

DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: August 18, 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 lower the policy rates as follows:

- a) Overnight Interest Rates: Borrowing rate is decreased from 8.25 percent to 7.75 percent, while lending rate is decreased from 10.75 percent to 10.25 percent,
- b) Late Liquidity Window Interest Rates: Borrowing rate between 4:00 p.m. – 5:00 p.m. is decreased from 4.25 percent to 3.75 percent, while lending rate is decreased from 13.75 percent to 13.25 percent,
- c) The interest rate on overnight and one-week maturity borrowing facilities provided for primary dealers via repo transactions is decreased from 9.75 percent to 9.25 percent.

Recent data releases indicate that the ongoing recovery in economic activity will be gradual and protracted. External demand remains weak, domestic investment demand continues to contract, and labor market conditions do not display a significant improvement. Moreover, recent developments have increased the uncertainty regarding the strength of the consumption recovery. Therefore, in line with the perspective outlined in the Inflation Report, inflation is expected to remain at low levels for a long period of time.

The tightness in financial conditions continues to some extent, and uncertainties regarding the impact of the problems in financial markets on the real economy persist, suggesting that downside risks still remain. Therefore, the Committee reiterates that it will be necessary for monetary policy to maintain an easing bias for a long period of time and envisages that further measured rate cuts will be necessary in the short term unless there is a robust recovery in the economic activity.

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.