



Making Cooperation Work

COMCEC STRATEGY

For Building an Interdependent Islamic World

COMCEC FINANCIAL OUTLOOK

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6th Meeting of COMCEC Financial Cooperation Working Group

March 17th, 2016
Ankara, Turkey

OUTLINE

- Recent Developments
- Financial Outlook

RECENT DEVELOPMENTS

Recent Developments

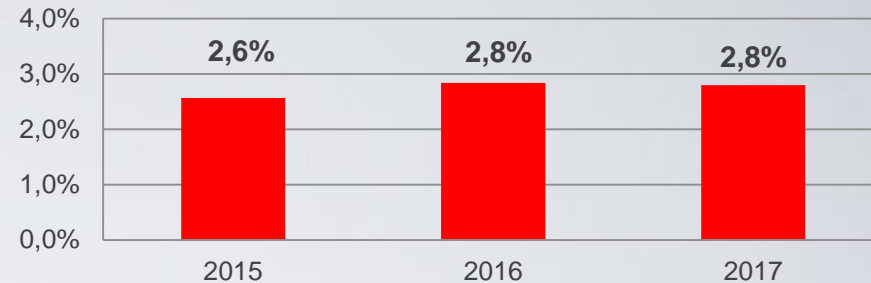
- Gradual slowdown and rebalancing of economic activity in China
- Gradual tightening monetary policies in US as other major central banks continue to ease monetary policies
- Lower energy and commodity prices

Recent Developments

➤ United States

- Recovery in the US is stronger than expected.
- Unemployment is back below 5% for the first time since 2008.
- Fed raised interest rate 25 bps at the end of the 2015.

GDP Growth Rate



Unemployment Rate



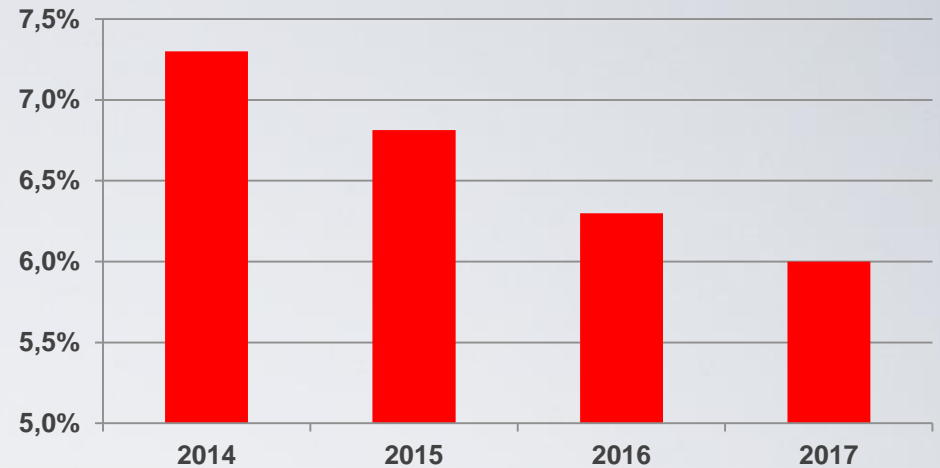
Source: IMF, U.S. Bureau of Labor Statistics

Recent Developments

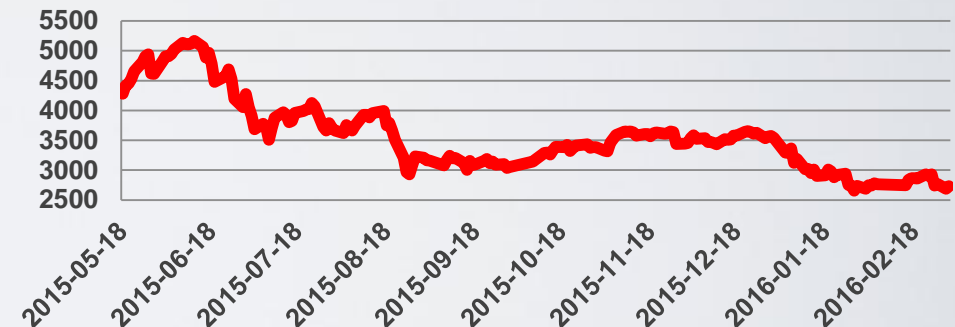
China

- Lowering economic growth
- Faster than expected slowdown in imports and exports. In February, exports fell by 25.4%.
- Weaker investment and manufacturing activity
- Sliding trend in Shanghai Stock Exchange around 20% YTD

GDP Growth Rate



Shanghai Stock Exchange



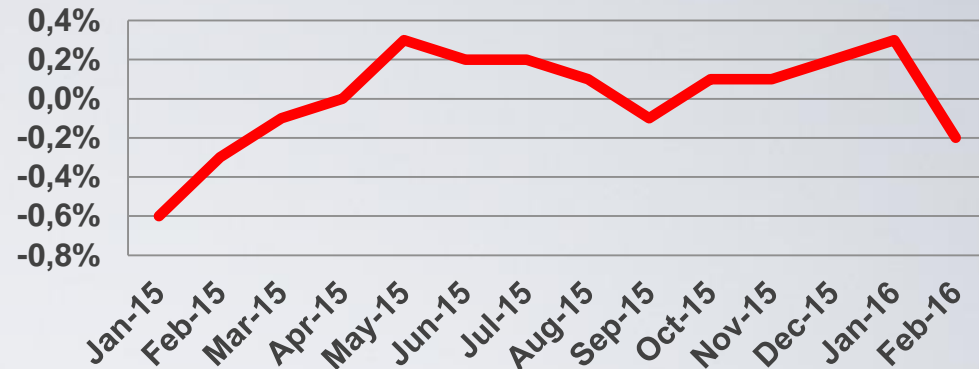
Source: IMF, Quandl

Recent Developments

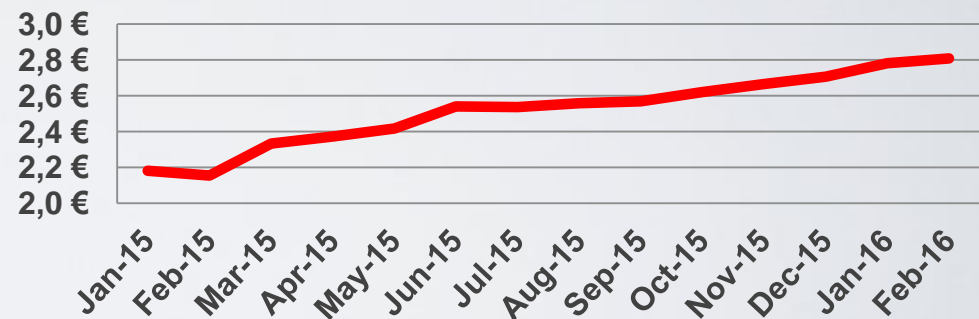
Euro Area

- Monetary easing continues
- ECB cut the Eurozone interest rate to zero in March 2016.
- Despite the monetary easing by ECB, inflation still in an irregular path
- Credit conditions are improving and credit demand is picking up
- Government debt, unemployment and low nominal growth remain downside risks

Euro Area Inflation Rate



ECB Balance Sheet (Tn.)



