

Turalay Kenç: Emerging market policies in a volatile global environment – the case of Turkey

Remarks by Mr Turalay Kenç, Deputy Governor of the Central Bank of the Republic of Turkey, at the National Asset-Liability Management Europe Symposium, London, 3 March 2016.

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Accompanying charts can be found at the end of the speech.

Good morning, ladies and gentlemen.

I would like to thank Central Banking Publications for the honor of being invited to deliver the keynote address at this European Meeting of National Asset-Liability Management. I am delighted to be back. The first time I did this was back in 2011 in Istanbul.

In my remarks today, I will focus on policies of emerging market central banks in a volatile global environment with a particular focus on Turkey. I will begin with an overview of the challenges facing emerging market central banks in an increasingly interconnected world. I will then discuss resilience of emerging economies (EMEs) to global financial conditions together with their macroeconomic and prudential policy responses. I will finish my talk with the Central Bank of Turkey's roadmap of policy actions before and after global monetary policy normalization.

Heightened global financial market volatility

The volatile global environment mostly likely stems from the gradually worsening global economic and financial problems and the increasingly interconnected world through production, financing and communication technology channels. The former is essentially related to growth, stock balances and policy uncertainty problems. The latter underscores higher degree of external shocks' transmission across globe.

After almost a decade since the global financial crisis (GFC) erupted, the long awaited strong global economic recovery has not been realized in spite of unprecedented accommodative monetary policies in the large part of the world (Figure 1). In fact, growth is slowing in many EMEs with a modest recovery in advanced economies (AEs) and recent low prices depressing commodity exporters. After their strong performance during the great recession most EMEs face a synchronous and protracted deceleration in growth rates owing to the weakened external and domestic factors. Some commodity exporting EMEs even suffer from an economic recession. China grapples with the appropriate policy actions and uncertainty associated with the ongoing transformation of the export – investment led growth model to a domestic consumption – services sector driven economy.¹

Furthermore, potential growth across the world has declined due to the global slowdown in productivity growth, persistently weak investment, aging population and weakened global trade (Figures 2–3).² Rising inequality, on the other hand, exacerbates both the recovery and long-term growth problems. To this end, global policy coordination is the way forward. The G20's framework for strong, sustainable, balanced and inclusive growth with strong commitments on structural reforms as well as aggregate demand stimulating policies provides a good mechanism to serve this purpose.

¹ T. Didier, M. A. Kose, F. Ohnsorge and L. S. Ye (2015), *Slowdown in Emerging Markets: Rough patch or prolonged weakness?*, Policy Research Note 4, World Bank, Washington, DC.

² OECD (2016), *Economic Policy Reforms 2016: Going For Growth Interim Report*, OECD Publishing, Paris.

The weak recovery is also very much related to the problem of demand deficiency – a situation associated with aggregate demand being less than the aggregate supply corresponding to full employment level of output in the economy. And this is probably driven by high indebtedness levels in government and private balance sheets across the world including both advanced and emerging market economies. As a matter of fact, the impaired private balance sheets caused the so-called balance sheet recession of 2008–2009 in AEs as in the USA during the great depression and in Japan during the years following the Japanese financial crisis of 1991. Now, not only the private sectors – financial, non-financial and households – of AEs but also their governments and more importantly EME private sectors suffer from high indebtedness levels. For example, some EME households have debt as large as 75 to 95 percent of GDP. Moreover, EME private balance sheets largely consist of external liabilities as opposed to domestic currency denominated assets, which expose them to increases in the cost of debt-servicing foreign currency – denominated external obligations in cases of real exchange rate depreciation. Recent research suggests that agents tend to cut back their spending when their debt reaches certain levels.^{3,4} Going forward, we are likely to see only a gradual improvement in this stock balances problem as they take longer time to heal than flow balances problems. Again, the cases of Japan and the great depression testify this observation.⁵

Policy uncertainty over the appropriate policy actions has recently heightened. The policy uncertainty is associated with the question of appropriate mix of demand and supply side policies, the extent and type of suitable monetary policy and the effectiveness of macro-prudential policy are the sources of policy uncertainty. Likewise, China has its own acute policy uncertainty problem as mentioned above. Reasons behind heightened policy uncertainty are policy paralysis and unconventional policies such as monetary quantitative easing policy and negative nominal policy rates following financial crises. Elevated policy uncertainty holds back investment and growth⁶ and causes heightened market volatility.

Over the recent globalization period the world has become an increasingly interconnected place. Global trade has increased, broadened and deepened drastically because of trade liberalization, unprecedented capital flows and the international fragmentation of production in global value chains. EMEs have contributed to this development significantly as they have become increasingly more connected to the global production, monetary and financial systems. The unprecedented capital flows have also made global financial markets more interconnected than at any time in history. Advances in communication technology have further heightened and extended the interconnectedness of global financial markets. The increased interconnectedness together with sharply risen external liabilities has reinforced the proposition of the Impossible trinity (also known as the Trilemma) on monetary policy dependence as monetary conditions have become more correlated than before.

Resilience of emerging market economies to global financial conditions

In the 1980s and 1990s EMEs experienced financial crises following a sudden reversal of capital flows. In fact, during this period there were two waves of financial crisis in the EME world. The first wave was associated with currency crises as significantly strengthened US

³ Cecchetti, S, M Mohanty and F Zampolli (2011), “Achieving growth amid fiscal imbalances: the real effects of debt”, in *Achieving maximum long-run growth*, a symposium sponsored by the Federal Reserve Bank of Kansas City, Jackson Hole, Wyoming.

⁴ Lo, S. and K. Rogoff (2015), *Secular stagnation, debt overhang and other rationales for sluggish growth*, six years on, BIS Working Papers No 482.

⁵ Koo, R. (2009), *The Holy Grail of Macroeconomics: Lessons from Japan's Great Recession*, Revised Edition, John Wiley & Sons.

⁶ Baker, Bloom and Davis (2013), “Measuring economic policy uncertainty”, *Chicago Booth Research Paper*, no 13–02, May.

dollar led to massive adjustments in the fixed EME exchange rates. This followed sovereign debt crises in many emerging markets, i.e., Mexico, Brazil and Argentina. The second wave was triggered by sudden stop of capital inflows. The EM banks having intermediated these flows, as a result, caused these severe financial crises in several EMEs such as Mexico and Turkey in 1994, East Asian countries after mid-1997 and Russia in 1998. The insufficient volume of external safety nets as well as the underdeveloped nature of financial markets in EMEs made financial crises unavoidable. In addition, inability to implement countercyclical policies made EMEs suffer from larger damaging effects of financial crises on their real economies than otherwise.

It is noteworthy that despite the lack of capacities in avoiding financial crises, EMEs mostly managed to recover swiftly from their acute past financial crises succeeding severe economic recessions. Likewise, most EMEs survived the – a once in a century event – GFC of 2008 in spite of its profound impacts on the financial systems of AEs with the subsequent “balance sheet recessions”. EMEs again largely escaped the great recession though some of them had brief economic recessions.

With lessons learned from previous episodes and improvements over the years EMEs are, on average, better positioned to withstand financial turbulences, both now and in the near future, than in the past. First of all, they embarked on extensive structural reforms aimed at overhauling financial regulatory and supervisory systems, strengthening public finances and fiscal discipline, granting central banks independence, and adopting flexible exchange rate systems. These reforms enabled them to implement more prudent and countercyclical policies as well. EMEs solidified their post crisis reforms by accumulating adequate foreign exchange reserves as an alternative to the IMF provided financing, which carries strong conditionality, as well as further deepening and broadening their domestic financial markets. As a result, stock and flow balances, policy frameworks, and levels of economic confidence and market development in EMEs have strengthened substantially and radically.

