

# Making Cooperation Work

# COMCEC STRATEGY

# For Building an Interdependent Islamic World

# COMCEC FINANCIAL OUTLOOK 2014

# Fırat YILMAZ



## 2nd Meeting of COMCEC Finance Working Group

March 27th, 2013  
Ankara, Turkey



# OUTLINE

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- Recent Financial Developments
- Financial Outlook of COMCEC Region

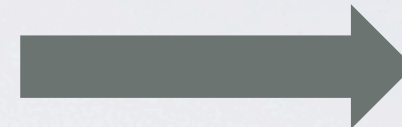
# RECENT FINANCIAL DEVELOPMENTS



# Recent Financial Developments

Since 2008

- Non-stop quantitative easing
- Persistent low yields
- Buoyancy in US economy



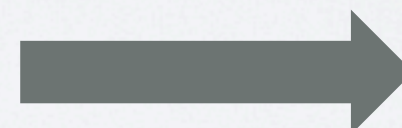
High asset prices until May 2013

What happened in May 2013



The FED's Signal

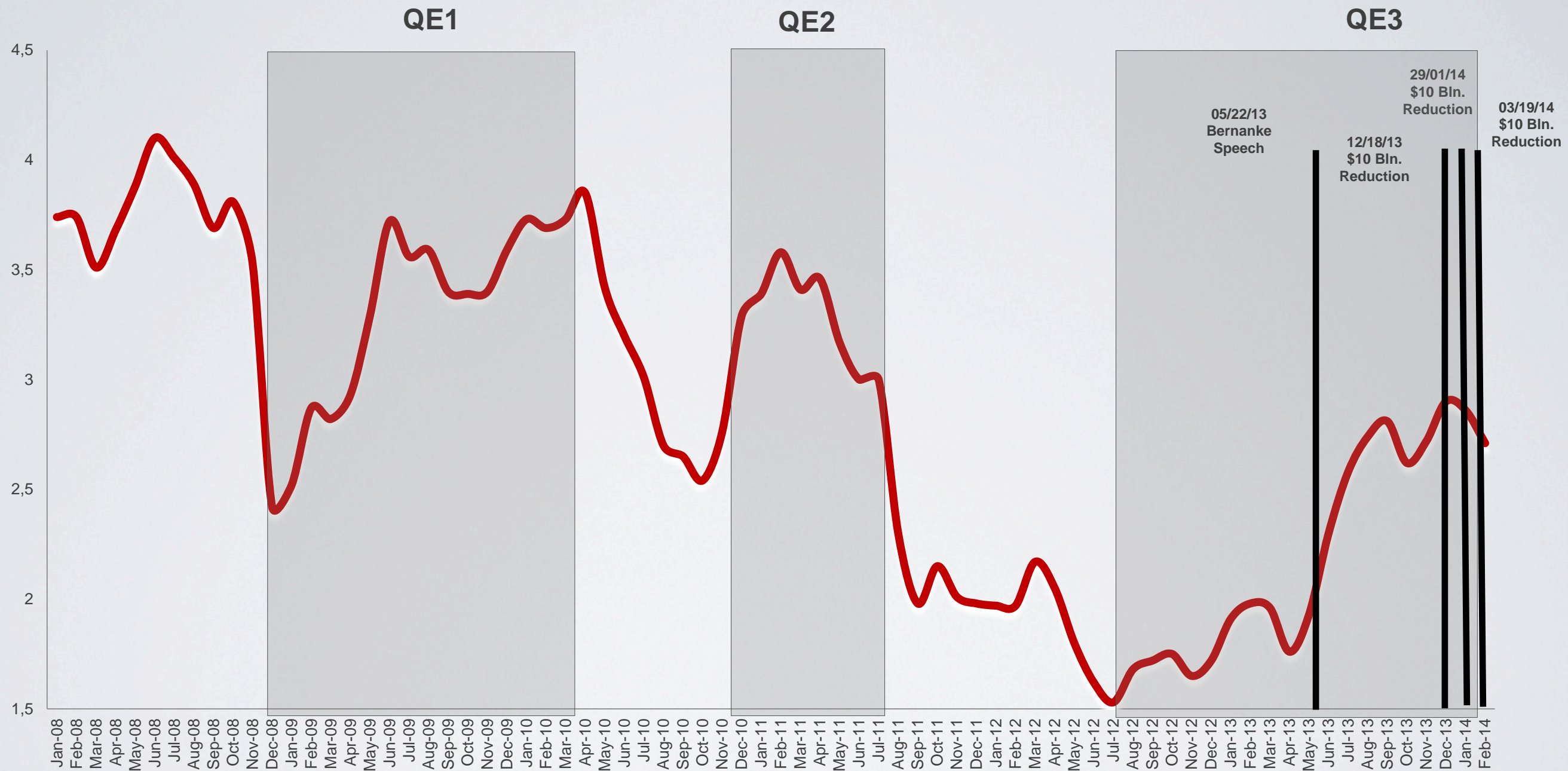
- A signal of tapering asset purchase program



