

## PRESS RELEASE

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### DECISION OF THE MONETARY POLICY COMMITTEE

#### Participating Committee Members

Murat Çetinkaya (Governor), Ahmet Faruk Aysan, 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 reduced from 10.50 percent to 10 percent, and borrowing rate has been kept at 7.25 percent,
- b) One-week repo rate has been kept at 7.5 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 reduced from 12 percent to 11.50 percent.

Annual loan growth continues at reasonable rates in response to the tight monetary policy stance and macroprudential measures. The favorable developments in the terms of trade and the moderate course of consumer loans contribute to the improvement in the current account balance. Demand from the European Union economies continues to support exports at an increasing pace, despite elevated geopolitical risks in other export markets. Recent data and the leading indicators show that economic activity displays a moderate and stable course of growth. The Committee assesses that the implementation of the structural reforms would contribute to the potential growth significantly.

Recently, decline in the global volatility has continued and global financial conditions have improved. Along with these developments, the effective use of the policy instruments laid out in the road map published in August 2015 has reduced the need for a wide interest rate corridor. In this respect, the Committee decided to take a measured step towards simplification.

Recently, inflation displayed a marked decline, which was mainly due to unprocessed food prices. This decline is expected to continue in the short run. However, improvement in the underlying core inflation trend remains limited, necessitating the maintenance of a tight liquidity stance.

Future monetary policy decisions will be conditional on the inflation outlook. Taking into account inflation expectations, pricing behavior and the course of other factors affecting inflation, the tight 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.

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