



MONETARY AND EXCHANGE RATE POLICY FOR 2010

The monetary and exchange rate policy of the Central Bank of Turkey (CBT) for 2010 was announced at a press conference held on December 10, 2009. Governor Yılmaz started his presentation by giving a general evaluation of the recent economic developments, and continued with detailed information about the operational framework of monetary policy, exchange rate policy and liquidity management to be implemented throughout 2010.

MAIN PILLARS

- As per the revision in 2008, the inflation targets for 2010 and 2011 were set as 6.5 and 5.5 percent, respectively. The year-end inflation target for 2012 was set jointly with the Government as 5 percent taking into account certain factors such as the structural reforms that are envisaged to continue in the medium-term, the stickiness caused by years of chronically high inflation and the process of convergence to developed countries.
- The uncertainty band set around the target has been maintained at 2 percentage points in both directions.
- If quarterly inflation rates fall outside the uncertainty band set around the year-end target, the reasons for the deviation, the measures that have already been taken and the measures that will be taken to achieve the target will be explained in Inflation Reports. If the target is missed by a margin defined by uncertainty bands around at the end of the year, the CBT will submit a detailed open letter to the Government and announce it to the public.
- The Monetary Policy Committee (MPC) will continue to meet once a month in 2010, in accordance with the pre-announced schedule.
- The CBT will take the necessary measures for the smooth operation of foreign exchange markets by observing the principle that exchange rates are formed under supply and demand conditions in the market.
- While drawing up the general framework of liquidity management, the CBT will continue to adhere:
 - ▶ to ensure that short-term interest rates would remain at or hover around the level set by the MPC,



- ▶ to ensure efficient and stable operation of money markets by preventing excessive volatilities in short-term interest rates on the money market,
- ▶ to ensure smooth functioning of the payments system,
- ▶ to provide the operational structure with sufficient flexibility against unexpected developments in the markets by supporting effective functioning of the transmission mechanism.
- The main factors that will directly affect liquidity in the market in 2010 are as follows:
 - ▶ the increase in monetary base,
 - ▶ the volume of the CBT's foreign exchange purchase/sales transactions,
 - ▶ the CBT's government bond purchases.
- The CBT may change its liquidity management strategy, and overnight borrowing and lending interest rate margins for technical reasons, if deemed necessary.

To find out more: <http://www.tcmb.gov.tr> (Basic Policy Readings)

MPC MEETING			INFLATION REPORT	
14 JANUARY 2010	16 FEBRUARY 2010	18 MARCH 2010	26 JANUARY 2010	29 APRIL 2010
13 APRIL 2010	18 MAY 2010	17 JUNE 2010	27 JULY 2010	26 OCTOBER 2010
15 JULY 2010	19 AUGUST 2010	16 SEPTEMBER 2010	FINANCIAL STABILITY REPORT	
14 OCTOBER 2010	11 NOVEMBER 2010	16 DECEMBER 2010	26 MAY 2010	7 DECEMBER 2010

LABOR MARKET AND UNEMPLOYMENT IN TURKEY

Employment statistics in Turkey are obtained through Household Labor Force Surveys, which have been regularly conducted by the Turkish Statistical Institute (TurkStat) since 1988, in line with the International Labor Organization's (ILO) standards. These surveys cover all residents of Turkey, and each and every residential area across the country is included in the scope of the Survey for sample selection across Turkey.

ILO criteria suggests that in order for a person to be considered unemployed, this person must be unemployed, seeking a job, and must be available to start work if recruited in the respective period, and all these conditions must exist at the same time. The unemployment ratio is calculated by dividing the number of unemployed by the labor force.

In Turkey, in the period following 2000, the unemployment rate posted a remarkable increase during the crisis in 2001; and fluctuated within a narrow band between 2002 and 2008. Then from end-2008, the unemployment rate rebounded due to the global financial crisis.



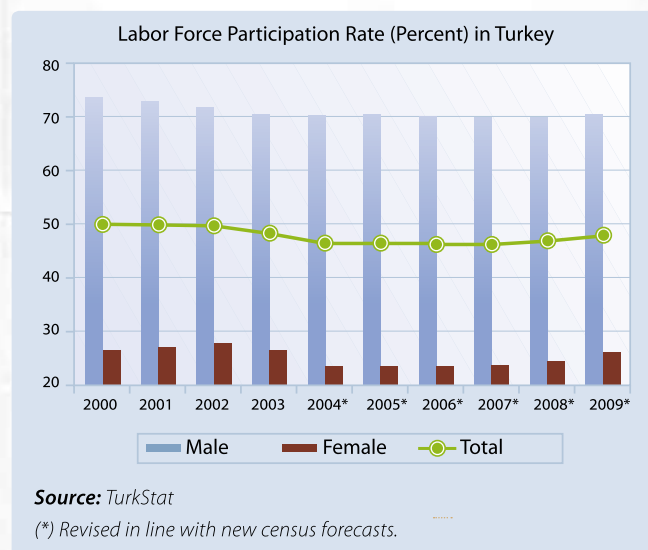
The labor force participation rate is the ratio of the labor force composed of the sum of the employed and the unemployed to the non-institutional working age population.