Serious capital outflows with a slowing growth

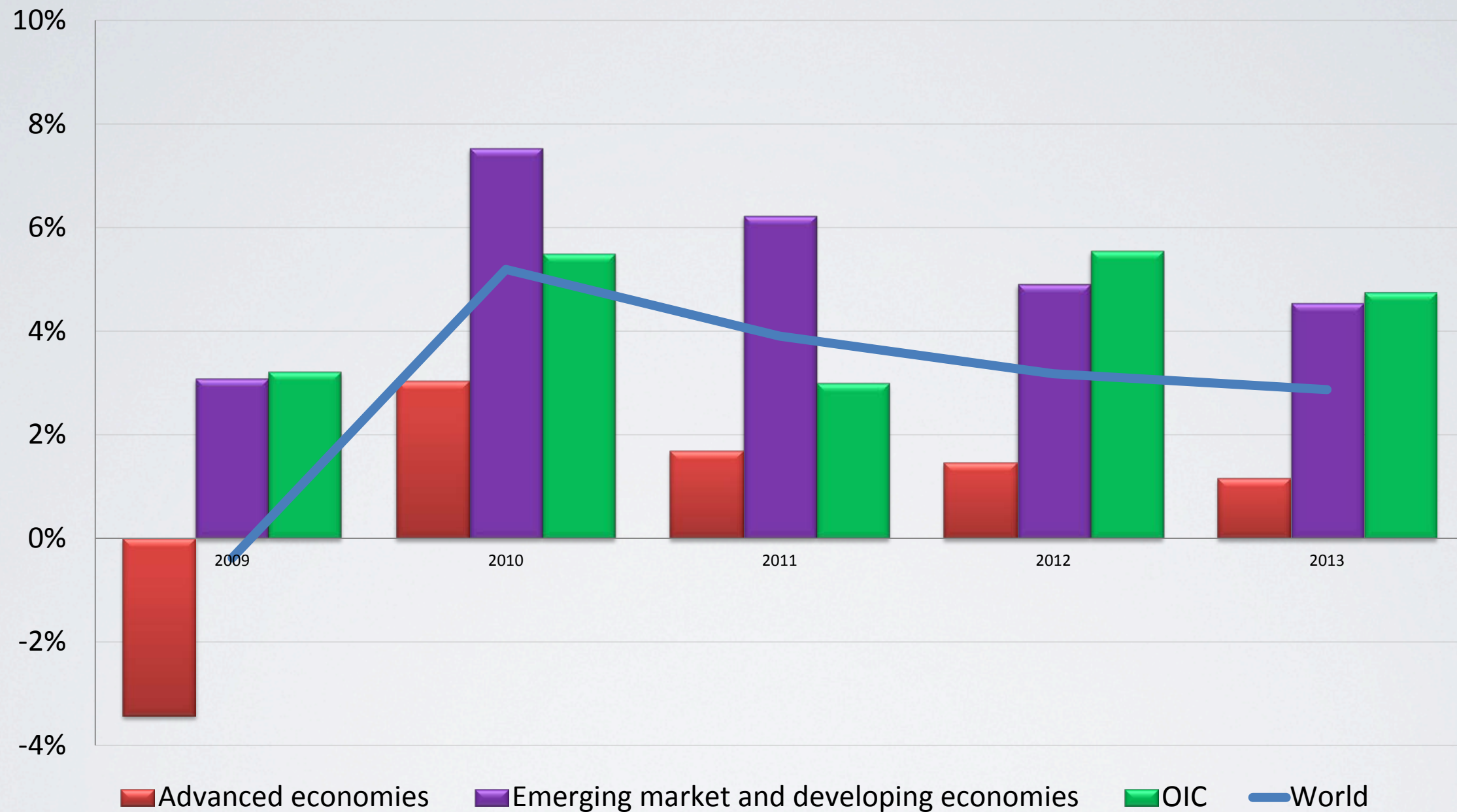
# Recent Financial Developments

10 Year U.S. Treasury Bond Yields



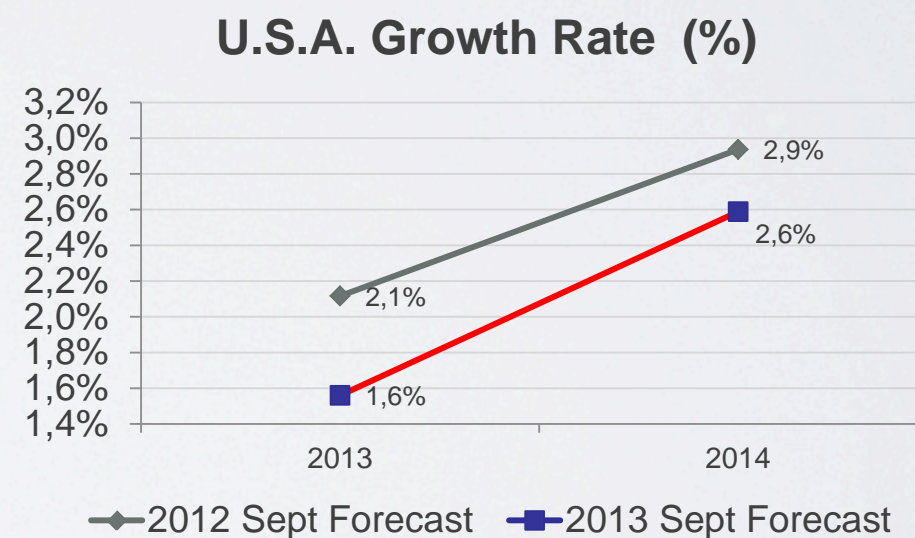
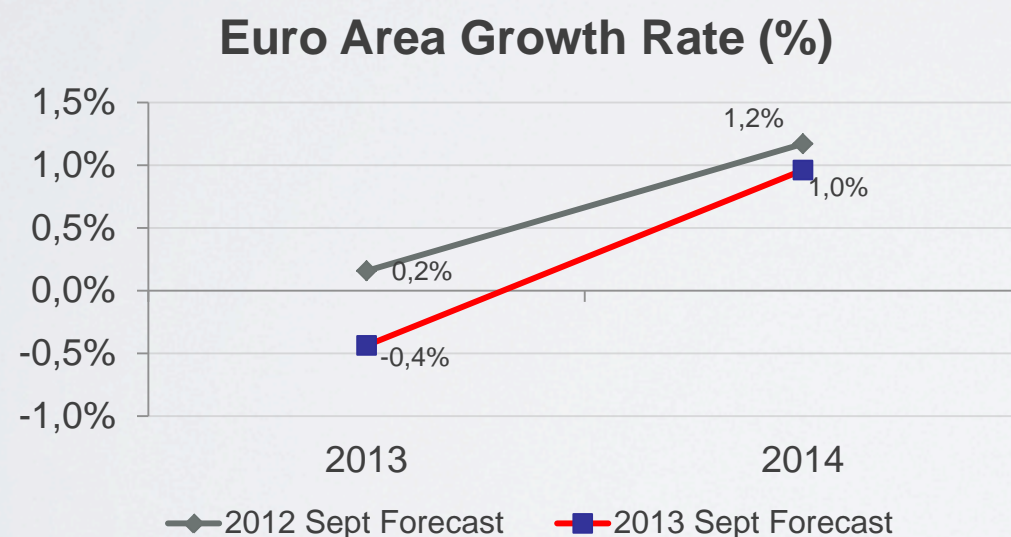
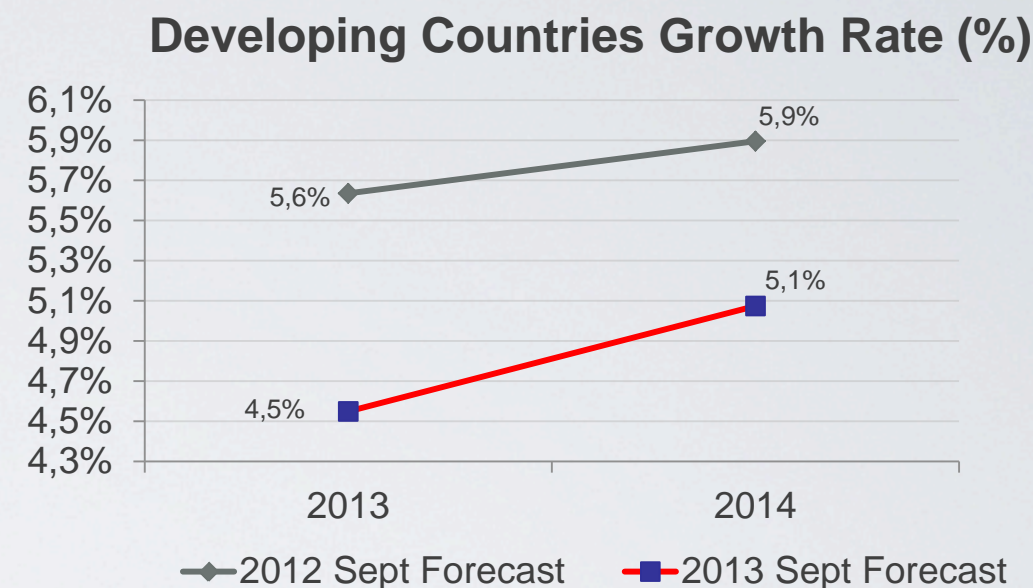
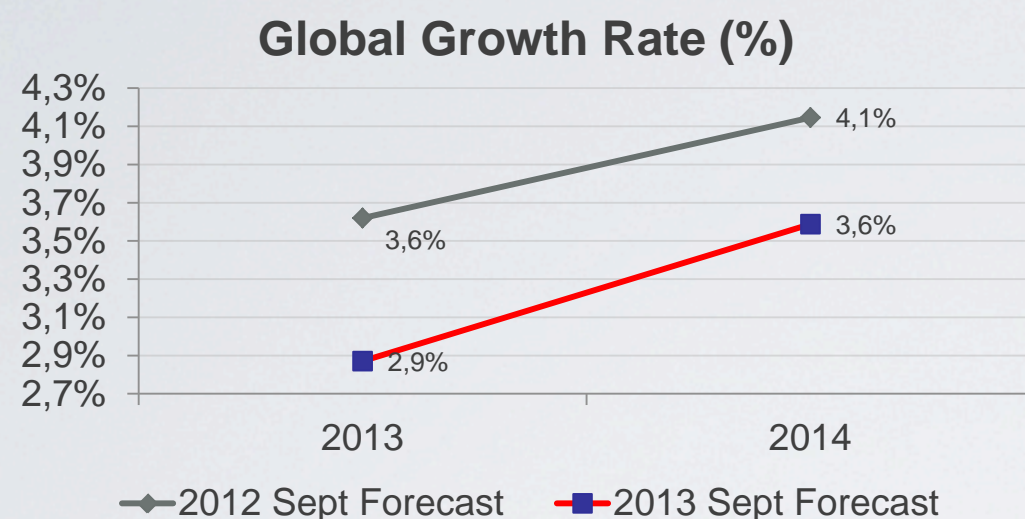


# Real GDP Growth Rates



Source: Calculated by using IMF Database

# Economic Growth Rates (Forecast)



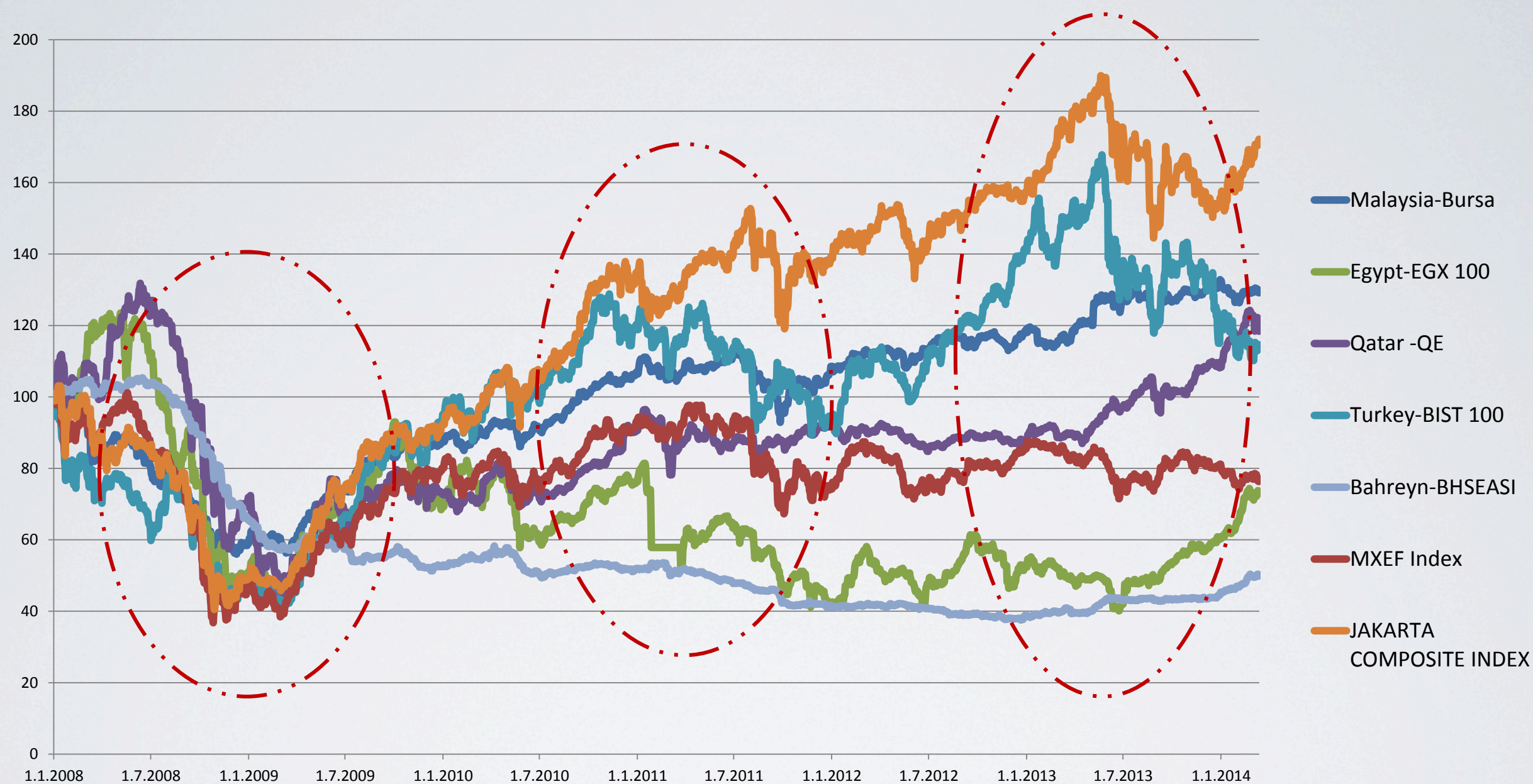
Source: IMF World Economic Outlook



# FINANCIAL OUTLOOK OF COMCEC REGION



# Selected Stocks of COMCEC Member States



Source: Bloomberg

## FINANCIAL DEPTH

- Measures the size of financial institutions and markets

## FINANCIAL ACCESS

- Measures to the degree to which individuals can use financial institutions and markets