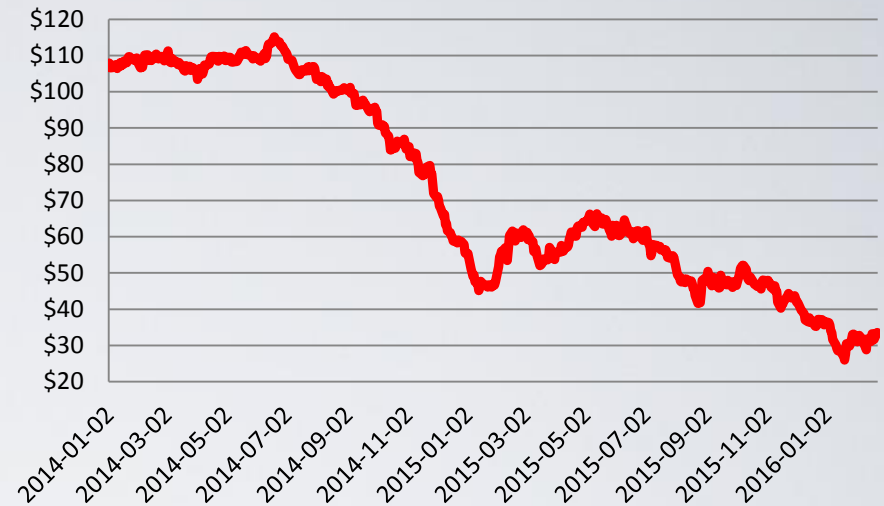
Source: Eurostat

Recent Developments

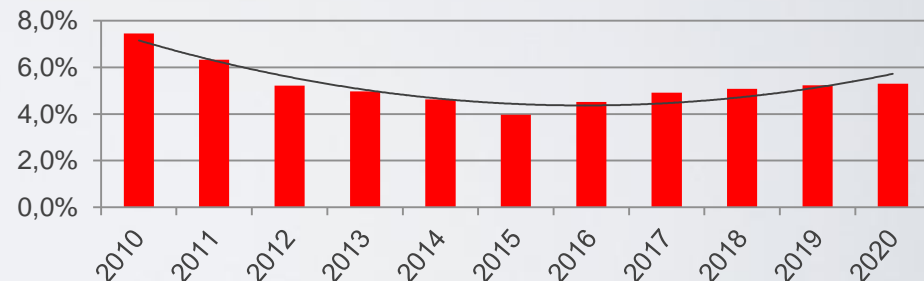
Emerging Markets

- Vulnerabilities remain elevated, risk appetite has fallen, and market liquidity risks are higher.
- sensitivity to a tightening of global financial conditions.
- nonperforming loans are set to rise as corporate earnings and asset quality deteriorate
- Economic growth is projected to decline.

