



**TÜRKİYE CUMHURİYET
MERKEZ BANKASI**

Fiscal Challenges and Central Banks Coordination with Fiscal Authorities

**Erdem Başçı
Governor**

November 22, 2012

Sarajevo

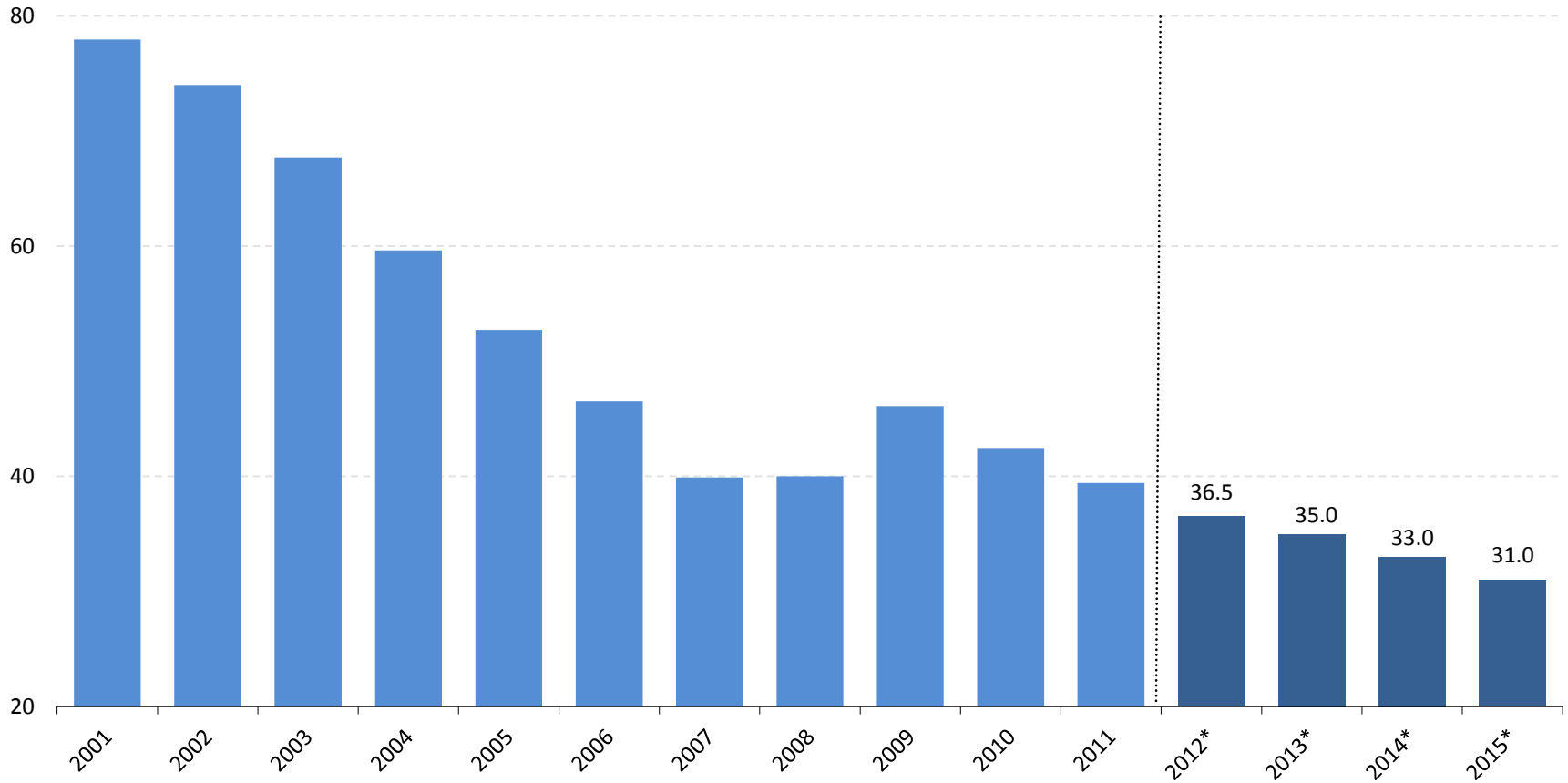
Contents

- I. Fiscal Dominance
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FISCAL DOMINANCE

Public Debt Stock

EU Defined Public Debt (Ratio to GDP, Percent)



Source: Ministry of Finance

*Medium Term Program (2013-2015) projections

RISK PREMIUM

Risk Premium (Turkey)

EMBI+ Index



Source: Bloomberg.

