

DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: November 19, 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) Overnight Interest Rates: Lending rate at 7.75 percent, borrowing rate at 3.5 percent, and the interest rate on borrowing facilities provided for primary dealers via repo transactions at 6.75 percent,
- b) One-week repo rate at 4.5 percent,
- c) Late Liquidity Window Interest Rates (between 4:00 p.m. – 5:00 p.m.): Borrowing rate at 0 percent, lending rate at 10.25 percent.

Data released since the last meeting suggest that final domestic demand and exports continue to grow at a moderate pace. The present policy framework is contributing to the improvement in the current account balance. The cautious monetary policy stance, recently announced macroprudential measures, and weak capital flows will bring down the loan growth rates to more reasonable levels. Accordingly, moderate decline in the current account deficit excluding gold trade is expected to continue.

Inflation indicators are likely to hover above the inflation target for some time due to the exchange rate volatility observed during the recent months. In order to contain the impact of these developments on the pricing behavior, the Committee decided to strengthen the cautious stance and reduce the volatility of short term money market rates. To this end, one month repo auctions will be terminated, as a result of which interbank money market rates will materialize around 7.75 percent. The Committee stated that the cautious monetary policy stance should be maintained until the inflation outlook is in line with the medium term targets.

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.