



TÜRKİYE CUMHURİYET
MERKEZ BANKASI

MONETARY POLICY AND INFLATION OUTLOOK IN TÜRKİYE

Fatih Karahan, Ph.D.
Governor

April 17, 2024

Washington, DC



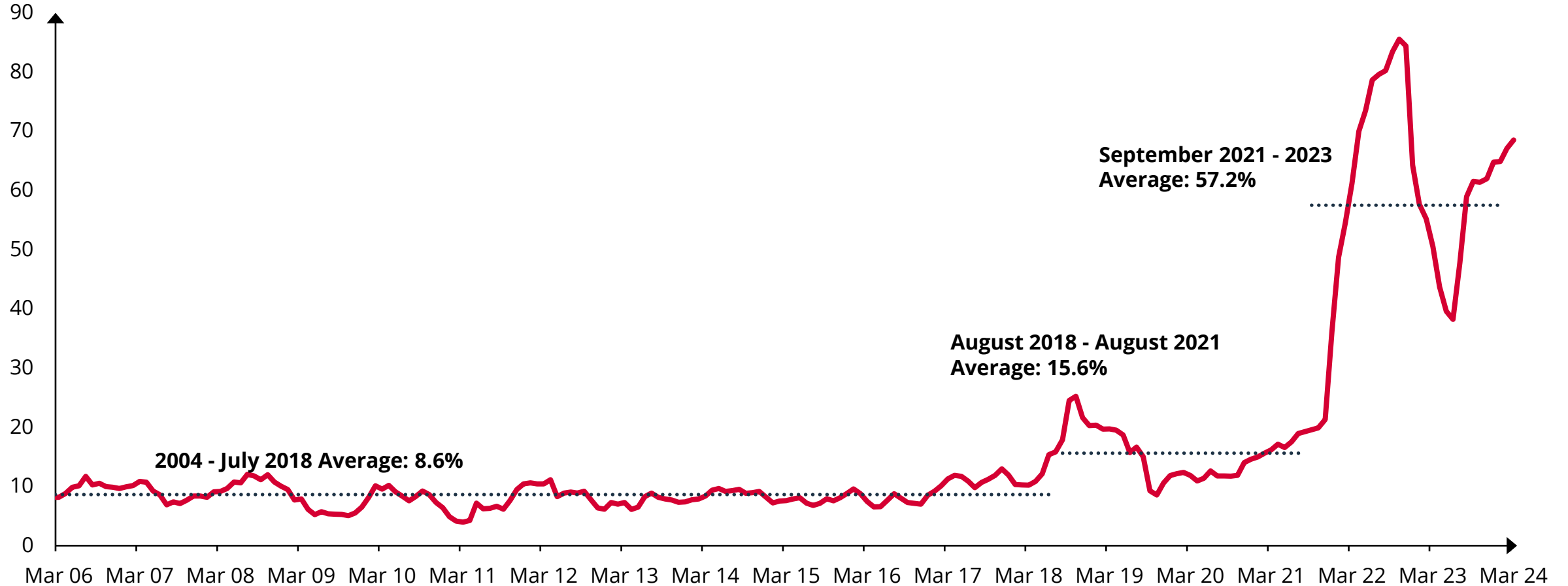
Outline

- **Key Issues**
- **Monetary Policy**
- **Disinflation Path**

KEY ISSUES

Inflation increased considerably after 2021.

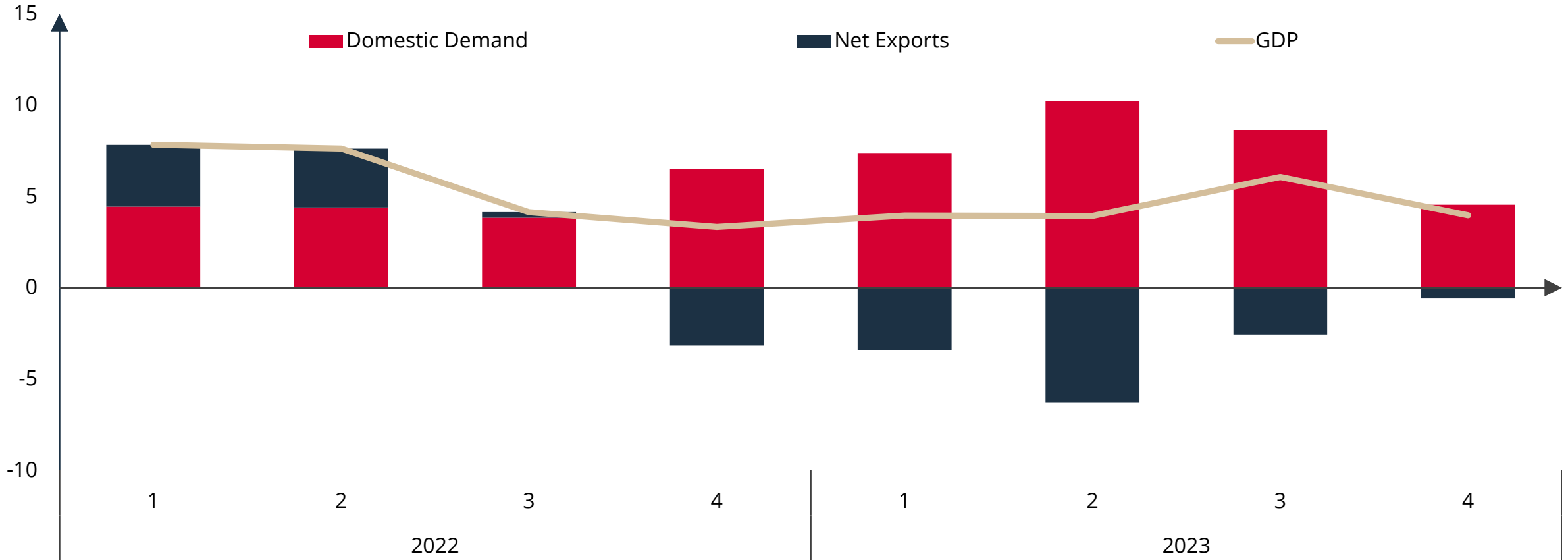
Consumer Inflation (Annual % Change)



Source: TURKSTAT, CBRT

Growth in 2023 was mostly driven by domestic demand.

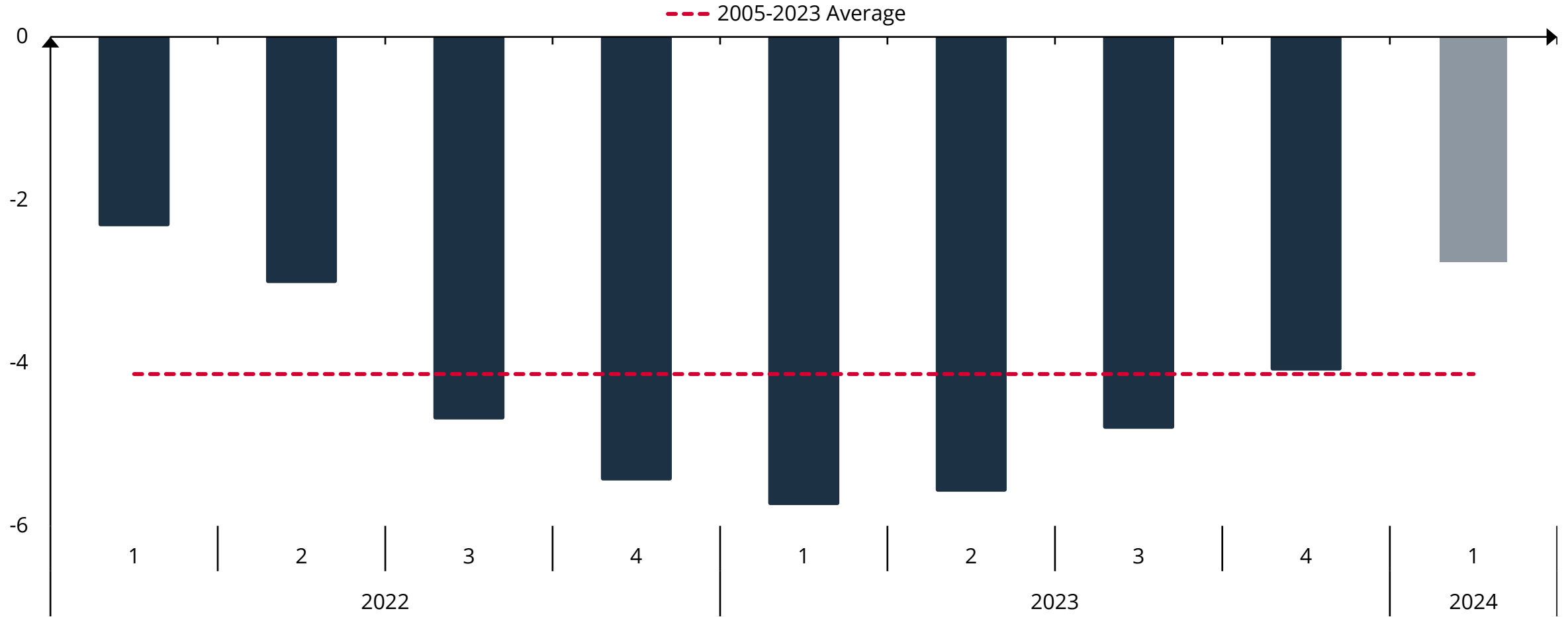
Contribution to Annual GDP Growth from Expenditure Side (% points)



Source: TURKSTAT, CBRT

Excessive demand had a negative impact on current account balance.

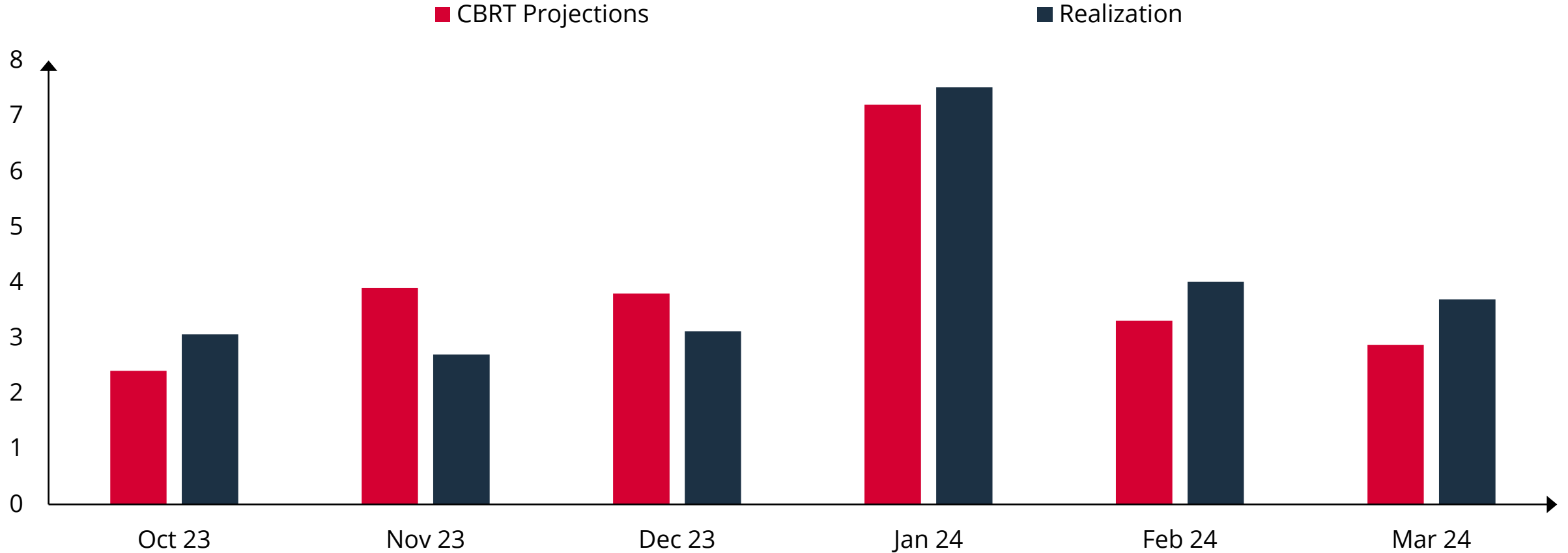
Current Account Balance* (12-month-accumulated, % of GDP)



The underlying trend of inflation was higher than expected in Q1.

