

PRESS RELEASE

24 December 2014

DECISION OF THE MONETARY POLICY COMMITTEE

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) Overnight Interest Rates: Marginal Funding Rate at 11.25 percent, the interest rate on borrowing facilities provided for primary dealers via repo transactions at 10.75 percent, and borrowing rate at 7.5 percent,
- b) One-week repo rate at 8.25 percent,
- c) Late Liquidity Window Interest Rates (between 4:00 p.m. – 5:00 p.m.): Borrowing rate at 0 percent, and lending rate at 12.75 percent.

Loan growth continues at reasonable levels 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 will contribute to the improvement in the current account balance. External demand remains weak, while the contribution of domestic demand to growth is at moderate levels. The Committee assessed that the implementation of the announced structural reforms would contribute to the potential growth significantly.

Macroprudential measures taken at the beginning of the year and the tight monetary policy stance continue to have a favorable impact on the core inflation trend. Moreover, declining commodity prices, in particular oil prices, will contribute to disinflation.

Under the current monetary policy stance, the Committee anticipates that, inflation will decline in line with the forecast presented in the Inflation Report throughout 2015, at a faster pace in the first half of the year. Inflation expectations, pricing behavior and other factors that affect inflation will be closely monitored and the tight monetary policy stance will be maintained, by keeping a flat yield curve, until there is a significant improvement in the inflation outlook.

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.
