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GOVERNOR YILMAZ'S PRESENTATION BEFORE THE COUNCIL OF MINISTERS

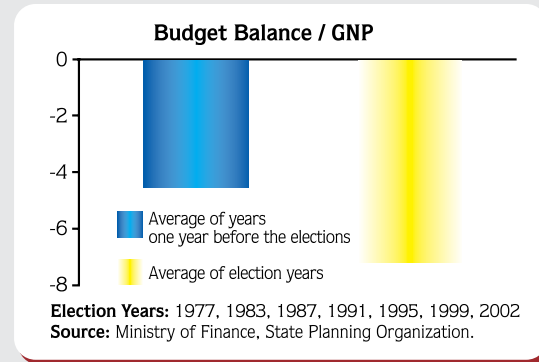
In accordance with the Law on the Central Bank of Turkey (CBT) and the principle of accountability, the Governor informs the Council of Ministers on the current economic outlook and the monetary policy actions twice a year. Within this context, Governor Yılmaz made a presentation before the Council of Ministers on May 21, 2007.

Firstly, Governor Yılmaz indicated the reasons behind the deviation of inflation from the target in 2006. Governor Yılmaz, stated that the increase in the inflation stemmed from unprocessed food prices, administered prices and the changing pattern of seasonality.

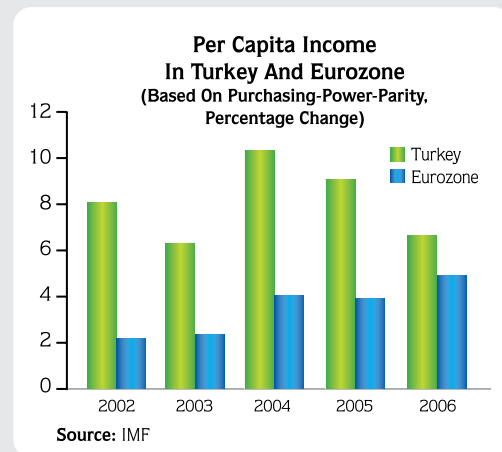


The Governor stressed the necessity of uninterrupted structural reforms, especially the social security reform and mentioned that fiscal policy is one of the important pillars in the fight against inflation and it is especially important because of general elections.

Governor Yılmaz, indicating the importance of the IMF and the EU in the management of medium and long-term expectations, underlined the necessity of strong and persuasive national and international medium-term anchors.



After presenting detailed information related to the interest rate and exchange rate policies pursued by the CBT, Governor Yılmaz said that monetary and exchange rate policies are implemented in the framework of Monetary and Exchange Rate Policy Program for 2007 and there was no commitment for the level of exchange rates. He also added that the nominal and real interest rates fell only if uncertainties regarding the economic environment, especially the inflation disappeared; macroeconomic stability was sustained and the macroeconomic policies were implemented decisively.



The Governor stressed that in order to increase welfare, catch up with the developed countries in terms of per capita income and create employment for young population; rapid and sustainable growth in the Turkish economy had to be ensured. To this end, Governor Yılmaz highlighted that the continuation of practices sustaining macroeconomic stability and structural reforms were crucial and added that it was equally crucial to support this process with micro reforms.



Central Bank of
the Republic of Turkey
Communication Department
İstiklal Caddesi No: 10 06100
Ulus-Ankara
Phone: (312) 310 36 46
e-mail: iletisimbilgi@tcmb.gov.tr



Inflation Report 2007-II was released with a press meeting on April 27, 2007. In the Report, recent macroeconomic developments including inflation and expectations, aggregate supply and demand conditions, financial markets and public finance developments and medium-term projections including forecasts and risk components are analyzed in detail.

Economic Activity in 2006

Following the monetary tightening in the June-July 2006 period, a noticeable slowdown was observed in private consumption demand. The negative impact of the slowdown in domestic demand on growth was largely compensated by the robust external demand. Another factor constraining the slowdown in economic growth was the rise in non-interest public expenditures. Although growth rate of the economy fell below the last five year's average due to the considerable slowdown in private sector domestic demand, these two factors accelerated the economic activity in 2006 and growth rate was realized as 6.0 percent.

