



Making Cooperation Work

COMCEC STRATEGY

For Building an Interdependent Islamic World

COMCEC FINANCIAL OUTLOOK 2015

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COMCEC

4th Meeting of COMCEC Financial Cooperation Working Group

March 19th, 2015

Ankara, Turkey

OUTLINE

- Recent Financial Developments

- Financial Outlook of COMCEC Member States

RECENT FINANCIAL DEVELOPMENTS

Recent Financial Developments

- Six years after the start of the crisis, global economic recovery continues to rely on accommodative monetary policies.
- Accommodative policies created two types of risks:
 - ✓ Economic risk taking in advanced economies
 - ✓ Financial risk taking in the emerging markets for higher yield
- QE supported recovery in U.S., whereas Euro Area is still far from the recovery and facing low inflation.
- Emerging markets became more vulnerable to shocks than developed countries.

Source: IMF, World Bank

Recent Financial Developments

Era of Stronger Dollar/Weaker Euro

➤ Recovery in the U.S. is stronger than expected.

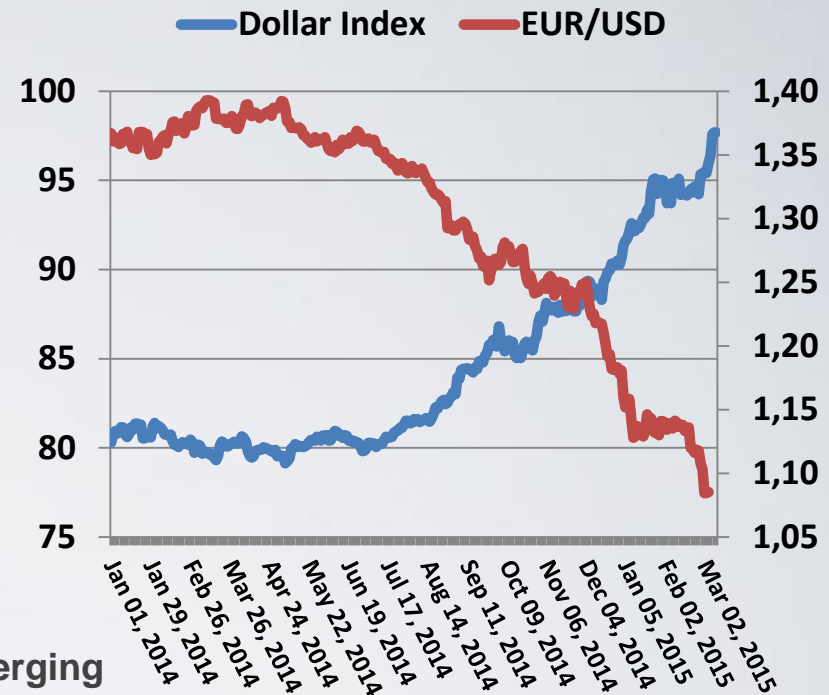
- Growth rate in 2014 was 2.4%
- Unemployment fell to 5.5%
- Rising expectation of increasing interest rates

➤ Euro Area is still far from the recovery.

- Growth rate in 2014 was 0.9%
- Declining inflation in Euro Zone
- ECB began asset-purchasing program on March 9
- The program worth will be 1.1 trillion Euro

➤ Rest of the World:

- **Japan** fell into technical recession in Q3
- Slower growth in **China**
- **Russia's** sharp slowdown and ruble depreciation
- Currency depreciation and hiking interest rates in **Emerging Markets**
- **Lowering** oil and other commodity prices



