



**TÜRKİYE CUMHURİYET  
MERKEZ BANKASI**

# **Monetary and Exchange Rate Policy for 2014**

**Erdem BAŞÇI  
Governor**

**December 24, 2013  
Ankara**

# Main Objective: Price Stability

- The CBRT's main objective is to achieve price stability.
- To this end, the inflation target for 2016 is set as 5 percent as per the agreement reached with the government.

# Liquidity Policy in 2014

1. Turkish lira liquidity policy
2. FX liquidity policy

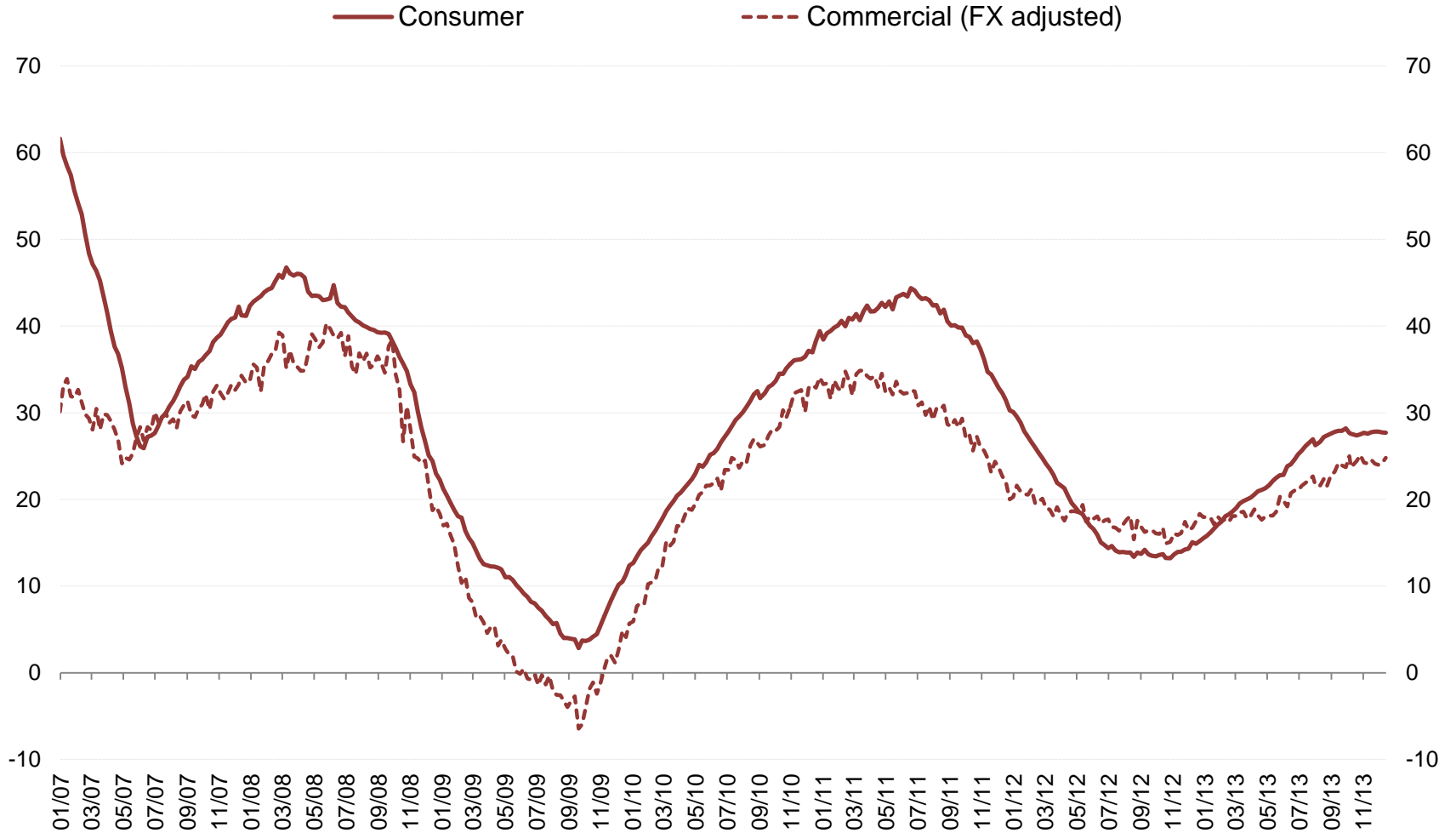