Crude Oil



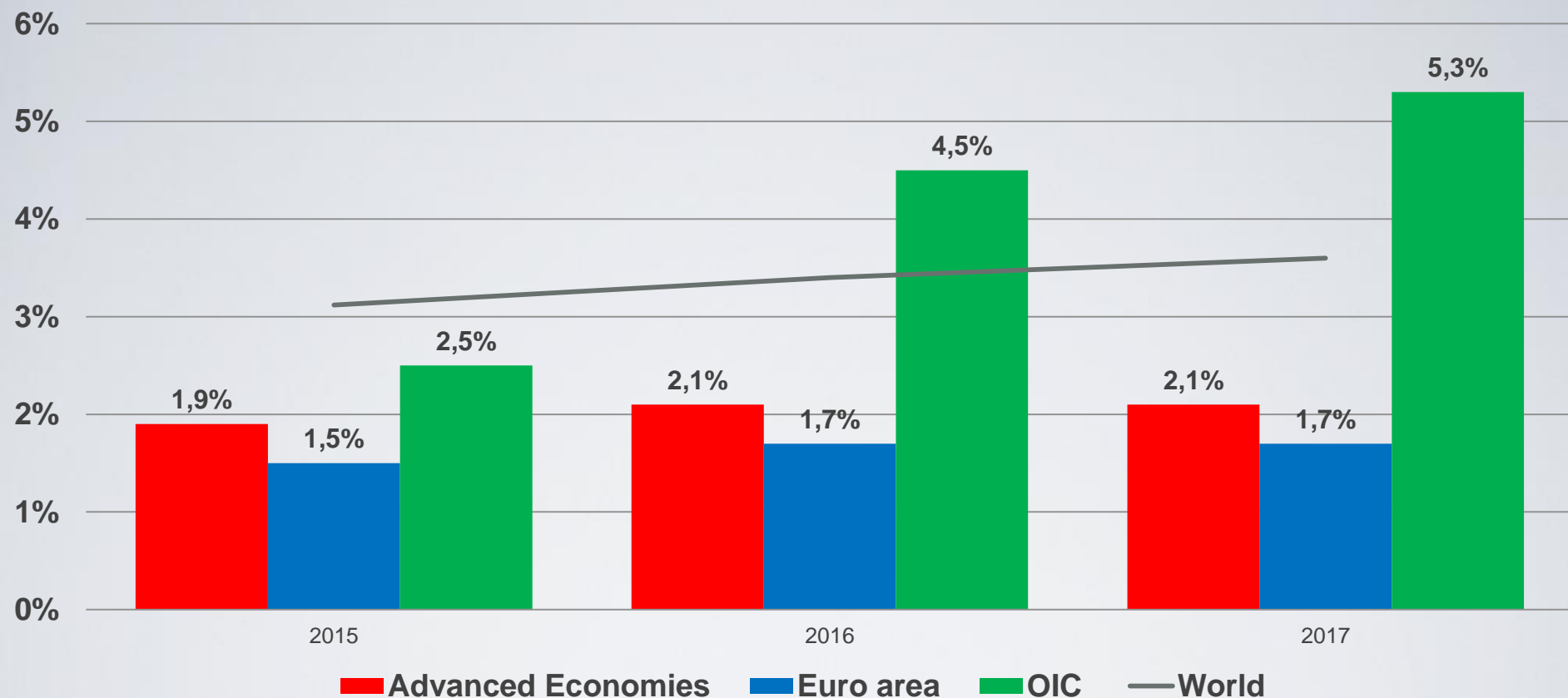
GDP Growth Rate



Source: IMF, FRED

Recent Developments

GDP Growth Rates



Source: IMF Database



FINANCIAL OUTLOOK OF OIC MEMBER COUNTRIES

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

	Indicators
DEPTH	Domestic credit to private sector by banks (% of GDP)
	Market capitalization to GDP
	Stocks Traded, Total Value (% of GDP)
ACCESS	Bank account per 1,000 adults
	Number of bank branches per 100,000 adults
EFFICIENCY	Bank Return on Asset (ROA)
	Bank Return on Equity (ROE)
STABILITY	Bank Nonperforming Loans to Total Loans
	Regulatory Capital to Risk-Weighted Assets

Source: World Bank



Categorization of COMCEC Member States

Categories	Countries	Number of Countries
OIC-Low income group US\$ 1045 or less (LIG)	Afghanistan, Benin, Burkina Faso, Chad, Comoros, The Gambia, Guinea, Guinea Bissau, Mali, Mozambique, Niger, Sierra Leone, Somalia, Togo, Uganda	15
OIC-Lower middle income group US\$ 1,046 to US\$ 4,125 (LMIG)	Bangladesh , Cameroon, Côte d'Ivoire, Djibouti, Egypt, Guyana, Indonesia, Kyrgyz Republic , Mauritania, Morocco, Nigeria, Pakistan, State of Palestine, Senegal, Sudan, Syria, Tajikistan , Uzbekistan, Yemen	19
OIC-Upper middle income US\$ 4,126 to US\$12,735 (UMIG)	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\$ 12,736 or more (HIGH)	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

- Domestic credit to private sector by banks (% of GDP)

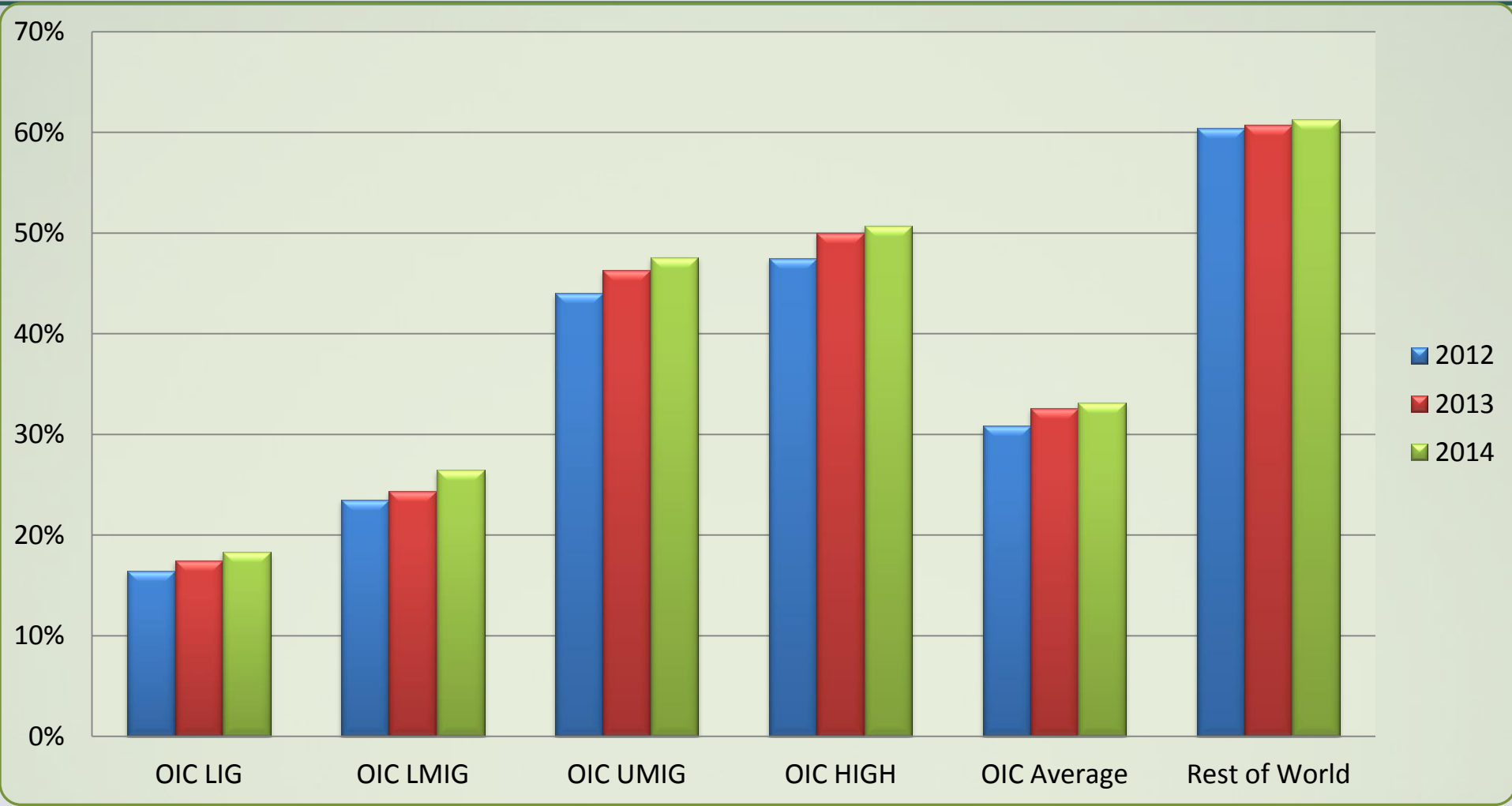
2

- Market capitalization to GDP ratio

3

- Stocks Traded, Total Value (% of GDP)

