

**ECONOMIC IMPACT OF OIL PRICE SHOCKS ON THE TURKISH ECONOMY IN THE
COMING DECADES: A DYNAMIC CGE ANALYSIS**

ABSTRACT

As a small open economy, Turkey depends on both imported oil and natural gas, importing almost two-thirds of its primary energy demand. This paper analyzes the economic effects of oil price shocks for Turkey as a small, open oil- and gas-importing country. To analyze the potential long-term effects of oil price shocks on macroeconomic variables of interest, including GDP, consumer price inflation, indirect tax revenues, trade balance, and carbon emissions, we developed TurGEM-D, a dynamic multisectoral general equilibrium model for the Turkish economy. Using TurGEM-D, we analyzed the impact of oil price shocks under three distinct scenarios: reference, high and low oil prices. The simulation results show that these oil prices have very significant effects on macro indicators and carbon emissions in the Turkish economy.

Keywords: Oil price shocks, Dynamic CGE, Turkish Economy