



CENTRAL BANK OF THE REPUBLIC OF TURKEY

BULLETIN

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June 2006

THE NEW GOVERNOR OF THE CENTRAL BANK OF TURKEY, DURMUŞ YILMAZ

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Mr. Durmuş Yılmaz was appointed Governor of the Central Bank of Turkey (CBT) with the decision of the Council of Ministers and the approval of the President on April 18, 2006, replacing Süreyya Serdengeçti whose term of office expired on March 14, 2006. In his first statement after his appointment, Governor Yılmaz highlighted that as a result of the legal amendments made in CBT Law in 2001, the greatest achievement in the area of monetary policy was the "independence of the CBT". The Governor stated that the primary objective of the CBT is to achieve and maintain price stability and added that, in line with this objective, inflation targets were determined as 5 percent for 2006, and 4 percent for 2007 and 2008. He also emphasized that the floating exchange rate regime would continue to be implemented. Governor Yılmaz concluded his remarks by asserting that the period of disinflation is on the verge of being successfully concluded, and the next step for the CBT is to achieve and maintain price stability.



Governor Yılmaz's Curriculum Vitae

Born in Uşak in 1947, Mr. Yılmaz obtained a BA degree in Economics from the City University of London and an MA degree from the University College, University of London. Mr. Yılmaz started to work in the Foreign Exchange Department at the Central Bank of Turkey in 1980. He worked in the areas of foreign debt rescheduling, exchange rates and foreign exchange reserves management. He became Deputy Director of the Foreign Exchange Transactions Division in 1993, Director of the Interbank Money Market Division in 1995, and Director of the Balance of Payments Division in 1996. Mr. Yılmaz was promoted to Deputy Executive Director of the Markets Department in 1996 to supervise Foreign Exchange Risk Management, Credits, Foreign Exchange and Foreign Banknotes Markets and Open Market Operations. He was appointed as Executive Director of the Workers' Remittances (Non-Residents FX Deposits) Department in 2002. Mr. Yılmaz was elected Member of the Board in the Shareholders Ordinary General Meeting held on April 7, 2003. Having served as Board Member between May 2003 and April 2006, Mr. Durmuş Yılmaz was appointed as Governor of the Central Bank of the Republic of Turkey on April 18, 2006.



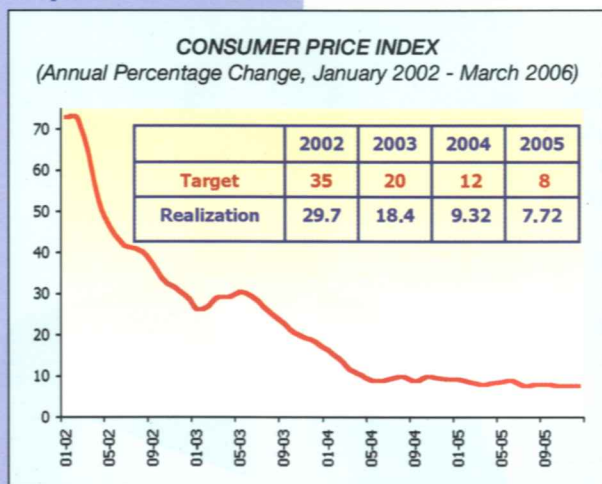
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GOVERNOR DURMUŞ YILMAZ'S PRESENTATION BEFORE THE COUNCIL OF MINISTERS AND THE PARLIAMENT PLANNING AND BUDGET COMMISSION

In accordance with Central Bank Law and the principle of accountability, the Governor gives testimony to the Council of Ministers and the Parliament Planning and Budget Commission on the current economic outlook and monetary policy actions twice a year in April and October. In this context, Governor Durmuş Yılmaz delivered presentation before the Council of Ministers on May 1, 2006 and the Parliament Planning and Budget Commission on May 3, 2006.