Latest Observation: November 14, 2012

Real Interest Rate (Turkey)

Real Rate on 2-Year Government Bonds* (Percent)



Source: CBRT

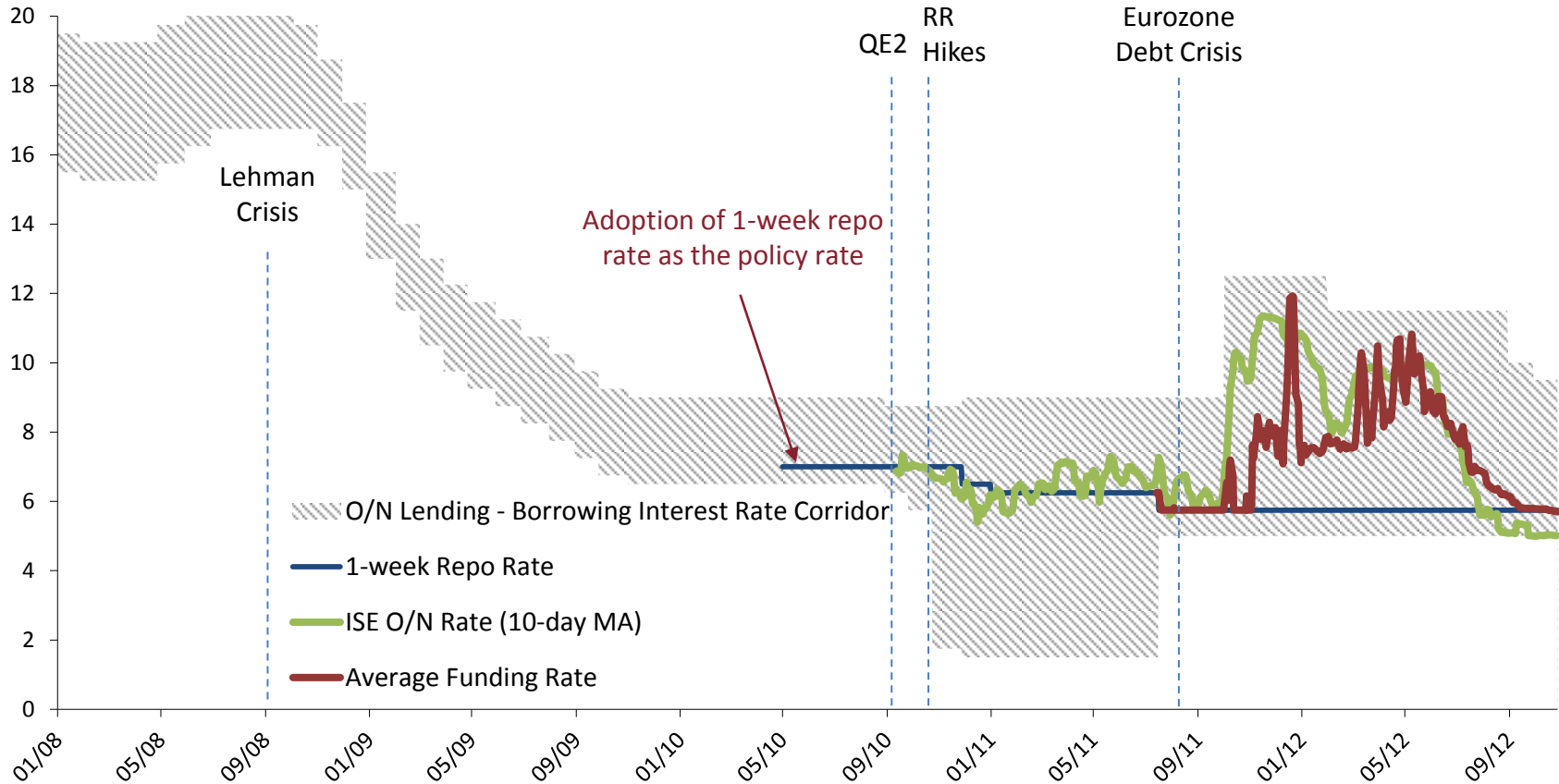
Latest Observation: November 2012

*Expected rates

COUNTER-CYCLICAL POLICIES

Counter-Cyclical Monetary Policy

Interest Rate Corridor and Average Funding Rate (Percent)

