

DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: September 17, 2013

Participating Committee Members

Erdem Başçı (Governor), Ahmet Faruk Aysan, Murat Çetinkaya, Turalay Kenç, Necati Şahin, Abdullah Yavaş, Mehmet Yörükoğlu.

The Monetary Policy Committee (the Committee) has decided to keep the short term interest rates constant at the following levels:

- a) One-week repo rate (the policy rate) at 4.5 percent,
- b) Overnight Interest Rates: Borrowing rate at 3.5 percent, lending rate at 7.75 percent, and the interest rate on borrowing facilities provided for primary dealers via repo transactions at 6.75 percent.
- c) Late Liquidity Window Interest Rates (between 4:00 p.m. – 5:00 p.m.): Borrowing rate at 0 percent, lending rate at 10.25 percent.

Recent data suggest that final domestic demand and exports continue to grow at a moderate pace. The current policy framework is improving the current account balance. The weakness in capital flows, cautious monetary policy stance and the macroprudential measures undertaken will gradually bring down the loan growth rates to more reasonable levels. Accordingly, gradual decline in the current account deficit excluding gold trade is expected to continue.

Inflation is expected to fall further in the forthcoming period. However, core inflation indicators are likely to hover above the inflation target for some time due to the exchange rate volatility observed during the recent months. The impact of these developments on the pricing behavior is closely monitored. The Committee will maintain the cautious monetary policy stance and implement additional monetary tightening at the appropriate frequency until the medium term inflation outlook is in line with the medium term targets.

Developments regarding price stability and financial stability will be closely monitored and necessary adjustments will continue to be made in the composition of Turkish lira liquidity provided by the Central Bank. Meanwhile, in order to contain the repercussions of uncertainties in global monetary policies on the domestic economy, increasing the predictability of the Turkish lira liquidity policy is deemed important.

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.