II. Macroeconomic Outlook

Geopolitical risks, global inflation developments, increasing expectations of recession in advanced economies and the uncertainty over supply chains due to China's pandemic measures cause global economic activity to weaken. Although shrinking demand and receding commodity prices amid tightening global financial conditions lead to a deceleration in global inflation, the monetary policies of major central banks, which have emphasized that elevated levels of inflation might last longer than expected, continue to diverge. The volatility in long-term bond yields of advanced economies and the increase in funding costs keep risks to portfolio inflows alive in emerging market economies.

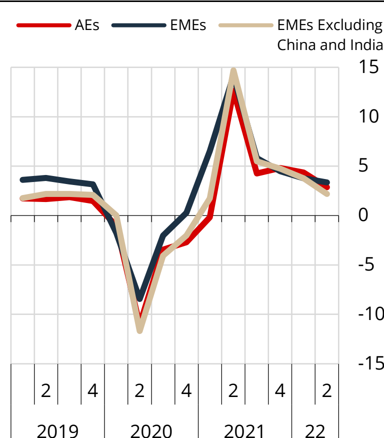
While domestic economic activity remained strong in the first half of 2022, leading indicators point to some deceleration for the third quarter. In the first half of the year, the main driver of growth was final domestic demand led by private consumption, and sustainable components such as machinery-equipment-driven investments and net exports continued to contribute to growth. Despite the strong outlook for services revenues, the current account deficit widened due to high energy and gold imports accompanied by a limited deceleration in exports, while the current account balance excluding energy and gold remained on a positive trajectory. The robust course of economic activity in this period was mirrored positively in the labor market and budget indicators. While consumer inflation was driven by price hikes in core goods and services, it lost momentum in the second half of 2022.

II.1 International Developments

The global economic activity is weakening due to geopolitical risks, high energy prices, inflation developments, rising concerns over a recession in advanced economies, and the uncertainty regarding global demand and supply chains driven by the rising pandemic cases in China.

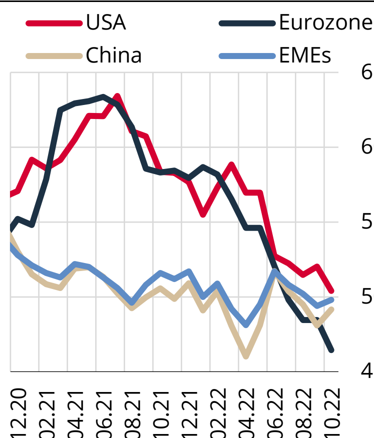
The global economic activity, which followed a brisk course in 2021 on the back of accelerated vaccination and easing social isolation measures, lost momentum in 2022. In addition to pandemic measures and the contraction of economic activity in China for the first time after the pandemic, energy and food prices that increased due to the Russia-Ukraine conflict and the subsequent economic and financial sanctions imposed on Russia caused the slowdown in global growth to become more pronounced (Chart II.1.1). Leading indicators of growth suggest that the slowdown in global economic activity also continued in the third quarter of 2022 (Chart II.1.2). Although the growth rates of advanced economies and EMEs diverge, growth forecasts for countries at large continue to be revised downwards for the upcoming period while concerns for a recession are becoming widespread (Chart II.1.3). Elevated levels of commodity prices despite some decline, the demand outlook that is under tightening financial conditions, and ongoing supply-side problems despite the improvement in supply chain indicators all pose downside risks to the global growth outlook.

Chart II.1.1: Annual Growth in Advanced and Emerging Economies (%)



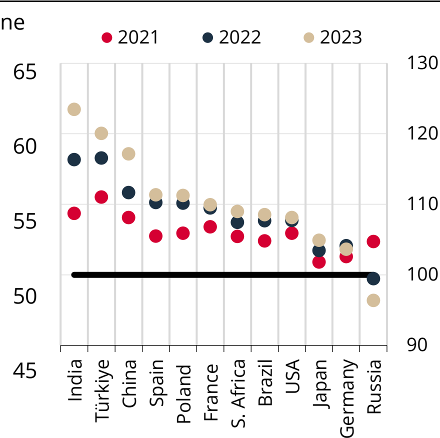
Source: Bloomberg Last Observation:2022Q2

Chart II.1.2: Manufacturing PMI (Index)



Source: S&P Global Last Observation: 10.22

Chart II.1.3: Real GDP and Projections (Annual, 2020=100)



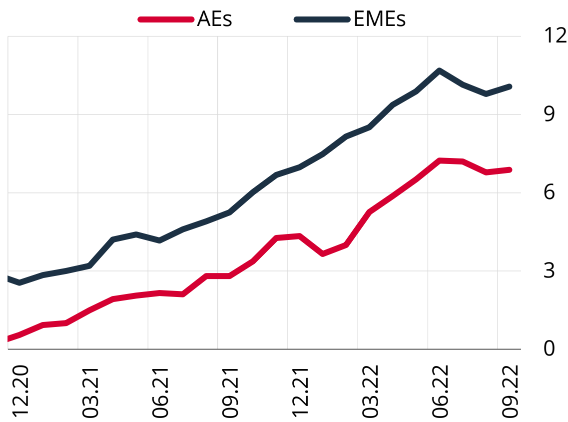
Source: Bloomberg Last Observation: 02.11.22

Note: On the chart to the left, AEs include the US, the euro area, Japan, the UK, Canada, S. Korea, Switzerland, Sweden, Norway, Denmark and Israel while EMEs are China, Brazil, India, Mexico, Russia, Türkiye, Poland, Indonesia, S. Africa, Argentina, Thailand, Malaysia, Czechia, Colombia, Hungary, Romania, the Philippines, Ukraine, Chile, Peru and Morocco. On the chart to the right, the Bloomberg data is based on the World Bank method as the fiscal year period in India is different from fiscal years of other countries.

Global inflation rates remain elevated.

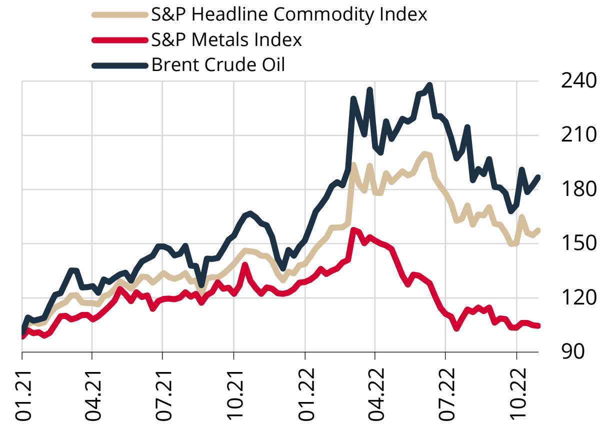
Global inflation, which was driven up by pent-up demand after the pandemic and disruptions in the supply chain, continued to rise in 2022 due to uncertainties regarding energy and food security as well as the ongoing high course of commodity prices (Chart II.1.4). The rise in commodity prices observed since the onset of the pandemic gained pace with the Russia-Ukraine conflict, followed by some decline in prices on the back of weakening global economic activity, particularly in the Chinese economy, and the expectations of a recession (Chart II.1.5). While the weakening demand under tightened global financial conditions and the fall in commodity prices have led to a deceleration in inflation, central banks of advanced economies emphasize that the elevated levels in inflation may last longer than previously anticipated. The Istanbul Grain Deal reduces the uncertainties regarding food security, and limits the impact of geopolitical risks on the global economy to some extent.

