



## CBRT Governor Murat Çetinkaya delivered a presentation at the Istanbul Chamber of Industry

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## The CBRT Celebrates 85<sup>th</sup> Anniversary

The Central Bank of the Republic of Turkey (CBRT), which is an important institution in our country in charge of printing banknotes, implementing monetary policies and ensuring the healthy operation of the economy, was established on 3 October 1931 and since then, it has changed and transformed in tandem with developments in the area of central banking [\[Page 2, 3\]](#)

### AT A GLANCE ...

- Dr. Emrah Şener was appointed as a Deputy Governor of the Central Bank of the Republic of Turkey on 2 September 2016.
- Conference on "Economic Growth and Income Convergence"

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### NEWS AND PUBLICATIONS FROM THE CBRT

- Research Notes in Economics
- CBRT Working Papers

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## CBRT POLICY RATES (22 September 2016)

Late Liquidity Window Borrowing Rate: 0%	Borrowing Rate: 7.25%	One-Week Repo Rate: 7.5%	Marginal Funding Rate: 8.25%	Late Liquidity Window Lending Rate: 9.75%
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## CBRT RESERVES (21 October 2016)

### Gross FX Reserves

101.5 Billion USD

### Gold

18.1 Billion USD

## INFLATION (September 2016)

7.28%

# GOVERNOR MURAT ÇETİNKAYA DELIVERED A PRESENTATION AT THE ISTANBUL CHAMBER OF INDUSTRY

It was announced in the press release posted on the CBRT website on 22 July 2016 that the CBRT had revised its communication policy and had introduced some new arrangements. The press release stated that meetings on technical issues would be held with investors and analysts; regular meetings would be organized with investors in financial centers abroad; meetings would be held with chambers of industry and commerce and other corporate sector representatives to provide a platform for exchange of views and periodic meetings would be organized with representatives of media institutions and the financial press.

The first meeting in this new scope was held with the members of Istanbul Chamber of Industry on 28 September 2016. In the meeting, Governor Murat Çetinkaya delivered a presentation and highlighted the following topics:

- During the global financial crisis, it was realized that monetary policies alone were not sufficient to establish stable growth.
- In an economy, elements such as the confidence factor, sound financing channels and income distribution play a more important role with respect to investments and stable growth in the medium and long run.
- The leading indicators suggest that there will be a recovery in economic activity as of the final quarter of the year with the effect of the measures and incentives introduced.
- The CBRT continued the simplification process to enhance the effectiveness of the monetary policy.
- Maximizing the productivity of the financial system will not only support social welfare by increasing the savings ratio and competitive power but also provide room for maneuver for economic policies.
- It would be useful to study the likely contribution of diversification

in the financial system with respect to productivity.

- The most significant and lasting contribution that the Central Bank can provide for the real sector with respect to healthy access to financing would be achieving and maintaining price stability.
- Price stability contributes to financial deepening, facilitates long-term financial costs to remain low, helps healthy functioning of financial intermediation and thus increases the financial sector's contribution to production and real sector.
- We strive to increase public awareness of structural and strategic issues related to price stability and emphasize the importance of joint effort.
- The restructuring of the Food Committee reflects the determination in disinflation efforts and joint effort for structural issues. We believe that the Committee's work will make significant contribution to decrease volatility in food prices.
- We will continue to carry out our efforts about structural issues by establishing strategic cooperation with related institutions at the highest level.

execute treasury operations, and to take all necessary measures for the sake of safeguarding the value of the Turkish currency. The Bank was also vested with the exclusive right to print banknotes. Moreover, the CBRT also assumed the role of the treasurer of the government.

In 1940s and 1950s, the Bank was not able to conduct an independent monetary policy. The Bank's resources were used for public finance and the general level of prices displayed a rapid rise.

The Banknote Printing Plant was established in 1955 and Turkish banknotes started to be printed in Turkey in 1957. In the 1960s, when the economy was transforming to a planned economy, the Central Bank pursued expansionary monetary policies in tandem with economic circumstances and industrial development and hence, continued to finance the government budget.

On 14 January 1970, the Law No. 1211 on the Central Bank of the Republic of Turkey was enacted which enhanced the Bank's control over direct and indirect monetary policy instruments and authorized the Bank to conduct open market operations to regulate money supply and liquidity. Moreover, the Bank was empowered to extend medium-term loans through rediscount operations to support investments and economic development.