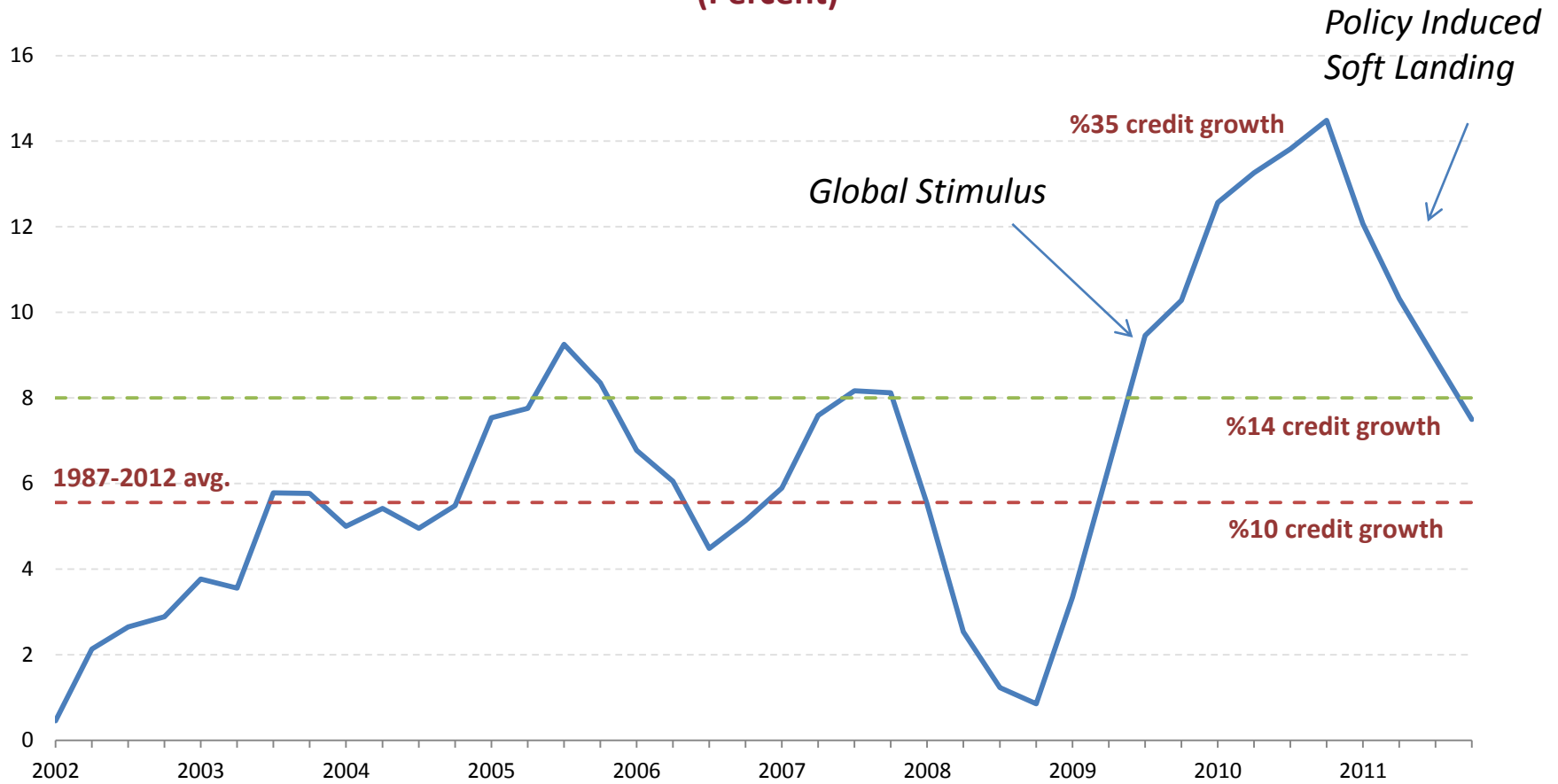


Source: ISE, CBRT.

Latest Observations: November 14, 2012

New Borrowing (Turkey)

(Change in Total Debt)/GDP
(Percent)



Source: CBRT.

Last Observation: 2012 Q3

CONCLUDING REMARKS

Summary

- Thanks to fiscal discipline and prudent financial sector policies, public sector debt burden in Turkey is now more compatible with emerging market averages.
- Thanks to reduced fiscal dominance, Turkey gained the ability to use counter-cyclical fiscal and monetary policies in face of Lehman and Eurozone crises.



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