Chart II.1.4: Global Inflation (%)



Source: Bloomberg Last Observation: 09.22

Chart II.1.5: Commodity Indices (Index, 25.12.2020=100)



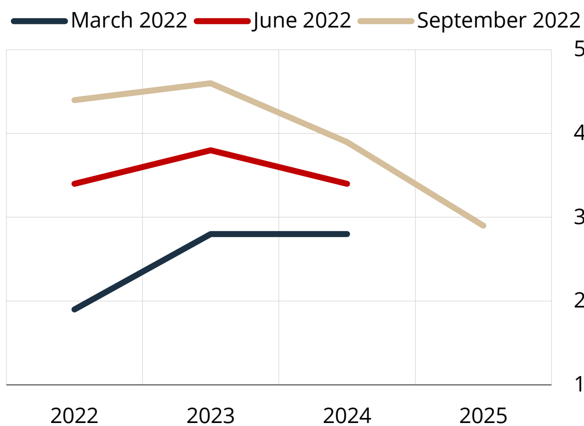
Source: Bloomberg Last Observation: 28.10.22

Note: On the chart to the left, AEs include the US, the euro area, Japan, the UK, Canada, S. Korea, Switzerland, Sweden, Norway and Israel while EMEs are Brazil, Mexico, Russia, Poland, Indonesia, S. Africa, Thailand, Czechia, Colombia, Hungary, Romania and the Philippines.

The monetary policy steps of central banks differ across countries due to their differentiating economic outlook.

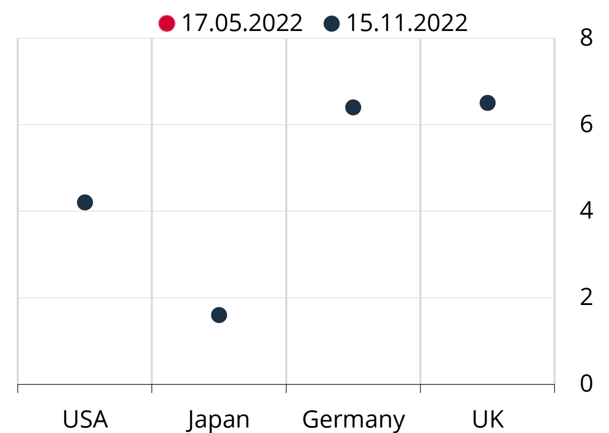
Central banks in advanced economies have raised their policy rates while some central banks have introduced asset purchase programs for a temporary period (Chart II.1.6). The monetary policy steps and communications of central banks in advanced economies as well as their market expectations for inflation differ due to economic outlook (Chart II.1.7).

Chart II.1.6: Median Policy Rate Forecasts of FOMC Members (%)



Source: Bloomberg Last Observation: 09.22

Chart II.1.7: Consumer Inflation Forecasts of Selected Advanced Economies for Year End-2023 (%)

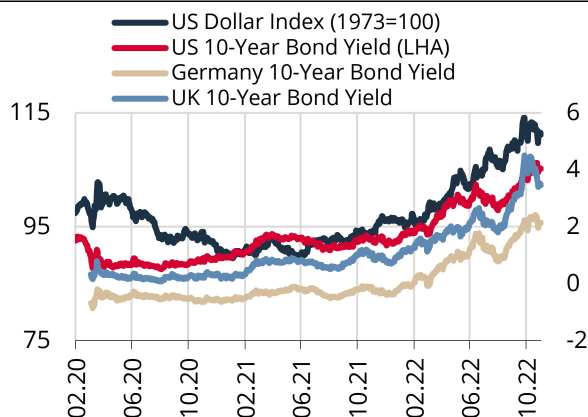


Source: Bloomberg Last Observation: 15.11.22

Note: Forecasts obtained from the Bloomberg Terminal are the forecasts of central banks, financial institutions, and international institutions.

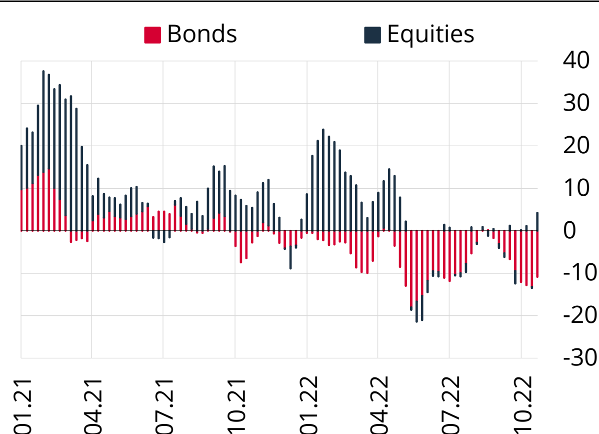
The volatility in long-term bond yields of advanced economies keeps the risks to portfolio flows to EMEs alive. EMEs have seen portfolio outflows due to the tightening in global financial conditions.
While the upward trend and volatility in bond yields of advanced economies continued following the policy steps of their central banks, the US dollar index took the highest value since 2001 (Chart II.1.8). EMEs saw portfolio outflows due to the tightening in global financial conditions, and stock markets followed a fluctuating course while portfolio outflows were predominantly from the bond market (Chart II.1.9). The volatility in long-term bond yields of advanced economies, the course of global financial conditions, and the expectation of a recession are among the risks to portfolio flows in these countries.

