

DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: February 15, 2011

Participating 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 the policy rates constant at the following levels:

- a) One-week repo rate (the policy rate) at 6.25 percent,
- b) Overnight Interest Rates: Borrowing rate at 1.50 percent, lending rate at 9 percent, the interest rate on borrowing facilities provided for primary dealers via repo transactions at 8 percent,
- c) Late Liquidity Window Interest Rates (between 4:00 p.m. – 5:00 p.m.): Borrowing rate at 0 percent, lending rate at 12 percent.

Recent releases on economic activity have been consistent with the outlook presented in the January Inflation Report. Economic activity continues to recover amid increasing domestic demand, while external demand remains relatively weak despite the recent pick up. Employment conditions continue to improve, yet, unemployment rates remain at high levels. Inflation is expected to further decline in February, display some fluctuations starting with the second quarter, and end the year at a level close to the January Inflation Report forecast.

The measures taken by the Central Bank since November are reducing macro-financial risks by leading to a more balanced growth path, mainly through a slowdown in import growth. Moreover, the monetary tightening would restrain the demand side pressures on inflation. However, the Committee also notes that rising energy and other commodity prices pose supply side risks on the inflation outlook.

In light of these assessments, in order to contain the risks towards price stability and financial stability, the Committee has decided to monitor the tightening impact of the implemented policy mix—a low policy rate, a wide interest corridor and high reserve requirement ratios—until the next meeting, and take additional measures along the same line, if needed.

It should be emphasized that any new data or information may lead the Committee to revise its stance.

The summary of the Monetary Policy Committee Meeting will be released within five working days.