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DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: June 18, 2013

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 keep the short term interest rates constant at the following levels:

- a) One-week repo rate (the policy rate) at 4.5 percent,
- b) Overnight Interest Rates: Borrowing at 3.5 percent, lending rate at 6.5 percent, the interest rate on borrowing facilities provided for primary dealers via repo transactions at 6 percent,
- c) Late Liquidity Window Interest Rates (between 4:00 p.m. – 5:00 p.m.): Borrowing rate at 0 percent, lending rate at 9.5 percent.

Recent data suggest that domestic and external demand are evolving in line with expectations. Domestic demand follows a healthy recovery while exports slow down due to weak global economic activity. The current policy framework and the decline in commodity prices limit the impact of the increasing economic activity on the current account deficit.

Recently, capital flows have weakened due to increasing uncertainty regarding the global monetary policies. Yet, loan growth continues to hover above the reference rate.

In this regard, the impact of exchange rate movements as well as growth in loans and domestic demand on the pricing behavior will be closely monitored.

Ongoing uncertainties regarding the global economy and the volatility in capital flows necessitate the monetary policy to remain flexible in both directions. To this end, necessary adjustments will be made in the composition of Turkish lira liquidity provided by the Central Bank.

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.