

## BANKING SECTOR AND MACROPRUDENTIAL FRAMEWORK

Osman Cevdet Akçay, Ph.D. Deputy Governor

JULY 11, 2024

ISTANBUL

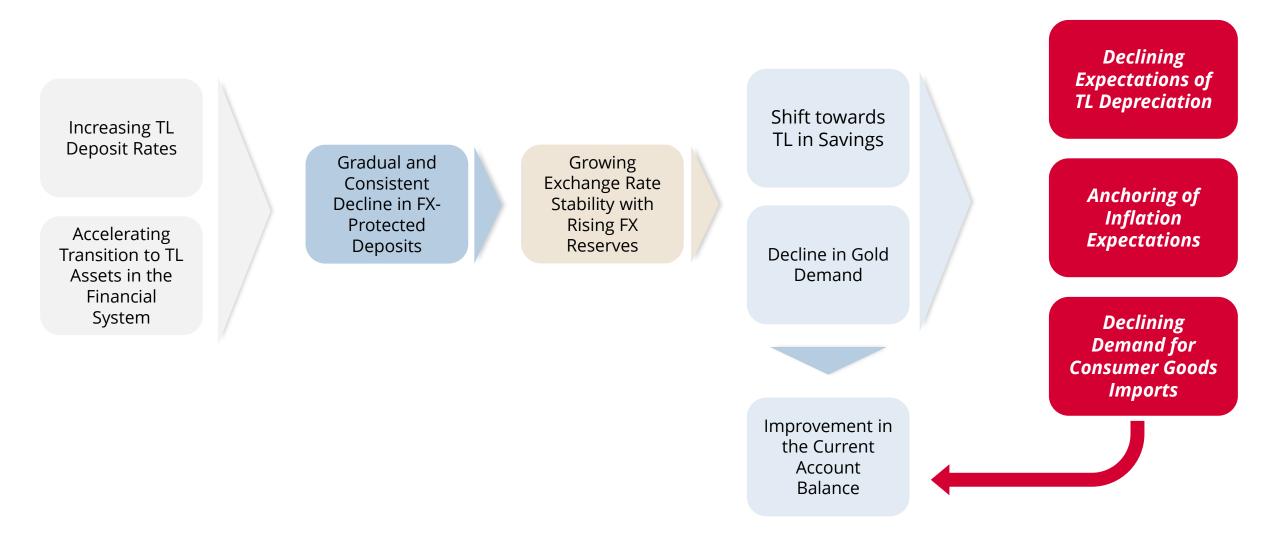


# High inflation negatively impacts growth and asset prices through saving and consumption decisions.



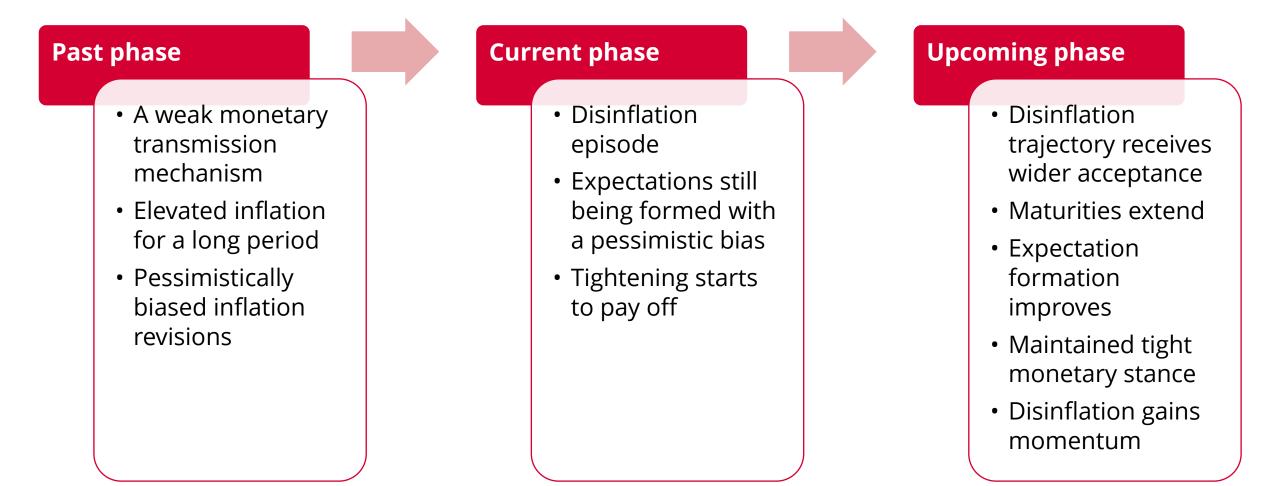


# Our tight monetary policy stance has increased TL savings and helped anchor inflation expectations.



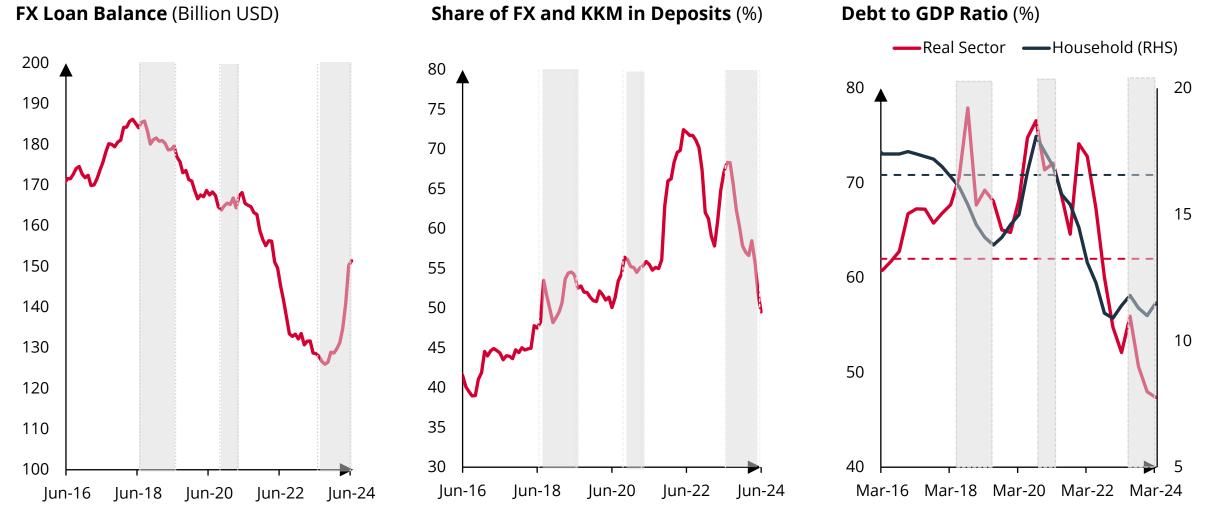


## Banking sector's phase-specific significance in monetary policy implementation





# 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.



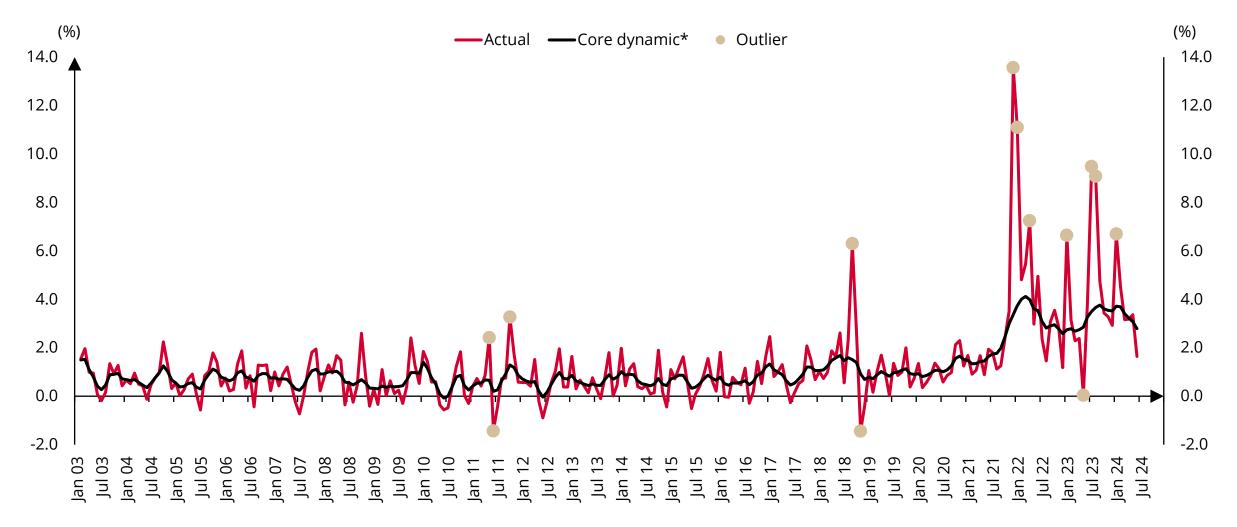


Source: CBRT, As of 28 June 2024 (Left and Middle Panel), Source: IIF, BIS, As of 24 March 2024 (Right Panel). \* The dashed lines in the right graph show the 2012-2022 period average.

Gray areas indicate periods of tightening.