Inflation Outlook and Projections

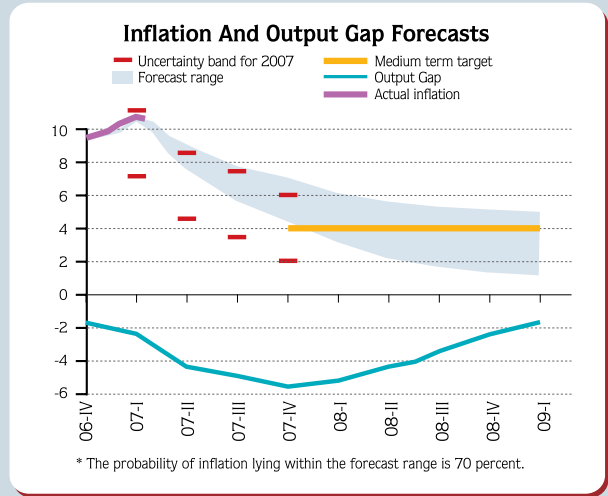
The CBT expects that the lagged impacts of tight monetary policy stance to be effective on domestic demand and the demand conditions continue to contribute to the disinflation process. In addition, it is expected that a notable base effect stemming from the last year's turbulence and the adverse supply shocks will ease annual inflation in the upcoming months.

In the Report, it is stated that the output gap for the last quarter has been revised upwards, considering the recent revisions in the growth figures of 2006.

It is also asserted that in case inflation stays stubborn to come down, the current tight monetary policy stance can be maintained for an extended period.

The forecasts presented in the Report are based on a scenario where the policy rates are constant in the second and third quarter of the year and eased thereafter.

Accordingly, under the current information set and assumptions, it is estimated with 70 percent probability that the annual inflation rate will be within 4.5 - 7.1 % range (mid-point: 5.8 %) at the end of 2007 and within 1.3 - 5.0 % range (mid-point: 3.2 %) at the end of 2008. These projections imply that meeting the medium-term target of 4 percent requires maintenance of the tight monetary policy stance.



Risks

The Report also states the likely risks for the medium-term inflation outlook. Firstly, lower-than-expected impact of slowdown in domestic demand on inflation still remains as a risk factor.

Secondly, stickiness in inflation expectations and backward looking price setting which would lead to a higher-than-expected inertia in the disinflation process is considered to be another risk related to the medium-term inflation outlook.

In addition, possible fluctuations in global markets, especially the prevailing uncertainties in the US economy and in global imbalances prevail to be risk factors for inflation outlook.

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

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In case inflation stays stubborn to come down, the current tight monetary policy stance can be maintained for an extended period.

*



CONFERENCE ON THE CURRENT ISSUES IN ECONOMIC GOVERNANCE

The “Conference on the Current Issues in Economic Governance” was held at Bilkent Hotel on April 3-4, 2007. Governor Yılmaz made a welcoming address at the conference. In the beginning of his opening remarks, Governor Yılmaz emphasized that irrespective of the size of system, whether it is a country or a small firm, good governance, as a concept, ensures that the rules of the system are equal, fair and clear to everyone. Yılmaz said that good governance and good institutions are the key determinants of high sustainable growth rates and after 2001, Turkey had launched significant structural changes in its economy and exerted significant efforts of good governance principles and the search for a new institutional framework.

In parallel to this, Governor Yılmaz denoted that the amendment to the Law on the Central Bank of Turkey, which transformed the Bank into a more independent and accountable structure, was the most prominent institutional change.

To find out more: <http://www.tcmb.gov.tr> (Governor’s Remarks)



75th SHAREHOLDERS' ORDINARY MEETING OF THE CBT

75th Shareholders’ Meeting of the CBT was held on April 6, 2007 at the Head Office Conference Hall. In the meeting, balance sheet and profit and loss statement of the year 2006 were approved.

Prof.Dr. Necdet Şensoy, Prof. Dr. Mustafa İbrahim Turhan (again) and Necati Şahin (again) were appointed as the members of the Board of the CBT.

Mehmet Tüfekçi, Prof.Dr. Ekrem Yıldız, Abdullah Yalçın (again) and Mustafa Saim Uysal (again) were appointed as the members of the Auditing Committee.



2007 SPRING MEETINGS OF THE IMF AND THE WORLD BANK

Spring Meetings of the IMF and the World Bank were held in Washington D.C. on April 14 -15, 2007. Governor Yılmaz gave speeches at various meetings related to the Turkish economy and exchanged views with foreign investors.

EXHIBITION OF “SELECTED PAINTINGS FROM THE CBT’S ART COLLECTION; TRACE OF 75 YEARS”

In the context of the 75th anniversary activities of the CBT, 116 paintings, which were selected among 800 paintings of the CBT’s Art Collection, were exhibited at the Contemporary Arts Center in Ankara between March 19 and April 2, 2007. Paintings of 68 famous Turkish artists including Abidin Dino, Bedri Baykam, Bekir Sami Çimen, Burhan Doğançay, Erol Akyavaş, Fikret Mualla, İbrahim Çalli, Komet, Nuri İyem, Şefik Bursalı and Turan Erol were displayed in the exhibition.



