

PRESS RELEASE ON THE REVISION OF THE REAL EXCHANGE RATE INDEX

Structural changes in global trade and the resultant formation of global production sharing in the last twenty years have significantly transformed the structure of international trade in Turkey, in terms of both product variety and country groups. The changes in Turkey's international trade structure necessitate the real effective exchange rate (REER) index to be updated in a way that reflects Turkey's commercial product variety and country diversity. In this respect REER index, which is published on the official web site of the Central Bank of the Republic of Turkey (CBRT) (www.tcmb.gov.tr) under the sub-heading "Data/Statistical Data/Real Effective Exchange Rates" and which can also be available as a time series on CBRT's Electronic Data Delivery System (<http://evds.tcmb.gov.tr/yeni/cbt-uk.html>), has been revised. Having adopted the methodology that is used by a group of international institutions, the number of countries covered has been broadened and their weights have been updated with these revisions.

Within this context:

- While the previous index employed trade flow data of 1988-1990 in the computation of REER weights, the new index employs 2006-2008 trade flow data.
- While the country weights of the previous index were computed using data on 19 countries, the coverage has been broadened to include 36 countries in the computation of CPI-based index and 31 for the case of PPI-based index.
- In addition to CPI and PPI-based indexes, a Unit Labor Cost-based index is produced in the new series, and also, CPI based REER index is computed separately for each developed and developing country groups that are included in the computation of country weights.

- In line with the CPI data disseminated by the Turkish Statistical Institute, the new series will be started as of 2003. Therefore, the mean CPI value for 2003 has been taken as the base.