## High volatility deters the disinflationary trend.

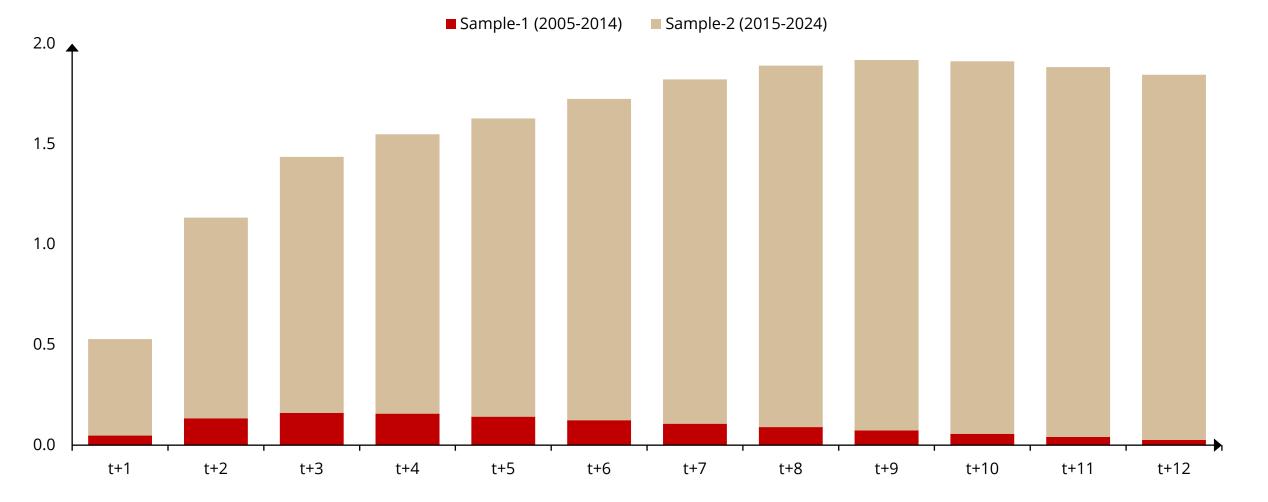
#### **Monthly Inflation**





### Inflation expectations are sensitive to realizations.

#### **Response of Expectations to an Inflation Shock**

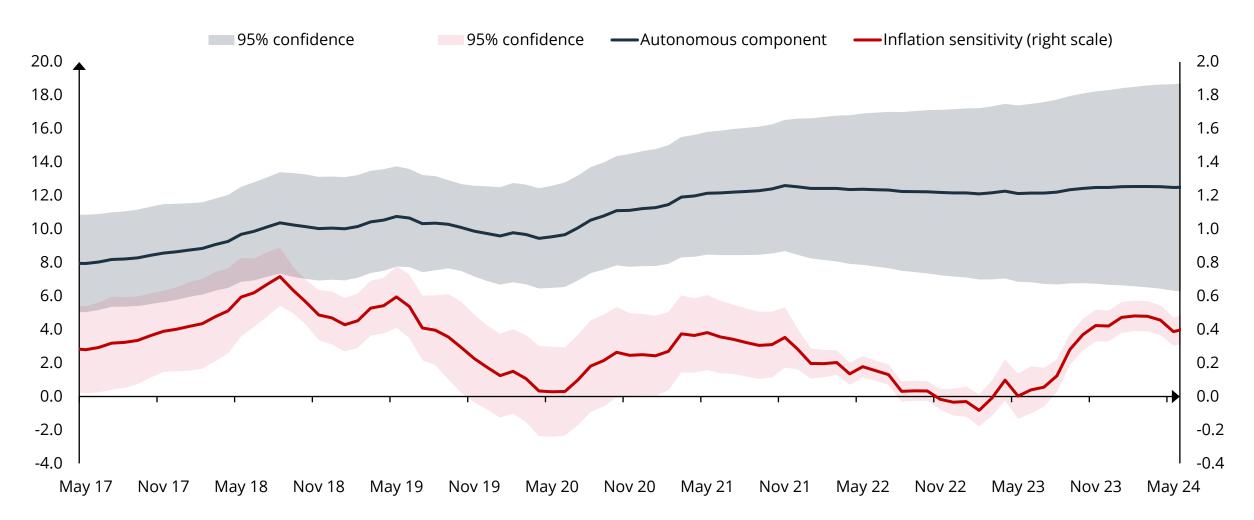


TÜRKİYE CUMHURİYET MERKEZ BANKASI

Source: TURKSTAT, CBRT, As of 21 June 2024. \* Results of a monthly trivariate VAR model including nominal exchange exchange rate.

### 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:**

Short-term Turkish lira deposits8%12%Long-term Turkish lira deposits0%8%			Previous Ratio	New Ratio
	Short-term KKM 25% 33%	Short-term Turkish lira deposits	8%	12%
		Long-term Turkish lira deposits	0%	8%
Short-term KKM 25% 33%	Long-term KKM 10% 22%	Short-term KKM	25%	33%
Long-term KKM 10% 22%		Long-term KKM	10%	22%
		Limit on FX loan growth.		
imit on FX loan growth	imit on FX loan growth			

Adjustments to KKM transition and rollover targets.