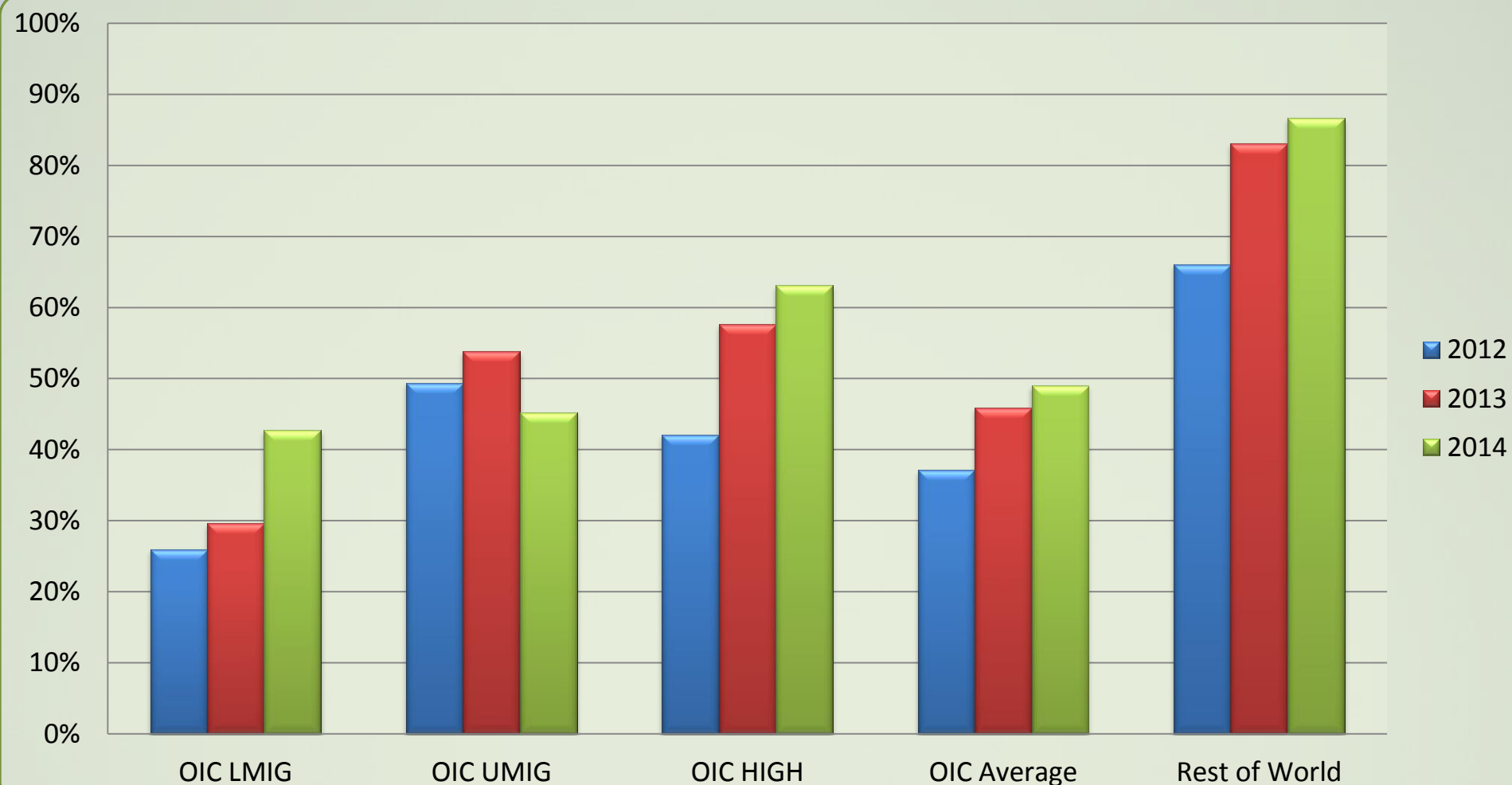
Domestic Credit to Private Sector by Banks (% of GDP)



