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Turkish Central Bank's Covid-19 Measures for Real Sector

2 April 2020

The Central Bank of Turkey (**Central Bank**) continues to announce new measures aiming to limit the potential slowdown in economic growth due to expeditious spread of Covid-19 outbreak. In addition to the other measures introduced to support Turkish banks' liquidity needs, the Central Bank has been taking a series of steps to ensure continuity of the credit flow to the real sector.

Moving forward its scheduled meeting date by two days, the Central Bank announced, on 17 March 2020, that additional liquidity facilities will made available to the banks for the said purpose. The maximum funding amount that the banks may benefit from will be depending on the amounts of the credits that have been, or will be, provided to the real sector.

Accordingly, injection of Turkish Lira funds through repo auctions with maturities up to 91 days and an interest rate of 150 basis point lower than the one week repo rate, *i.e.* the Central Bank's policy interest rate was announced as one of the additional liquidity sources for the banks, whereas the other option was declared as Turkish Lira currency swap auctions with a maturity of one year and an interest rate of 100 basis point lower than the one-week repo rate.

On 31 March 2020, the Central Bank introduced a further option with the aim of increasing the limits for the additional liquidity facilities to be provided to the banks. Accordingly, it was decided to conduct Turkish Lira currency swap auctions with a maturity of six months and an interest rate of 125 basis point lower than the one-week repo rate.

Additionally, in order to provide a financial relief to export companies, the Central Bank announced, on 17 March 2020 and subsequently on 31 March 2020, certain measures with respect to rediscount credits. Such measures, *inter alia*, include entitling the rediscount credit borrowers to postpone their repayments by up-to three months, which may lead to postponement of repayment of USD 7,6 billion rediscount credit in total as well as providing access for the export companies to a new batch of Turkish Lira denominated rediscount credits up to a total limit of TL 60 billion. A half of this total limit of TL60 billion will be utilised from public banks, whereas TL20 billion has been allocated for utilisations from Turk Eximbank and TL 10 billion from other banks.

In an effort to support SMEs, a great portion of the new rediscount credit limit has been allocated to SMEs. Accordingly, 70% of the total limit allocated for the banks other than Turk Eximbank will be made available to the SMEs, with a TL 25 million cap per company. The maximum credit amount for the companies other than SMEs was set as TL 50 million per company.

The new rediscount credits will be made available to the following companies on the condition that export and foreign currency earning commitments as well as the level of employment as of 1 March 2020 are maintained: (i) companies that are eligible to obtain foreign currency rediscount credits, (ii) overseas contractors, and (iii) companies participating in international expositions. The maturity for the new rediscount credits will be up-to 360 days and the interest rate applicable is set as 150 basis points lower than the one-week repo rate.
We will continue to monitor the upcoming changes and to provide regular updates on further steps to be taken in response to the Covid-19 outbreak over the coming days.

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