Stock and flow balances

Since EMEs mostly suffered from sovereign debt crises, fiscal discipline has been the cornerstone of the first generation of structural reforms. Prudent fiscal policies have played a key role in maintaining low budget deficits and hence lowered debt levels to the extent that budgets delivered primary surpluses (Figure 4). Lower interest rates implied by diminished financing requirements of the government sector then further reinforced fiscal positions. As a consequence, the share of government bonds in emerging debt markets has declined and created room for the private sector debt market to grow. Private debt levels in emerging markets have also stayed at moderate levels on average (Figure 4).

Declined public debt also implied lower bases for external debt. In addition to this development, EM governments have consciously borrowed less in foreign currencies in the wake of their earlier financial crises. Combined effects have, on average, reduced government owned external debt to GDP ratio from 28 percent at the beginning of the 2000s to 18 percent in 2014. This decline in Eurodollar loans manifests deepened domestic debt markets and hence have reduced the so called “original sin” problem of emerging markets to the extent that foreign investors willing to lend in domestic currency as opposed to hard currencies. It is argued that one of the factors that created economic instability in EMEs is the “original sin” problem. According to this hypothesis emerging and developing countries are unable to borrow abroad in their own currencies reflecting lower degrees of portfolio diversification at the global level to emerging currency denominated investments. Needless to say, borrowing in foreign currencies creates currency mismatch problem – increases in the cost of debt-servicing of foreign currency – denominated external obligations in cases of real exchange rate depreciation. The cost is measured in terms of the reduced purchasing power of domestic output over foreign claims following the depreciation. The original sin indicator depicted in Figure 5 shows that original sin level is much below that of the 1990s despite its rise since the beginning of 2012.

In other words, EMEs' share of obligations in foreign currencies is well below those observed in the 1990s.⁷

Bailing out banks during the above mentioned EME financial crises put heavy burden on government budgets of EMEs. It was well-understood that banking sector plays a systemic role. In order to avoid bailout costs and disturbances to the intermediation of loans to real economy EMEs overhauled their banking sector regulatory and supervisory systems. These reforms tried to ensure that banks hold adequate capitals to be resilient to shocks and, in general, run their businesses in a prudent way. Figure 6 shows that leverage ratios measured as (risk unweighted) capital divided by total assets, on average, stayed above the average levels of the 1980's and 1990's and also the average ratio of advanced economy banks.

After evaluating the key stock balances, I now move to flows balances to uncover the dynamics governing stock balances in the economy. They include economic growth, inflation and current account balance.

The left window of Figure 7 shows that the average GDP growth rates of EMEs are still above that of AEs and EMEs still contribute to global growth significantly despite the latest synchronous and protracted slowdown in emerging markets.

The right window of Figure 7 reveals that the probably biggest post-crises' success of EMEs is in the area of price stability.

Prudent macroeconomic and financial policies and improved macroeconomic policy frameworks are the key factors behind this much lower inflation outcome. Among them the granting of independence to many EM central banks has been the most significant progress in improving the institutional quality of EM institutions. Their successes in lowering inflation over the years have resulted in desirable gains in monetary policy credibility. The adoption of inflation targeting frameworks provided beneficial nominal anchors and further enhanced policy credibility. To the extent that prudent policies and frameworks succeeded in achieving their targets the key dominances, especially in fiscal area, have eased and thereby the effectiveness of monetary policy increased significantly.

One of the chief causes of the GFC is the existence of global external imbalances. The G20 led policy coordination has reduced the imbalances to a certain degree. In this process, some EMEs suffered from declines in their surplus levels but the others succeeded improvements.

How resilient are EMEs to global financial conditions?

In this section I assess EMEs' resilience to external shocks by discussing the ways and extents of external shocks are transmitted to domestic economies of emerging markets. The first transmission way of external shocks is the trade channel. In recent decades EMEs have increased their share of global exports and recorded strong growth in inter-regional and intra-regional trade among emerging markets. As a result, EMEs currently make up around one-fifth of the world's total trade. In addition, they have diversified their production and exports. Although increased trade openness of EMEs magnifies the potential impact of external shocks on these economies, there are also positive developments such as strengthened product and regional diversity providing a degree of mitigation. Similar arguments can be made for the second transmission channel, namely funding channel: increased external liabilities but well diversified sources together with significantly lengthened maturities. But there is a negative development worth mentioning is that capital flows are mostly by driven by the unconventional

⁷ Hausmann, Ricardo and Ugo Panizza (2013), *On the determinants of Original Sin: An empirical investigation*, Journal of International Money and Finance, Volume 22(7), Pages 957–990.

Hausmann, Ricardo and Ugo Panizza (2011), *Redemption or Abstinence? Original Sin, Currency Mismatches and Counter Cyclical Policies in the New Millennium*, Journal of Globalization & Development, Volume 2(1), Pages 1–35.

policies of major central banks drive capital flows and they have become highly volatile since the GFC.

Finally, the aforementioned improvements in EMEs are likely to constrain the deterioration in business and consumer expectations. This is also a crucial development as the lessons learned from the past financial turmoils and crises revealed that the most distinguishing feature of an emerging market economy is the significant adverse effects on the real economy through the expectations channel. Among many advances in EMEs, rich policy frameworks have played an important role in improving economic agents' confidence in EMEs. In addition, EMEs ability and policy conduct to accumulate policy spaces have made significant contributions to solidifying gains in confidence. It is worth noting that in addition to conventional macroeconomic policies EMEs have also extensively used macro- and micro-prudential policies, serving as buffers for shocks (Figure 8). Since the EM financial crises EMEs have continued to use a number of macro-prudential measures when conventional policies, such as rate hikes to manage aggregate demand, were realized to be ineffective and/or insufficient. Such macro-prudential tools have not only maintained low levels of leverage but also accumulated buffers that can serve as policy spaces in cases of economic downturn. Additionally, macro-prudential policy helped monetary authorities implement monetary policy exclusively to achieve price stability. Finally, EMEs learned macro-prudential policy is more appropriate to limit and repair maturity and currency mismatch problems.

In addition to the macro-prudential policy, EMEs implemented rigorously micro-prudential policies rigorously in order to make their financial firms, especially banks, more resilient and safer against financial stresses. The macro and micro prudential policies of EMEs in the previous decades have succeeded in lowering levels of leverage, not only in financial sectors, but also in nonfinancial and household sectors. This, in turn, lowered levels of maturity and currency mismatches. This gave rise to high capital adequacy ratios and low non-performing loan ratios in banking sectors of many EMEs.

Moreover, in relative terms fiscal positions of EMEs have further strengthened while those of AEs have worsened in the aftermath of the GFC due to sizeable fiscal stimulus policies. Keeping this systemically important sector free from solvency risk has helped EMEs gain business confidence (Figure 9). Lower deficit and debt levels imply ample policy spaces for EMEs in cases of economic downturn. Creditworthiness together with policy spaces on the EM fiscal fronts have contained upward pressures on interest rates and have kept the effectiveness of other policies intact. It is fair to say that they now look strong enough to render the adverse effects of external financial shocks manageable.⁸

Policy actions in EMEs

However, the current unconventional monetary policies of AEs in the form of low or even negative nominal policy rates as well as quantitative easing and unintended consequences of the financial sector reforms across the world pose new challenges to EMEs. Until recently, because of better growth prospects and lower levels of leveraging, EMEs attracted capital inflows with their nonfinancial corporates having lion shares. The normalization of global monetary policies has reversed the course of capital flows and led to the sizable depreciation of EM currencies against the dollar. This creates inflationary pressures due to the pass-through impact and impairs balance sheets due to tightening global financial conditions and worsening growth prospects. Furthermore, the sharp fall in oil prices exacerbates the deterioration in economic outlook for commodity exporting countries. Going forward, the normalization of US monetary policy, diverging monetary policies of AEs, uncertainty in commodity prices and the

⁸ Kenç, Turalay, Fatma Pinar Erdem and İbrahim Ünalmış (2016), *Resilience of Emerging Market Economies to Global Financial Conditions*, Central Bank Review, forthcoming.

risk of China's economic hard-landing all will be likely to contribute to volatile global financial markets and widening spreads for EMEs.

