

## DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: July 12, 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 **keep** short-term interest rates (policy rates) **unchanged** as follows:

- a) Overnight Interest Rates: Borrowing rate at **17.50** percent, and lending rate at **22.50** percent,
- b) Late Liquidity Window Interest Rates: Borrowing rate applied between 4:00 p.m. – 5:00 p.m. at **13.50** percent, lending rate at **25.50** percent,
- c) The interest rate on overnight and one-week maturity borrowing facilities provided for primary dealers via repo transactions at **21.50** percent.

While the developments in energy and food prices, public expenditures, and external demand since the last quarter of 2006 restrain the disinflation process, domestic demand and inflation continue to decelerate owing to the lagged effects of strong monetary tightening. These developments are broadly in line with the April Inflation Report. Therefore, adhering to the outlook presented in the Report, the Committee envisions a measured easing starting from the last quarter of 2007. The exact timing and extent of the easing will depend on the incoming information regarding external demand, public expenditures and other determinants of medium term inflation outlook.

Moreover, considering the current levels of liquidity, the Committee assessed that the Central Bank Liquidity Bills—in addition to the current tools used in open market operations—could be used to enhance the effectiveness of liquidity management when necessary.

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

Summary of the Monetary Committee Meeting will be released within eight working days.