



TÜRKİYE CUMHURİYET
MERKEZ BANKASI

BANKING SECTOR and MACROPRUDENTIAL FRAMEWORK

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Deputy Governor

JULY 11, 2024

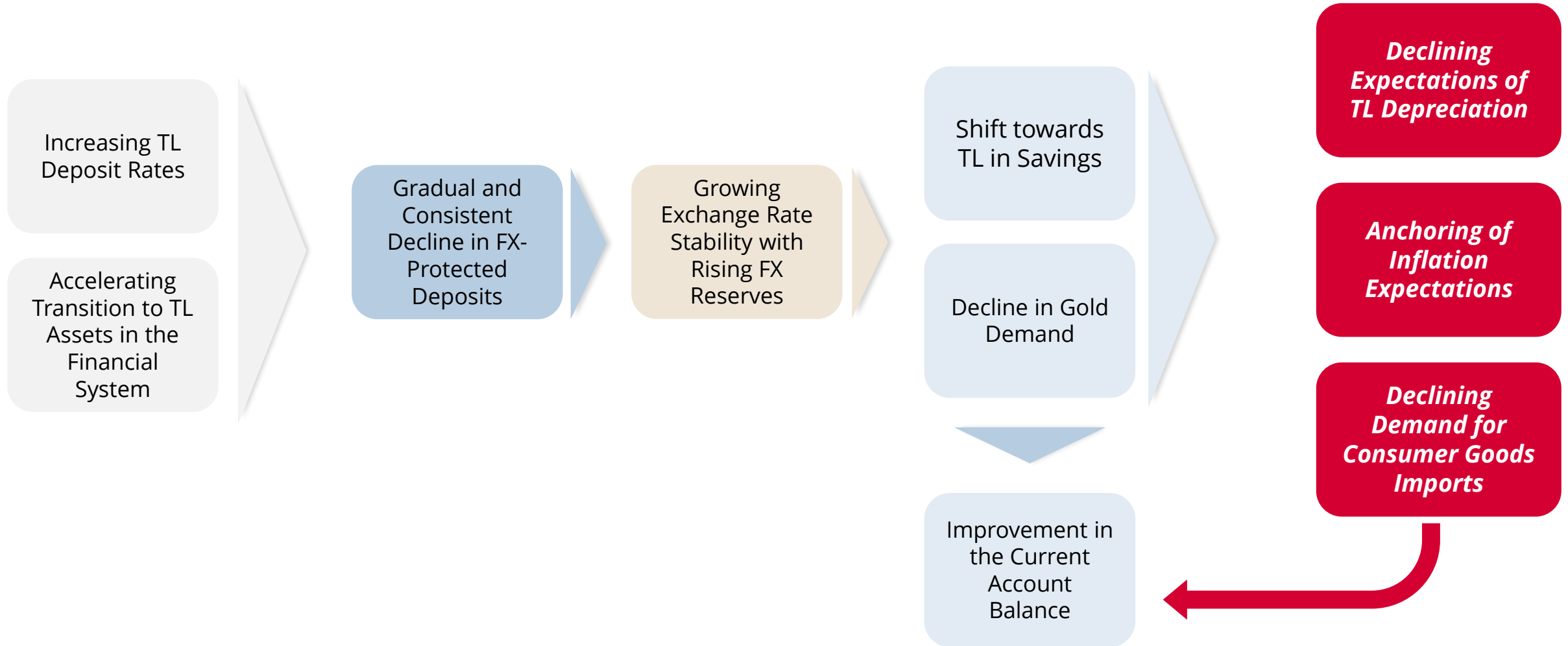
ISTANBUL



High inflation negatively impacts growth and asset prices through saving and consumption decisions.



Our tight monetary policy stance has increased TL savings and helped anchor inflation expectations.



Banking sector's phase-specific significance in monetary policy implementation

Past phase

- A weak monetary transmission mechanism
- Elevated inflation for a long period
- Pessimistically biased inflation revisions

Current phase

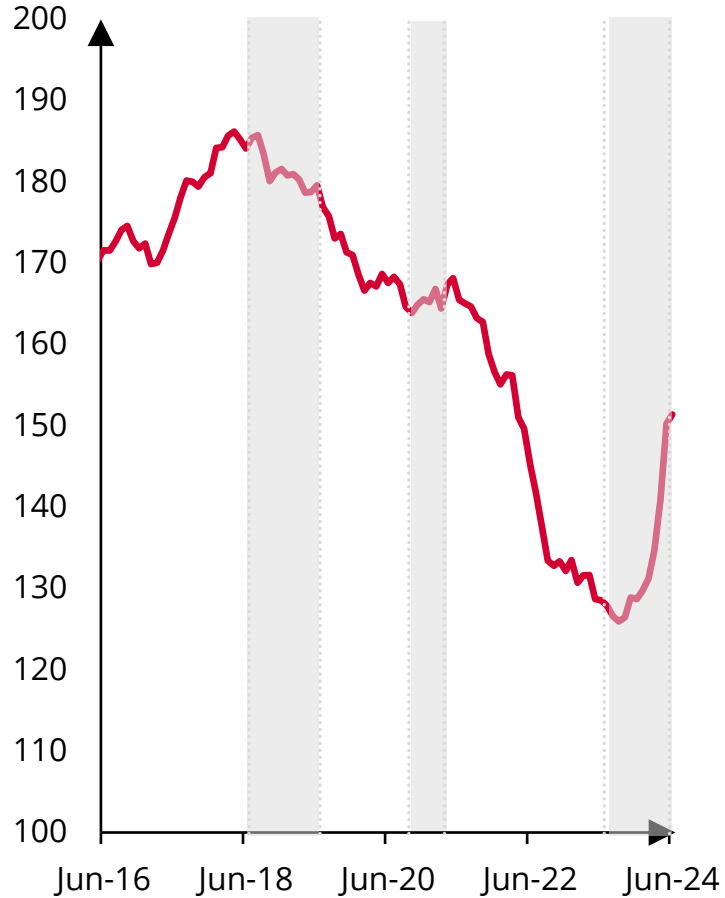
- Disinflation episode
- Expectations still being formed with a pessimistic bias
- Tightening starts to pay off

Upcoming phase

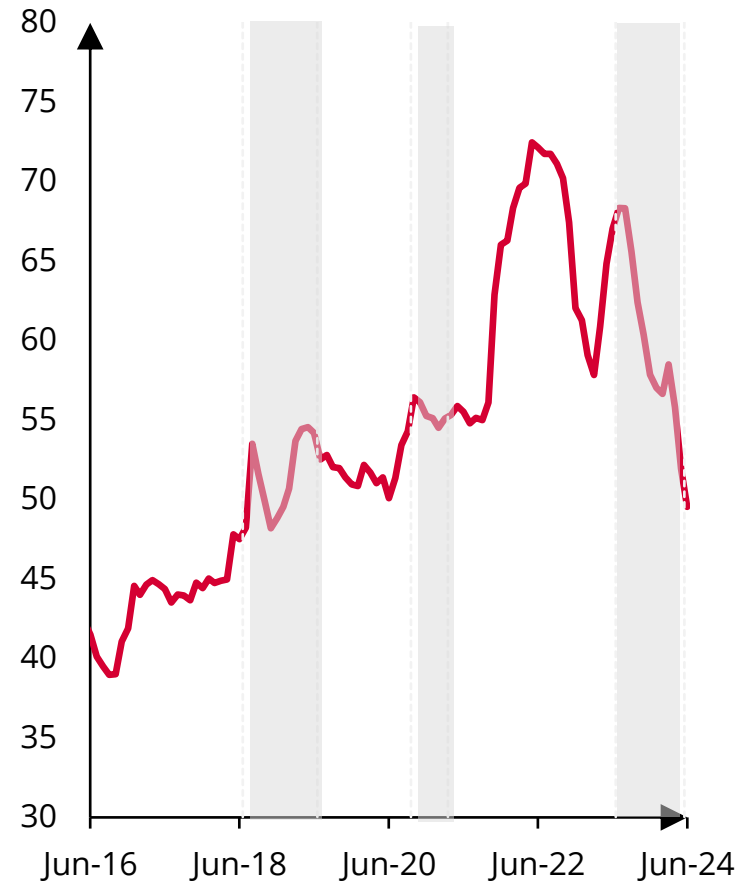
- Disinflation trajectory receives wider acceptance
- Maturities extend
- Expectation formation improves
- Maintained tight monetary stance
- Disinflation gains momentum

Compared to past tightening episodes, real sector had less debt and FX exposure in June '23, and share of FX (and FX-linked) deposits was much higher.

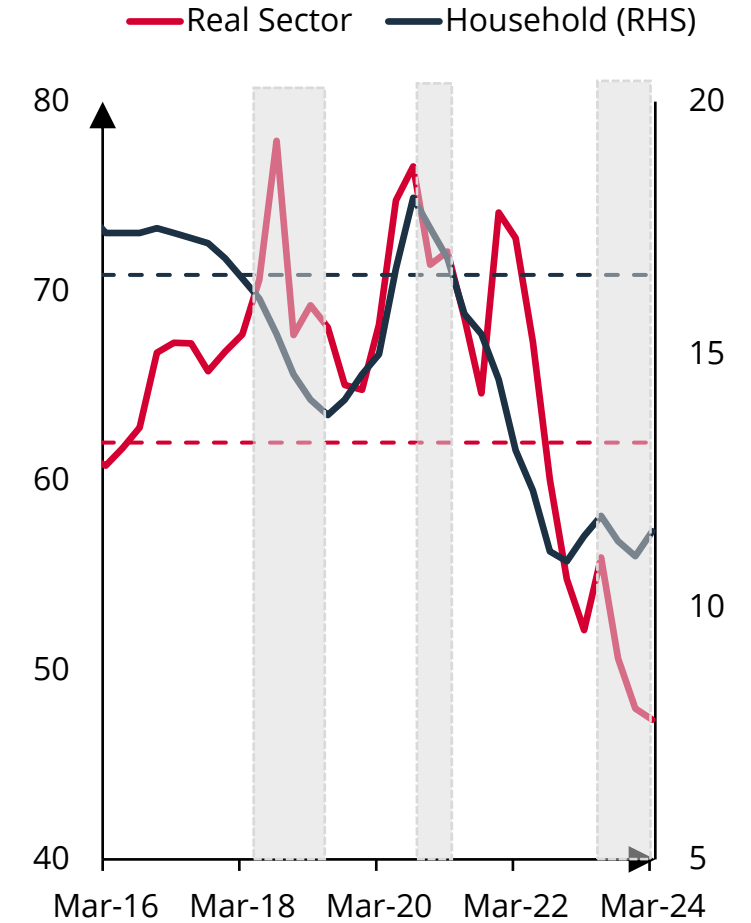
FX Loan Balance (Billion USD)



Share of FX and KKM in Deposits (%)

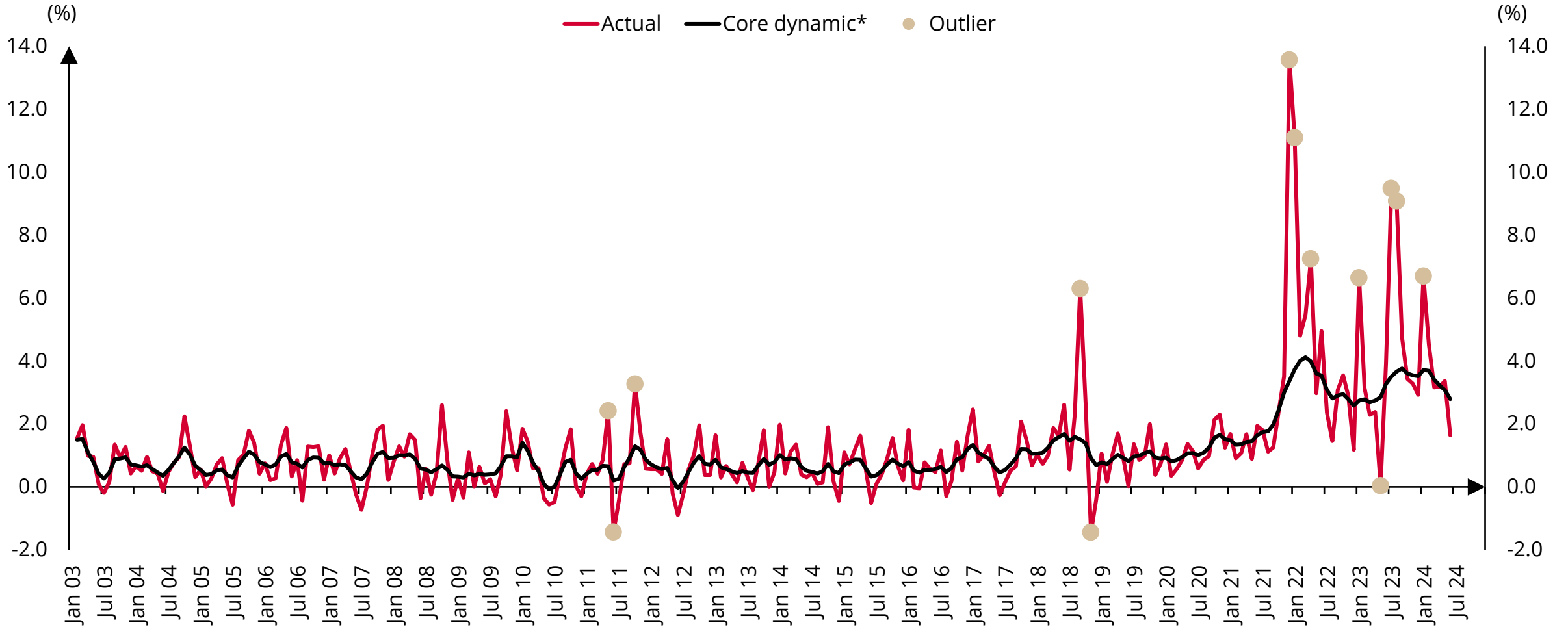


Debt to GDP Ratio (%)