Large asset purchasing programs of the major central banks have depressed global bond markets with decreasing long-term yields as well as short-term yields and their negative nominal policy rates further destabilized bond markets and in general financial markets. Heightened volatility in global financial markets (Figures 10–11) can be associated with the presence of very low and even negative rates rather than the underlying macroeconomic and external imbalances. In these circumstances, any change in interest rate differential across countries will likely create greater impacts than otherwise. If this interest rate change takes place in the largest and most significant economy in the world, then the impact will expectedly be magnified further.

The Fed's normalization of interest rate demonstrated that its impact on the global economy and financial markets indeed has been large, giving rise to significant capital outflows from EMEs, large adjustments and volatility in exchange rates as well as widened EM spreads and interest rates. The adverse effects of the Fed's interest rate normalization has been on average larger than those occurred in previous two financial turmoil episodes namely the Eurozone sovereign debt crisis and the US tapering tantrum. Moreover, the disparity between the effected countries has been large too. The plummeted commodity prices as well as other factors led to this outcome as commodity importers suffered from both the lower commodity revenues and the tightening global financial conditions. Financial markets also differentiated EMEs by policy frameworks and prudent policies. Those having rich and better policy frameworks and prudent policies have withstood the recent global financial turmoil better than others.

Commodity-exporting and commodity-importing EMEs have different monetary policy options. While commodity exporters have limited monetary policy space, commodity importers have some rooms to counteract. In the former group, inflations increased and balance sheets weakened due to the currency depreciation. In the latter group, in some countries, inflations decreased and central banks cut policy rates thanks to the low oil prices. However, in several oil importing countries, inflation is near or above the target bands. For central banks in these countries, tightening the monetary policy may be a priority for the credibility of central bank. In oil exporting countries where growth has weakened and inflation has gone up by currency depreciation, banks with high foreign currency vulnerabilities or heavy reliance on short-term debt need close monitoring or tighter prudential requirements.

Moreover, due to the different internal (growth and inflation) and external conditions (balance of payments strength), monetary policy positions have also diverged. Economies with current account deficits have been facing difficulties to balance internal pressures such as above-target inflation and slowdown in growth against reduced global capital inflows. These countries come to terms with limitations on countercyclical monetary policies to support the adversely affected domestic demand from tightened global financial conditions. On the other hand interest rates in other countries such as emerging Eastern European countries rates are at their historically low levels in order to avoid the disinflation imported from the Eurozone. EMEs with higher GDP growth, stronger external current account positions, lower inflation, and more liquid financial markets have managed to mitigate market volatility. Likewise, countries with more resilient financial sectors limited the adverse effects of volatility. As a result, out of 19 EMEs, 9 EM central banks have decreased the policy rate since the taper tantrum, 8 increased and 2 did not change. Overall, policy rate has increased 1070 bps. Along with the easing cycles of AEs central banks and ample global liquidity, the capital flows into EMEs have been increased which encouraged public and private leveraging and fueled credit growth in these countries. In response to the impact of the increased liquidity, EMEs implemented some macro-prudential policies. Macro prudential policies in EMEs are even more important than before due to the divergent monetary policies in AEs.

The Central Bank of Turkey's roadmap of policy actions before and after global monetary policy normalization

The Turkish economy has shown a relatively robust performance in the face of major external and internal shocks. GDP growth is estimated at around 4 percent in 2015 with an expected gradual strengthening of economic activity in 2016 and in 2017 (Figure 12). The rise in GDP growth rate observed in 2015 is mostly attributed to strong private consumption. Private investment recorded a moderate recovery. The challenging external conditions especially geopolitical events in the region have adversely affected exports. However, the economic recovery in most EU member states enabled Turkey to largely compensate its loss in other exports markets as Turkey increased exports to the EU countries by more than 10 percent in euro terms in 2015. This outcome also highlights Turkish exporters' resiliency in adopting to adverse economic conditions.

Of course, probably the most significant development of the last year or so has been the sharp decline in oil prices. Turkey, being an energy importing country, benefited from lower oil prices in many dimensions. The current account deficit fell from \$52 billion in June 2014 to below \$35 billion in November 2015 in 12 month cumulative terms. This sharp improvement in the current account balances has also been greatly helped by prudent macro-economic policies including monetary, macro-prudential and fiscal policies. Tight monetary policy (Figure 13), well-targeted macro-prudential measures (Figure 14) and strong fiscal balances have all contributed to lower levels of domestic demand by stabilizing loan growth and reducing risk taking behavior.

Going forward, the current low levels in oil prices and depressed producer prices in most part of the world due to weak economic activity are expected to lead to further improvements in external balances. Therefore, it is highly likely that Turkey will record a current account deficit of below 4 percent of its Gross Domestic Product in 2016, representing a major achievement in satisfying the norm of the European Union's Macroeconomic Imbalances Procedure (Figure 15).

Unlike these positive developments in the economy, inflation increased and its outlook worsened in 2015 reflecting the pass-through from the TL depreciation, elevated food inflation, and markedly increased minimum wages. These factors together with some deterioration in inflation expectations led the MPC to revise its inflation forecasts for 2016 and 2017 up to 7.5 percent and 6 percent respectively and postpone the projected realization year of the 5 percent target to 2018 (Figure 16).

Going ahead, I see three potential developments, which would improve the inflation outlook a great deal. First, the latest improvement in the external balances together with the already strong fiscal balances is likely to boost the effectiveness of the monetary policy. The ongoing tight monetary policy stance is then likely to lead to lower inflation than otherwise. Second, in coming years the implementation of the structural reforms identified in the 10th Development Plan aims to address the structural causes of inflation and hence is expected to support disinflation process. Finally, the Food Committee (the Food and Agricultural Products Markets Monitoring and Evaluation Committee) was founded in December 2014 with an objective of identifying policies to alleviate the contribution of structural and cyclical factors to elevated food inflation.

Of course, the credibility of monetary policy is key to achieve price stability. Therefore, let me devote the final part of my talk to explaining our policy strategy to cope with current challenges. Like most EMEs Turkey has also been facing tightening external financial conditions since May 2013 and accordingly introduced several mutually complementary policies and announced a "road map" document back in August 2015 outlining monetary policy, foreign currency liquidity and financial stability related measures.

The aim of the CBRT's road map is to improve the resiliency of the economy to external shocks through (i) maturity lengthening – encouraging banks to shift their non-core liabilities from short-term to long-term (Figure 17); (ii) providing incentives to banks for borrowing and lending

directly from and to the Central Bank in times when foreign players are reluctant to engage with banks in Turkey due to heightened volatility in global markets; (iii) bolstering safety-nets – making sure that the banking sector has access to adequate foreign exchange liquidity in times of market stress; (iv) supporting financial stability – providing incentives to banks to improve loan to deposit ratios; and (v) simplifying the monetary policy framework to improve the communication of the monetary policy stance. All but the interest rate corridor simplification step on the roadmap have already been taken and the focus is now firmly on fine-tuning their parameters.

