

DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: January 15, 2009

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 lower the policy rates as follows:

- a) Overnight Interest Rates: Borrowing rate is decreased from 15 percent to 13 percent, while lending rate is decreased from 17.50 percent to 15.50 percent,
- b) Late Liquidity Window Interest Rates: Borrowing rate between 4:00 p.m. – 5:00 p.m. is decreased from 11 percent to 9 percent, while lending rate is decreased from 20.50 percent to 18.50 percent,
- c) The interest rate on overnight and one-week maturity borrowing facilities provided for primary dealers via repo transactions is decreased from 16.50 percent to 14.50 percent.

Recent readings indicate that the slowdown in the domestic economic activity has further intensified. Latest forecasts suggest that ongoing problems in international credit markets and the global economy will last longer than previously envisaged. Therefore, downward pressures on both domestic and external demand and inflation will continue. Moreover, significant drops in oil and other commodity prices are having a favorable impact on disinflation. The Committee predicts that inflation will be close to the target by mid-2009, and that the probability of undershooting the target by the end of the year has increased.

The Committee has judged that moving forward a sizeable portion of the rate cuts envisaged for the coming months would help offset the tightening in financial conditions. The Central Bank will continue to take the necessary measures to contain the adverse effects of the global financial turmoil on the domestic economy, provided that they do not conflict with the price stability objective. Uncertainties regarding the impact of the problems in financial markets on the real economy remain at high levels. The extent and the timing of a possible future rate cut will depend on the factors affecting 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.