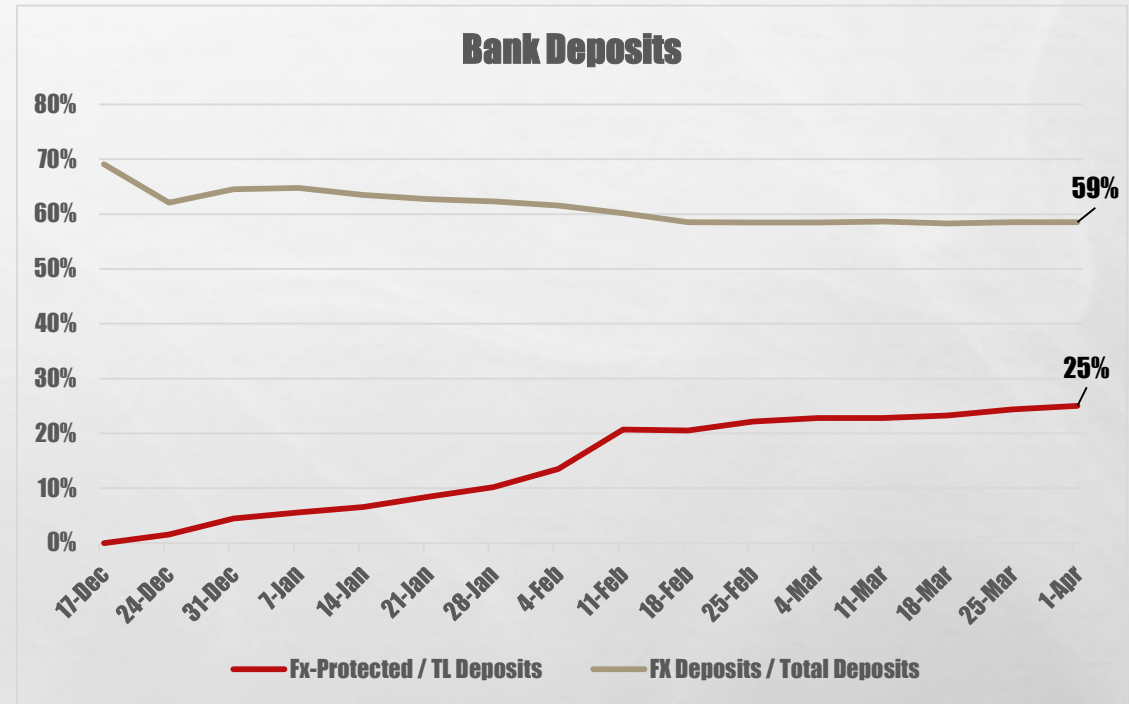
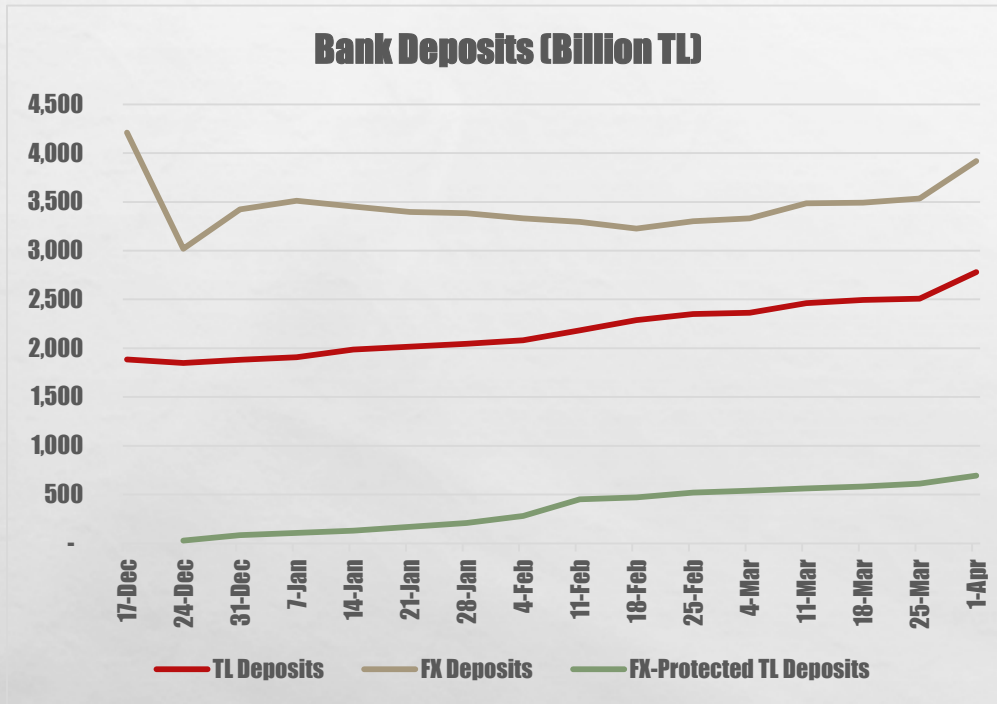
Interest Rate Hike