With the decisions announced on 24 January 1980, the price controls were abandoned to allow prices to be determined under market conditions and foreign trade policy was liberalized.

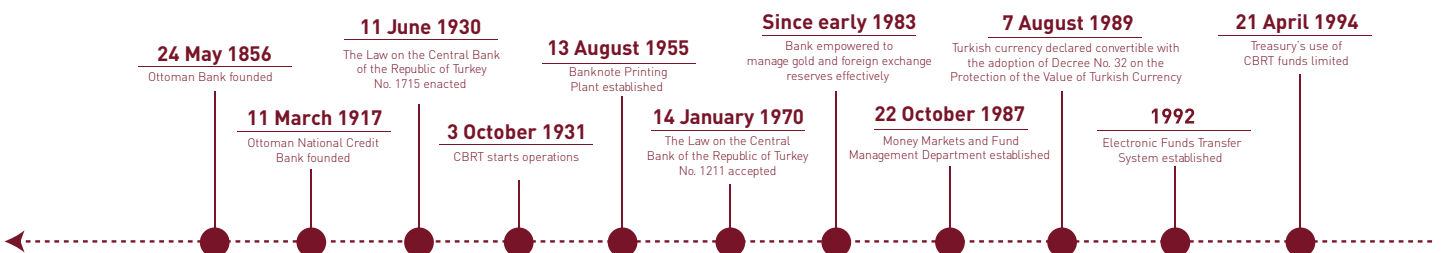
In the same period, it was also decided that interest rates for deposits and loans should be determined under market conditions. Moreover, the Turkish lira was devalued and the fixed exchange rate regime was abandoned.

In 1983, the CBRT was authorized to manage the national gold and foreign exchange reserves effectively. Furthermore, an article was added to the Law stipulating that the Bank shall carry out its primary functions in tandem with the key

## THE CBRT CELEBRATES 85<sup>TH</sup> ANNIVERSARY

The Central Bank of the Republic of Turkey (CBRT), serving the nation for 85 years, is a crucial institution for the healthy functioning of the economy, responsible for printing banknotes and implementing monetary policies.

According to the Law of Establishment, the primary objective of the Central Bank is to bolster the economic development of the country. To this end, the Bank was also authorized to set the main policy tool - the rediscount rates-, to regulate the money market and the circulation of money, to



requirements of the economy and in a way to ensure price stability.

In 1987, the Bank started to execute open market operations and in this respect, on 22 October 1987, the Money Markets and Fund Management Department was established. In 1989, the Decree No. 32 allowed economic units to conduct operations in foreign currencies and the Turkish lira was recognized as a convertible currency and thus, a comparably more flexible exchange rate regime was adopted.

In 1990, the Bank announced its monetary program to the public for the first time, the aim of which was to meet market's liquidity need without prejudice to the stability of exchange rates and interest rates. In the first quarter of 1994, a financial crisis erupted due to the factors such as the pressure inflicted on the financial sector by the Gulf War in 1991, the political instability, not tight-enough fiscal policy and a vulnerable banking sector. As a result of the crisis, inflation reached three-digit figures in 1994.

In this period, public debt was financed by the CBRT resources, which became one of the main reasons for high inflation. For this reason, on 21 April 1994, some limitations were introduced in the respective Article of the CBRT Law on the Treasury's use of CBRT funds. In 1997, a protocol was signed between the Treasury and the CBRT stipulating that the Treasury shall not use short-term advances from the CBRT from 1998 onwards.

In 1992, the Electronic Fund Transfer (EFT) System and in 2000 the Electronic Securities Transfer System (ESTS) was established.

In 2000, a new economic program based on exchange rates was introduced to decrease fluctuations in exchange rates and avoid speculative moves in foreign exchange markets. However, in 2001, the Turkish economy slid into a crisis due to failure in achieving structural changes envisaged in the economic program and the deepened confidence loss, and as a result, the economic program based on exchange rates was abandoned.

As a consequence of the 2001 economic crisis, a floating exchange rate regime was adopted on 22 February 2001. A structural transformation process was initiated after the economic crisis. Accordingly, with the amendments made to the Central Bank Law on 25 April 2001, the primary objective of the Bank was explicitly defined as achieving and maintaining price stability. It was also stipulated in the Law that the Bank shall determine, at its own discretion, the monetary policy that it will implement and the monetary policy tools that it is going to use, hence, the Bank has gained instrumental independence. The Law also prohibited the CBRT from granting advances and extending credits to the Treasury and to public establishments and institutions, and from purchasing debt instruments issued by the Treasury and public establishments and institutions in the primary market.

