

**No: 2006-28**

**June 21, 2006**

**DECISION OF THE MONETARY POLICY COMMITTEE**

*Meeting Date: 20 June 2006*

***Committee Members Who Participated in the Meeting***

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

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The Monetary Policy Committee has decided to **keep** short-term interest rates (policy rates) **unchanged** at the CBRT Interbank Money Market and the Istanbul Stock Exchange Repo-Reverse Repo Market as follows:

a) Overnight Interest Rates: The CBRT borrowing interest rate is **15 percent** and the CBRT lending interest rate is **18 percent**.

b) Late Liquidity Window Interest Rates: Within the framework of the Late Liquidity Window Facility, the CBRT overnight borrowing interest rate applicable between 4:00 p.m. – 4:30 p.m. at Interbank Money Market is **11 percent** and lending interest rate is **21 percent**.

c) The interest rates applicable to overnight and one-week maturity borrowing facilities provided for primary dealer banks via repo transactions within the framework of open market transactions are **17 percent**.

The Committee perceives that there has been no significant change in the medium-term inflation outlook since the last meeting held on 7 June 2006. It is considered that the rise in annual inflation due to recent volatility of exchange rate may continue also in June and July. However, it is expected that the indirect effects of exchange rate movements on the inflation will remain contained along with the slow-down in domestic demand in the following months. Moreover, the fact that the adverse impact of factors that are beyond the control of monetary policy on inflation are likely to ease in the next period indicates that the downward trend in annual inflation could begin before 2007.

In line with these assessments, the policy stance adopted in the earlier meeting has been preserved. Hence, policy decisions will be based on a perspective in which inflation would converge to the target towards the end of 2007. In this framework, our outlook is based on anticipated downward trend of policy rates, accompanied by the envisioned decline in inflation in the medium-term.

In light of currently available information, the policy rates are less likely to rise than to stay stable in the short-term. However, it should be underlined that the monetary policy will surely respond if there are strong indications that the inflation could considerably deviate from the targets in the medium-term. In this context, in the upcoming period, the developments that could disrupt medium-term expectations, the international liquidity conditions, and the pricing behaviors will be closely monitored.

The Central Bank will not hesitate to adopt a tighter stance in the monetary policy, if needed.

It should be emphasized that any new data or information associated with the inflation outlook will potentially lead the Monetary Policy Committee to revise its future stance.

A broader summary of the assessments of the Monetary Policy Committee will be published within five working days.