## FINANCIAL EFFICIENCY

- Measures the efficiency of financial institutions and markets in providing financial services

## FINANCIAL STABILITY

- Measures the stability of financial institutions and markets



# Selected Financial Data

	FINANCIAL INSTITUTION	FINANCIAL MARKETS
<b>DEPTH</b>	Private Sector Credit to GDP Deposits to GDP	Stock Market Capitalization Stock Traded to GDP
<b>ACCESS</b>	Account per Thousand Adults Bank Branches per 100.000 adults Adults with an Account at a Formal Financial Institution to Total Adults % Adults Saving at a Financial Institution in the Past Year to Total Adults %	5 Bank Asset Concentration
<b>EFFICIENCY</b>	Net Interest Margin Lending Deposit Spread (%) Non-interest Income to Total Income	Stock Market Turnover Ratio
<b>STABILITY</b>	Z-Score Capital Adequacy Ratios Non-Performing loans (%)	Volatility of Stock Price

Source: World Bank



# Categorization of COMCEC Member States

Categories	Countries	Number of Countries
<b>OIC-Low income group</b> <b>US\$ 1035 or less</b>	Afghanistan, Bangladesh, Benin, Burkina Faso, Chad, Comoros, The Gambia, Guinea, Guinea Bissau, Kyrgyz Republic, Mali, Mozambique, Niger, Sierra Leone, Somalia, Tajikistan, Togo, Uganda	19
<b>OIC-Lower middle income group</b> US\$ 1,036 to US\$ 4,085	Cameroon, Côte d'Ivoire, Djibouti, Egypt, Guyana, Indonesia, Mauritania, Morocco, Nigeria, Pakistan, Senegal, Sudan, Syria, Uzbekistan, Yemen	15
<b>OIC-Upper middle income</b> US\$ 4,086 to US\$12,615	Albania, Algeria, Azerbaijan, Gabon, Islamic Republic of Iran, Iraq, Jordan, Kazakhstan, Lebanon, Libya, Malaysia, Maldives, Suriname, Tunisia, Turkey, Turkmenistan	16
<b>OIC-High income group</b> US\$ 12,616 or more	Bahrain, Brunei Darussalam, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates	7