# Objectives and Tools for Stability-1

**Objective:** To avoid the excessive growth in consumer loans.

**Tools:**

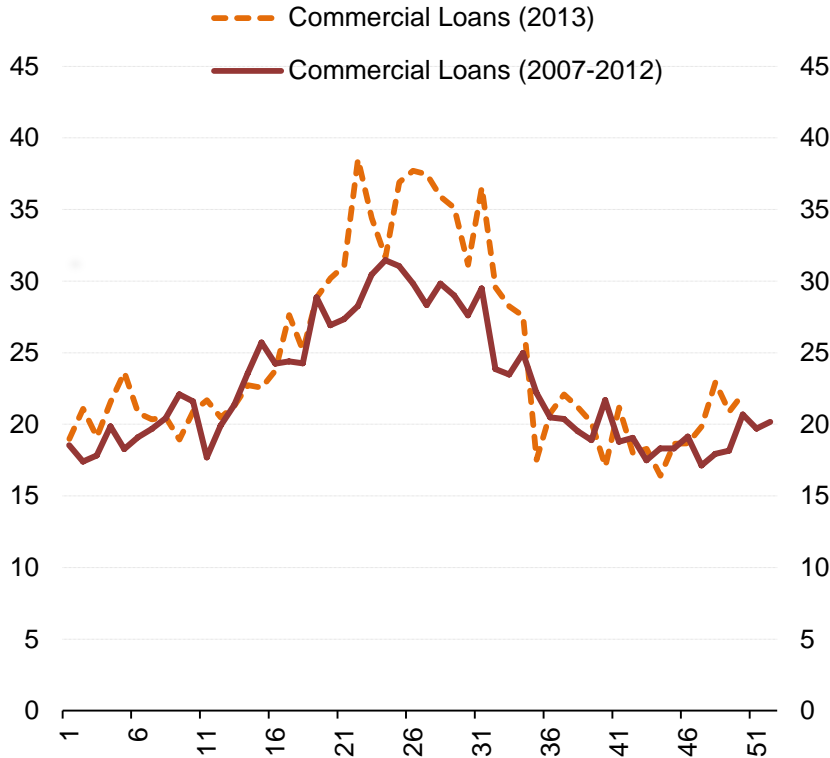
- BRSA's recent macroprudential measures.
- CBRT's liquidity program.

# Consumer Loans and Commercial Loans (Yearly Percent Change)



# Consumer Loans and Commercial Loans

**Loan Growth Trend\***  
(13 Week Annualized Moving Average, Percent Change)



\*The annual growth rate of credit stock is calculated as the 52nd power of 13-week moving average of weekly growth rate.  
Source: CBRT.

