Predictability of Financial Crisis in Developing Countries: Turkey, Argentina and Thailand

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Since 1980’s, financial liberalization policies that implemented without adequate infrastructure in order to decrease inflation and interest rates also construct a sustainable growth process led to many financial crisis which have significant effects throughout the world. Therefore many models have developed to explain these crises. Main purpose of these models is to increase the predictability of financial crisis by identifying the factors that affecting the formation of crisis. Determining factors affecting the formation of financial crisis and trying to predict the crisis is very important in preventing crisis. In this context the aim of this study is analysis the predictability of financial crisis that occurred in developing countries which are Turkey, Argentina and Thailand 1990-2010 periods, by using Markov Regime Chance Model. In generated models, indices of financial pressure were calculated as dependent variable and fifteen different indicators were chosen from the literature to describe these indices. Successful indicators in predicting financial crises are: for Turkey; trend deviation of real exchange rate, domestic credits/industrial production, inflation and M2/reserves, for Argentina; stock price, difference in real interest rate, inflation and M2/reserves and for Thailand; trade balance, terms of trade, M2/reserves and oil prices. As a result of this study, financial crises such as 1994 and 2001 crises in Turkey, 1994, 2002 and 2009 crises in Argentina and 1997 and 2009 crises in Thailand were successfully predicted.

**Keywords:** Financial Crisis, Financial pressure, Markov Regime Chance Model, Predictability.