

FINANCIAL STABILITY REPORT

2023-I

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CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

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This report, aimed at informing the public, is based mainly on March 2023 data. Nevertheless, the Report includes developments and evaluations up to its date of publication in Turkish. The full text is available on the CBRT website. The CBRT cannot be held accountable for any decisions taken based on the information and data provided therein.

Foreword

Within the framework of our Liraization Strategy, all the measures we have taken since the beginning of 2022 are formulated with a perspective that ensures permanent price stability in tandem with financial stability. In this context, policies are being implemented to permanently increase the share of the Turkish lira in the financial system and to ensure that the Turkish lira is the currency of payment for all domestic investment and commercial transactions. The steps we have taken began to yield results.

In addition to the fact that the foreign exchange position of corporate sector has improved with the liraization of their balance sheets, the share of the Turkish lira in households' financial balance has also increased significantly. In this way, financial resilience indicators of firms and households remain strong. Thanks to the targeted loan policies, the loan composition has changed in the intended direction and the share of loans extended to export companies and SMEs in total loans has increased. Through policy measures to bring TL loan rates close to monetary policy rates, firms' access to finance was supported and the effectiveness of monetary transmission through firms' financing costs was strengthened.

The improvement in the asset quality of the banking sector is apparent across all loan types and credit risk indicators. In addition to the predominance of deposits in funding composition, the strong liquidity buffers of the sector boost its resilience against potential liquidity shocks. Banks maintain capital adequacy ratios above regulatory thresholds.

The CBRT will continue to implement the Liraization Strategy in order to create an institutional basis for permanent and sustainable price stability. The policy rate, along with the targeted loan and liquidity policies will support the overall development of production and current account surplus capacity. With the help of financial conditions that will increase the supply capacity, the current account balance will be brought into a state that is compatible with permanent price stability. The liraization steps and diversified reserve management will continue to contribute to the achievement of financial stability with a focus on the Turkish lira.

The contribution of the Liraization Strategy to financial stability by increasing the resilience of our economy became even more evident during the period in which the wounds of the Kahramanmaraş-centered earthquake of February 6, the Disaster of the Century, were rapidly recovered. On this occasion, we remember once again with compassion those citizens who lost their lives in the earthquake disaster. I wish that cooperation and solidarity we showed as a nation after the earthquake will grow further.

I hope that the 36th volume of the Financial Stability Report, which includes the current state and outlook for financial stability as well as external and domestic macroeconomic developments, will be of benefit to all readers.

Prof. Şahap KAVCIOĞLU
Governor

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