

**DECISION OF THE MONETARY POLICY COMMITTEE**

Meeting Date: January 28, 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 adjust the short term interest rates as follows:

- a) Overnight Interest Rates: Marginal Funding Rate is increased from 7.75 percent to 12 percent, borrowing rate from 3.5 percent to 8 percent, and the interest rate on borrowing facilities provided for primary dealers via repo transactions from 6.75 to 11.5 percent.
- b) One-week repo rate is increased from 4.5 percent to 10 percent.
- c) Late Liquidity Window Interest Rates (between 4:00 p.m. – 5:00 p.m.): Borrowing rate is kept at 0 percent, lending rate is increased from 10.25 percent to 15 percent.

Recent domestic and external developments are having an adverse impact on risk perceptions, leading to a significant depreciation in the Turkish lira and a pronounced increase in the risk premium. The Central Bank will implement necessary measures at its disposal to contain the negative impact of these developments on inflation and macroeconomic stability. In this respect, the Committee decided to implement a strong monetary tightening and to simplify the operational framework. Accordingly, (i) one-week repo rate is increased from 4.5 percent to 10 percent; (ii) the Central Bank liquidity will be provided primarily from one-week repo rate instead of the marginal funding rate in the forthcoming period.

Tight monetary policy stance will be sustained until there is a significant improvement in the inflation outlook. Under this policy stance, inflation is expected to reach the 5 percent target by mid-2015.

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.