Source: World Bank



FINANCIAL DEPTH

FINANCIAL ACCESS

FINANCIAL EFFICIENCY

FINANCIAL STABILITY

FINANCIAL DEPTH

FINANCIAL ACCESS

FINANCIAL EFFICIENCY

FINANCIAL STABILITY



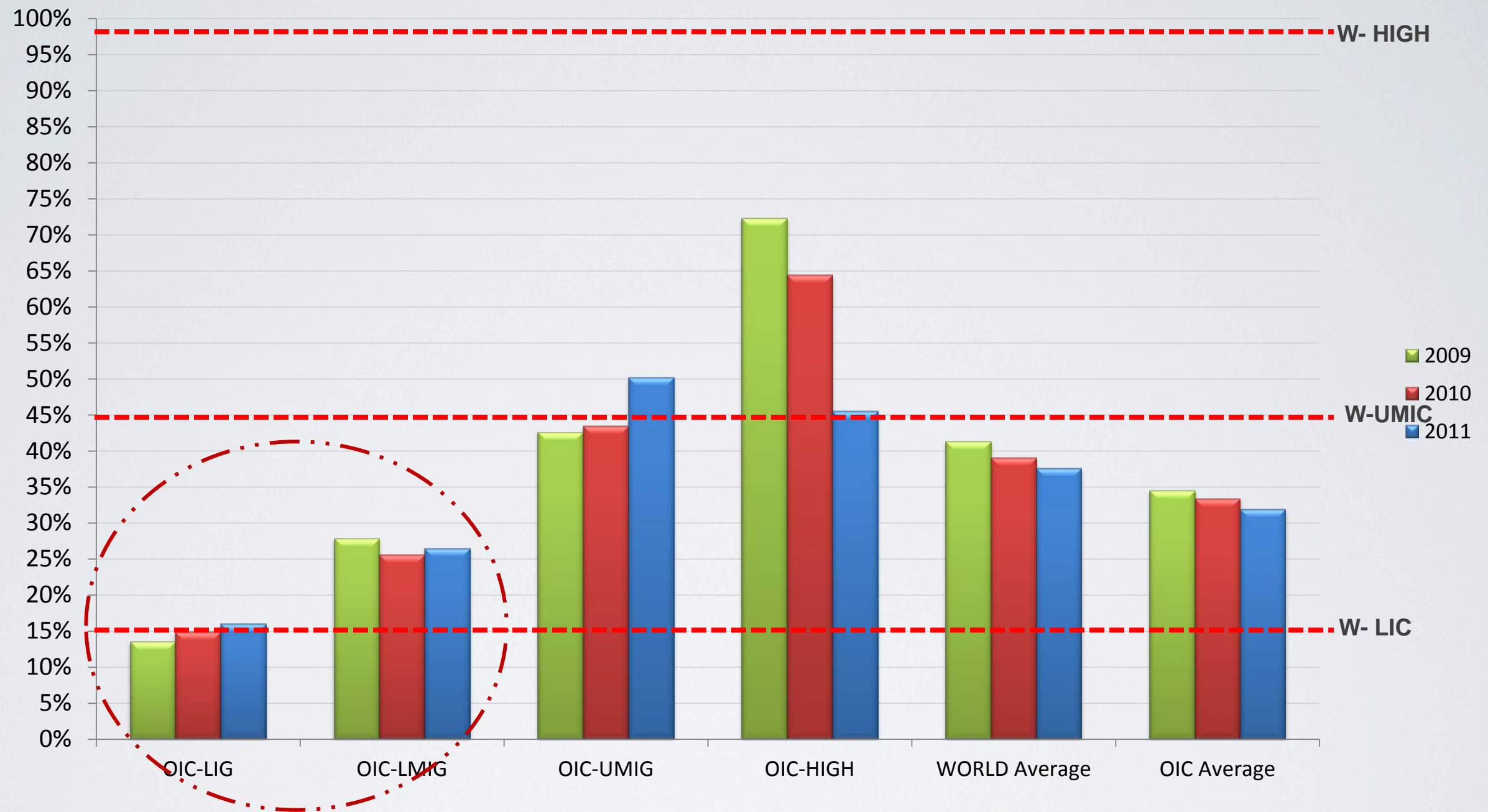
# FINANCIAL DEPTH

Private Credit to GDP Ratio

Bank Deposits to GDP Ratio

Stock Market Capitalization to GDP

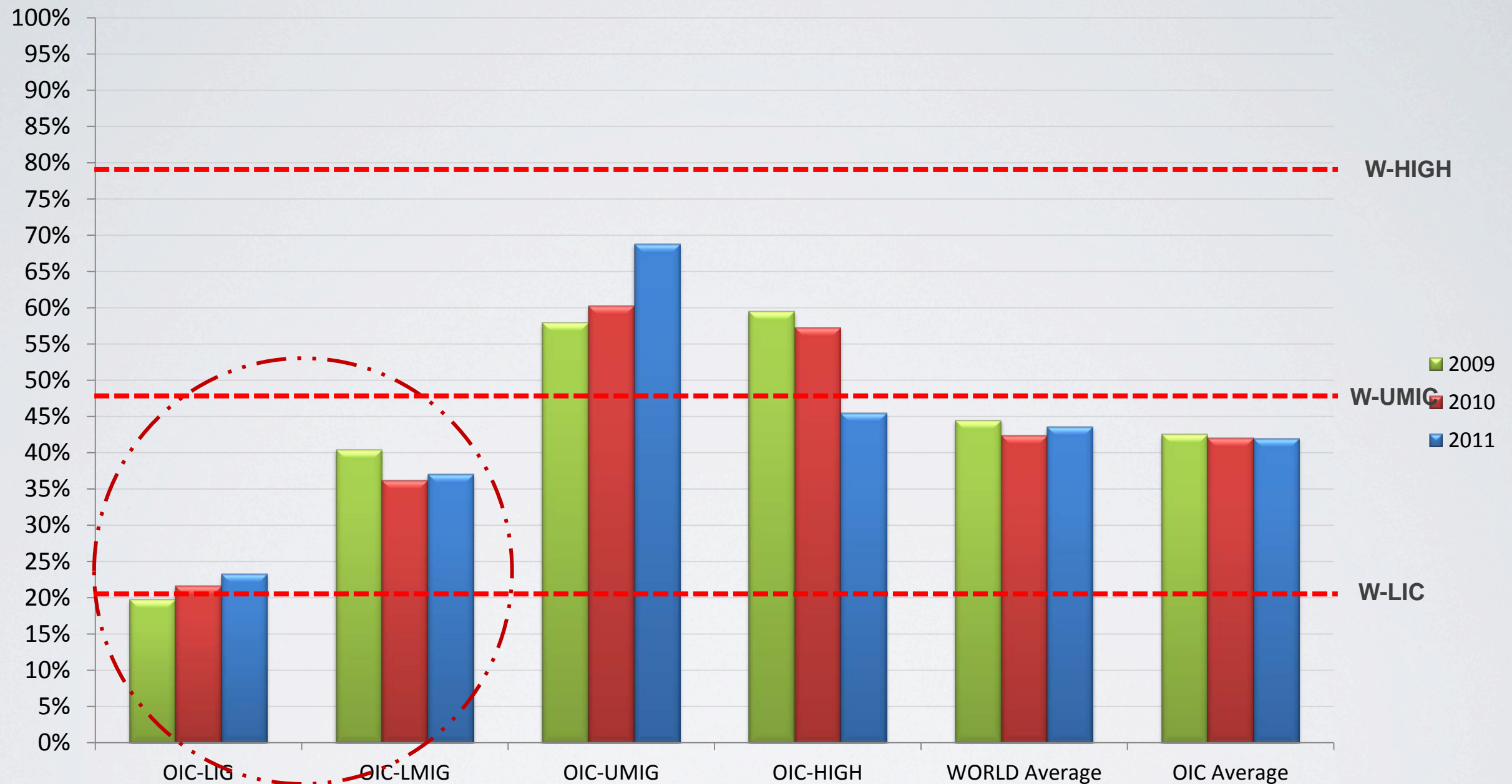
# Private Credit to GDP Ratios



Source: Calculated by using World Bank Database

