

THE INVESTIGATION OF RECENT TRENDS IN TURKISH CURRENT ACCOUNT¹

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Abstract

International trade has been very important for both economic and political reasons. Correspondingly, world trade volume has been uninterruptedly rising. By the same token, Turkish trade volume, in line with other developing countries, has been also growing. However, Turkey has been chronically suffering from current account deficit problems for years. The main objective of the article is to search for the determinants of Turkish current account and a possible structural break in it. There are two main findings of the article. First, the evidence from a Vector Autoregressive (VAR) model suggests that the main determinants of Turkish current account are mostly structural factors. Specifically, the VAR model implies that the dependence on intermediate goods importation to produce export commodities and change in energy prices play crucial roles in the trends in Turkish current account. Second, our findings demonstrate that there is a structural break in Turkish current account around 1999.

Keywords: Current Account Balance, Structural Break, Turkish Economy

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