



**TÜRKİYE CUMHURİYET
MERKEZ BANKASI**

**MONETARY POLICIES AND MACROPRUDENTIAL
MEASURES OF EMERGING MARKET ECONOMIES
IN THE POST CRISIS PERIOD**

**Erdem Başçı
Governor**

**5-6 September 2013
OMFIF, Ankara**

Emerging Market Economies Key to Success

- I. Real Convergence
- II. Nominal Decoupling

Nominal Decoupling

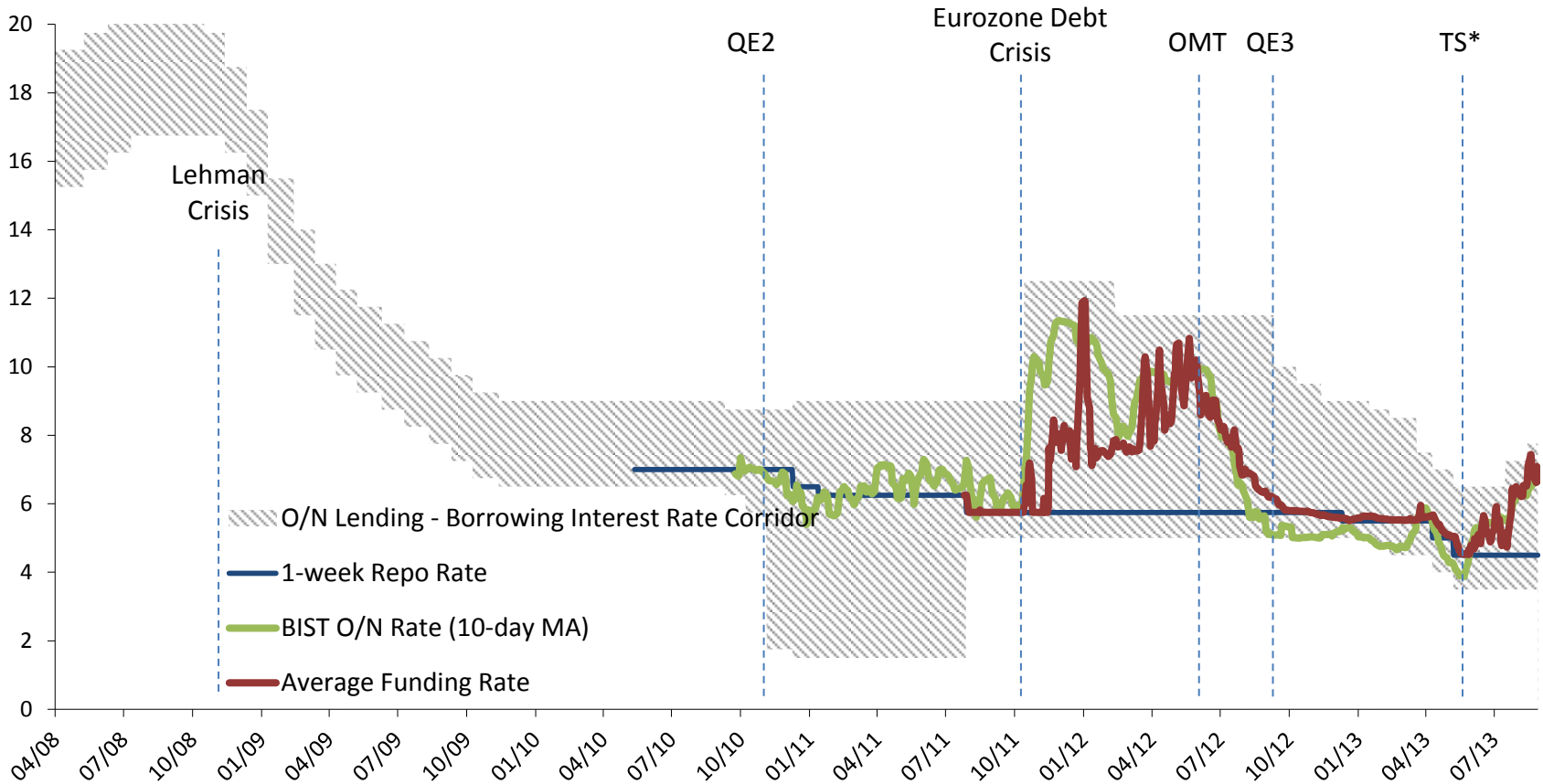
- Sensitivity of local currency interest rates to global rates needs to be reduced
- Requires additional instruments:
 - I. FX liquidity
 - II. LC liquidity

