

**PRESS RELEASE**  
**ON THE FOREIGN EXCHANGE INTERVENTION**  
**OF THE CENTRAL BANK**

The Central Bank has announced through several press releases that, under the floating exchange rate regime, the level of exchange rate is determined by supply and demand conditions in the currency markets, the volatility in the exchange rate is closely observed by the Central Bank, and the Central Bank may directly intervene in the markets in the event of an excessive volatility that might occur in both directions. In this regard, the Central Bank intervened directly in the foreign exchange markets in 2002, namely on 11th July and 2nd December, as a result of the excessive volatility in exchange rates.

Since there has recently been an excessive volatility in exchange rates due to the increasing concerns over a possible military operation against Iraq, the Central Bank has directly intervened in the markets today by selling foreign currency. As was also the case in the previous buying and selling interventions, today's intervention should not be interpreted as if the Central Bank were uneasy at the actual level of the Turkish lira.

On the other hand, it should be underlined that, the current economic program that has been implemented in 2002 had important achievements. It is expected that in 2002 the CPI will be realized well below the annual target of 35 percent, and the GNP growth rate will be higher than expected. The progress made under the current economic program both on the inflation front and on the sustainable growth must absolutely keep up its momentum.

In 2003, tight monetary and fiscal policies, which are the main pillars of the current economic program, must be carried on. The continuation of the program with the same discipline, and without departing from the structural reform process, will minimize the cost of the external shocks on the economy that might be faced during the implementation of the program. Within this framework, in 2003, the Central Bank will not abandon its inflation target and will continue to put the price stability goal in the forefront.

Moreover, the Central Bank has always argued that financial stability is the pre-condition of price stability. As seen in the past implementations, in the event of an external shock, the Central Bank is always ready to rapidly take measures to meet the Turkish lira and

foreign exchange liquidity needs of the financial system. There is no doubt that the Central Bank will act in the similar manner to preserve the financial stability in the future.