

**DECISION OF THE MONETARY POLICY COMMITTEE**

Meeting Date: January 21, 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 7.75 percent, borrowing rate at 3.5 percent, and the interest rate on borrowing facilities provided for primary dealers via repo transactions at 6.75 percent,
- b) One-week repo rate at 4.5 percent,
- c) Late Liquidity Window Interest Rates (between 4:00 p.m. – 5:00 p.m.): Borrowing rate at 0 percent, lending rate at 10.25 percent.

Recent data suggest that final domestic demand and exports continued to grow at a moderate pace during the fourth quarter. The cautious monetary policy stance, the announced macroprudential measures, and weak capital flows lead to a gradual slowdown in loan growth. Accordingly, the decline in the current account deficit excluding gold trade is expected to continue in 2014.

The Committee monitors the impact of the recent increase in the risk premium on the inflation outlook and expectations. Inflation is likely to hover above the 5 percent target for some time due to recent tax adjustments and lagged effects of exchange rate developments. The Committee stated that the liquidity stance should be tightened to align inflation outlook with the medium term targets. To this end, interbank money market interest rates will materialize at 9 percent during additional monetary tightening days, instead of 7.75 percent (the marginal funding rate).

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.