

## **PRESS RELEASE**

July 19, 2016

### **DECISION OF THE MONETARY POLICY COMMITTEE**

#### **Participating Committee Members**

Murat Çetinkaya (Governor), Ahmet Faruk Aysan, Erkan Kilimci, 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 9 percent to 8,75 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 10.5 percent to 10.25 percent.

Annual loan growth continues at reasonable rates 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. While domestic demand continues to have a positive impact on growth, demand from the European Union economies continues to support exports. Accordingly economic activity displays a moderate and stable course of growth. The Committee assesses that the implementation of the structural reforms would contribute to the potential growth significantly.

Recently, domestic developments have led to fluctuations in financial markets. The Committee assesses that the recent liquidity measures have alleviated the volatility in financial markets. Moreover, the tight monetary policy stance, the cautious macroprudential policies and the effective use of the policy instruments laid out in the road map published in August 2015 have increased the resilience of the economy against shocks. Also considering its contribution to the effectiveness of monetary policy, the Committee decided to take a measured and cautious step towards simplification.

The Committee has indicated that inflation may display a marked increase in the short term due to developments in unprocessed food and tobacco prices. Meanwhile, the core inflation trend is expected to improve gradually. Yet, the developments in inflation outlook necessitate the maintenance of a tight liquidity stance.

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 tight monetary policy stance will be maintained. Moreover, market developments will be closely monitored and the necessary liquidity measures will continue to be taken to support financial stability.

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.

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