

Press Release on Interest Rates

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Participating Committee Members

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The Monetary Policy Committee (the Committee) has decided to keep the policy rate (the one-week repo auction rate) constant at 45 percent.

Due to month-specific and time-dependent price and wage adjustments, the underlying trend of monthly inflation rose in January in line with the inflation projections, and headline inflation edged up. Recent indicators suggest that domestic demand continues to moderate. This moderation is robust in imports of consumption goods and gold, yet slower than projected in indicators of other consumption expenditures. In addition, stickiness in services inflation, geopolitical risks, and food prices keep inflation pressures alive. The Committee will closely monitor the alignment of inflation expectations and pricing behavior with projections, and the impact of wage increases on inflation.

External financing conditions, level of foreign exchange reserves, improvement in current account balance, and demand for Turkish lira denominated assets continue to contribute to exchange rate stability and the effectiveness of monetary policy. The determination in tight monetary stance will continue to contribute to Turkish lira's real appreciation process, which is a key element of disinflation.

The Committee assesses that the current level of the policy rate will be maintained until there is a significant and sustained decline in the underlying trend of monthly inflation and until inflation expectations converge to the projected forecast range. Monetary policy stance will be tightened in case a significant and persistent deterioration in inflation outlook is anticipated.

The Committee will continue to implement macroprudential policies in a way to preserve the functionality of the market mechanism and macro financial stability. Monetary transmission mechanism will be supported in case of unanticipated developments in credit growth and deposit rates. In order to support the monetary tightness, developments in market liquidity will be closely monitored and sterilization tools will be effectively used whenever needed.

Taking into account the lagged effects of monetary tightening, the Committee will determine its policy decisions in a way that will create monetary and financial conditions necessary to ensure a decline in the underlying trend of inflation and to reach the 5 percent inflation target in the medium term.

Indicators of inflation and underlying trend of inflation will be closely monitored and the Committee will decisively use all the tools at its disposal in line with its main objective of price stability.

The Committee will make its decisions in a predictable, data-driven and transparent framework.

The summary of the Monetary Policy Committee Meeting will be released within five working days.