

DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: August 27, 2014

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 set the short term interest rates as follows:

- a) Overnight Interest Rates: Marginal Funding Rate has been reduced from 12 percent to 11.25 percent, the interest rate on borrowing facilities provided for primary dealers via repo transactions has been reduced from 11.5 to 10,75, and borrowing rate has been kept at 7.5 percent.
- b) One-week repo rate has been kept at 8.25 percent.
- c) Late Liquidity Window Interest Rates (between 4:00 p.m. – 5:00 p.m.): Borrowing rate has been kept at 0 percent, and lending rate has been reduced from 13.5 percent to 12.75 percent.

Loan growth continues at reasonable levels in response to the tight monetary policy stance and macroprudential measures. In line with these developments, private final domestic demand follows a modest course.

The adverse impact of exchange rate developments since mid-2013 on annual inflation is gradually tapering off. However, elevated food prices continue to delay the improvement in the inflation outlook. In this respect, the Committee also evaluated the possible impact of the drought and the geopolitical risks on the inflation outlook.

In light of these assessments the Committee decided to maintain the current stance within a more symmetric interest rate corridor. Inflation expectations, pricing behavior and other factors that affect inflation will be closely monitored and the tight 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.