

December 18, 2008

DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: December 18, 2008

Committee Members

Durmuş Yılmaz (Governor), Erdem Başçı, Burhan Göklemmez, M. İbrahim Turhan, Abdullah Yavaş, Mehmet Yörükoğlu.

The Monetary Policy Committee (The Committee) has decided to lower the policy rates as follows:

- a) Overnight Interest Rates: Borrowing rate is decreased from 16.25 percent to 15 percent, while lending rate is decreased from 18.75 percent to 17.50 percent,
- b) Late Liquidity Window Interest Rates: Borrowing rate between 4:00 p.m. – 5:00 p.m. is decreased from 12.25 percent to 11 percent, while lending rate is decreased from 21.75 percent to 20.50 percent,
- c) The interest rate on overnight and one-week maturity borrowing facilities provided for primary dealers via repo transactions is decreased from 17.75 percent to 16.50 percent.

Recent readings indicate that the slowdown in the domestic economic activity has intensified. Ongoing problems in international credit markets and the global economy are expected to continue to restrain both the domestic and external demand for an extended period, putting downward pressure on inflation. Moreover, the developments in oil and other commodity prices are having a favorable impact on disinflation. Looking ahead, the Committee has judged that inflation will display a rapid fall in the forthcoming period. Accordingly, the Committee has decided to lower short-term interest rates by 125 basis points.

Uncertainties regarding the impact of the problems in financial markets on the real economy remain at high levels. The Central Bank will continue to take the necessary measures to contain the adverse effects of the global financial turmoil on the domestic economy, provided that they do not conflict with the price stability objective.

The extent and the timing of the next rate cut will depend on the factors affecting inflation outlook.

It should be emphasized that any new data or information related to the inflation outlook may lead the Committee to revise its stance.

The summary of the Monetary Policy Committee Meeting will be released within eight working days.