Key Elements

- I. Flexibility
- II. Predictability

Monetary Policy

Interest Rate Corridor and Average Funding Rate (Percent)

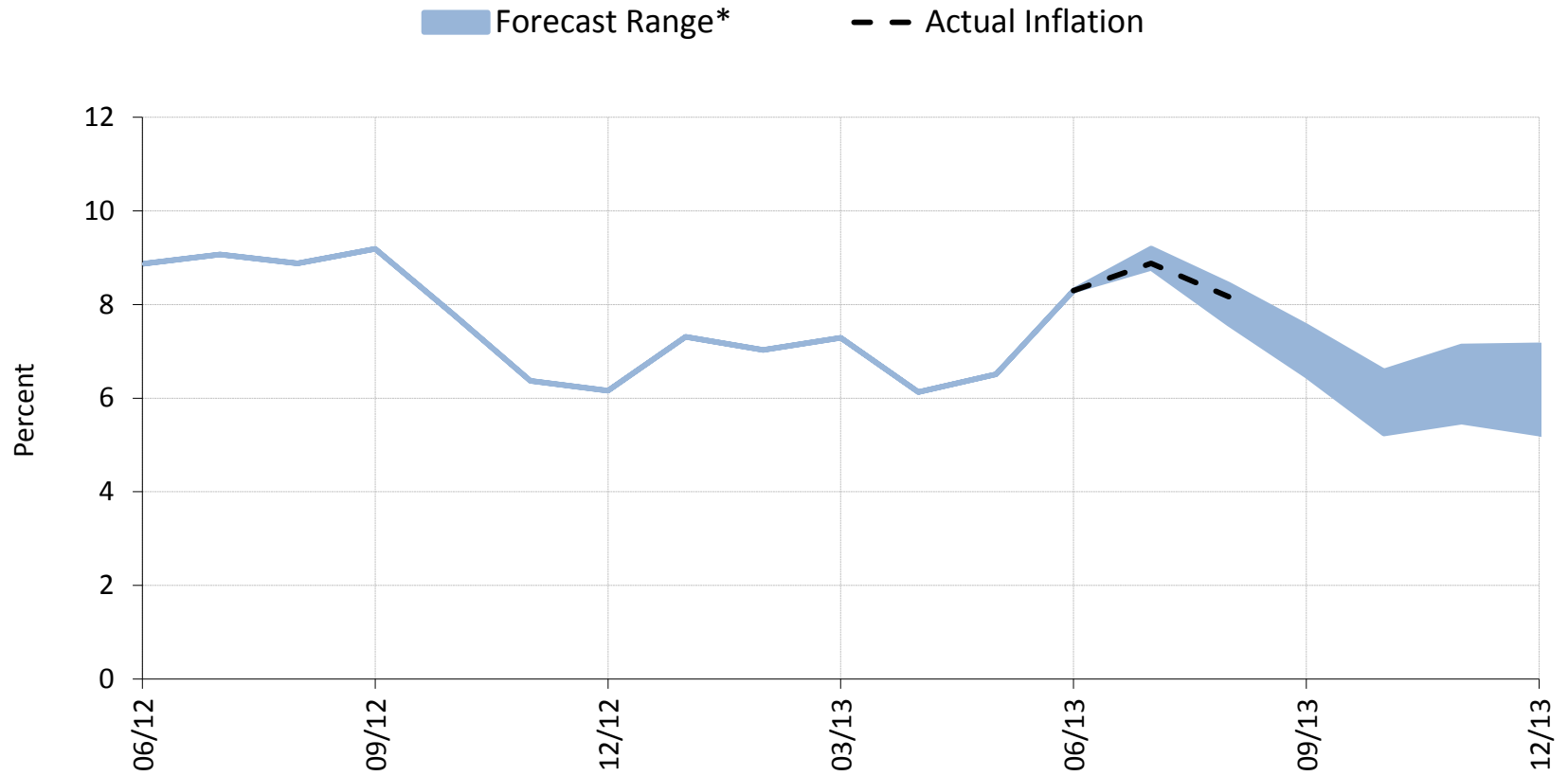


Source: BIST, CBRT.