Overall, these measures ease the policy tradeoffs posed by the excessive volatility in cross border flows, enabling the interest rate policy to concentrate on the primary objective of price stability. So far the financial market performance of Turkey suggests that the measures undertaken since August 2015 have helped Turkey outperform many peer EMEs. Of course, on the way, Turkey also enjoyed the benefits of lower oil prices relatively more than many EMEs and reduced political uncertainty after the general election result in November 2015.

The banking sector maintains its strong and sound position as banks in Turkey are well-capitalized with high quality and highly liquid assets and continue to offer solid rates of return on capital. As a result the banking sector still provides a reasonable loan growth for the economy despite heightened uncertainty in global markets.

To conclude given the ongoing challenging external conditions it will be essential to continue to implement a tight and flexible monetary policy in order to lower inflation in a volatile environment. Meanwhile, taking liquidity stabilizing measures for the foreign currency market and ensuring the stability of the financial system are key to alleviate policy tradeoffs. Last, but not the least, maintaining the fiscal discipline; and adhering strictly to the announced structural reform agenda in order to lift potential growth in accordance with the country's needs remains the key to stability.

Thank you.

Figure 1: Ongoing Weak Recovery

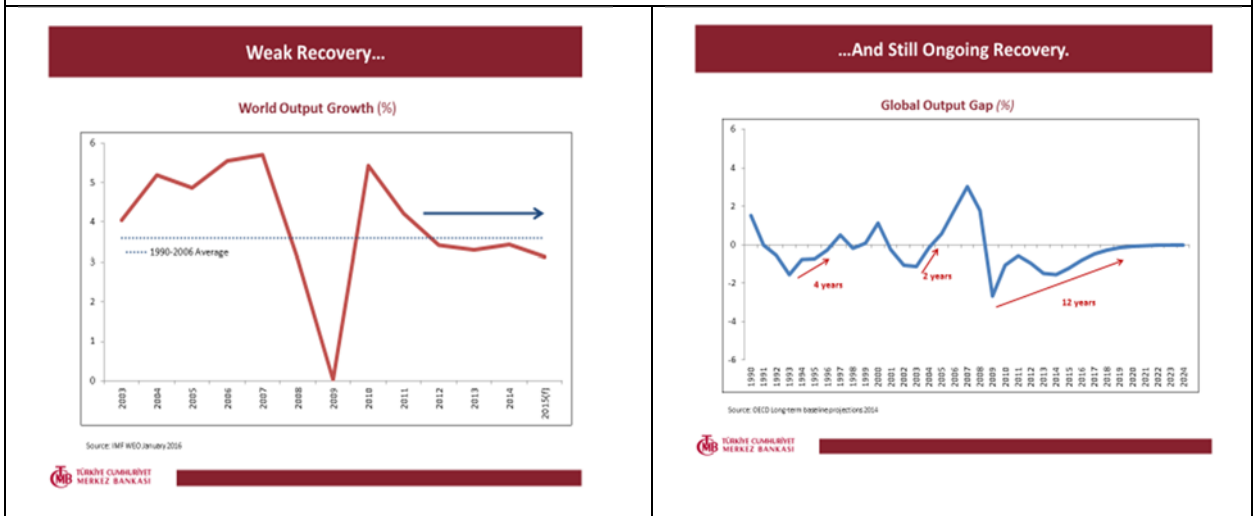


Figure 2: Weak Investment and Lower Productivity Growth

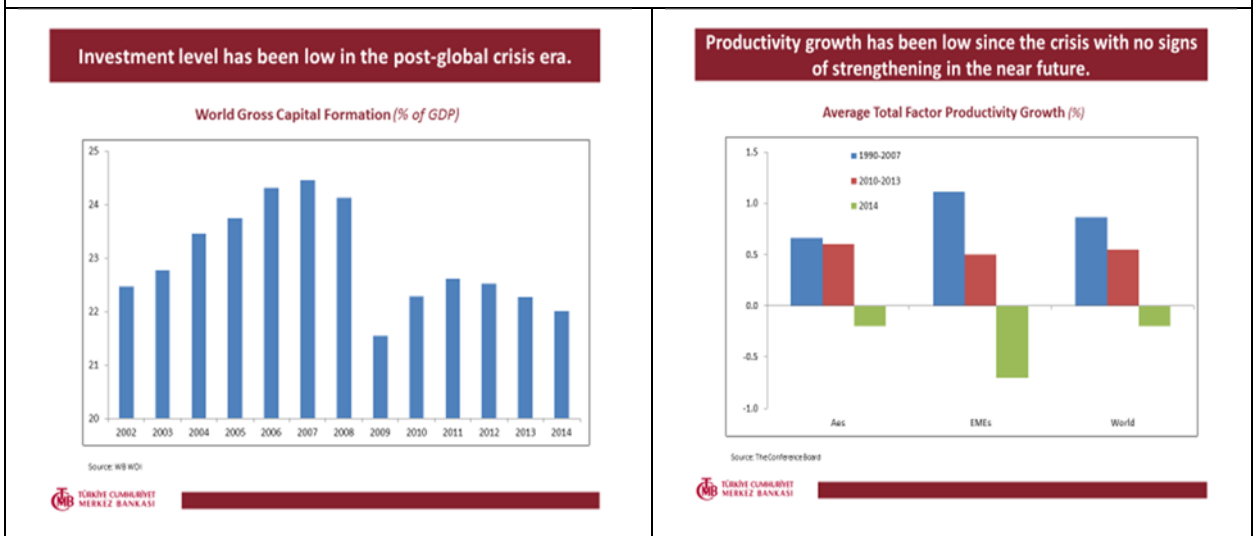


Figure 3: Weakened Global Trade Growth



Figure 4: Indebtedness Levels of EME Government and Private Sectors

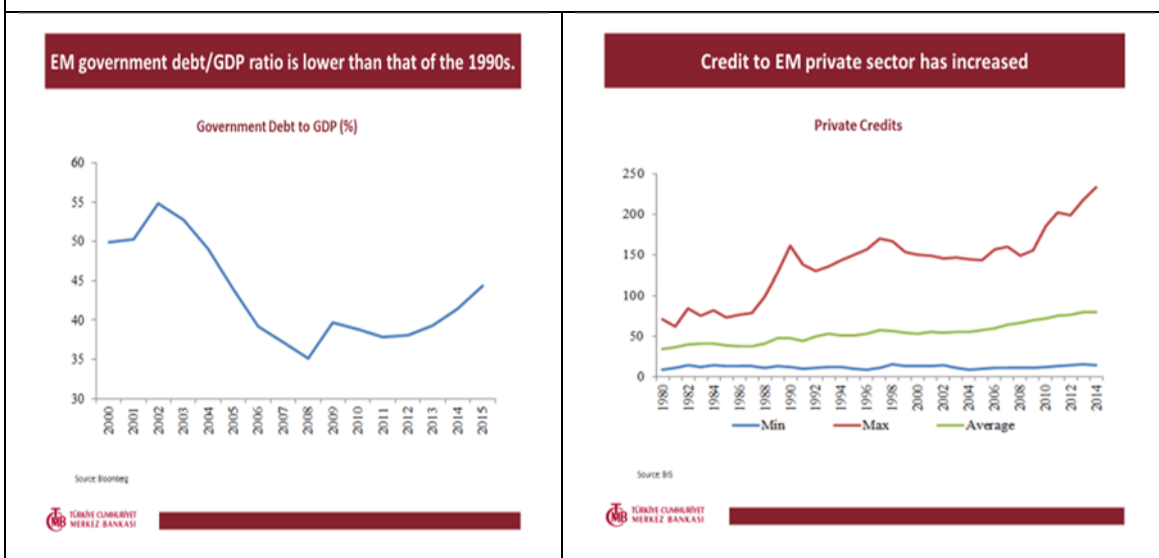