Chart II.1.8: US Dollar Index and 10-Year Treasury Bond Yields in Advanced Economies (Index, %)



Source: Bloomberg Last Observation: 02.11.22

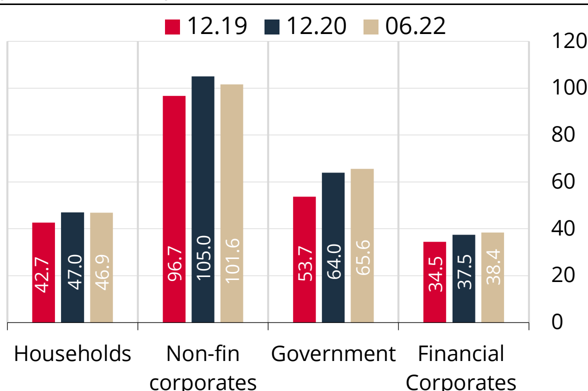
Chart II.1.9: Weekly Capital Flows to EMEs (4-Week Cumulative, USD Billion)



Source: Bloomberg Last Observation: 10.22

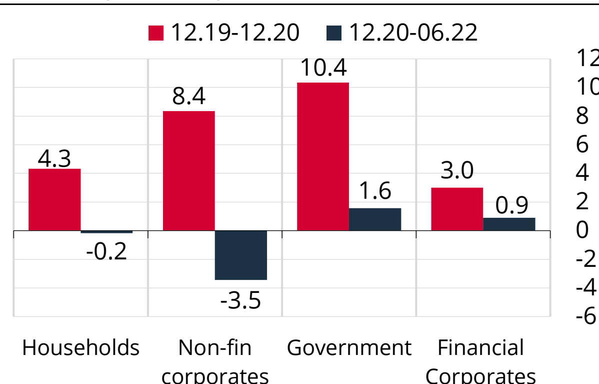
Having increased significantly with the supports provided to counter the economic impact of the pandemic, global financial indebtedness still remains elevated.
The indebtedness of EMEs in general increased compared to the pre-pandemic period, and took the highest-ever value in the first quarter of 2021 while the change in indebtedness differs significantly across countries and sectors (Charts II.1.10 and II.1.11). The rise in indebtedness in EMEs under an environment of high inflation was driven by the loss of momentum in global recovery and the marked increase in public borrowing as part of the fight with the pandemic. As a matter of fact, indebtedness ratios have increased across all sectors since the onset of the pandemic, with the public sector in the lead (Box II.2.I).

Chart II.1.10: Financial Indebtedness in EMEs (Debt/GDP, %)



Source: IIF Last Observation: 2022Q2

Chart II.1.11: Change in Financial Indebtedness in EMEs (% Points)



Source: IIF Last Observation: 2022Q2

Note: The average is calculated based on GDP weights of countries. EMEs include Argentina, Brazil, Chile, China, Colombia, Czechia, Egypt, Ghana, Hong Kong, Hungary, India, Indonesia, Israel, Kenya, Lebanon, Malaysia, Mexico, Nigeria, Pakistan, the Philippines, Poland, Russia, Saudi Arabia, Singapore, S. Africa, S. Korea, Thailand, Türkiye, Ukraine and the United Arab Emirates. Data for the first two quarters of 2022 are estimations.

The Russia-Ukraine conflict heightened energy supply problems, which led to a decline in green finance activities addressing climate change.

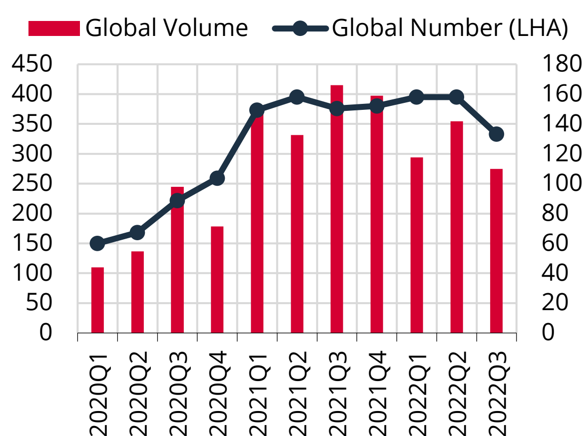
Green finance activities gained pace as a response to the climate change problem that quickly became a current issue on the global financial agenda with the pandemic. However, having increased rapidly as of 2020, green bond issuances, like other bond issuances, are on the decline due to rising interest rates and market volatility as well as the energy problems that the Russia-Ukraine conflict has caused for Europe (Charts II.1.12 and II.1.13).

Vulnerabilities for global financial stability have increased since the last Report period. Geopolitical risks in particular, reduced risk appetite, supply-demand imbalances, high commodity prices, inflationary pressures and monetary tightening steps in advanced economies to address these pressures, and widespread expectations of a recession play a significant role in the global financial system and the economic outlook.

With the tightening in global financial conditions and the increase in funding costs, portfolio inflows to EMEs have been replaced by outflows while the volatility in long-term bond yields of advanced economies, the decline in risk appetite, and the course of global financial conditions keep the risks to portfolio flows to EMEs alive.

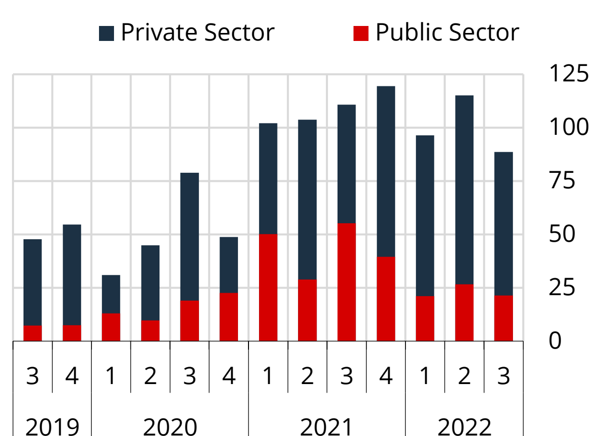
Steps taken after exit from the pandemic call for multidimensional policy tools, including macroprudential policies, as well as the timely and targeted use of these tools, which should take into account both the fight against global inflation and the probability of a global recession, and country-specific conditions.

Chart II.1.12: Total Volume and Number of Green Bonds Issued (USD Billion, Units)



Source: Bloomberg Last Observation: 02.11.22

Chart II.1.13: Breakdown of Green Bonds Issued (USD Billion)



Source: Bloomberg Last Observation: 02.11.22

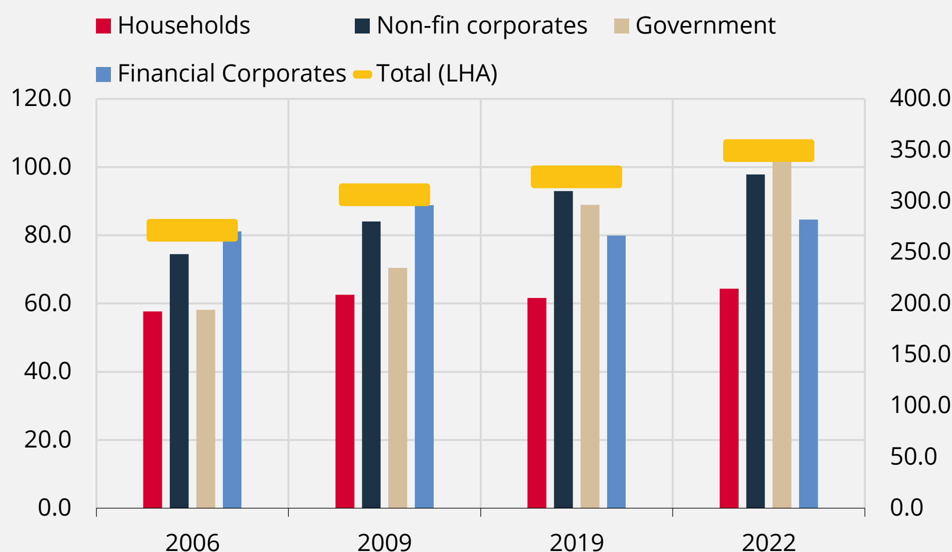
Box II.1.I:

Global Debt Burden from a Financial Stability Perspective

Tighter global financial conditions, the slowdown in the growth outlook, geopolitical risks and volatility in commodity markets, and concerns over a recession in advanced economies all increase the risks to global financial stability. At this conjuncture, the global debt burden and debt sustainability come to the fore as another source of concern.

