

DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: September 18, 2008

Committee Members

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

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

- a) Overnight Interest Rates: Borrowing rate at 16.75 percent, and lending rate at 20.25 percent,
- b) Late Liquidity Window Interest Rates (between 4:00 p.m. – 5:00 p.m.): Borrowing rate at 12.75 percent, lending rate at 23.25 percent,
- c) The interest rate on overnight and one-week maturity borrowing facilities provided for primary dealers via repo transactions at 19.25 percent.

Recent readings indicate a significant slowdown in domestic economic activity. Ongoing problems in international credit markets and the global economy continue to restrain both the domestic and external demand. Moreover, favorable outlook in food prices and the sharp decline in oil prices will support disinflation. Accordingly, inflation is expected to continue to fall gradually in the forthcoming period.

The Committee assessed that the course of oil and food prices has been closer to the optimistic scenario outlined in the July Inflation Report and reiterated that the current level of the policy rate is supportive of disinflation. Therefore, a measured rate cut will be considered should the favorable outlook in inflation and commodity prices continue. Yet, recently heightened uncertainties in the global financial markets require monetary policy to remain cautious. Future decisions on policy rates will depend on domestic and external demand, developments in global markets, fiscal policy implementation, and other factors affecting the medium term inflation outlook.

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.