

PRESS RELEASE

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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 set the short term interest rates as follows:

- a) Overnight Interest Rates: Marginal Funding Rate has been kept at 11.25 percent, the interest rate on borrowing facilities provided for primary dealers via repo transactions has been kept at 10.75 percent, and borrowing rate has been kept at 7.5 percent,
- b) One-week repo rate has been reduced from 8.25 percent to 7.75 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 kept at 12.75 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 will 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 tight monetary policy stance and macroprudential measures continue to have favorable impact on inflation, especially inflation excluding energy and food (core inflation) indicators, and inflation expectations. Moreover, declining commodity prices, in particular oil prices, contribute to disinflation. In light of these positive developments, the Committee has decided on a measured cut in the one week repo rate.

Under the current monetary policy stance, the Committee anticipates that inflation will decline to levels close to the target by mid-2015. Yet, a more persistent reduction in inflation necessitates a cautious approach in monetary policy. In this context, 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 closely monitored and the tight 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.
