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## The New Governor of the Central Bank of the Republic of Turkey



# Dr. Erdem BAŞÇI

Durmuş Yılmaz's five year term of office as the Governor of the Central Bank of the Republic of Turkey expired on 18 April 2011. Dr. Erdem Başçı was appointed Governor on 19 April 2011 as per the decision of the Council of Ministers and with the approval of the President of the Republic of Turkey. Mr. Yılmaz and Dr. Başçı delivered speeches at the handover ceremony. Quoting from the Strategic Plan announced by the CBRT for the 2011-2015 period, Governor Başçı declared his commitment to this plan. Erdem Başçı, the 21st Governor of the CBRT, was born in Ankara in 1966 and graduated from TED Ankara College High School in 1983. Dr. Başçı earned a B.S. in Electrical and Electronics Engineering from the Middle East Technical University with high honors in 1987. He completed the M.B.A. program at Bilkent University by ranking first (1989). After obtaining an M.A. in Economics from Bilkent University (1990), Dr. Başçı received an M.A. degree in Economics from Johns

Hopkins University (1993). He obtained his Ph. D. in Economics from Bilkent University in 1995. Between 1995 and 2003, he lectured at Bilkent University, Economics Department, as an assistant professor. In 1999, he was awarded the "Associate Professor" degree by the Council of Higher Education. Dr. Başçı lectured at the University of York as an honorary visiting fellow in 1999. His research and teaching areas are monetary economics, financial economics, macroeconomic theory and mathematical economics. He has presented many discussion papers at international conferences. Dr. Başçı's papers were published in Oxford Economic Papers, Journal of Banking and Finance, Journal of Economic Dynamics and Control and Journal of Mathematical Economics. He has also co-authored various chapters in books published by Springer-Verlag and Palgrave. Besides his theoretical contributions to economic literature, Dr. Başçı has published papers on the Turkish economy as well.

### Election of the Members of the CBRT Board and the Auditing Committee

Mehmet Vehbi Çıtak and Dr. Lokman Gündüz were re-elected as Members of the Board at the 79th Ordinary Meeting of the General Assembly held on 12 April 2011. As for members of the Auditing Committee, Yasin Aydın was elected as the representative of Class A shareholder; while Abdullah Yalçın and Mustafa Saim Ünsal were re-elected as the representatives of Classes B and C; and Class D shareholders, respectively.

On 29 April 2011, Prof. Dr. Turalay Kenç was appointed Deputy Governor to the office vacated by Dr. Başçı and on 5 June 2011, Necati Şahin was appointed Deputy Governor to the office vacated by the retired Burhan Göklemmez.

## International Reserves

By Law, the CBRT is responsible for managing the gold and foreign exchange reserves of the country. Under the floating exchange rate regime that has been implemented since 22 February 2001, the CBRT holds international reserves for the following purposes:

- To establish confidence in the monetary and exchange rate policies;
- To hold adequate foreign exchange liquidity to meet the Treasury's domestic and foreign debt service;
- To mitigate vulnerability against internal and external shocks;
- To raise confidence in the country's economy in international markets.

The CBRT pursues a transparent reserve accumulation policy with a view to increasing immediate reserves and holds foreign exchange buying auctions to build

up reserves at times when foreign exchange supply increases relative to foreign exchange demand.

In this regard, the CBRT has purchased net USD 79.6 billion since 2001. As a result of these FX purchases, international FX reserves, which were around USD 20 billion in 2001, reached USD 91.4 billion by the end of May 2011.

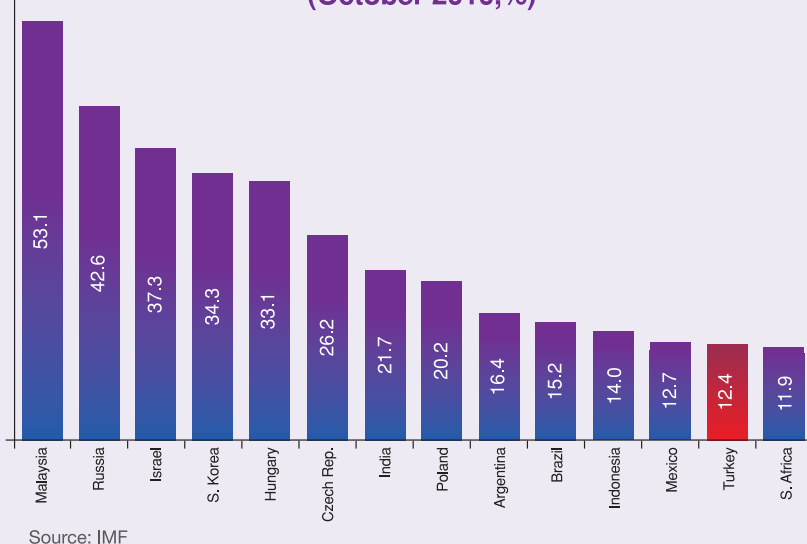
The breakdown of CBRT's reserves is as follows: 92 percent FX reserves, 6.1 percent gold, 1.7 percent Special Drawing Rights and 0.2 percent IMF Reserve Position.

