

THE CREDIT CYCLE AND THE BUSINESS CYCLE IN THE ECONOMY OF TURKEY

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Abstract

This study examines econometric relationships between bank lending and the business cycle in Turkey. Firstly the cyclical component of the real GDP and real bank loans were determined using time series. A cointegration analysis and a vector error-correction model with quarterly data were used for 1987:01-2013:03 period. The results of cointegration analysis indicate that there is a single stable long-run equilibrium relationship between real bank loans and macroeconomic variables. The response of bank loans to GDP shocks is positive. Bank loans have pro-cyclical character in Turkey.

Keywords: Business cycle, Credit cycle.