

DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: July 15, 2010

Participating Committee Members

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

The Monetary Policy Committee (the Committee) has decided to keep one-week repo auction rate (the policy rate) and overnight rates unchanged as follows:

- a) One-week repo rate (the policy rate) at 7 percent,
- b) Overnight Interest Rates: Borrowing rate at 6.50 percent, lending rate at 9 percent,
- c) 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,
- d) The interest rate on overnight and one-week maturity borrowing facilities provided for primary dealers via repo transactions at 8 percent.

Recent data suggest that the recovery in economic activity is ongoing. While domestic demand is displaying a relatively stable growth, there are signs of a partial slowdown in external demand. Therefore, it would take a while before industrial capacity utilization rates return to pre-crisis levels. Although employment conditions continue to improve, unemployment rates remain at high levels. Moreover, risks regarding global economy persist.

The Committee has indicated that the core inflation indicators remain consistent with the medium term targets. This development, coupled with the fall in unprocessed food prices and easing commodity prices, has led to a more favorable inflation outlook than envisaged in the April Inflation Report.

In light of these developments, the Committee reiterated that it may be necessary to maintain policy rates at current levels for some time, and to keep them at low levels for a long period.

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.