

Durmus Yılmaz: Central bank achievements and opportunities in Turkey

Speech by Mr Durmus Yılmaz, Governor of the Central Bank of the Republic of Turkey, to members of the press at the Central Bank of the Republic of Turkey, Ankara, 18 April 2006.

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Dear Press Members,

I have been appointed Governor of the Central Bank, which was vacated by Former Governor Mr. Süreyya Serdengeçti due to his retirement after having completed his five-year term on 14 March 2006 at the end of the business hours, and which has been filled temporarily by Dr. Erdem Başçı as Acting Governor since then.

I have worked in various positions of the Central Bank of the Republic of Turkey since 1980. As you have been closely following, many achievements have been made since then, especially in the last couple of years, that will always be remembered as the turning points in our economic history.

Distinguished members of the press,

As a result of the legal amendments made in 2001, the greatest achievement in the area of monetary policy has been the attainment of the “Central Bank Independence”. Accordingly;

“The Bank shall, with the objective to achieve and maintain price stability, be authorized to utilize monetary policy instruments described in this Law and shall also be authorized to directly determine and implement other monetary policy instruments that it deems appropriate.” as expressed in the Law on the Central Bank.

Such an authorization is called “instrument independence” in the modern economic literature.

On the way to price stability, the inflation target is determined jointly with the government. As you know, these targets have been determined and announced as follows:

5 percent for 2006,
4 percent for 2007,
4 percent for 2008

Our primary objective is to attain these targets. The Central Bank will support the growth and employment policies of the Government, unless it conflicts with this objective.

Likewise, with the Law No: 1211, the Central Bank has been entrusted with the power of establishing the “exchange rate regime” jointly with the government. The floating exchange rate regime, which was introduced within this framework, will continue to be implemented, preserving its basic implementation framework.

Turkey has grasped a golden opportunity to get rid of the damage created by inflation with which it has had to live more than 30 years. The period of “Declining inflation” is about to end. Our next objective will be to achieve and preserve the price stability. This will be the most significant contribution of the Central Bank in mobilizing the growth potential of our country.

Thank you.