

**DECISION OF THE MONETARY POLICY COMMITTEE**

Meeting Date: February 18, 2014

**Participating Committee Members**

Erdem Başçı (Governor), Ahmet Faruk Aysan, Murat Çetinkaya, Turalay Kenç, Necati Şahin, Abdullah Yavaş, Mehmet Yörükoğlu.

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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 12 percent, the interest rate on borrowing facilities provided for primary dealers via repo transactions at 11.5 percent, and borrowing rate at 8 percent,
- b) One-week repo rate at 10 percent,
- c) Late Liquidity Window Interest Rates (between 4:00 p.m. – 5:00 p.m.): Borrowing rate at 0 percent, lending rate at 15 percent.

The Committee closely monitors recent deterioration in the inflation outlook and expectations. Inflation is likely to hover above the 5 percent target for some time due to recent tax adjustments, exchange rate developments, and elevated food prices. In order to contain the deterioration in inflation expectations and pricing behavior, the Committee implemented a strong and frontloaded monetary tightening at the interim meeting of January 28, 2014. Tight monetary policy stance will be maintained until there is a significant improvement in the inflation outlook.

There is a gradual slowdown in loan growth stemming from the tight monetary policy stance, the recent macroprudential measures, and weak capital flows. The data regarding the first quarter of 2014 indicate some deceleration in private final domestic demand. Meanwhile, with the help of the recovery in foreign demand, contribution of net exports to economic growth is expected to increase. Accordingly, the Committee expects a significant improvement in the current account deficit in 2014.

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.