Underlying Trend of Inflation

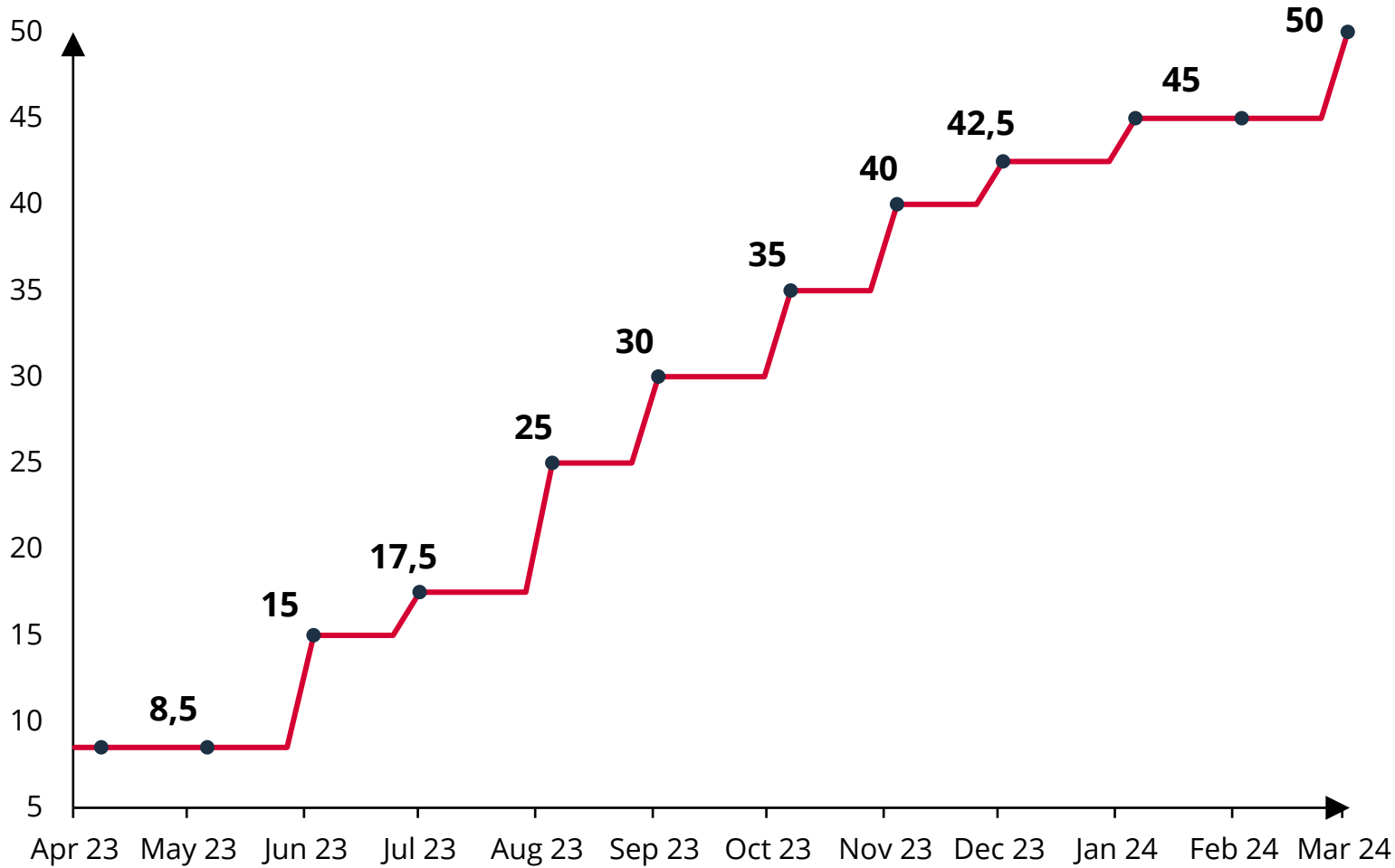
(Average of B-C Indicators, Seasonally Adjusted Monthly % Change)



MONETARY POLICY

Monetary stance has been tightened considerably.

Policy Rate (%)



Source: CBRT



Quantitative
Tightening

Macroprudential
Framework

We took additional tightening steps in March.

ADJUSTMENTS

GOALS

- Raised the interest rates that banks can charge for credit cards

1

- Reducing the excessive consumption demand

- Decreased monthly growth limits
- Introduced RR for excess loan growth

2

- Decelerating credit growth

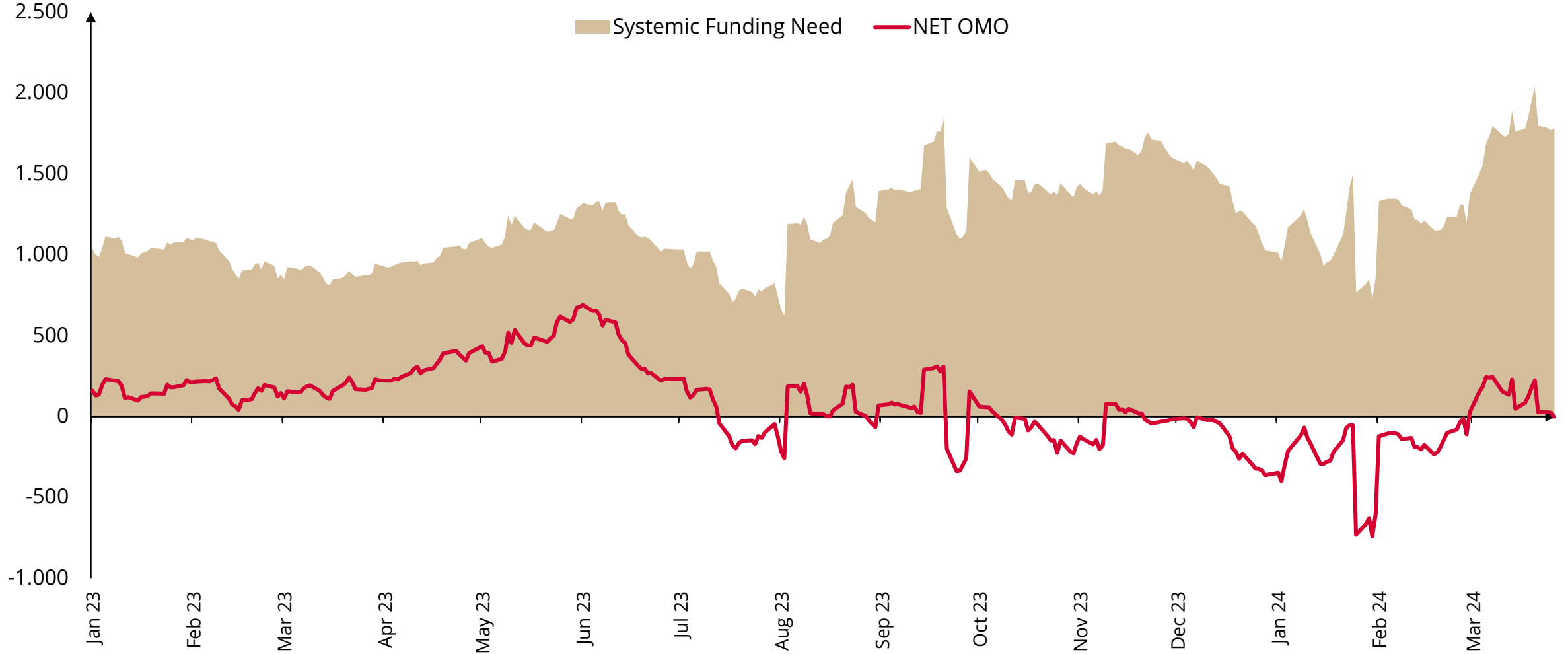
- Incentivized banks to increase TL commercial deposits through monthly targets and commission rates

3

- Strengthening the monetary transmission
- Increasing the share of Turkish lira deposits

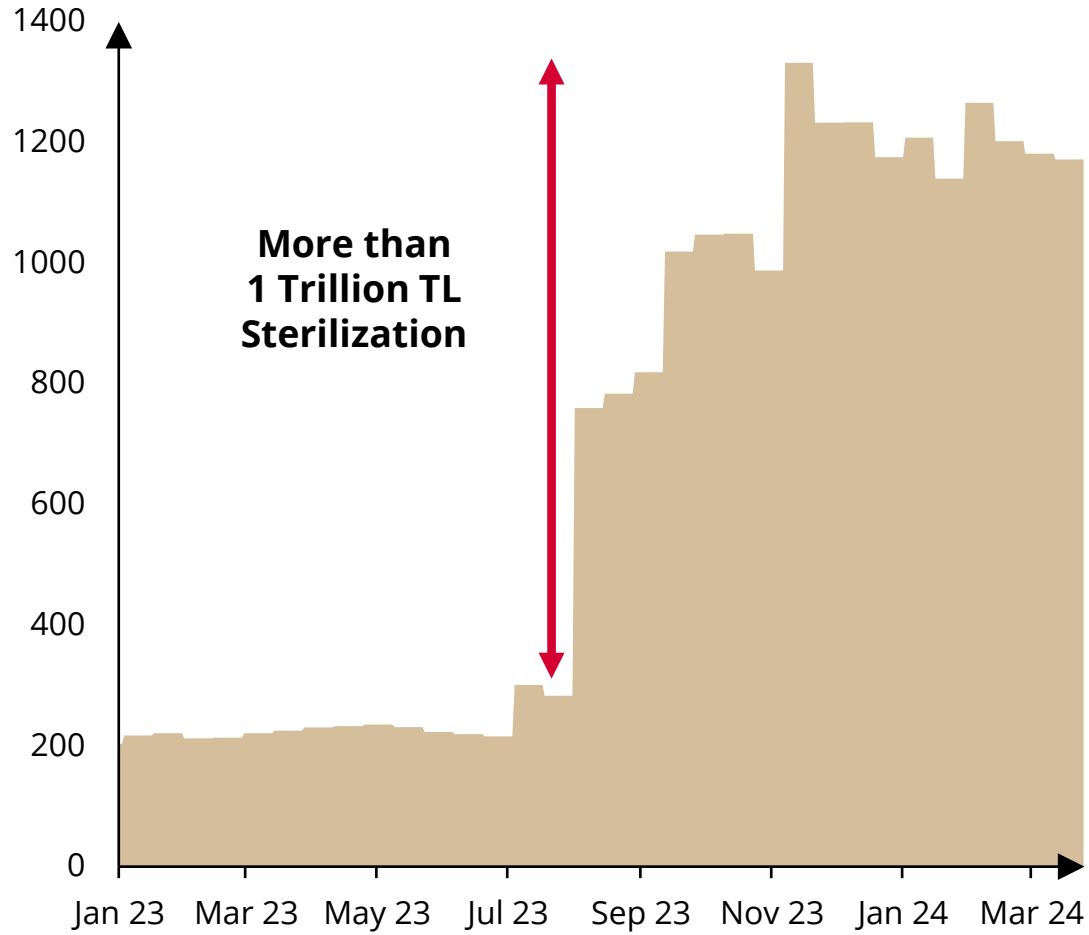
FX-protected account payments and domestic swaps led to excess liquidity.

