TÜRKİYE CUMHURİYET MERKEZ BANKASI

Highlights from Deputy Governor Taha Çakmak's Interview with the Reuters News Agency

12 October 2022

The Turkish banking sector extended corporate loans of TRY 1.21 trillion to firms in the January-September 2022 period. The amount of corporate loans extended by the banking sector to firms in September alone was TRY 163 billion, which is more than the total of loans extended in the first nine months of 2021 and five times the total of loans extended in September 2021. The goal of the macroprudential measures implemented was to ensure the targeted use of loans. The most significant result of this policy was that SMEs were extended loans of net TRY 558 billion in the January-September period, which is 10 times higher than loans of TRY 54 billion extended in the same period in 2021. The net borrowing of SMEs in September alone was more than three times their borrowing in July-September 2021, and 1.5 times their borrowing in January-September 2021. This is the highest amount and share that SMEs received from banking sector loans ever recorded.

The monetary policy and macroprudential measures in effect since the last quarter of 2021 have increased the share of TRY in the credit composition and prepared the ground for long-term TRY financing in the financial system.

An additional aim is to help borrowers with limited access to lending, such as SME loans, tradesmen loans and agricultural loans, have access to long-term and low-cost financing in order to keep them in business in a sustainable way.

Supporting exporting sectors, which are one of the essential components of strong and sustainable economic activity, and investment loans, which are critical to boosting the growth potential of the economy, is another key feature of this policy mix. Thus, the new policy framework in place since the last quarter of 2021 when the rate cut cycle was initiated has been strengthened with macroprudential policies starting from the second quarter of 2022.

With macroprudential policies, we have adopted the selective credit approach that increases investment, employment, value-added production and exports. Accordingly, Turkish lira-denominated rediscount credits are extended to exporters with an interest rate up to 9% and with a maturity up to 1 year. Rediscount credits were provided through the Eximbank channel totalling USD 20 billion as well as other banks amounting to USD 10 billion.

In addition, export commitments in rediscount credits were removed, which enabled companies to utilize export credits other than rediscount credits from banks with these commitments.

Long-term (with 2-year grace period, 10-year maturity and 9% interest rate) Advance Loans against Investment Commitment amounting to TRY 60 billion have been extended to approximately 350 companies that have made investment decisions for exports as well as import substitution so far.

With the securities maintenance facility, banks are free to extend loans to companies selectively. Thanks to the Treasury papers bought by the banking sector after the regulations, the yield curve became skewed to the downside, particularly in long maturities, and we think it is important that this shift is lasting.

TRY commercial loan rates, which were around 23% on average in 2021, receded to 18%. We observe that the commercial loan rate is in a range compatible with the policy rate.

Thanks not only to macroprudential measures but also to the contributions of all stakeholders to the new economic model, the current policy mix does not exert inflationary pressure and resources are directed to areas needed by sustainable economic activity.