Article 42 of the CBRT Law explicitly states the reflections of the CBRT's principle of accountability. In this scope, the Bank may have the balance sheet and the income statements audited by independent auditing institutions, and moreover, the Governor shall submit a report to the Council of Ministers on the activities of the Bank and the monetary policy followed and to be followed, each year in April and October. The Bank provides the Planning and Budget Commission of the Grand National Assembly of Turkey with information regarding its operations twice a year.

Moreover, within the scope of the amendment, ensuring financial stability was defined as the supporting objective of the Bank. In line with its main objective of achieving price stability, the Bank adopted an "inflation targeting regime", a contemporary monetary policy strategy in 2002 and has been implementing since then.

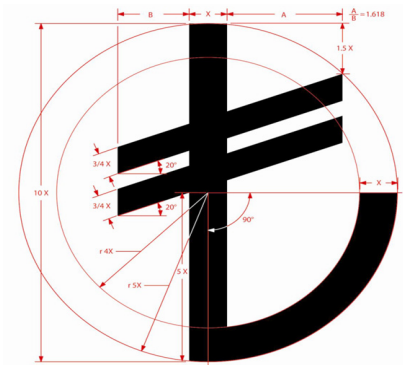
To emphasize the Bank's determination to fight against inflation since 2001, to enhance the credibility of the Turkish lira and to eliminate the problems arising from high denominations in many spheres of social life, such as accounting and statistical records, data processing



programs and payment systems, six zeros were dropped from the Turkish lira and New Turkish lira banknotes and New Kurus (Turkish lira coins) were put into circulation on 1 January 2005 and the Turkish lira banknotes and Turkish lira coins were withdrawn from circulation on 1 January 2006. This was followed by the removal of the prefix "New" from the name of the currency on 1 January 2009 when Turkish lira banknotes and coins were put into circulation.

In 2011, in line with its strategic aim of "designating a sign for raising local and worldwide recognition of the Turkish lira" the CBRT organized a "Competition for the Turkish Lira Sign". Results of the competition and the winning design were unveiled at a press conference on 1 March 2012.

As it has done in the past, the CBRT will, hereafter, pursue its policy implementations within an ever-dynamic framework by keeping a close watch on global and domestic developments in the field of central banking.



### 30 July 1997

Protocol signed between the Undersecretariat of Treasury and the CBRT on disallowing Treasury use of short-term advances from the CBRT effective 1998

### 22 February 2001

Floating rate regime adopted

### Since early 2000

Exchange rate based economic program enforced  
Electronic Security Transfer and Settlement System established

### 25 April 2001

"The primary objective of the CBRT is to achieve and maintain price stability" explicitly stipulated in the CBRT Law

### 2002-2005

Implicit inflation targeting regime implemented

### 31 January 2004

The Law on the Currency Unit of the Republic of Turkey No. 5083 published in the Official Gazette

### 1 January 2005

Six zeros removed from the Turkish lira

### 1 January 2009

With the removal of the prefix "New" from the currency, Turkish lira banknotes and coins put into circulation

### 1 January 2006

TL banknotes withdrawn from circulation

### 2006-to date

Inflation targeting regime implemented

### 1 March 2012

Turkish lira sign unveiled

## AT A GLANCE ...

**Dr. Emrah Şener was appointed as a Deputy Governor of the Central Bank of the Republic of Turkey**



Born in 1978, Dr. Emrah Şener graduated from Boğaziçi University with a Bachelor's Degree in Business Administration. He received his Master's Degree in Economics and Finance from London School of Economics and his Ph.D. in Mathematical Finance from Imperial College London. Dr. Şener started his professional career at banking sector in 2003; having worked at HSBC and Citibank in London, Dr. Şener became a Vice President at the Structured Products Group of Bank of America. Dr. Şener served as the Director of Istanbul Risk Management Laboratory established in Özyeğin University with the cooperation of Turkish Ministry of Development. Dr. Emrah Şener was appointed as a Deputy Governor of the Central Bank of the Republic of Turkey on 2 September 2016.