In the period following 2000, the labor force participation rate gradually decreased in Turkey. This was mainly driven by the contraction of employment in the agricultural sector. In 2000, the labor force participation rate was 49.9 percent and the share of the agricultural sector within total employment was 36 percent. However, in 2008, the labor force participation rate went down to 46.9 percent, while the share of the agricultural sector within total employment dropped to 24 percent. As of 2008, the labor force participation rate of males in Turkey is 70.7 percent, hovering above the European Union level, which is 65.6 percent; whereas the same ratio in females stands at 25.0 percent, remaining far below that of the European Union, which is 50.3 percent.



Source: TurkStat

(*) Revised in line with new census forecasts.



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(*) Revised in line with new census forecasts.

Unemployment Rate as per Educational Status (Percent)

	2000	2001	2002	2003	2004*	2005*	2006*	2007*	2008*	2009*
Illiterates	3.4	3.1	4.6	7.0	4.3	4.9	4.8	5.2	6.3	6.5
Under High School Graduates	5.7	7.8	9.6	10.2	9.7	10.1	9.8	9.8	10.7	12.3
High School or Equivalent Vocational School Graduates	10.6	13.3	14.7	12.8	15.2	13.8	13.0	13.0	12.9	16.5
Higher Education	7.0	7.8	11.1	11.1	12.2	10.0	9.6	9.7	10.3	13.1

Source: TurkStat (*) Revised in line with new census forecasts.

Under High School Graduates:

- Literates, but non-graduates of any educational institution,
- Primary school graduates,
- Secondary school or vocational secondary school graduates.

High School or Equivalent Vocational School Graduates:

- High school graduates,
- Vocational or technical high school graduates.

Higher Education:

- College graduates (2 years),
- University graduates (4 years), Master's degree and PhD-holders.

YTL-YKR WITHDRAWN FROM CIRCULATION BY 1 JANUARY 2010



New Turkish Lira (YTL) and New Kurus (YKr), which were concurrently circulated with Turkish Lira banknotes and coins throughout 2009, were withdrawn from circulation as of January 1, 2010. YTL banknotes and coins will be accepted and exchanged during the 10-year redemption period (until December 31, 2019, close of business) and 1-year redemption period (until December 31, 2010, close of business), respectively by the CBT and T.C. Ziraat Bankası branches.

The conversion rate of banknotes as per amount was realized as 96.10 percent, while that of coins stood at 50.83 percent by 31 December 2009.

INFLATION REPORT 2010-I



The Inflation Report 2010-I was presented to the public by Governor Yılmaz at a press conference held on January 26, 2010. The Report elaborates global and domestic macroeconomic developments along with the risks on both global and domestic economic activity, and presents the medium-term inflation forecasts, which have been revised in view of previous quarter developments. The Report also contains information boxes, which focus on 2009 year-end inflation forecasts, unprocessed food prices, base effects, CBT's purchases of government securities, the Bank Loans' Tendency Survey, the corporate financial structure and credit transmission mechanism, as well as inflation expectations before and after the target revision in 2008.

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

INTRODUCTION OF INTERNATIONAL BANK ACCOUNT NUMBER (IBAN) IN TURKEY



Effective from January 1, 2010, IBAN started to be used in money transfers made through banks. The beneficiary's IBAN is required to be quoted on such transfers. However, in cases where the beneficiary's IBAN is not known, the customer will be able to make a transfer, declaring

to the bank, which will perform the transfer, that he/she does not know the beneficiary's IBAN. As for telephone or online banking, customer's declarations via telephone or online shall also be acceptable. For security purposes, IBANs must only be provided by banks, and account holders must avoid disclosing their personal information to third parties, who claim to provide them with IBAN.

"A HERITAGE OF A THOUSAND YEARS" TURKISH MUSIC BOOKLET AND CD



The CBT, in collaboration with the Turkish Ministry of Culture and Tourism, contributed to the Turkish music archive with a compilation of 3 CDs and a booklet. As part of this project, works of classical music as well as instrumental and folk pieces have been performed by the Istanbul State Turkish Music Research and Performing Society affiliated to the Ministry of Culture and Tourism.

