

PRESS RELEASE

January 24, 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 increased from 8.5 percent to 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 10 percent to 11 percent.

Recently released data indicate a partial 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.

Aggregate demand developments support disinflation. Yet, excessive fluctuations in exchange rates since the previous meeting have increased the upside risks regarding the inflation outlook. The significant rise in inflation is expected to continue in the short term due to lagged pass-through effects and the volatility 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. Future monetary policy decisions will be conditional on the inflation outlook. Inflation expectations, pricing behavior and other factors affecting inflation will be closely monitored and, if needed, further monetary tightening will be delivered. Moreover, necessary liquidity measures will be taken in case of unhealthy pricing behavior in the foreign exchange market that cannot be justified by economic fundamentals.

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.