WORKING PAPERS

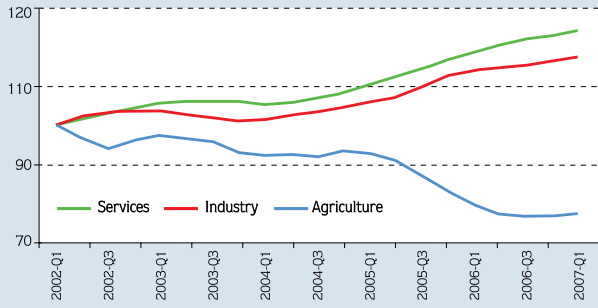
- Exchange Rates and Fundamentals: Is there a Role for Nonlinearities in Real Time? (Kurmaş Akdoğan, Yunus Aksoy, Working Paper No. 07/03, March 2007)

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



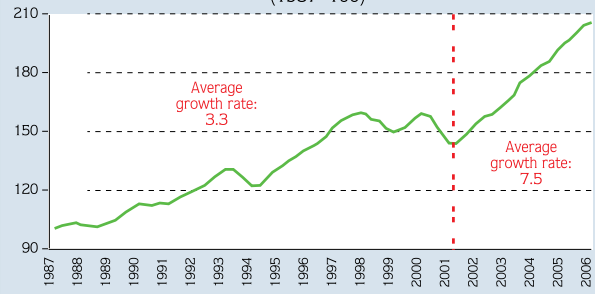
AT A GLANCE

Employment by Sectors, Index
(2002-Q1=100)



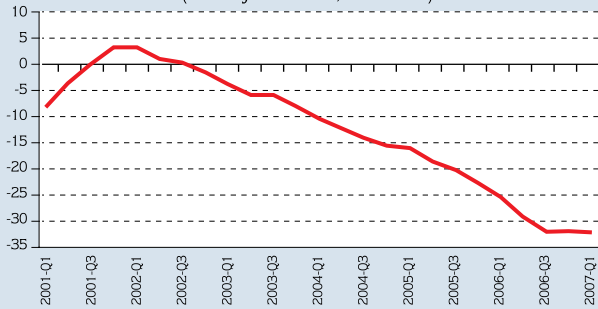
Source: Turkstat

GNP Index
(1987=100)



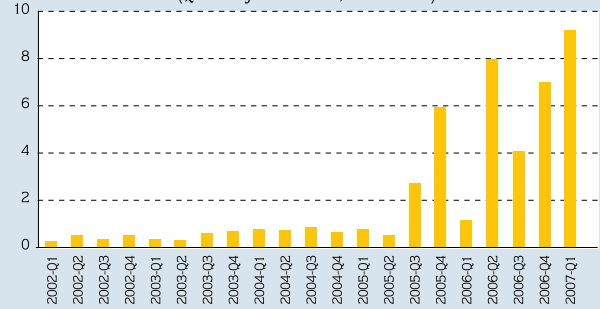
Source: Turkstat

Current Account Balance
(Annually cumulative, billion USD)



Source: CBT

Foreign Direct Investment Inflows
(Quarterly cumulative, billion USD)



Source: CBT

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iletisimbilgi@tcmb.gov.tr

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TURKISH LIRA "ONCE AGAIN" IN 2009

The redenomination of Turkish lira was performed as of January 1, 2005 and the New Turkish Lira banknotes and coins were put into circulation.

Within the scope of adoption of new banknotes and coins, it was stated that the prefix "New" would be removed, and the use of the "TL" would be reintroduced. In this context, Turkish lira banknotes, not bearing the prefix "New" will be put into circulation as of January 1, 2009. New Turkish Lira banknotes, which are currently in circulation, will be withdrawn from circulation as of January 1, 2010.

New Turkish Lira banknotes will be redeemed for a period of ten years starting from January 1, 2010 till the expiration of working hours on December 31, 2019. The banknotes will be worthless as of January 1, 2020.

In this stage of the money reform, security features of the banknotes will be strengthened by using the latest technology and visual aspects of the banknotes will be changed. The banknotes and their features will be announced within the framework of the publicity campaign.

To find out more: www.tcmb.gov.tr (Press Releases)



CBT Interest Rates*	Borrowing	Lending
Overnight (%)	17.50	22.50

CBT Exchange Rates*1	FX Buying	FX Selling
Dollar	1.3259	1.3323
Euro	1.7816	1.7902

* As of May 25, 2007, ¹ Indicative

Central Bank Foreign Exchange Reserves (As of May 18, 2007, Billion USD)	64.41
CPI (Annual % Change, April 2007)	10.72