

## **DECISION OF THE MONETARY POLICY COMMITTEE**

Meeting Date: April 16, 2009

### **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 10.50 percent to 9.75 percent, while lending rate is decreased from 13 percent to 12.25 percent,
- b) Late Liquidity Window Interest Rates: Borrowing rate between 4:00 p.m. – 5:00 p.m. is decreased from 6.5 percent to 5.75 percent, while lending rate is decreased from 16 percent to 15.25 percent,
- c) The interest rate on overnight and one-week maturity borrowing facilities provided for primary dealers via repo transactions is decreased from 12 percent to 11.25 percent.

Recent data releases indicate that domestic economic activity has continued to slow down in the first quarter. Problems in international credit markets persist and there are no clear signs of improvement in the outlook for global economy. These developments suggest that the economic activity is not likely to recover anytime soon. Therefore, downward pressures on inflation are expected to continue. Moreover, disinflation is expected to gain pace in the near term, partly driven by the past declines in oil and other commodity prices. In light of these assessments and the partial improvement in risk indicators, the Committee has decided to cut policy rates by 75 basis points.

The Committee has indicated that the rate cuts have lowered the probability of significantly undershooting the end-year inflation target. However, the tightness in financial conditions still persists to some extent, and uncertainties regarding the impact of the problems in financial markets on the real economy remain high, suggesting that downside risks still remain. 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. Looking forward, the Committee envisages that the next rate cut may be measured, and that it may be necessary for the monetary policy to maintain an easing bias for a considerable period.

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.