

THE CBRT PRESS RELEASE

The Central Bank of Turkey (CBRT) has been holding daily foreign exchange buying auctions since 23 January 2004, considering that strong reserve position would boost the market's confidence in the current program and observing the significant excess foreign exchange supply in foreign exchange markets since January. With its press release of 6 April 2004, the CBRT announced that it had increased the amount of daily foreign exchange auctions as the excess foreign exchange supply was expected to continue along with favorable expectations. As always, it was also announced that, in the event of any unforeseen developments in the excess foreign exchange supply, changes might occur in the amounts of daily auction and/or optional selling with a prior notice.

In this framework, it has been observed in recent days that the excess foreign exchange supply, which has been increasing ever since January, is decreasing based on factors unrelated to economic fundamentals, although no change is expected in the course of balance of payments and in the reverse currency substitution process that create excess foreign exchange supply. Therefore, the CBRT has decided to decrease the amount of daily foreign exchange buying auctions effective from 15 April 2004. Accordingly, the amount of daily foreign exchange buying auction and optional selling has been decreased to USD 40 million for each. The maximum daily auction can amount to USD 80 million.

As has always been underlined in our press releases on foreign exchange buying auctions, changes may occur in the amounts of daily auction and/or optional selling with a prior notice in the next period as well in the event of any unforeseen developments in the excess foreign exchange supply. Moreover, it is worth reminding that the CBRT has no target for exchange rate, and does not mean to influence the level of exchange rates by using auctions under the current monetary policy implementation in which short-term interest rates are used as main policy instrument.

As was announced by previous press releases, the CBRT may, with a prior notice, suspend the auctions before the end of the period in the cases where the depth of foreign exchange market is lost, and excessive volatility is observed in exchange rates due to an exogenous shock or unpredictable developments. As usual, the CBRT will continue to closely monitor the volatility in exchange rates and will directly intervene in the markets in the event of an excessive volatility that might occur in either directions.