İBRAHIM BAKIRTAŞ

Aksaray University, Turkey

SÜLEYMAN KOÇ

Aksaray University, Turkey

VECTOR AUTOREGRESSION APPROACH TO THE RELATIONS AMONG CURRENT ACCOUNT, REAL EXCHANGE RATE AND GROWTH IN TURKEY

Abstract:

Current account deficit (CAD) is particularly the main vulnerability of Turkish economy in the post 2001 crises period. High level of CAD/GDP ratio was a crisis indicator for Turkish economy but this remarkable indicator can not cause any crisis despite of 5 percent period mean value in the post 2001 crisis era. In this study we try to determine dynamic relationship among CAD, real effective exhange rate (REER) and economic growth in Turkey by using Vector Autoregression (VAR) method in the 2003Q1-2014Q3 period. Based on the estimated VAR model, impulse-response functions and forecast error variance decompositions shows that current account deficit (CAD) is a strong determiner of economic growth in Turkey. We also found that CAD and REER are granger cause of economic growth in Turkish economy.

Keywords:

Current Account Deficit, Vector Autoregression, Growth, Real Exchange Rate, Turkish economy.

JEL Classification: C32, F32, F31