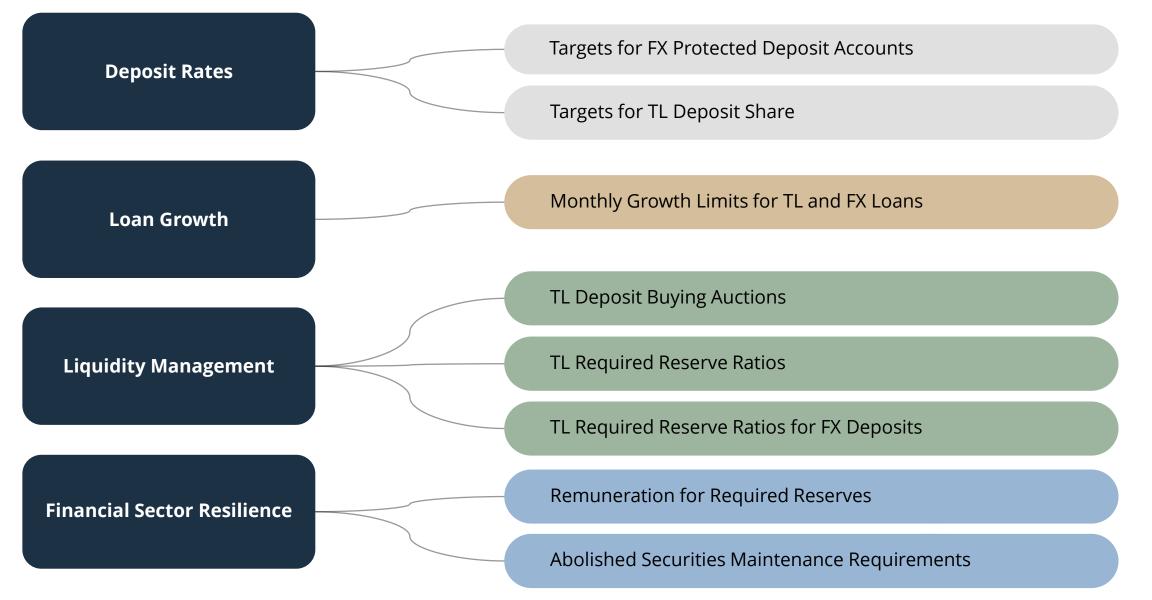
## 4

Adjustments to maximum fees paid for early repayment of loans.





