



# Financial Stability Report

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This report, aimed at informing the public, is based mainly on September 2011 data. Nevertheless, the report also includes developments and evaluations up to its date of publication in Turkish. The full version of this 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**

*From the publication of our previous Financial Stability Report to date, measures that will bring a lasting solution to public finance and banking sectors in Europe are still pending and this situation has started to threaten global economic activity and the financial markets significantly.*

*Developing countries are affected by this situation not only through the channel of international capital flows, which now display more volatility, but also that of expectations and trade. Central Banks of developing countries, who attach more importance to financial stability today as compared to that in the past, are implementing a countercyclical monetary policy in order to minimize potential adverse effects of this situation on their countries.*

*Owing to the countercyclical monetary and financial sector policies implemented in Turkey, the credit growth rate has assumed a reasonable trend in line with projections, which signals a positive development. Credit growth rate being stable around these levels is considered to be a prerequisite for containing the adverse effects of exogenous factors on the current account deficit as well as for curbing the risks on financial stability. Besides, a disciplined fiscal policy is an integral part of financial stability.*

*On the back of its sound balance sheet structure and strong policy tools, the Central Bank of the Republic of Turkey has enough flexibility to minimize the adverse effects of global developments on the Turkish economy. It will continue to employ these tools in the period ahead in a timely and effective manner when needed, as it has done so far.*

*I hope that financial stability assessments in the Report will be of benefit to all readers.*



Erdem BAŞÇI

Governor