CBRT Swap Transactions and NET OMO (Billion TL)



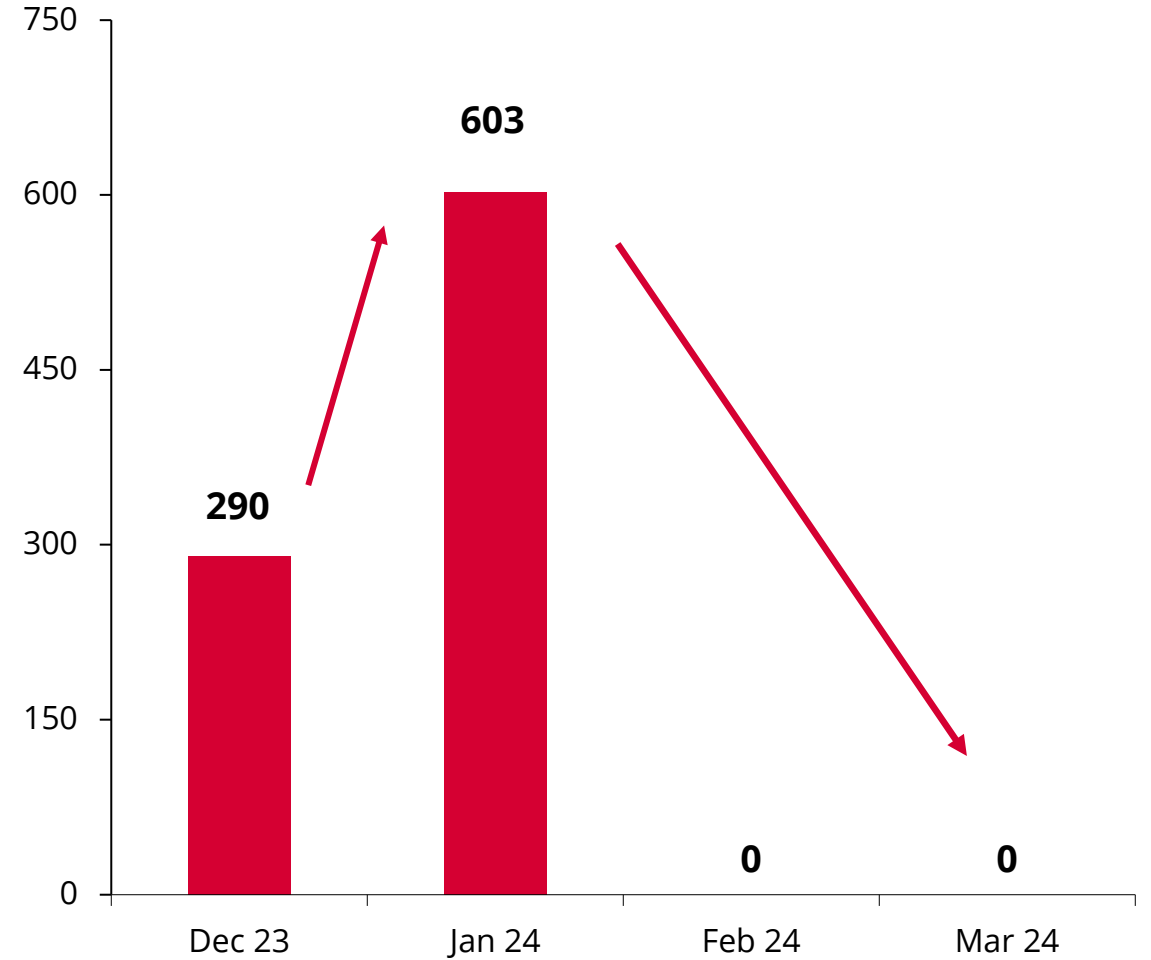
We have been actively sterilizing excess liquidity.

Required Reserves (Billion TL, Weekly)



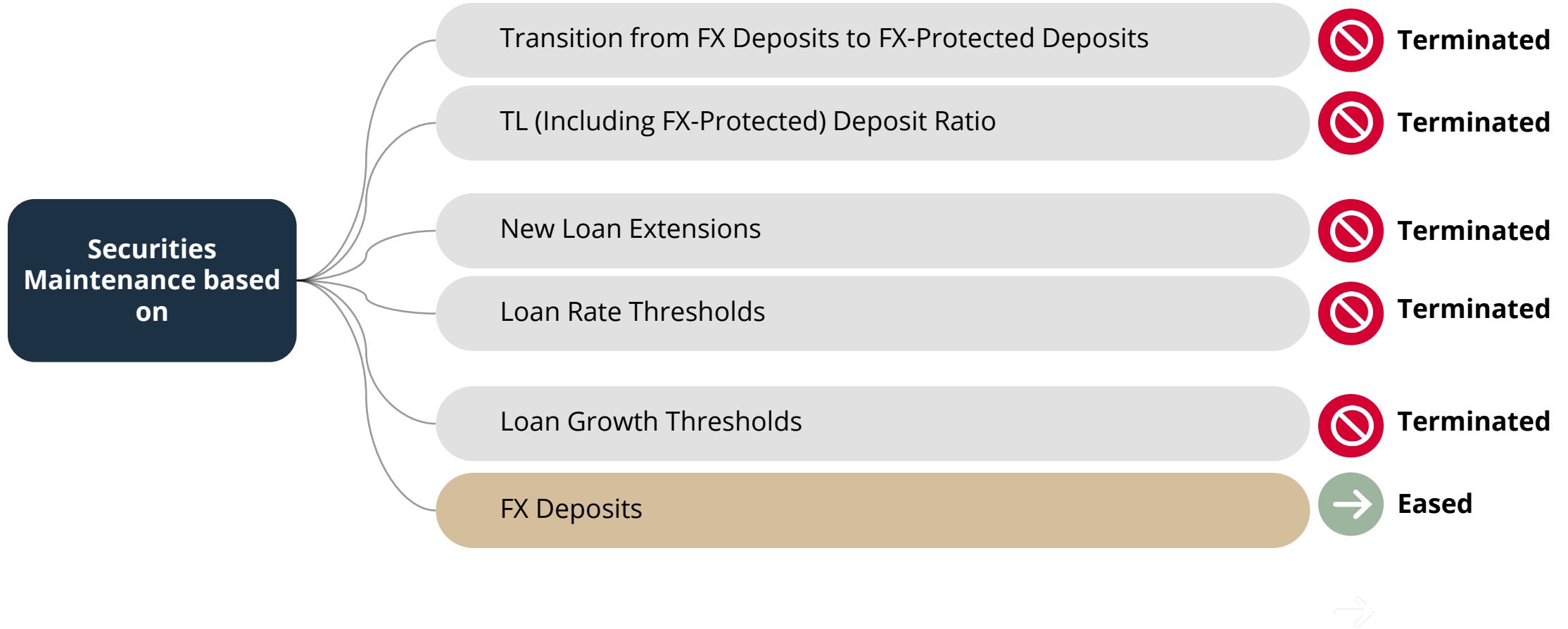
Source: CBRT, as of March 25th 2024

TL Deposit Purchase Auctions (Billion TL, Outstanding)



Source: CBRT

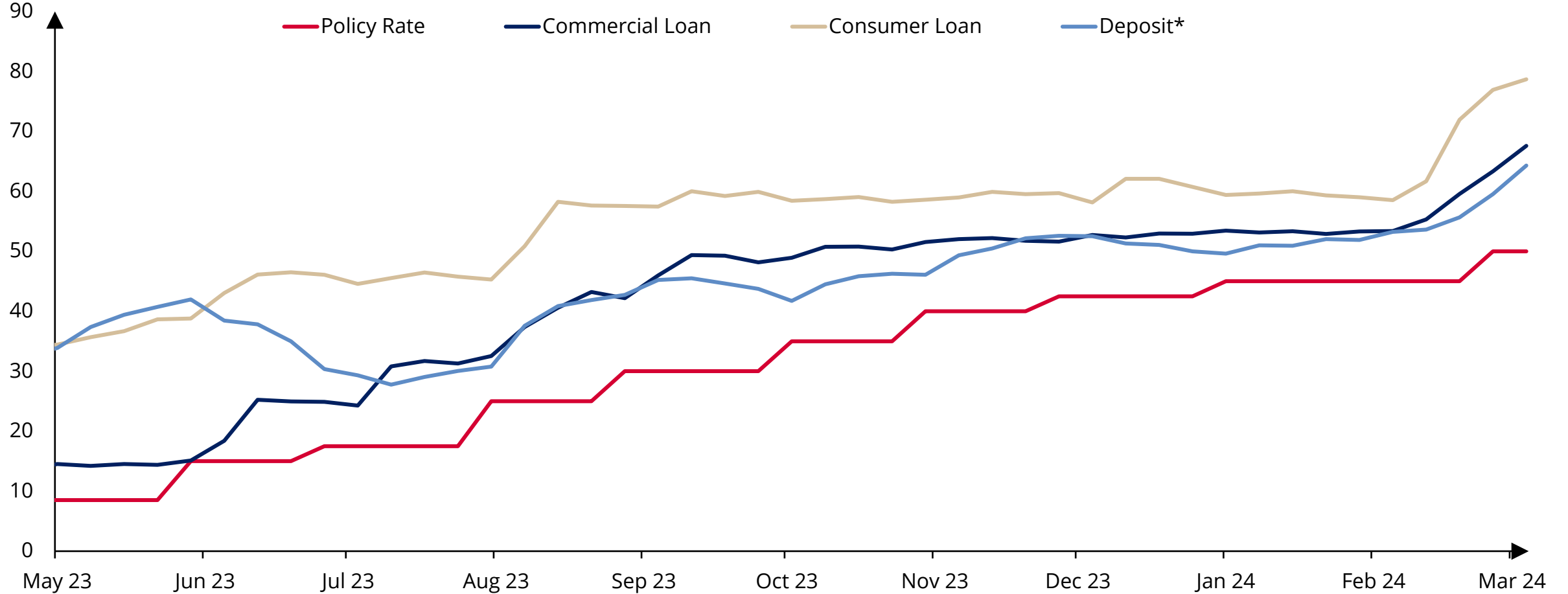
We have largely abolished the security maintenance requirements.



DISINFLATION PATH

Financial conditions have tightened following the policy rate hikes.