#### <u>Tools</u>





## Outline

Deposit Market

Liquidity Management

Loan Market

Financial Sector Resilience

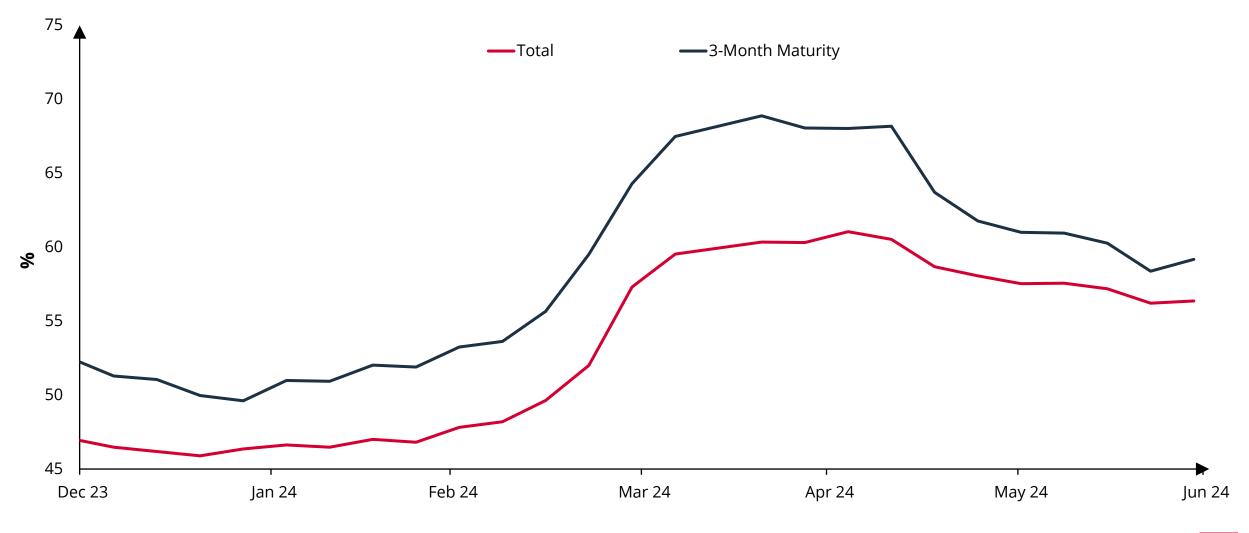


## **DEPOSIT MARKET**



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

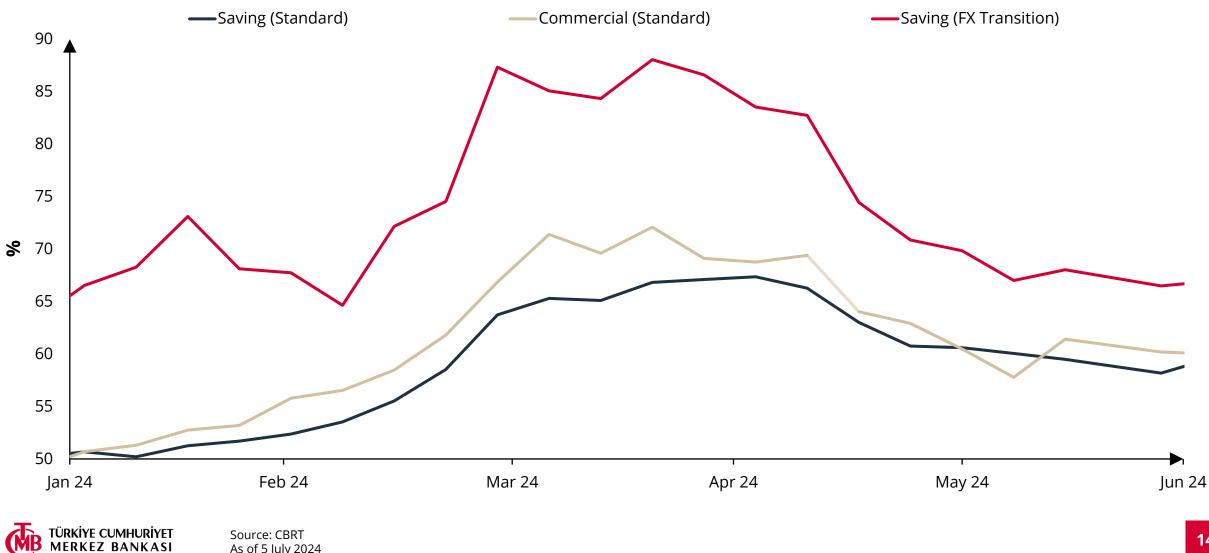
#### **TL Deposit Interest Rates**





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

#### 32-90 Days Maturity TL Deposit Interest Rates



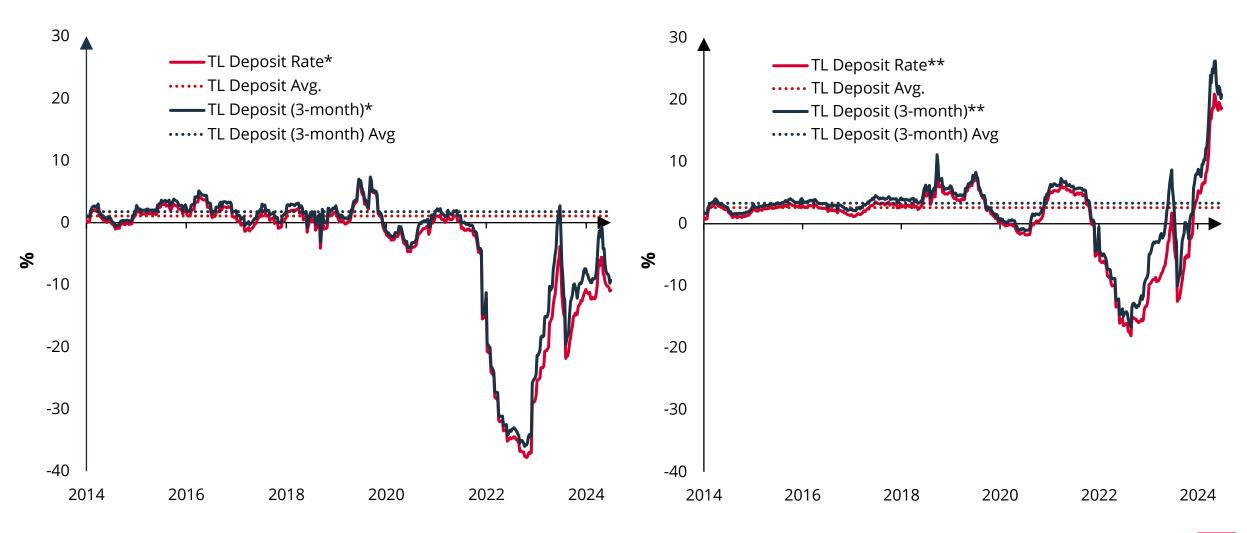
As of 5 July 2024

\*Calculated from daily reporting of 10 selected banks. When weekly averaging, non-transaction days are excluded.

#### 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** 



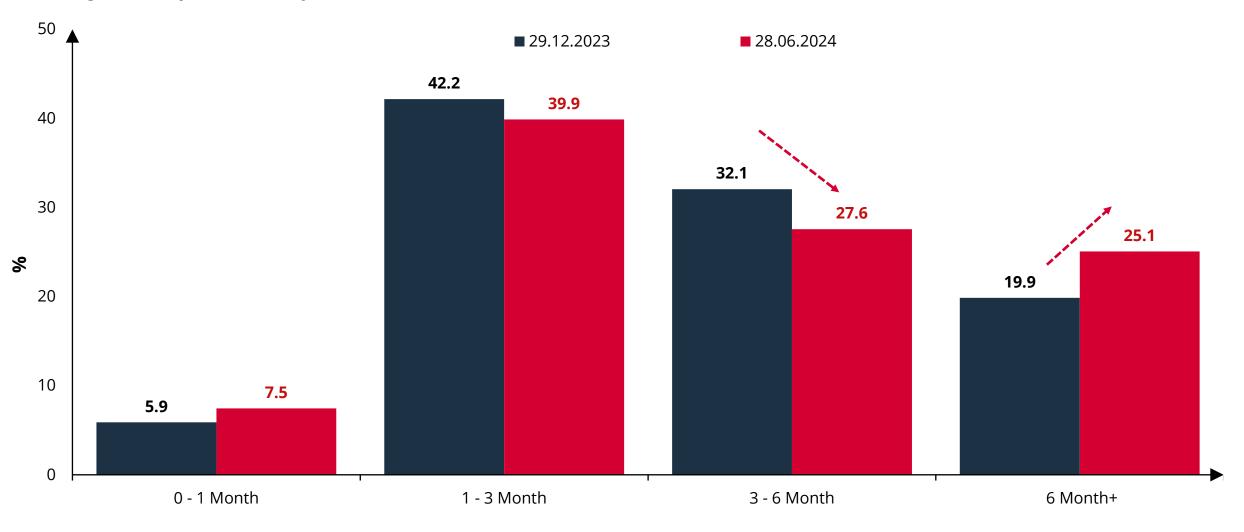


Source: CBRT As of 28 July 2024

TL deposit rate\* is calculated by ex-post inflation while TL deposit rate\*\* is calculated by ex-ante inflation figures (using Market Participants Survey Expectations). Dashed lines represent 2012-2019 averages. 15

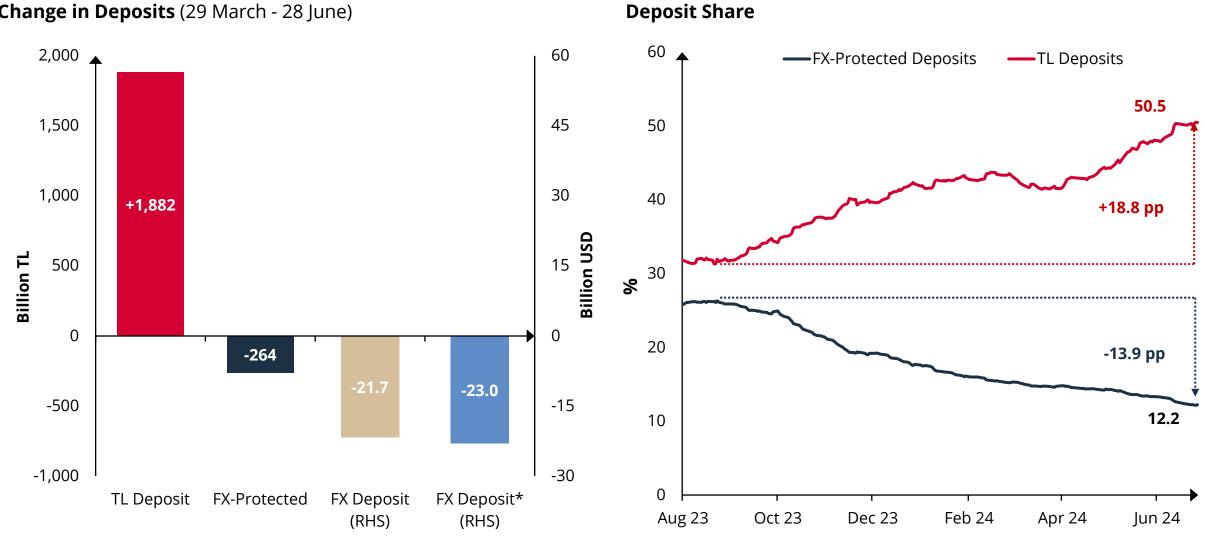
## TL deposit maturities are rising.

#### TL Saving Term Deposit Maturity Breakdown





### The share of Turkish lira deposits has increased.



Change in Deposits (29 March - 28 June)