The gross international reserves of the CBRT are relatively low compared to those of other developing countries. Therefore, the CBRT continues to accumulate reserves via transparent FX buying auctions.

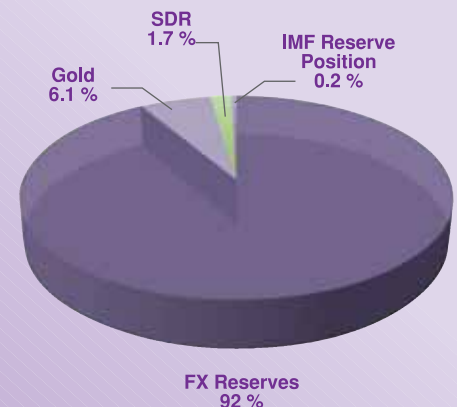
**CBRT FX Reserves (2001 - May 2011, Billion USD)**



**Ratio of International Reserves to GDP in Selected Countries (October 2010,%)**



**Composition of CBRT's Reserves**



### Meetings with Banks' Economists

As part of its communications strategy, the CBRT organizes a series of meetings with banks' economists

throughout the year in order to address meeting requests. The first meeting was held on 4 May 2011.

For further information: <http://www.tcmb.gov.tr> (Announcements)

### Governor Başçı's Presentation before the Council of Ministers

In line with the principle of accountability, Governor Erdem Başçı made a presentation before the Council of Ministers on 26 April 2011 addressing the recovery

of the Turkish economy and the new policy mix employed in the aftermath of the global crisis and its implications.

For further information: <http://www.tcmb.gov.tr> (Remarks)

### Inflation Report 2011-II

The second Inflation Report of 2011 was announced on 28 April 2011 at a press conference, at which Governor Erdem Başçı made a presentation, stating that the new policy approach that had been implemented since end-2010 maintained the priority of price stability while referring to financial stability as a supporting objective. The Report also provided information about the Turkish economy and short-term capital inflows, developments in international markets, higher-than expected oil prices and inflation expectations.



For further information: <http://www.tcmb.gov.tr> (Publications)

### Financial Stability Report

The 12th volume of the Financial Stability Report, which was prepared with an aim to reveal the macro perspective of the CBRT regarding financial markets, was posted on the CBRT website on 30 May 2011.

For further information: <http://www.tcmb.gov.tr> (Publications)

### Conferences on Islamic Banking Implementations

The CBRT hosted two conferences on Islamic Banking implementations, enhancing cooperation in the field of banking, liquidity management and payments systems. The first of these two conferences, "Enhancing

Shamgen Banking: Turkey, Syria, Lebanon, Jordan" was held on 28-29 March 2011; and the second one, the Conference on "Managing Liquidity in the Islamic Financial Services Industry" was held on 6-7 April 2011.

For further information: <http://www.tcmb.gov.tr> (Remarks)

### Research > Working Papers

- The Role of Monetary Policy in Turkey during the Global Financial Crisis (Harun Alp, Selim Elekdağ Working Paper No. 11/10, June 2011)
- The Impact of Labour Income Risk on Household Saving Decisions in Turkey (Evren Ceritoğlu Working Paper No. 11/09, June 2011)
- Financial Stability and Monetary Policy (Erdem Başçı, Hakan Kara Working Paper No.11/08, May 2011)
- Credit Market Imperfections and Business Cycle

- Asymmetries in Turkey (Hüseyin Günay, Mustafa Kılınc Working Paper No. 11/07, May 2011)
- The Turkish Wage Curve: Evidence from the Household Labor Force Survey (Badi H. Baltagi, Yusuf Soner Başkaya, Timur Hülagü Working Paper No. 11/06, April 2011)
- Increasing the Share of Agriculture in Employment in the Time of Crisis: A Puzzle or Not? (Gönül Şengül, Murat Üngör Working Paper No. 11/05, April 2011)