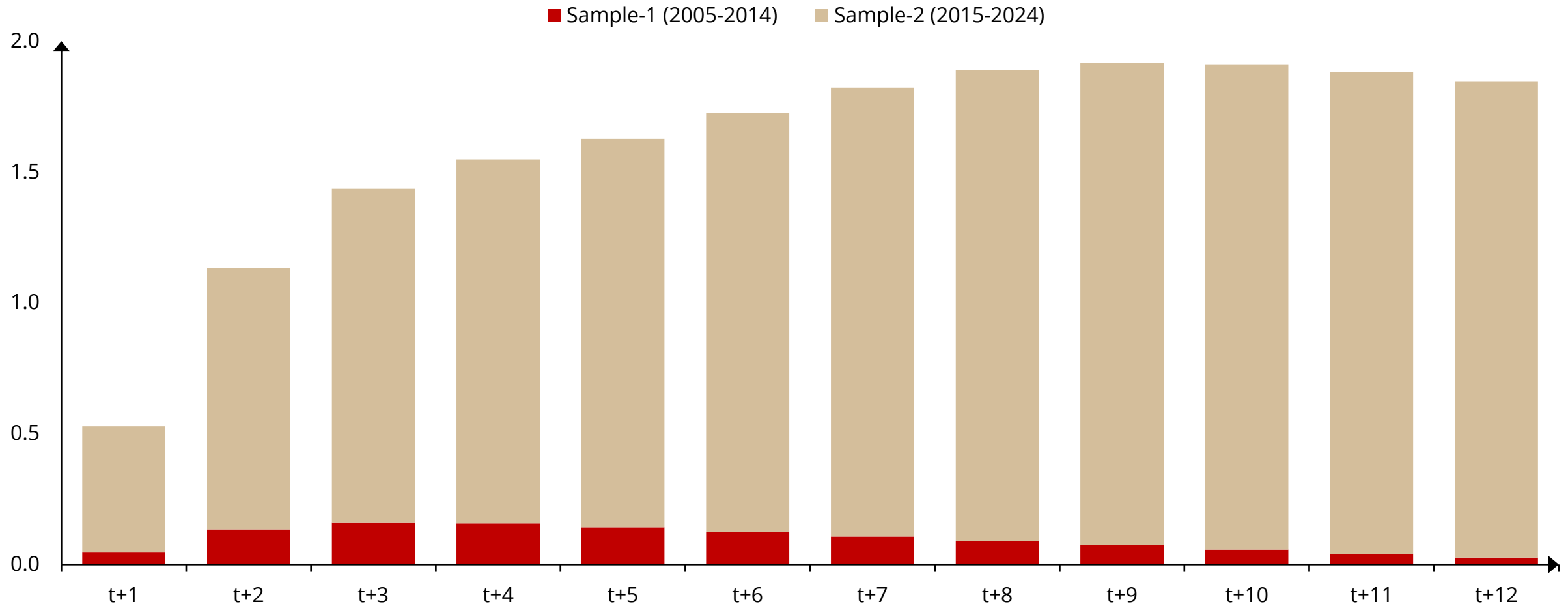
High volatility deters the disinflationary trend.

Monthly Inflation



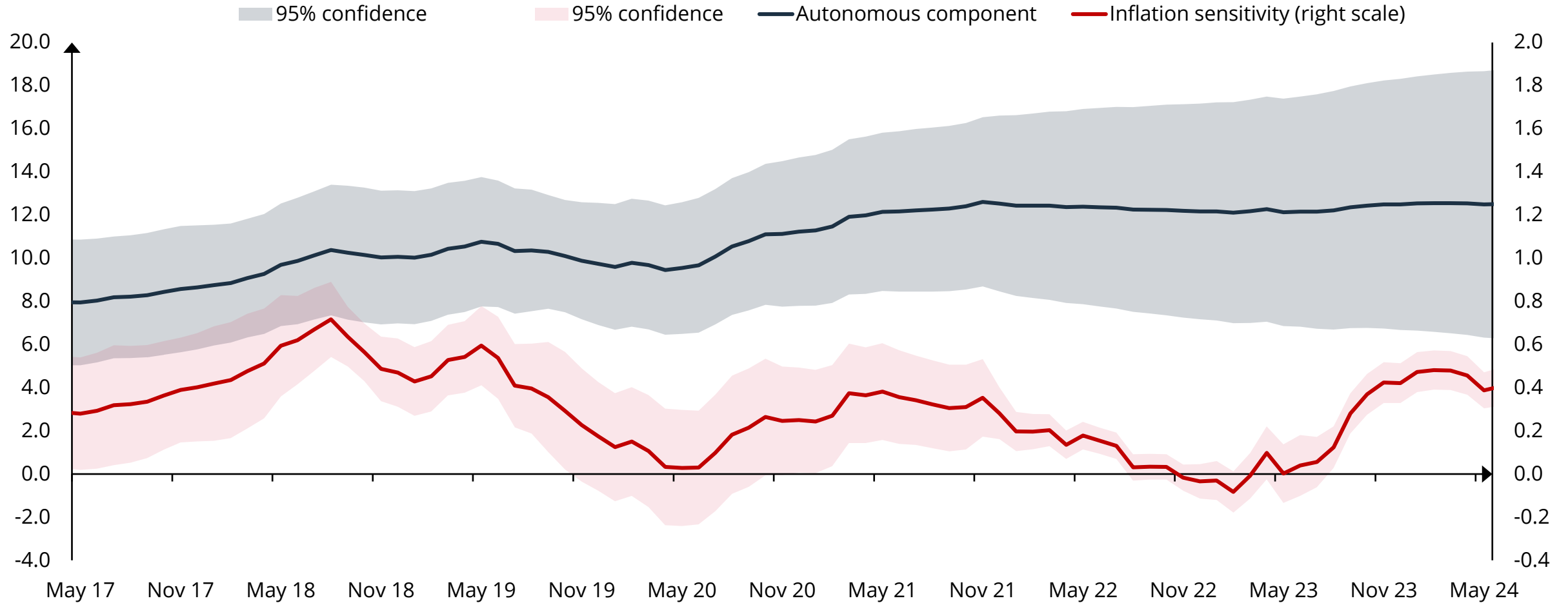
Inflation expectations are sensitive to realizations.

Response of Expectations to an Inflation Shock



The benchmark rate is becoming more responsive to inflation.

Evolution of the contemporaneous relationship between the 2Y government bond rate and inflation



Recent quantitative and macroprudential tightening measures:

1

Higher RRR for Turkish lira and KKM deposits.

	Previous Ratio	New Ratio
Short-term Turkish lira deposits	8%	12%
Long-term Turkish lira deposits	0%	8%
Short-term KKM	25%	33%
Long-term KKM	10%	22%

2

Limit on FX loan growth.

3

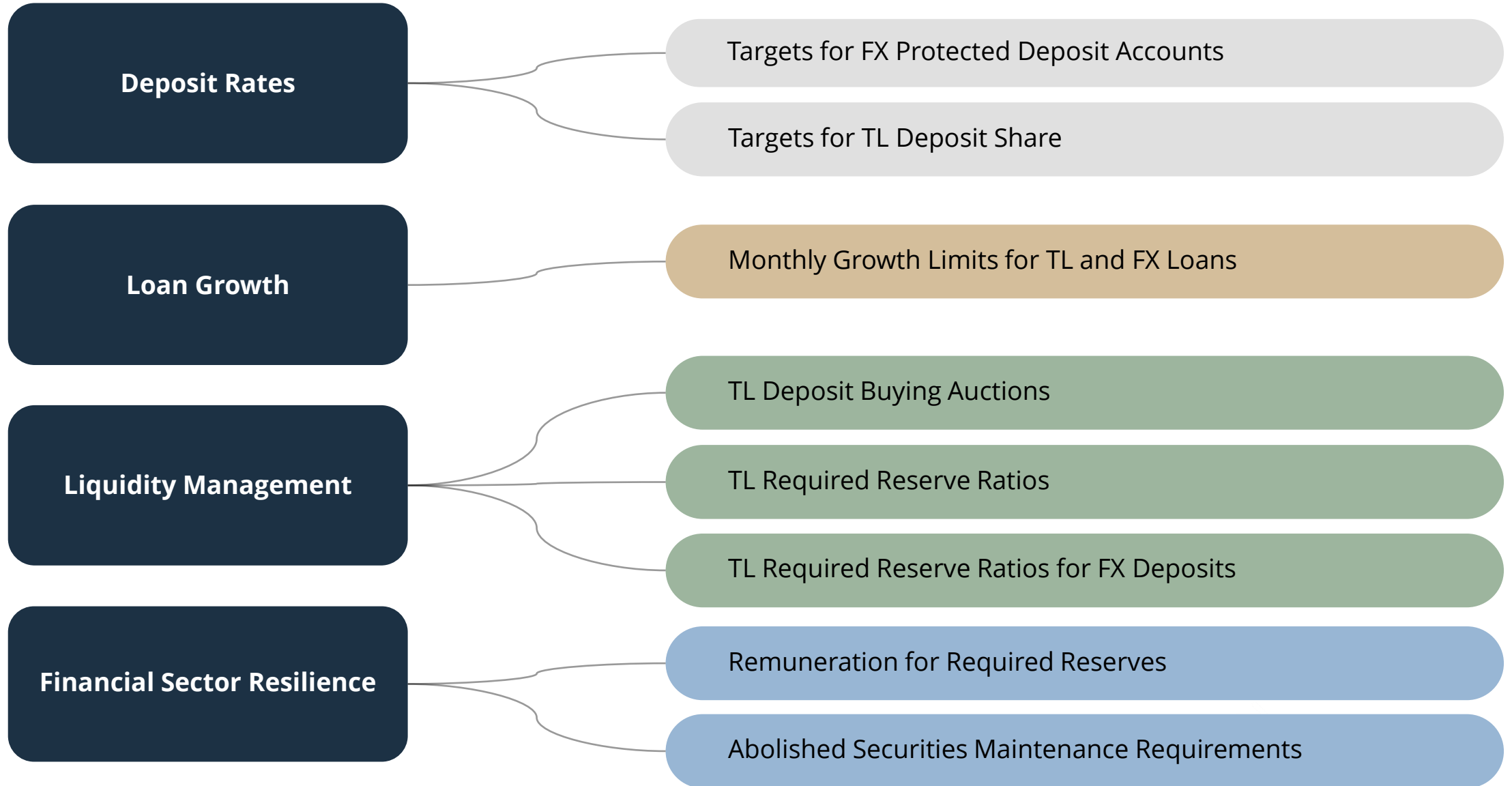
Adjustments to KKM transition and rollover targets.

4

Adjustments to maximum fees paid for early repayment of loans.