THE LINK B/W INTEREST RATE POLICY AND INFLATION IS NOT WORKING



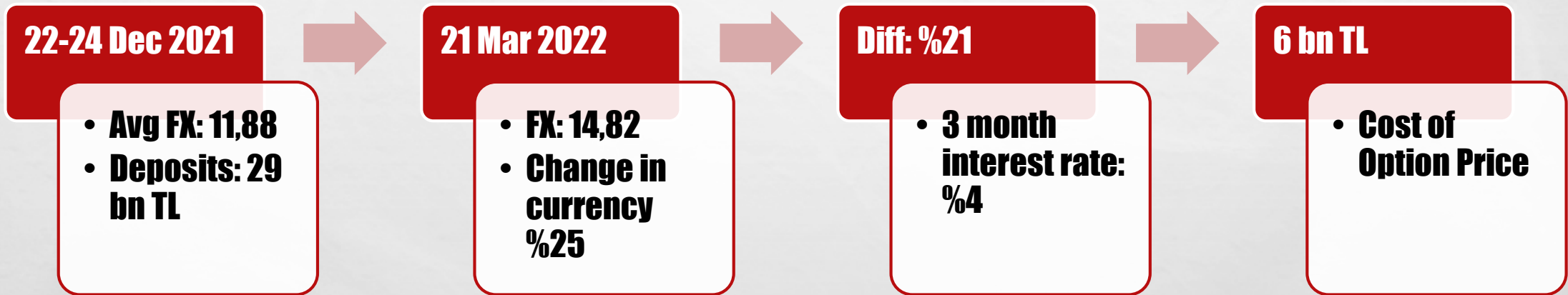
Source: CBRT, TURKSTAT

A NEW POLICY TOOL: FX GUARANTEE ON DOMESTIC SAVINGS



Source: BRSA, Anatolian News Agency, Ministry of Treasury and Finance

COST OF FREE OPTION PRICING



WHAT IF FX DEPRECIATION CONTINUES?