## International Reserves and Foreign Currency Liquidity

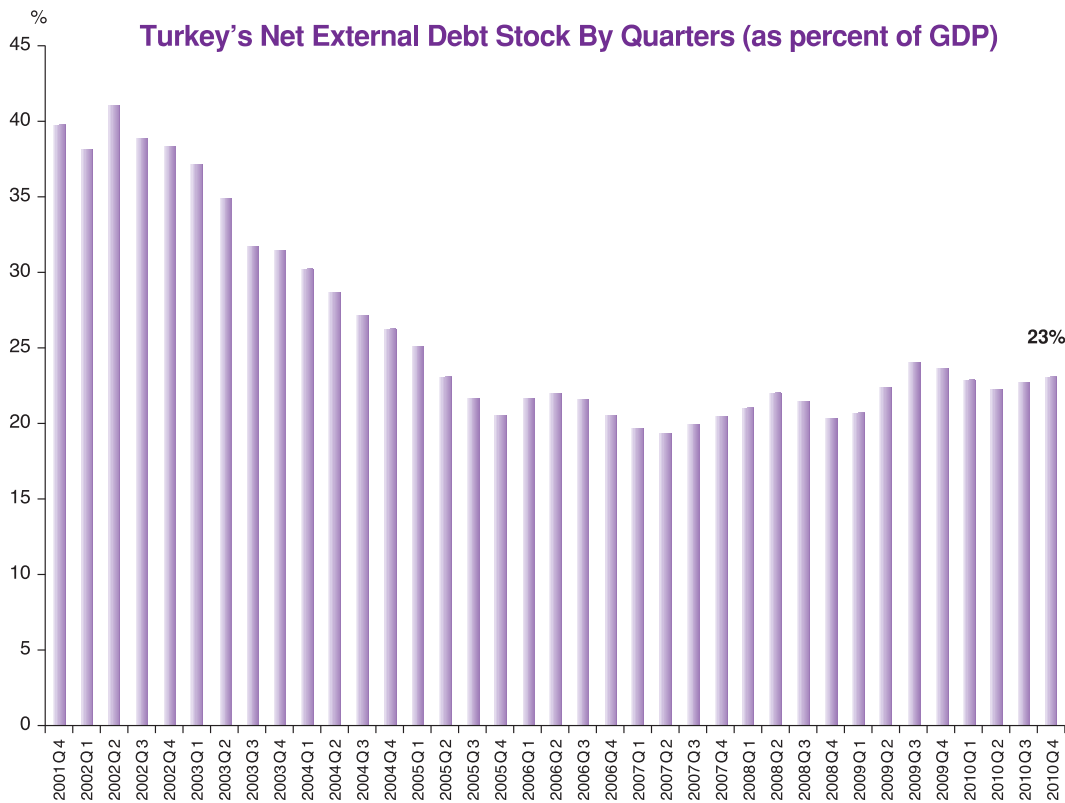
The data contained in “International Reserves and Foreign Currency Liquidity” is produced using the CBRT and the Undersecretariat of Treasury sources in line with the coverage, definition, and classifications specified in the IMF Operational Guidelines. The monthly table covers detailed information on “official reserve assets”, “predetermined short-

term net drains on foreign currency assets” (including residual maturity) and “contingent short-term net drains on foreign currency assets.”

The table is composed of three sections. The first section includes official reserve assets and other foreign currency assets. Official reserve assets include “Foreign Currency

Reserves” (securities, currency, and deposits), “IMF Reserve Position,” “SDRs” and “Gold.” The second section addresses foreign currency loans, securities and deposits under the title of “Predetermined Short-Term Net Drains on Foreign Currency Assets”. The third section includes nominal values of contingent short-term net drains on foreign currency assets.

For further information: <http://www.tcmb.gov.tr> (Data)



23%

**Turkey's Net External Debt Stock by Quarters**  
(as percent of GDP)

Source: Treasury, TURKSTAT.

CBRT Policy Rate*	Central Bank Foreign Exchange Reserves (As of 27.05.2011, Billion USD)	91.40	
One Week Repo	6.25	CPI (Annual % Change, May 2011)	7.17

\*As of May 2011

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