



## Handover at the Central Bank

### Murat Çetinkaya Takes the Reins as New Governor of the Central Bank of the Republic of Turkey

Murat Çetinkaya was appointed Central Bank of the Republic of Turkey (CBRT) Governor on 20 April 2016.

[\(Page 2\)](#)

### Two New Deputy Governors Take Office at the Central Bank of the Republic of Turkey

Erkan Kilimci was appointed Deputy Governor on 12 May 2016 and Murat Uysal was appointed Deputy Governor on 9 June 2016.

[\(Page 2\)](#)

## Savings-Investment Dynamics

The national savings of a country enhance the growth potential of that country by providing the necessary source for new investments and thus contribute to raising the welfare level. National savings also mitigate the country's dependence on foreign financing and underpin economic stability. In this regard, developed financial markets are important with respect to converting a country's savings into investments and ensuring strong growth.

[\(Page 3\)](#)

### NEWS AND PUBLICATIONS FROM THE CBRT

- Research Notes in Economics
- CBRT Working Papers
- Inflation Report 2016-II

[\(Page 4\)](#)

### AT A GLANCE ...

- Macprudential Instruments and Financial Cycles Workshop

[\(Page 4\)](#)

### CBRT POLICY RATES (19 July 2016)

Late Liquidity Window Borrowing Rate: 0%	Borrowing Rate: 7.25%	One-Week Repo Rate: 7.5%	Marginal Funding Rate: 8.75%	Late Liquidity Window Lending Rate: 10.25%
---	--------------------------	-----------------------------	---------------------------------	---

### CBRT RESERVES (22 July 2016)

#### Gross FX Reserves

101.8 Billion USD

#### Gold

19.6 Billion USD

### INFLATION (July 2016)

8.79%

# MURAT ÇETİNKAYA TAKES THE REINS AS NEW GOVERNOR OF THE CENTRAL BANK OF THE REPUBLIC OF TURKEY



Murat Çetinkaya was appointed CBRT Governor on 20 April 2016.

Speaking at a meeting held for the official handover, Governor Çetinkaya emphasized determination to achieve price stability on a long-lasting basis through transparent and predictable policies. Çetinkaya also noted that a holistic approach would be adopted monitoring macroeconomic balances along with their interaction with monetary policy, and that financial stability would remain safeguarded.

Taking office as the 22nd Governor of the CBRT, Murat Çetinkaya was born in 1976. He graduated with a double major in Political Science and International Relations from the Faculty of Economics and Administrative Sciences and in Sociology from the Faculty of Arts and Sciences at Boğaziçi University, Istanbul. He is currently pursuing his doctoral work at the same university.

Starting his banking career at Albaraka Turk Participation Bank, Mr. Çetinkaya has held a range of posts in international banking and treasury departments. After joining Halkbank in 2003, he worked as head of the International Banking and

Structured Finance Department and then as Deputy General Manager for International Banking and Investor Relations. In this period, he also served as Board Member in various Halkbank subsidiaries including Halk Investment.

Prior to being appointed a Deputy Governor of the CBRT on 29 June 2012, from 2008 Mr. Çetinkaya worked as Deputy Director for Treasury, International Banking and Investment

Banking at Kuveyt Turk Participation Bank.

From 29 June 2012 until his appointment as Governor on 20 April 2016, Murat Çetinkaya served as a Deputy Governor of the Central Bank of the Republic of Turkey.



Deputy Governor Erkan Kilimci

## TWO NEW DEPUTY GOVERNORS TAKE OFFICE AT THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

Former Executive Director of the CBRT Markets Department, Erkan Kilimci was appointed Deputy Governor on 12 May 2016.

On 9 June 2016, Murat Uysal, who had been serving at Halkbank as Deputy General Manager responsible for Treasury Management, was appointed Deputy Governor of the CBRT.



Deputy Governor Murat Uysal

# SAVINGS-INVESTMENT DYNAMICS AND THE ROLE OF FINANCIAL MARKETS

Broadly speaking, saving is the difference between income and consumption. In conceptual terms, saving is the deferral of consumption that could be carried out today until some time in the future.

Today, when consumption has an important place in daily life, national savings are as important as individual savings. While individual savings matter for personal budget management,

## THE ROLE OF FINANCIAL MARKETS IN THE SAVINGS-INVESTMENT CYCLE

The advancement of financial markets is important with respect to channeling savings into investments and achieving strong growth. Financial intermediation activities facilitate directing household savings and foreign savings into the corporate sector to be used in investment expenditures. Directing resources to the most productive fields possible

Three basic characteristics of financial markets determine their impact on economic growth:

**i) Level of Financial Intermediation:** The size of a financial system relative to an economy is important for the conduct of the above-mentioned functions. The larger the size, the lower the fixed costs in the operation of financial intermediaries, the better the information on investment decisions and the easier the access by firms to credits. Moreover, a larger financial system enables a more effective allocation of capital along with monitoring of the use of funds and alleviates vulnerability to external shocks by helping to smooth domestic demand volatilities.