The Global Financial Crisis of 2008 triggered a rise in global indebtedness and caused indebtedness to be closely monitored as a vulnerability factor for many economies. Due to the global pandemic in 2020, the rise in global indebtedness accelerated again. Amid the contraction in global economic activity driven by lockdowns and supply-side disruptions, difficulties in access to financing, the growing number of company bankruptcies and increasing unemployment rates during the pandemic, indebtedness ratios in households and the financial sector, particularly the corporate sector, went up significantly. As a result of fiscal measures taken to support all these sectors and thus the economy, the public sector's indebtedness hit the highest historical levels across the world. While the global public sector indebtedness was 58% in 2006, it is expected to have exceeded 102% in June 2022 (Chart II.1.I.1). The globally high level of indebtedness in the public sector was largely driven by the Global Financial Crisis and the pandemic. On the other hand, abundant liquidity and low financing costs after the Global Financial Crisis played a role in the high level of indebtedness in the corporate sector. The global corporate sector indebtedness rose from 75% in 2006 to 98% by the end of 2021.

Chart II.1.I.1: Global Debt/GDP (%)



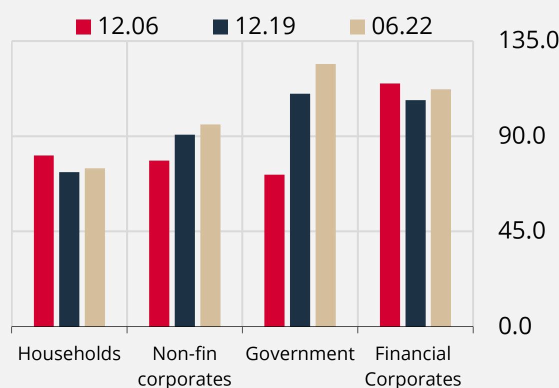
Source: IIF Last Observation: 06.22

Note: The chart includes data for the first two quarters of 2022, which are estimates.

Global indebtedness ratios reveal that different dynamics are at play for advanced economies and EMEs (Charts II.1.I.2 and II.1.I.3). Increased public sector indebtedness, particularly in advanced economies, is the main reason why global indebtedness between 2016 and 2019 was well above its level before and during the Global Financial Crisis. In 2020, public sector indebtedness increased more strongly due to pandemic asset purchase programs composed of larger packages in advanced economies than in EMEs as well as measures such as diversification of collateral assets, tax reductions and debt deferrals. In advanced economies, the ratio of public sector debt to GDP rose to 124% as of 2022 from 72% in 2006.

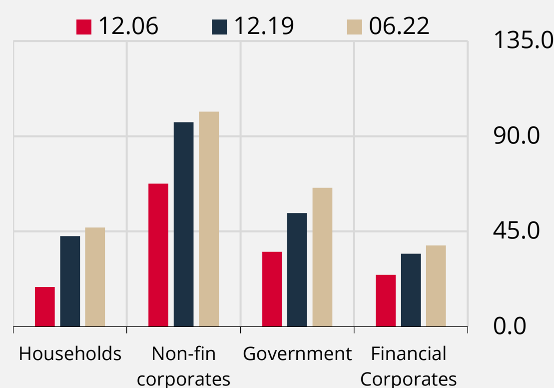
After the Global Financial Crisis, the low interest rate environment in advanced economies and increased global risk appetite supported the inflow of funds to EMEs. With liquidity becoming abundant and funding conditions improving, corporate sector and household borrowing increased. The corporate sector indebtedness in EMEs was 68% in 2006 and 97% at the end of 2019. It is expected to exceed 101% based on estimates for the second quarter of 2022.

Chart II.1.I.2: Indebtedness in Advanced Economies (Debt/GDP, %)



Source: IIF Last Observation: 06.22

Chart II.1.I.3: Indebtedness in EMEs (Debt/GDP, %)



Source: IIF Last Observation: 06.22

Note: Calculations of averages are based on GDP weights of countries. Advanced economies: Australia, Austria, Belgium, Canada, Denmark, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Japan, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, the USA, the UK, and the EU. EMEs: Argentina, Brazil, Chile, China, Colombia, Czechia, Egypt, Ghana, Hong Kong, Hungary, India, Indonesia, Israel, Kenya, Lebanon, Malaysia, Mexico, Nigeria, Pakistan, the Philippines, Poland, Russia, Saudi Arabia, Singapore, S. Africa, S. Korea, Thailand, Türkiye, Ukraine, and the United Arab Emirates. Data for 2022Q2 is an estimate.

EMEs gained higher access to international capital markets and their financing conditions improved. A large portion of international borrowing was in foreign currencies, predominantly in US dollars. This led to currency mismatches particularly in the corporate sector[1]. During this period, non-bank financial institutions (NBFI) had a growing role in the financing of EMEs' external debt. This placed USD-denominated liquidity in particular at the center of the financial system's resilience to shocks, thereby paving the way for liquidity mismatch-driven new vulnerabilities for the corporate sector. However, FX indebtedness in EMEs decreased compared to the Global Financial Crisis period on the back of restrictions introduced, particularly concerning households. On the other hand, measures to mitigate the effects of the pandemic and the related ongoing low interest rate environment encouraged corporate borrowing, leading to an increase in indebtedness, and made companies, especially in EMEs, more sensitive to interest rate hikes and EMEs to the cyclicality of capital movements. These measures drove up public sector indebtedness also in EMEs similar to advanced economies, and caused the fiscal policy domain to narrow in the face of possible macroeconomic shocks.