• TS: Tapering Signal

Last observation: 04.09.2013

Inflation



* Shaded region indicates the 70 percent confidence interval for the forecast

Last Observation: August 2013.

Break-even Inflation

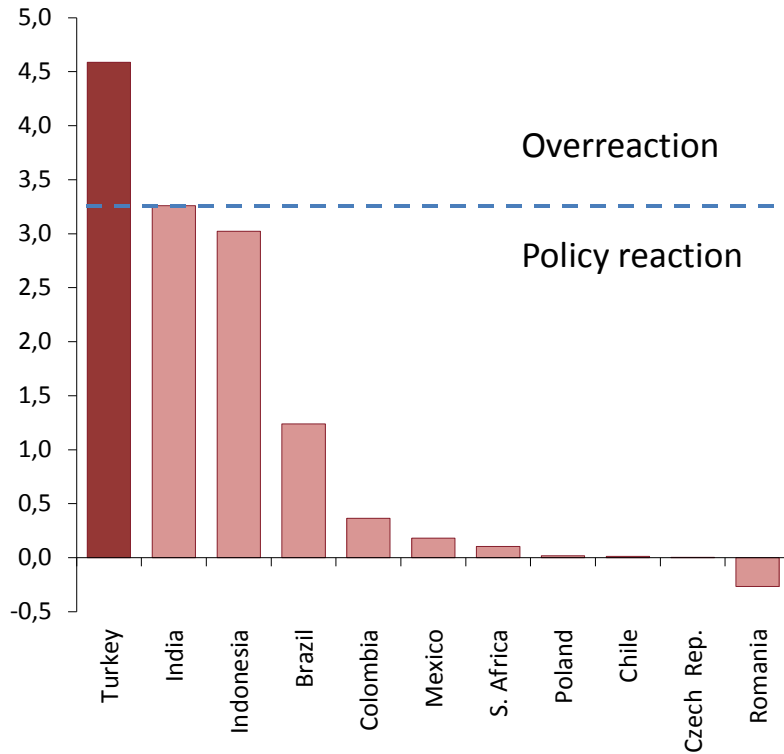


Source: CBRT.

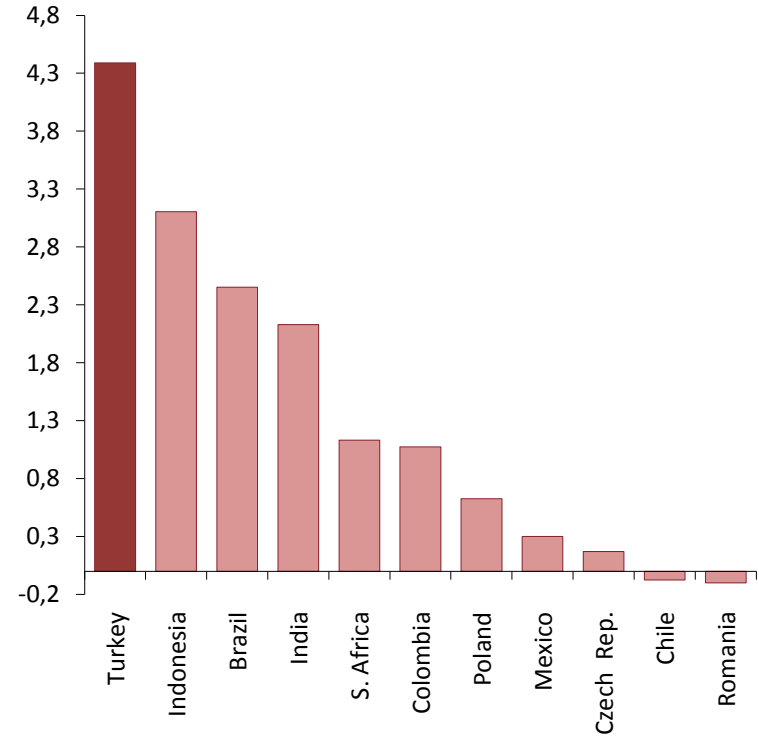
Last Observation: September 2, 2013.
Estimated as the difference between the returns of
10 year maturity fixed and CPI-indexed bonds.

