

## Flexibility on Turkish central bank discount credits

The Central Bank of Turkey's move related to the rediscount credit repayment scheme in Turkish lira could reduce corporate demand for FX in May-July



Source: Shutterstock

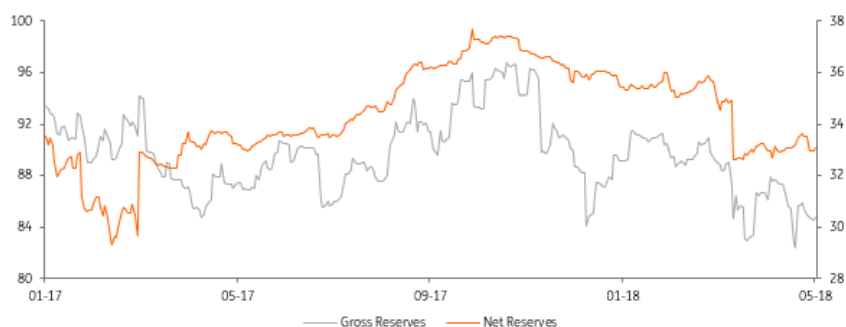
As part of efforts to support the Turkish lira (TRY) by cutting corporate demand for FX, the Central Bank of Turkey (CBT) announced today that it would temporarily allow the repayment of rediscount credits available to exporters to be made in TRY at below-market exchange rates. Rediscount credits that are usually made in TRY and repaid in FX (to enable companies that have FX earnings to sell goods and services on deferred payment terms) has been actively used by the CBT as a tool to bolster its FX reserves since 2008.

The CBT's recently announced scheme is only for those rediscount credits lent before 25 May 2018 with maturity by 31 July. The CBT now allows exporters to make repayments in TRY for the eligible rediscount credits at exchange rates of 4.20 for USD/TRY, 4.90 for EUR/TRY and 5.60 for GBP/TRY against the current market rates of 3.74 for USD, 5.54 for EUR and 6.32 for GBP.

Following the sharp 300bp adjustment in the late liquidity window rate this week, the CBT continued its measures to stabilise the currency. To this end, it increased the maximum total

amount of forward FX sale positions in TRY-settled forward FX sale auctions from USD6.15bn to USD8bn, the third since early April. The upper limit is determined as USD10bn until end-2018. It has also provided flexibility on the rediscount credits. A monetary policy meeting on 7 June will be key in the CBT's efforts to shore up the TRY.

## CBT FX Reserves (USD bn)



Source: CBT, ING Bank

## Author

### Muhammet Mercan

Chief Economist, Turkey

[muhammet.mercan@ingbank.com.tr](mailto:muhammet.mercan@ingbank.com.tr)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).