



Financial Stability Report

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TÜRKİYE CUMHURİYET MERKEZ BANKASI
Head Office
İstiklal Cad. 10 Ulus, 06100 Ankara, Türkiye
Tel: (90 312) 507 50 00
Fax: (90 312) 507 56 40
Telex: 44033 mrbrt tr
World Wide Web Home Page: <http://www.CBRT.gov.tr>
E-mail: bankacilik@CBRT.gov.tr, info@CBRT.gov.tr
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FOREWORD

Although uncertainties regarding the global financial system have tapered off, an environment of confidence and stability is yet to be established. While problems that surfaced with the global financial crisis differ by regions, they make their presence known by unveiling existing vulnerabilities. The recent monetary easing practices adopted by advanced economies have been fuelling concerns over financial stability by affecting capital flows to emerging economies. In this conjuncture, it is crucial to have a flexible policy framework and correctly analyze the potential risks to give the appropriate policy response on time.

In Turkey, factors that may threaten financial stability are monitored very closely by various entities, in particular by the Financial Stability Committee; and necessary measures are taken in a timely manner. In this period, the Turkish banking sector remains resilient against external shocks thanks to its strong structure and the macroprudential measures implemented by the authorities.

The Central Bank of the Republic of Turkey designed and put into practice by the end of 2010 a new monetary policy strategy with the aim of mitigating the adverse impacts of uncertainties in the global economy on the Turkish economy and supporting financial stability. In this framework, as a consequence of measures taken in collaboration with other relevant authorities, credit growth came down to reasonable levels consistent with financial stability and the rebalancing process started. This new policy mix made a significant contribution especially in relation to curbing the unfavorable impact of excessive volatility of capital movements on domestic markets. In the upcoming period, the CBRT will continue to implement innovative policies to support macroeconomic stability.

In the context of international developments, Turkey's contribution to global financial stability and also its effectiveness in the international arena will strengthen as the country takes over the Presidency of the G20 in 2015; its representative power in the IMF increases as a consequence of the IMF Quota and Governance Reform and as Turkey chairs the Financial Stability Board (FSB) Regional Consultative Group for the Middle East and North Africa (MENA) in 2013.

I hope that the fifteenth volume of this Report which assesses Turkish financial system in the light of global and domestic developments will be of benefit to all readers.



Erdem BAŞÇI

Governor