Overreaction: Interest Rates

Change in 3-Month Market Rates
(From May 22 to September 2, 2013)



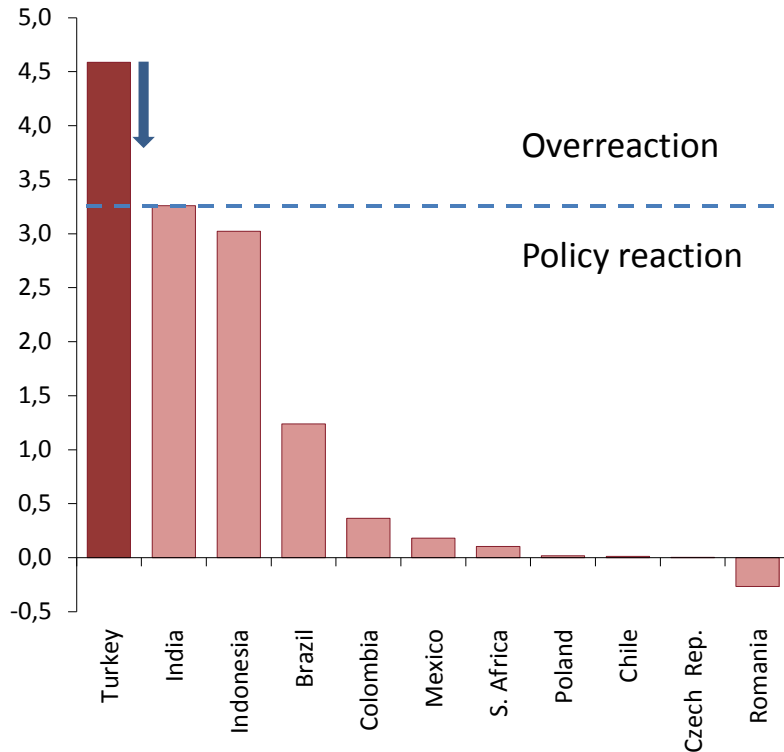
Change in 2-Year Market Rates
(From May 22 to September 2, 2013)



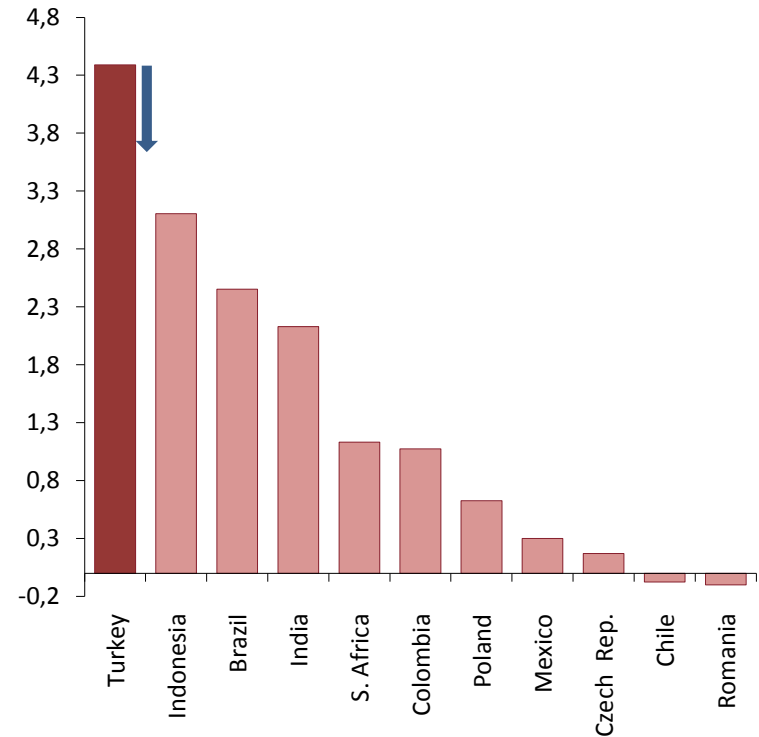
Source: Bloomberg

Mean Reversion: Interest Rates

Change in 3-Month Market Rates
(From May 22 to September 2, 2013)