Targets

Tools



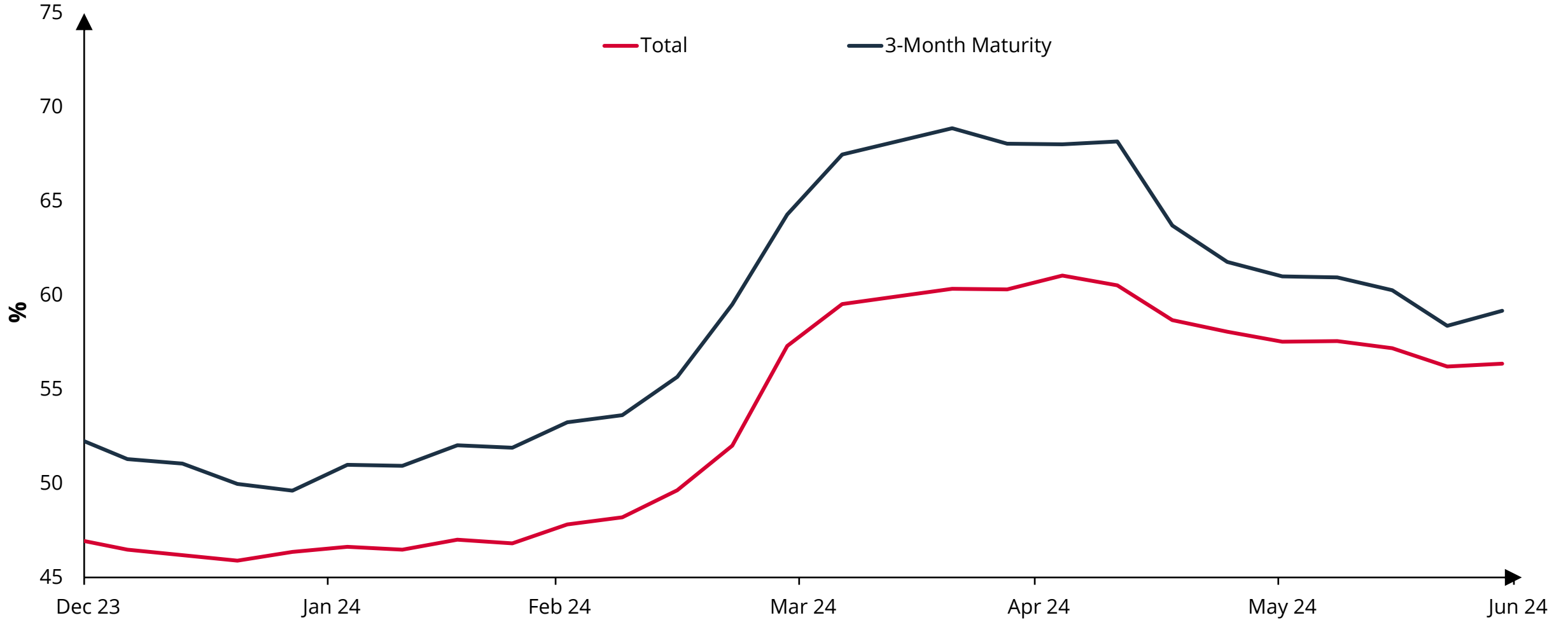
Outline

- **Deposit Market**
- **Liquidity Management**
- **Loan Market**
- **Financial Sector Resilience**

DEPOSIT MARKET

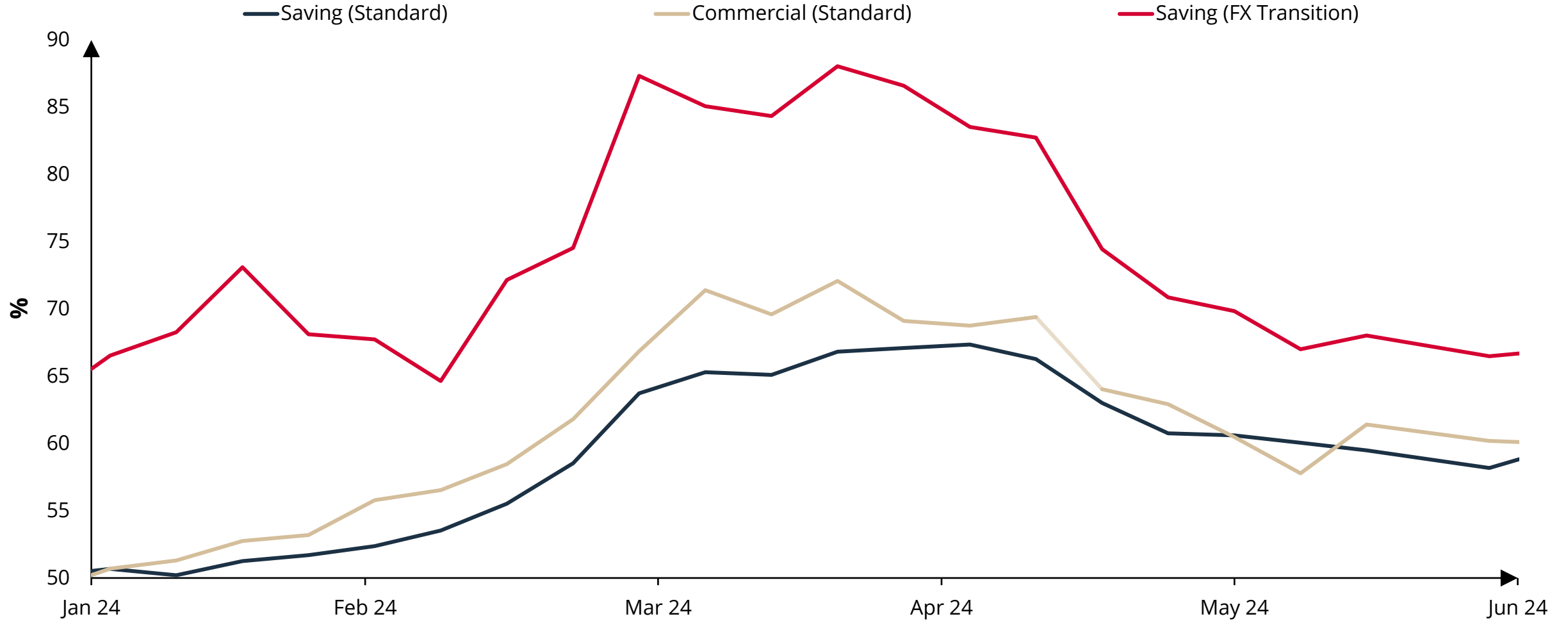
TL deposit rates declined since May but remain above Q1 levels.

TL Deposit Interest Rates



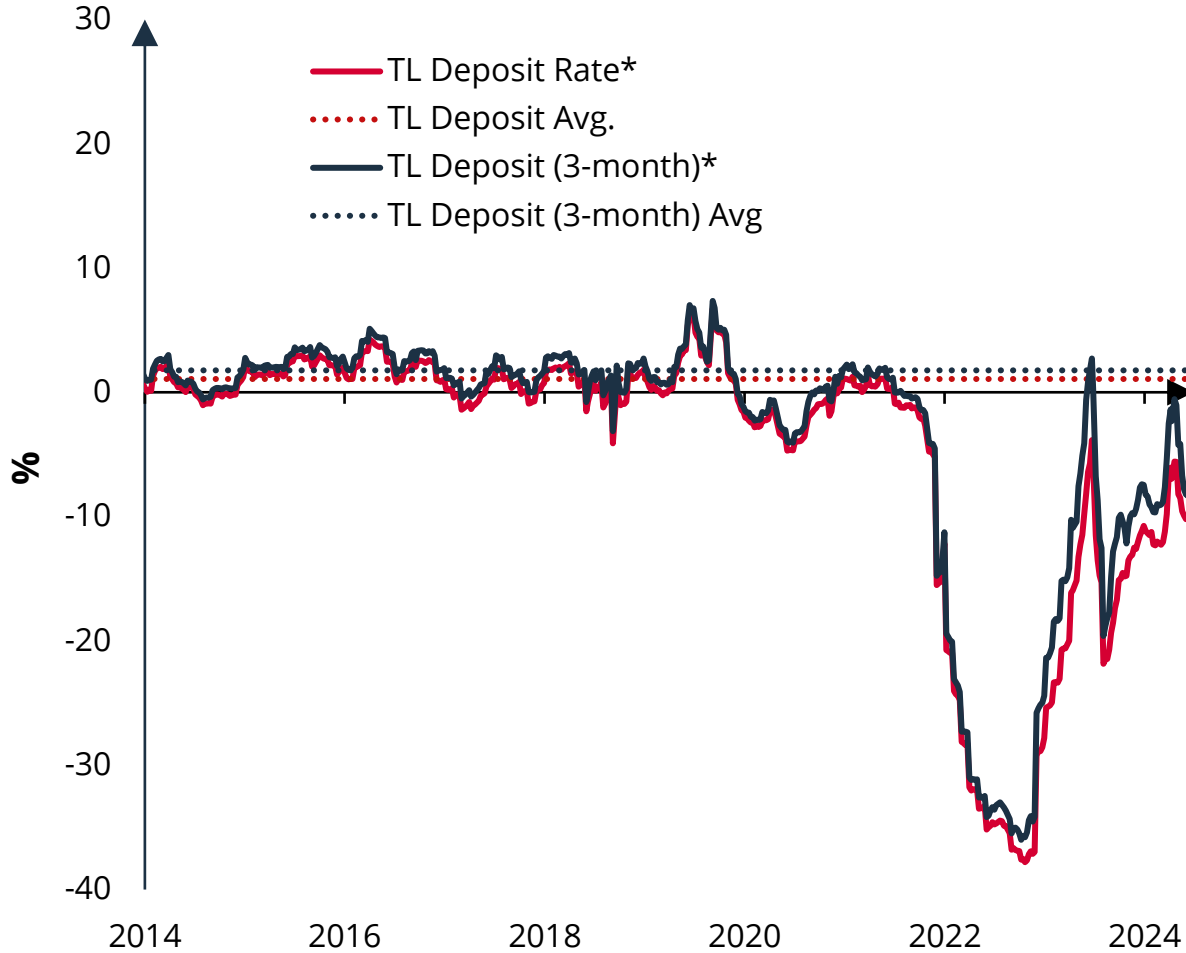
Depositors are switching from KKM to TL at lower interest rates.

32-90 Days Maturity TL Deposit Interest Rates

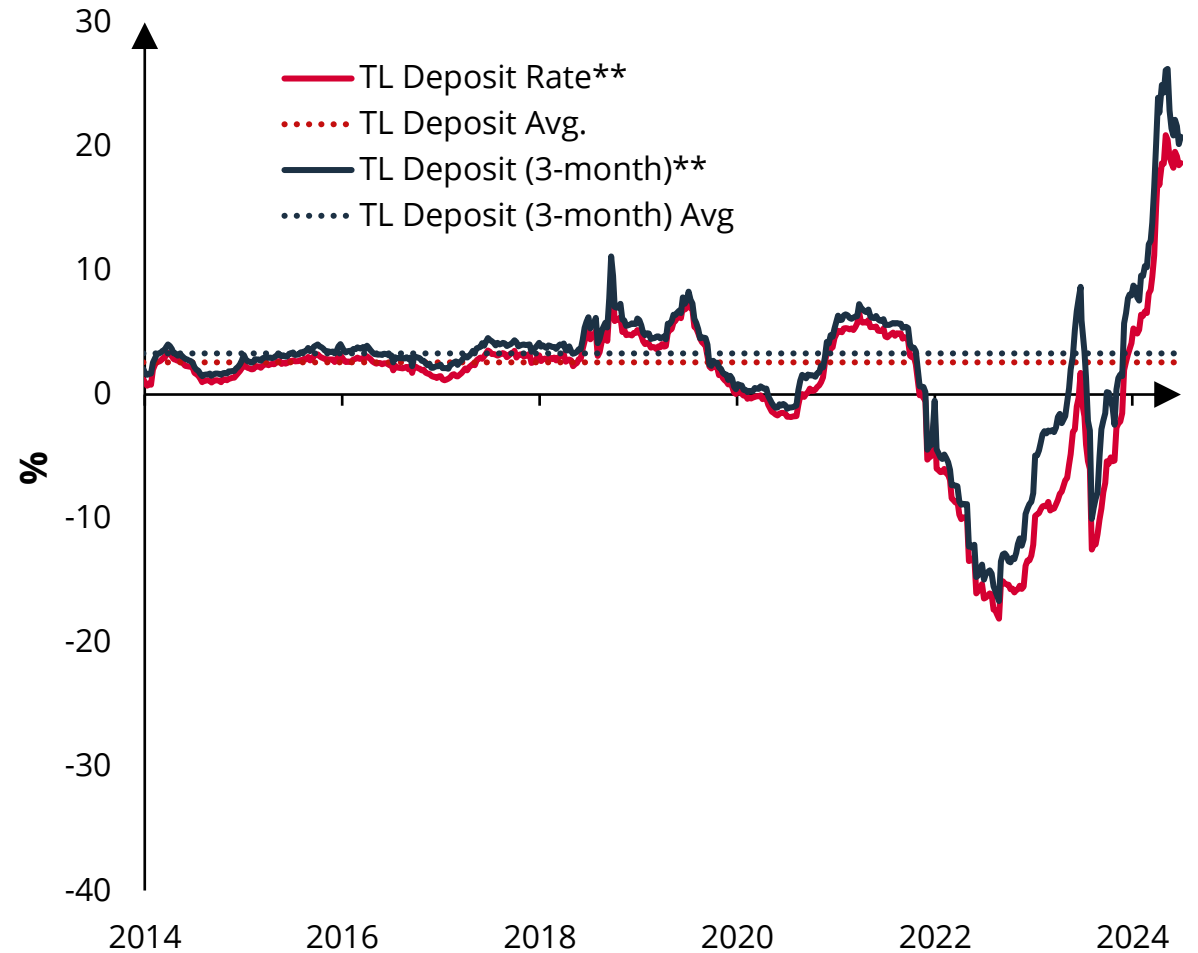


There is a large gap between ex-ante and ex-post real rates.