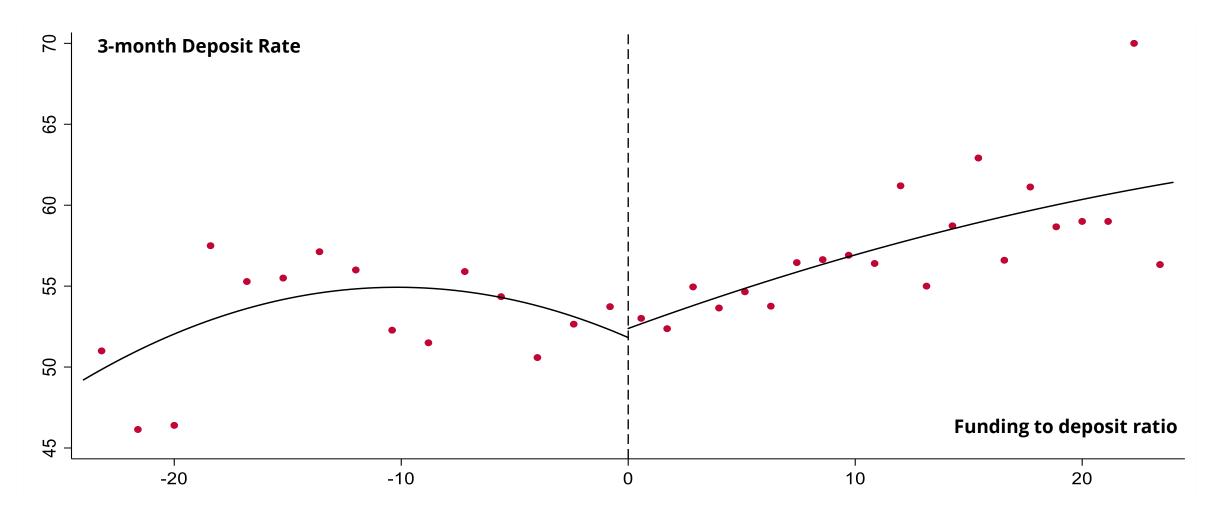
TÜRKİYE CUMHURİYET **MERKEZ BANKASI** 

## LIQUIDITY MANAGEMENT



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

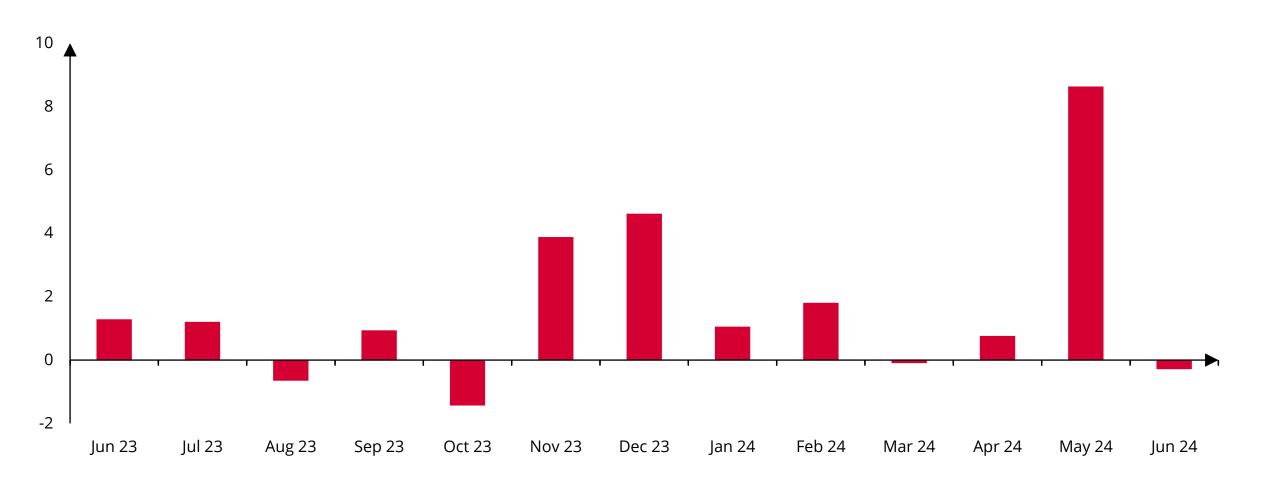
#### Deposit Rate vs. Bank Level Net OMO Funding





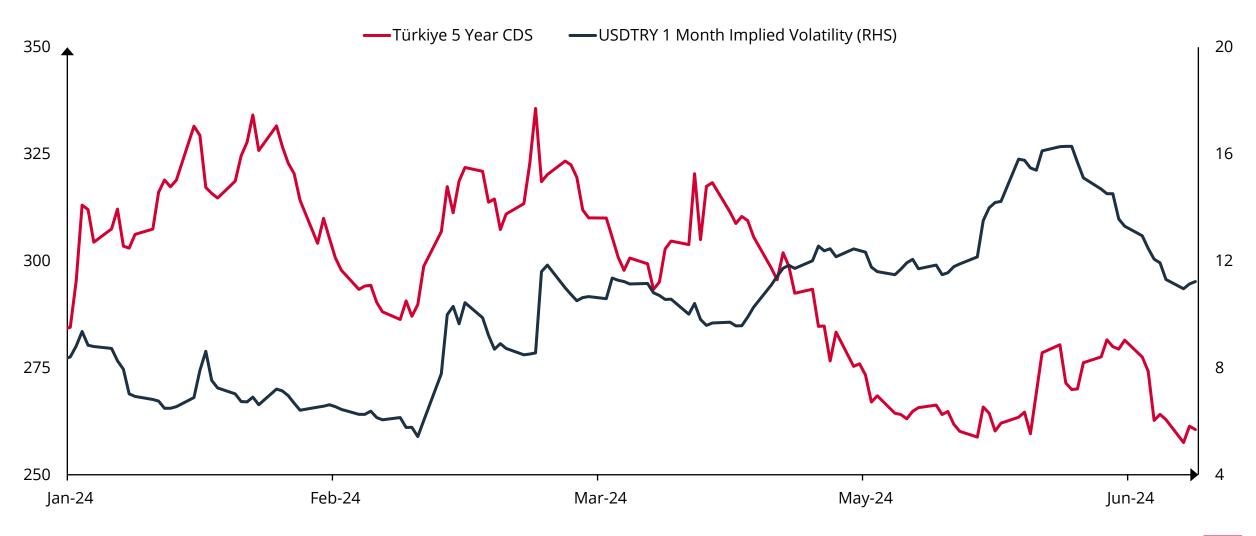
## Capital inflows raised liquidity in April and May.

Capital Flows Excluding Swaps (Billion USD)





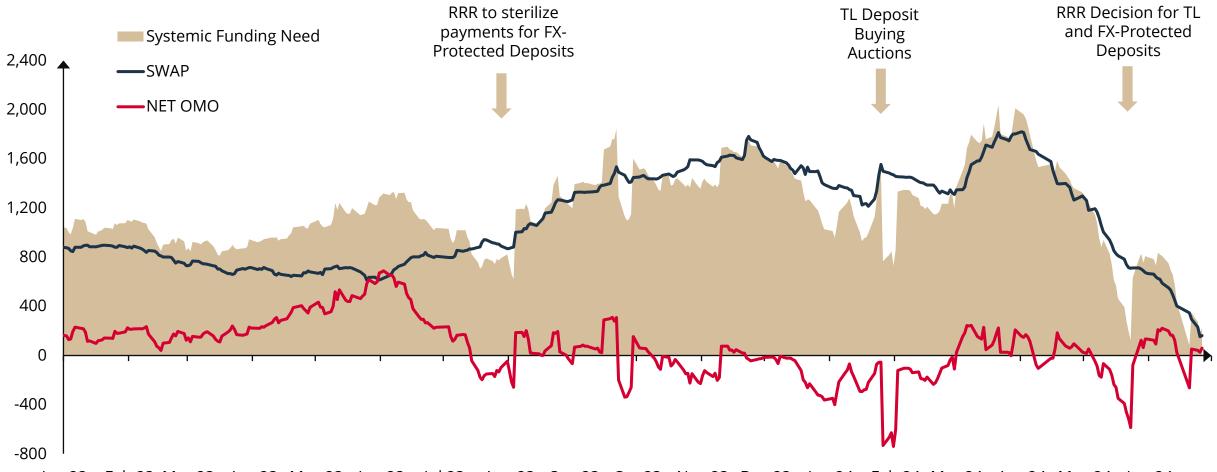
# Deepening in FX markets led to simultaneously more volatility and lower risk premia.