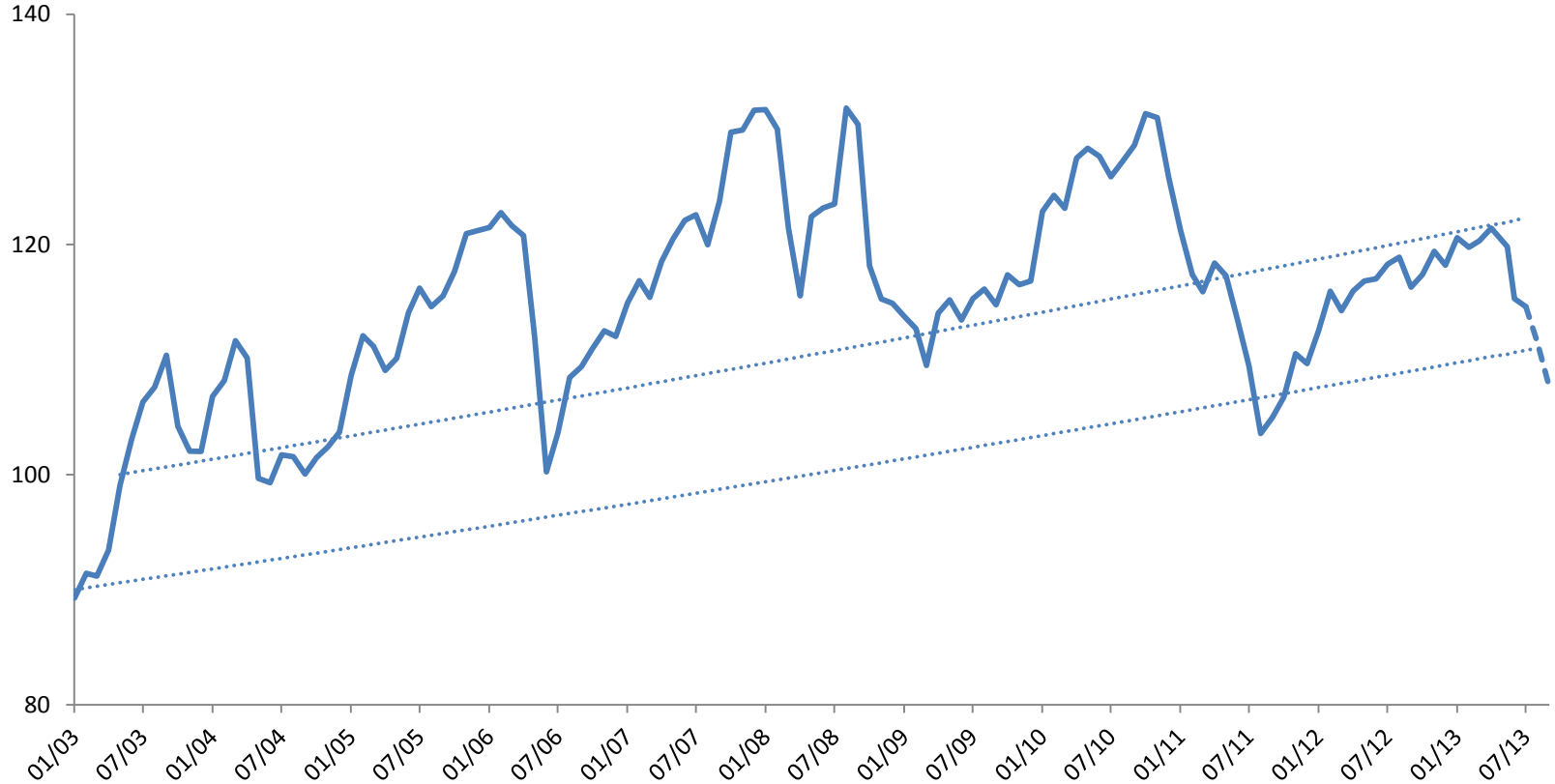
Change in 2-Year Market Rates
(From May 22 to September 2, 2013)



Source: Bloomberg

Overreaction: Exchange Rates

Real Effective Exchange Rates
(2003=100)

