

**DECISION OF THE MONETARY POLICY COMMITTEE**

Meeting Date: May 22, 2014

**Participating Committee Members**

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

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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 kept at 12 percent, the interest rate on borrowing facilities provided for primary dealers via repo transactions has been kept at 11.5 percent, and borrowing rate has been kept at 8 percent.
- b) One-week repo rate has been reduced from 10 percent to 9.5 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 kept at 13.5 percent.

With the recent decline in uncertainties and improvement in the risk premium indicators, market interest rates have fallen across all maturities. In this regard, the Committee decided on a measured decrease in the one week funding rate. The Committee stated that, with a flat yield curve even after this decision, the monetary policy stance will continue to be tight. Inflation expectations, pricing behavior and other factors that affect inflation will be closely monitored and the tight monetary policy stance will be maintained until there is a significant improvement in the inflation outlook.

Loan growth continues at reasonable levels in response to the tight monetary policy stance and macroprudential measures. In line with these developments, recent data indicate to a modest course in private final domestic demand. Meanwhile, with the help of the recovery in foreign demand, the contribution of net exports to economic growth is expected to increase. The Committee expects that such a demand composition will support disinflation and will lead to a significant improvement in the current account deficit in 2014.

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.