Source: World Bank



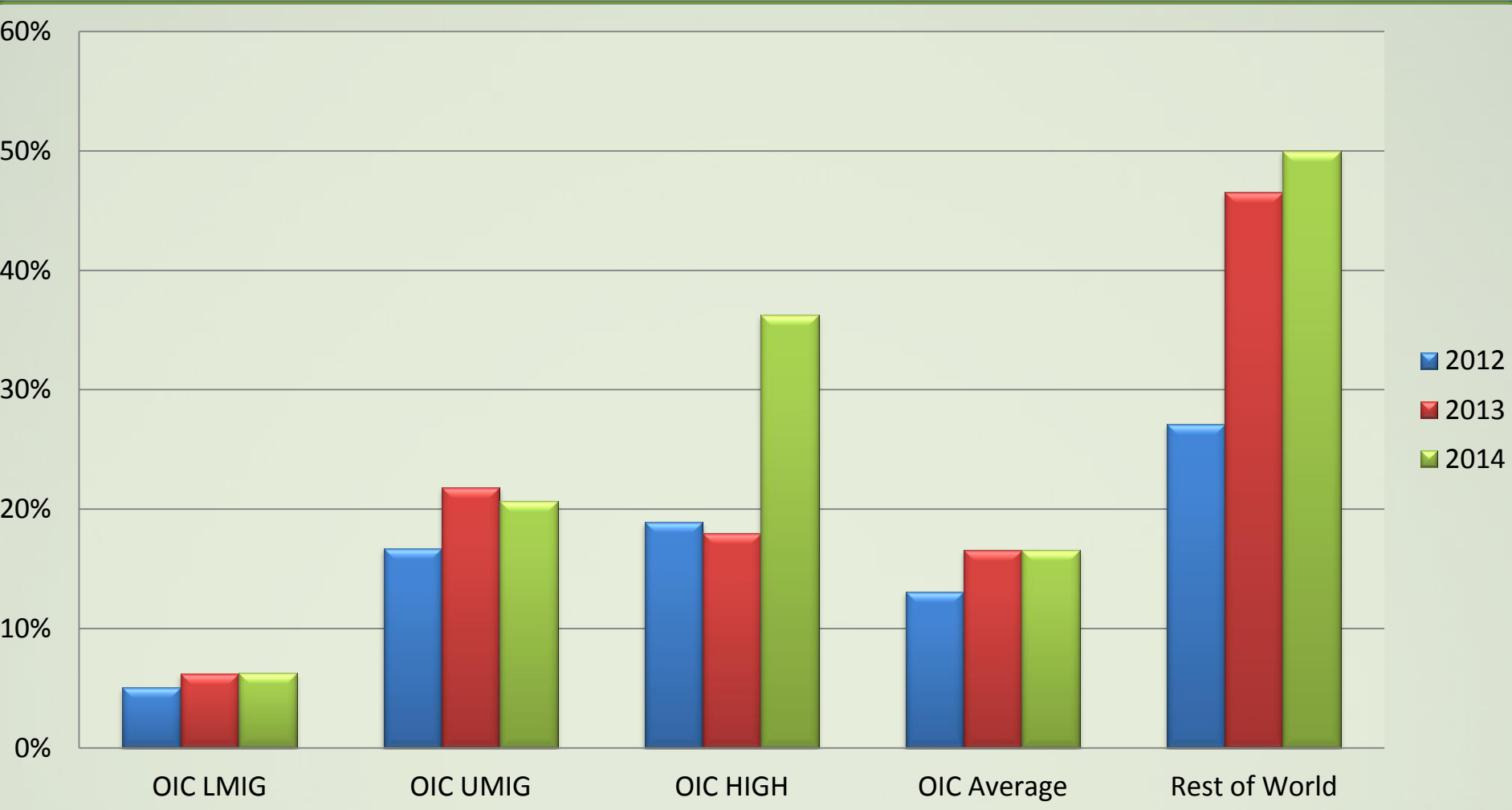
Market Capitalization to GDP Ratio



Source: World Bank



Stocks Traded, Total Value (% of GDP)



Source: World Bank



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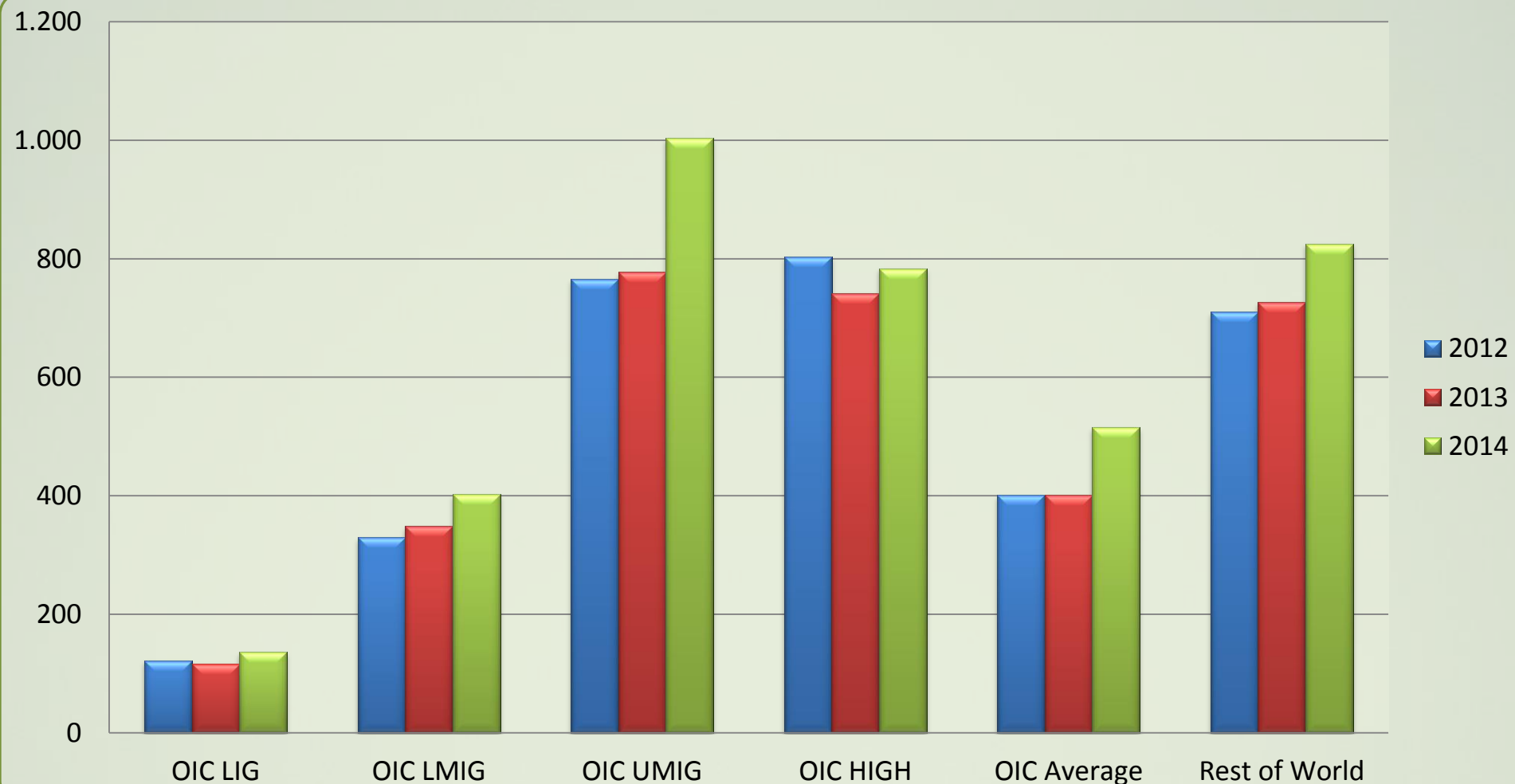
1

