

**Daily Foreign Exchange Interventions in Emerging Europe:  
Should We Give a Damn?  
The Case of Croatia and Turkey**

**Balázs Égert**

**balazs.egert@oenb.at**

**begert@u-paris10.fr**

This paper studies the impact of daily official foreign exchange interventions on the exchange rates of two EU candidate countries, namely Croatia and Turkey for the periods of 1996 to 2004 and 2001 to 2004, respectively. Drawing on the event study methodology, intervention episodes are identified and their impact on the changes in and the volatility of the foreign exchange rates are analysed. Subsequently, a variety of GARCH models are used to study econometrically the effectiveness of foreign exchange interventions. The results indicate that the event study and the econometric estimations are complementary rather than competing approaches: The combination of the two approaches indicate that both the Croatian and the Turkish central banks were in a position to influence the level of the exchange rate during the period studied, which lends support to the view that sterilised intervention may be effective in emerging market economies. The results also reveal that interventions may cause a rise or a fall in foreign exchange volatility, and that the direction of the effect may depend on the type of intervention and on the specific conditions of the individual interventions.

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