

DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: August 14, 2007

Committee Members

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

The Monetary Policy Committee (The Committee) 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. – 5:00 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.

Recent developments in economic activity and inflation are in line with the outlook presented in the July Inflation Report. While private consumption and investment demand exhibit signs of recovery, external demand moderates. Aggregate demand conditions continue to support the disinflation process. The Committee notes the favorable developments in the services inflation since the beginning of 2007. Notwithstanding the risks related to energy and food prices, inflation continues to decelerate owing to the lagged effects of strong monetary tightening. The Committee closely monitors the developments in the international liquidity conditions and the credit markets, and assesses that these developments have not changed the inflation outlook at this point.

In this respect the Committee maintains the policy stance outlined in the Inflation Report, and thus envisions a measured easing starting from the last quarter of 2007. However, the exact timing and extent of the easing may vary depending on the incoming information regarding global liquidity conditions, external demand, public expenditures and other determinants of medium term inflation outlook.

It should be emphasized that any new data or information related to the inflation outlook will lead the Committee to reconsider its stance.

Summary of the Monetary Policy Committee Meeting will be released within eight working days.