

DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: March 23, 2011

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 the policy rates constant at the following levels:

- a) One-week repo rate (the policy rate) at 6.25 percent,
- b) Overnight Interest Rates: Borrowing rate at 1.50 percent, lending rate at 9 percent, the interest rate on borrowing facilities provided for primary dealers via repo transactions at 8 percent,
- c) Late Liquidity Window Interest Rates (between 4:00 p.m. – 5:00 p.m.): Borrowing rate at 0 percent, lending rate at 12 percent.

Recent releases on economic activity have been consistent with the outlook presented in the January Inflation Report. Economic activity continues to strengthen amid increasing domestic demand, while external demand remains relatively weak despite the recent pick up. Employment conditions continue to improve, though, unemployment rates remain at high levels. However, oil and other commodity prices hover above the Inflation Report assumptions. Accordingly, core goods inflation would continue to increase for sometime, while services inflation is expected to display a more benign path.

Although the measures taken by the Central Bank since November are expected to have an impact on credit volume and domestic demand starting with the second quarter, some additional increase in reserve requirement is deemed necessary for macroprudential purposes. In this respect, the Committee believes that today's decision on reserve requirements also provides the monetary tightening required for containing the potential second round effects of the recent increases in oil and other commodity prices.

In light of these assessments, in order to contain the risks towards price stability and financial stability, the Committee has decided to monitor the tightening impact of the implemented policy mix—a low policy rate, a wide interest corridor and high reserve requirement ratios—and take additional measures along the same lines, if needed.

It should be emphasized that any new data or information may lead the Committee to revise its stance.

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