

DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: November 19, 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 16.75 percent to 16.25 percent, while lending rate is decreased from 19.75 percent to 18.75 percent,
- b) Late Liquidity Window Interest Rates: Borrowing rate between 4:00 p.m. – 5:00 p.m. is decreased from 12.75 percent to 12.25 percent, while lending rate is decreased from 22.75 percent to 21.75 percent,
- c) The interest rate on overnight and one-week maturity borrowing facilities provided for primary dealers via repo transactions is decreased from 18.75 percent to 17.75 percent.

Recent readings indicate a significant slowdown in domestic economic activity. Ongoing problems in international credit markets and the global economy will continue to restrain both the domestic and external demand for an extended period, limiting the pass-through from exchange rates to domestic prices. Besides, the sharp decline in oil and other commodity prices will have a favorable impact on disinflation. Accordingly, the Committee judges that inflation will display a more rapid fall than envisaged before. In this respect, the Committee has decided to lower the borrowing rates by 50 basis points. Moreover, the margin between the lending and borrowing rates was reduced by a further 50 basis points in order to contain the potential volatility in short term interest rates.

The Committee has underscored the importance of maintaining the smooth functioning of the financial system and the efficiency of credit markets, and has thus decided to implement additional measures regarding the foreign exchange liquidity. 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. Future policy decisions will largely depend on the developments in global markets and their reflections on the domestic markets.

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.