

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 50 percent.

In March, despite an ongoing decline, the underlying trend of monthly inflation was higher than expected. While imports of consumption goods and gold contribute to the improvement in the current account balance, other recent indicators imply that domestic demand remains resilient. In addition to the high level of and the stickiness in services inflation, inflation expectations, geopolitical risks, and food prices keep inflationary pressures alive. The Committee closely monitors the alignment of inflation expectations and pricing behavior with projections.

The monetary policy decisions in March have led to a significant tightening in financial conditions. The effects of monetary tightening on credit conditions and domestic demand are closely monitored. Considering the lagged effects of the monetary tightening, the Committee decided to keep the policy rate unchanged, but reiterated that it remains highly attentive to inflation risks. The tight monetary stance will be maintained until a significant and sustained decline in the underlying trend of monthly inflation is observed, and inflation expectations converge to the projected forecast range. Monetary policy stance will be tightened in case a significant and persistent deterioration in inflation is foreseen. The decisiveness regarding tight monetary stance will bring down the underlying trend of monthly inflation through moderation in domestic demand, real appreciation in Turkish lira, and improvement in inflation expectations. Consequently, disinflation will be established in the second half of 2024.

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

Taking into account the lagged effects of monetary tightening, the Committee will make its policy decisions in a way that will create the 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.