With the currently elevated level of global inflation, the rise in energy and food prices may affect the disposable income of households. Moreover, revaluations in house prices in advanced economies may turn household indebtedness, which increased during the pandemic, into a vulnerability. On the other hand, the corporate sector, which has increased its liquid assets since the Global Financial Crisis, has a high level of indebtedness compared to the pre-2020 period. The lack of data on the distribution of liquid assets across both the corporate sector and households makes it hard to get a sound evaluation of the debt service capacity of these sectors. The high indebtedness level of the corporate sector and households, which deferred their payments during the pandemic, may cause a problem for their debt repayments due to rising interest rates and

[1] https://www.fsb.org/wp-content/uploads/P260422.pdf

falling income driven by high global inflation and economic stagnation, and may affect bank balance sheets by translating into non-performing loans (NPLs). Increased interconnectedness of the banking sector and the central government during the pandemic may also affect the balance sheets of the sector. At this stage, regular stress tests for the financial sector are an important instrument that can be used to monitor possible accumulated risks.

The financial sector boosted its soundness mainly through reforms after the Global Financial Crisis. These reforms were instrumental in endowing the financial sector, the banking sector in particular, with a structure that can absorb crises and shocks instead of increasing the negative effects of crises. On the other hand, sudden outflows from money market funds, sales, and calls for higher collaterals experienced by money markets of advanced economies in the face of immediate need for liquidity in March 2020 that urged central banks and other authorities to step in raised concern over the volatility that NBFIs may create. This experience revealed the importance of effective provision of credit intermediation services to the corporate sector also during stress periods. Accordingly, international standard-setting institutions such as the Financial Stability Board (FSB) initiated a comprehensive study on the soundness and leveraged transactions of NBFIs.

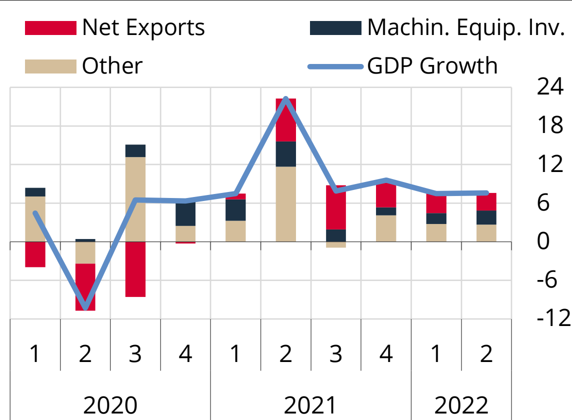
Crises and external shocks as well as structural and conjunctural changes in the financial system highlight the significance of global indebtedness for financial stability. In the upcoming period, the adaptability of international financial market players to new conditions and their debt repayment capacity should be monitored closely for the sustainability of debt.

II.2 Main Domestic Macroeconomic Developments

While the strong course of economic activity continued in the first half of 2022, leading indicators suggest some loss of momentum in the third quarter.

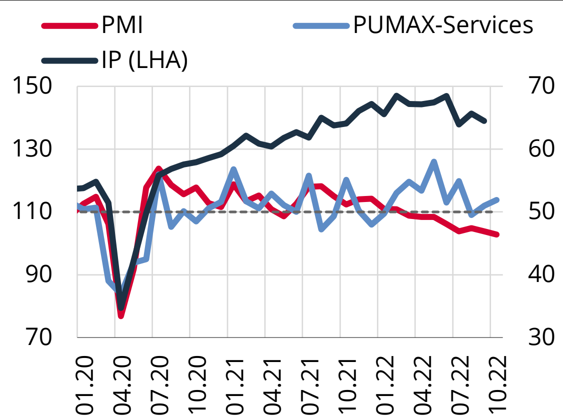
GDP grew annually by 7.5% and 7.6% in the first two quarters of 2022, respectively, and quarterly by 0.7% and 2.1% in seasonally and calendar adjusted terms. Final domestic demand, led by private consumption, was the main driver of growth in this period while sustainable components such as machinery-equipment investments and net exports continued to contribute to growth (Chart II.2.1). On the other hand, the seasonally and calendar adjusted industrial production declined in the third quarter of the year compared to the previous quarter, driven by weakening external demand and the smaller number of days worked in July. The manufacturing industry PMI, which has been flat at slightly below the reference value of 50 since March, took lower values in the July-October period than in previous months. The PUMAX index that indicated a strong recovery in the services sector throughout most of the year, moved in August and September around the reference value that shows a stable state (Chart II.2.2).

Chart II.2.1: Annual GDP Growth and Contribution of Expenditures (% Points)



Source: TURKSTAT, CBRT Last Observation: 2022Q2

Chart II.2.2: Selected Leading Indicators of Economic Activity (Index)

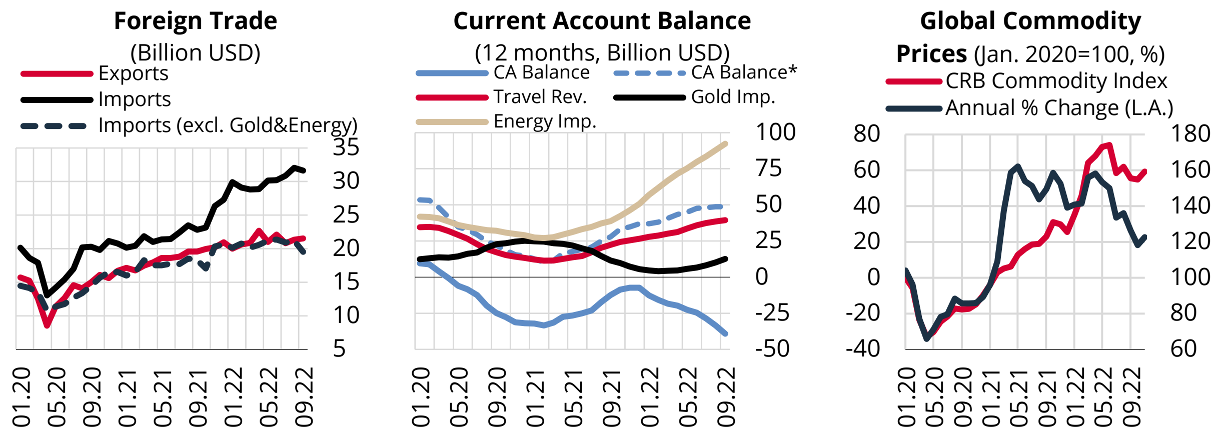


Source: CBRT, TURKSTAT,ISO,MUSIAD Last Obs.: 10.22
Note: Industrial Production Index (IPI, 2015=100) and the Services Sector Purchasing Managers' Index (PUMAX-Services) are adjusted for seasonal and calendar effects. The dashed line shows the stable state compared to the previous month in the Manufacturing Industry Purchasing Managers' Index (PMI) and PUMAXs.

Despite the strong outlook in services revenues, the current account deficit continues to widen due to the moderate deceleration in exports and the elevated course of energy and gold imports.

