

PRESS RELEASE

December 20, 2016

DECISION OF THE MONETARY POLICY COMMITTEE

Participating Committee Members

Murat Çetinkaya (Governor), Ahmet Faruk Aysan, Erkan Kilimci, Emrah Şener, Murat Uysal, Abdullah Yavaş.

The Monetary Policy Committee (the Committee) has decided to keep the short term interest rates at the following levels:

- a) Overnight Interest Rates: Marginal Funding Rate has been kept at 8.5 percent and borrowing rate has been kept at 7.25 percent,
- b) One-week repo rate has been kept at 8 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 10 percent.

Recently released data indicate that the economic activity has decelerated in the third quarter, before posting a partial recovery for the final quarter. Demand from the European Union economies continues to contribute positively to exports. With the supportive measures and incentives provided recently, the recovery in the economic activity is expected to continue at a moderate pace. The Committee assesses that the implementation of the structural reforms would contribute to the potential growth significantly.

Exchange rate movements due to recently heightened global uncertainty and the increase in oil prices pose upside risks on the inflation outlook. Yet, the aggregate demand developments restrain these effects. Developments will be closely monitored in order to make a sound assessment regarding the net impact of these factors.

Future monetary policy decisions will be conditional on the inflation outlook. Inflation expectations, pricing behavior and other factors affecting inflation will be closely monitored and the cautious monetary policy stance will be maintained.

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.
