

DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: December 17, 2009

Committee Members

Durmuş Yılmaz (Governor), Erdem Başçı, Burhan Göklemmez, Turalay Kenç,
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 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 indicate a moderate pace of recovery in the economic activity. However, there are still uncertainties regarding the aggregate demand, and the employment conditions are expected to take a long time to fully recover. Therefore, resource utilization, hence inflation, is expected to stay around low levels in the medium term. The Committee has stated that strong base effects would be observed in forthcoming periods. This would lead to a significant increase in annual inflation, especially in December, yet core inflation would remain at low levels.

The Committee notes that the cumulative policy rate cuts implemented since November 2008 and the improvements in global risk perceptions have started to exert favorable effects on credit markets. However, lingering problems across the global economy are not resolved completely and there are still uncertainties regarding the strength of the recovery. Accordingly, in line with the policy stance presented in the Inflation Report, 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.