Interest Rates (%)



Source: CBRT

As of 29 March 2024

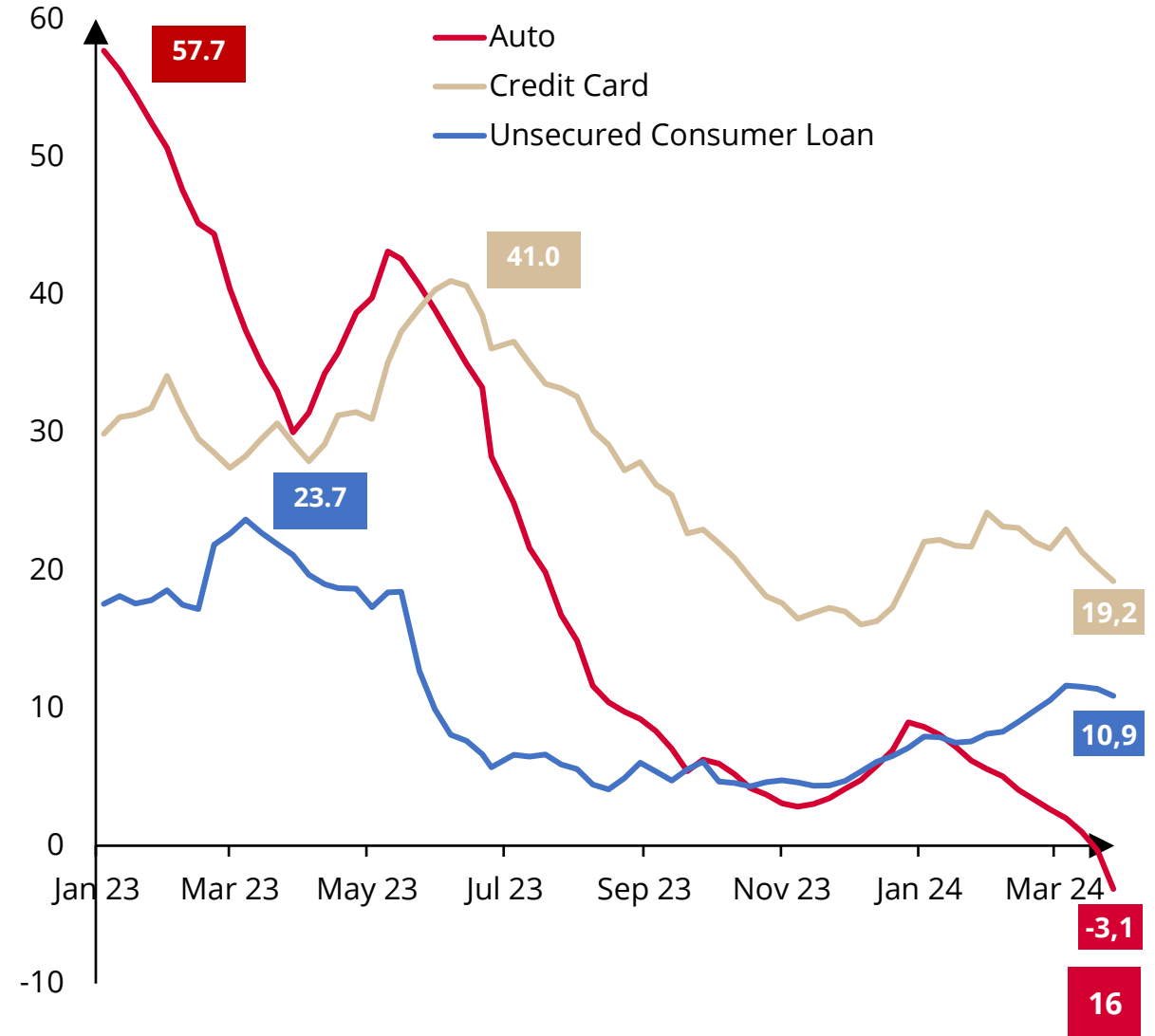
* 1 to 3 month TL deposit interest rate

Retail loan growth has moderated.

Retail Loan Growth (% , 13 Week)

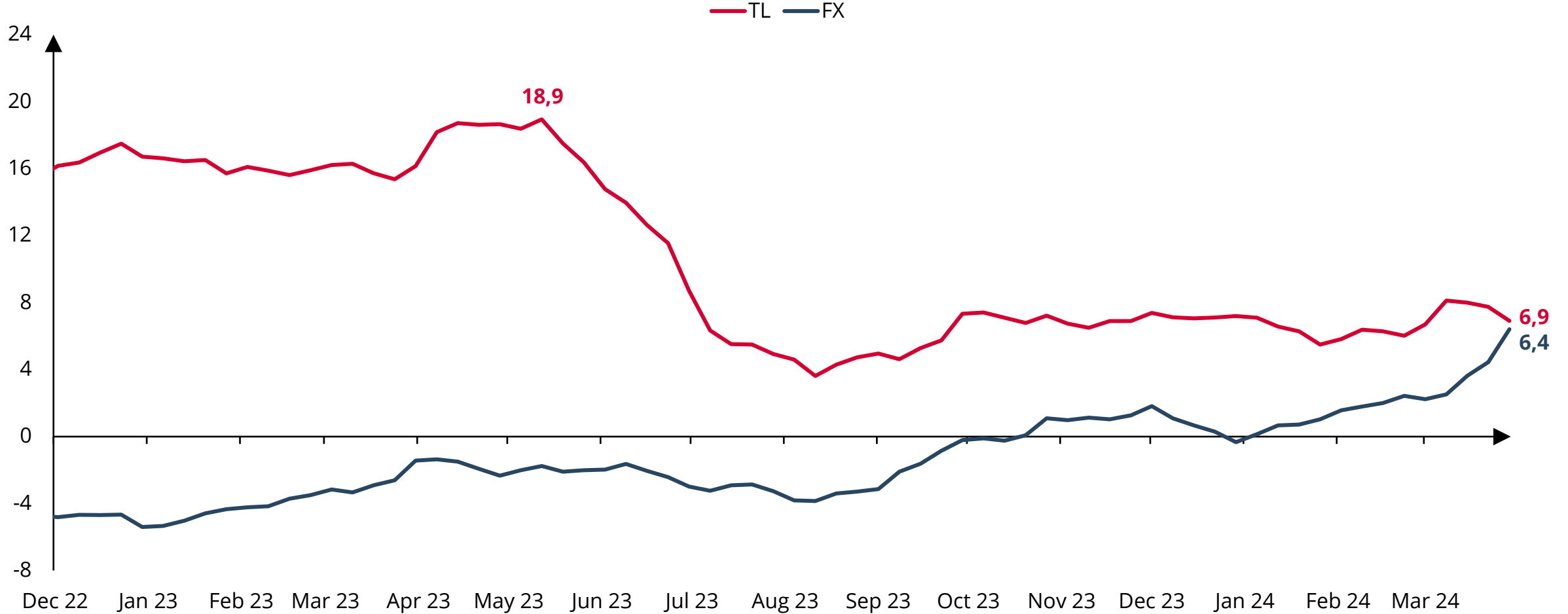


Retail Loan Growth by Category (% , 13 Week)



Turkish lira commercial loan growth normalized while FX loan growth increased.

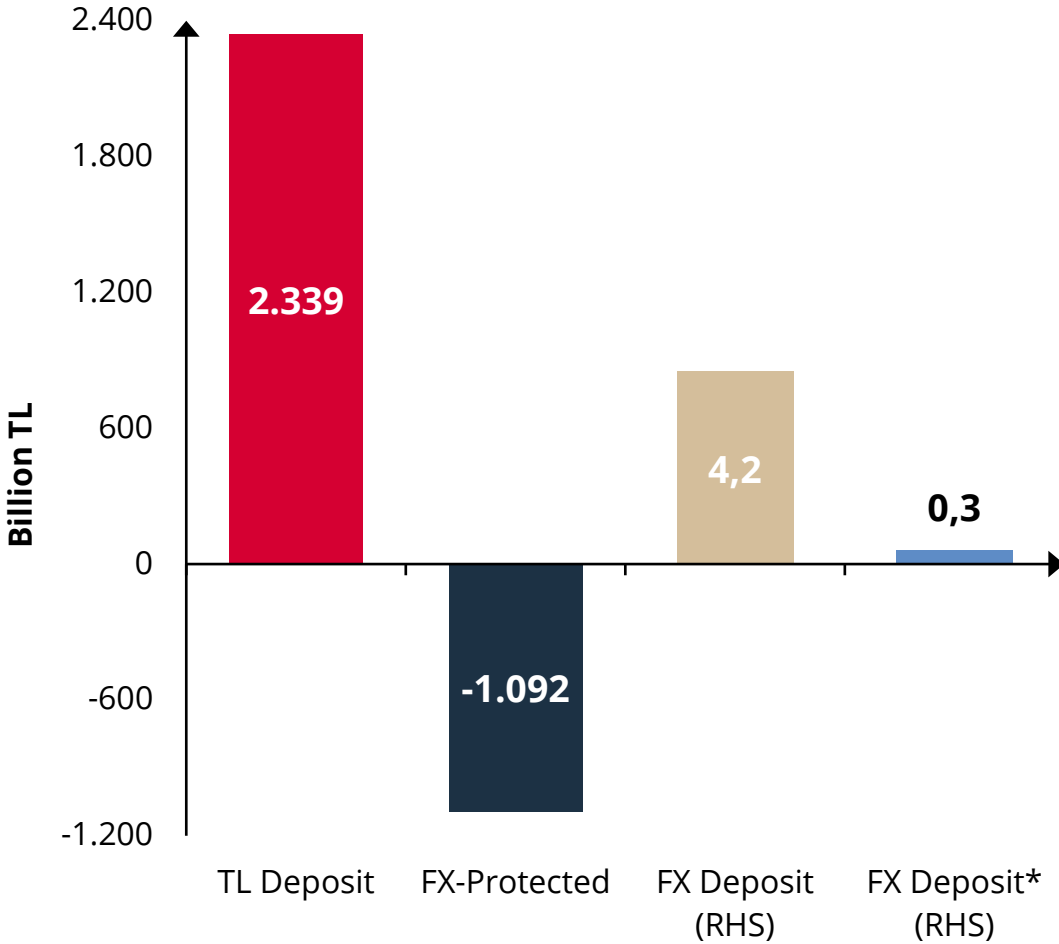
Commercial Loan Growth (% , 13 Week)