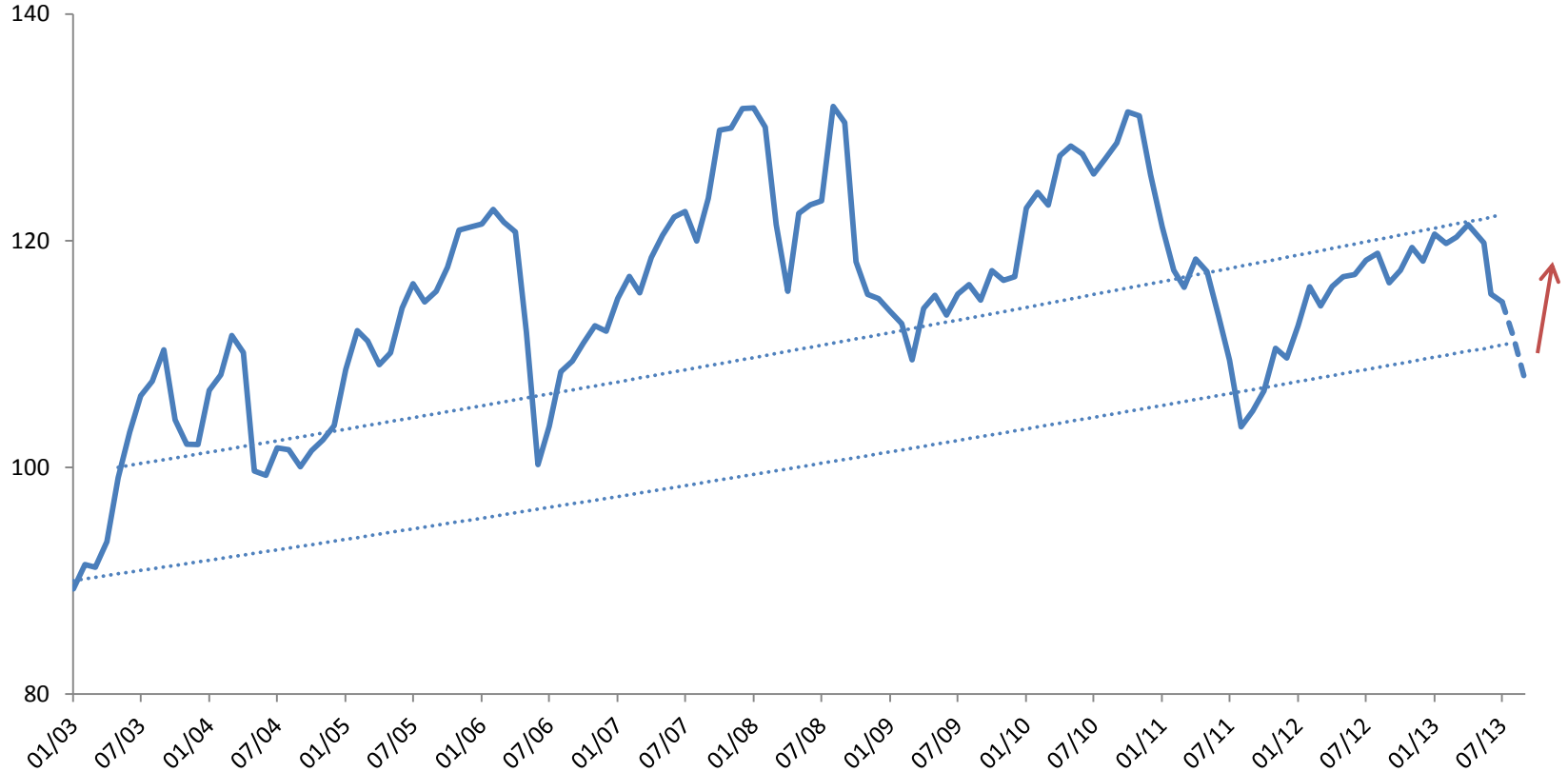


Source: CBRT.

September is estimated with the September 3, 2013 exchange rates. An increase in index indicates an appreciation of the Turkish lira. Dotted lines represent 2 percent trends for May 2003=100 or January 2003=90.

Mean Reversion: Exchange Rates

Real Effective Exchange Rates (2003=100)



Source: CBRT.

September is estimated with the September 3, 2013 exchange rates. An increase in index indicates an appreciation of the Turkish lira.

Dotted lines represent 2 percent trends for May 2003=100 or January 2003=90.



**TÜRKİYE CUMHURİYET
MERKEZ BANKASI**

**MONETARY POLICIES AND MACROPRUDENTIAL
MEASURES OF EMERGING MARKET ECONOMIES
IN THE POST CRISIS PERIOD**

**Erdem Başçı
Governor**

**5-6 September 2013
OMFIF, Ankara**