

## DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: February 16, 2010

### Committee Members

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

**Absent:** M. İbrahim Turhan (on sick leave)

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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 capacity utilization rates return to pre-crisis levels. Although there has been a mild improvement in employment conditions, unemployment rates remain at high levels. Therefore, resource utilization is expected to stay at low levels for some time.

The Committee has indicated that, due to impact of tax adjustments, unprocessed food price increases, and base effects, inflation would continue to rise significantly in February and hover above the target for some time. Core inflation indicators would also increase until mid-year, yet remain below the target throughout the year. In this respect, it has been emphasized that inflation would display a declining trend once the temporary factors taper off.

Credit markets have continued to improve in response to the monetary easing. However, lingering problems across the global economy are not resolved completely and there are still uncertainties regarding the strength of the recovery. Accordingly, the Committee has reemphasized that it would be necessary to keep policy rates at low levels for a long period of time.

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.