

PRESS RELEASE

March 16, 2017

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 at the following levels:

- a) Overnight Interest Rates: Marginal Funding Rate has been kept at 9.25 percent and borrowing rate has been kept at 7.25 percent.
- b) One-week repo rate has been kept at 8 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 increased from 11 percent to 11.75 percent.

Recently released data indicate a gradual recovery in the economic activity. Demand from the European Union economies continues to contribute positively to exports, while domestic demand displays a weaker course. With the supportive measures and incentives provided recently, the recovery in the economic activity is expected to continue at a moderate pace. The Committee assesses that the implementation of the structural reforms would contribute to the potential growth significantly.

Cost push pressures and the volatility in food prices in recent months have led to a sharp increase in inflation. The significant rise in inflation is expected to continue in the short term due to lagged pass-through and the base effect in food prices. Accordingly, the Committee decided to strengthen the monetary tightening in order to contain the deterioration in the inflation outlook.

The Central Bank will continue to use all available instruments in pursuit of the price stability objective. Tight stance in monetary policy will be maintained until inflation outlook displays a significant improvement. Inflation expectations, pricing behavior and other factors affecting inflation will be closely monitored and, if needed, further monetary tightening will be delivered.

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.