TL Deposit Ex-Post Real Interest Rates

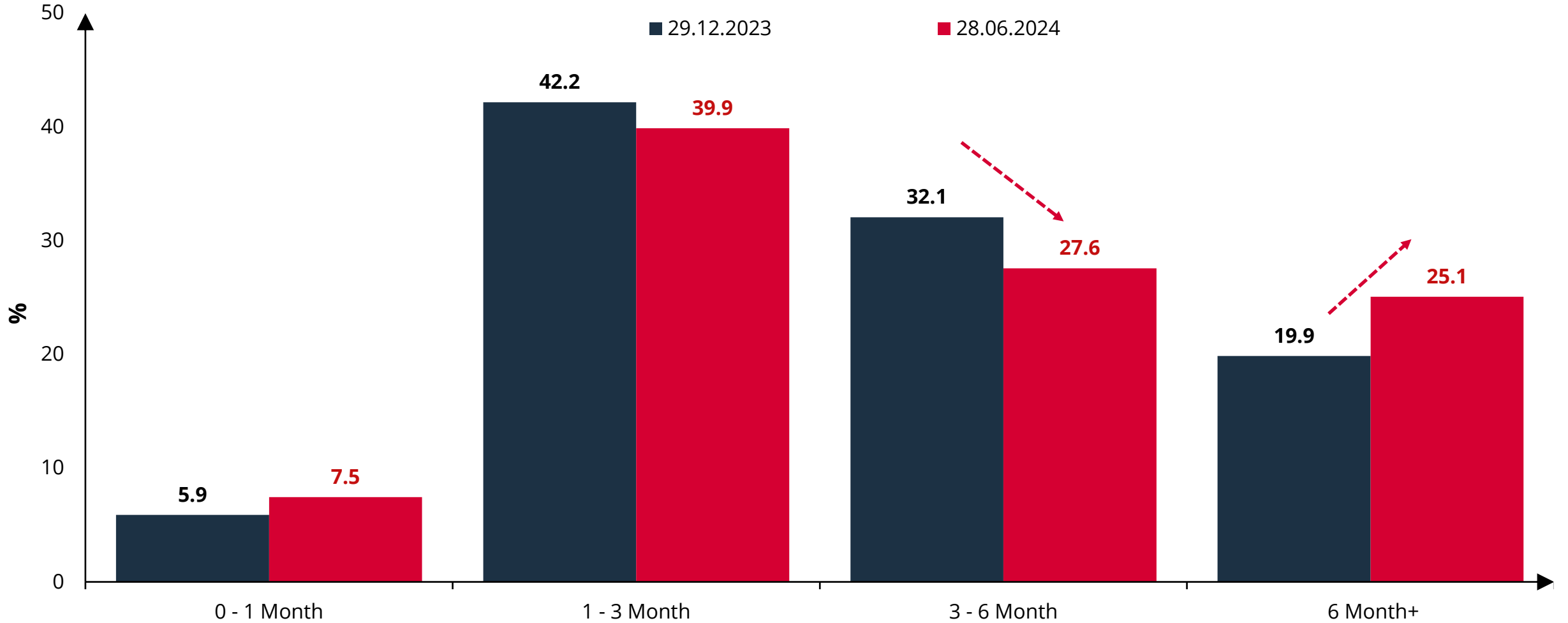


TL Deposit Ex-Ante Real Interest Rates



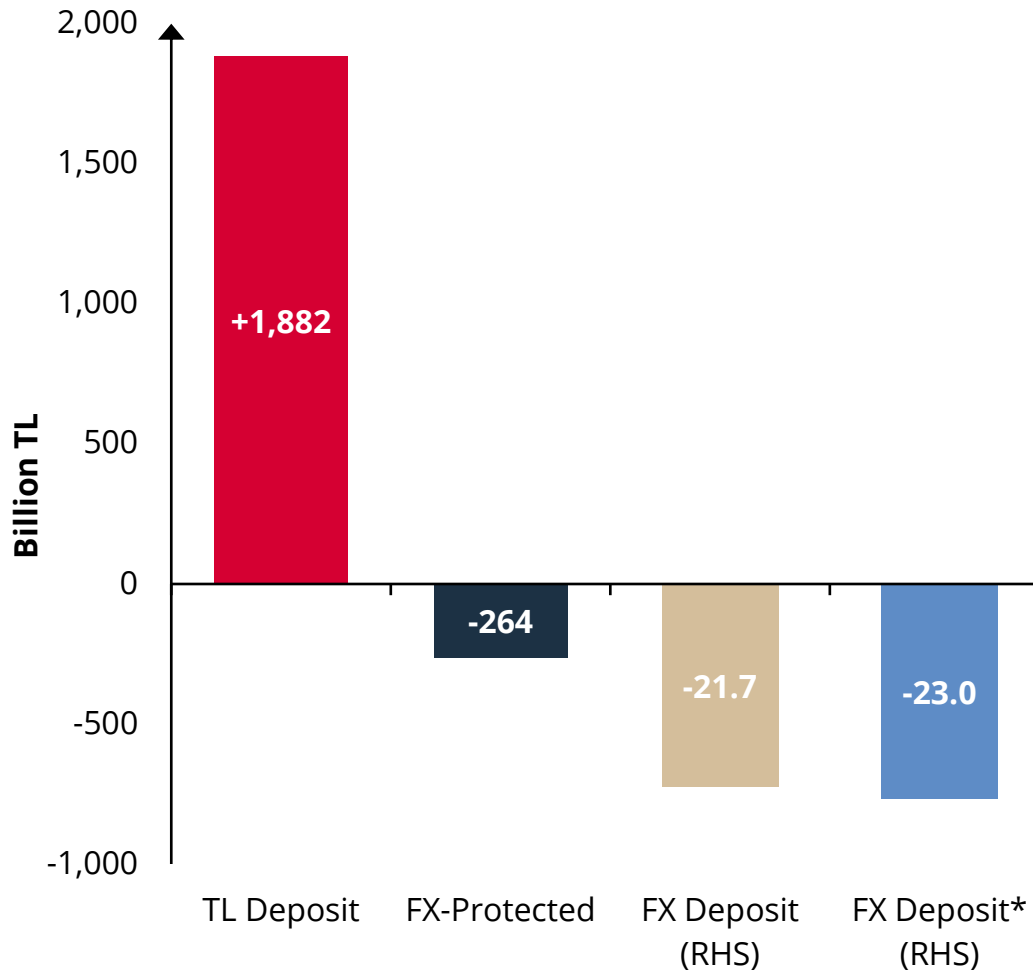
TL deposit maturities are rising.

TL Saving Term Deposit Maturity Breakdown

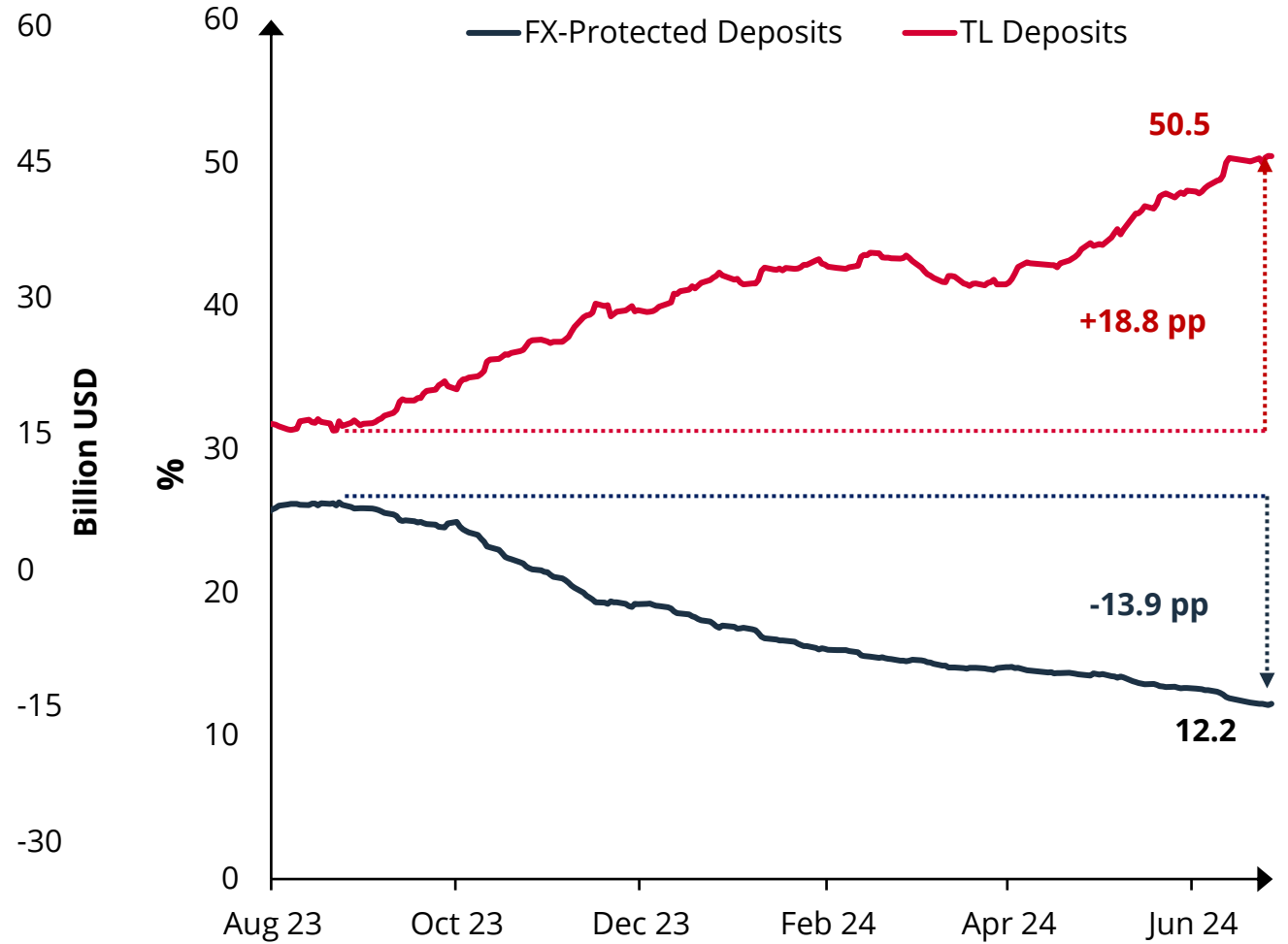


The share of Turkish lira deposits has increased.

Change in Deposits (29 March - 28 June)