- Bank account per 1,000 adults

2

- Bank Branches per 100,000 adults

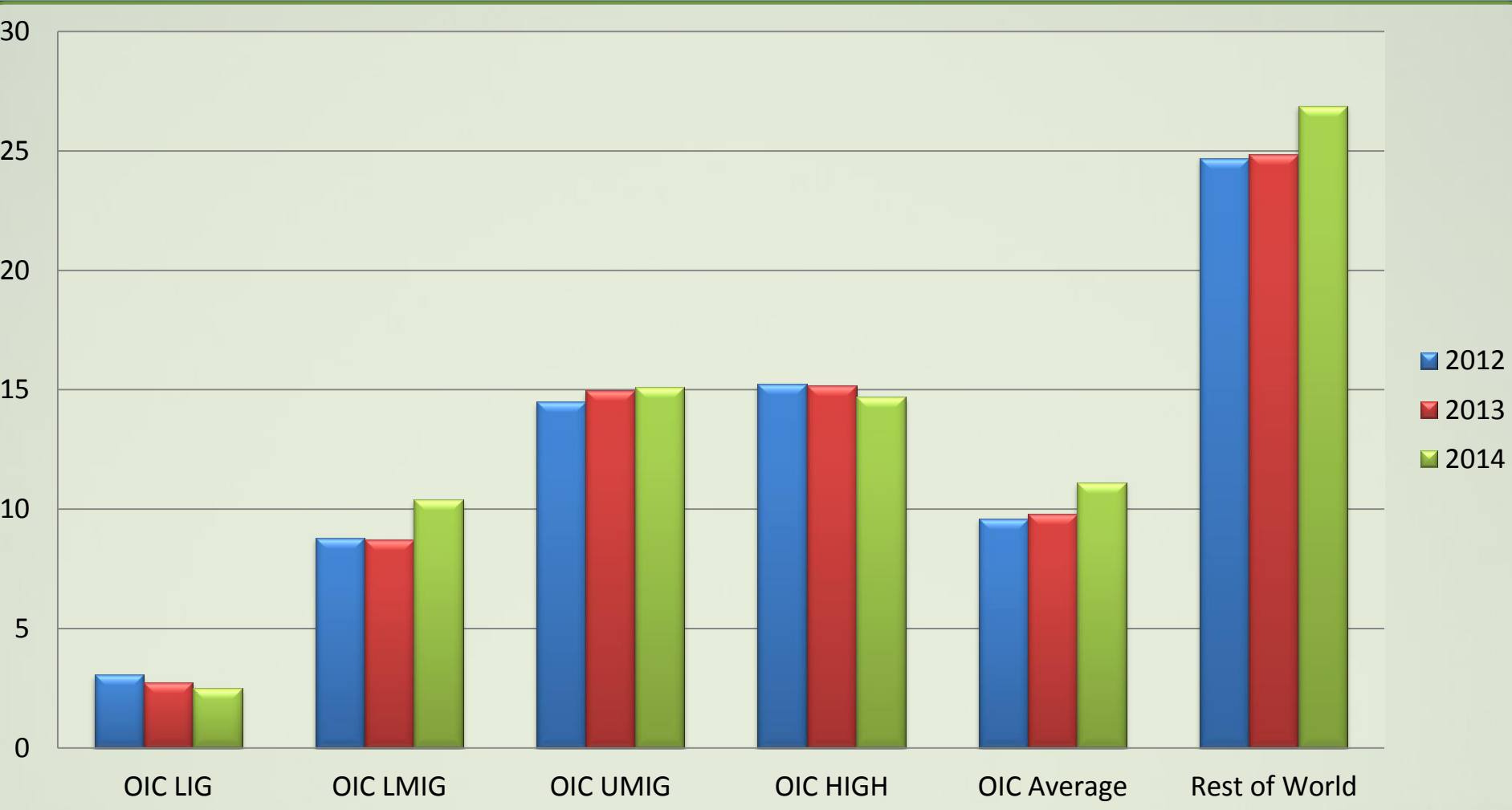
Bank Account Per 1,000 Adults



Source: World Bank



Bank Branches per 100,000 adults



Source: World Bank



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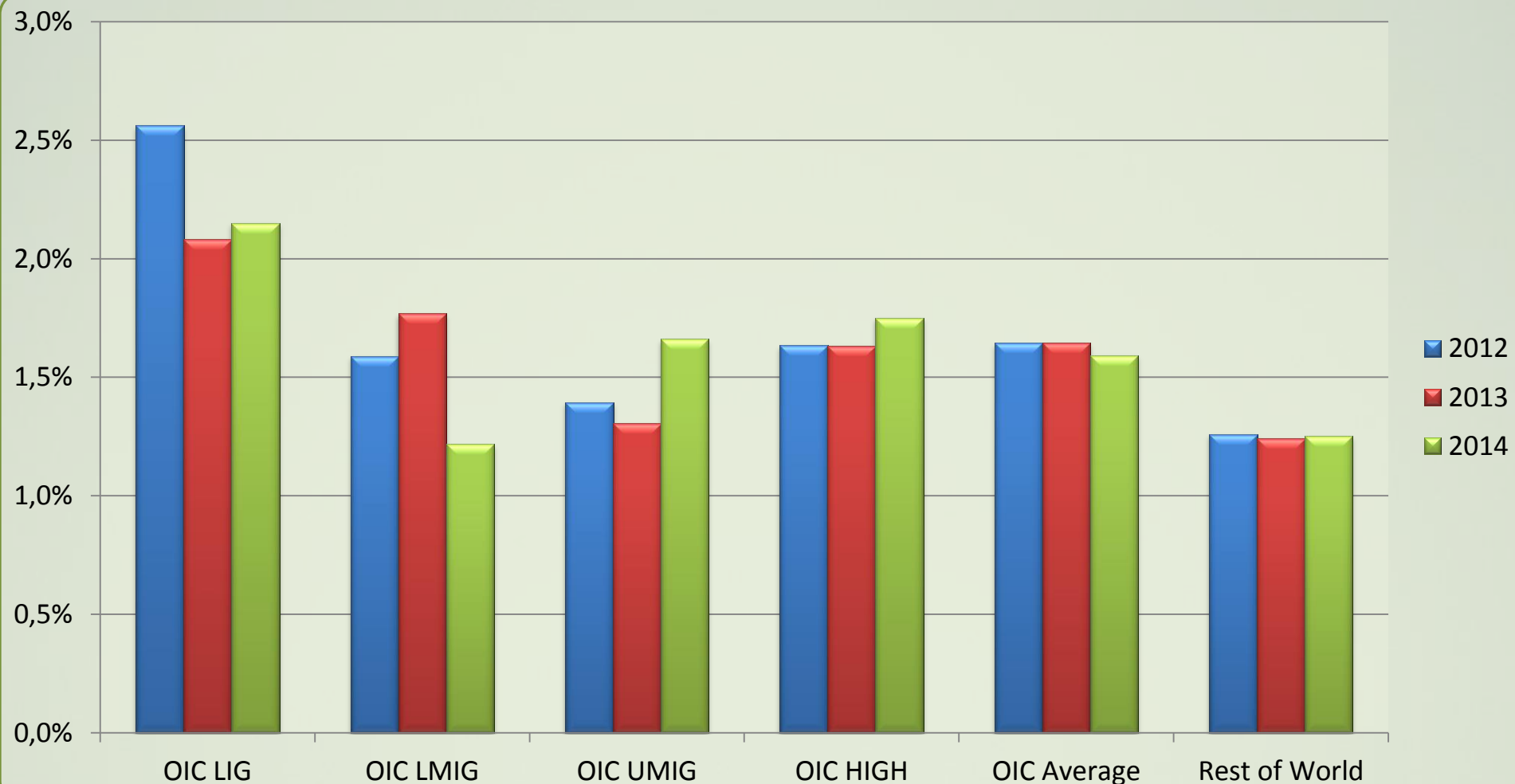
1