In his presentation regarding the macroeconomic outlook, Governor Yılmaz submitted information about the general framework of the inflation targeting regime being implemented, inflationary developments, growth, current account deficit and the interest rate and exchange rate policies pursued by the Central Bank.

Graph 1



Source: TURKSTAT, CBT

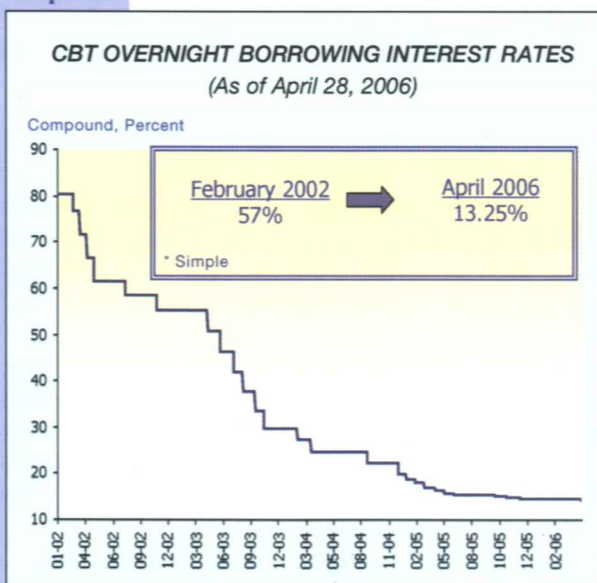
First, Governor Yılmaz indicated that the process of falling inflation continued in 2005, and the end of the period of disinflation was about to be successfully achieved (Graph 1). Governor Yılmaz also emphasized that the primary objective of the Bank has been to achieve and maintain price stability.

Governor Yılmaz then went on to provide a detailed account of inflation developments in 2005 and between the period January-March 2006, and underlined the factors that might affect inflation both positively and negatively. In addition, Governor Yılmaz mentioned supply and demand conditions, production costs and expectations and listed the possible risks associated with inflation.

The Governor emphasized that robust investment performance is boosting the growth potential of the economy and pointed out that despite the rise in growth rate and employment, the unemployment rate has not yet declined to the desired level. In this context, he highlighted that unemployment is a structural problem and added that long-term policies are needed to maintain sustainable employment and to find permanent solutions to the unemployment problem.

As to the high current account deficit associated with strong growth performance, Governor Yılmaz stated that considering world trends countries that have enhanced their financial and economic integration and strengthened their macroeconomic stability can

Graph 2



Source: CBT

sustain higher current account deficits compared to in the past.

Regarding the CBT interest rate policy, the Governor pointed out that interest rate decisions are taken by considering the consistency between the future course of inflation and the inflation targets, and that interest rate policy actions affect the economy with a lag. Furthermore, he stressed that the effects of interest rate decisions on inflation appeared after a 9-18 month period (Graph 2).

Governor Yılmaz stated that the value of domestic currency is determined by supply and demand developments in the market under the inflation targeting and floating exchange rate regimes and mentioned the importance of using hedging instruments.

In the last part of his presentation, Governor Yılmaz said that since early 2005, foreign investment institutions had started issuing bonds in New Turkish Lira with maturities up to 15 years, and investors' preferences continue to change in favor of instruments in New Turkish Lira.



INFLATION REPORT 2006-II

With the implementation of the fully-fledged inflation targeting regime in January 2006, Inflation Report-II was published and announced in a press meeting on April 28, 2006. In the Report, the economic outlook, inflationary developments and expectations, aggregate supply and demand, financial markets, public finance developments and medium term forecasts including the current stance, short-term outlook, assumptions and risk factors are analyzed for the period between January-March 2006 in detail. In the Report, inflation expectations are updated according to two scenarios: in the first one it is assumed that the CBT gradually decreases the short term interest rates that is used as its main policy tool, while in the other it is assumed that the CBT does not change the interest rates for one year.

To find out more: <http://www.tcmb.gov.tr> (Publications/Periodic Publications)



Soon on Paper...