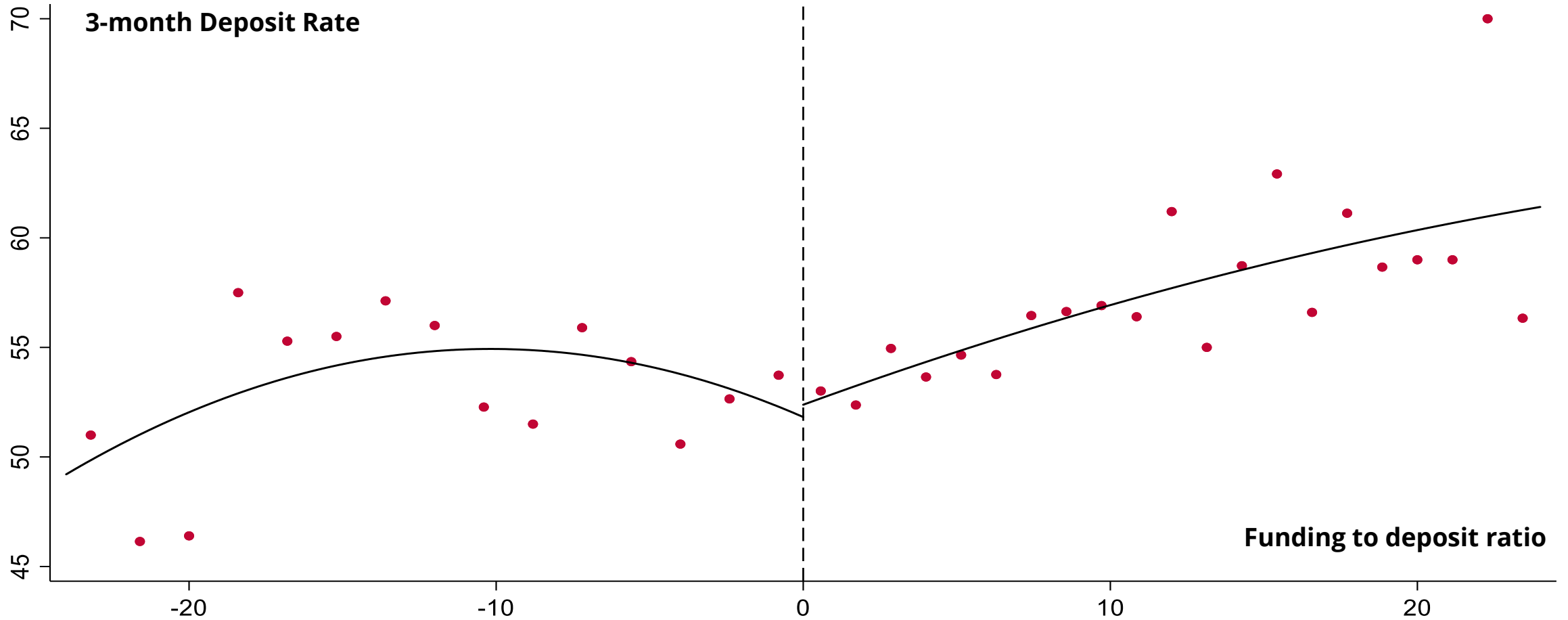
Deposit Share



LIQUIDITY MANAGEMENT

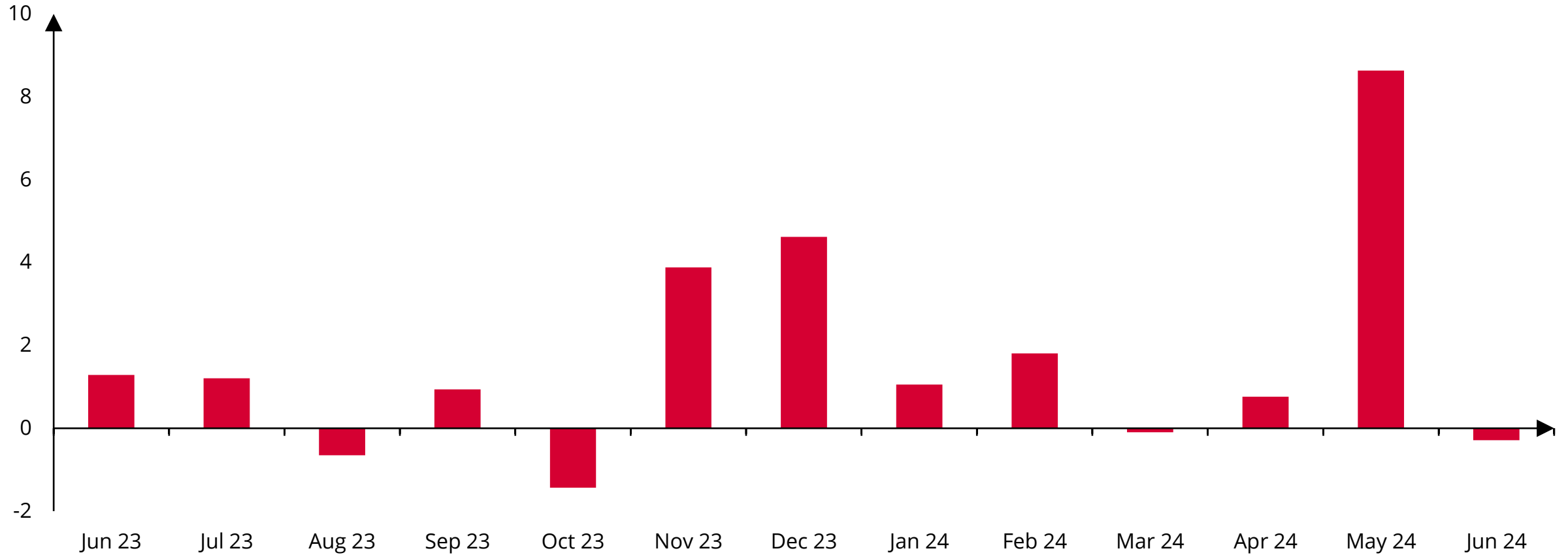
There is positive correlation between TL liquidity need and deposit rates.

Deposit Rate vs. Bank Level Net OMO Funding

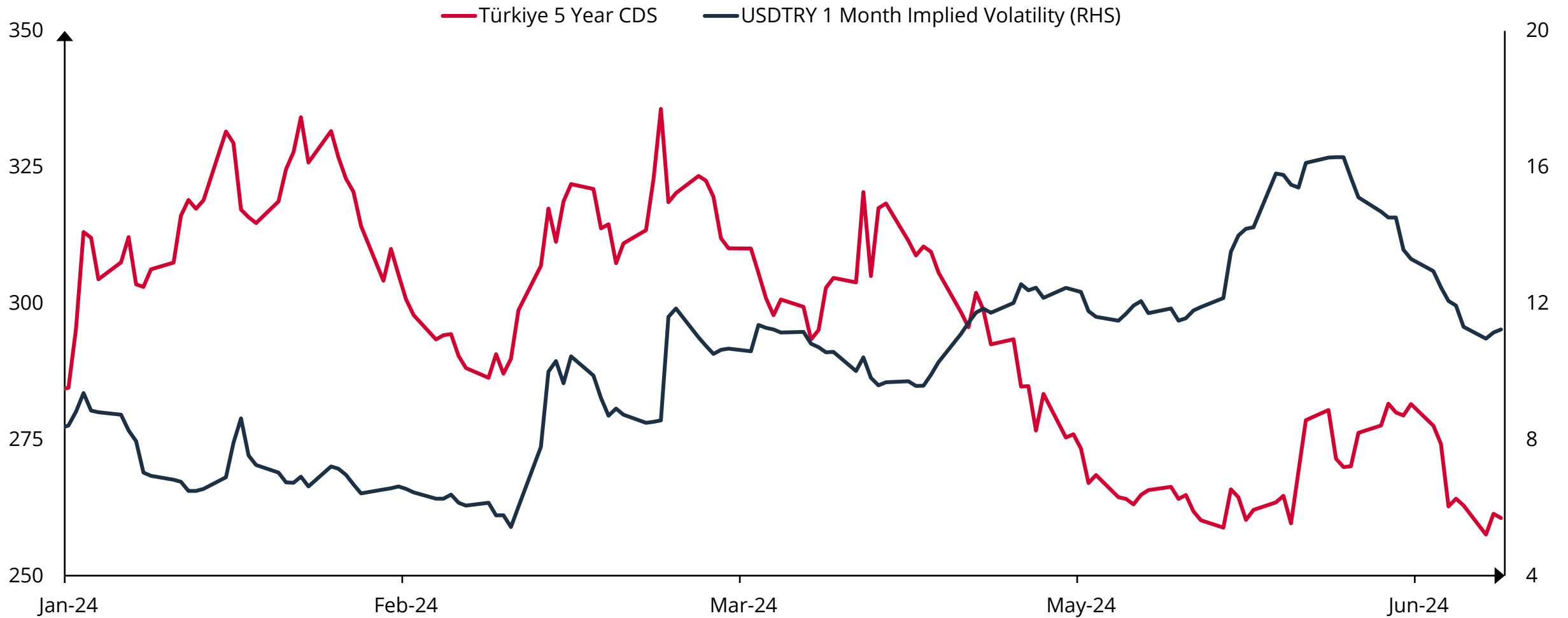


Capital inflows raised liquidity in April and May.

Capital Flows Excluding Swaps (Billion USD)

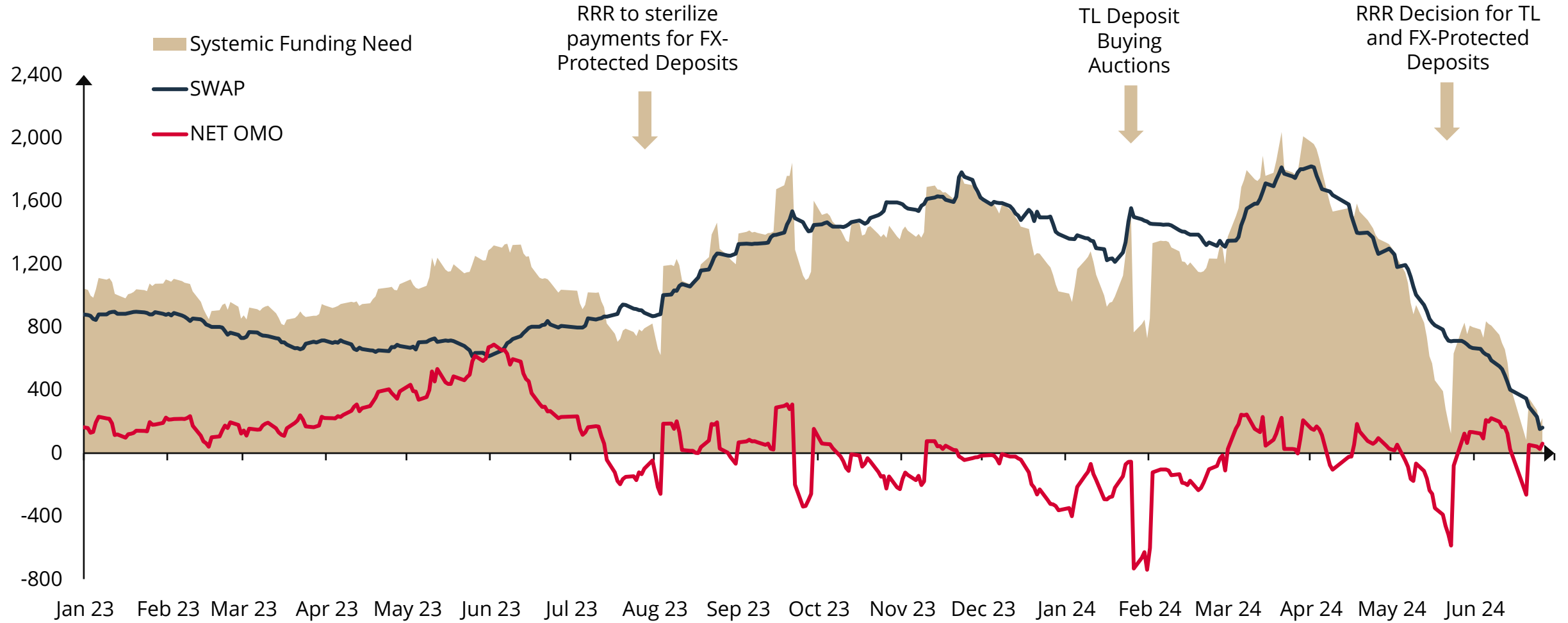


Deepening in FX markets led to simultaneously more volatility and lower risk premia.



The resulting excess liquidity has been sterilized.

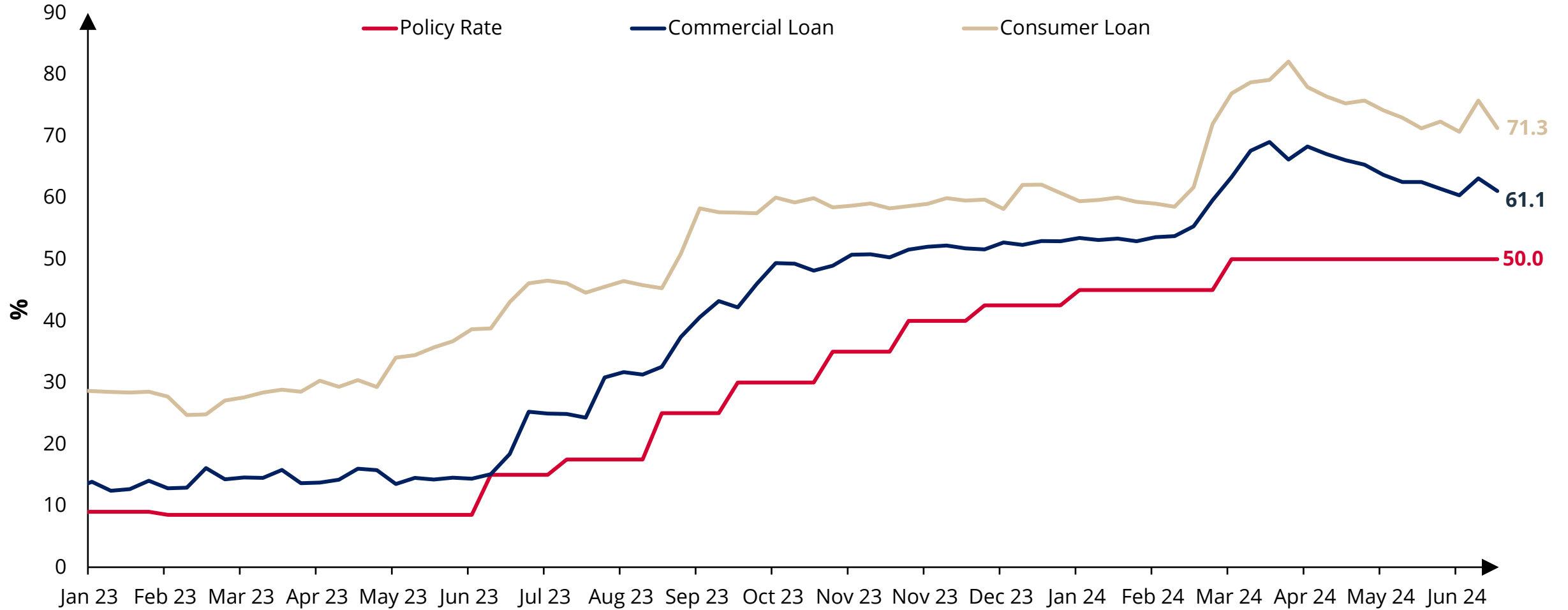
CBRT Swap Transactions and Net OMO (Billion TL)