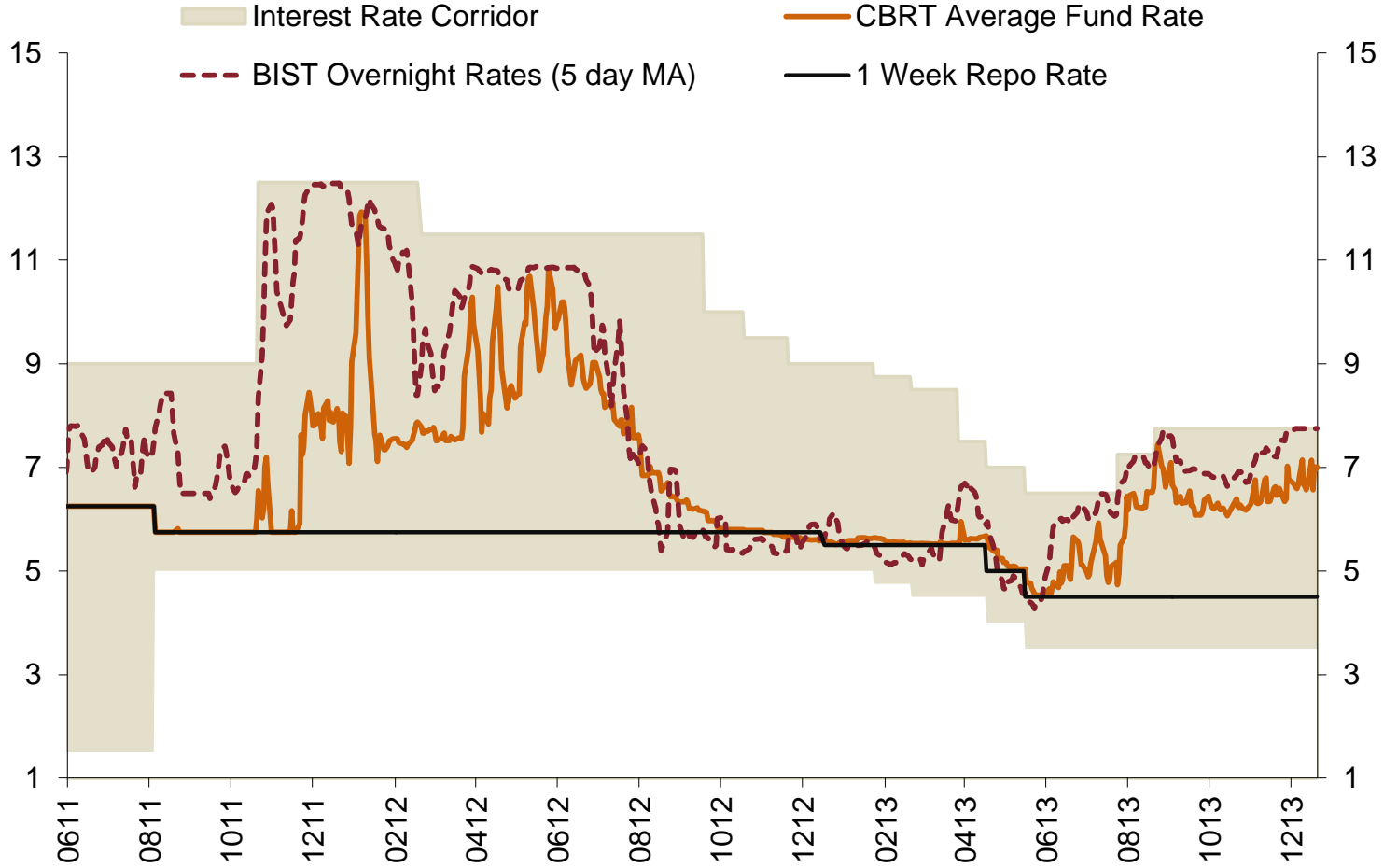
# Policy Interest Rates

1. **Marginal Funding Rate (MFR)**, which is the reference rate
  - Central Bank overnight lending rate
  - Allocation: Full allotment against valid collateral
  - Current Interest Rate: % 7.75
2. **Stable Funding Rate-1 (SFR-1)**
  - 1-week repo rate
  - Allocation: Proportional to Turkish lira required reserves<sup>1</sup>
  - Current Interest Rate: % 4.50
3. **Stable Funding Rate-2 (SFR-2)**
  - Central Bank overnight lending rate for primary dealers via repo transactions
  - Allocation: According to the formula for primary dealers<sup>2</sup>
  - Current Interest Rate: % 6.75

<sup>1</sup> Starting from January 06, 2014.

<sup>2</sup> The press release No. 15, dated July 06, 2007 and the press release No. 63, dated December 17, 2013.

