

# Contents

Overview .....	1
I. Macroeconomic Outlook .....	3
I.1. International Developments .....	4
I.2. Domestic Developments .....	6
II. Non-Financial Sector .....	9
II.1. Household Developments .....	9
II.2. Corporate Sector Developments.....	14
III. Financial Sector .....	27
III.1. Credit Risk .....	28
III.2. Liquidity Risk .....	34
III.3. Interest Rate Risk and Exchange Rate Risk .....	47
III.4. Capital Adequacy, Profitability and Resilience to Shocks ....	51
IV. Special Topics .....	53
IV.1. FX Short Positions of Corporate Sector Firms .....	53
IV.2. The 2008-2009 Global Financial Crisis and the Credit Channel .....	61
IV.3. Testing Macroprudential Policy with Micro Data: The Effect of Loan-to-Value Restrictions on Car Sales in Turkey .....	68
IV.4. Is There a Housing Bubble or a Quality Boom in Turkey? Evidence from Hedonic Price Adjustment.....	75
IV.5. Federal Reserve Policies and the Banking Sector's External Borrowing .....	81
IV.6. The New Monetary Policy Framework and the Interest Rate Transmission Mechanism.....	87
IV.7. Determinants of Real Sector Firms'Borrowing Costs in Turkey.....	94
IV.8. Competitive Structure of the Turkish Banking System.....	102
List of Charts .....	111
Tables and Diagrams .....	116
Abbreviations .....	117