**ii) Efficiency of Financial Intermediation:** Asymmetric information, externalities in financial markets or imperfect competition may affect saving and investment dynamics adversely. This situation can have consequences such as ineffective allocation of resources, fraud or illiquidity in financial markets, thereby hampering the economic growth. Adequate oversight and monitoring of the financial system by the public sector can be a remedy.

**iii) Composition of Financial Intermediation:** A large share held by capital markets in a financial system enables the corporate sector to access sources of finance at lower costs, hence a more effective allocation of resources. Meanwhile, increase in corporate investors such as pension funds and insurance companies contributes to the extension of maturities of loans, bills and bonds by enlarging the savings pool.

To sum up, development of financial markets facilitates portfolio diversification for savers reducing risk, and offers more choices to investors increasing returns. Moreover, it allows collection and processing of information on investment decisions in a cost-effective manner. In this context, it can be asserted that i) the greater the financial depth (the ratio of total financial assets to national income), the higher the productivity and thus the higher the per capita income, and ii) an advanced financial structure denotes a higher national income per capita.

## PUBLICATIONS FROM THE CBRT

Endogeneity of Money Supply: Evidence From Turkey (İbrahim Ethem Güney, Oğuzhan Çepni, No. 16/19, 25 May 2016)

### Importance of the Level of Domestic Savings

Insufficient domestic savings lead to inadequate capitalization of production factors and cause a decline in investment, production and employment levels. This, in return, increases the country's dependence on foreign savings to finance production and thus vulnerability of the economy.

For instance, in an economy suffering a chronic savings deficit, the following may be observed at times of accelerated capital inflows:

- Appreciation trend in the national currency,
- Rise in household consumption,
- Adverse impact on exports vs. rise in imports,
- Decrease in investments of companies with limited access to foreign financing,
- Change in profitability and competitiveness of sectors,
- Increased vulnerability in the economy due to a likely change in the direction of capital flows driven by the rise in current account deficit.

### Determinants of Private Investments

- Real effective exchange rates,
- Real interest rate,
- Public investments,
- Competitiveness,
- Domestic and foreign financing limitations,
- Level of confidence in the corporate sector,
- Business environment,
- Political factors

(World Bank, Focus Note, <http://www.worldbank.org/content/dam/Worldbank/document/eca/tr-focus-note-eng.pdf>)

financial assurance, raising individual welfare to the highest level possible and maintaining life standards, national savings are important for a country as they provide the necessary source for new investments and thus enhance the country's growth potential and contribute to attaining the targeted welfare level. Moreover, national savings lessen dependence on foreign financing and support efforts towards economic stability.

helps reduce possible risks for the firms providing the liquidity, which thus contributes to raising the economy's production capacity.

The functions of financial markets in an economy can be described as follows;<sup>1</sup>

- They produce ex ante information about possible investments,
- They mobilize and pool savings for them to be allocated to investments,
- They monitor and oversee investments,
- They enable the trading of financial assets, portfolio diversification and risk management,
- They facilitate the exchange of goods and services.

<sup>1</sup> FitzGerald, V. (2006). Financial Development and Economic Growth: A Critical View. Background Paper for World Economic and Social Survey 2006, United Nations.

- The Welfare Impact of Reducing the Duration of Completion of the Public Investment Projects (in Turkish) (Hüseyin Murat Özbilgin No. 16/17, 16 May 2016)
- Capital Constraints and Loan Growth: A Mechanical Analysis (in Turkish) (Koray Alper, M. Selman Çolak, Ertan Tok, No. 16/18, 18 May 2016)
- A Glance at the Shifts in Supply and Demand Compositions of the Domestic Debt Stock in Turkey (in Turkish) (Erdal Yılmaz, No. 16/16, 13 May 2016)
- Analysis of Firms' Forecast Errors Regarding Their Fixed Investment Forecasts: Some Evidence from Turkish Manufacturing Industries (in Turkish) (Evren Erdoğan Coşar, No. 16/15, 11 May 2016)
- Forecasting Turkish GDP Growth with Financial Variables and Confidence Indicators (Mahmut Günay, No. 16/14, 27 April 2016)
- An Alternative Approach to Forecasting Short-Term Unprocessed Food Inflation (in Turkish) (Fethi Ögünc, Çağrı Sarıkaya, No. 16/13, 20 April 2016)
- Long Term Cycles in Oil Prices (in Turkish) (Fatma Pınar Erdem, İbrahim Ünalmiş, No. 16/12, 12 April 2016)
- Adjusting Industrial Production with Abnormal Temperature Conditions (Çağlar Yüncüler, No. 16/11, 01 April 2016)
- Working Day Effect in Trade Statistics (in Turkish) (Olcay Yücel Çulha, Okan Eren, No. 16/10, 31 March 2016)
- How Different are the Factors Affecting the Credit Ratings of Developed and Emerging Countries? (Doruk Küçükşarac, Murat Duran, No. 16/09, 21 March 2016)
- The Effects of Unemployment Risk and Selected Financial Variables on Household Consumption and Saving Decisions (in Turkish) (Evren Ceritoğlu, Ece Oral Çevirmez, No. 16/08, 18 March 2016)
- Education Premium in Turkish Private and Public Sectors: 2004-2014 (in Turkish) (Okan Eren, No. 16/07, 03 March 2016)
- Measuring Financial Stress in Turkey: A Methodological

