

## DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: March 18, 2010

### Committee Members

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

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The Monetary Policy Committee (The Committee) has decided to keep policy rates unchanged as follows:

- a) Overnight Interest Rates: Borrowing rate at 6.50 percent, lending rate at 9 percent,
- b) Late Liquidity Window Interest Rates (between 4:00 p.m. – 5:00 p.m.): Borrowing rate at 2.50 percent, lending rate at 12 percent,
- c) The interest rate on overnight and one-week maturity borrowing facilities provided for primary dealers via repo transactions at 8 percent.

Recent data releases suggest that a moderate recovery in economic activity is ongoing. Domestic demand displays a gradual growth trend while there are still uncertainties regarding the external demand, suggesting that it will take a while before the industry capacity utilization rates return to pre-crisis levels. Although employment conditions continue to improve, unemployment rates remain at high levels.

The Committee has noted that inflation would drop to single digits in March, yet hover significantly above the target for sometime. It would then revert back to a downward trend as the temporary factors taper off starting with the last quarter of the year, and decline to levels consistent with inflation targets by early 2011. Core inflation indicators would increase in the short term, especially in March and April, due to temporary tax cuts of the previous year, but would remain at levels below the target.

Credit markets have continued to improve in response to the monetary easing. However, despite recent improvements, lingering problems across the global economy are not resolved completely. Accordingly, the Committee has reiterated that it would be necessary to keep policy rates at low levels for a long period of time. However, the Central Bank will not hesitate to tighten monetary policy sooner than envisaged in the baseline scenario of the Inflation Report, should the recent increase in inflation expectations lead to a deterioration in price setting behavior.

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.