

DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: December 17, 2013

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: Lending rate at 7.75 percent, the interest rate on borrowing facilities provided for primary dealers via repo transactions at 6.75 percent, and borrowing rate at 3.5 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.

Data released since the last meeting suggest that final domestic demand and exports continue to grow at a moderate pace. The present policy framework is contributing to the improvement in the current account balance. The cautious monetary policy stance, the announced macroprudential measures, and weak capital flows will bring down the loan growth rates to more reasonable levels. Accordingly, the moderate decline in the current account deficit excluding gold trade is expected to continue.

Inflation is expected to fall further in the forthcoming period. However, core inflation indicators are likely to hover above the target for some time. The Committee assessed that the current stance of the monetary policy is appropriate to contain inflationary risks. Accordingly, it is indicated that interbank money market rates will materialize close to 7.75 percent and the weighted average cost of funding will materialize at 6.75 percent or above in the forthcoming period. The Committee stated that the cautious monetary policy stance should be maintained until the inflation outlook is in line with the medium term targets.

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.