Figure 5: Declined Original Sin Ratio

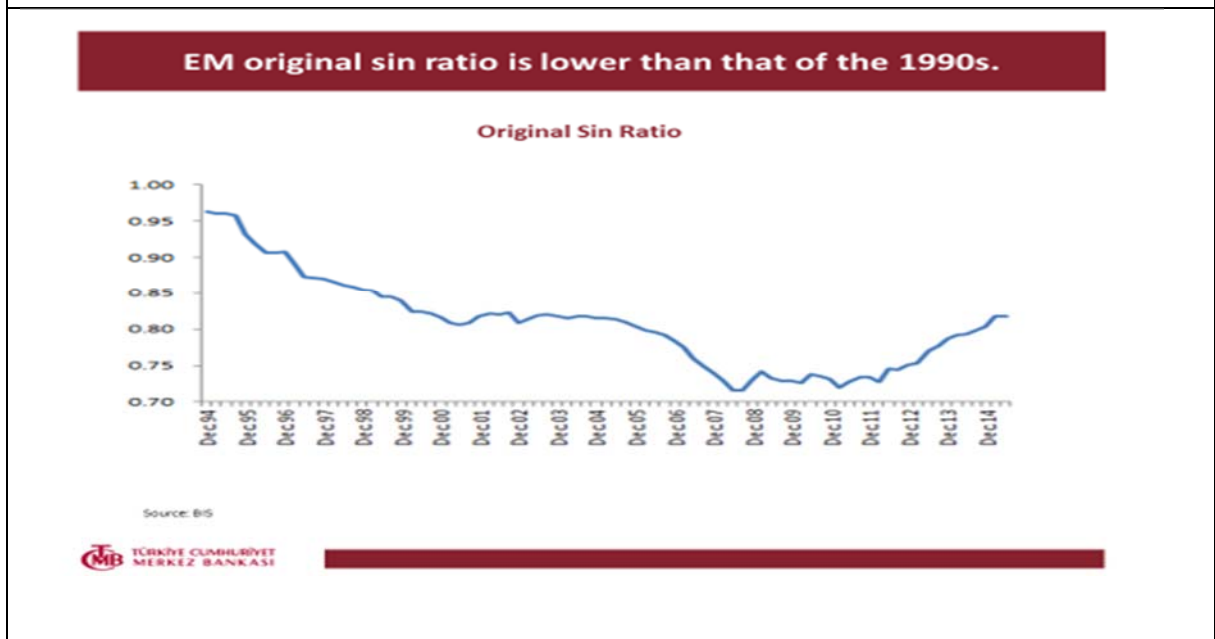


Figure 6: Well Capitalized EME Banking Sector

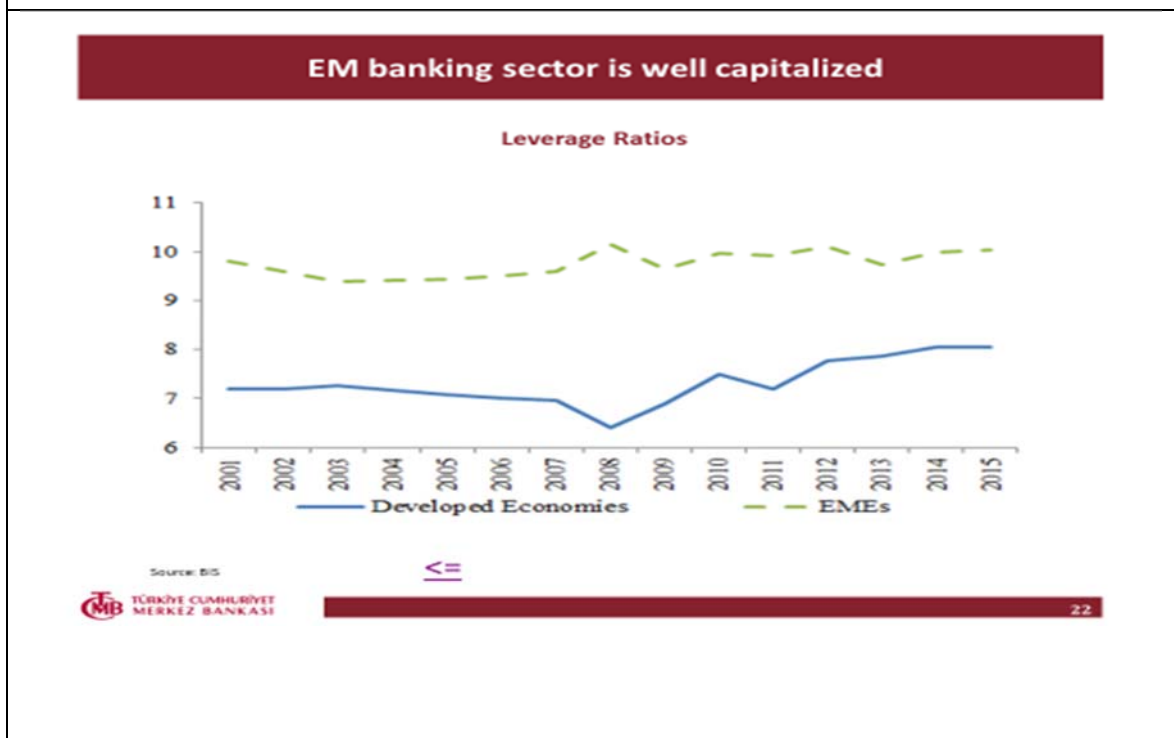


Figure 7: GDP Growth Rates of EMEs and AEs and Inflation Rate in EMEs

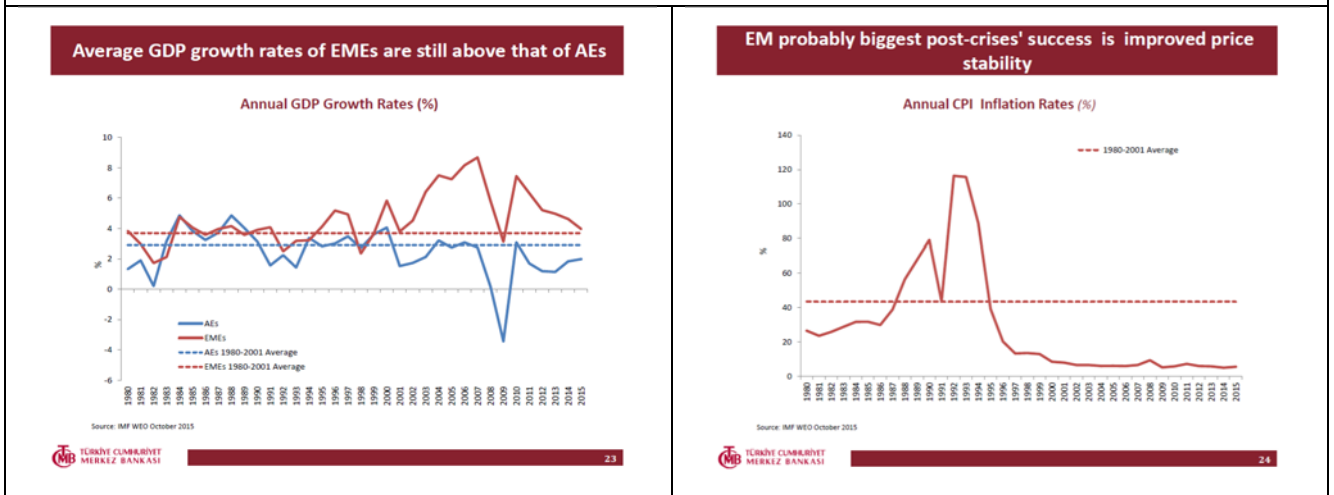


Figure 8: Accumulated Macro-prudential Policy Space in EMEs

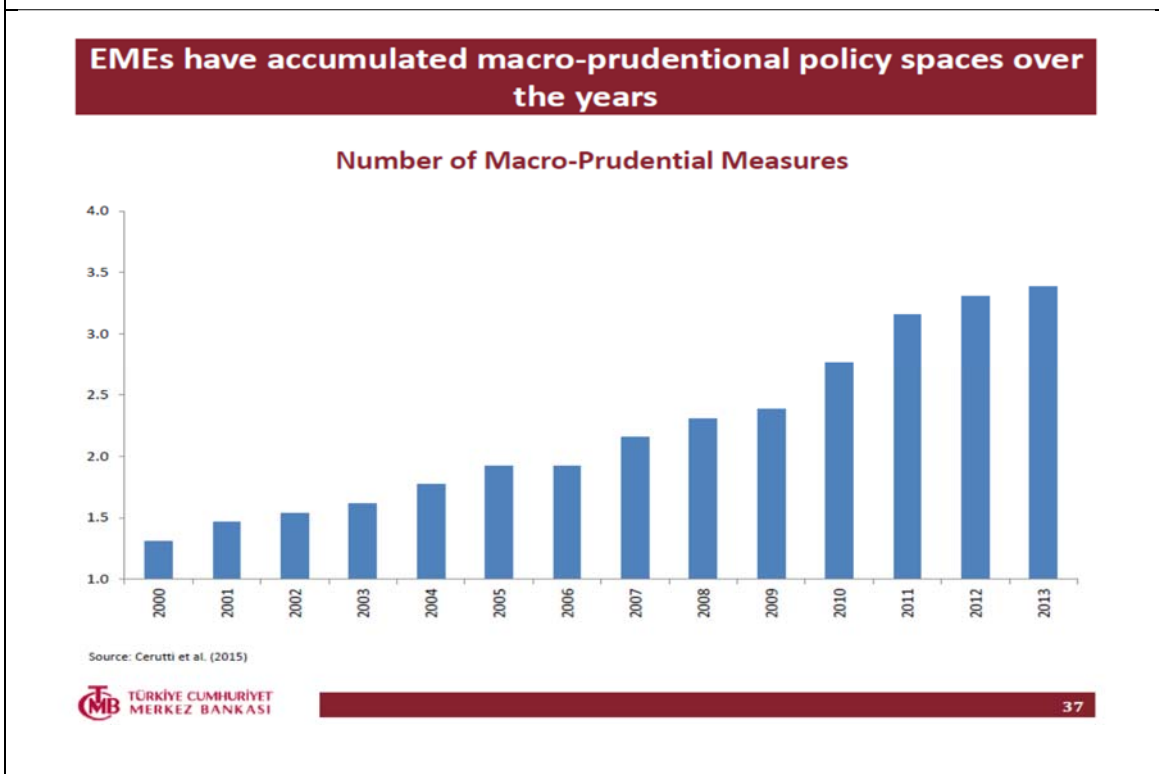


Figure 9: Improved Economic Confidence in EMEs

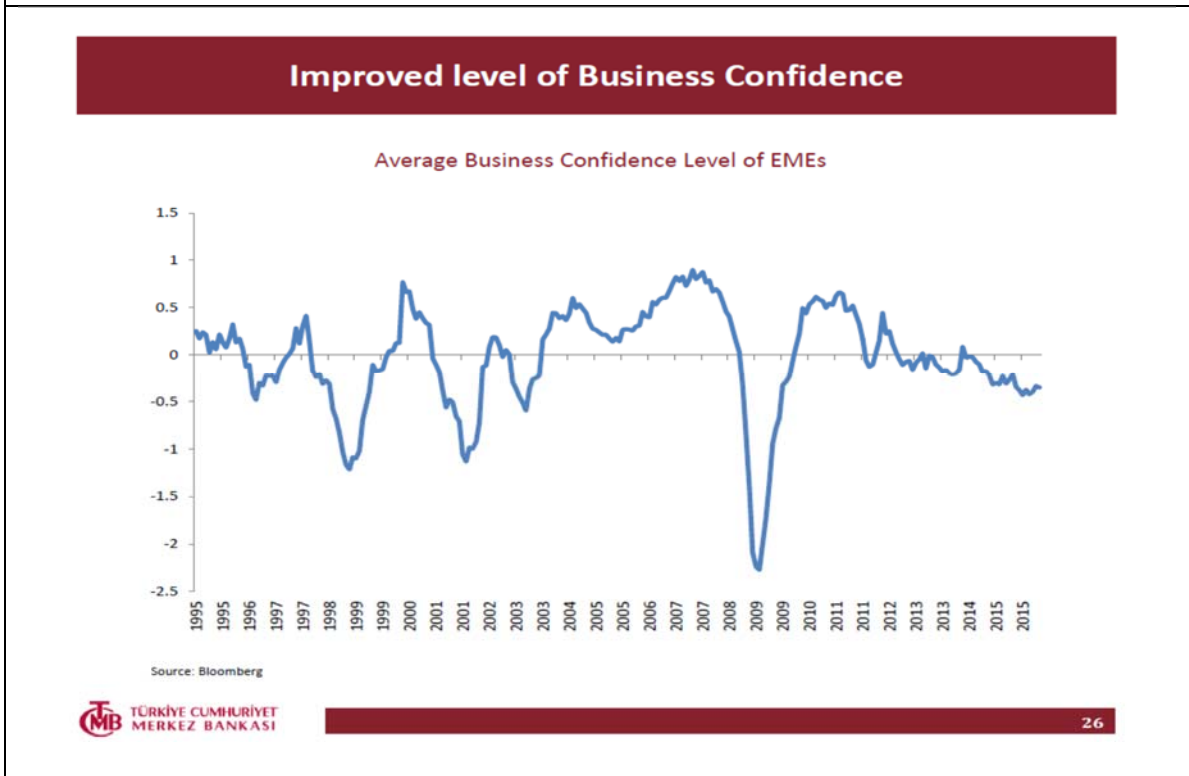


Figure 10: Volatile Global Financial Markets

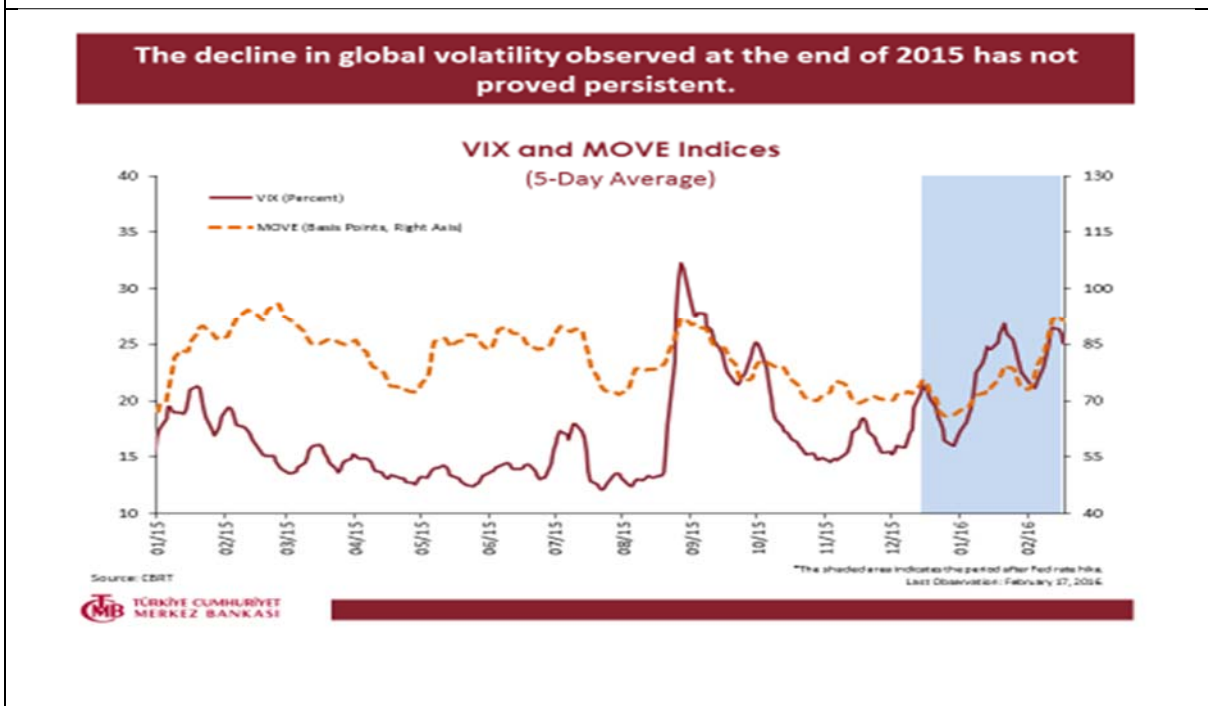


Figure 11: Volatility in EME Financial Markets