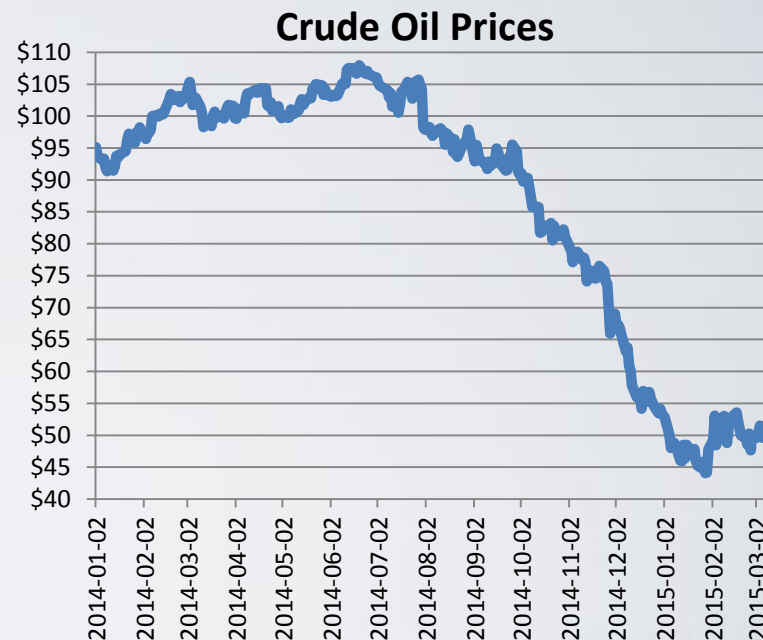
Recent Financial Developments

Oil Prices falling down

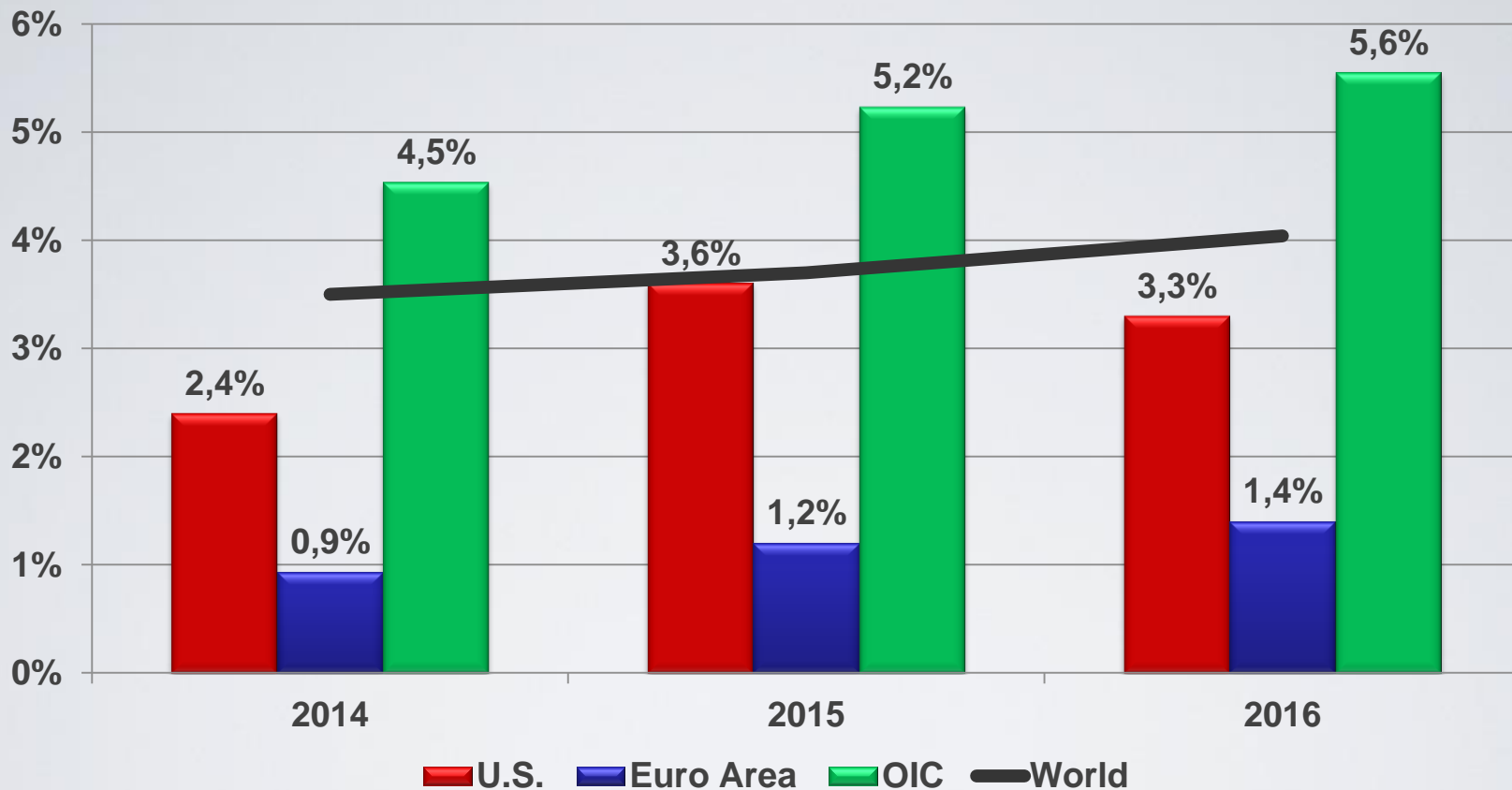
Three main reasons of lowering oil prices:

- Weak global demand (e.g. Euro Area, China, Japan)
- Increasing production by Non-OPEC Countries (e.g. US shale gas production)
- OPEC decision on maintaining current oil production

	Oil Exporting Countries	Oil Importing Countries
Overall	Negative impact on budget and external balances	Improved external balances and economic environment
Government Budget	Reducing oil export revenues Declining government spending	Reducing energy import and the fuel subsidy bills Using savings for targeted transfers
Inflation Interest Rates Currency	Higher Inflation Raising interest rates Local currency depreciation	Declining inflation pressure Lowering interest rates Local currency appreciation
Production	Declining production costs in non-oil industries	Declining production costs
Households	Decreasing disposable income and purchasing power	Increasing disposable incomes and purchasing power



Comparative Growth Rates



Source: Calculated by using IMF Database

FINANCIAL OUTLOOK OF COMCEC



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 INSTITUTIONS	FINANCIAL MARKETS
DEPTH	Private Sector Credit to GDP	Stock Market Capitalization
	Deposits to GDP	Stock Traded to GDP
ACCESS	Account per 1.000 Adults	5 Bank Asset Concentration
	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 %	
EFFICIENCY	Net Interest Margin	Stock Market Turnover Ratio
	Lending Deposit Spread (%)	
	Non-interest Income to Total Income	
STABILITY	Z-Score	Volatility of Stock Price
	Capital Adequacy Ratios	
	Non-Performing loans (%)	

Source: World Bank

Categorization of COMCEC Member States

Categories	Countries	Number of Countries
OIC-Low income group US\$ 1035 or less	Afghanistan, Bangladesh, Benin, Burkina Faso, Chad, Comoros, The Gambia, Guinea, Guinea Bissau, Kyrgyz Republic, Mali, Mozambique, Niger, Sierra Leone, Somalia, Tajikistan, Togo, Uganda	19
OIC-Lower middle income group 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
OIC-Upper middle income 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
OIC-High income group 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