CENTRAL BANK REVIEW (Volume: 6, Number:1, January 2006)

- An Empirical Analysis of Productivity Developments in "Traditional Banks": The Initial Post-Liberalization Experience (*Ihsan Işık, Emin Akçaoğlu*)
- Assessing the Currency Crises in Turkey (*Elif Çepni, Nezir Köse*)
- Risk Premium and Central Bank Intervention (*Pınar Özlü*)

WORKING PAPERS (2006)

- Monetary Policy, Corporate Financial Composition and Real Activity (*Paul Mizen, Cihan Yalçın Working Paper No. 06/01, February 2006*)

To find out more: <http://www.tcmb.gov.tr> (Publications/Research Papers)



SWIFT (SOCIETY FOR WORLDWIDE INTERBANK FINANCIAL TELECOMMUNICATION) REGIONAL CONFERENCE



The CBT held the SWIFT Regional Conference between 6-8 March 2006 in Istanbul. The conference, beginning with the opening speech delivered by Süreyya Serdengeçti, hosted participants including senior managers of banks from Turkey, Europe, the Middle East and Africa. The basic points discussed in the conference are as follows:

- Designing the future of the SWIFT system in cooperation, and in accordance with the operationally and strategically changing needs of the business world.
- The changing role of the SWIFT system, parallel to developing new standards and means of communication regarding developments in the European payment system.
- Changes in security transactions, in line with the SWIFT system and the functions of the SWIFT system in the following change process.

"SEVDA - CENAP AND" MUSIC FOUNDATION 23rd INTERNATIONAL ANKARA MUSIC FESTIVAL

Within the framework of the 75th anniversary activities of the CBT, the opening concert of the International Ankara Music Festival was held with the sponsorship of the CBT on April 4, 2006. The pianist İdil Biret and Egyptian flutist Inas Abdel Dayem were accompanied by the Cairo Symphony Orchestra under the conductor Christoph Müller.

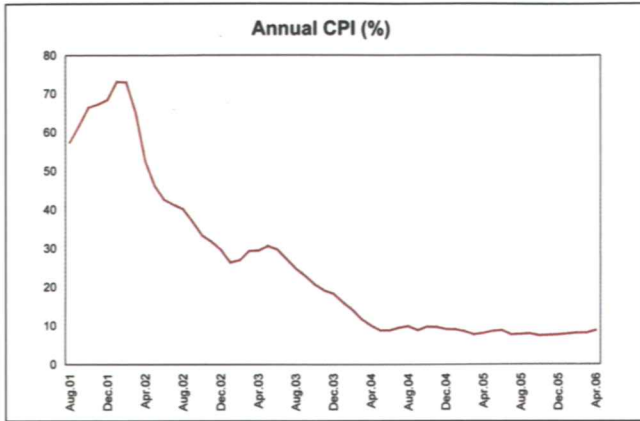


"THE BOSPHORUS, ISTANBUL: AN EXHIBITION OF SELECTED PAINTINGS FROM THE ART COLLECTION OF THE CENTRAL BANK OF TURKEY"

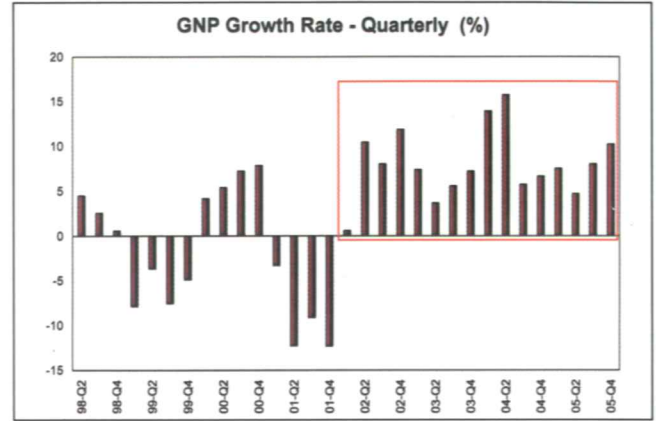
Regarding the 125th anniversary of the birth of Mustafa Kemal Atatürk, selected paintings from the Central Bank of Turkey Art Collection were displayed at Samsun Metropolitan Municipality Cultural Center between May 12 and 24, 2006. The Exhibition was opened by Governor Durmuş Yılmaz on May 12, 2006.



