

**DECISION OF THE MONETARY POLICY COMMITTEE**

Meeting Date: August 14, 2008

**Committee Members**

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

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The Monetary Policy Committee (The Committee) has decided to keep policy rates unchanged as follows:

- a) Overnight Interest Rates: Borrowing rate at 16.75 percent, and lending rate at 20.25 percent,
- b) Late Liquidity Window Interest Rates (between 4:00 p.m. – 5:00 p.m.): Borrowing rate at 12.75 percent, lending rate at 23.25 percent,
- c) The interest rate on overnight and one-week maturity borrowing facilities provided for primary dealers via repo transactions at 19.25 percent.

Recent readings indicate that domestic economic activity has continued to moderate. Ongoing problems in international credit markets and global economy continue to restrain the aggregate demand, while easing domestic uncertainties will support domestic demand. Moreover, oil prices have followed a significantly lower course than the levels assumed in the baseline scenario in the July Inflation Report and other commodity prices also displayed a downward course, improving the near-term inflation outlook. Overall, inflation is expected to fall gradually in the forthcoming period.

Considering the monetary tightening since May, the Committee believes that the current level of the policy rate is supportive of disinflation. Yet, prevailing risks regarding the price setting behavior and ongoing global uncertainties require monetary policy to remain cautious and to be more responsive to incoming data. Future decisions on policy rates will depend on developments in global markets, external demand, fiscal policy implementation, and other factors affecting the medium term inflation outlook.

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.