

# Decision of the Monetary Policy Committee

June 25, 2020, No: 2020-35

## Participating Committee Members

Murat Uysal (Governor), Murat Çetinkaya, Ömer Duman, Uğur Namık Küçük, Oğuzhan Özbaş, Emrah Şener, Abdullah Yavaş.

The Monetary Policy Committee (the Committee) has decided to keep the policy rate (one-week repo auction rate) constant at 8.25 percent.

As developments regarding the spread of the coronavirus substantially weakened global growth in the second quarter, normalization steps taken by several countries have contributed to a partial recovery. While uncertainties on global economic recovery remain high, central banks in advanced and emerging economies continue to take expansionary measures. The pandemic disease is closely monitored for its evolving global impact on capital flows, financial conditions, international trade and commodity prices.

While the weakening in economic activity became more pronounced in April, economic recovery has started as of May following gradual steps towards normalization. In order to contain negative effects of the pandemic on the Turkish economy, it is of crucial importance to ensure the healthy functioning of financial markets, the credit channel and firms' cash flows. In this respect, recent monetary and fiscal measures contribute to financial stability and economic recovery by supporting the potential output of the economy. Recently, exports and tourism revenues declined due to the pandemic. However, the recovery in exports of goods with the ongoing normalization and low levels of commodity prices will support the current account balance in the upcoming periods.

Despite the restraining effects of aggregate demand conditions, pandemic-related rise in unit costs have led to some increase in the trends of core inflation indicators. International commodity prices have continued to restrain consumer inflation, while food inflation has risen due to seasonal and pandemic-related effects. As the normalization process continues, supply-side factors, which have prevailed recently due to pandemic-related restrictions, will phase out and demand-driven disinflationary effects will become more prevalent in the second half of the year. Accordingly, considering all factors affecting the inflation outlook, the Committee decided to keep the policy rate unchanged.

The Committee assesses that maintaining a sustained disinflation process is a key factor for achieving lower sovereign risk, lower long-term interest rates, and stronger economic recovery. Keeping the disinflation process in track with the targeted path requires the continuation of a cautious monetary stance. In this respect, monetary stance will be determined by considering the indicators of the underlying inflation trend to ensure the continuation of the disinflation process. The Central Bank will continue to use all available instruments in pursuit of the price stability and financial stability objectives.

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.