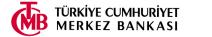


## The resulting excess liquidity has been sterilized.

#### **CBRT Swap Transactions and Net OMO** (Billion TL)



Jan 23 Feb 23 Mar 23 Apr 23 May 23 Jun 23 Jul 23 Aug 23 Sep 23 Oct 23 Nov 23 Dec 23 Jan 24 Feb 24 Mar 24 Apr 24 May 24 Jun 24

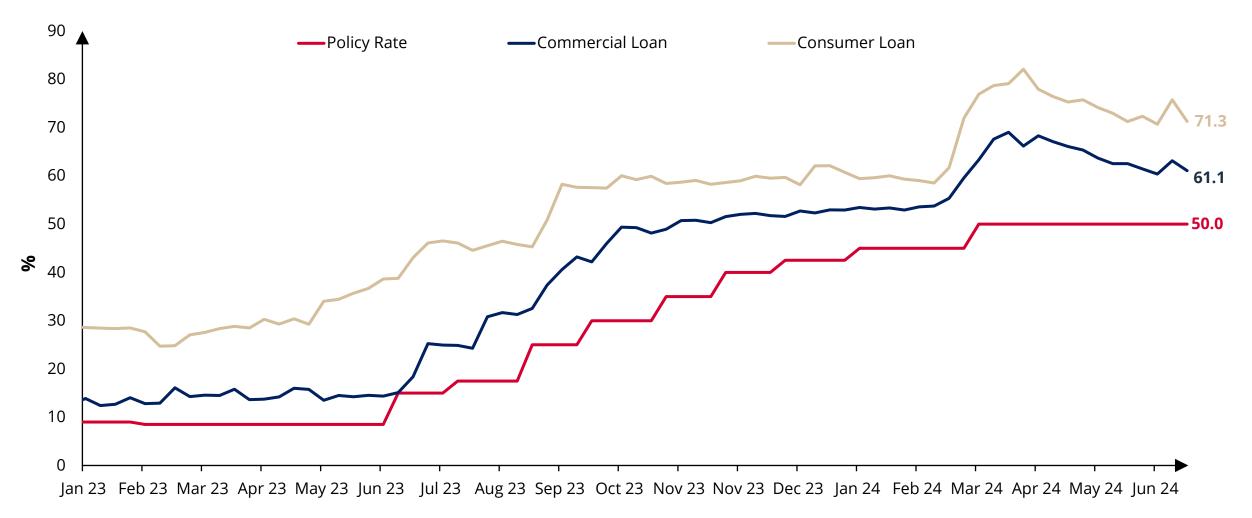


## LOAN MARKET



## **Financial conditions remain tight.**

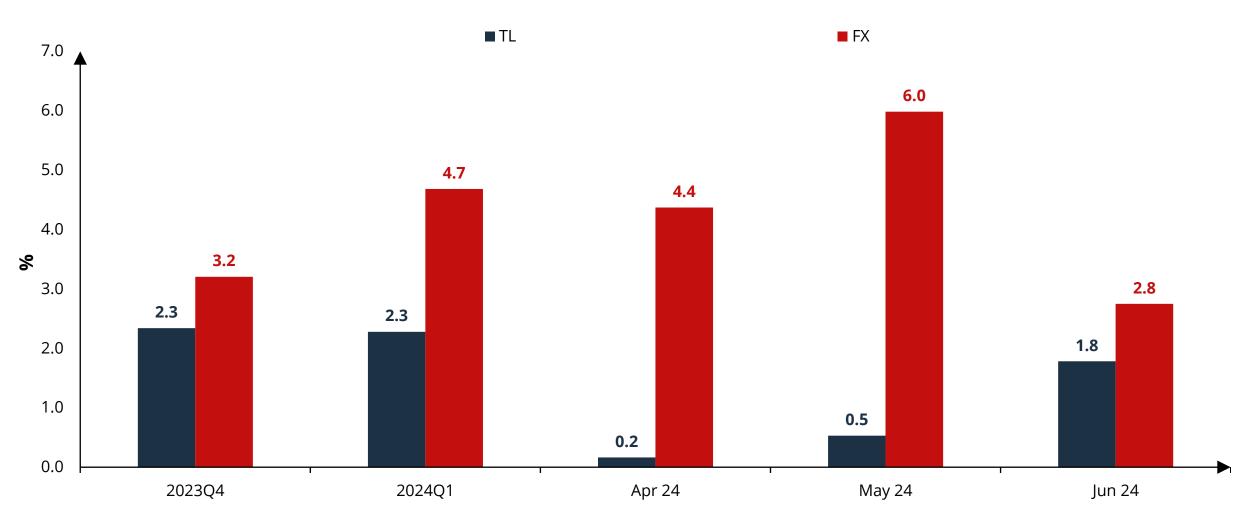
#### **Interest Rates**





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

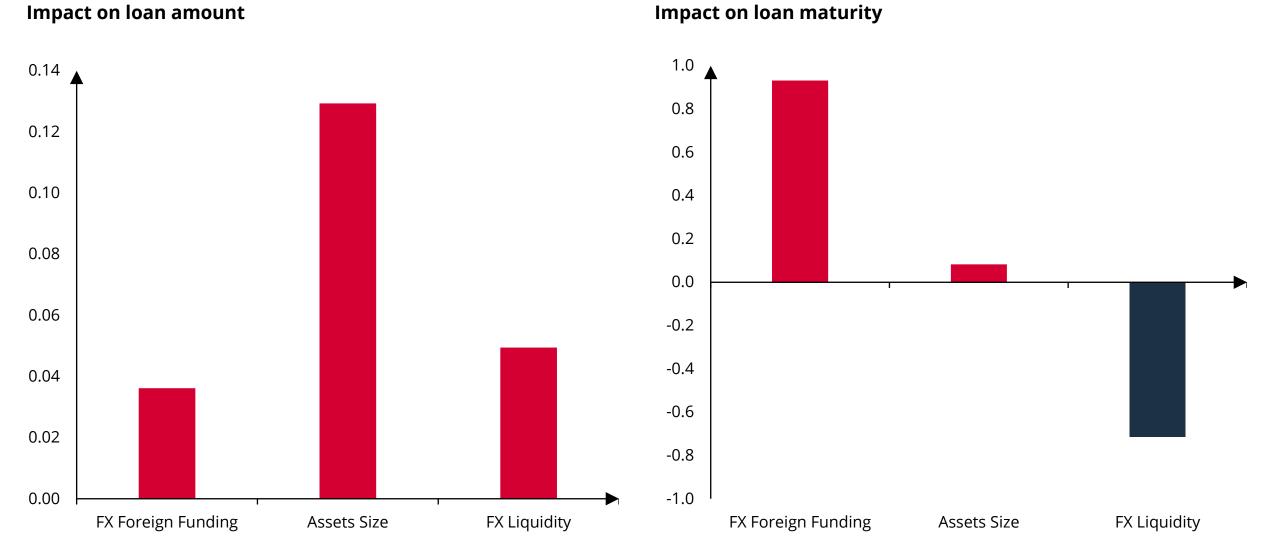
#### **Commercial Loan Monthly Growth by Currency**





Source: CBRT, As of June 28, 2024. Arithmetic average of the monthly growth rates of each quarter

