

## PRESS RELEASE

April 26, 2017

### DECISION OF THE MONETARY POLICY COMMITTEE

#### Participating Committee Members

Murat Çetinkaya (Governor), Erkan Kilimci, Emrah Şener, Murat Uysal, Abdullah Yavaş.

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The Monetary Policy Committee (the Committee) has decided to set the short term interest rates at the following levels:

- a) Overnight Interest Rates: Marginal Funding Rate has been kept at 9.25 percent and borrowing rate has been kept at 7.25 percent.
- b) One-week repo rate has been kept at 8 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 increased from 11.75 percent to 12.25 percent.

Recently released data indicate a gradual recovery in the economic activity. Domestic demand conditions display a moderate improvement and demand from the European Union economies continues to contribute positively to exports. With the supportive measures and incentives provided recently, the economic activity is expected to gain further pace in the forthcoming period. The Committee assesses that the implementation of the structural reforms would contribute to the potential growth significantly.

Cost push pressures and the volatility in food prices in recent months have led to a sharp increase in inflation. Although the recent improvement in the risk appetite contains some of the upside pressures from cost factors, current elevated levels of inflation pose risks on the pricing behavior. Accordingly, the Committee decided to strengthen the monetary tightening in order to contain the deterioration in the inflation outlook.

The Central Bank will continue to use all available instruments in pursuit of the price stability objective. Tight stance in monetary policy will be maintained until inflation outlook displays a significant improvement. Inflation expectations, pricing behavior and other factors affecting inflation will be closely monitored and, if needed, further monetary tightening will be delivered.

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.

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