



Financial Stability Report

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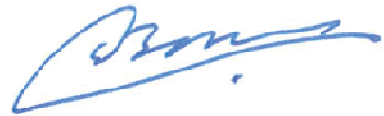
FOREWORD

Although it has been almost four years since its onset, effects of the global crisis and efforts to exit it still linger all over the world, especially in advanced economies. Countries are trying to remedy the vulnerabilities generated by the US-driven crisis and prevent its recurrence by reviewing their regulatory and supervisory frameworks. However, some policy measures taken to this end have led to the emergence of several other risk factors.

Measures taken have caused high budget deficits and thereby led to concessions from fiscal discipline, which has caused further deepening of the crisis especially in the EU and protracted the exit process. Worries over the sovereign debt sustainability of certain EU countries fuel uncertainties in the market and adversely affect all economies through various channels.

In Turkey, continued commitment to sustaining fiscal discipline coupled with flexible monetary policy implementation has curbed the unfavorable impact of external developments on domestic economic activity. Moreover, the strong capital structure of the banking sector as well as the macroprudential measures that have been introduced taking into account rapid changes in global markets, enable the sector to be less affected through these channels. In this context, we believe that Turkey will be among the countries that will be affected to a lesser extent by any prospective adversities that could emerge in the Euro area.

I hope that the fourteenth issue of our Report, which assesses recent developments and risks with respect to domestic and global financial stability, will be of benefit to all readers.



Erdem BAŞÇI

Governor