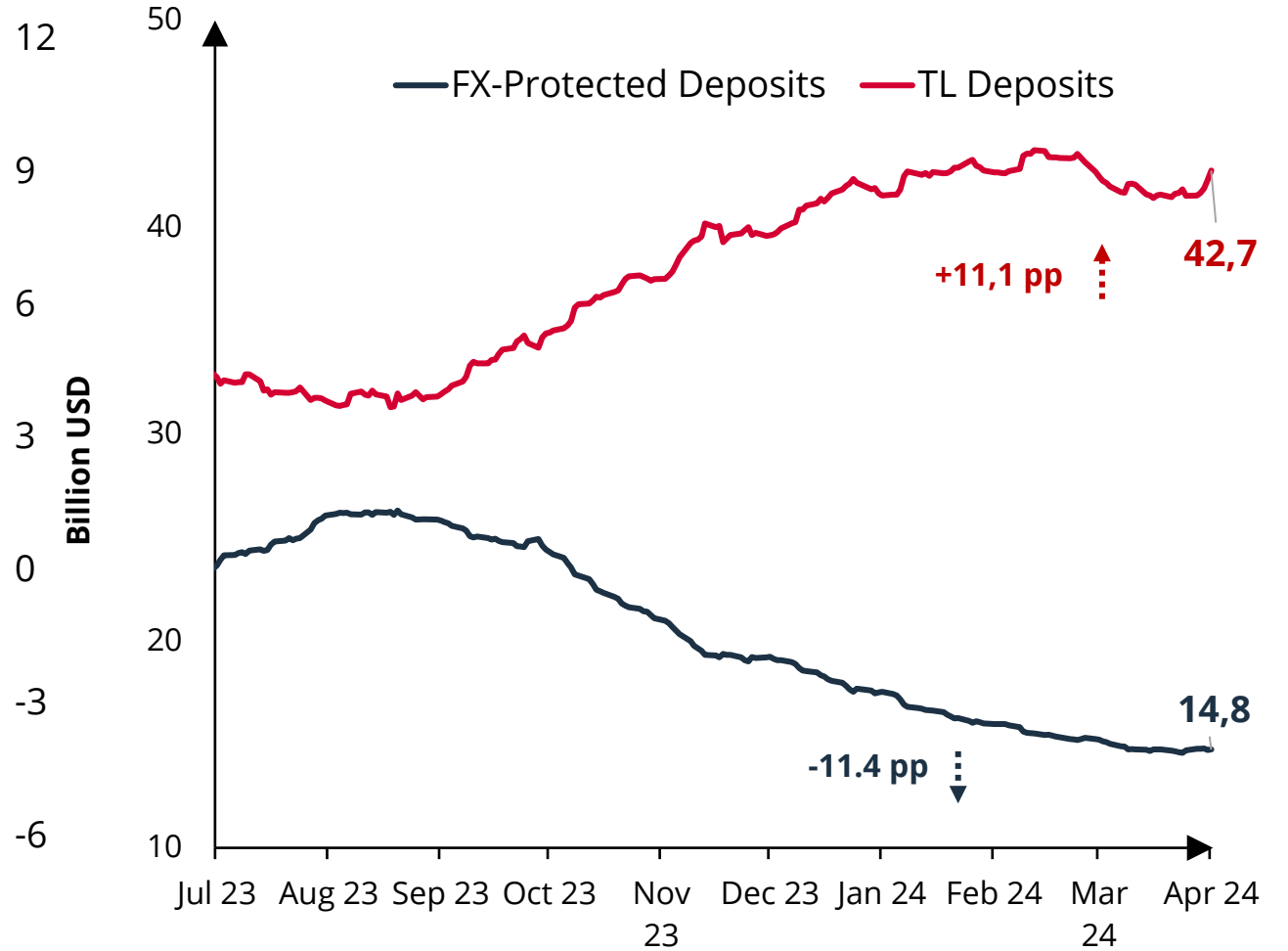
Source: CBRT
As of 29 March 2024

The share of Turkish lira deposits increased, but some of the gains reversed.

Change in Deposits (25 August - 29 March)

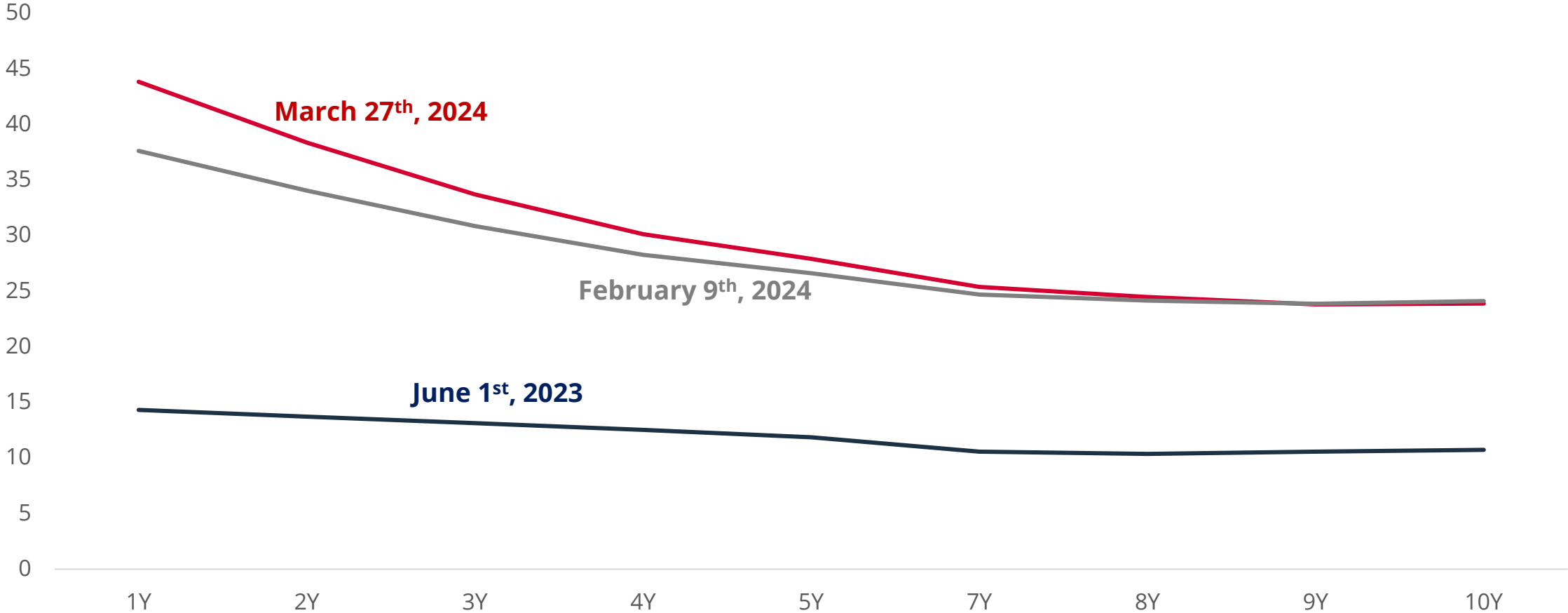


Deposit Share (%)



Yield curve is shifting in tandem with monetary tightening.

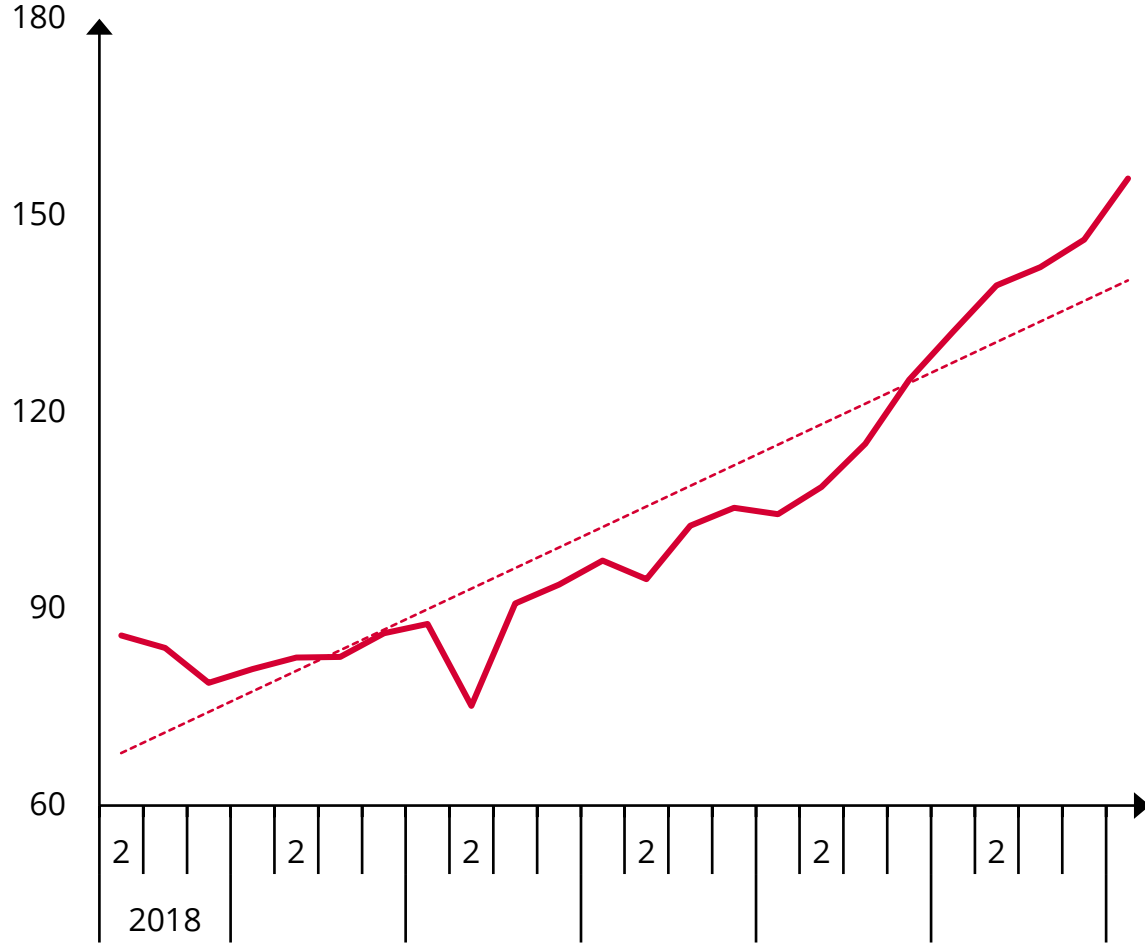
Yield Curve (%)*



Source: Bloomberg
* As of 27 March 2024

Domestic demand remains resilient with signs of normalization.

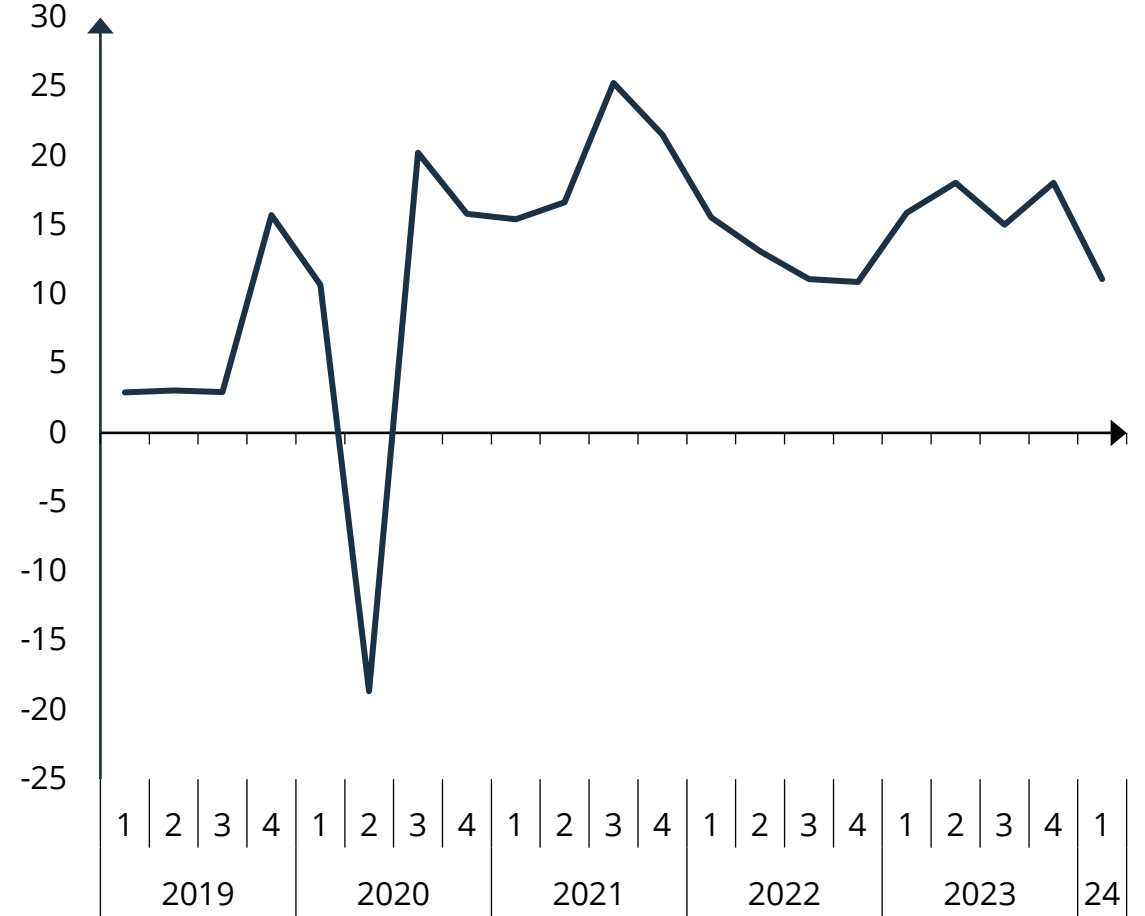
Retail Sales Volume Index** (SA, 2015=100)



Source: TURKSTAT.

