

DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: January 14, 2010

Committee Members

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

Absent: Abdullah Yavaş (on duty)

The Monetary Policy Committee (The Committee) has decided to keep policy rates unchanged as follows:

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

Recent data releases suggest that the moderate recovery in the economic activity is ongoing. However, there are still uncertainties regarding the aggregate demand, and the capacity utilization and employment conditions are expected to take a long time to fully recover. The Committee has indicated that inflation would rise significantly in the next two months due to tax adjustments and base effects, hovering above the target for some time. Yet, the underlying trend implied by core inflation indicators is expected to remain at levels consistent with medium term targets. In this respect, it has been emphasized that inflation would display a declining trend once the temporary factors die out.

The Committee has noted that credit markets have continued to improve in response to the monetary easing and the improvements in global risk perceptions. However, lingering problems across the global economy are not resolved completely and there are still uncertainties regarding the strength of the recovery. Accordingly, the Committee has emphasized that it would be necessary to keep policy rates at low levels for a long period of time.

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.