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PRESS RELEASE

1. With its Press Release dated 6 February 2002, the Central Bank of the Republic of Turkey (CBRT) has already announced its first Report on the inflationary process in Turkey and its expectations for the future. In view of the detailed analyses made in the said Report and for the reasons briefly summarized below, the CBRT has decided to cut its short term interest rates, which is the main policy instrument used in the fight against inflation.

2. In the aftermath of the bursting of the foreign exchange rate bubble in October 2001, which was the main factor behind increases in inflation in 2001, the Turkish Lira appreciated in nominal terms. We believe that this development has eased the inflationary pressure to a great extent.

3. If we omit the high increases in the prices of agricultural goods arising from the unfavorable seasonal conditions, we may see that both CPI and WPI have entered into a downward trend since November 2001. In fact, the private manufacturing industry price increase, which is also considered as "core inflation" by the public at large, has begun to fall considerably since November 2001.

4. Although still remaining above the target levels, in parallel to the fall in the realized inflation rates, there is a discernable downward tendency in the forward-looking inflation expectations according to the

results of the Business Tendency Survey, especially those conducted for the financial sector.

5. When the prevailing domestic demand conditions that is not inflationary and the strong relationship between the exchange rate developments and the price levels are taken into account, a noticeable improvement in both CPI and WPI are expected in the periods ahead.

6. Furthermore, there have recently been a number of favorable developments, which would influence the inflation expectations in a positive way by reducing the perceived risks. In the CBRT document released at the beginning of 2002, the CBRT made certain assumptions about the economic environment in designing the main features of the monetary and foreign exchange rate policies. These developments have improved the prospects and raised the likelihood of realization of the assumptions made. The said developments are (1) enactment and putting into effect of the "Law No: 4743 on the Restructuring of the Debts Owed to the Financial Sector and the Amendments of Certain Laws" and the "Law No: 4736 on the Tariffs for Goods and Services Produced by Public Enterprises and the Amendments of Certain Laws" which aims at the realization of the primary budget surplus planned for 2002 and (2) the approval of the new credit by the IMF board and the changing of our credit rating from stable to positive.

7. On the other hand, the released provisional budget realization figures for January 2002 are encouraging. Besides, the base money, which is the performance criterion, has so far been remained within the levels envisaged for 2002.

8. For the reasons and the deliberations cited above, the CBRT is cautiously optimistic about the future inflation developments and therefore

has decided to cut the short term interest rates as of February 20, 2002 at the Domestic Interbank Money Market within the CBRT and at the Repo-Reverse Repo Markets in the Istanbul Stock Exchange.

- a) O/N Interest Rates: While the borrowing rate is decreased from % 59 to % 57, the lending rate which is % 62 is not changed.
- b) Other Maturities : One week borrowing rate is decreased from % 62 to % 59. On the other hand, O/N interest rates being the main policy instrument and letting the interest rates for maturities longer than 1W be determined by market forces, the CBRT has stop quoting interest rates for 2W and 1M maturities.

9. On this occasion, we would like to stress once more the fact that the CBRT, whose main duty is the attainment of the price stability pursuant to its law, takes its decisions on the short term interest rates solely and only in view of the future path of the inflation rate. As long as the policies aiming at the price stability are pursued in a determined manner, the foreign exchange rates will move in tandem with economic fundamentals and the current account balance will be realized at a level compatible with a sustainable growth. No doubt, such an outcome will be achieved not only with the CBRT policies, but also with the fiscal discipline and with the strong determination to undertake all the structural reforms envisaged.