



FINANCIAL STABILITY REPORT

May 2022

Volume: 34

CENTRAL BANK OF THE REPUBLIC OF TURKEY

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ISSN 1306-1240 (Online)



This report, aimed at informing the public, is based mainly on March 2022 data. Nevertheless, the Report includes developments and evaluations up to its date of publication in Turkish version. The full 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

Since the last issue of the Financial Stability Report, economic activity has remained strong, and external demand has continued to contribute to growth despite the negative economic repercussions of geopolitical developments. Notwithstanding the brisk export performance and the recovery in the tourism sector, the rise in global commodity prices and increasing volatility retard the improvement in the current account deficit.

Turkish corporate sector's indebtedness ratio diverges positively from peer countries. While the positive outlook in profitability, indebtedness and FX position indicators of corporate sector has been sustained, companies maintain their capacities to renew external debts by more than 100 percent. The household indebtedness ratio continues to be below the average of peer countries. The financial resilience indicators of corporate sector and households have also maintained their overall improvement trends since the previous reporting period.

The recent acceleration in loan growth has been driven by TL commercial loans, which also strengthened due to the working capital requirement as a result of rising input costs. Retail loan growth has followed a moderate course on the back of macroprudential measures introduced last year. The impacts of the macroprudential policy framework, which has been strengthened to ensure that the loan growth and financing sources serve their intended purpose in economic activity, are closely monitored. Additional measures will continue to be taken in order to ensure that loans grow in line with financial stability and accommodate economic activity in a healthy way. The positive outlook in the banking sector's asset quality, liquidity, profitability, and capital adequacy indicators preserved.

The CBRT will continue to use all available instruments decisively until strong indicators point to a permanent fall in inflation in pursuit of the primary objective of price stability, and until the aim of sustainable financial stability within the framework of "Liraization" is achieved. An important focus of the recently introduced measures is to ensure permanent liraization of the financial system with all its assets and liabilities in order to re-establish price stability in a sustainable framework.

Permanent stability in the general price level will foster macroeconomic stability and financial stability through the fall in country risk premium, continuation of the reversal in currency substitution and the upward trend in foreign exchange reserves, and durable decline in financing costs. This would create a viable foundation for investment, production and employment to continue growing in a healthy and sustainable way.

In this context, I hope that the 34th volume of the Financial Stability Report, which includes the current state and outlook for financial stability as well as external and domestic macroeconomic developments, will be of benefit to all readers.

Prof. Şahap KAVCIOĞLU

Governor

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