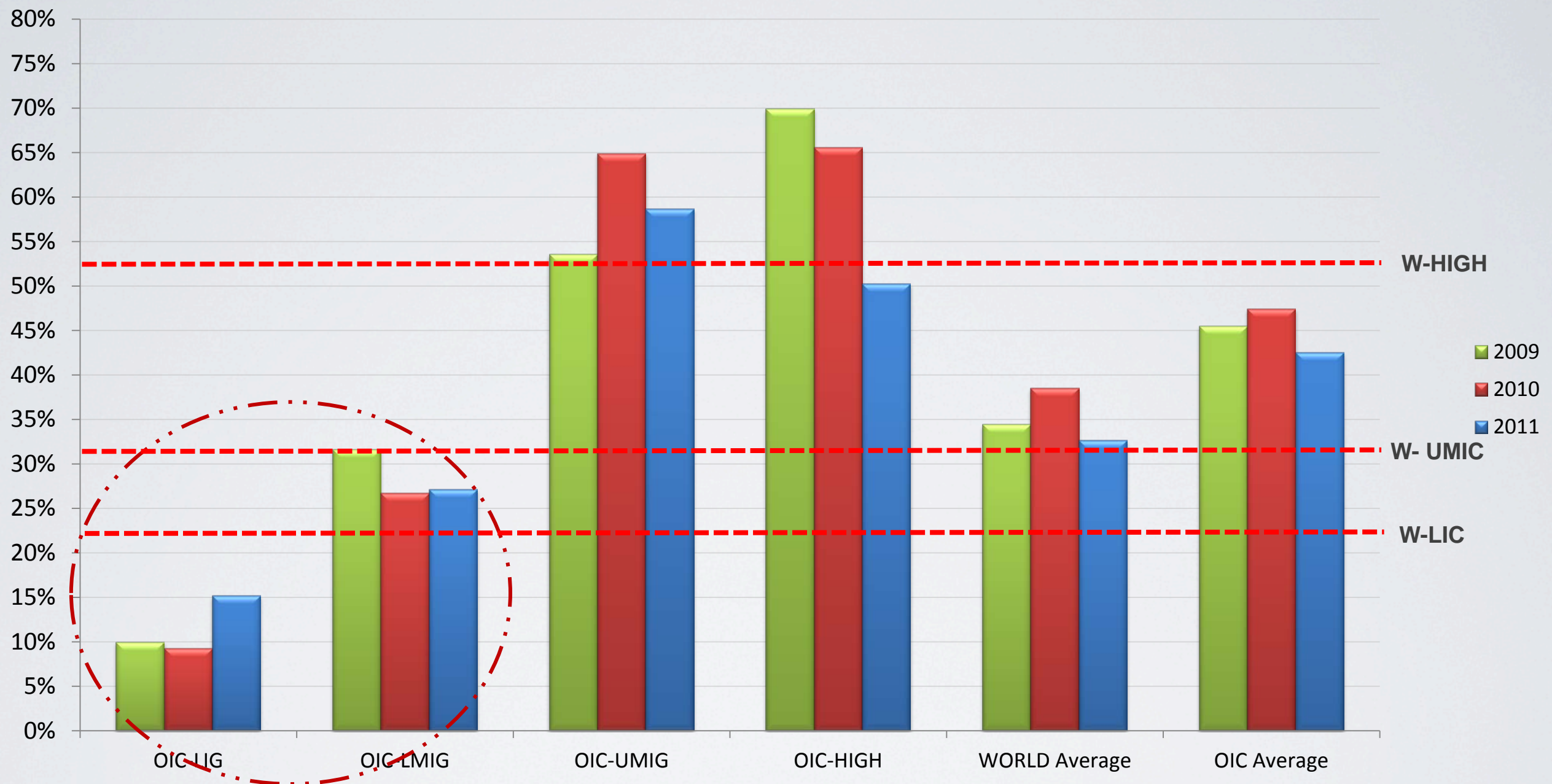


# Bank Deposits to GDP Ratios



Source: Calculated by using World Bank Database

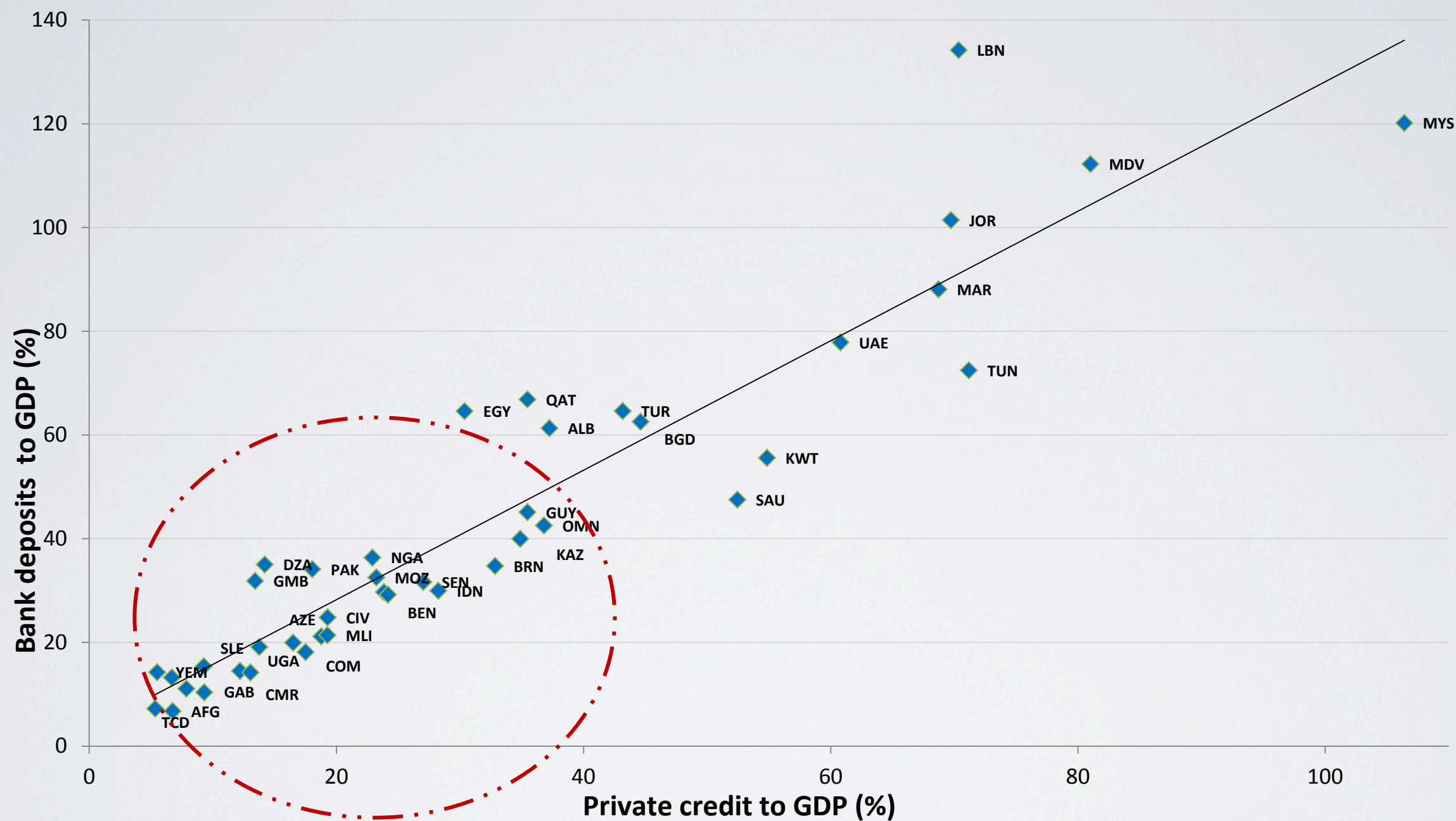
# Stock Market Capitalization to GDP



Source: Calculated by using World Bank Database



# Analysis of Financial Depth



Source: Calculated by using World Bank Database

2011

FINANCIAL DEPTH

FINANCIAL ACCESS

FINANCIAL EFFICIENCY

FINANCIAL STABILITY



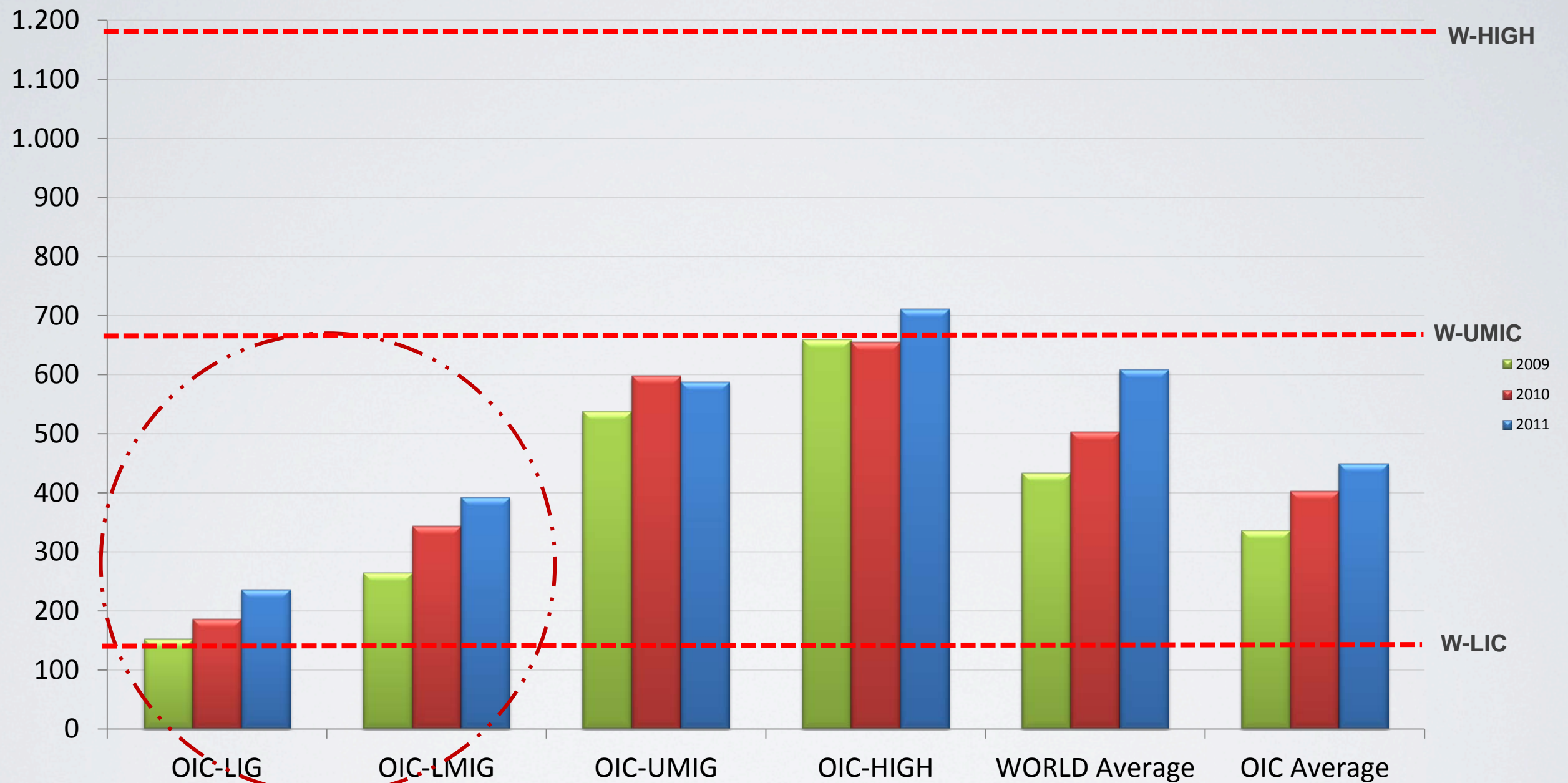