1

- Private Credit to GDP Ratio

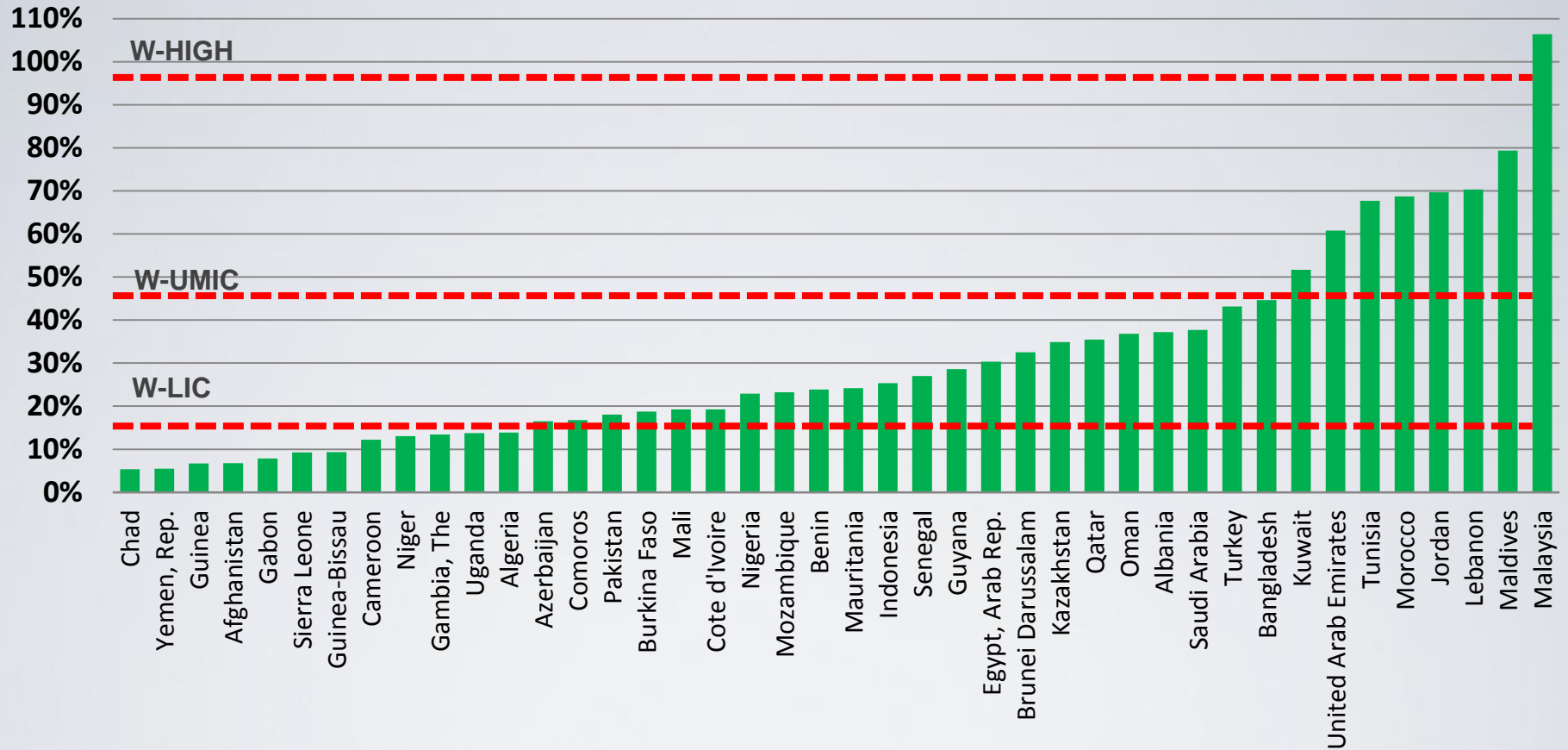
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- Bank Deposits to GDP Ratio

3

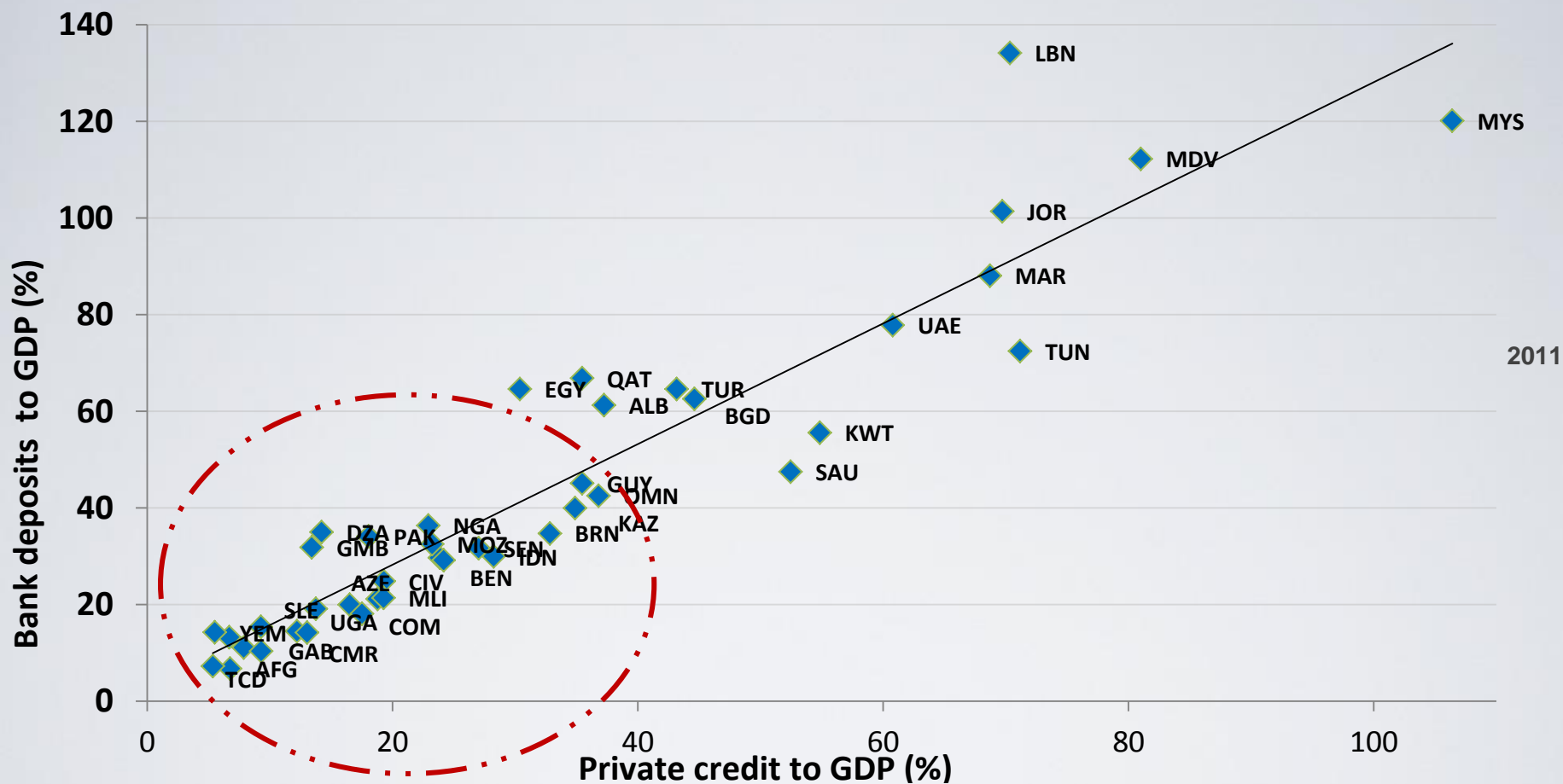
- Stock Market Capitalization to GDP

Private Credit to GDP Ratios (2011)



Source: Calculated by using World Bank Database

Analysis of Financial Depth (2011)



Source: Calculated by using World Bank Database

Stock Market Capitalization to GDP (2011)



