

PRESS RELEASE

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DECISION OF THE MONETARY POLICY COMMITTEE

Participating Committee Members

Erdem Başçı (Governor), Ahmet Faruk Aysan, Murat Çetinkaya, 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 10.75 percent, and borrowing rate at 7.25 percent,
- b) One-week repo rate at 7.5 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 12.25 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 contribute to the improvement in the current account balance. External demand remained weak in the first half of the year, while domestic demand contributed to growth moderately. The composition of growth is expected to shift gradually towards net exports in upcoming periods with the support of rising demand from the European Union economies. The Committee assesses that the implementation of the announced structural reforms would contribute to the potential growth significantly.

Energy price developments affect inflation favorably, while exchange rate movements delay the improvement in the core indicators. Considering the impact of the uncertainty in domestic and global markets on inflation expectations and taking into account the volatility in energy and food prices, the Committee decided to maintain the tight liquidity stance as long as deemed necessary. Moreover, the Committee assessed the measures already implemented and to be implemented in the context of the “road map during the normalization of global monetary policies”.

Future monetary policy decisions will be conditional on the improvements in the inflation outlook. Inflation expectations, pricing behavior and other factors that affect inflation will be monitored closely and the cautious 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.