Size of Total Deposits: 695 bn TL

- **21ppt difference: 145 bn TL**

Note: Latest data available as of April 1, 2022

TAX EXPENDITURES

Income Tax on Interest Earnings: • **20 bn TL**

2021 CIT • **10 bn TL**

BSMV • **1 bn TL**

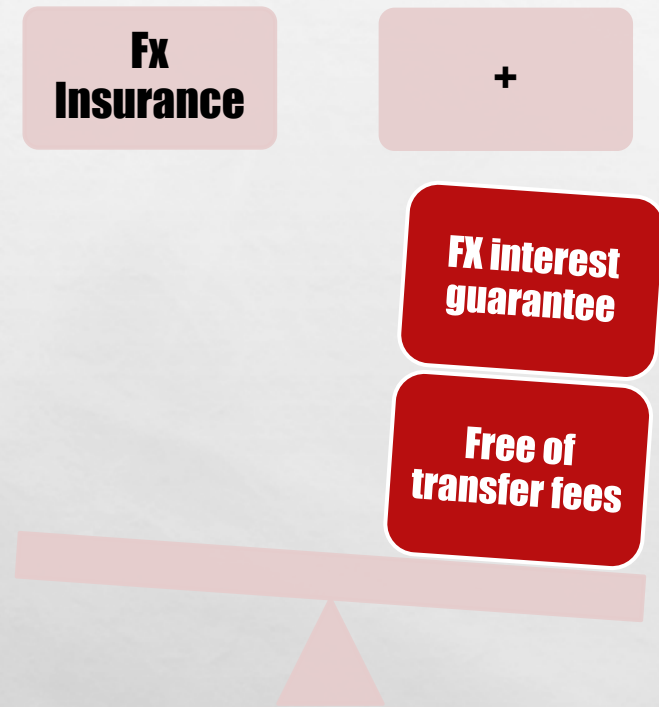
Total • **31 bn TL**

HOW ABOUT EQUITY

**Is it
progressive?**

Tax burden w.r.t. income decreases

ADDITIONAL ADVANTAGES TO FOREIGNERS



Maturity

- **3 months**
- **6 months**
- **12 months**
- **24 months**

Interest Rate

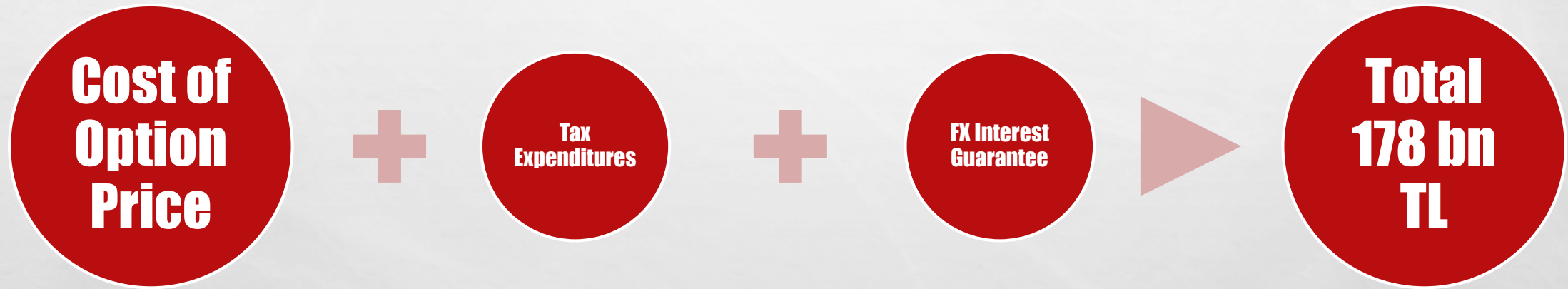
- **%1**
- **%2**
- **%3**
- **%4**

IS IT EQUITABLE?

Who is the tax payer?

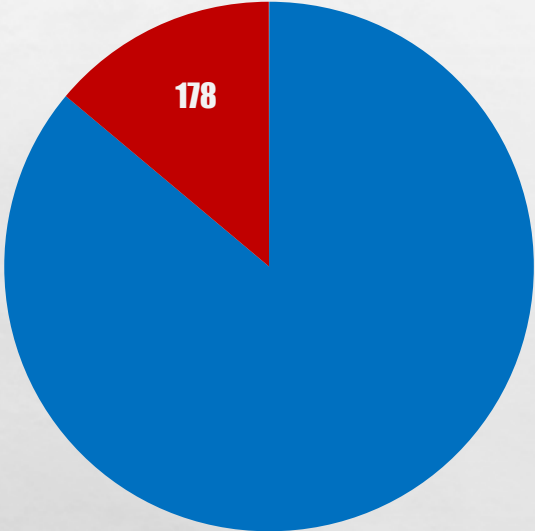
Who is the beneficiary?

