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DECISION OF THE MONETARY POLICY COMMITTEE
Meeting Date: July 17, 2014

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 12 percent, the interest rate on borrowing facilities provided for primary dealers via repo transactions has been kept at 11.5 percent, and borrowing rate has been reduced from 8 percent to 7.50 percent.

b) One-week repo rate has been reduced from 8.75 percent to 8.25 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 13.5 percent.

Loan growth continues at reasonable levels in response to the tight monetary policy stance and macroprudential measures. In line with these developments, recent data point to a modest course in private final domestic demand. Meanwhile, with the help of the recovery in foreign demand, exports contribute positively to economic growth. The Committee expects that such a demand composition will support disinflation and will lead to a significant improvement in the current account balance in 2014.

The adverse impact of exchange rate developments since mid-2013 on annual inflation is gradually tapering off. Recently, elevated food prices have been the main factor limiting the pace of decline in inflation. In light of these assessments and the recent improvement in global liquidity conditions, the Committee decided to deliver a measured cut in the one-week repo rate. 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.