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



#### Impact on loan maturity

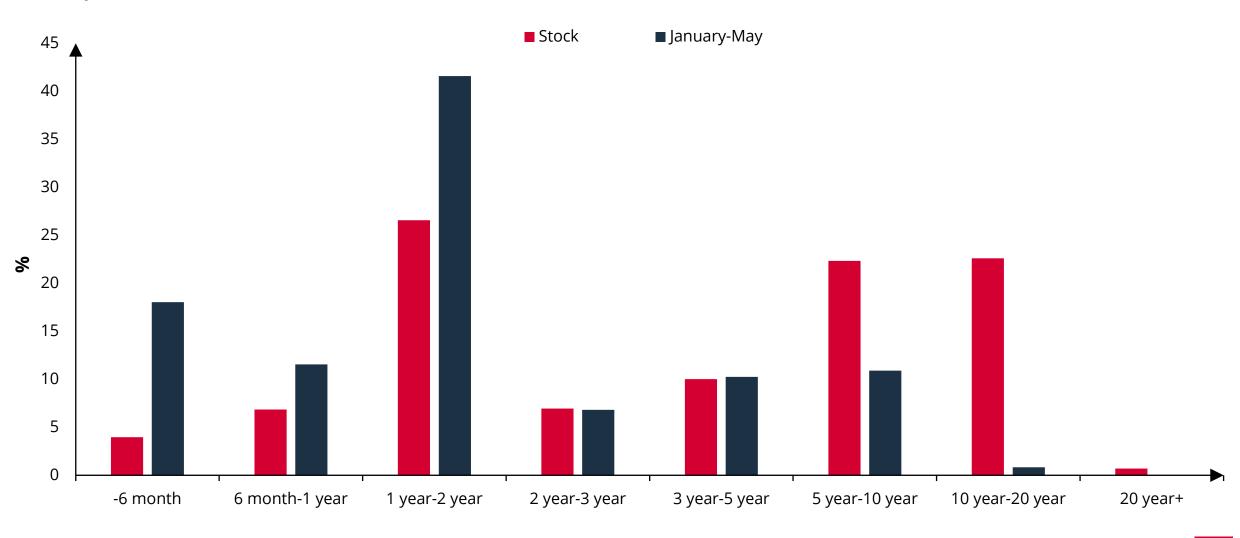


Source: CBRT, As of May 2024.

Charts indicate the statistically significant standardized coefficients. The analysis period is January-May 2024. The model includes one-month lagged values of the explanatory variables, and controls the demand-side with firm\*year-month fixed effect combinations. It also includes other bank-based control variables.

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

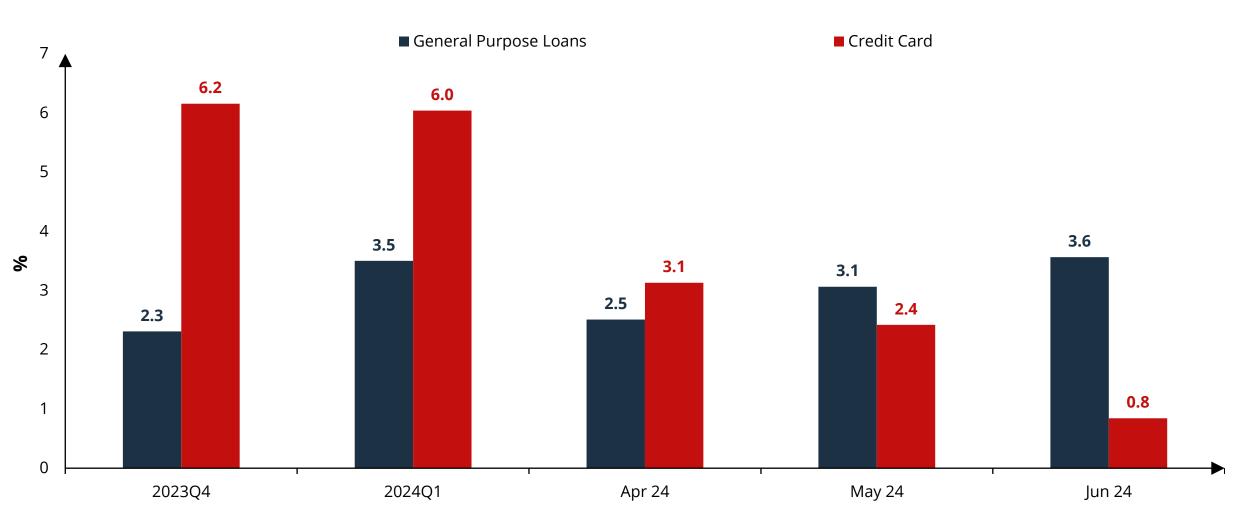
#### Maturity Breakdown of FX Loans





### **Consumer loan growth has been weakening.**

#### Consumer Loan Monthly Growth by Category





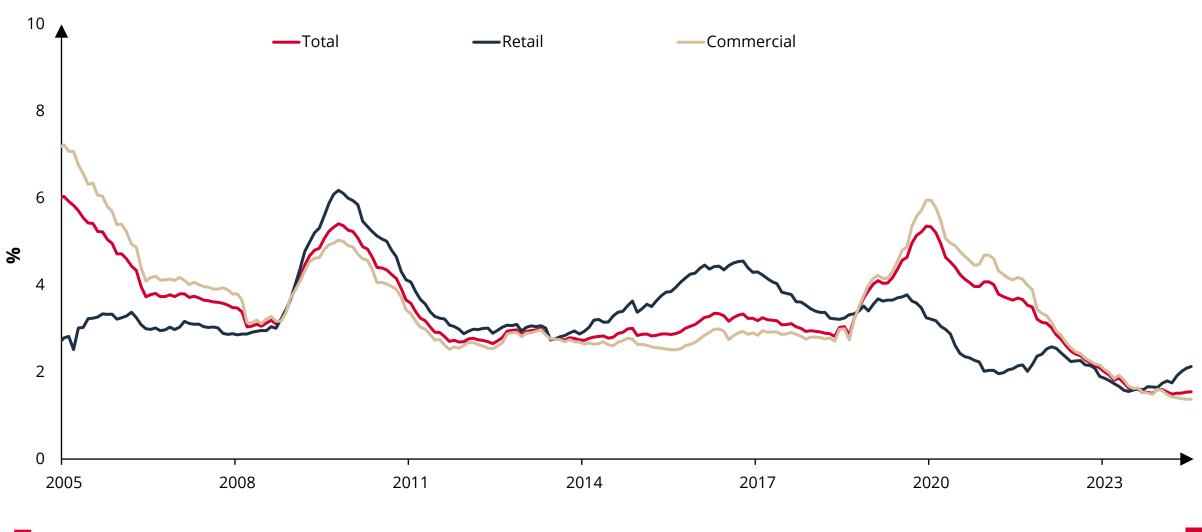
Source: CBRT, As of June 28, 2024. Arithmetic average of the monthly growth rates of each quarter