Notwithstanding the weakening global economic activity driven by geopolitical developments and tightening policies implemented on a global scale, the fall in demand from export markets was compensated for by new markets thanks to the dynamic structure and market diversification flexibility of export companies. Thus, the strong outlook of exports was maintained in the first half of 2022. However, leading indicators of global economic activity suggest that the possibility of a global economic recession has increased. Accordingly, exports lost momentum to a limited extent in the third quarter. Imports, on the other hand, have posted a significant rise since the last quarter of 2021 due to gold imports and the elevated level of commodity prices, although they followed a rather flat course in quantity terms. In fact, excluding gold and energy, imports exhibit a trend similar to exports. Despite increased geopolitical risks in regions that account for an important share of foreign visitors, the strong contribution of tourism to the current account balance continued, and annualized tourism revenues reached pre-pandemic levels. Against this background, the annual current account deficit rose to USD 39.2 billion in September 2022 from USD 7.3 billion at end-2021 while the current account excluding energy and gold remained favorable in the same period and posted a surplus of USD 48.9 billion (Chart II.2.3).

Chart II.2.3: Current Account Developments

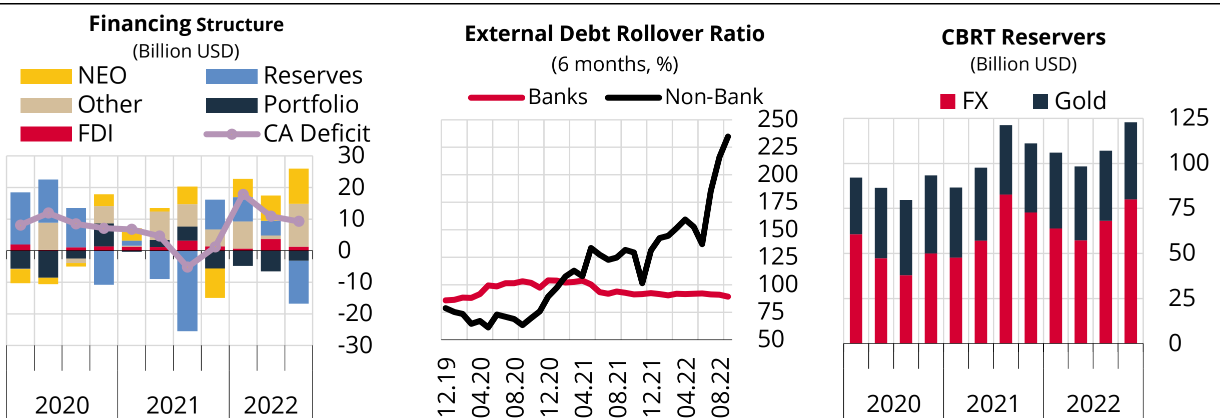


Source: CBRT, TURKSTAT, Ministry of Trade Last Observation: 09.22 (Commodity prices 13.11.22)
Note: For foreign trade, seasonally/calendar adjusted monthly exports (fob) and imports (cif) data according to the general trade system have been used. (*) refers to the current account balance excluding energy and gold.
Commodity Index (Refinitiv/CoreCommodity CRB Index) shows the arithmetic average of futures prices of 19 commodities such as crude oil, gold, copper, livestock, and sugar.

While the current account deficit was predominantly financed through borrowing of the non-bank private sector and deposits of non-residents, the net errors and omissions item also increased.

The financing need driven by the current account deficit has continued since the last Report period. While the contribution of direct investments to financing rose to a limited extent in this period, portfolio flows tended to be in the form of outflows for both stocks and debt securities. In addition to direct investments, external borrowing of the non-bank private sector through cash loans and the increase in deposit accounts of non-residents at banks were the main financing sources of the current account. Following the update in tourism data made in the scope of revisions, there was a marked improvement in the net errors and omissions item. Having declined in the first two quarters of the year, CBRT reserves assumed an upward trend as of July and reached USD 122.9 billion by 18 November 2022 (Chart II.2.4). The increase in CBRT reserves at a time when reserves are globally on the decline is deemed to be a favorable development in terms of macrofinancial stability.

Chart II.2.4: Financing Developments in the Balance of Payments



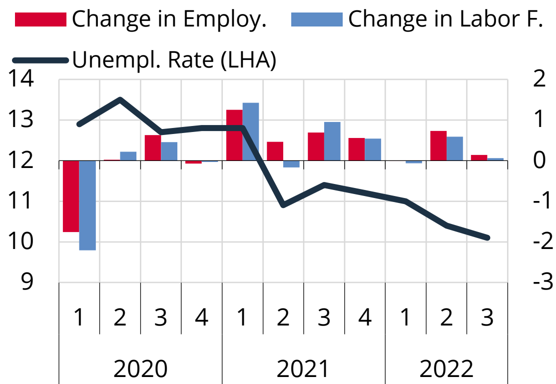
Source: CBRT Last Observation: 09.22 (Reserves: 11.11.22)
Note: "Portfolio", "FDI", and "Other" investments items are in net terms. The (-) sign in "Reserves" implies an increase. External debt rollover ratios are calculated on short and long-term total debt in a six-month window.

The robust outlook in the labor market continues while the budget discipline has been maintained with the rise in tax revenues.

The seasonally-adjusted unemployment rate has been on the decline as employment gains have been stronger than the increase in labor force in the post-pandemic period. Having reached 13.5% in the second quarter of 2020, the seasonally-adjusted unemployment rate dropped to 10.1% as of September 2022

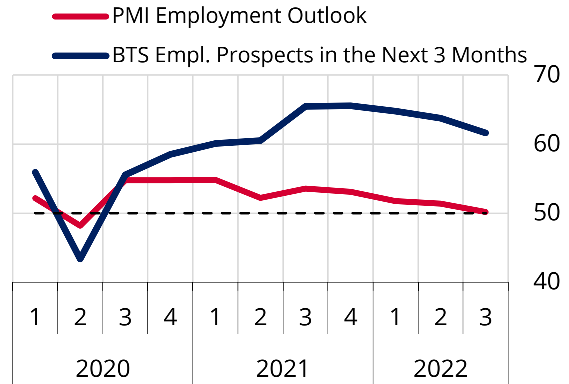
(Chart II.2.5). Leading indicators suggest that the upward trend in employment may lose pace in the rest of the year (Chart II.2.6). The strong course of economic activity also positively affects tax revenues. The proportion of primary expenditures covered by tax revenues, which increased in the first half of 2022, decreased somewhat in the July-October period due to the rise in expenditures. While the rise in primary expenditures was driven by current transfers and personnel expenditures, the contribution of items other than tax revenues remained limited on the revenues side. Thus, the ratio of the budget deficit to national income, which had dropped to 0.7% in the first half of the year, stood at 2.5% as of October (Chart II.2.7).

