

THE DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: 23 November 2006

Committee Members Participated in the Meeting

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

The Monetary Policy Committee (Committee) has decided to **keep** short-term interest rates (policy rates) **unchanged** in the Inter-bank Money Market and the Istanbul Stock Exchange Repo-Reverse Repo Market as follows:

a) Overnight Interest Rates: The overnight borrowing interest rate is **17.50** percent, and the overnight lending interest rate is **22.50** percent.

b) Late Liquidity Window Interest Rates: Within the framework of the Late Liquidity Window Facility, the overnight borrowing interest rate valid between 4:00 p.m. – 4:30 p.m. in the Inter-bank Money Market is **13.50** percent, while the lending interest rate is **25.50** percent.

c) The interest rate on overnight and one-week maturity borrowing facilities provided for primary dealer banks via repo transactions within the framework of open market transactions is **21.50** percent.

The Committee considers that the recent data is consistent with the outlook presented in the Inflation Report. The slowdown in the aggregate demand continues as expected. While the private sector demand indicators point to a significant slowdown, the foreign demand remains relatively strong. Inflation expectations continue to improve. However, the factors such as the gap between the medium-term inflation expectations and the targets, the risks related to the services price inflation and the uncertainties in the global economy require the monetary policy to maintain its tight stance. Apart from these issues, the Committee notes, as stated in the “October Price Developments” report, that weather conditions may have a negative impact on November inflation through food prices.

In light of these developments, the Committee assesses that meeting the medium-term inflation targets would necessitate the maintenance of the cautious policy stance. The committee closely monitors the lagged effects of the monetary tightening since June. Moreover, the potential impact of the recent developments in the incomes policy and the non-interest public sector expenditures on inflation and inflation expectations are carefully evaluated. The CBRT will not hesitate to tighten monetary policy in case of any new developments that would have unfavorable effects on the medium-term inflation outlook.

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

A brief summary of the assessments of the Committee will be released within five working days.