APPROXIMATE COST OF FX-PROTECTED ACCOUNTS ON PUBLIC SECTOR



IMPACT ON PUBLIC FINANCE

2022 Tax Revenues



IMPACT ON FINANCIAL DEVELOPMENT



Pros

- **Longer maturities by 2 more months**

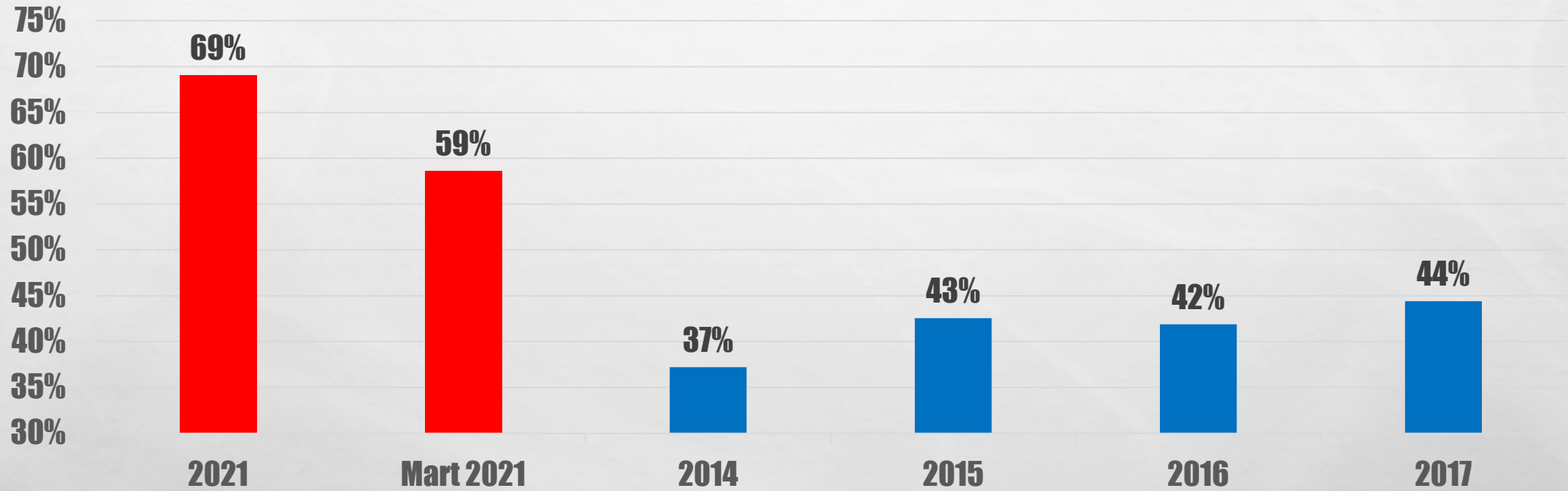


Cons

- **Tax wedge b/w financial instruments**
- **Negative real interest rates**

HOW SUCCESSFUL IS IT?