### Conference on "Economic Growth and Income Convergence"

The CBRT and the European Central Bank jointly organized an international conference on "Economic Growth and Income Convergence" on 2-3 September 2016 at the İzmir Özdere, Naim Talu Training, Seminar and Recreation Facility of the CBRT. The conference was opened with a keynote speech by Deputy Governor Murat Uysal and featured presentations by participants from the CBRT, the European Central Bank, the World Bank, the Bank of France, the Organisation for Economic Co-operation and Development, the Bank for International Settlements, the International Monetary Fund along with the universities of Boğaziçi, Libre de Bruxelles, Milano-Bicocca, Münster and the Mara University of Technology (Malaysia).

Among the main themes of the conference were factors affecting growth on a sectoral basis, an analysis of the relationship between productivity and economic growth, global developments and demographical structure in income distribution and the impact of corporations on economic growth. In addition to recent theoretical developments, empirical evidence that carries significance for policy design and implementations were also discussed in the conference.

#### For Conferences, please visit:

<http://www.tcmb.gov.tr/wps/wcm/connect/TCMB+EN/TCMB+EN/Bottom+Menu/Education+Academic/Conferences>



## PUBLICATIONS FROM THE CBRT

### Research Notes in Economics

- Financial Stress and Economic Activity: A Threshold VAR Analysis for Turkey (Didem Günes, Ferhat Çamlıca, No. 16/28, September 02, 2016)
- Determinants of Non-Performing Loans in the Turkish Banking Sector: What Has Changed After the Global Crisis? (Vuslat Us, No. 16/27, September 02, 2016)
- Financial and Business Cycles in Turkey: How Different? How Related? (in Turkish) (Mahir Binici, Yavuz Selim Hacıhasanoğlu, Samet Kütük, No. 16/26, September 02, 2016)
- The Effect of Minimum Wage Increase on Consumer Credits (in Turkish) (İbrahim Ethem Güney, Yavuz Selim Hacıhasanoğlu, Semih Tümen, No. 16/25, 23 August 2016)
- Assessment of Bail-in for Turkish Banking Sector (Mehmet Büyükkara, Ayşe Karasoy, Muhammed İslami Önal, No. 16/24, 02 August 2016)
- Food Prices in Turkey: An International Comparison (in Turkish) (Fatih Akçelik, Canan Yüksel Yücel, No. 16/23, 25 July 2016)
- Forecasting Turkish GDP Growth: Bottom-Up vs Direct? (Mahmut Günay, No. 16/22, 06 June 2016)
- Transmission Mechanism Under Monetary Policy Uncertainty: The Case of Turkey (in Turkish) (Mustafa Bulut, Hatice Gökçe Karasoy, No. 16/21, 06 June 2016)

- Leverage Effect in Monetary Policy: Liquidity Channel (in Turkish) (Hakan Er, İbrahim Ethem Güney, No. 16/20, 02 June 2016)

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### CBRT Working Papers

- Co-movement of Exchange Rates with Interest Rate Differential, Risk Premium and FED Policy in "Fragile Economies" (M. Utku Özmen, Erdal Yılmaz, No. 16/21 September 2016)
- Job Security and Housing Credits (Kurmaş Akdoğan, Ayşe Tatar, Ayşe Arzu Yavuz, No. 16/20 September 2016)
- Cyclical Variation of Fiscal Multiplier in Turkey (Cem Çebi, K. Azim Özdemir, No. 16/19 September 2016)
- Unemployment Hysteresis and Structural Change in Europe (Kurmaş Akdoğan, No. 16/18, August 2016)
- Asymmetric Government Expenditure: A Comparison of Advanced and Developing Countries (Ali Aşkın Çulha, No. 16/17, August 2016)
- Analysis of Firms' Fixed Capital Investment Decisions: Some Evidence from Turkish Manufacturing Industry (in Turkish) (Evren Erdoğan Coşar, No. 16/16, July 2016)
- Cross-Border Capital Flows in Emerging Markets: Demand-Pull or Supply-Push? (Kurmaş Akdoğan, Neslihan Kaya Ekşi, Ozan Ekşi, No. 16/15 June 2016)
- Minimum Wage Effects on Labor Market Outcomes in Turkey (H. Burcu Gürcihan Yüncüler, Çağlar Yüncüler, No. 16/14 June 2016)
- On Estimation of the Normalized CES Production Function for Turkey (Selen Başer Andıç, No. 16/13, June 2016)

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