* As of January 2024. ** Dashed line in the left panel shows the linear trend.

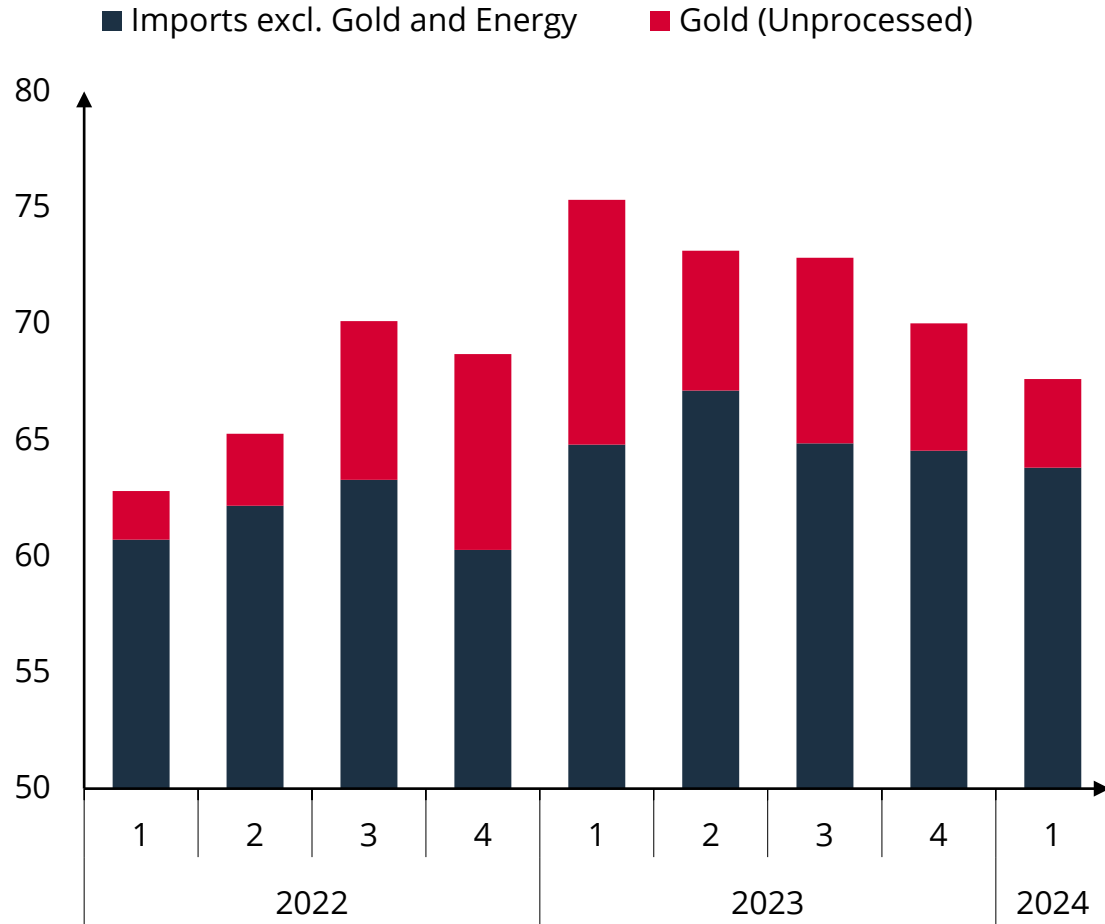
Business Tendency Survey Expected Domestic Orders (SA, Compared to Historical Averages)



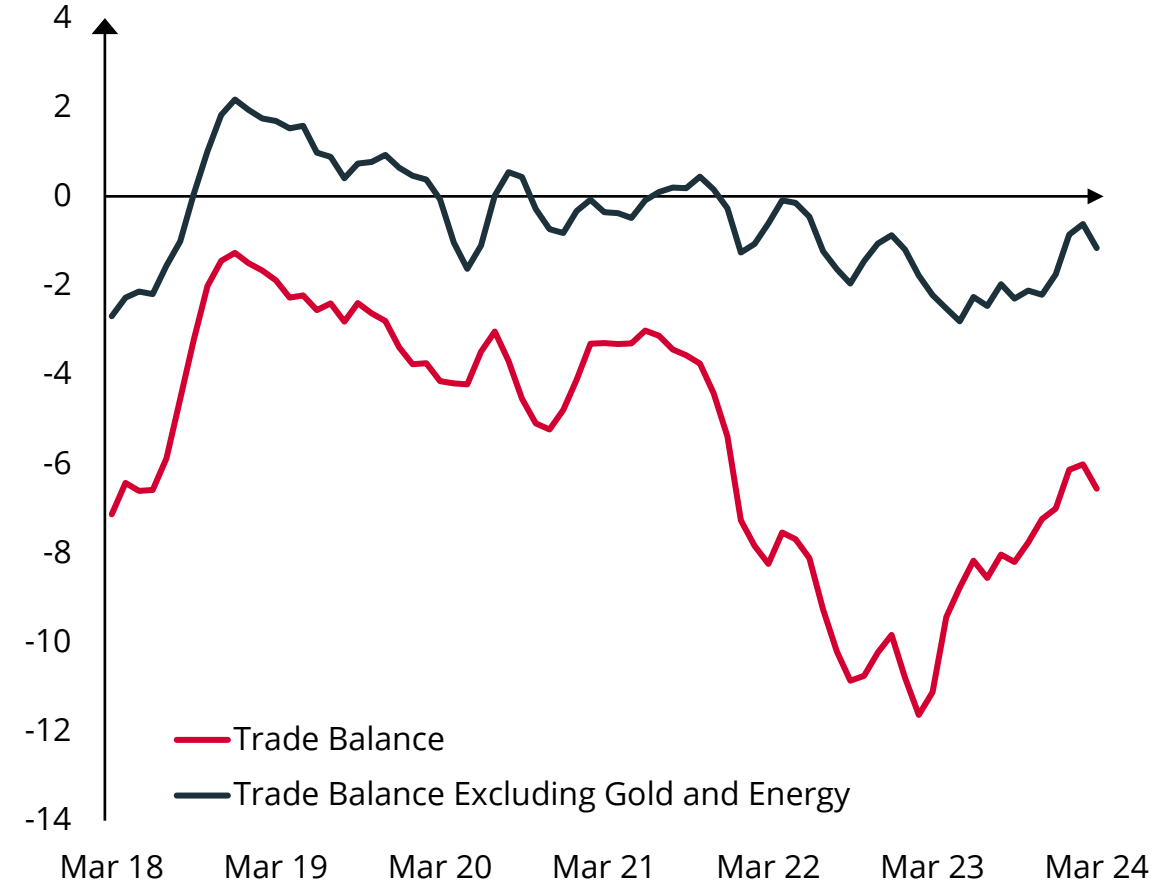
Source: CBRT.

Declining imports led to an improvement in the trade balance.

Imports* (SA, Nominal, Billion USD)

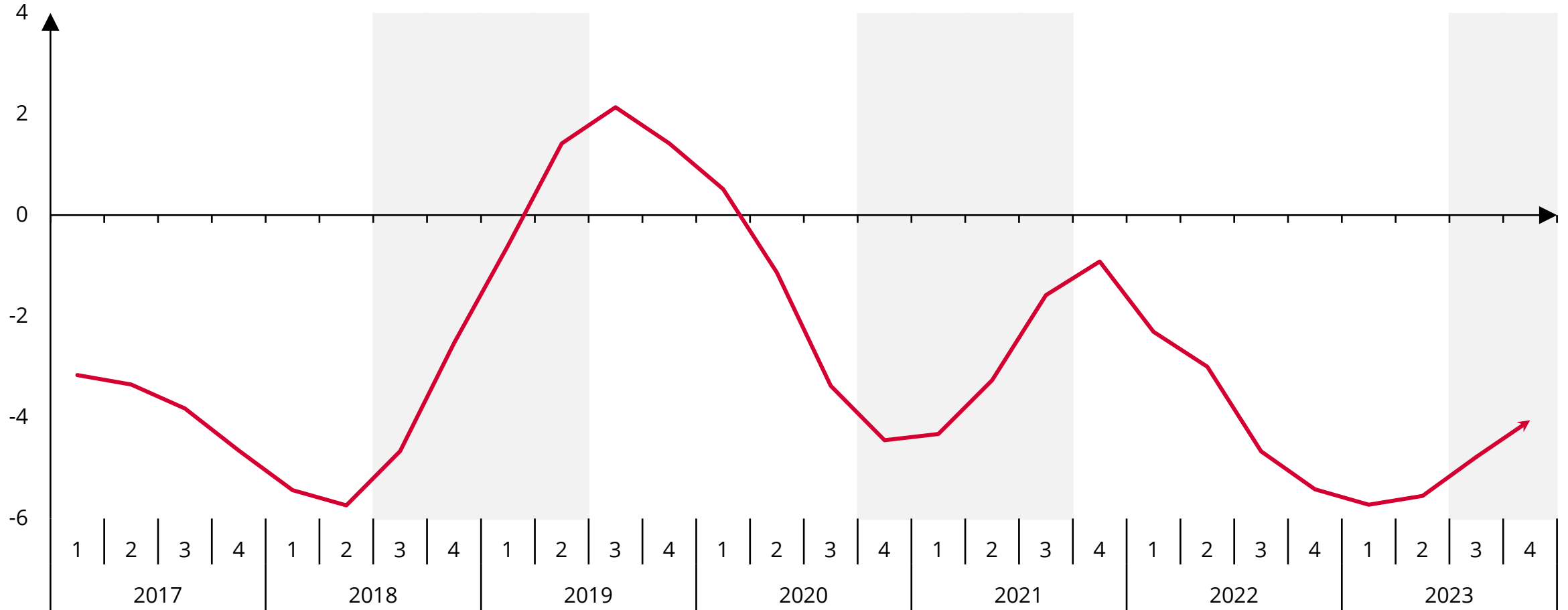


Monthly Trade Balance* (SA, 3-Month MA, Billion USD)



The current account balance will continue to improve.