Chart II.2.5: Labor Market Indicators
(Seasonally-Adjusted, Million People, %)



Source: TURKSTAT Last Observation: 09.22

Chart II.2.6: Employment Outlook
(Seasonally-Adjusted, Up-Down)

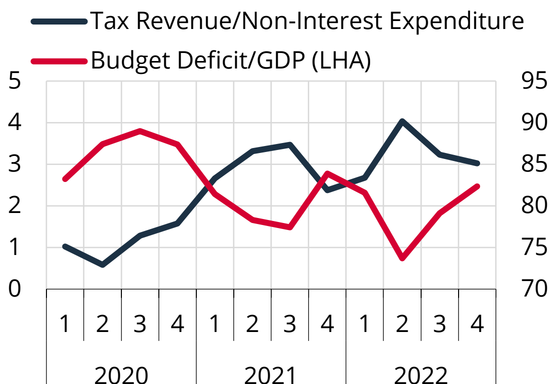


Source: S&P Global, CBRT Last Observation: 09.22
Note: BTS indicator has been adjusted to have a neutral level at 50, consistent with the PMI.

The recent rise in inflation has been driven by the lagged and indirect effects of the increase in energy costs, price formations detached from economic fundamentals, and strong negative supply shocks arising from hikes in global energy, food and agricultural commodity prices.

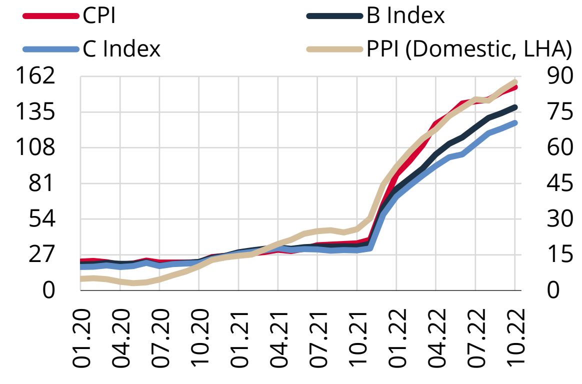
The upward trend in consumer inflation observed since December 2021 decelerated somewhat by the summer months. Food inflation remains elevated due to the negative outlook in international agricultural commodity and food prices, exchange rate developments, increased input costs, and ongoing disruptions in the supply chain. Meanwhile, the rise in annual energy inflation was driven by developments in international energy prices. International commodity prices continue to affect services inflation particularly through the channel of fuel and food prices. On the other hand, notwithstanding the fall in prices of refined petroleum products and base metals, producer prices remain high due to other energy items (Charts II.2.7 and II.2.8).

Chart II.2.7: Central Government Budget Indicators (12-Month Cumulative, %)



Source: MTF Last Observation: 10.22

Chart II.2.8: Inflation Developments
(Annual % Change)



Source: CBRT, TURKSTAT Last Observation: 10.22

Note: The B index is obtained by subtracting unprocessed food products, energy, alcoholic beverages, tobacco and gold items from the CPI, and the C index is obtained by subtracting food and non-alcoholic beverages from the B index.

Box II.2.I:

Steps Taken Towards Effective Functioning of Financial Markets

Measures and policy steps taken in the current reporting period to support financial stability and contribute to the effective functioning of markets are summarized in this box under main headings.

Table II.2.I.1: Major Measures and Regulations for Financial Markets

1. Policy Rate and the CBRT's Liquidity Management

Effective Date	Measure / Regulation
06.06.2022	Effective from 24 June 2022, the minimum GDDS holding ratio for swap and Interbank Money Market transactions with the CBRT was raised from 30% to 45%, while the collateral discount rate for indexed securities and FX- and gold-denominated assets subject to collateral was increased from 15% to 30%.
04.07.2022	Effective from 22 July 2022, the minimum GDDS holding ratio for swap and Interbank Money Market transactions with the CBRT was raised to 50%, while the collateral discount rate for indexed securities and FX- and gold-denominated assets subject to collateral was also increased to 50%.
18.08.2022	The one-week repo auction rate was reduced from 14% to 13%.
23.08.2022	Effective from 2 September 2022, the collateral discount rate for indexed securities and FX- and gold-denominated assets subject to collateral was increased to 60%.
22.09.2022	The one-week repo auction rate was reduced from 13% to 12%.
20.10.2022	The one-week repo auction rate was reduced from 12% to 10.5%.
24.11.2022	The one-week repo auction rate was reduced from 10.5% to 9%.

2. Reserve Requirements (RR) and Securities Maintenance

Effective Date (Start date of the RR maintenance period)	Measure / Regulation
08.07.2022	The RR ratio for Turkish lira-denominated commercial cash loans was increased from 10% to 20%.
22.07.2022	The commission rate applicable to RR and FX notice deposit accounts at the CBRT was raised from 1.5% to 5%. In addition, the deadline for achieving the target value of 20% for legal person deposit conversion rate was changed from 02.09.2022 to 08.07.2022. Also, the CBRT terminated the implementation stipulating that banks, which failed to achieve the 10% target separately for real and legal person deposit conversion rates by 02.09.2022, should be charged double the commission rate.
29.07.2022	It was decided that banks should maintain Turkish lira long-term fixed-rate securities for foreign currency deposits/participation funds at a rate of 3%. This rate would be raised by (a) 7 points for banks with a real and legal person deposit conversion rate (for each) below 5%, and (b) 2 points for banks with a real and legal person deposit conversion rate (for each) between 5% and 10%.
02.09.2022	The RR implementation regarding banks' (FX) deposit/participation funds, which stipulated that an additional RR of 500 bps would be applied for banks with a real person TL deposit/participation account conversion rate below 5%, and 300 bps for banks with a conversion rate between 5% and 10%, was revised to include conversion from legal person deposits as well, and threshold values were revised as 0-10% and 10-20%.
16.09.2022	An additional 3% commission per annum would be applied over the RR amount that should be maintained for FX deposit/participation fund liabilities by banks with a TL deposit/participation fund share below 50% in both real and legal person deposits.
30.09.2022	For loans subject to RR, it was decided that: a) The RR maintenance being applied at a ratio of 20% would be replaced by maintenance of securities at 30%, b) Securities equaling the loan amount exceeding the loan growth rate of 10% as of 30 December 2022 compared to 29 July 2022 would be maintained for a period of one year,