Source: Calculated by using World Bank Database

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FINANCIAL ACCESS

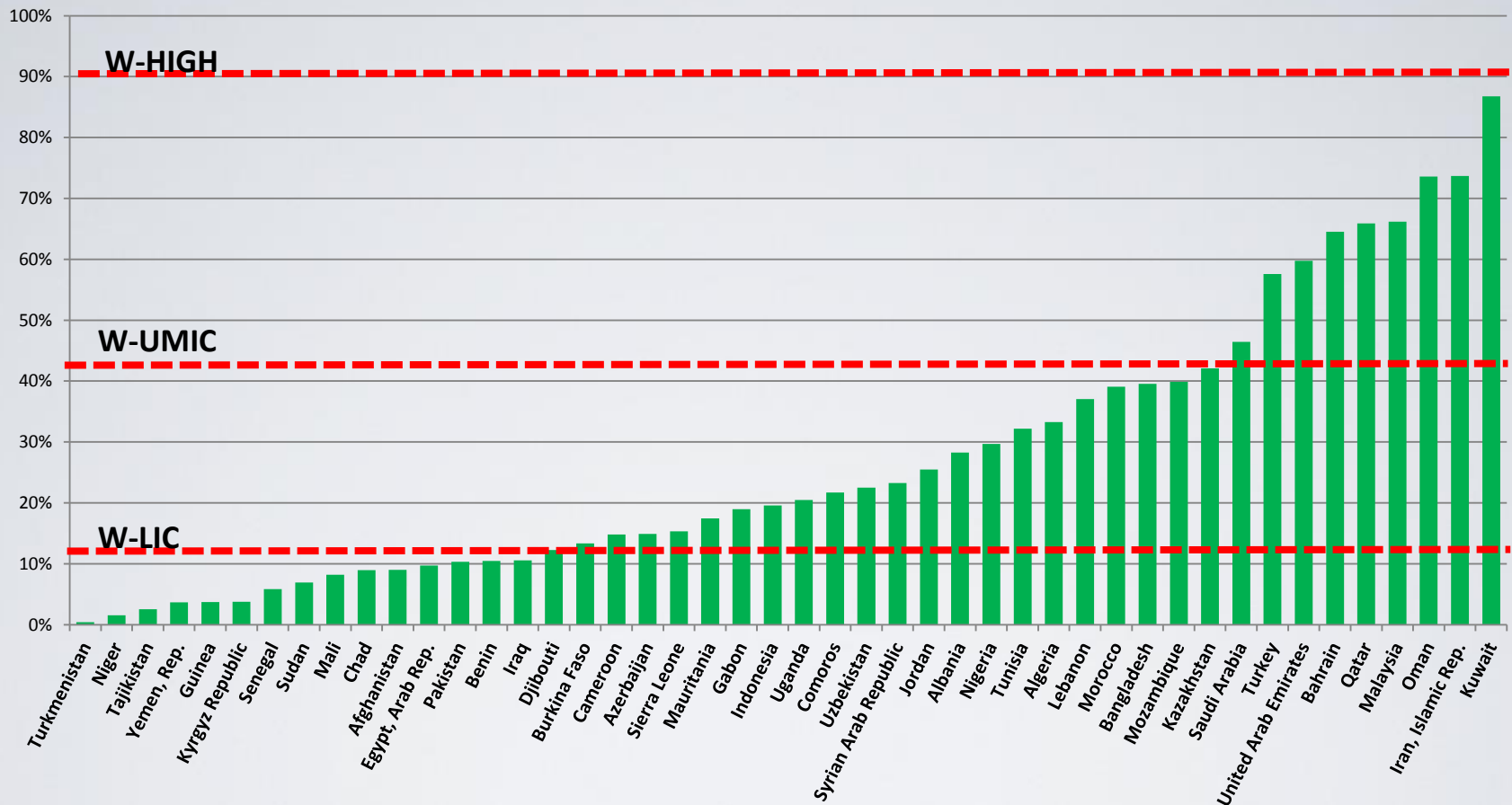
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- Adults with an account at a Financial Institution

2

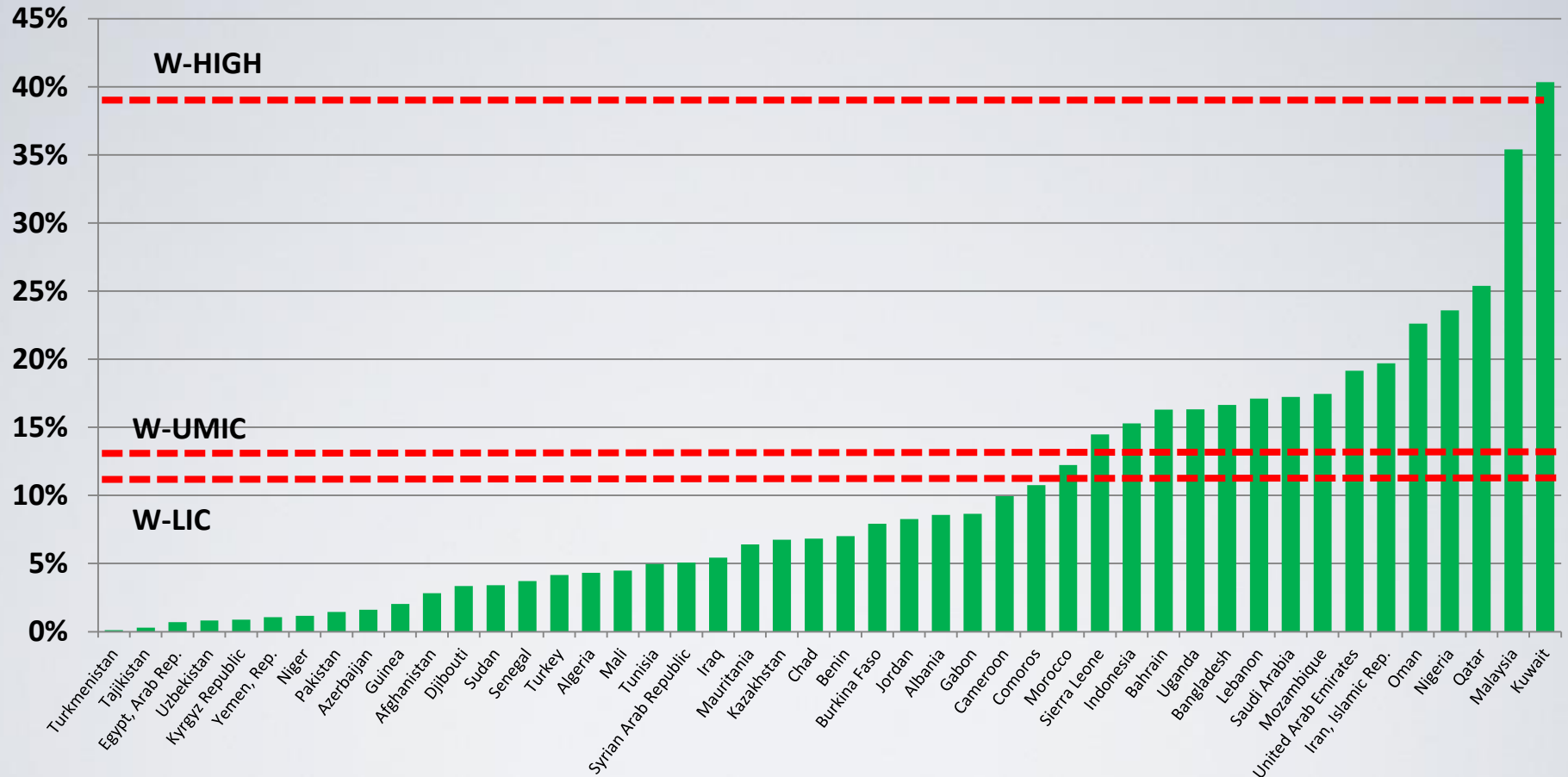
- Adults Saving at a Financial Institution

