

## DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: May 14, 2009

### Committee Members

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

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The Monetary Policy Committee (The Committee) has decided to lower the policy rates as follows:

- a) Overnight Interest Rates: Borrowing rate is decreased from 9.75 percent to 9.25 percent, while lending rate is decreased from 12.25 percent to 11.75 percent,
- b) Late Liquidity Window Interest Rates: Borrowing rate between 4:00 p.m. – 5:00 p.m. is decreased from 5.75 percent to 5.25 percent, while lending rate is decreased from 15.25 percent to 14.75 percent,
- c) The interest rate on overnight and one-week maturity borrowing facilities provided for primary dealers via repo transactions is decreased from 11.25 percent to 10.75 percent.

Recent data releases point to a partial recovery in private consumption demand. However, problems in international credit markets persist and there are no significant signs of improvement in the outlook for global economy. External demand remains weak while domestic investment demand continues to contract. These developments suggest that the economic activity and employment are not likely to recover anytime soon. Therefore, downward pressures on inflation are expected to prevail for some time. Moreover, past declines in oil and other commodity prices inflation are likely to further contribute to disinflation in the near term. In light of these assessments, the Committee believes that recent developments are consistent with the outlook presented in the April Inflation Report and has decided to cut policy rates by 50 basis points.

The Committee has indicated that the rate cuts have lowered the probability of significantly undershooting the medium term inflation targets. However, the tightness in financial conditions still persists 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. Looking forward, the Committee envisages that the next rate cut may be measured, and that it seems necessary for the monetary policy to maintain an easing bias for a considerable period.

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.

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.