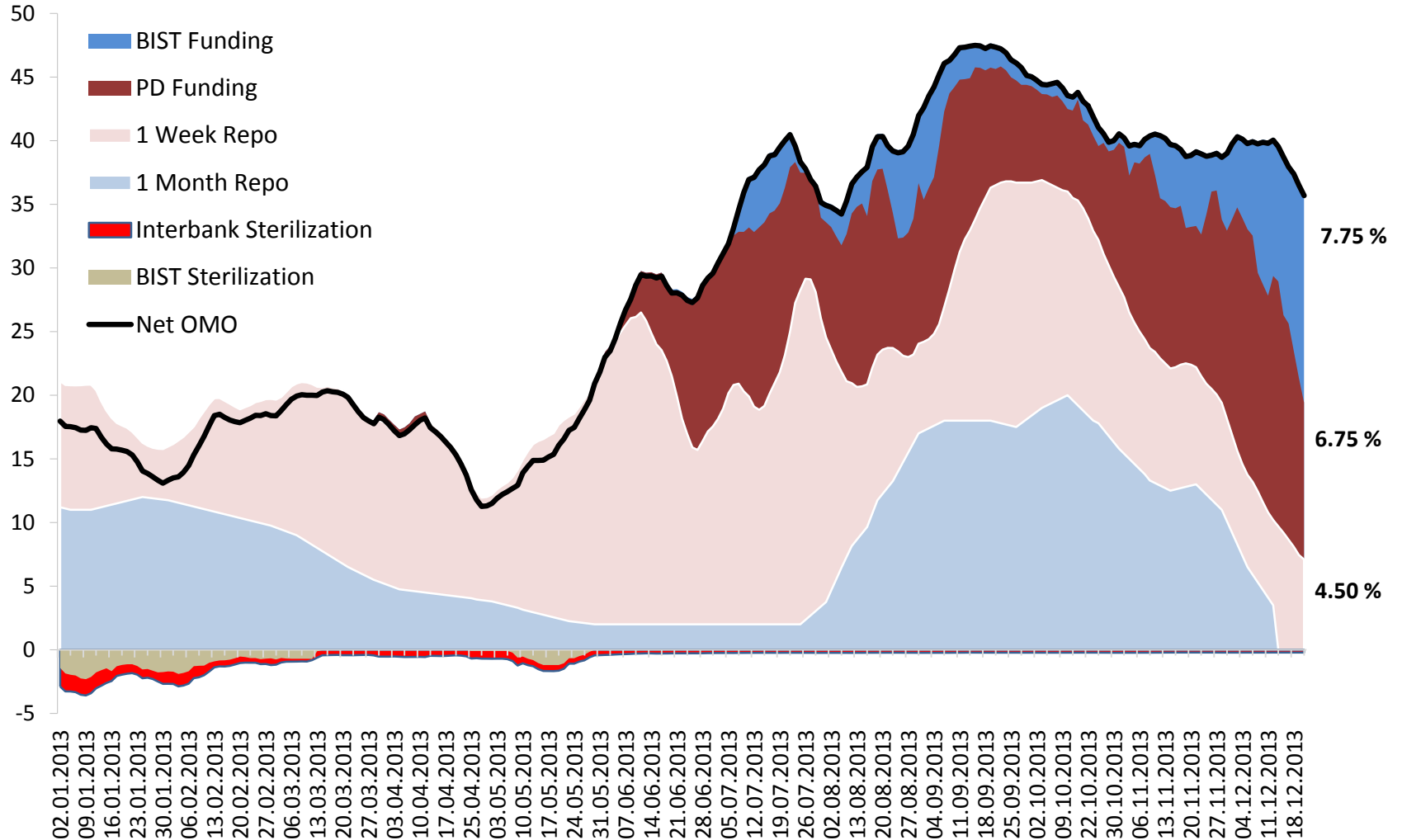
# Policy Interest Rates





# Composition of CBRT Funding (2 Week Moving Average)

Billion TL



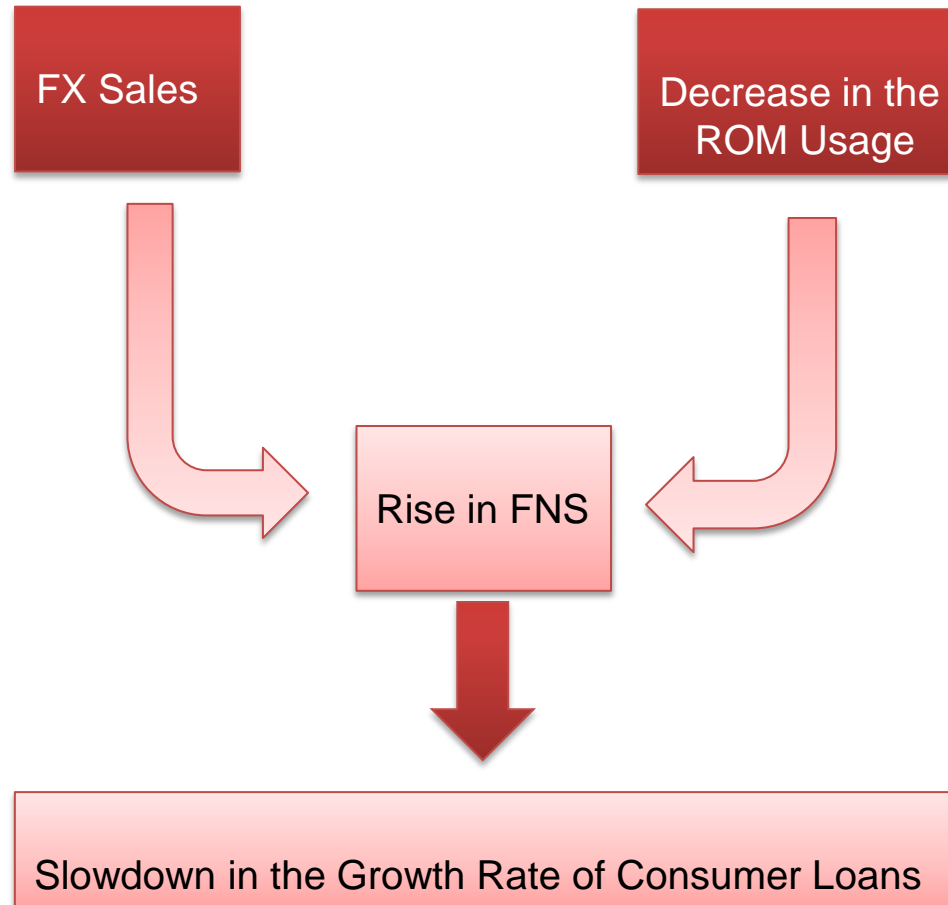
# Consequences of Liquidity Policy

«Will contribute to channel loan growth from consumer loans to commercial loans.»

To this aim:

1. Funding Need of the System (FNS) will be increased (via ROM and FX sales),
2. Maturity of the funding will be shortened (via 1 week and 1 day),
