

DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: November 23, 2011

Participating Committee Members

Erdem Başçı (Governor), Ahmet Faruk Aysan, Turalay Kenç, Necati Şahin,
M. İbrahim Turhan, 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) One-week repo rate (the policy rate) at 5.75 percent,
- b) Overnight Interest Rates: Borrowing rate at 5 percent, lending rate at 12.5 percent, the interest rate on borrowing facilities provided for primary dealers via repo transactions at 12 percent,
- c) Late Liquidity Window Interest Rates (between 4:00 p.m. – 5:00 p.m.): Borrowing rate at 0 percent, lending rate at 15.5 percent.

Recent data releases suggest that the rebalancing between the domestic and external demand is ongoing as envisaged. With the credit growth decelerating to more reasonable levels, the desired increase in private savings has already started to take place. Accordingly, the improvement in the current account balance is expected to become more significant in the final months of the year.

The Committee has noted that inflation will display a rapid increase in the short-term due to the base effects from unprocessed food prices. The Central Bank has delivered a strong tightening in October in order to prevent the potential second round effects of a year-end inflation significantly above the target. In this respect, domestic demand is expected to follow a moderate path and second round effects of the temporary price movements will be contained in the forthcoming periods. The impact of the measures undertaken on credit, domestic demand, and inflation expectations will be monitored closely and the amount of Turkish lira funding via one-week repo auctions will be timely adjusted on both sides, if needed.

Moreover, in line with the strategy formulated at the interim meeting of August 4, 2011, the Committee will continue to monitor global developments closely and take the needed measures promptly to maintain the stability in the domestic financial markets.

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.