	c) In case the types of loans that were excluded were not extended against expenditure, such loans would be subject to the securities maintenance practice. Additionally, the CBRT decided that: d) For commercial loans to be extended from the publication date of the Communique until the end of 2022, securities would be maintained based on 20% of the loan amount to be extended at an annual compound interest rate 1.4 times higher than the CBRT-released annual compound reference rate, and 90% of the loan amount to be extended at an annual compound interest rate 1.8 times higher than the CBRT-released annual compound reference rate.
30.12.2022	With the amendment made in the Securities Maintenance practice, the securities maintenance ratio is revised from 3% to 5%. By the beginning of 2023, securities will be maintained based on the targets of the Turkish lira deposit share in total deposits, instead of the conversion rate. The securities maintenance ratio will be increased by a) 7 points for banks with a TL deposit/participation fund share below 50.00%, and b) 2 points for banks with a TL deposit/participation fund share between 50.00% and 60.00% in the total deposit/participation funds to be calculated for (any of) real and legal person deposits.
6.1.2023	The implementation that applies 5% commission rate to RR and FX notice deposit accounts at the CBRT, and the implementation that varies the commission rates depending on deposit conversion rates until the end of the year are terminated effective from the calculation date of 23.12.2022. The 3% annual commission rate applied for banks that cannot meet the conditions regarding the TL share (over the amounts to be maintained in the above mentioned accounts) is raised to a maximum of 8% to be varied depending on the share of TL deposit/participation funds, effective from the calculation date of 23.12.2022. Accordingly, effective from the calculation date of 23.12.2022 with the maintenance period starting on 6.1.2023, the commission rate will be applied at the following rates depending on the TL share in both real and legal person deposit/participation funds: a) 0% for banks with a share of 60% and above, b) 3% for banks with a share between 50% (included) and 60%, c) 8% for banks with a share below 50%.

3. Rediscount Credits

Effective Date	Measure / Regulation
13.06.2022	While maturities were extended for TL-denominated rediscount credits to be used by exporters, interest rates were reduced and credit conditions were changed. Accordingly, the maximum maturity was changed to 360 days for TL rediscount credits and 720 days for credits to the defense industry. TL rediscount credit interest rates were set at 300 points below the policy rate for maturities of 0-to-90 days, 200 points below the policy rate for maturities of 91-to-180 days, and 100 points below the policy rate for maturities of 181-to-720 days. In addition to the condition stipulating that 40% of export proceeds should be sold to the CBRT to be able to use TL rediscount credits, it was stipulated that companies should also pledge to sell at least 30% of their export proceeds to a bank. Accordingly, banks will be able to use TL rediscount credits in amounts up to the equivalent of the total FX amount they have sold. Moreover, companies that use TL rediscount credits should pledge not to buy back the amount of FX they have sold for a month from the date of the first selling transaction.

4. Deposit/ Participation Funds and Payment Systems

Effective Date	Measure / Regulation
28.06.2022	The period of reduction in the withholding tax rates applied to deposit/participation funds was extended until 31.12.2022.
06.07.2022	The criterion stipulating that banks should have held FX deposit accounts at banks between 31.12.2021 and 30.03.2022 in order to be able to benefit from the FX-protected deposits scheme was revised to change the time interval to be between 31.12.2021 and 30.06.2022.
28.07.2022	The corporate tax exemption applied to companies' earnings under the FX-protected deposits scheme was extended to also cover the balance sheet as of 30.06.2022.

27.08.2022	The scope of deposits and participation funds subject to insurance was extended to cover legal persons except financial and public institutions.
30.09.2022	The criterion stipulating that banks should have held FX deposit accounts at banks between 31.12.2021 and 30.06.2022 in order to be able to benefit from the FX-protected deposits scheme was revised to change the time interval to be between 31.12.2021 and 30.09.2022.
27.10.2022	The corporate tax exemption applied to companies' earnings under the FX-protected deposits scheme was extended by three months to also cover the balance sheet as of 30.09.2022.

5. Regulations Regarding Credit Extension, Installments and Debt Repayments

Effective Date	Measure / Regulation
09.06.2022	The maturity limit on consumer loans was set at 24 months for loan amounts above TL 50,000 and below TL 100,000 while it was reduced from 24 months to 12 months for loans above TL 100,000. In addition, the minimum payment rate was raised from 20% to 40% for credit cards with a spending limit of above TL 25,000.
11.06.2022	The Banking and Insurance Transactions Tax (BITT) rate in consumer loans was increased from 5% to 10%.
23.06.2022	The loan-to-value (LTV) ratio in housing loans was differentiated based on the value of the house as well as on whether it is a new or used house, and the credit facility for houses that worth more than TL 10 million was terminated. In the event that residents conduct derivatives transactions with non-residents after the date of the Decision, a risk weight of 500% was decided to be applied to TL- and FX-denominated commercial cash loans to be extended to these people after the date of the Decision.
24.06.2022	Effective from the Decision date, the TL commercial lending facility was terminated for companies who fulfill these conditions simultaneously: (i) being subject to an independent audit, (ii) having FX cash assets (including gold) above TL 15 million, and (iii) having FX cash assets that exceed 10% of either total assets or net sales revenue of the last one year (whichever higher).
07.07.2022	The Decision restricting the use of loans allowed companies to obtain an attestation from a certified public accountant for the documents that they need to have approved by an independent auditor to be able to submit to banks. Companies that are obliged to provide documents in order to borrow will be extended loans based on their declarations, and the borrowing company is allowed to submit the documents that confirm its declarations after three months. In the assessment of credit limitations for the companies that are obliged to prepare consolidated financial statements, the foreign subsidiaries and affiliates of such companies will not be included. A risk weight of 500% will be applied to cash loans for businesses that make false or misleading declarations.
23.09.2022	The amendment to the Communiqué on the fees that banks may charge their commercial clients stipulates that: - The maximum allocation fee of 0.25%, applicable to the initial limit allocation or to the increase of the allocated limit, will be applied at 0.125% for renewal of credit limits, - For disbursement of loans at maturities less than one year, the maximum loan disbursement fee will be applied by taking into account the number of days to maturity and with a pro-rata deduction.
01.11.2022	The BRSA tightened its measures of 24.06.2022, (i) The condition of being subject to an independent audit remained unchanged, (ii) the lower threshold of TL 15 million for FX cash assets (including gold) was revised to TL 10 million, and (iii) the threshold of 10% of either total assets or net sales revenue of the last one year (whichever higher) for FX cash assets was revised to 5%. Accordingly, effective from 01.11.2022, the TL commercial lending facility was terminated for companies that meet these conditions simultaneously.

6. Classification of Loans and Receivables and Legal Ratio Limitations

Effective Date	Measure / Regulation
23.06.2022	A risk weight of 0% could be applicable for banks' FX receivables from the CBRT when calculating the amount subject to credit risk in the calculation of the capital adequacy ratio.

7. Other Regulations

Effective Date	Measure / Regulation
09.06.2022	To promote obtaining funds from abroad for domestic public offerings and encourage companies to obtain funds via issuance of capital market instruments abroad, fees charged by the CMB for such issuances were reduced.
22.06.2022	TLREFK Turkish Lira Overnight Participation Reference Rate started to be announced by Borsa Istanbul in order to meet the need for a Turkish lira short-term reference rate that can be used as a variable return indicator, an underlying asset or a benchmark in participation banks' debt instruments, various non-interest financial products, and financial contracts.
13.08.2022	The guarantee balance for credits under the Credit Guarantee Fund was increased from TL 500 billion to TL 1 trillion.