

DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: July 16, 2009

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 lower the policy rates as follows:

- a) Overnight Interest Rates: Borrowing rate is decreased from 8.75 percent to 8.25 percent, while lending rate is decreased from 11.25 percent to 10.75 percent,
- b) Late Liquidity Window Interest Rates: Borrowing rate between 4:00 p.m. – 5:00 p.m. is decreased from 4.75 percent to 4.25 percent, while lending rate is decreased from 14.25 percent to 13.75 percent,
- c) The interest rate on overnight and one-week maturity borrowing facilities provided for primary dealers via repo transactions is decreased from 10.25 percent to 9.75 percent.

Recent data releases signal that the recovery in domestic economic activity will be slow and protracted. Although there are signs of partial improvement in private consumption spending, its strength and resilience remain to be seen. External demand remains weak, domestic investment demand continues to contract, and labor market conditions are not expected to recover in the near term. Therefore, inflation is expected to remain at low levels for a long period of time.

The tightness in financial conditions continues to some extent, and uncertainties regarding the impact of the problems in financial markets on the real economy persist, suggesting that downside risks still remain. Therefore, the Committee reiterates that it will be necessary for the monetary policy to maintain an easing bias for a long period of time and envisages that further measured rate cuts will be necessary in the short term unless there is a robust recovery in the economic activity.

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.