

DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: November 20, 2012

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 adjust the short term interest rates as follows:

- a) One-week repo rate (the policy rate) has been kept at 5.75 percent.
- b) Overnight Interest Rates: Borrowing rate has been kept at 5 percent while lending rate has been cut from 9.5 percent to 9 percent. Interest rate on borrowing facilities provided for primary dealers via repo transactions has been cut from 9 percent to 8.5 percent.
- c) Late Liquidity Window Interest Rates (between 4:00 p.m. – 5:00 p.m.): Borrowing rate has been kept at 0 percent while lending rate has been cut from 12.5 percent to 12 percent.

Recent data confirm that the rebalancing between the domestic and external demand continues as envisaged. Domestic demand follows a moderate pace, while exports continue to increase despite the weakening global outlook. Overall, aggregate demand conditions support disinflation and current account deficit continues to decline gradually.

The Committee expects that year-end inflation will be lower than the forecast presented at the October Inflation Report, owing to the favorable course of unprocessed food prices. However, indirect effects of recent increases in administered and energy prices are closely monitored in terms of medium term inflation outlook.

Although recent developments have improved the risk appetite towards Turkish economy, ongoing uncertainties regarding the global economy necessitate the monetary policy to remain flexible in both directions. Therefore, the impact of the measures undertaken on credit, domestic demand, and inflation expectations will be monitored closely and the funding amount will be adjusted in either direction, as needed.

The Committee has stated that increasing the reserve option coefficients and narrowing the interest rate corridor by a measured amount would support financial stability. If deemed necessary for financial stability, a measured cut may be considered in the policy rate and the overnight borrowing rate in the forthcoming period.

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.