Adults with an account at a formal fin. inst. to total adults (%) (2011)



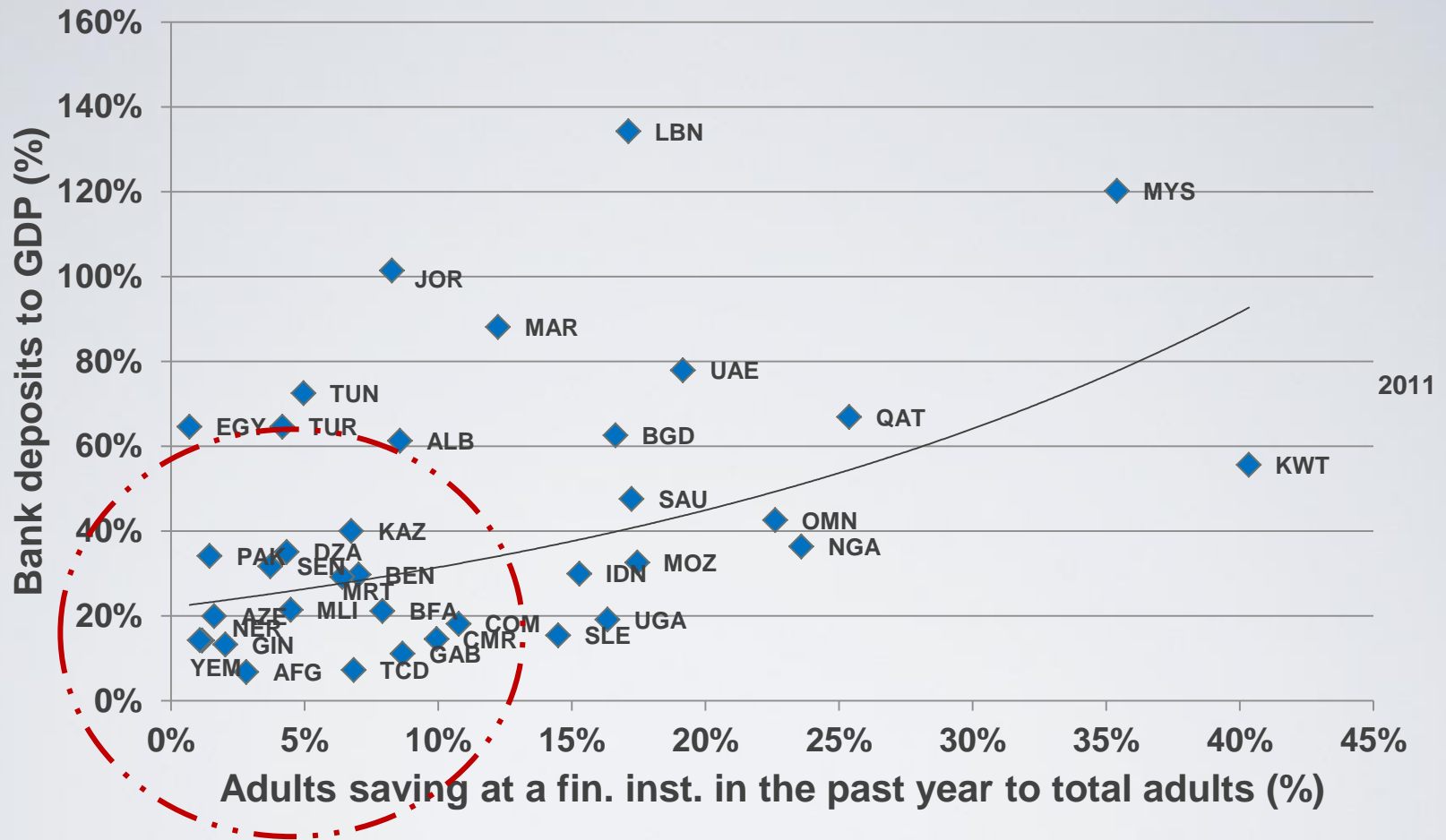
Source: Calculated by using World Bank Database

Adults saving at a fin. inst. in the past year to total adults (%) (2011)



