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| House-hold debt-driven growth |

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| short-term capital inflows |
| portfolio investments |

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| Construction-based growth and CAD |

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| Consumer Loans |

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| Channeled into Turkish banks external borrowing |

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| Construction Sector (import-dependent) |

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| Capital-Inflow dependent growth |

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| Credit Growth |

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| Caiptal Inflows |

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| Asset Bubbles  Colleteral effect |

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| TL appreciates |

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| More Consumption (CAD) |

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| Price Stability |

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| Carry-trade opportunities increased volatility |

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| Demand for Imported Goods  Demand for Consumption |

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| More Investment with Imported intermediaries (CAD) |

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| Industrial-base destroyed  Competitiveness of domestic sectors (De-industrialization, increased import dependency and CAD) |

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| Credit-driven Growth |

Capital Inflows push factors (global):

1. Global Liquidity
2. Global risk appetite
3. Quantitative Easing following 2008-2009 crisis

Capital Inflows pull factors (domestic):

1. High interest rates in Turkey
2. Stabile and appreciated TL
3. Monetary policy predictability
4. Regulatory framework
5. Decreasing risk premium