

DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: November 19, 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 6.75 percent to 6.50 percent, while lending rate is decreased from 9.25 percent to 9 percent,
- b) Late Liquidity Window Interest Rates: Borrowing rate between 4:00 p.m. – 5:00 p.m. is decreased from 2.75 percent to 2.50 percent, while lending rate is decreased from 12.25 percent to 12 percent,
- c) The interest rate on overnight and one-week maturity borrowing facilities provided for primary dealers via repo transactions is decreased from 8.25 percent to 8 percent.

Recent data releases indicate that, in line with the Committee's previous assessments, the ongoing recovery in economic activity will be gradual and protracted. External demand and domestic investment demand remain weak. Moreover, consumption demand has displayed a weaker course, after having increased markedly during the second quarter. Indicators on labor market suggest that it will take a long time for the employment conditions to fully recover. Although headline annual inflation could display some upward movements through mid-2010 due to strong base effects, resource utilization, and hence inflation, is expected to hover around low levels. Accordingly, the Committee has indicated that the monetary policy stance outlined in the Inflation Report would be maintained.

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. Taking these factors into account, the Committee has reiterated that it would be necessary for the monetary policy to maintain an easing bias for a long period of time. The Committee has also indicated that future rate decisions would be conditional on economic data and developments.

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.