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

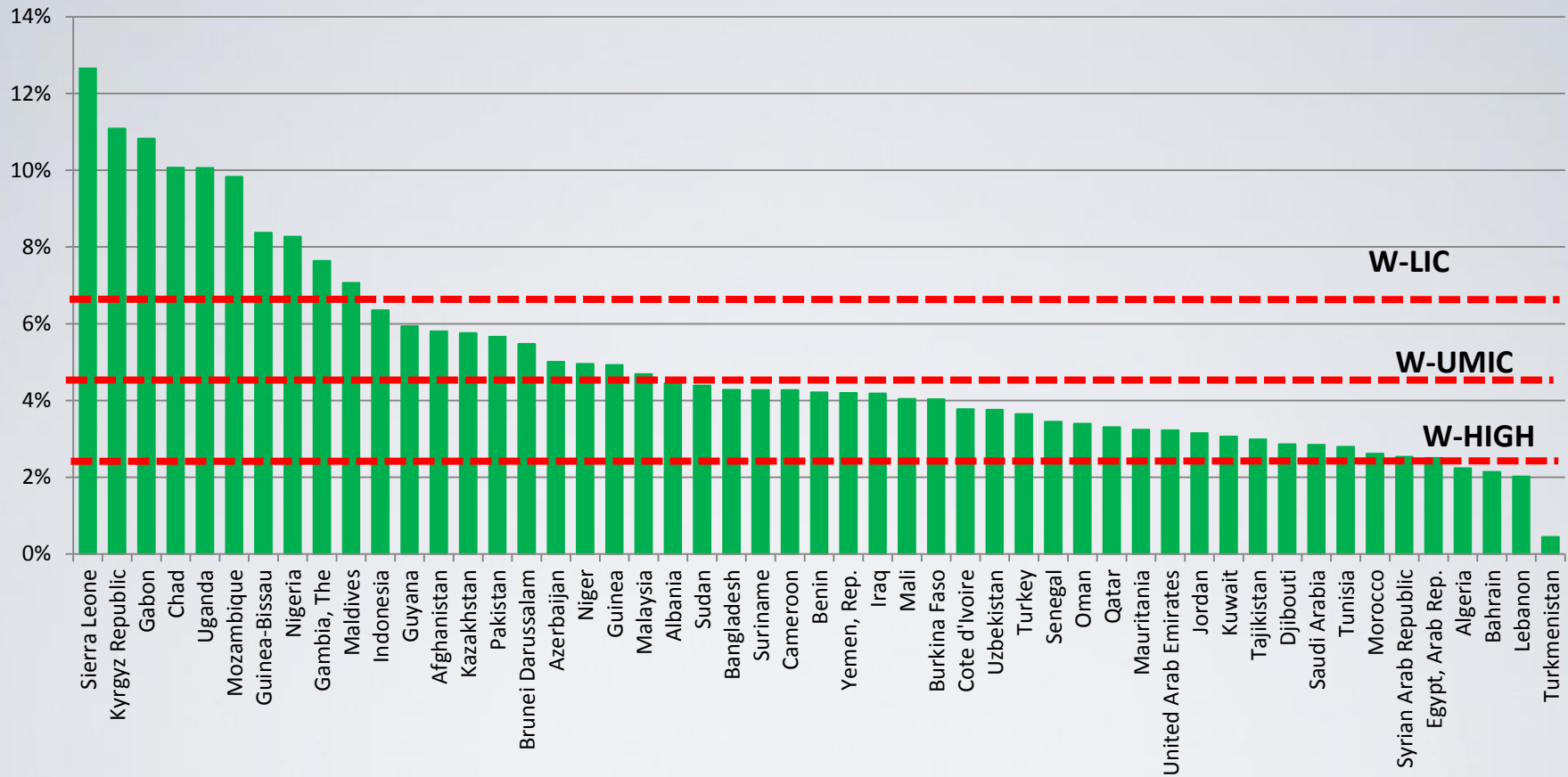
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- Net Interest Margin

2

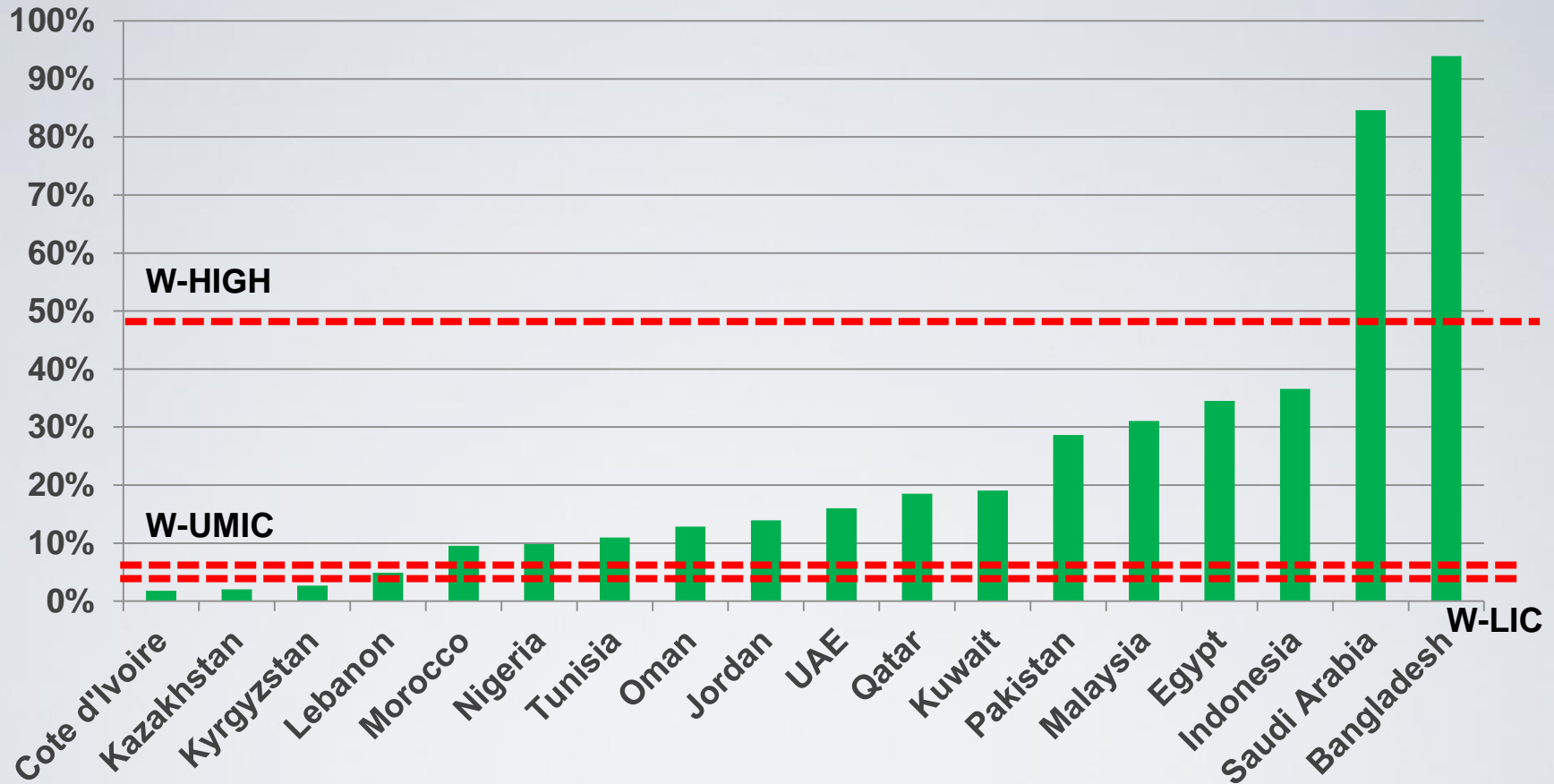
- Stock Market Turnover Ratio

Net Interest Margin Rates (2011)



