

DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: March 27, 2012

Participating Committee Members

Erdem Başçı (Governor), Ahmet Faruk Aysan, 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) One-week repo rate (the policy rate) at 5.75 percent,
- b) Overnight Interest Rates: Borrowing rate at 5 percent, lending rate at 11.5 percent, the interest rate on borrowing facilities provided for primary dealers via repo transactions at 11 percent,
- c) Late Liquidity Window Interest Rates (between 4:00 p.m. – 5:00 p.m.): Borrowing rate at 0 percent, lending rate at 14.5 percent.

Recent data confirm that the rebalancing between the domestic and external demand continues as envisaged. While consumption demand shows a significant slowdown in the first quarter, leading indicators suggest a modest recovery for the second quarter. Exports continue to grow at a steady pace. Accordingly, despite the elevated oil prices, the improvement in the current account balance is expected to continue in the forthcoming period.

Inflation developments are in line with the path projected in the January Inflation Report. Yet, the Central Bank has implemented a new round of additional monetary tightening in order to eliminate the impact of recent cost developments on inflation expectations. Factors affecting inflation will be closely monitored in the forthcoming period and additional monetary tightening will be repeated, when necessary.

Taking the liquidity projections into account, the ranges for weekly and monthly Turkish lira funding have been revised. In addition, certain revisions regarding the fraction of required reserves that can be held in gold have been approved.

Given the prevailing uncertainties regarding the global economy, it would be appropriate to preserve the flexibility of the monetary policy. Therefore, the impact of the measures undertaken on credit, domestic demand, and inflation expectations will be monitored closely and the funding amount will be adjusted in either direction, as needed.

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.