LOAN MARKET

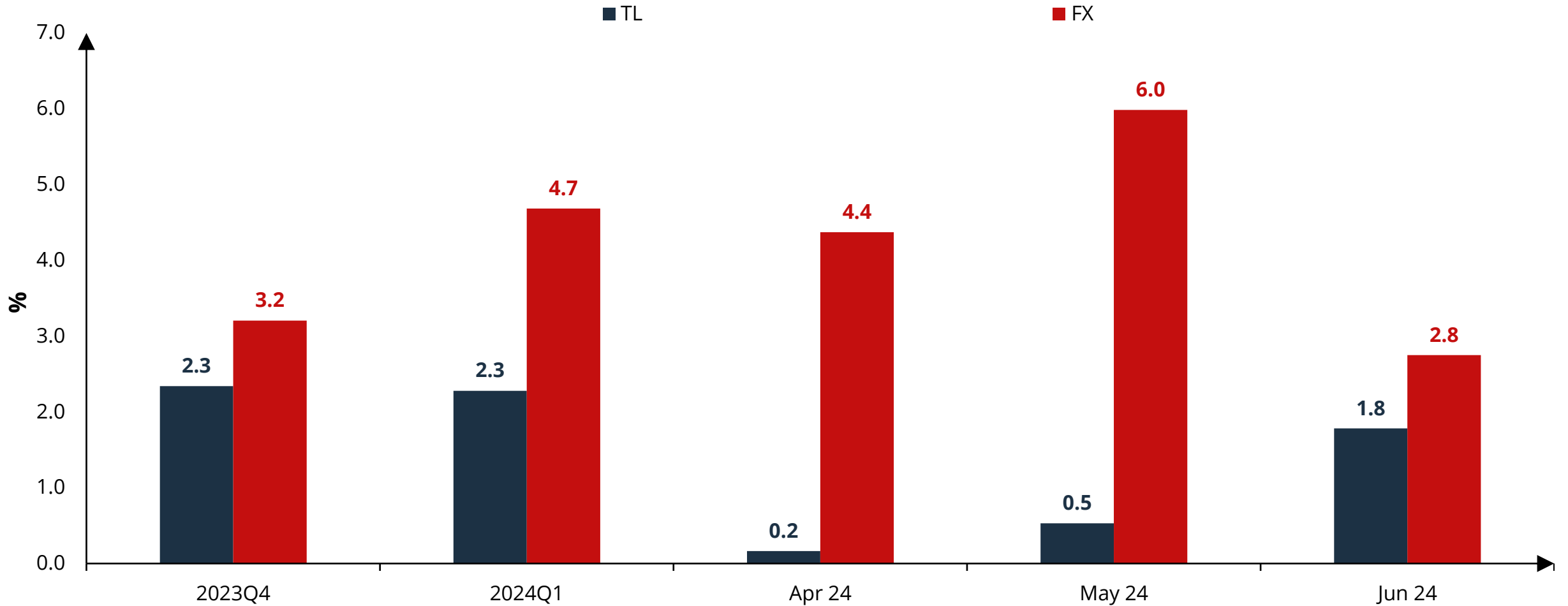
Financial conditions remain tight.

Interest Rates



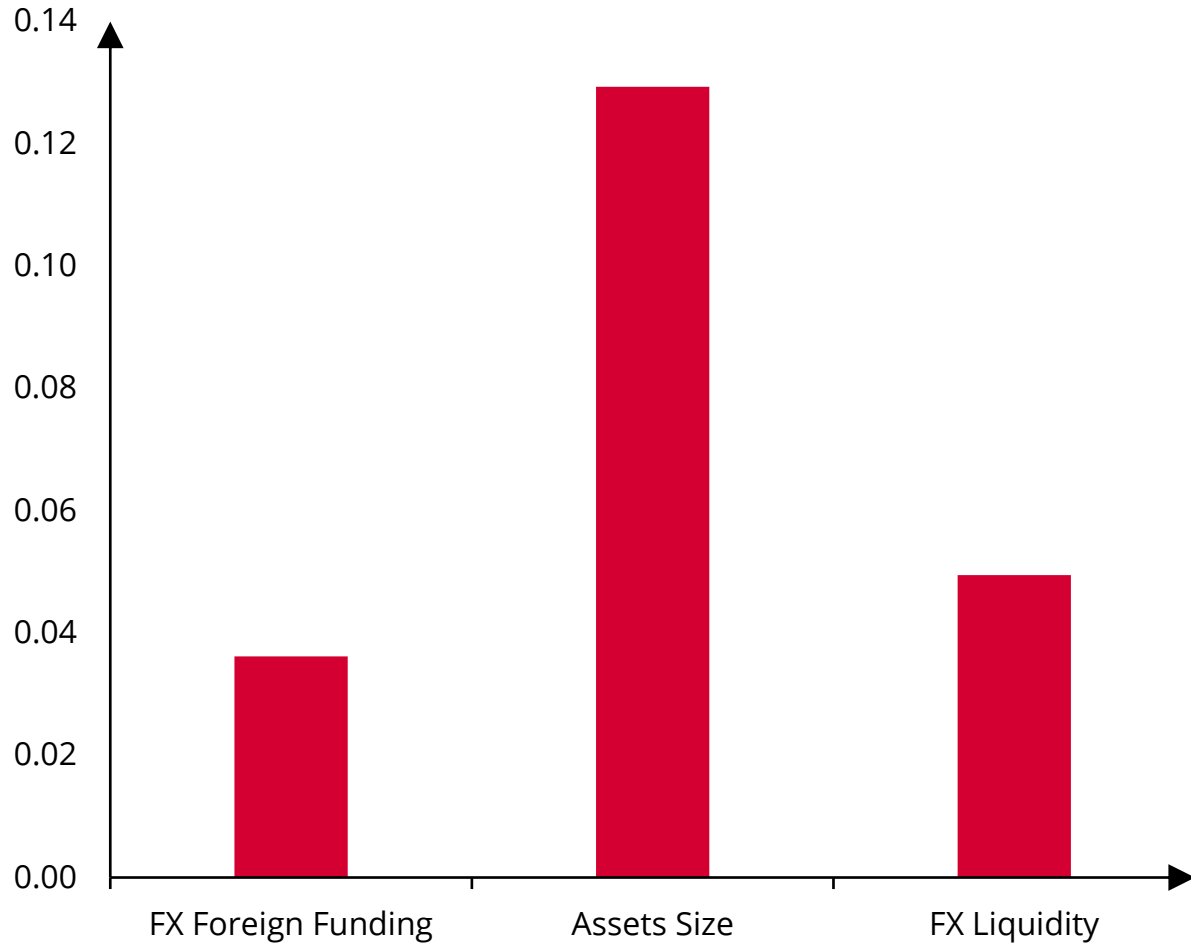
TL commercial loan growth slowed down while FX loan growth accelerated.

Commercial Loan Monthly Growth by Currency

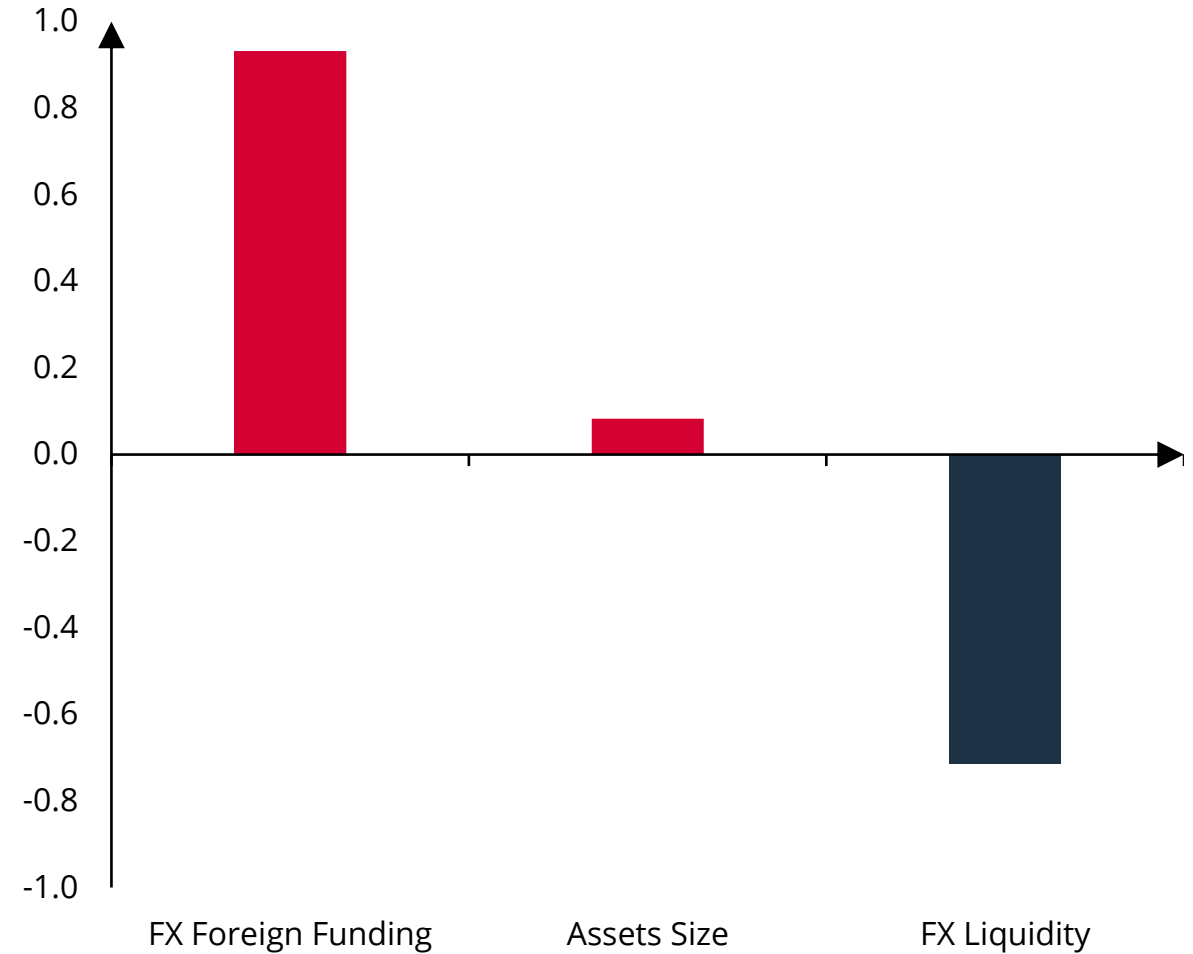


FX liquidity leads banks to extend more FX loans with shorter maturities.

