

## DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: December 13, 2007

### Committee Members

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

---

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

- a) Overnight Interest Rates: Borrowing rate from **16.25 to 15.75 percent**, and lending rate from **20.75 to 20 percent**,
- b) Late Liquidity Window Interest Rates: Borrowing rate applied between 4:00 p.m. – 5:00 p.m. from **12.25 to 11.75 percent**, lending rate from **23.75 to 23 percent**,
- c) The interest rate on overnight and one-week maturity borrowing facilities provided for primary dealers via repo transactions from **19.75 to 19 percent**.

Third quarter GDP figures suggest a mainly supply-driven slowdown in economic activity. Private domestic demand displays a moderate recovery, yet the slowdown in government expenditures and in external demand contains domestic demand, as anticipated. Therefore, aggregate demand conditions continue to support disinflation. Accordingly, inflation is expected to decelerate despite the risks from food and energy prices.

The Committee, judging the recent rise in inflation as temporary, maintained the policy stance presented in the October Inflation Report, and assessed that, under a measured and cautious rate cut cycle, the risks against attaining the inflation target in the medium run are balanced. Drought and energy related supply shocks not only increase inflation temporarily but also have short term adverse effects on the growth rate. The Committee underlined that the primary goal of the Central Bank is to achieve price stability, and noted that monetary policy remains restrictive even after the recent rate cuts.

The **timing and extent** of further easing will depend on incoming information regarding global liquidity conditions, external demand, fiscal policy implementation and other factors affecting the medium term inflation outlook. Furthermore, potential second round effects of rising food and energy prices are closely monitored.

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

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