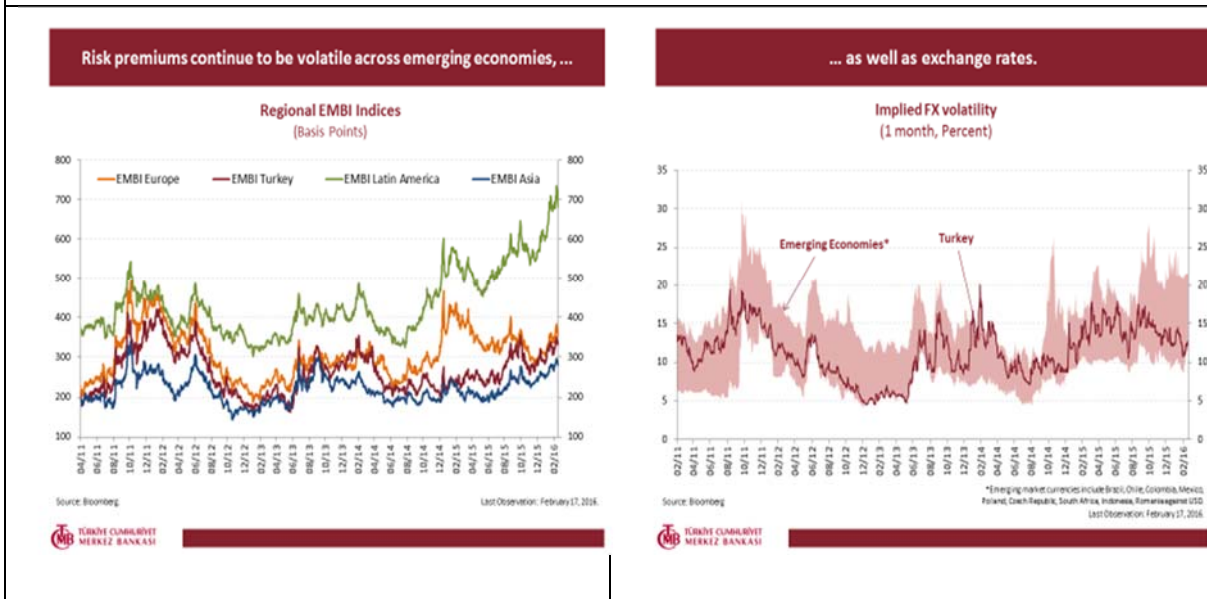


Figure 12: GDP Growth Rates in Turkey

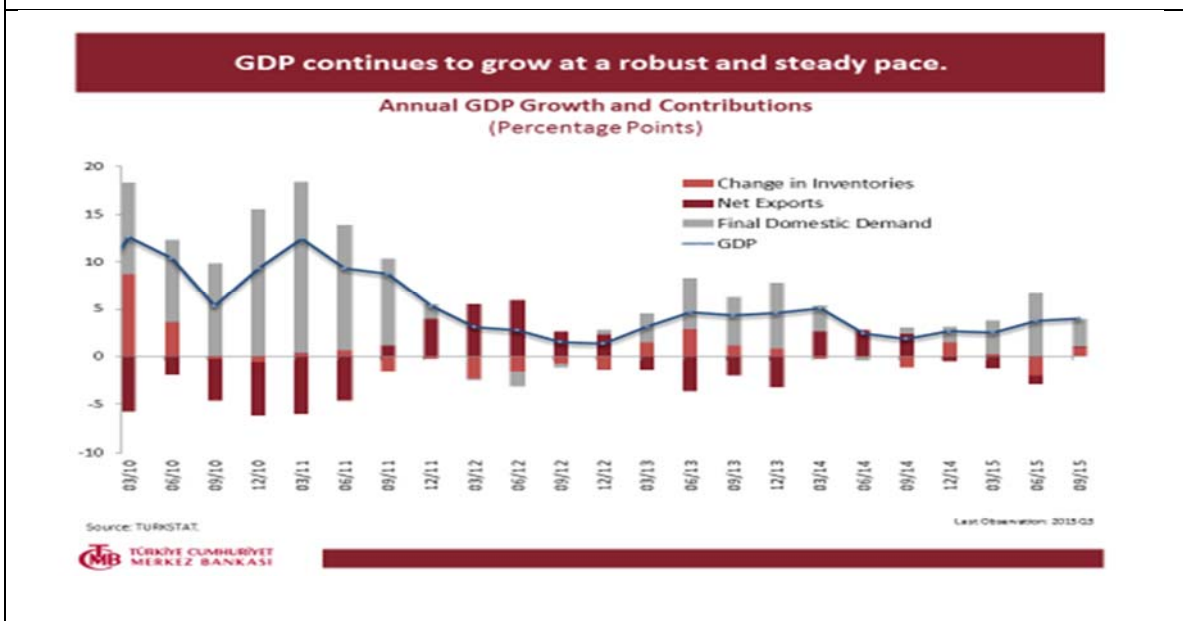


Figure 13: Monetary Policy and Monetary Policy Conditions in Turkey

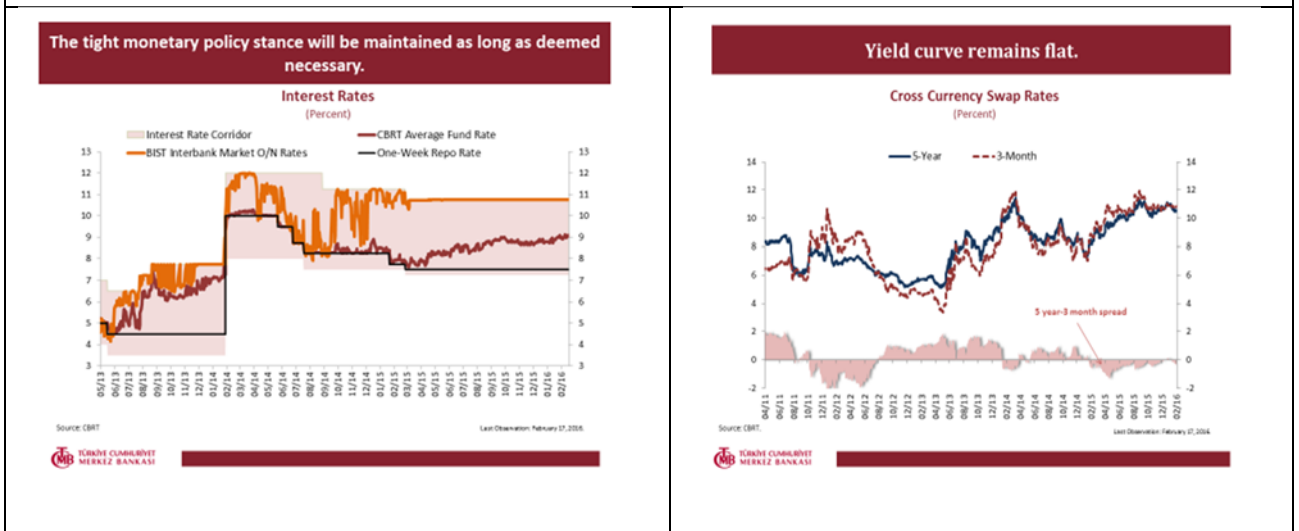


Figure 14: Differentiated Loan Growth Rates in Turkey

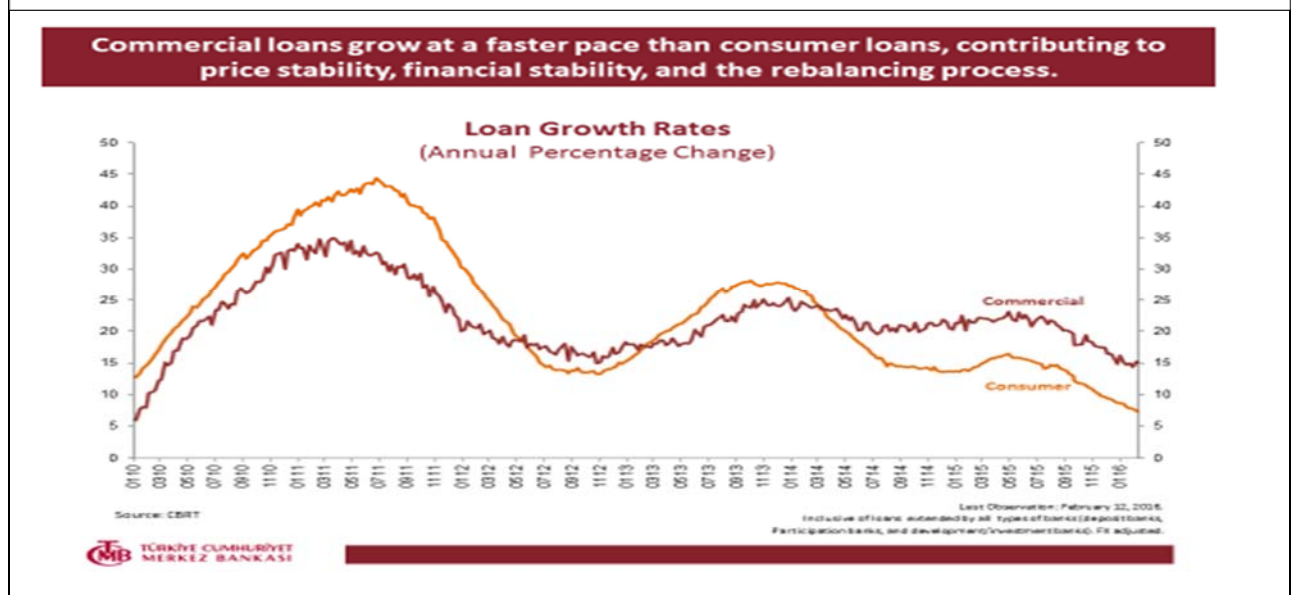


Figure 15: Current Account Balance in Turkey

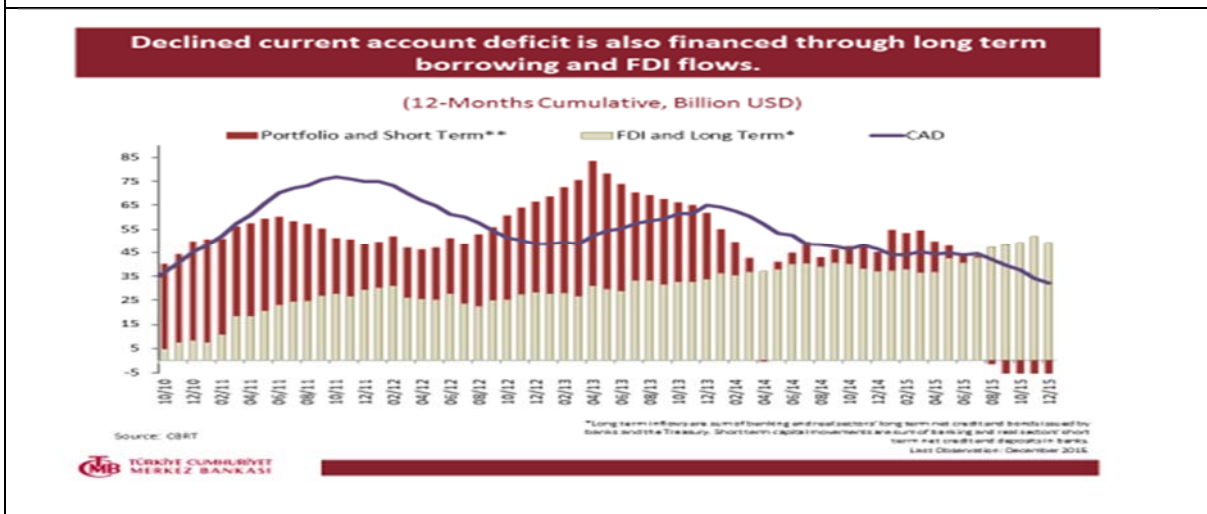


Figure 16: Worsened Inflation Expectations in Turkey

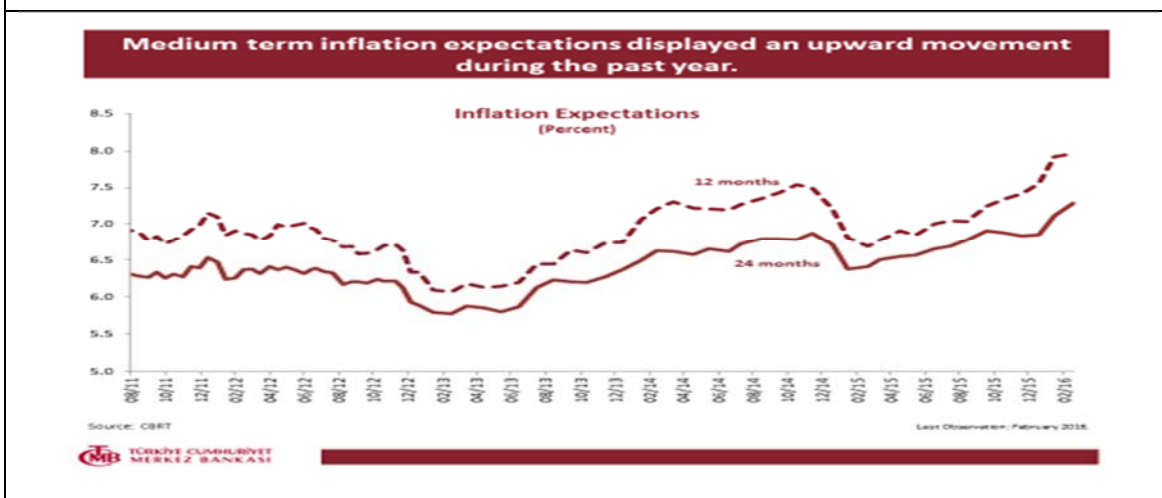


Figure 17: Maturity Lengthening in External Liabilities of the Turkish Banking Sector