## FINANCIAL SECTOR RESILIENCE



## NPL ratios remain well-below historical averages.



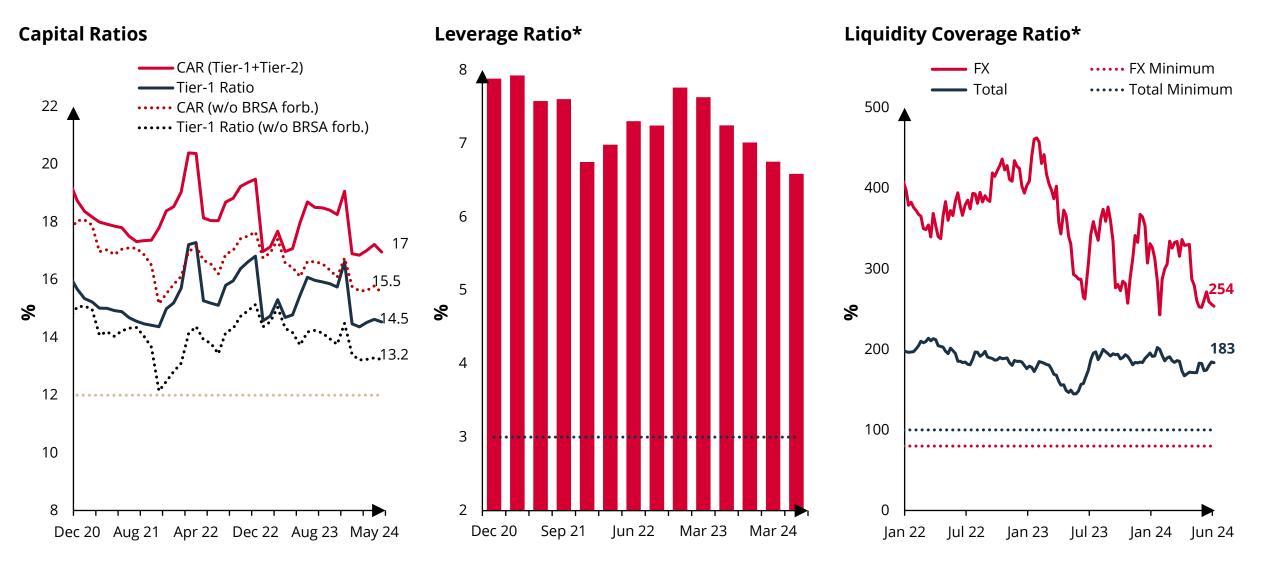




Source: CBRT, BRSA Last Observations: 4 July 2024

\* Overdue Stage 2 loans to gross loans.

## Capital and liquidity buffers are at comfortable levels.

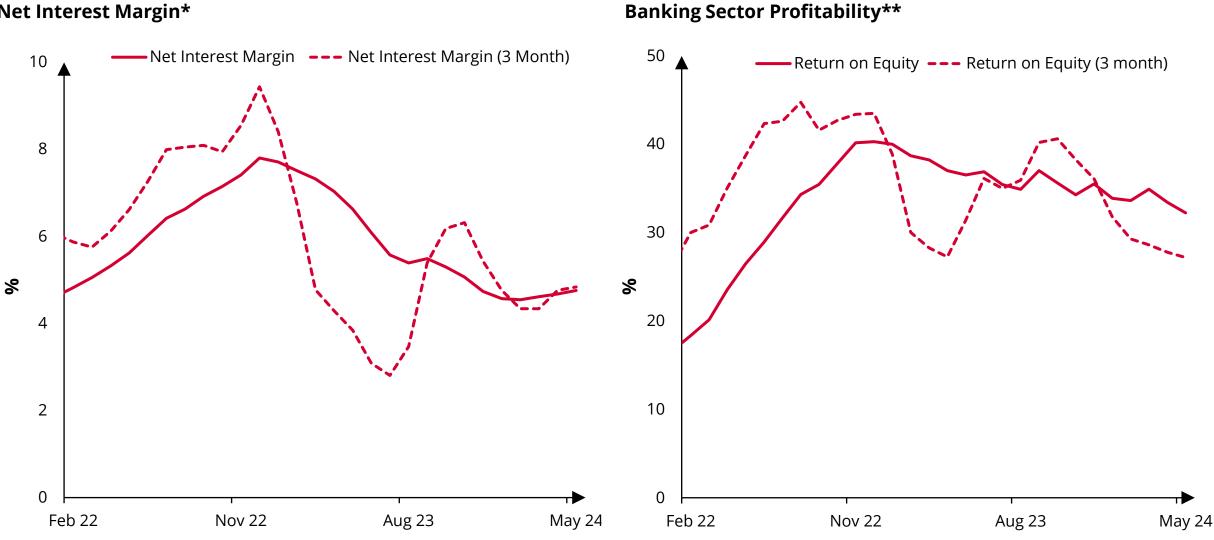




Source: CBRT, BRSA Last Observations: May 2024 (Left Panel); March 2024 (Middle Panel); 28 June 2024 (Right Panel)

\* Leverage ratio indicates Basel III leverage ratio and the minimum requirement is 3%. It is calculated as Tier 1 capital divided by the exposure measure. Exposure amount is a non-risk based measure of on-balance sheet and off-balance sheet exposures. The regulatory threshold for total and FX LCR is 100% and 80%, respectively.

#### Net interest rate margins are rebounding.



**Net Interest Margin\*** 

TÜRKİYE CUMHURİYET MERKEZ BANKASI

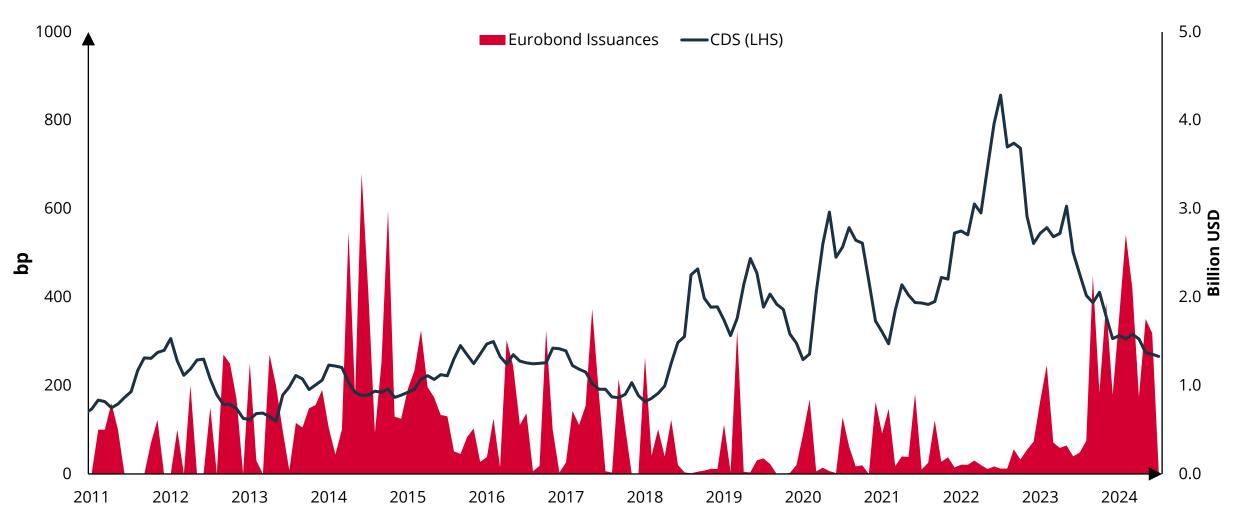
Source: CBRT, BRSA, As of May 2024.

\* The dashed line shows annualized last 3 month net interest income to average interest earning assets.

\*\* The dashed line shows annualized last 3 month profits to average equity.

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

#### Banks' Eurobond Issuances and CDS (Flow)







www.tcmb.gov.tr