# FINANCIAL ACCESS

Bank Accounts per 1,000  
Adults

Bank Branches per  
100,000 Adults

Adults Saving at a  
Financial Institution

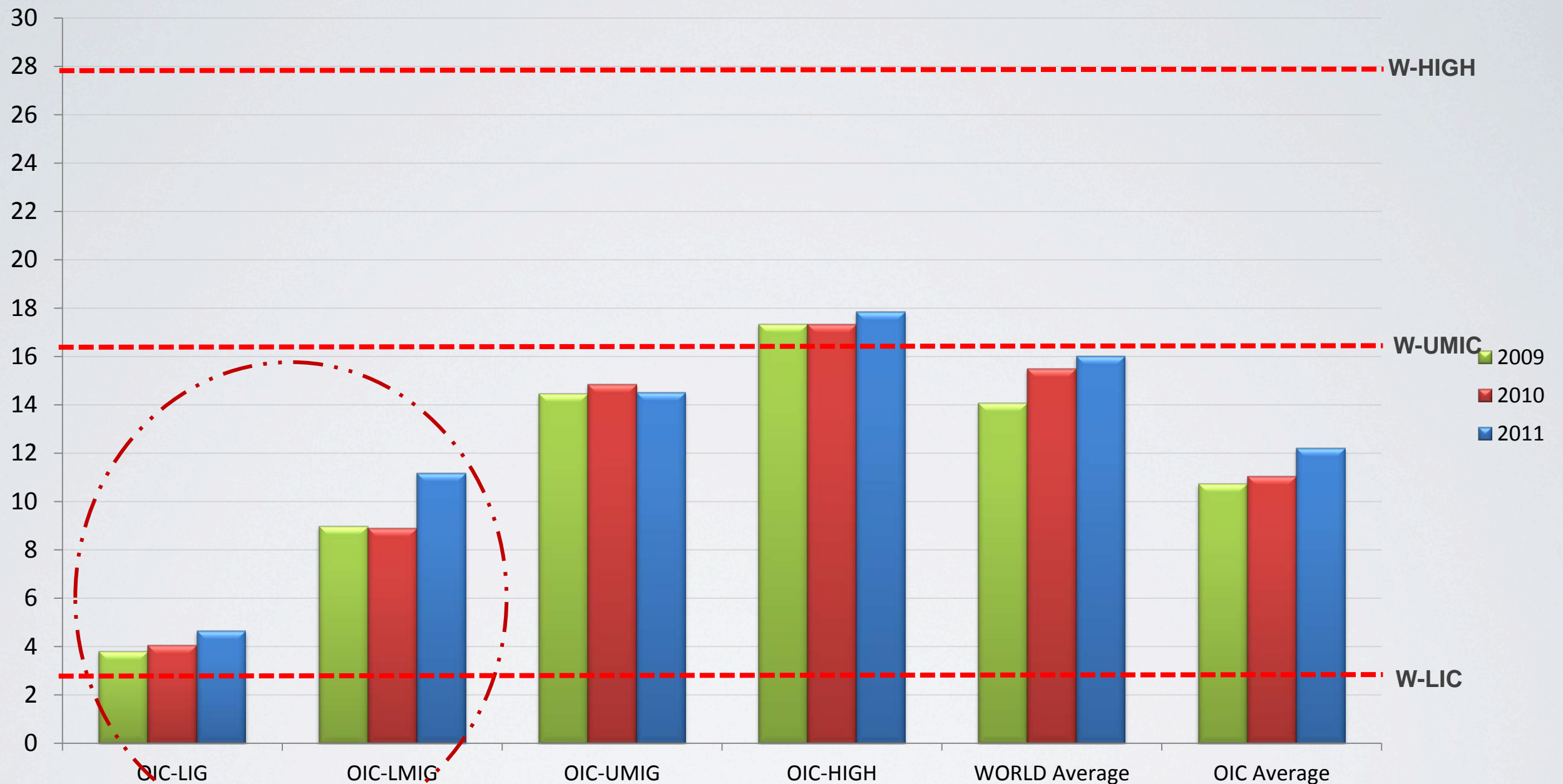
# Bank Accounts per 1,000 Adults



Source: Calculated by using World Bank Database

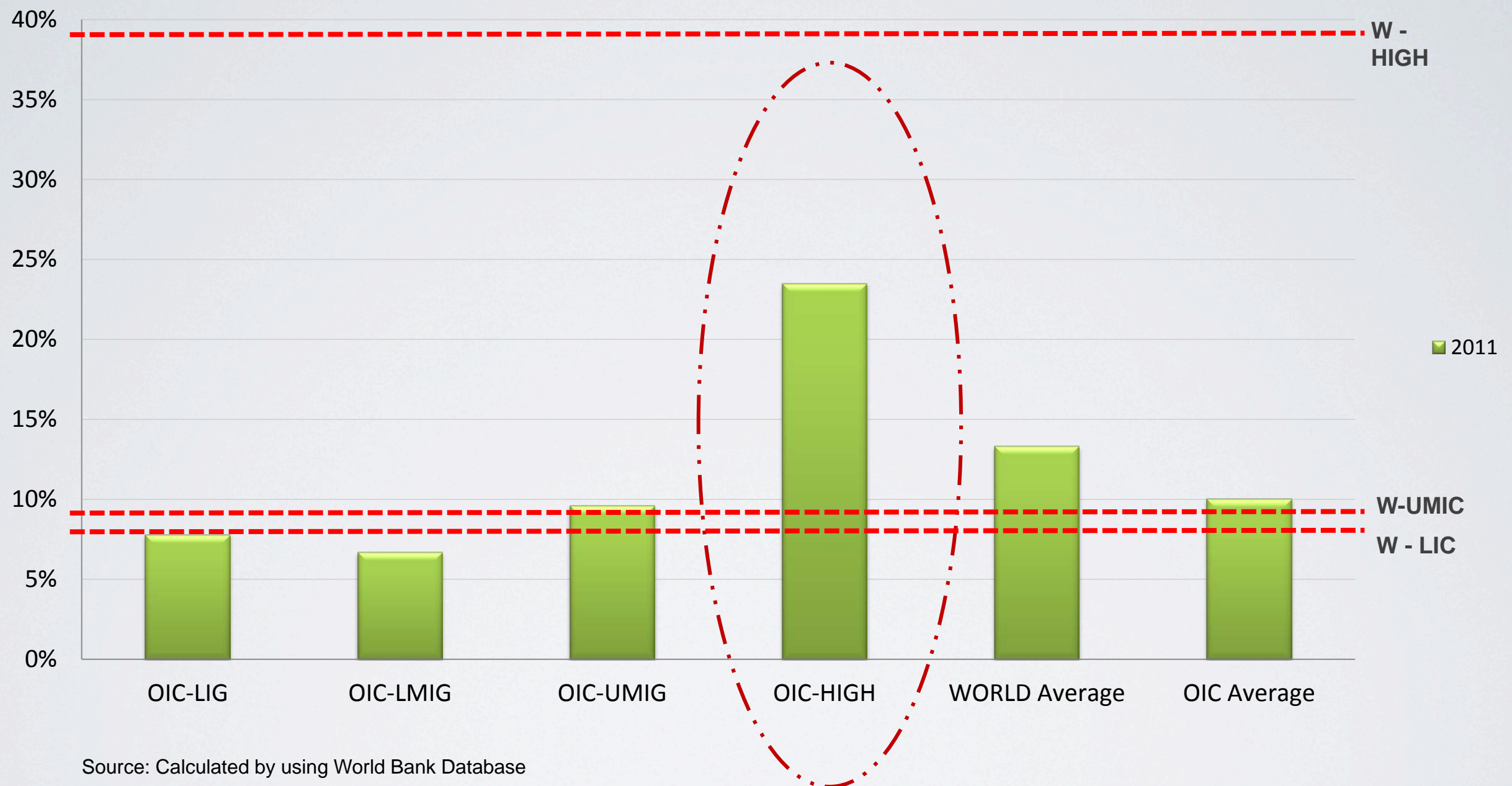


# Bank Branches per 100,000 Adults



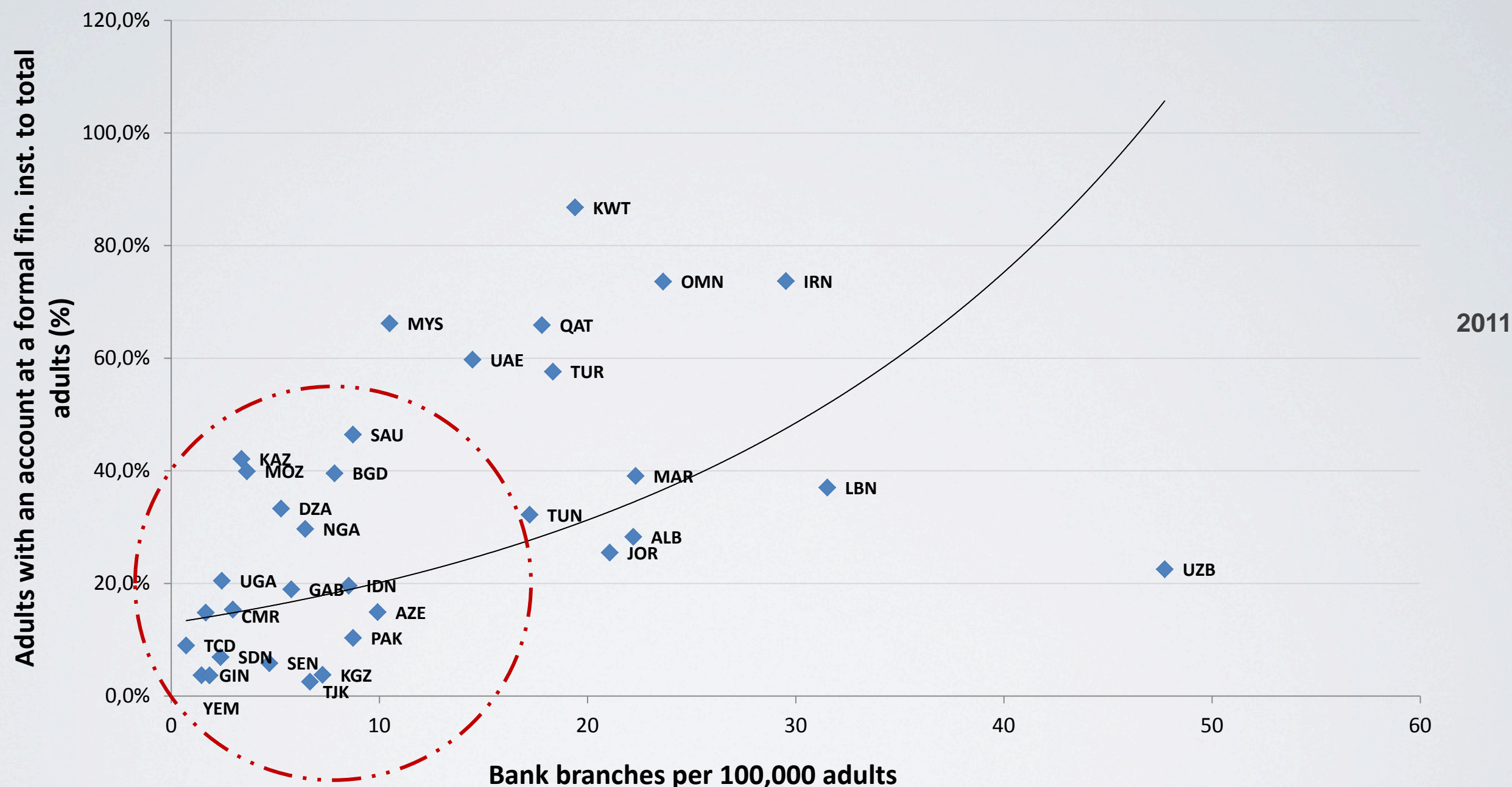
Source: Calculated by using World Bank Database

