

**DECISION OF THE MONETARY POLICY COMMITTEE**

Meeting Date: March 15, 2007

**Committee Members**

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

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The Monetary Policy Committee (The Committee) has decided to **keep** short-term interest rates (policy rates) **unchanged** as follows:

- a) Overnight Interest Rates: Borrowing rate at **17.50** percent, and lending rate at **22.50** percent,
- b) Late Liquidity Window Interest Rates: Borrowing rate applied between 4:00 p.m. – 4:30 p.m. at **13.50** percent, lending rate at **25.50** percent,
- c) The interest rate on overnight and one-week maturity borrowing facilities provided for primary dealers via repo transactions at **21.50** percent.

The Committee evaluates the recent data as broadly consistent with the outlook presented in the January Inflation Report. While the slowdown in private consumption demand continues, foreign demand remains relatively strong. Aggregate demand conditions continue to support disinflation. Against this background, the disinflation trend is expected to become discernible starting from the second quarter of 2007. Nevertheless, prevailing uncertainties in the global economy, the gap between inflation expectations and the targets, and the risks related to services price inflation necessitate keeping the tight policy stance. The Committee also noted the possible effects of administered price hikes on March inflation, which was highlighted in the previous meeting.

In light of these developments, the Committee assesses that meeting the medium term inflation targets requires the maintenance of the cautious policy stance. The Committee closely monitors the lagged effects of the monetary tightening since June 2006. Moreover, the potential impacts of the progress in the structural reform agenda and the developments in incomes policy as well as public sector non-interest expenditures on inflation and inflation expectations are carefully evaluated. Should any adverse developments affecting the medium-term inflation outlook presented in the January Inflation Report arise, the Central Bank will not hesitate to further tighten the monetary policy stance.

A brief summary of the assessments of the Committee will be released within eight working days.