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CBRT PRESS RELEASE ON REQUIRED RESERVES

As a result of both the reduced foreign funding facilities of the banking sector and the increased prudence of banks due to the global crisis, credit supply has deteriorated. Credit demand, on the other hand, has recessed because of the slowing economic activity and uncertainties. These developments, in turn, have resulted in contraction of the credit market.

Meanwhile, subsequent policy rate cuts since November 2008 have recently started to weigh more on market and retail bank interest rates and with the support of the measures on Turkish Lira and foreign currency liquidity taken by the Central Bank of the Republic of Turkey (CBRT) coupled with the favorable developments regarding risk perceptions in global markets, a recovery has started to be observed in credit growth, albeit modestly.

In this conjuncture, in order to support the upward trend in credit growth by way of reducing intermediation costs and injecting permanent liquidity into the market, in addition to the measures that have already been taken by the Bank, the Turkish Lira required reserve ratio, which currently stands at 6 percent, has been reduced by 1 percentage point to 5 percent.

By this reduction in the Turkish Lira required reserve ratio, a permanent liquidity that is equivalent to approximately TL 3.3 billion has been provided to the banking system.

The required reserve ratio, which is one of the effective tools that can be used to permanently change the amount of liquidity in the market, may be re-adjusted in both directions when deemed necessary, depending on the nature of developments in liquidity conditions and credit markets.