

**No: 2007-24**

**13 September 2007**

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

Meeting Date: September 13, 2007

### **Committee Members**

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

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The Monetary Policy Committee (The Committee) decided to **lower the policy rates** as follows:

- a) Overnight Interest Rates: Borrowing rate from 17.50 to 17.25 percent, and lending rate from 22.50 to 22.25 percent,**
- b) Late Liquidity Window Interest Rates: Borrowing rate applied between 4:00 p.m. – 5:00 p.m. from 13.50 to 13,25 percent, lending rate from 25.50 to 22,25 percent,**
- c) The interest rate on overnight and one-week maturity borrowing facilities provided for primary dealers via repo transactions from 21.50 to 21,25 percent.**

Readings on economic activity and inflation are in line with the outlook presented in the July Inflation Report. While private consumption and investment demand exhibits signs of recovery, external demand moderates. Aggregate demand conditions continue to support the disinflation process. The Committee assesses that developments in services inflation have been more favorable than expected. Notwithstanding the risks related to energy and food prices, inflation is expected to further decelerate owing to the lagged effects of strong monetary tightening.

The Committee closely monitors the developments in international liquidity conditions and credit markets. In the meeting, the Committee evaluated the recent data, and assessed that global developments are likely to restrain both the domestic and external demand growth, increasing the downward risks on achieving the 4 percent target in the medium term.

In this respect, the Committee decided that current conditions require launching the measured rate cuts mentioned in the Inflation Report. The Committee underlines that the current monetary policy stance continues to be restrictive. The exact timing and extent of further easing may vary depending on the incoming information regarding global liquidity conditions, external demand, public expenditures and other determinants of medium term inflation outlook.

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

Summary of the Monetary Policy Committee Meeting will be released within eight working days.