# Adults Saving at a Financial Institution to Total Adults



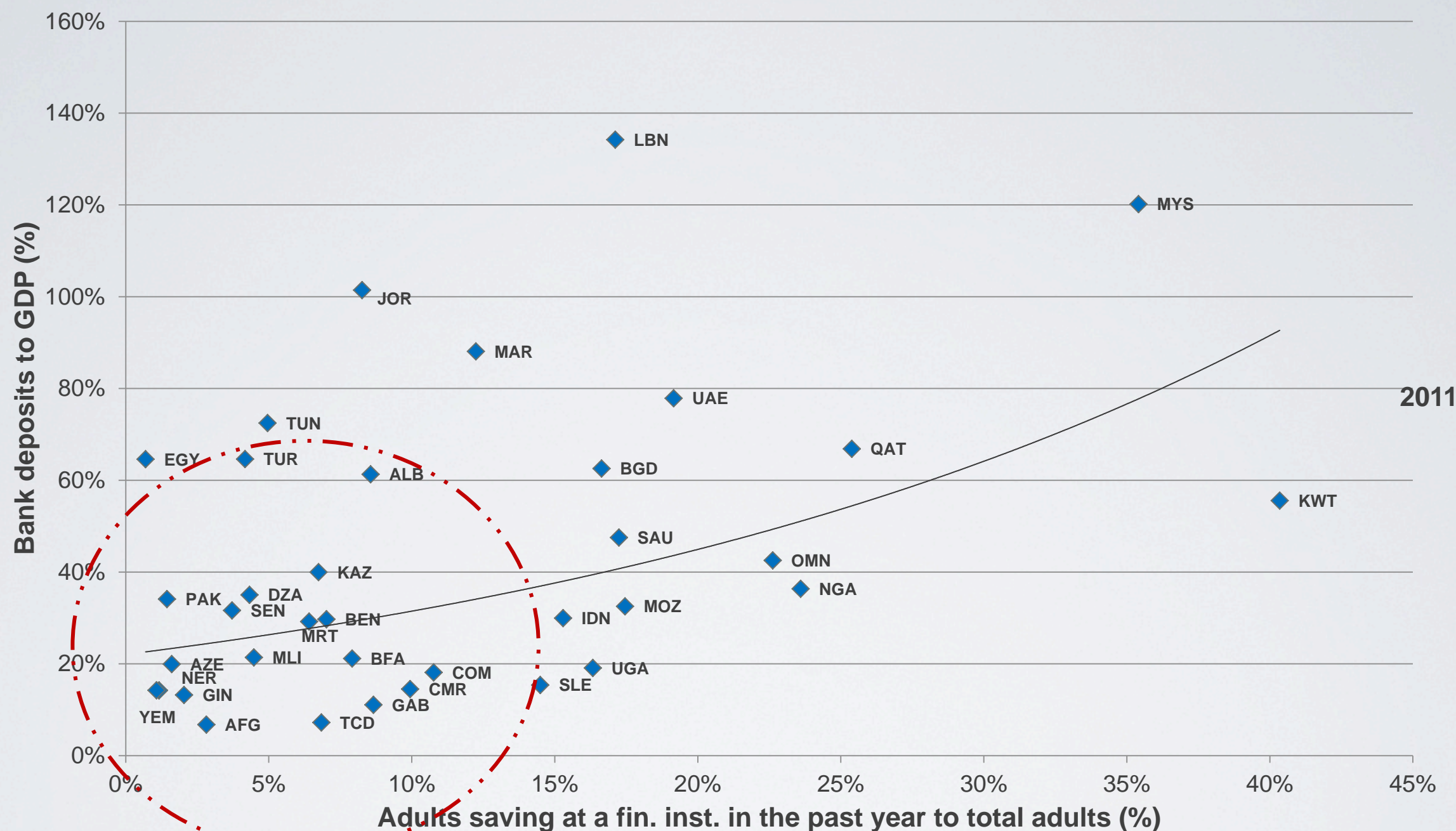


# Analysis of Financial Access



Source: Calculated by using World Bank Database

# Analysis of Financial Depth and Access



Source: Calculated by using World Bank Database



FINANCIAL DEPTH

FINANCIAL ACCESS

FINANCIAL EFFICIENCY

FINANCIAL STABILITY

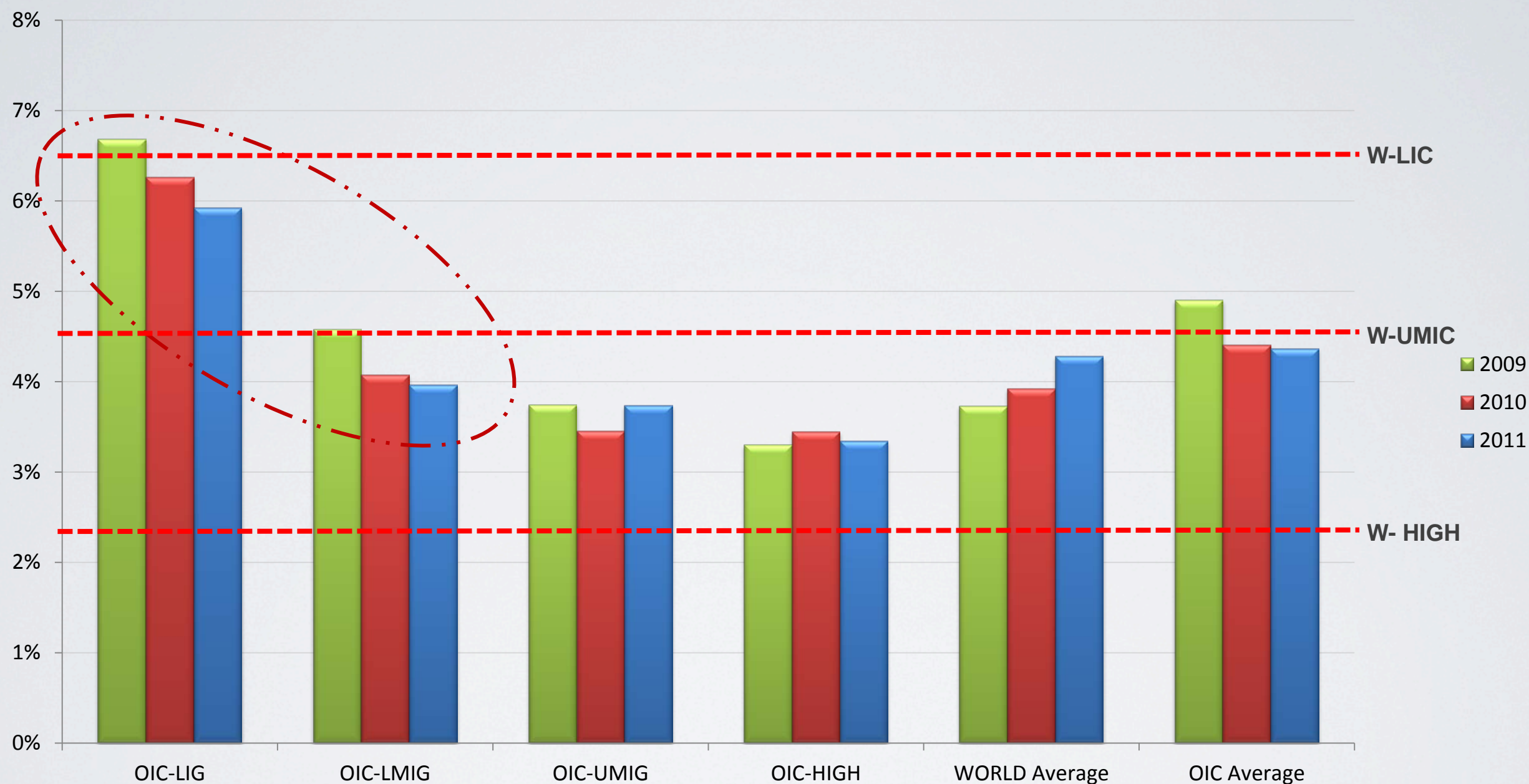
# FINANCIAL EFFICIENCY

Net Interest Margin

Stock Market Turnover Ratio

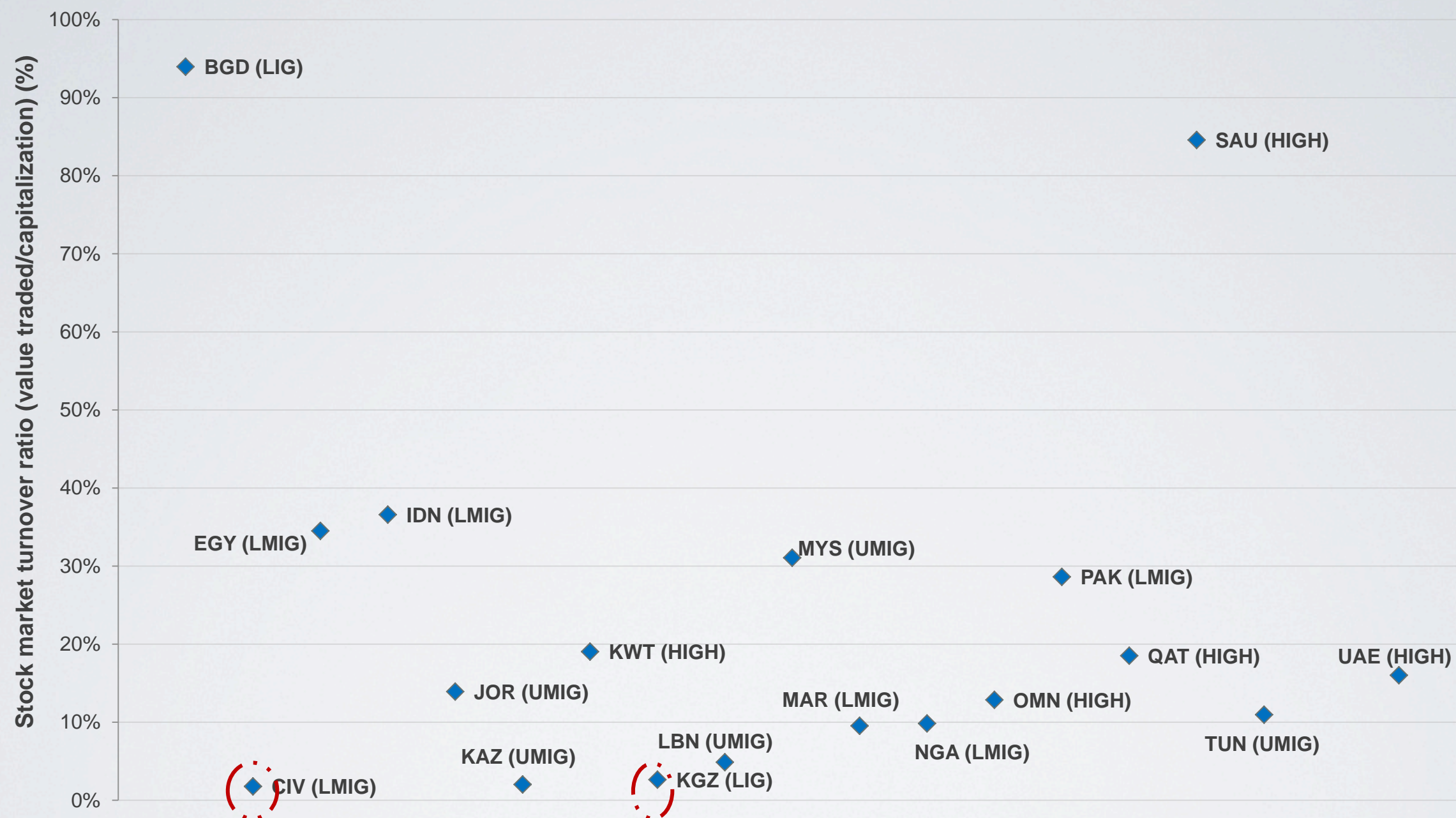


# Net Interest Margin Rates



Source: Calculated by using World Bank Database

# Stock Market Turnover Ratio, 2011



2011

Source: Calculated by using World Bank Database



FINANCIAL DEPTH

FINANCIAL ACCESS

FINANCIAL EFFICIENCY

FINANCIAL STABILITY

# FINANCIAL STABILITY

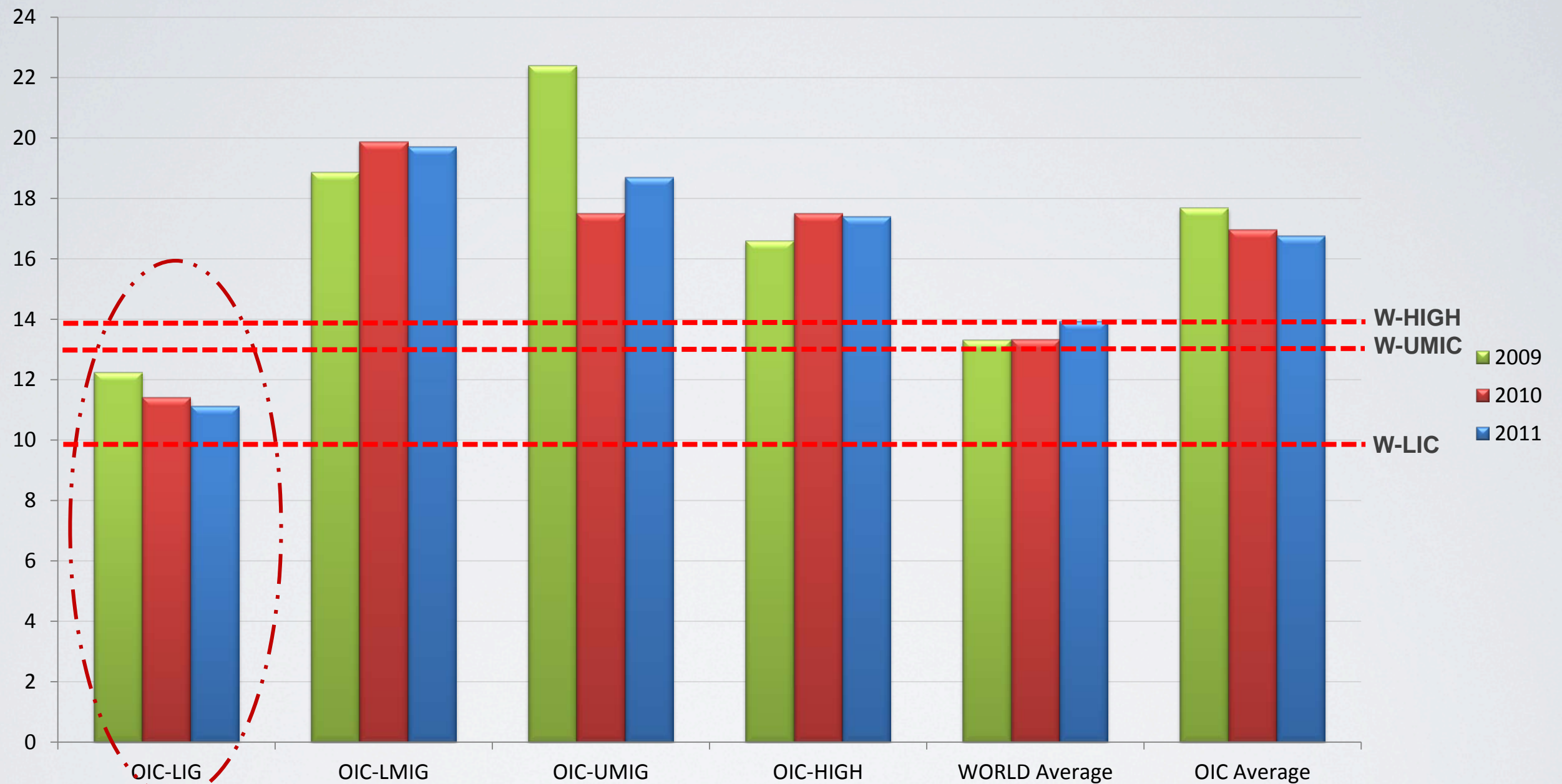
Z-Score

Non-Performing Loans

Capital Adequacy Ratio

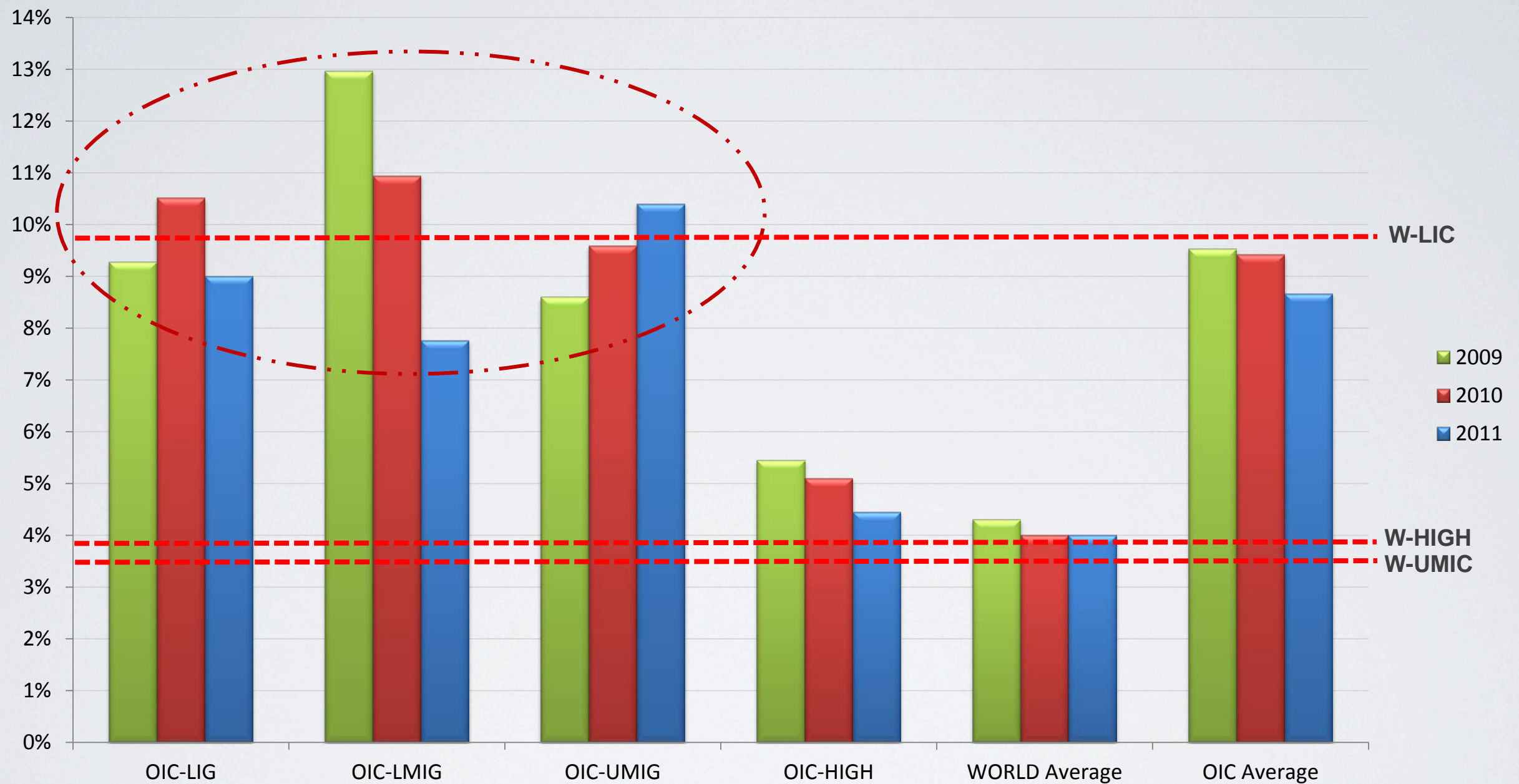


# Z-Scores



Source: Calculated by using World Bank Database

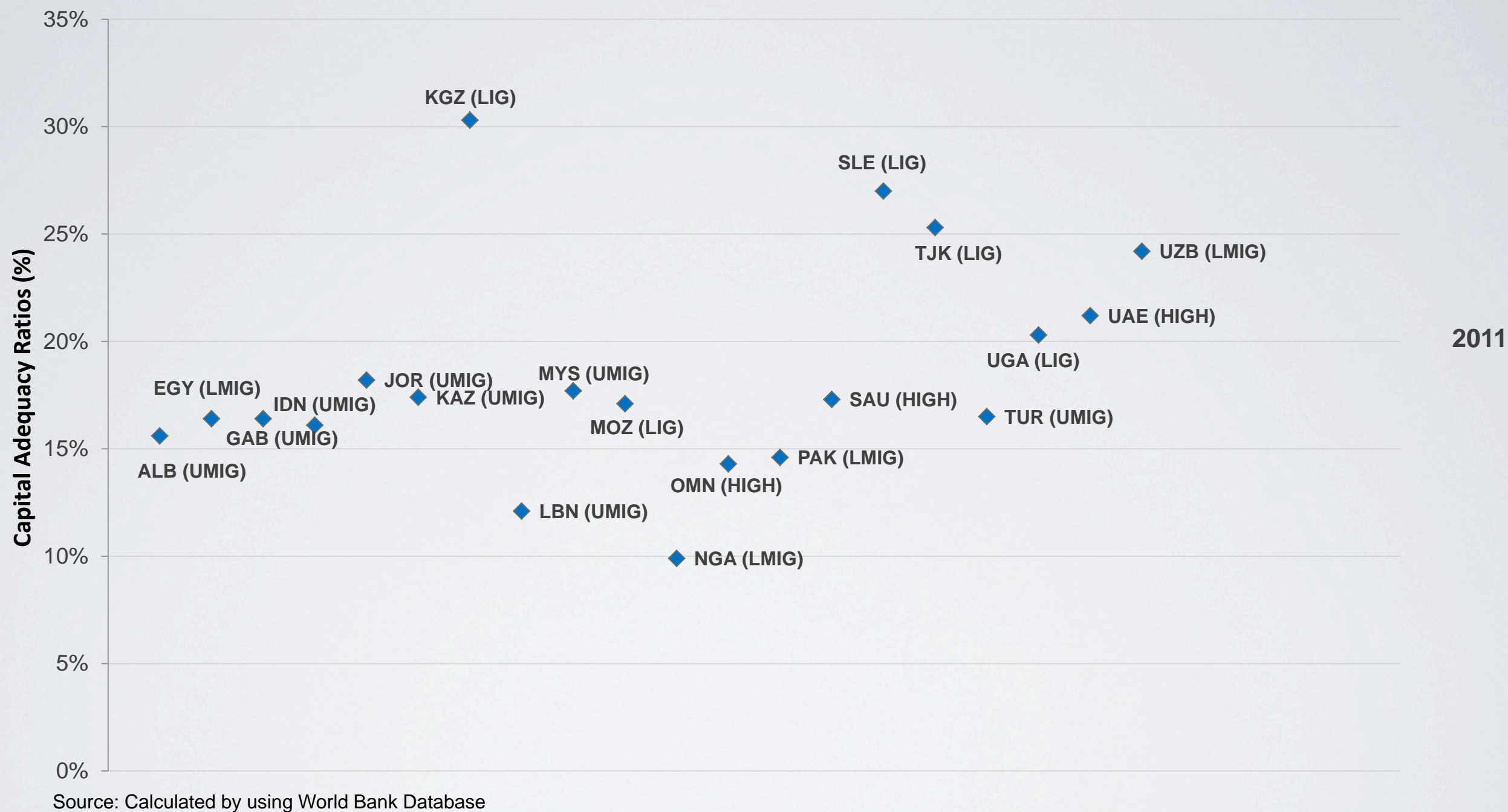
# Non-Performing Loans (NPL)



Source: Calculated by using World Bank Database



# Capital Adequacy Ratios



# Analysis of Financial Stability and Depth



Source: Calculated by using World Bank Database



# Overall Assessment

	Financial Depth	Financial Access	Financial Efficiency	Financial Stability
<b>OIC-LIG</b>	<ul style="list-style-type: none"> <li>Limited private credit opportunities</li> <li>Underdeveloped banking sector and security market</li> </ul>	<ul style="list-style-type: none"> <li>Lower access to financial services</li> <li>Low saving rates</li> </ul>	<ul style="list-style-type: none"> <li>Higher transaction/intermediation costs</li> <li>Limited liquidity in the security market</li> </ul>	<ul style="list-style-type: none"> <li>Higher NPLs</li> <li>Higher probability of insolvency</li> </ul>