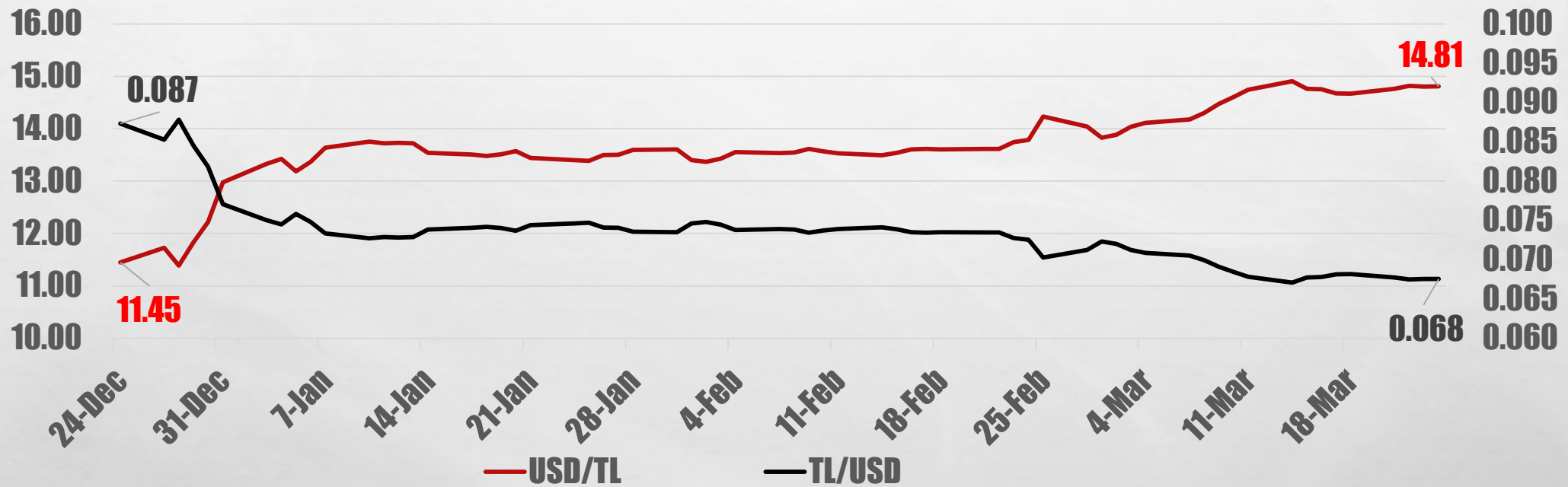
% of FX Deposits in Total Deposits



Source: BRSA

HOW SUCCESSFUL IS IT?

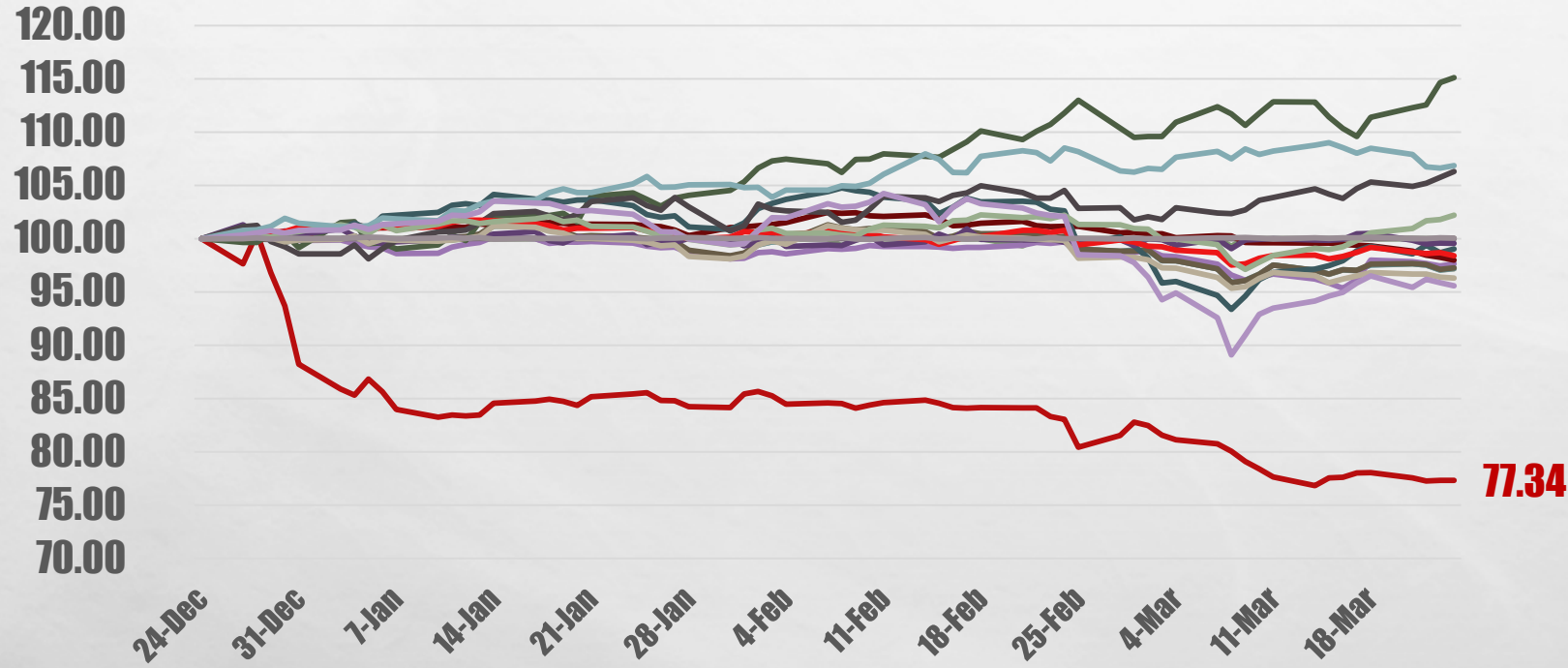
FX



Source: CBRT

HOW SUCCESSFUL IS IT?