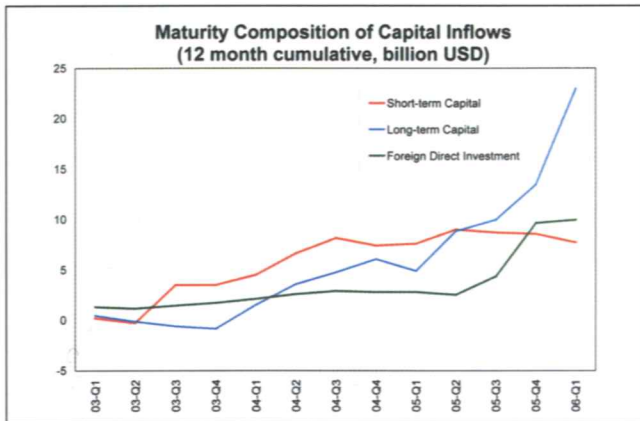
AT A GLANCE



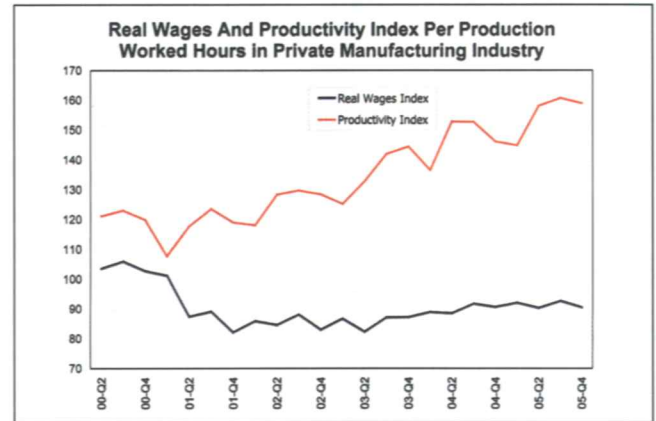
Source: TURKSTAT



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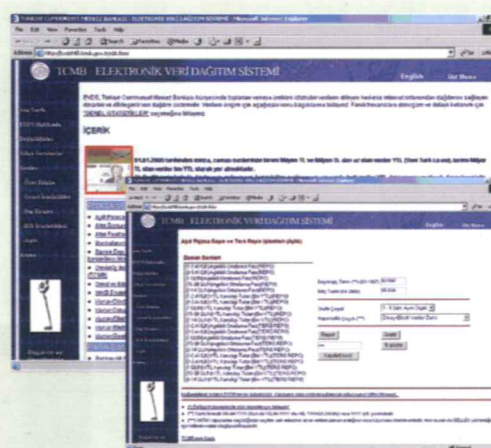
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EDDS is a dynamic data dissemination system that enables access to statistical data produced and/or compiled by the CBT. The system can be reached through the CBT web site (<http://www.tcmb.gov.tr>), "Data" menu. Without necessitating any additional hardware or software, the data are presented in the form of time series, graphics and can be exported to Excel and e-mailed if requested. The data are also available both in Turkish and English. The system enables users not only to reach the data in original frequencies, but also to make conversions among frequencies. For example, monthly data can easily be converted into annual or quarterly data by choosing the frequency and conversion technique.

Which data can be reached by the EDDS?

Through EDDS users can reach market, money and banking, the CBT balance sheet, external debt, foreign trade, public finance, production, employment and wages, Real-time Gross Settlement (RTGS) and Electronic Securities Transfer System (ESTS) operations statistics, price indices and results of surveys made by the CBT at any time.