<b>OIC-LMIG</b>	<ul style="list-style-type: none"> <li>Underdeveloped banking sector and security market</li> </ul>	<ul style="list-style-type: none"> <li>Lower access to financial services</li> <li>Lower saving rates</li> </ul>	<ul style="list-style-type: none"> <li>Transaction/intermediation costs in line with world average</li> </ul>	<ul style="list-style-type: none"> <li>Higher NPLs</li> </ul>
<b>OIC-UMIG</b>	<ul style="list-style-type: none"> <li>Better developed banking sector and security market</li> </ul>	<ul style="list-style-type: none"> <li>Lower saving rates</li> </ul>	<ul style="list-style-type: none"> <li>Usually low volumes of stock market in many countries</li> </ul>	<ul style="list-style-type: none"> <li>Higher NPLs</li> </ul>
<b>OIC-HIGH</b>	<ul style="list-style-type: none"> <li>Better developed banking sector and security market</li> </ul>	<ul style="list-style-type: none"> <li>Better access to financial services</li> <li>Higher saving rates</li> </ul>	<ul style="list-style-type: none"> <li>Usually low volumes of stock market in many countries</li> <li>Lower transaction/intermediation cost</li> </ul>	<ul style="list-style-type: none"> <li>More resilient to shocks</li> <li>Lower NPLs</li> </ul>

# Making Cooperation Work

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# Thank You



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