

DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: April 24, 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 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 kept at 10 percent.
- c) Late Liquidity Window Interest Rates (between 4:00 p.m. – 5:00 p.m.): Borrowing rate has been kept at 0 percent, while lending rate has been reduced from 15 percent to 13.5 percent.

The Committee assessed that the strong and frontloaded monetary tightening delivered at the January interim meeting has contained the adverse impact of upside risks on the medium term inflation expectations. Inflation expectations and pricing behavior will be closely monitored and the tight monetary policy stance will be maintained until there is a significant improvement in the inflation outlook.

Recent decline in uncertainties and partial improvement in the risk premium indicators have reduced the need for an additional tightening in liquidity policy. Accordingly, the Committee decided to deliver a technical cut in the late liquidity window lending interest rate.

Loan growth continues to slow down in response to the tight monetary policy stance and recent macroprudential measures. In line with these developments, the data regarding the first quarter of 2014 indicate some deceleration 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 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.