

PRESS RELEASE

20 May 2015

DECISION OF THE MONETARY POLICY COMMITTEE

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: Marginal Funding Rate at 10.75 percent, the interest rate on borrowing facilities provided for primary dealers via repo transactions at 10.25 percent, and borrowing rate at 7.25 percent,
- b) One-week repo rate at 7.5 percent,
- c) Late Liquidity Window Interest Rates (between 4:00 p.m. – 5:00 p.m.): Borrowing rate at 0 percent, and lending rate at 12.25 percent.

Loan growth continues at reasonable levels in response to the tight monetary policy stance and macroprudential measures. The favorable developments in the terms of trade and the moderate course of consumer loans contribute to the improvement in the current account balance. External demand remains weak, while domestic demand contributes to growth moderately. The Committee assesses that the implementation of the announced structural reforms would contribute to the potential growth significantly.

The ongoing cautious monetary policy along with prudent fiscal and macroprudential policies continue to have a favorable impact on inflation, especially inflation excluding energy and food (core inflation indicators). However, recently elevated volatility in the exchange rates has limited the improvement in the core inflation, as stated in the Inflation Report. This, combined with the uncertainty in global markets and volatility in energy and food prices, makes it necessary to maintain the cautious stance in monetary policy. Accordingly, the Committee has decided to keep the interest rates at current levels.

Future monetary policy decisions will be conditional on the improvements in the inflation outlook. Inflation expectations, pricing behavior and other factors that affect inflation will be monitored closely and the cautious monetary policy stance will be maintained, by keeping a flat yield curve, until there is a significant improvement in the inflation outlook.

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.
