

## DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: November 14, 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 **16.75 to 16.25 percent**, and lending rate from **21.50 to 20.75 percent**,
- b) Late Liquidity Window Interest Rates: Borrowing rate applied between 4:00 p.m. – 5:00 p.m. from **12.75 to 12.25 percent**, lending rate from **24.50 to 23.75 percent**,
- c) The interest rate on overnight and one-week maturity borrowing facilities provided for primary dealers via repo transactions from **20.50 to 19.75 percent**.

Readings on economic activity and inflation are in line with the outlook presented in the October Inflation Report. While the demand for private consumption and investment displays recovery, external demand moderates. Aggregate demand conditions continue to support disinflation. In fact, inflation excluding food has maintained its favorable course. Yet, hikes in administered prices may delay the disinflation process in the short term. Notwithstanding the risks related to energy and food prices, inflation is expected to slow down in the medium term owing to the lagged effects of strong monetary tightening.

In light of these developments, the Committee decided to cut the borrowing rates by **50 basis points**, and lending rates by **75 basis points**. It should be underlined that the current level of short-term interest rates remains restrictive even after the recent rate cuts. The Committee maintained the policy stance in the October Inflation Report, and assessed that the risks against attaining the inflation target in the medium run are balanced under a measured and cautious rate cut cycle. The potential second round effects of rising food and energy prices, however, should be closely monitored. The **timing and extent** of further easing will depend on incoming information regarding global liquidity conditions, external demand, public expenditures and other determinants of the 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.

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