- Bank Return on Asset (ROA)

2

- Bank Return on Equity (ROE)

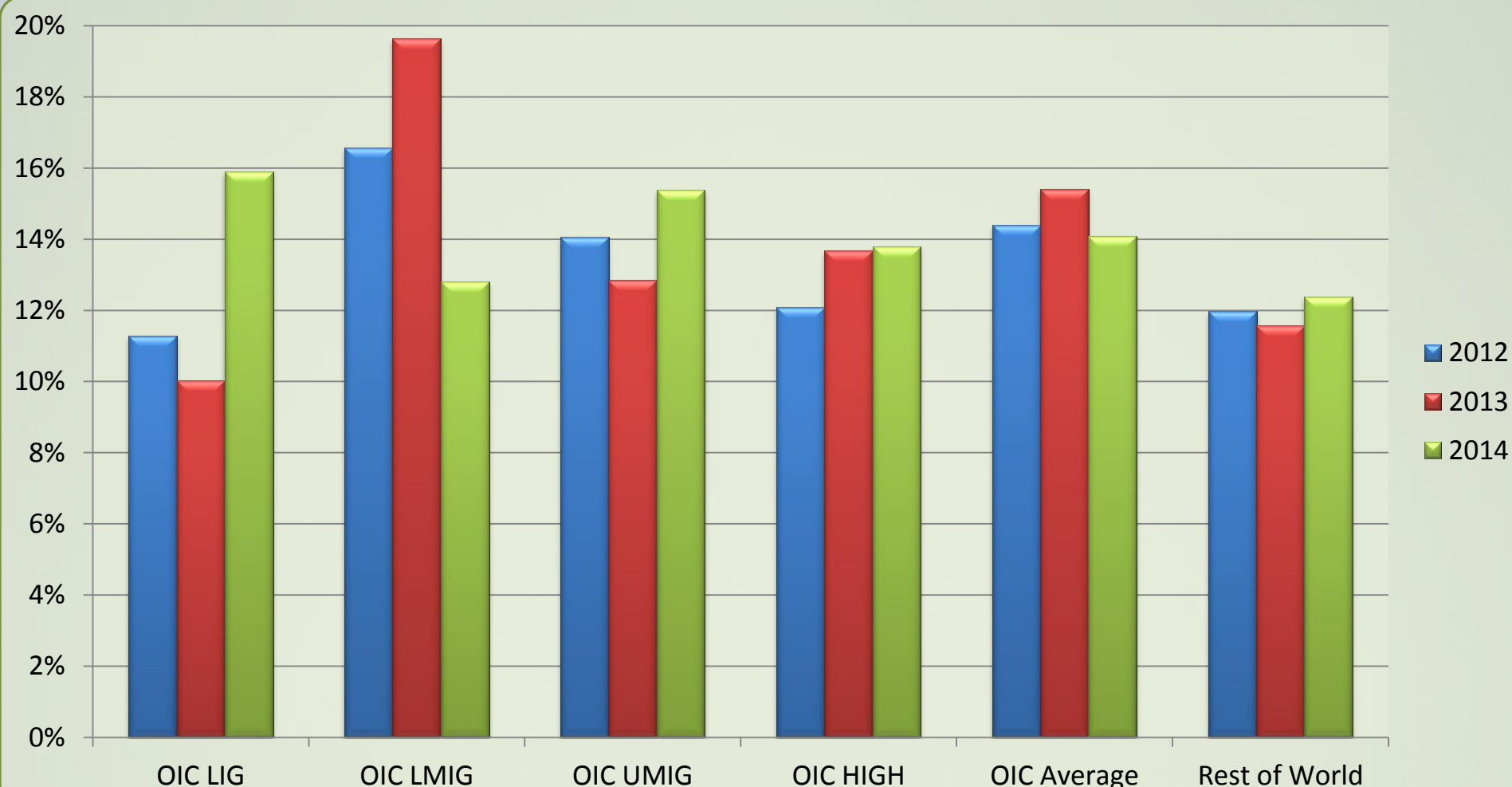
Bank Return on Asset (ROA)



Source: World Bank



Bank Return on Equity (ROE)