3. Intermediation costs will be decreased gradually (with the rise of FNS, also taking into account the pace of credit growth, funding from stable funding rate-1 will be increased in accordance with the Committee's rate guidance).

# Relationship between FX Transactions and FNS

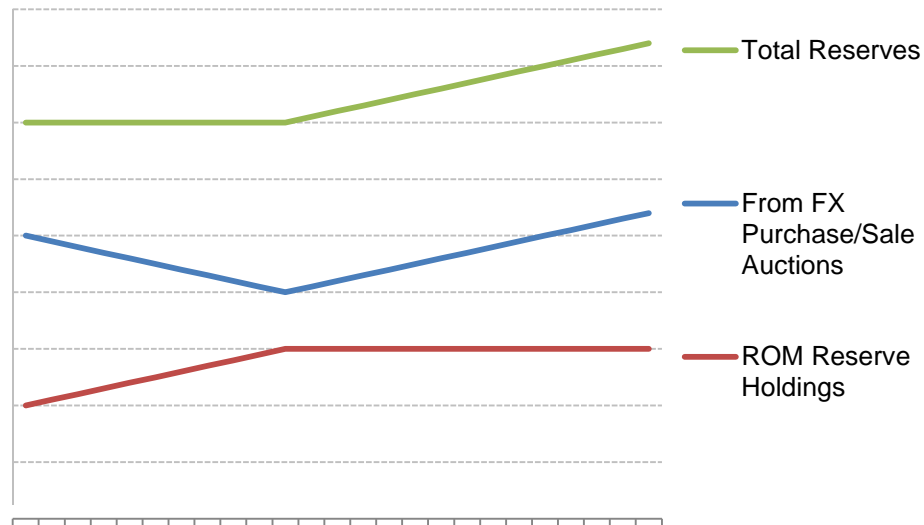


# FX Liquidity Policy

- Regular FX sale auctions will be continued as needed.
- Reserve options coefficients will be increased gradually.