Impact on loan amount

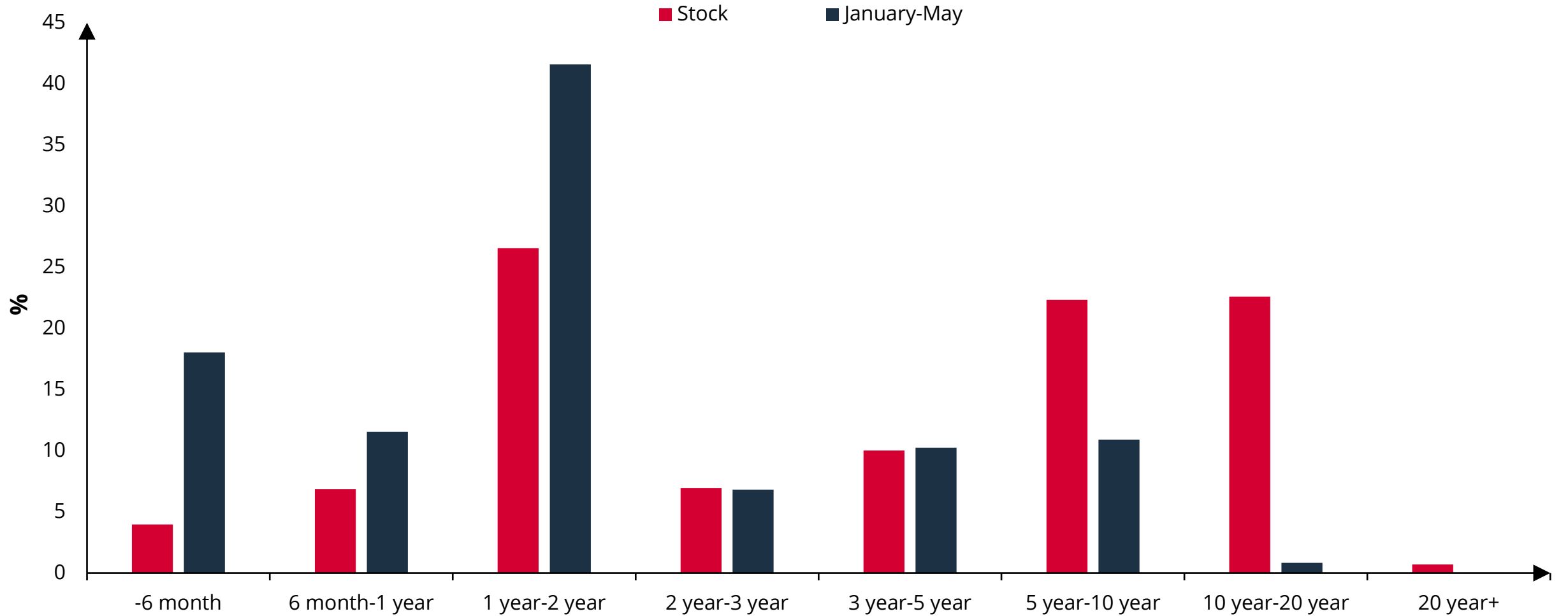


Impact on loan maturity



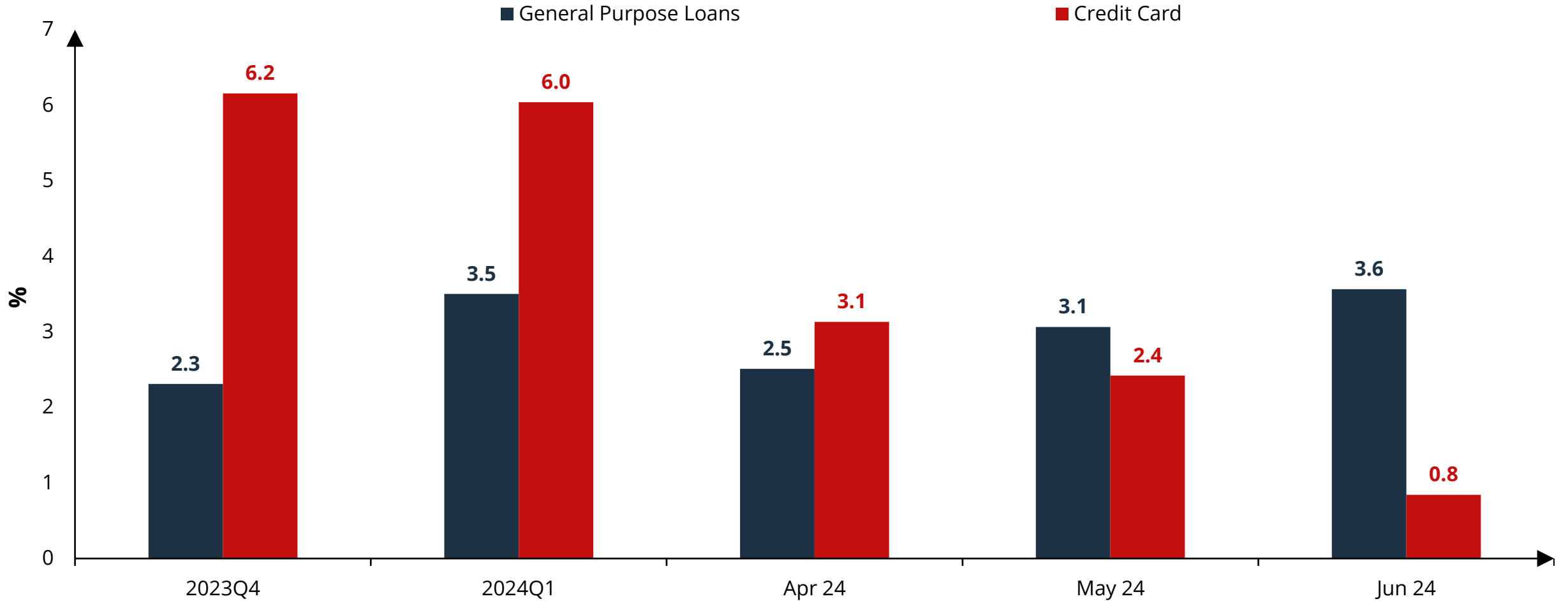
Banks have inclined to provide shorter-term FX loans in 2024.

Maturity Breakdown of FX Loans



Consumer loan growth has been weakening.

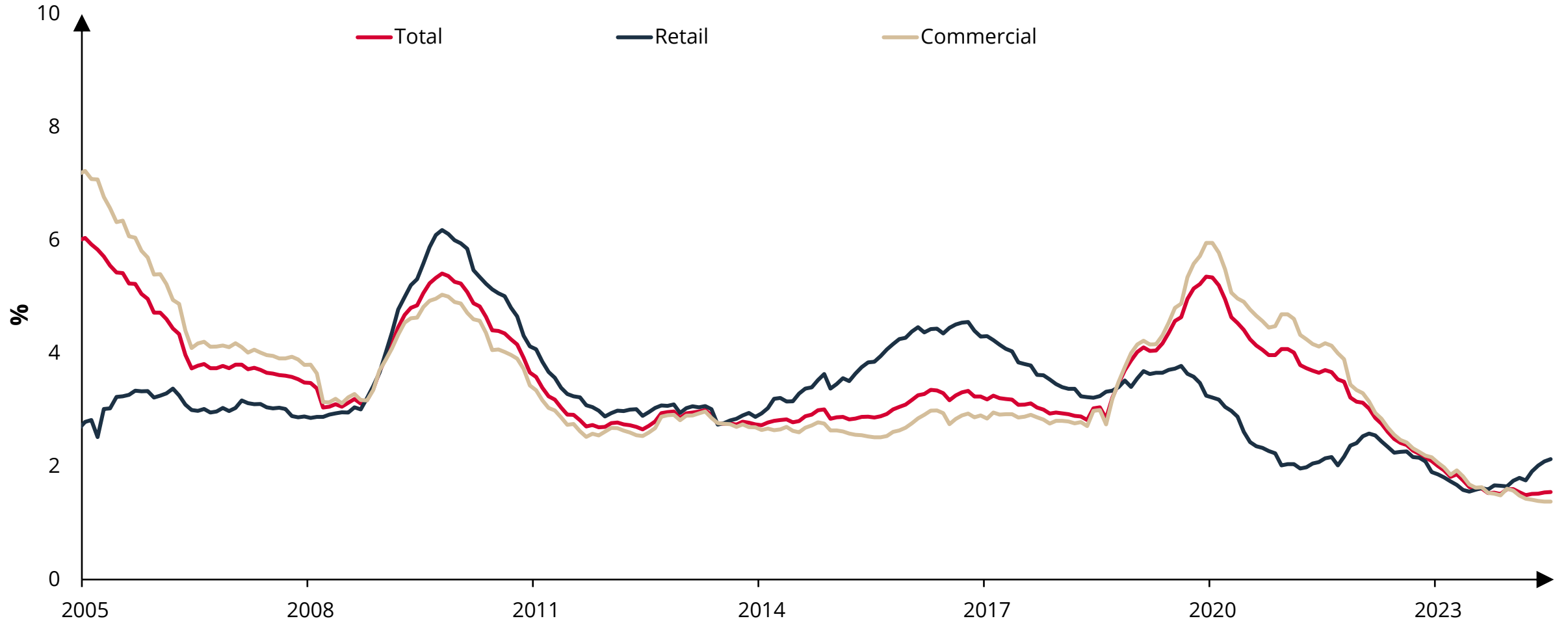
Consumer Loan Monthly Growth by Category



FINANCIAL SECTOR RESILIENCE

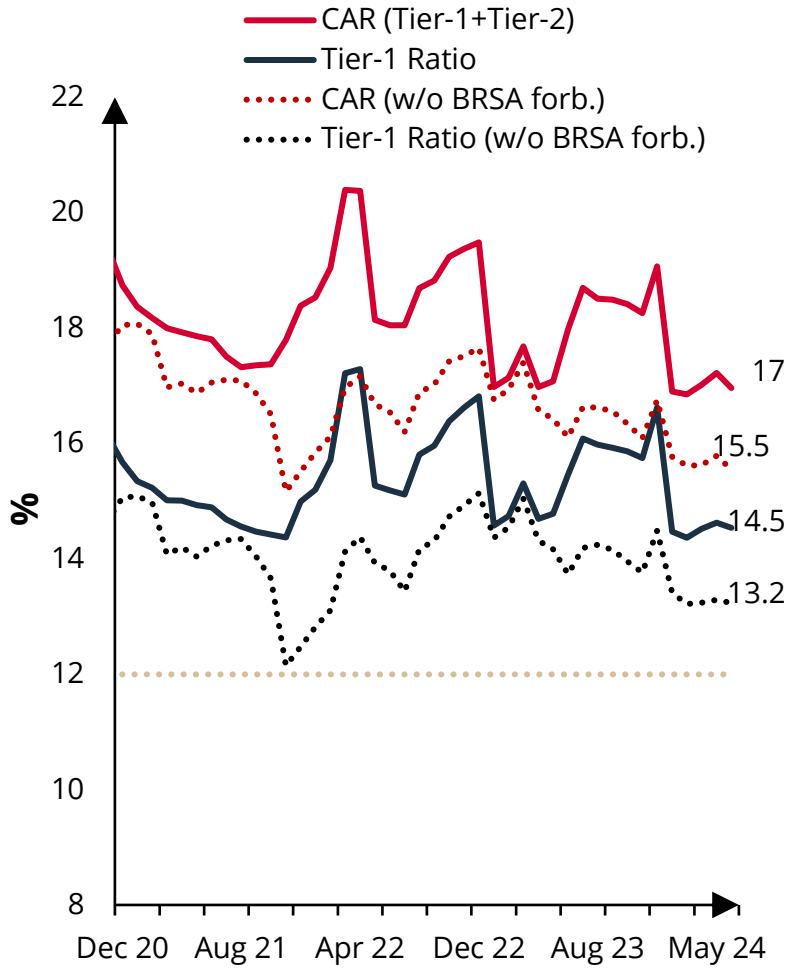
NPL ratios remain well-below historical averages.

NPL Ratios

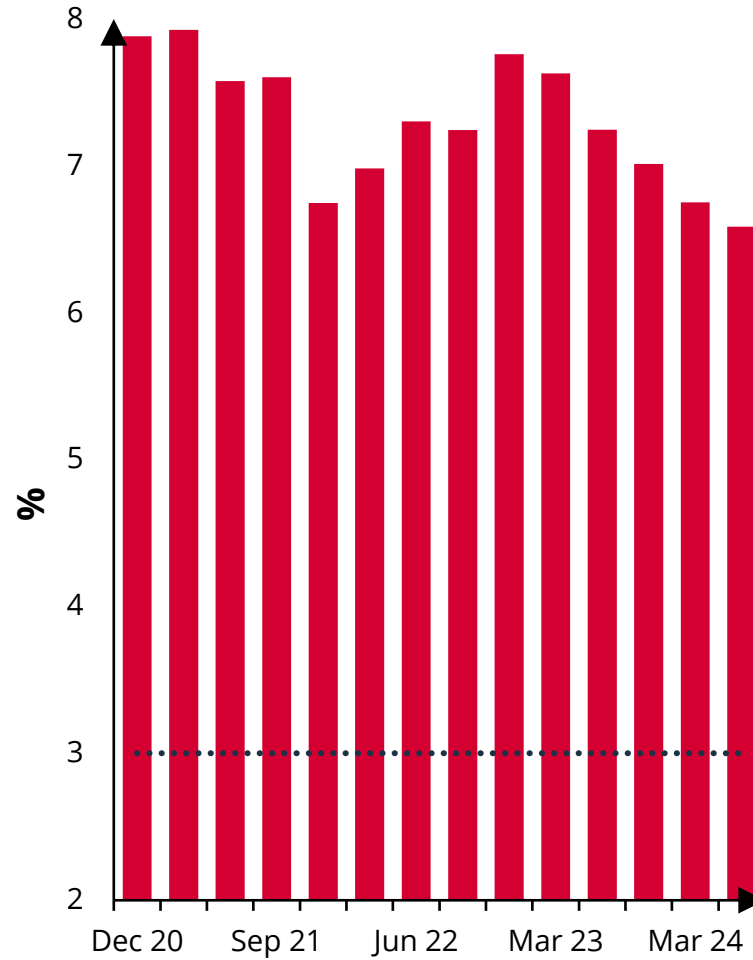


Capital and liquidity buffers are at comfortable levels.

