

The Bubbles in Turkish Credit Market and Monetary Policy

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Abstract

Global financial crisis starting in the US and affecting whole World in especially Europe in a short time shows once again that financial crisis occur as a result of bubbles in asset prices or a strong credit growth. That bubbles in financial markets are defined as increases in asset prices. Central banks tends to control excess credit expansion and thus to ensure stability in financial markets. To determine economic bubbles for policy makers is trying to develop new methods. Phillips, Wu and Yu (2013) have developed a new method to detect multiple bubbles in asset prices. This approach is used as an early warning tool for detents by central banks and policy makers.

The purpose of this study is to analyze the existence of the bubble in the housing markets and the success of monetary policy by CBRT to prevent these bubbles in the light of ongoing interest debates in Turkey. For 2002:01-2014:12 period, monthly real estate loans is considered as credit sector. SADF and GSADF tests developed by Phillips, Wu and Yu (2013) are used to define bubbles. This study aims to contribute to the literature in terms of handling the effects of CBRT monetary policy on credit bubbles and being used SADF and GSADF tests.

Keywords: Bubbles, Monetary Policy, Generalized Sup ADF

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