Source: Calculated by using World Bank Database

Stock Market Turnover Ratio (2011)



* Turkey: 172%

Source: Calculated by using World Bank Database

FINANCIAL DEPTH

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FINANCIAL STABILITY

FINANCIAL STABILITY

1

- Z-Score

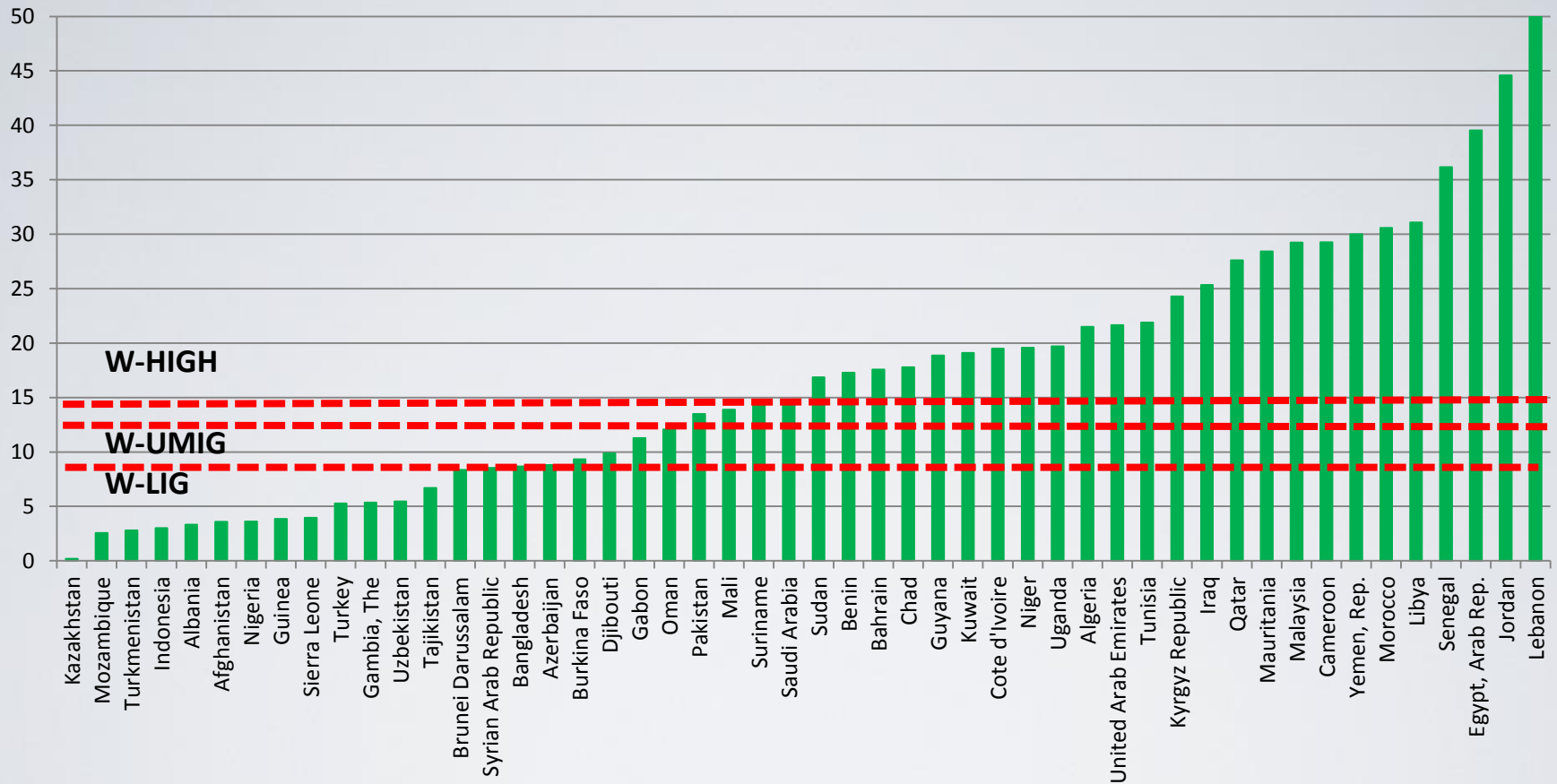
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- Non-Performing Loans

3

- Capital Adequacy Ratio

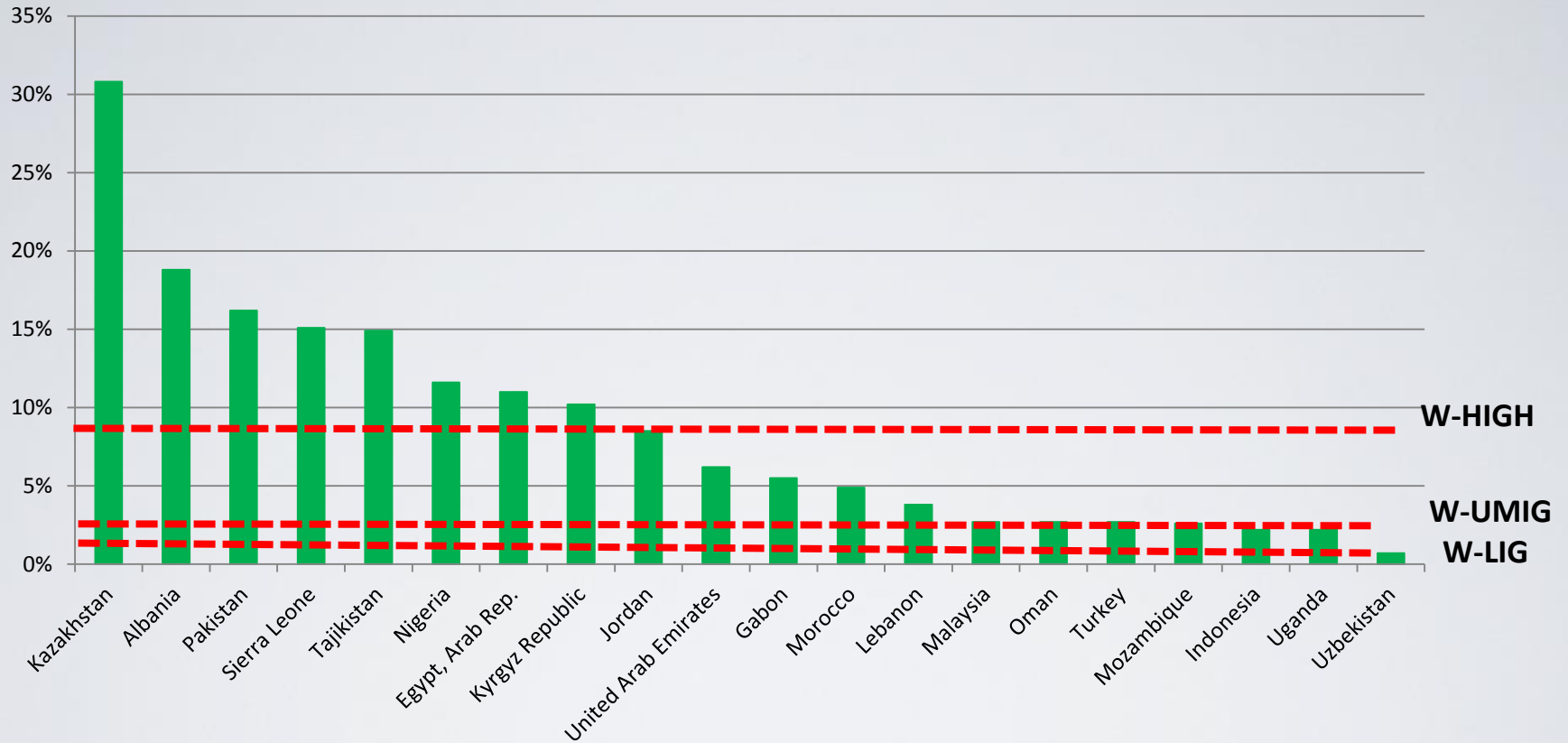
Z-Scores (2011)