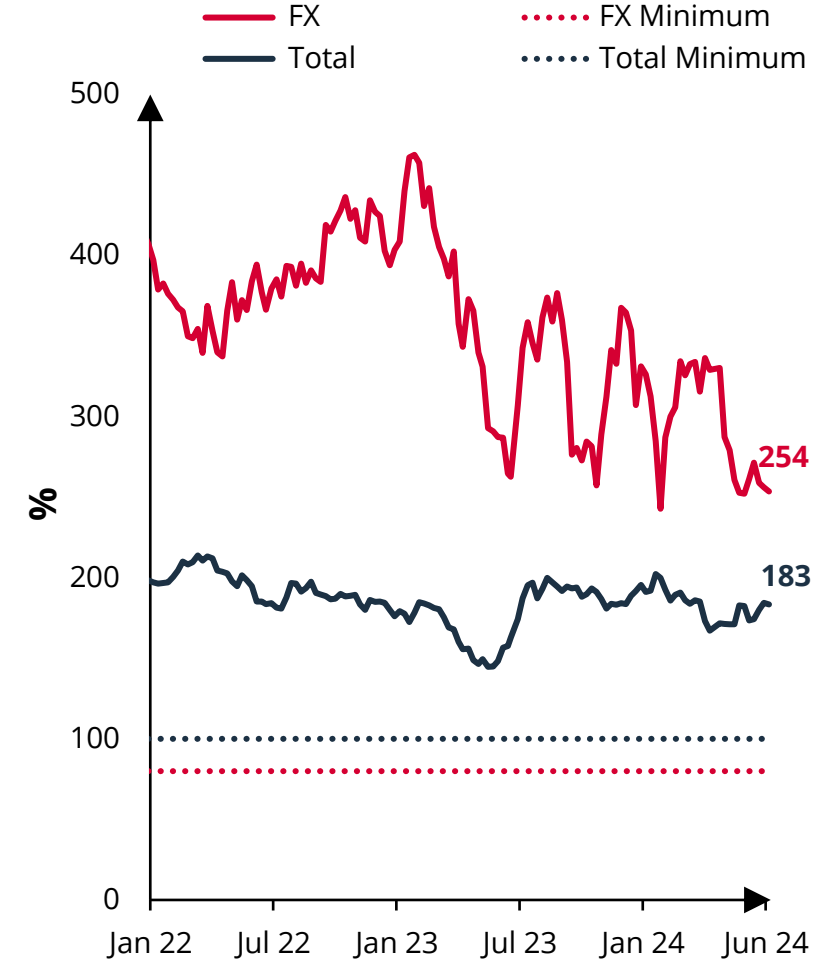
Capital Ratios



Leverage Ratio*

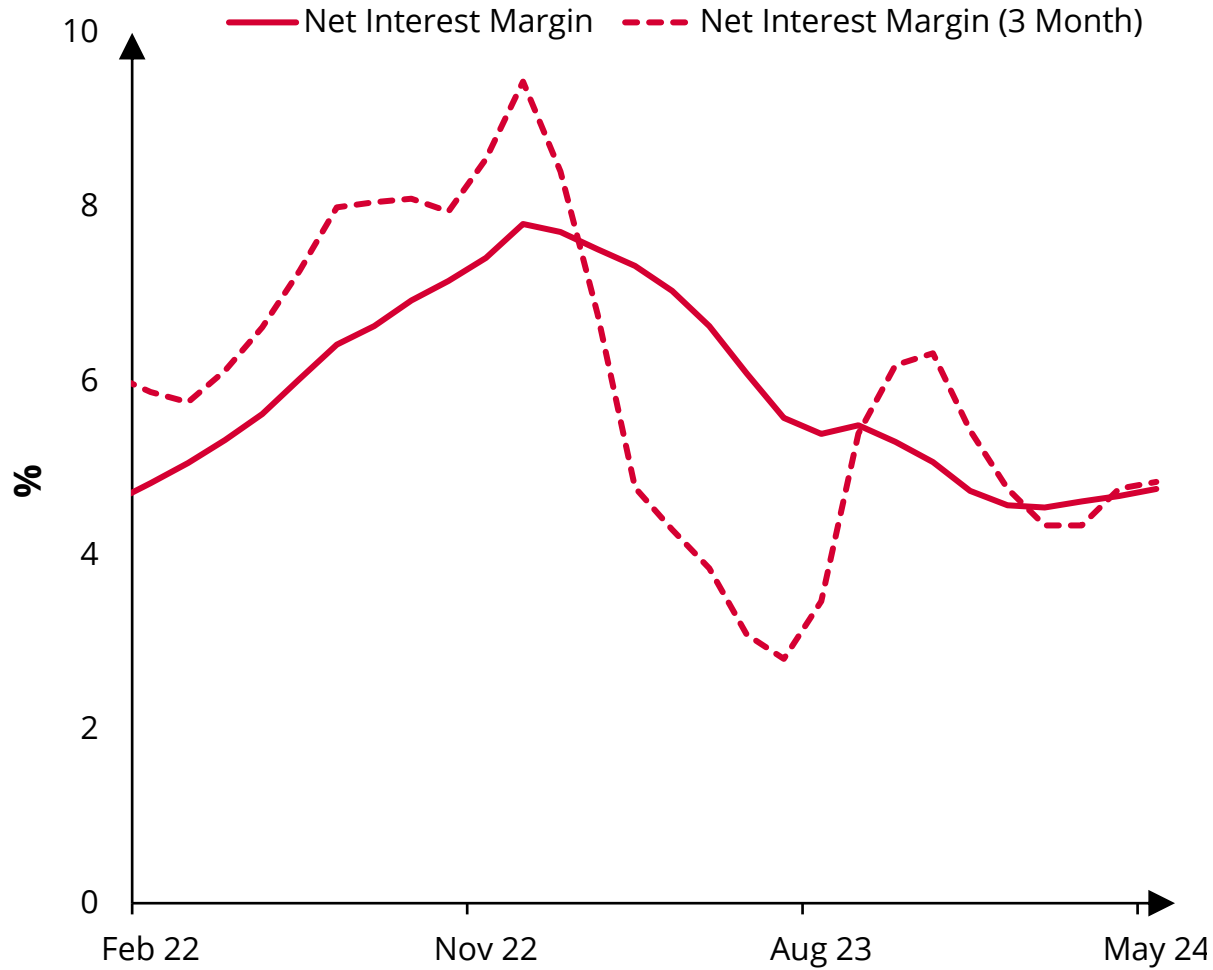


Liquidity Coverage Ratio*

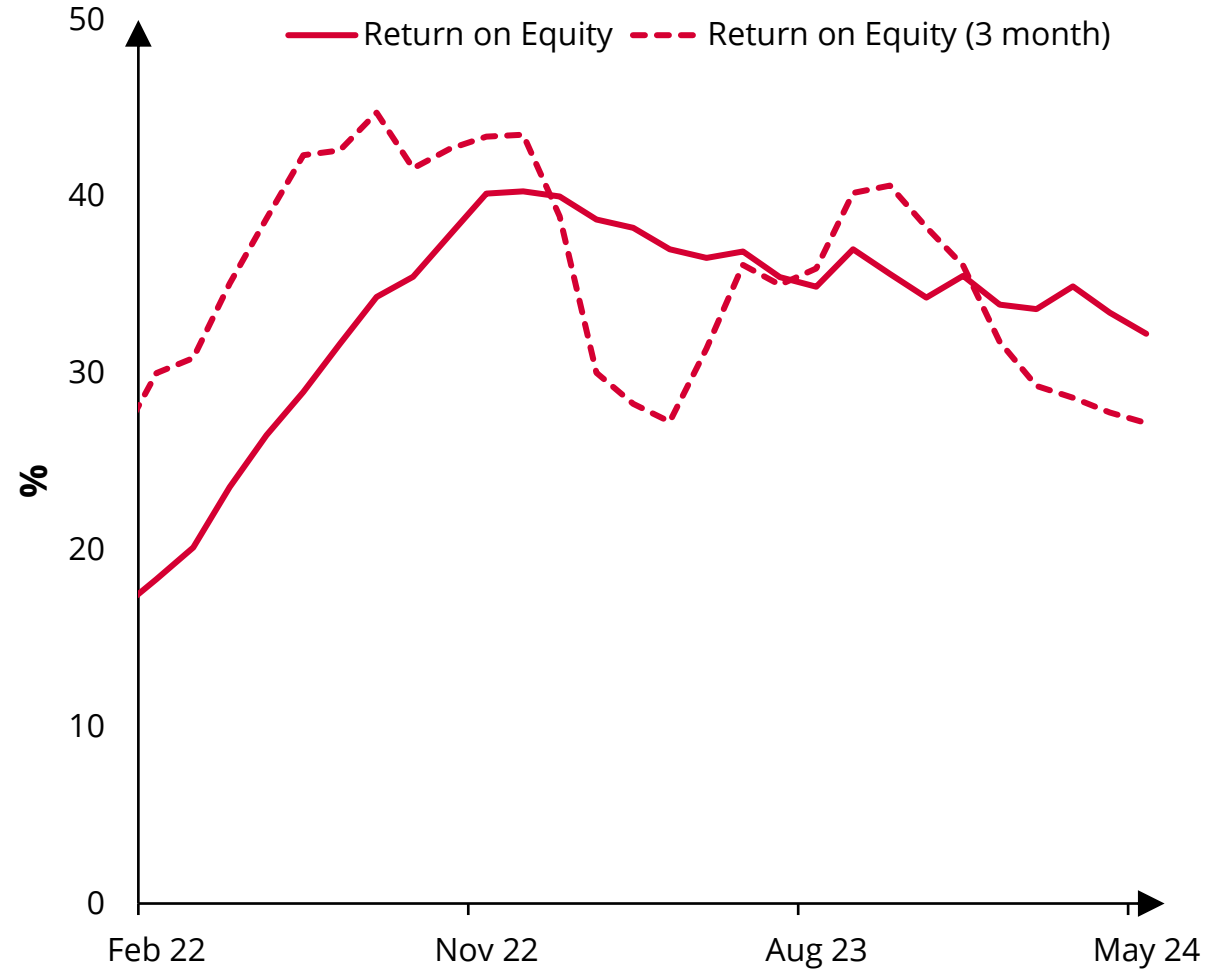


Net interest rate margins are rebounding.

Net Interest Margin*

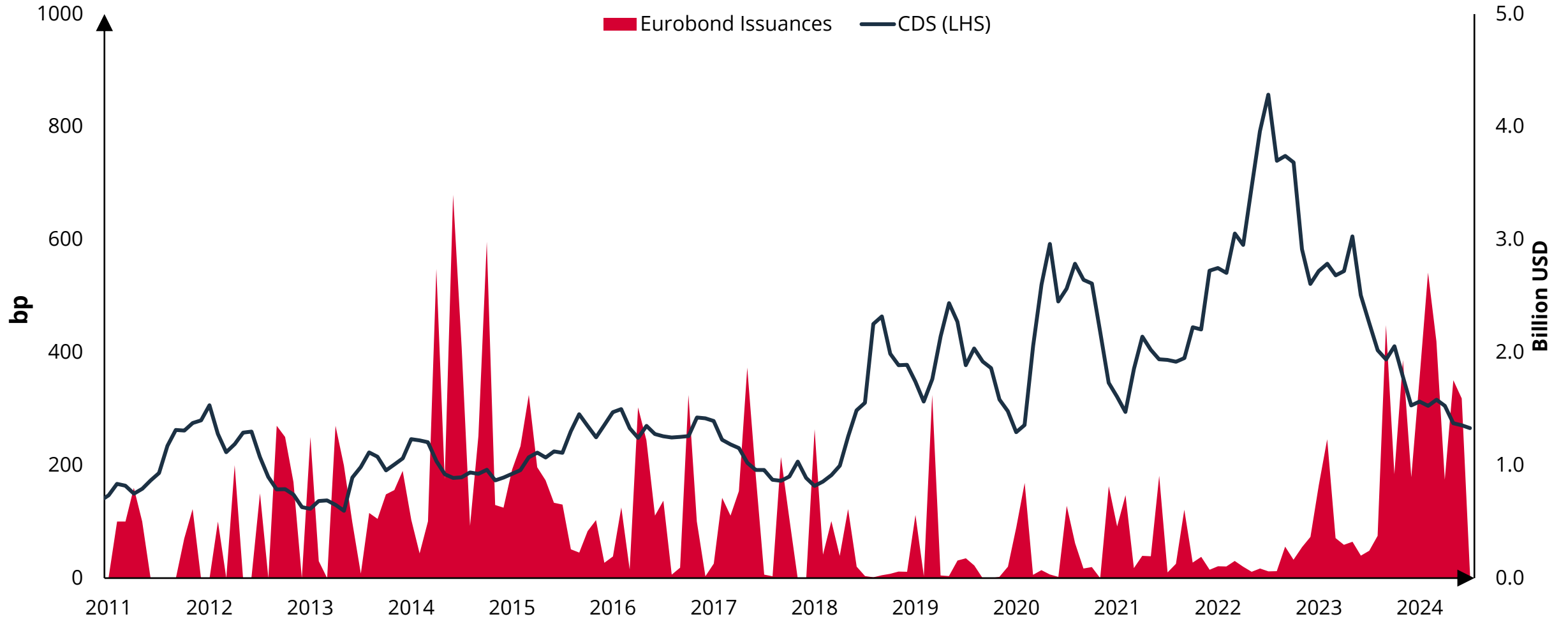


Banking Sector Profitability**



Banks' access to long term market funding has improved in 2024.

Banks' Eurobond Issuances and CDS (Flow)





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