

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 set the short term interest rates as follows:

- a) Overnight Interest Rates: Marginal Funding Rate has been reduced from 8.5 percent to 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 reduced from 10 percent to 9.75 percent.

Recently released data and indicators regarding the third quarter display a deceleration in the economic activity. The Committee assesses that current financial conditions are tight. While developments in tourism revenues will have a negative impact in the short run, the lagged effects of the developments in the terms of trade and the moderate course of consumer loans will continue to contribute to the improvement in the current account balance. Demand from the European Union economies continues to support 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. With the help from falling food prices, headline inflation is expected to display a decline in the short term. Yet, the recent tax adjustment in fuel prices and other cost factors limit the improvement in inflation and thus necessitate the maintenance of a cautious monetary policy stance.

In light of these assessments, and considering its contribution to the effectiveness of monetary policy, the Committee decided to take a measured and cautious step towards simplification.

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.