Source: Calculated by using World Bank Database



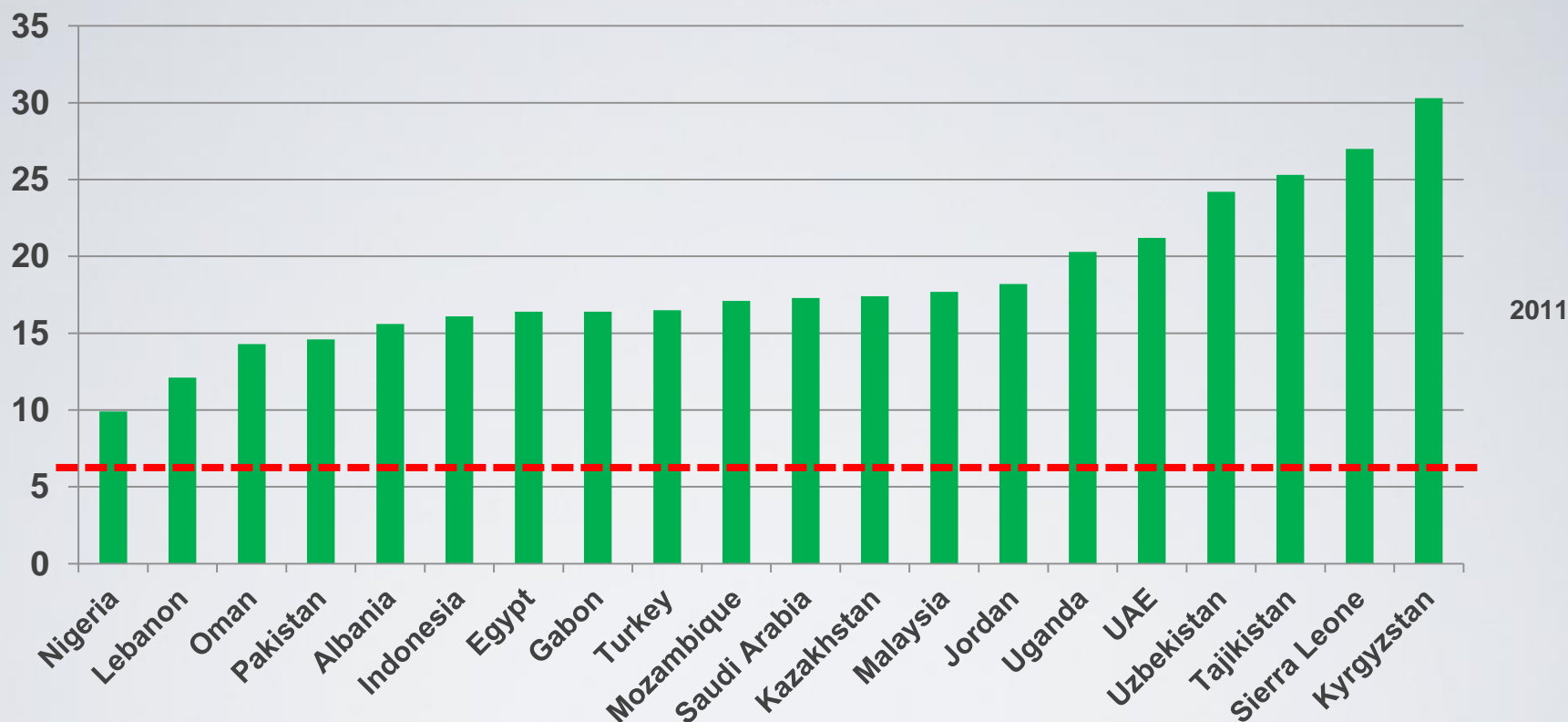
Non-Performing Loans (NPL) (2011)



Source: Calculated by using World Bank Database

Capital Adequacy Ratios (2011)

Capital Adequacy Ratios (%)



Source: Calculated by using World Bank Database

Overall Assessment

	Financial Depth	Financial Access	Financial Efficiency	Financial Stability
OIC-LIG	Limited private credit opportunities Underdeveloped banking sector and security market	Lower access to financial services Low saving rates	Higher transaction/intermediation costs Limited liquidity in the security market	Very High Level NPLs Higher probability of insolvency
OIC-LMIG	Underdeveloped banking sector and security market	Lower access to financial services Lower saving rates	Transaction/intermediation costs in line with world average	Higher NPLs Higher probability of insolvency
OIC-UMIG	Better developed banking sector and security market	Lower saving rates	Usually low volumes of stock market in many countries	Lower NPLs Resilient to shocks
OIC-HIGH	Better developed banking sector and security market	Better access to financial services Higher saving rates	Usually low volumes of stock market in many countries Lower transaction/intermediation cost	Lower NPLs More resilient to shocks



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Thank You



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