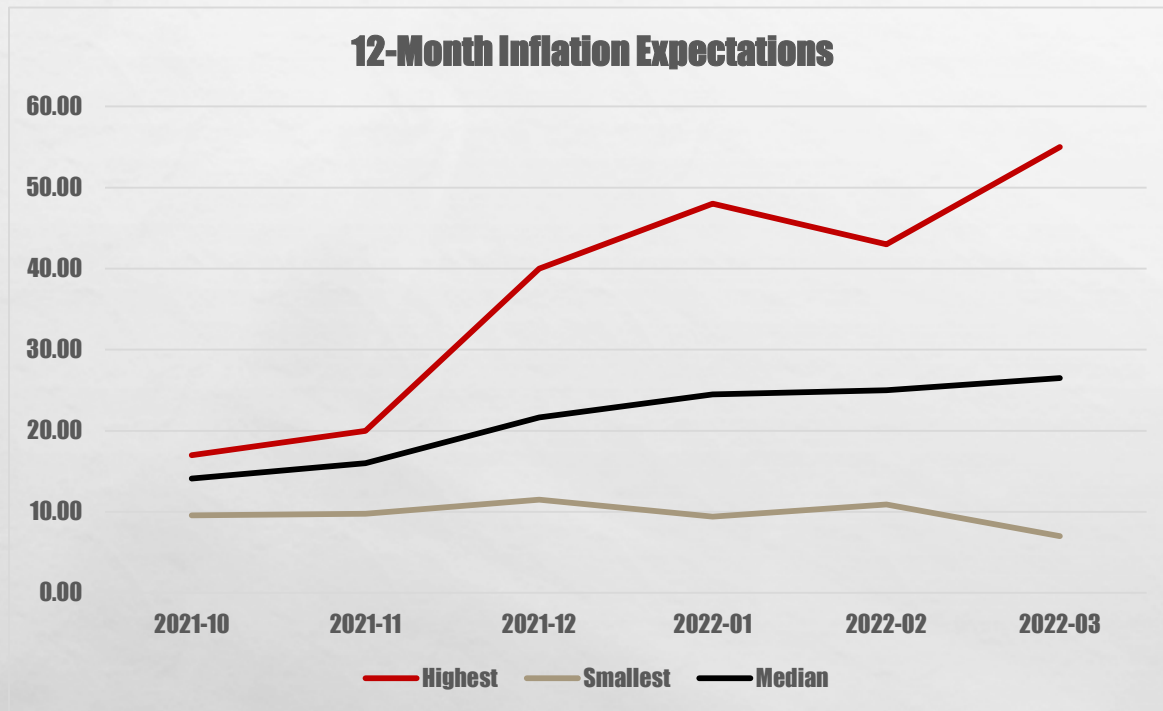
Currencies (24.12.2021 = 100)



- Türk Lirası
- Euro
- Azerbaycan Yeni Manatı
- Bulgar Levası
- Güney Kore Wonu
- İran Riyali
- Pakistan Rupisi
- Rumen Leyi
- Brezilya Reali
- Çek Korunası
- Endonezya Rupisi
- Güney Afrika Randı
- Hindistan Rupisi
- Hırvatistan Kunası
- Meksika Pezosu
- Peru Yeni Solu
- Polonya Zlotisi
- Suriye Lirası

Source: CBRT

HOW SUCCESSFUL IS IT?



**Inflation expectations
are rising**

Volatility is rising

Source: CBRT

GLOBAL RISK OUTLOOK

**Commodity
Prices**

**Tourism
Revenues**

Exports

**Interest
Rate Hikes**

Tapering

**Supply
Links**

Russia - Ukraine

**AM Monetary
Policy**

Covid

REAL POLICY QUESTIONS

How to exit from FX guarantee?

What should be the policy framework?

THANKS