

PRESS RELEASE

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DECISION OF THE MONETARY POLICY COMMITTEE

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) Overnight Interest Rates: Marginal Funding Rate at 10.75 percent, the interest rate on borrowing facilities provided for primary dealers via repo transactions at 10.25 percent, and borrowing rate at 7.25 percent,
- b) One-week repo rate at 7.5 percent,
- c) Late Liquidity Window Interest Rates (between 4:00 p.m. – 5:00 p.m.): Borrowing rate at 0 percent, and lending rate at 12.25 percent.

Loan growth continues at reasonable levels in response to the tight monetary policy stance and macroprudential measures. The favorable developments in the terms of trade and the moderate course of consumer loans contribute to the improvement in the current account balance. External demand remains weak, while domestic demand contributes to growth moderately. The Committee assesses that the implementation of the announced structural reforms would contribute to the potential growth significantly.

Processed food and energy price developments affect inflation favorably in the short run, while exchange rate movements delay the improvement in the core indicators. Considering this delay and taking into account the uncertainty in domestic and global markets and the volatility in energy and food prices, the Committee decided to implement a tighter liquidity policy as long as deemed necessary. Moreover, the Committee also discussed the roadmap to be implemented before and after global monetary policy normalization and decided to publish a strategy document with today's policy statement.

Future monetary policy decisions will be conditional on the improvements in the inflation outlook. Inflation expectations, pricing behavior and other factors that affect inflation will be monitored closely and the cautious monetary policy stance will be maintained, by keeping a flat yield curve, until there is a significant improvement in the inflation outlook.

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.
