



FINANCIAL STABILITY REPORT

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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 September 2022 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

The Central Bank of the Republic of Türkiye (CBRT) closely monitors all financial stability developments and shares with the public by summarizing them in the Financial Stability Report.

The measures taken recently have strengthened the balance sheets of firms and households, resulted in a higher demand for Turkish lira denominated assets and funding. As the participation in the capital markets becomes widespread, the burden of the banking sector in the financial system alleviates and the spread of capital instruments to the public by financial deepening is supported. Thanks to the support of the stronger household and corporate sector balance sheets, the asset quality of the financial sector, particularly the banking sector, has performed at its historical best.

All these developments are the consequence of the liraization policy that aim to make the Turkish lira the main element of the system by reducing the currency substitution, which is one of the main risk factors in the system and one of the obstacles to achieving permanent price stability. The process that we are carrying out by considering both internal and external balances, has matured considerably and started to produce its initial results. Our report is also important in terms of following and better understanding of the aforementioned steps by the public. In our report, we also present our assessments on the Liraization practices and their effects.

The CBRT aims to ensure permanent Liraization in all asset and liability items of the financial system in order to establish price stability in a sustainable framework. The policies developed for this purpose have served to make loan growth, loan composition and funding structure of the financial system more aligned with the targets of maintaining financial stability and permanent price stability. The growth rate and share of SME, export and investment loans have positively diverged from other loan types. Moreover, as the share of Turkish lira in total deposits is increasing, the financial system's dependence on foreign funding is decreasing.

All these developments not only make our economy and financial sector more resilient against potential risks, but also underline the importance of decisive implementation of the policy measures taken. This would create a solid foundation for investment, production and employment to continue growing in a healthy and sustainable way.

In this context, I hope that the 35th issue of the Financial Stability Report, which includes our assessments on the current financial stability state and outlook, will be of benefit to all our stakeholders.

Prof. Şahap KAVCIOĞLU
Governor

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