

# FINANCIAL STABILITY REPORT

2024-II

November 29, 2024



## Foreword

As the Central Bank of the Republic of Türkiye, we closely monitor financial stability issues, and the biannual Financial Stability Report provides a platform to share a summary of the recent developments with the public.

Since the previous issue of the report, the disinflation process has continued while financial conditions have remained tight. The tightness in financial conditions has contributed to the rebalancing of domestic demand, and the improvement in the current account balance has become more evident.

We keep supporting our tight monetary policy stance with macroprudential policies. As a result, credit growth remains in line with the disinflation path. As the monetary transmission mechanism is strengthened, prices in financial markets are formed in accordance with the policy rate and market expectations.

The disinflation process sustains the interest and confidence in Turkish lira assets. The steady rise in the share of Turkish lira deposits has continued. The substantial decline in the FX-protected deposit balance has strengthened the monetary transmission mechanism and reduced the risks to the central bank balance sheet. The tight monetary policy stance that we are decisively implementing will continue to ensure that deposit rates remain at levels that will support Turkish lira savings.

The current policy mix supports the improvement in risk sentiment and the subsequent decline in the risk premium. As a result, firms' and banks' ability to borrow from global financial markets has improved. Despite tightening financial conditions, the deterioration in asset quality has been limited due to low corporate indebtedness. Banks' strong capital and liquidity buffers, in addition to their prudent provisioning policies, keep risks at manageable levels.

I hope that the 39th volume of our Financial Stability Report, which covers current developments regarding financial stability as well as the global and domestic macro financial outlook, will be of benefit to all readers.

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Governor

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