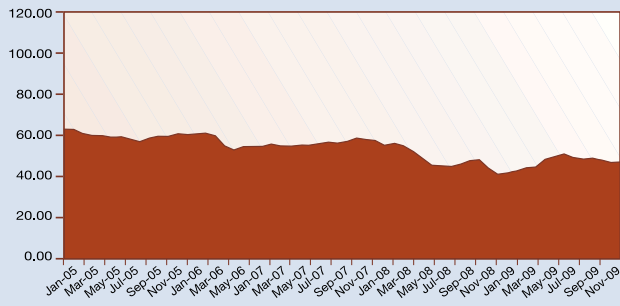
EXHIBITION: "ABSTRACT TENDENCIES IN TURKISH PAINTING"



With selected works of art from the CBT's Art Collection, the exhibition of "Abstract Tendencies in Turkish Painting" was held between December 23, 2009 – February 11, 2010 at the Art Gallery of the CBT. The exhibition, which responded to the question of how abstract perception and abstraction emerge in a different cultural and geographical context with interesting and authentic works of art, featured 21 paintings of 19 internationally recognized artists comprising Zeki Faik İzer, Sabri F. Berkel, Abidin Dino, Selim Turan, Avni Arbaş, Nejad Melih Devrim, Mübin Orhon, Adnan Çoker, Burhan Doğançay, Özdemir Altan, Erol Akyavaş, Devrim Erbil, Mehmet Gülerüz, Bekir Sami Çimen, Ergin İnan, Mustafa Ata, Kemal Önsoy, Serdar Arat and Selma Gürbüz.

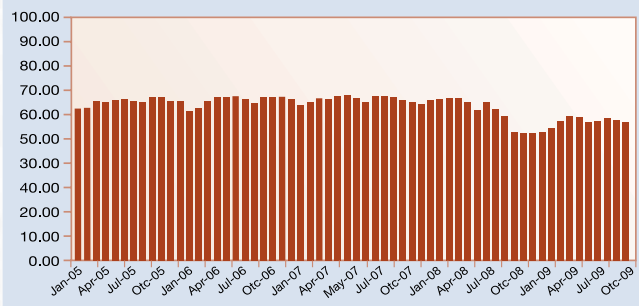
AT A GLANCE

Consumer Confidence Index (%)



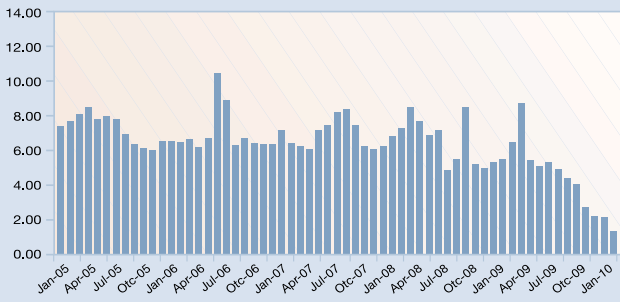
Source: TURKSAT & CBT

Capacity Utilization Rate (%)



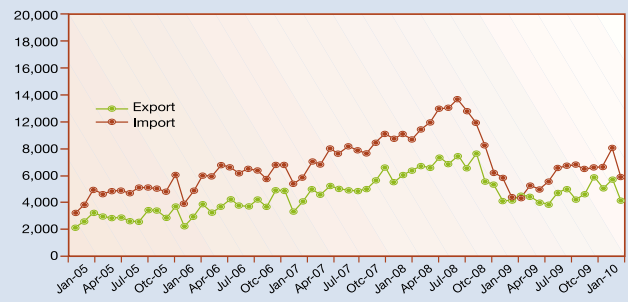
Source: CBT

Real Interest Rate of Total Domestic Debt Stock (%)



Source: Treasury

Export - Import (Monthly, \$ Millions)



Source: CBT



SURVEY OF EXPECTATIONS

The Survey of Expectations has been conducted by the CBT twice a month, in the first and third weeks, since August 2001 in order to explore expectations of experts and decision makers from the financial and real sectors as well as professionals

pertaining to consumer price inflation, interest rates, exchange rate, current account balance and GNP growth rate. The non-probability sampling method based on the participation of selected volunteers is used in the survey. Descriptive statistics such as sample size, minimum and maximum values, standard deviation, mean, median, mode and appropriate mean for each question are provided in the compiled results. The appropriate mean is specified by comparing mean, median, mode, alphas-trimmed mean and outlier analysis. Participation in the survey is voluntary. The CBT is committed to following

the standards of transparency precisely in the overall results of the Survey, at the same time, always treating individual responses as strictly confidential. The data compiled cannot be used in any manner whatsoever for any purposes other than those stated above.

In response to the information requirements of the full-fledged inflation targeting, which became effective as of 2006, and the growing importance of the medium term perspective in economic decisions due to structural changes and decreasing uncertainties in the economy, the questions of the survey have been revised with an aim to reflect longer-term expectations. The overall results of the Survey that has been conducted in its revised form since the first period of April 2006, including past results, are disseminated as a time series under "Periodic Publications" on the website of the CBT. In line with the CBT's principle of transparency, the Survey of Expectations is announced to the public at predetermined dates and times on an annual basis, according to the Data Release Calendar.

CBT Interest Rates*	Borrowing	Lending	Central Bank Foreign Exchange Reserves (As of 19 March 2010, Billion USD)	68.78
Overnight (%)	6.50	9.00	CPI (Annual % Change, February 2010)	10.13

* As of 19 March 2010.

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