

PRESS RELEASE

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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 constant at the following levels:

- a) Overnight Interest Rates: Marginal Funding Rate has been kept at 8.25 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 kept at 9.75 percent.

Recently released data and indicators regarding the third quarter display a deceleration in the economic activity. Reduced tightness in monetary conditions and the recent macroprudential measures support the overall financial conditions. The lagged effects of the terms of trade developments and the moderate course of consumer loans limit the widening in the current account balance driven by the decline in tourism revenues. Demand from the European Union economies continues to contribute positively to exports. With the supportive measures and incentives provided recently, domestic demand is expected to recover starting from the final quarter. The Committee assesses that the implementation of the structural reforms would contribute to the potential growth significantly.

The slowdown in aggregate demand contributes to the gradual fall in core inflation. Yet, the recent developments in exchange rates and other cost factors restrain the improvement in inflation outlook and thus necessitate the maintenance of a cautious monetary policy stance.

In light of these assessments, the Committee decided to keep the interest rates at current levels. The Committee stated that the direction and the timing of the next step in the monetary policy simplification process will be data dependent.

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 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.