Source: World Bank



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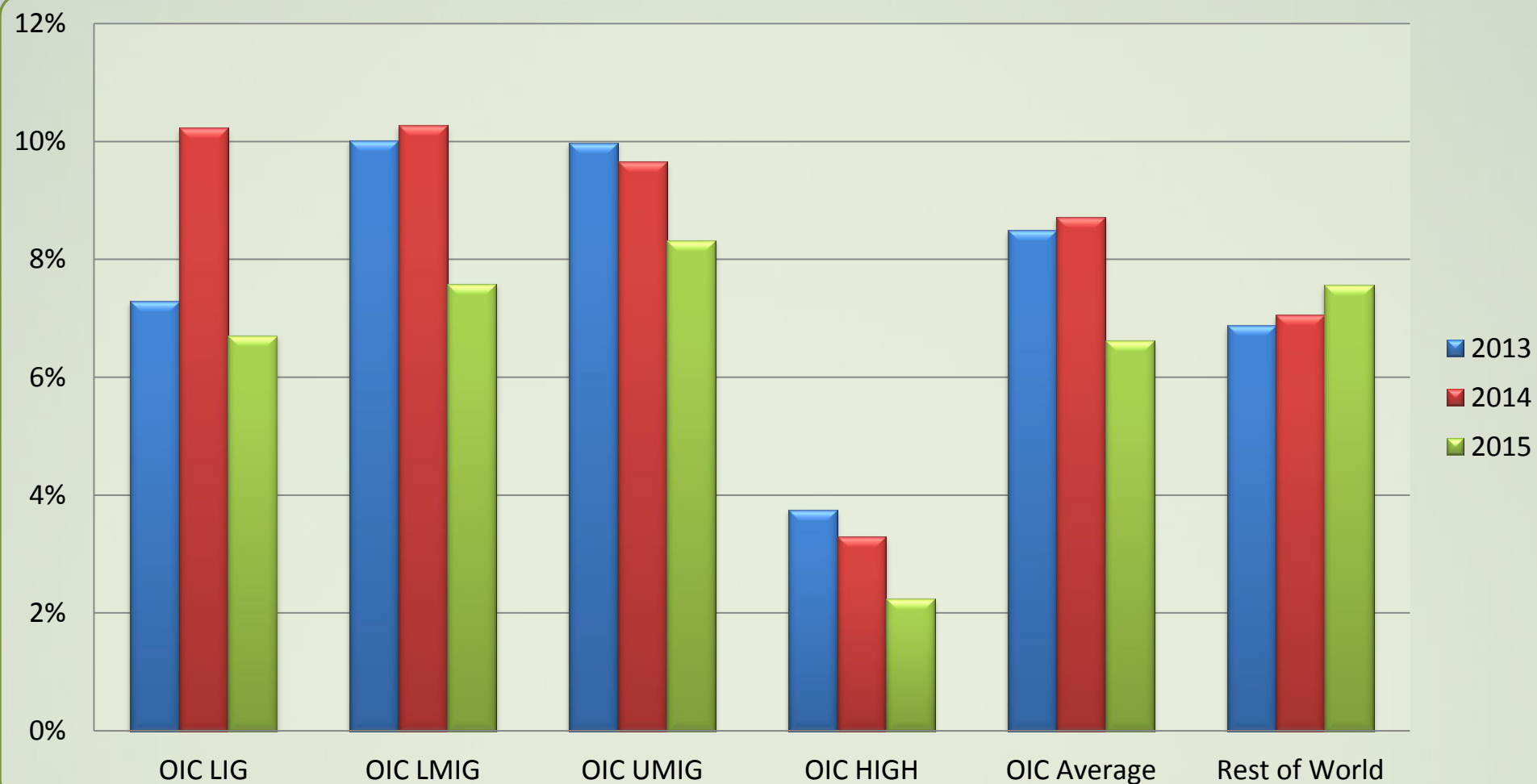
1

- Bank Nonperforming Loans to Total Loans

2

- Regulatory Capital to Risk-Weighted Assets

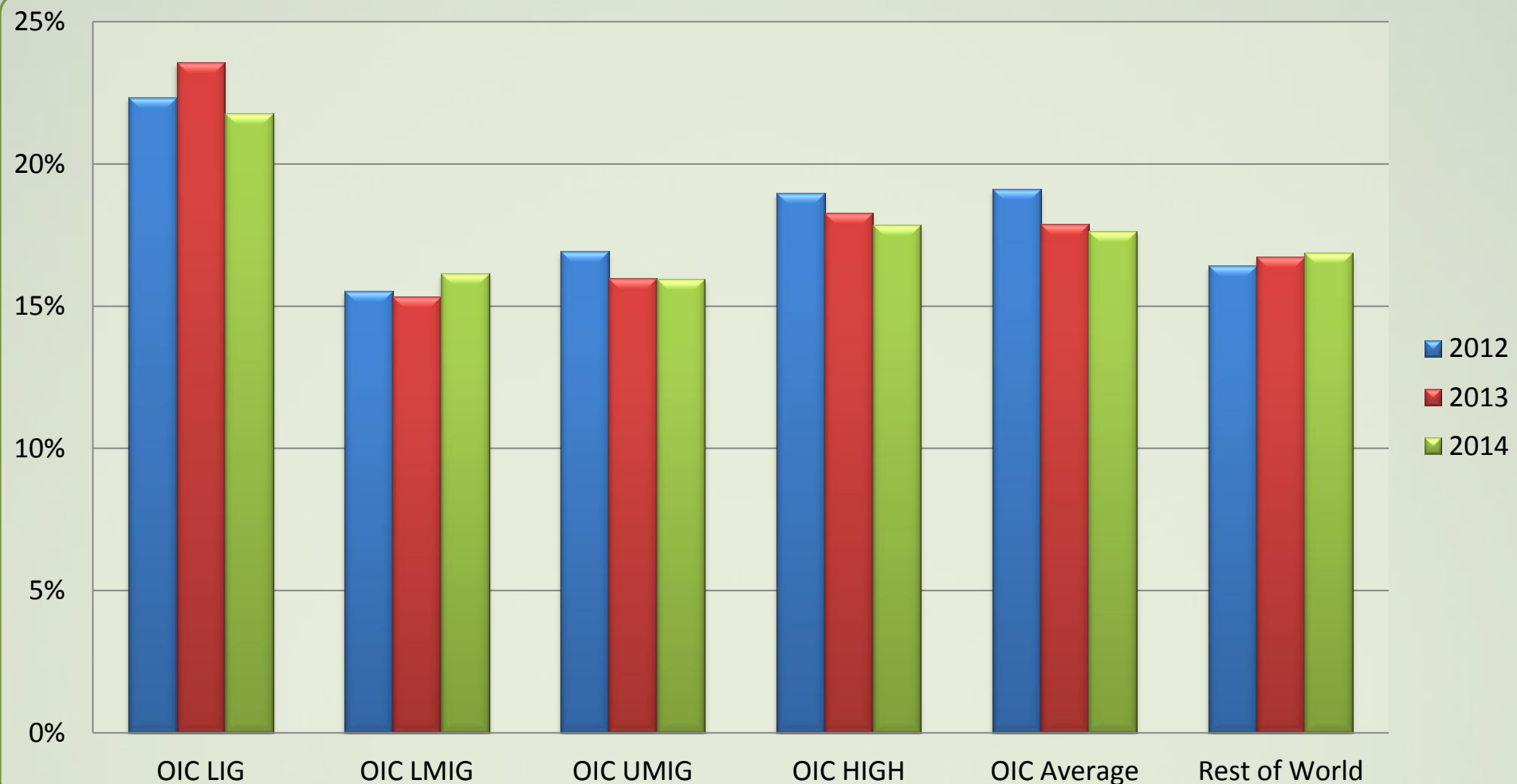
Bank Nonperforming Loans to Total Loans



Source: World Bank



Regulatory Capital to Risk-Weighted Assets



Source: World Bank

Overall Assessment for OIC Member States

- **Inclusive growth policies** can be implemented with comprehensive financial sector strategies including Islamic Finance strategies
- **Effective financial markets** can help channeling global funds to the real sector in OIC Member States
- There is significant potential of **financial inclusion**. As a pillar of this, easing access to finance is critical for further development
- Considering the volatility and uncertainty in the global markets, **contingency plans** are important for risk management

