



Financial Stability Report

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This report, aimed at informing the public, is based mainly on September 2010 data. However, the report also includes developments and evaluations up to its date of publication in Turkish. The full version of this text is available on the CBRT website. The CBRT cannot be held accountable for decisions taken based on information and data provided therein.

FOREWORD

Although a long time has passed since the onset of the global financial crisis, its impact on economies, especially those of developed countries, is still intensely felt.

Due to the measures taken in the face of the crisis, room for fiscal policy has tightened to a great extent. Therefore, in order to attain sustainable growth, the central banks of developed countries continue to implement unprecedented policy measures to eliminate fragilities in the economy as a whole and in the financial system.

Of all these measures, expansionary monetary policies implemented especially by central banks of developed countries give way to a new global economic climate in the form of intense capital inflows to stable and dynamic emerging market economies by generating ample global liquidity and an increase in risk appetite. In this new climate, which we expect to be effective in the upcoming period, central banks will face questions of how to construct a policy framework to target both price and financial stability in case of a conflict between these two elements and which instruments to use.

Thanks to structural reforms that were implemented decisively, Turkey reinforced its macroeconomic fundamentals and attained a sound financial system. Eventually, Turkey became one of the countries to quickly eliminate the adverse effects of the crisis in 2010. Nevertheless, while benefiting from the advantages of the new global economic environment, it is essential to manage the risks the new environment has brought about in order to maintain macroeconomic stability in the upcoming period.

The Central Bank of the Republic of Turkey, whose primary objective is to maintain price stability, being one of the institutions responsible for financial stability will continue to follow a macro-perspective and, when necessary, will also continue to use all policy instruments available against the effects of the new global economic climate threatening financial stability.

The Financial Stability Report has been published for five years. I hope that the Report will contribute to raising public awareness regarding the importance of financial stability through its analyses and evaluations, which were prepared by a new understanding in line with the increasing significance of financial stability for policy-makers.



Durmuş YILMAZ

Governor