As a result, FNS will gradually increase and growth rate of consumer loans will slow down.

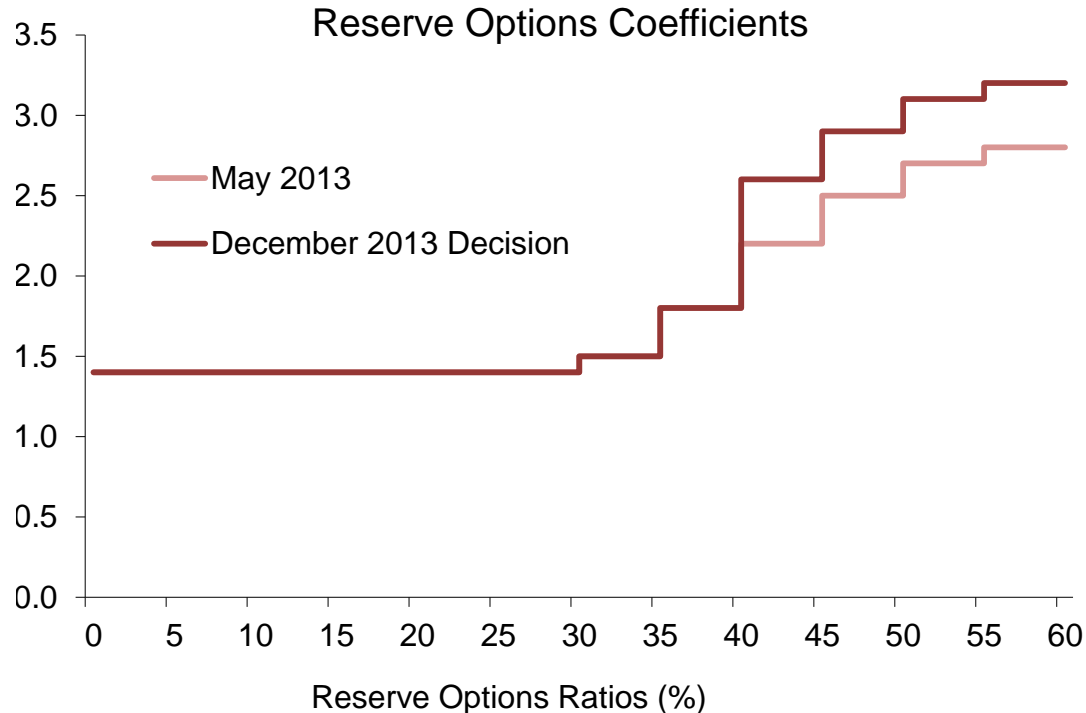
FX reserves are expected to follow the below pattern throughout the year.



# FX Liquidity Policy

FX liquidity of approximately USD 1 billion will be provided to the system via simplifications in reserve requirements.

Moreover, as a first step related to ROM, reserve options coefficients are increased by 0.4 points for the 40 % - 60 % tranches.



# Objectives and Tools for Stability-2

## Objective:

- To decrease the volatility in the markets

## Tools:

- To increase the predictability in the monetary policy,
- To decrease the volatility in interest rates, and
- To decrease the volatility in exchange rates (via strengthening the automatic stabilizer feature of ROM and regular FX sale auctions)

# 2014 Calendar

## Schedule for the 2014 MPC Meetings and Reports

MPC Meetings	Summary of the MPC Meeting	Inflation Report	Financial Stability Report
21 January 2014	28 January 2014	28 January 2014	
18 February 2014	25 February 2014		
18 March 2014	25 March 2014		
24 April 2014	30 April 2014	30 April 2014	
22 May 2014	29 May 2014		29 May 2014
24 June 2014	1 July 2014		
17 July 2014	24 July 2014	24 July 2014	
27 August 2014	3 September 2014		
25 September 2014	2 October 2014		
23 October 2014	31 October 2014	31 October 2014	
20 November 2014	27 November 2014		27 November 2014
24 December 2014	31 December 2014		

Note: Monetary and Exchange Rate Policy for 2015 will be published on 10 December 2014.



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