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19 August 2010

DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: August 19, 2010

Participating Committee Members

Durmuş Yılmaz (Governor), Erdem Başçı, Burhan Göklemez, Turalay Kenç,
M. İbrahim Turhan, Abdullah Yavaş, Mehmet Yörüköglu.

The Monetary Policy Committee (the Committee) has decided to keep one-week repo auction rate (the policy rate) and overnight rates unchanged as follows:

- a) One-week repo rate (the policy rate) at 7 percent,
- b) Overnight Interest Rates: Borrowing rate at 6.50 percent, lending rate at 9 percent,
- c) 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,
- d) The interest rate on overnight and one-week maturity borrowing facilities provided for primary dealers via repo transactions at 8 percent.

Recent data releases are in line with the outlook presented in the July Inflation Report. There are signs of a partial slowdown in the external demand, while domestic demand displays a relatively stable outlook. Therefore, it would take a while before industrial capacity utilization rates return to their pre-crisis levels. Although employment conditions continue to improve, unemployment rates remain at high levels. Moreover, risks regarding the global economy remain significant.

The Committee has restated that inflation would increase temporarily in the short term before reverting to a declining path starting from the last quarter of the year. Core inflation indicators are expected to remain consistent with the medium-term targets.

In light of these developments, the Committee reiterated that it would be necessary to maintain policy rates at current levels for some time, and to keep them at low levels for a long period.

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.