Comparison (in Turkish) (Ferhat Çamlıca, Didem Güneş, No. 16/06, 03 March 2016)

- Interest Rate Pass-Through from Monetary Policy Rates and Stance to Short Term Interest Rates (in Turkish) (Doruk Küçükşarac, No. 16/05, 01 March 2016)

**For CBRT Research Notes in Economics, please visit:**  
www.tcmb.gov.tr (Publications/Research/ Research Notes in Economics)



### CBRT Working Papers

- A Dynamic Approach to Analyzing the Effect of the Global Crisis on Non-Performing Loans: Evidence from the Turkish Banking Sector (Vuslat Us, No. 16/12, April 2016)
- Forecasting Turkish Real GDP Growth in a Data Rich Environment (Bahar Şen Doğan, Murat Midilic, No. 16/11, March 2016)
- Does Multiplicity of Equilibria Arise in the Eaton-Gersovitz Model of Sovereign Default? (Yasin Kürşat Önder, No. 16/10, March 2016)
- Revisiting Capital Structure of Non-Financial Public Firms in Turkey (Ramazan Karaşahin, Doruk Küçükşarac, No. 16/09, March 2016)
- Interest Rate Corridor and Bank Interest Rates: Evidence on Monetary Policy Transmission (in Turkish) (Mahir Binici, Hakan Kara, Pınar Özlü, No. 16/08, March 2016)
- Search by Firms and Labor Market Policies (Gönül Şengül, No. 16/07, March 2016)

**For CBRT Research Notes in Economics, please visit:**  
www.tcmb.gov.tr (Publications/Research/ Research Notes in Economics)



### Inflation Report 2016-II

The second Inflation Report of 2016 was presented at a press conference held in İstanbul on 26 April 2016. The Report covers international economic developments, inflation developments, supply and demand developments, developments in financial markets,

financial intermediation and public finance as well as the CBRT's medium-term forecasts.

The Report includes boxes on: Factors Affecting Credit Ratings in Advanced and Emerging Economies, The Effect of Syrian Refugees on Consumer Prices, Quality Adjustment in the Turkish House Price Index: Hedonic House Price Index, Effects of Minimum Wage Increases on Consumer Loans, Relation Between Non-Housing Consumer Loans and Imports of Consumption Goods.

A live webcast of the press conference with simultaneous English interpretation was also broadcast on the CBRT website.

**To access Inflation Report 2016-II, please visit:**  
www.tcmb.gov.tr (Publications/Reports/Inflation Report)



## AT A GLANCE ...

### Macroprudential Instruments and Financial Cycles Workshop

The CBRT and the European Central Banking Network (ECBN) jointly organized a workshop on "Macroprudential Instruments and Financial Cycles" on 22 March 2016, in İstanbul.

The workshop featured discussions of measurement and analysis of financial cycles, understanding the links between financial cycles and financial stability, the effectiveness of macroprudential policies in responding to financial cycles and the importance of debt composition with respect to financial stability.

The workshop hosted approximately 100 participants. The guest of honor, Prof. Atif Mian from Princeton University, delivered a keynote speech on "Debt and the Real Economy". Three sessions were held during the workshop under the titles of "Financial Stability, Monetary and Macroprudential Policies", "Measuring and Characterising Financial Cycles" and "Different Aspects of Global Liquidity and Debt".

**For further information please visit:**  
www.tcmb.gov.tr/wps/wcm/connect/TCMB+EN/TCMB+EN/Bottom+Menu/Education+Academic/Conferences



## EDITORIAL BOARD:

**Owner on behalf of the CBRT and Managing Editor:**  
Hakan Atasoy

**Editorial Board:** Ergün Meriç, Yücel Yazar, Gül Nur Ekemen, Emel Demirgören Sahin, Arzu Topçu, Sevgi Serpil Atalay Güven, Emrah Uslu, Özgür Balaban, Duygu Konukcu, Cansu Kaya

**Central Bank of the Republic of Turkey**  
Communications and Foreign Relations Department  
Anafartalar Mah. İstiklal Cad. No: 10  
06050 Ulus Altındağ Ankara  
Free edition of CBRT.

## ISSUE: 39 / JUNE 2016

Published quarterly by the Central Bank of the Republic of Turkey

## SOCIAL MEDIA

CentralBank\_TR TurkiyeCumhuriyetMerkezBankasi TCMerkezBankasi Merkez\_Bankasi