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Forecasting Of Financial Crises with Leading Indicators: Turkish Case/ Öncü Göstergeler Işığında Finansal Krizlerin Tahmin Edilebilirliği: Türkiye Örneği

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ABSTRACT

When we look at the literature of economical crises, we see that there is a debate about the leading indicators to forecast economical crises in front. In this study, “signal approach” developed by Kaminsky, Lizondo and Reinhart (KLR) is used to analyze indicators of crises. Signal approach, accepted as a statistical technique, uses a variable’s specific value to set a threshold. In economic crisis case, a leading indicator may be used for this variable. When the value of the indicator exceeds the threshold value, then it is assumed that crisis hits. In the following 24 months, it is expected a monetary crisis. In this study, the period from 1988:1 to 2012:12 is covered in Turkey. By using some indicators where signal distribution is appropriate, a compound indicator model is created for analyses. It is concluded that, foreign exchange reserves, real foreign exchange rate, M2 monetary multiplier, total volume of domestic credits, real interest rate and credit interest rate/deposit interest rate are statistically meaningful indicators of the model.

KEYWORDS Economic crises; Signal approach; Economic indicators

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