

**DECISION OF THE MONETARY POLICY COMMITTEE**

Meeting Date: April 18, 2012

**Participating Committee Members**

Erdem Başçı (Governor), Ahmet Faruk Aysan, Turalay Kenç, Necati Şahin, Abdullah Yavaş, Mehmet Yörükoğlu

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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 11.5 percent, the interest rate on borrowing facilities provided for primary dealers via repo transactions at 11 percent,
- c) Late Liquidity Window Interest Rates (between 4:00 p.m. – 5:00 p.m.): Borrowing rate at 0 percent, lending rate at 14.5 percent.

Recent data confirm that the rebalancing between the domestic and external demand continues as envisaged. While consumption demand shows a significant slowdown in the first quarter, leading indicators suggest a modest recovery for the second quarter. Exports continue to grow at a steady pace. Accordingly, despite the elevated oil prices, the improvement in the current account balance is expected to continue in the forthcoming period.

Main factors affecting inflation are broadly in line with the outlook presented in the January Inflation Report. Yet, inflation may hover above the envisaged path in the short term due to hikes in energy prices. The Committee will not tolerate temporary factors to have an adverse impact on the inflation outlook. Accordingly, it was underscored that additional monetary tightening may be implemented more frequently in the forthcoming period.

The Committee stated that, given the prevailing uncertainties regarding the global economy, it would be appropriate to preserve the flexibility of the monetary policy. 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.

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.