Current Account Balance/GDP* (%)

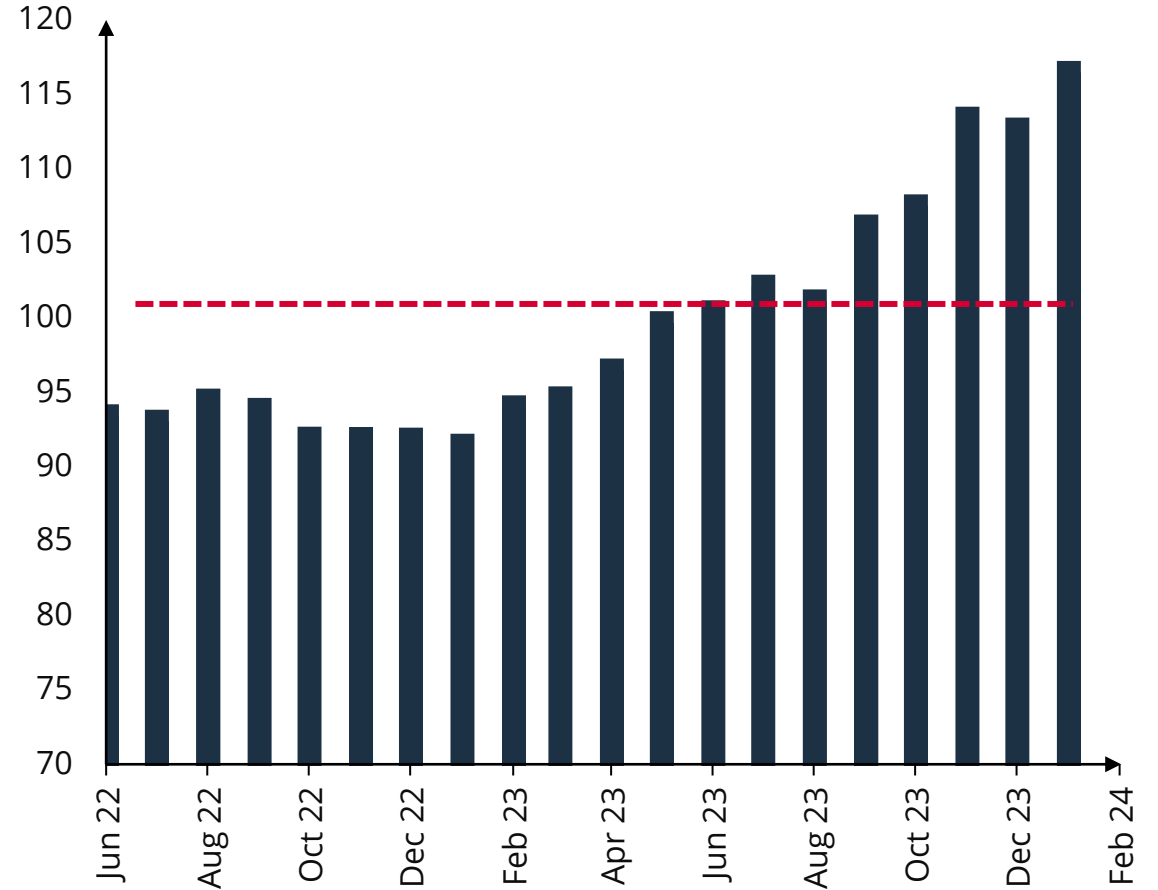


Country risk premia are down and external debt rollovers are up.

5-Year CDS Premiums (bps)

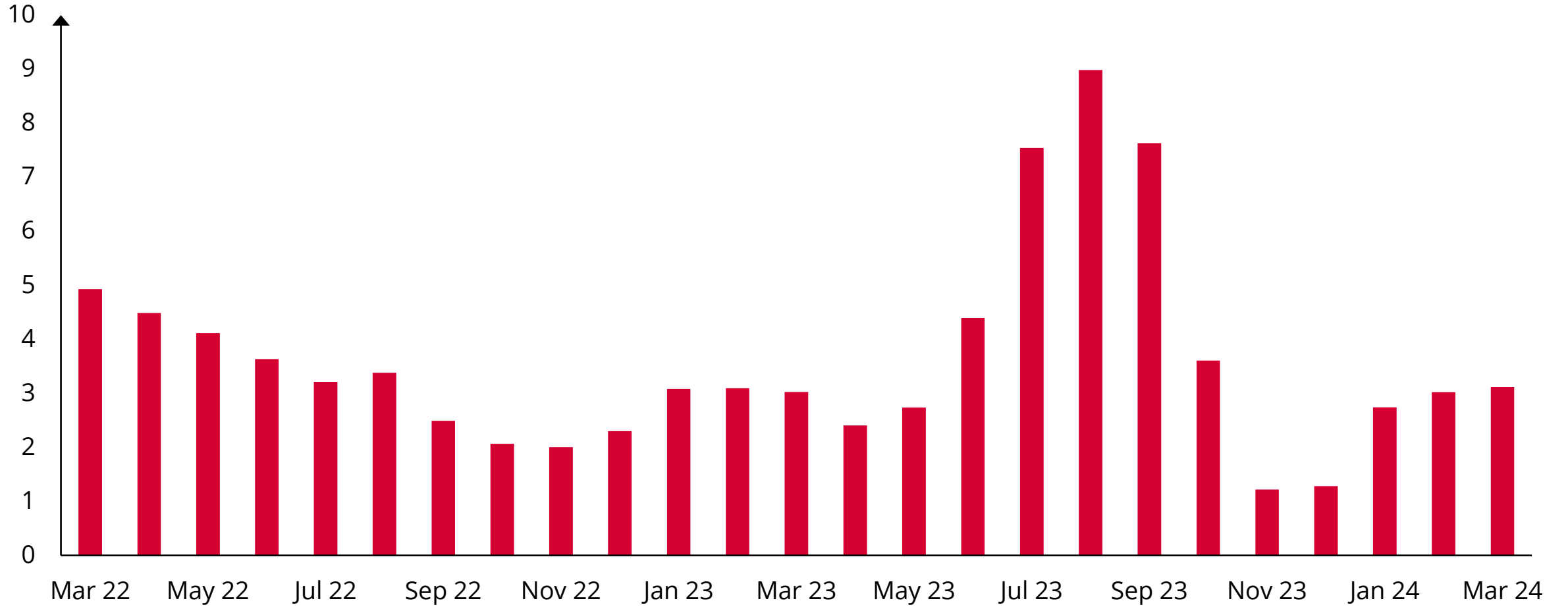


Bank External Debt Rollover Ratios (6-month MA, %)



Inflation in durable goods has declined.

Prices of Durable Goods (3 Months Average % Change, Exc. Gold) *

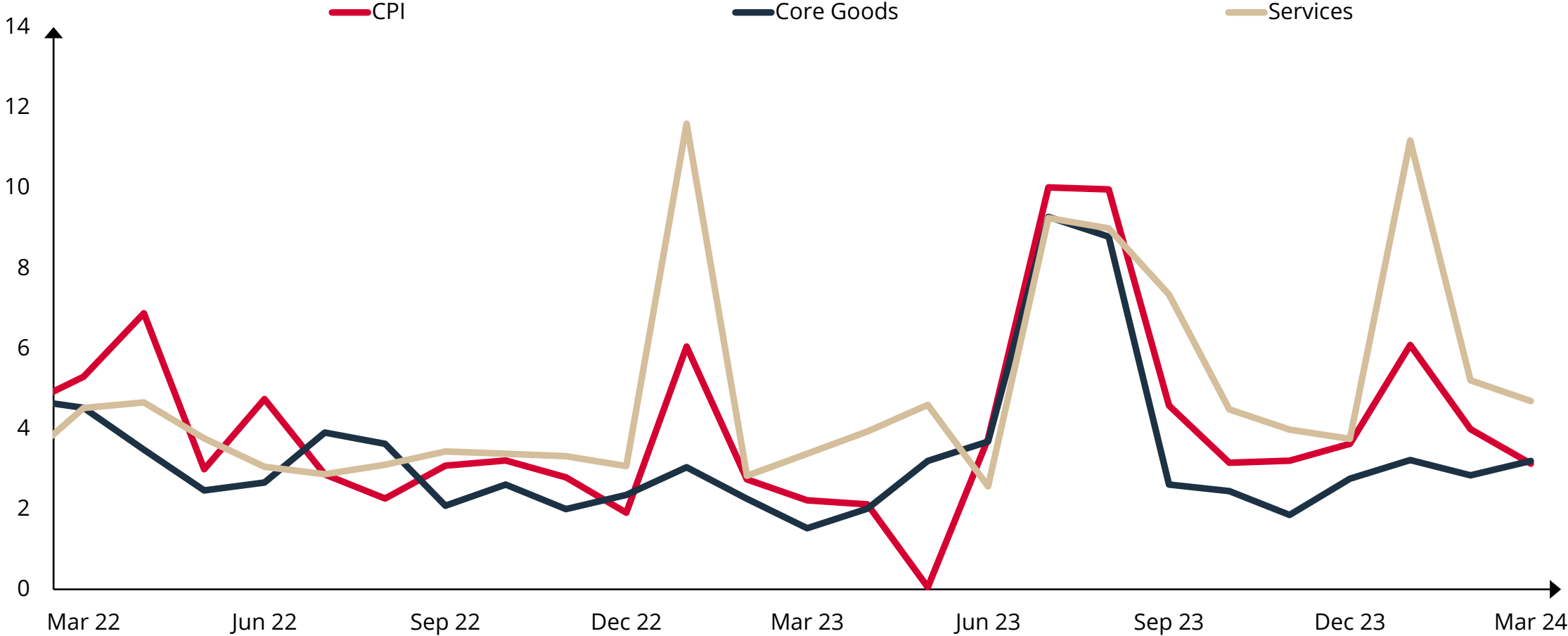


Source: TURKSTAT, CBRT

* 3-months average % change is calculated by taking the average of monthly inflations in the corresponding three-month periods.

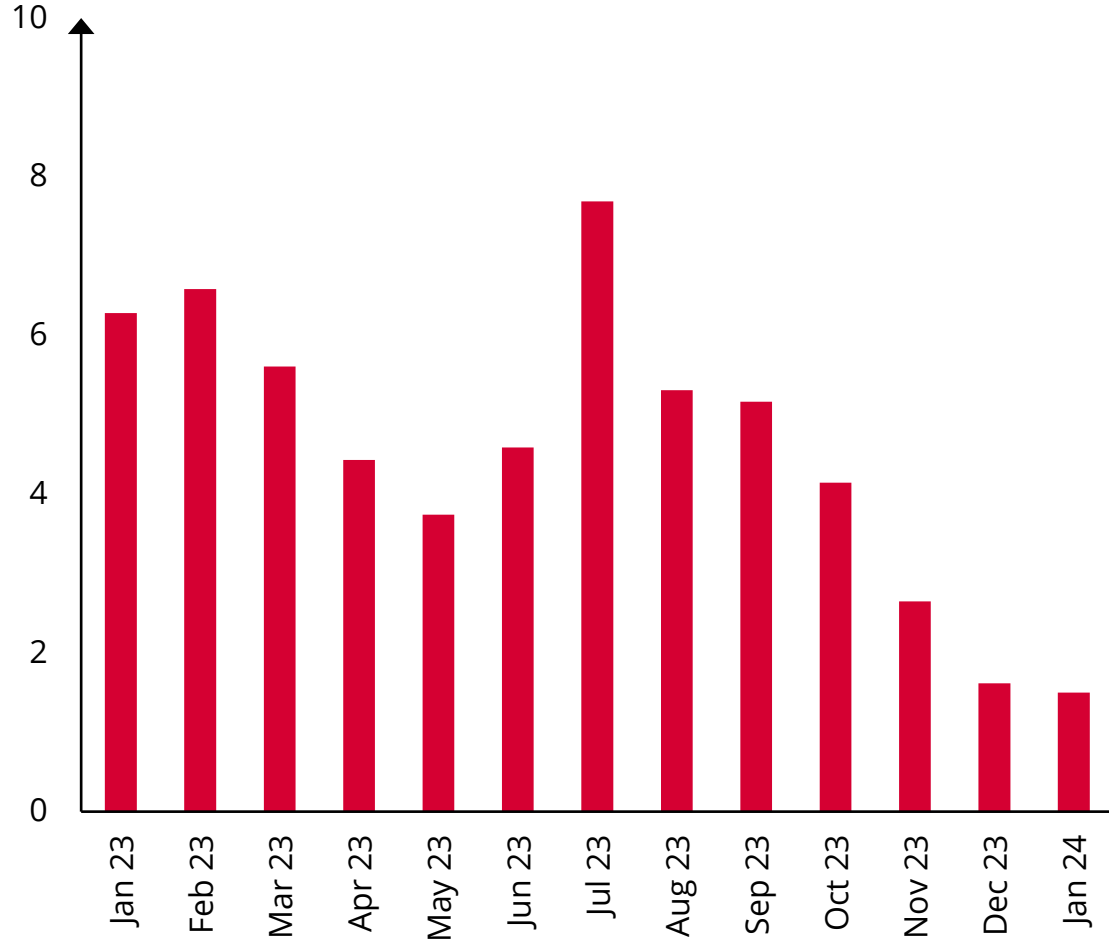
Services inflation has been a challenge.

