

DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: April 13, 2010

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 suggest that the recovery in economic activity is ongoing. Domestic demand is following a gradual growth trend despite lingering uncertainty regarding external demand, suggesting that it would take a while before industrial capacity utilization rates return to pre-crisis levels. Although employment conditions continue to improve, unemployment rates remain at high levels.

The Committee has noted that annual inflation rate would hover significantly above the target for sometime before reverting back to a downward trend as the temporary factors taper off starting in the last quarter of the year. Inflation rate would converge to levels consistent with the targets by early 2011. Core inflation indicators would increase in April as well, due to temporary tax cuts of the previous year, but would continue to remain at levels below the target. The Committee has indicated that elevated levels of inflation, albeit temporary, warrants close monitoring of price setting behavior.

Observing these developments and the normalization in the money and credit markets, the Committee has decided to gradually remove the liquidity measures implemented during the crisis. However, despite recent improvements, lingering problems across the global economy are not resolved completely. Accordingly, the Committee has stated that it may be necessary to maintain policy rates at current levels for some time, and to keep them at low levels for a long period.

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.