Price Index (Seasonally Adjusted, Monthly % Change)

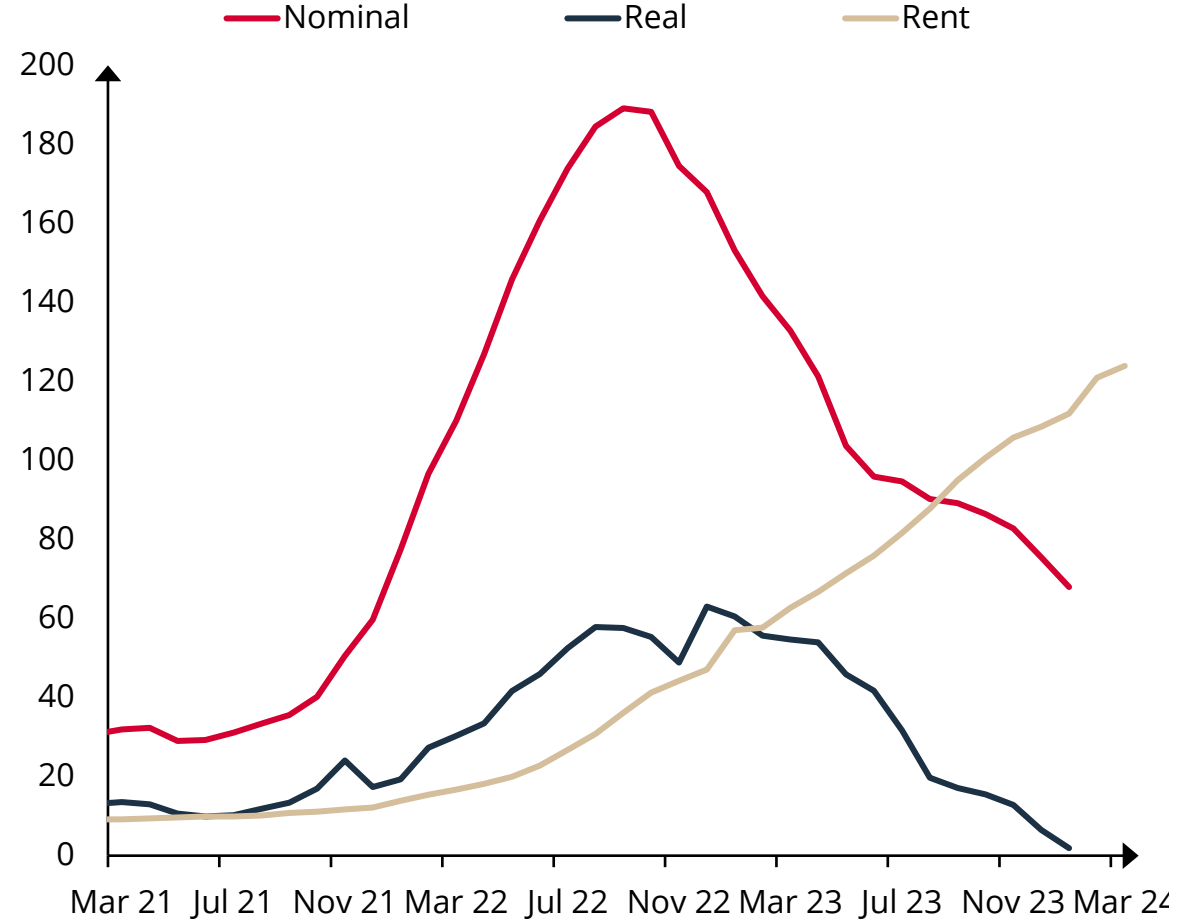


Residential inflation is declining.

Monthly Residential Prices (SA, Monthly % Change)



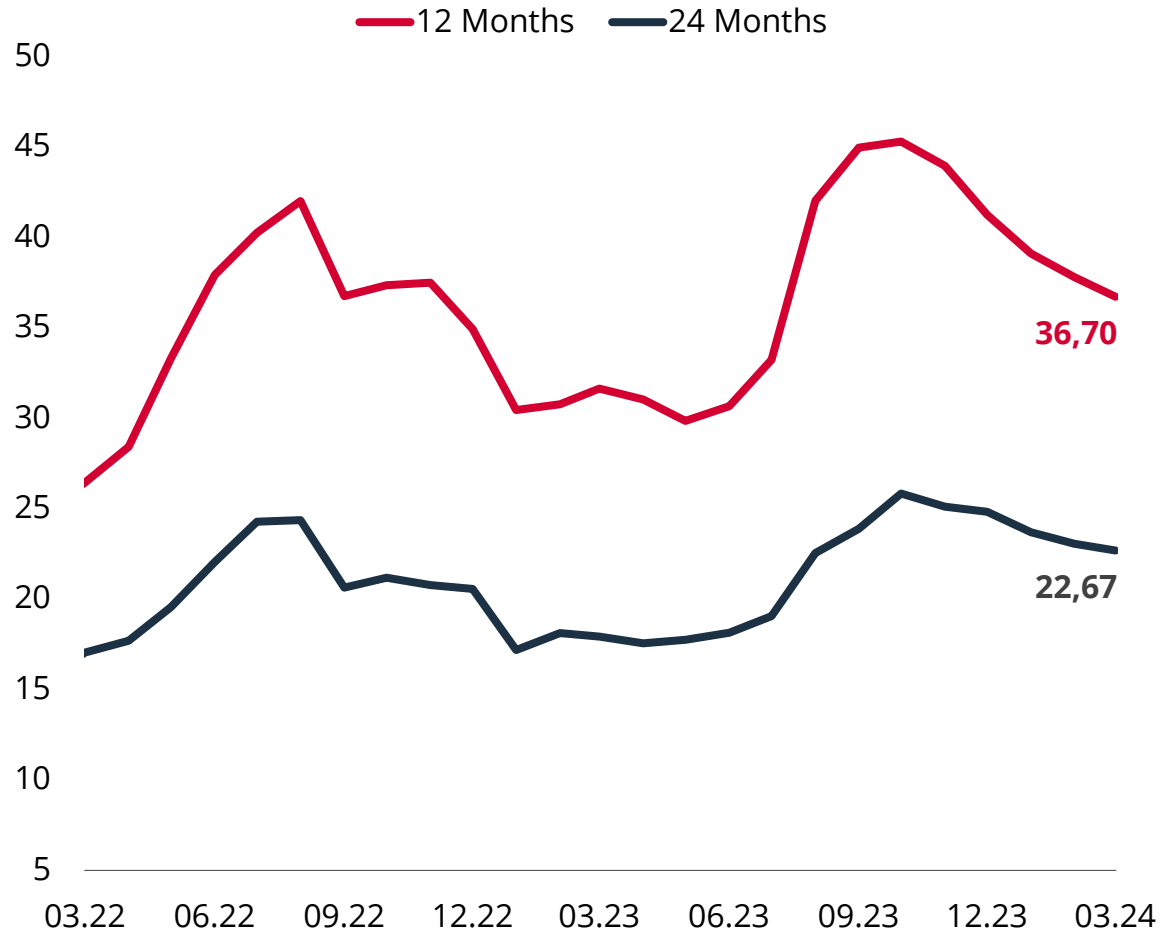
Annual Residential Prices and Rents (Annual % Change)*



There is a growing consensus that inflation will fall in the second half of the year.

Inflation Expectations

(Survey of Market Participants, Trimmed Mean, %)

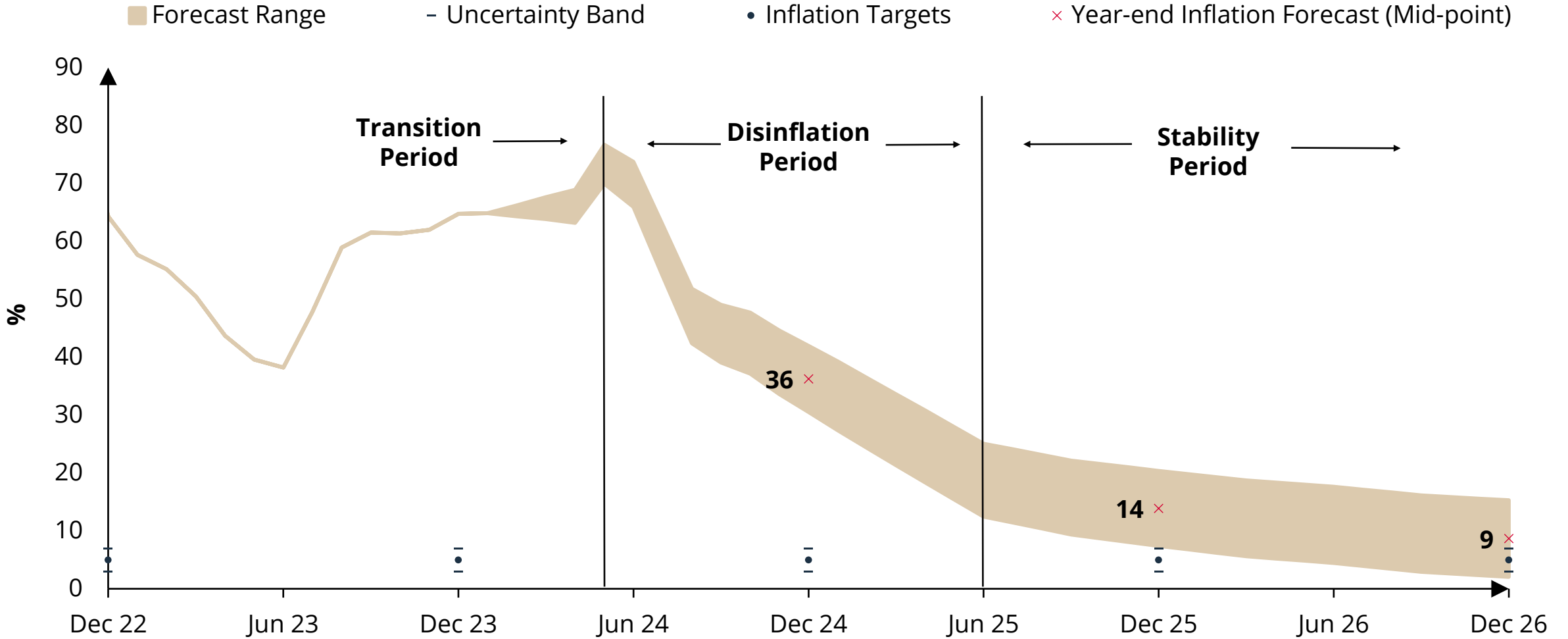


Inflation Expectations

(Survey of Market Participants)

	Mar.24	2024 IR-I	Expectation -IR Forecast Difference
2024 Year End	44.2	36	8.2
12-Month Ahead	36.7	27.5	9.2
24-Month Ahead	22.7	12.2	10.5
2025 Year End	26.3	14	12.3
5-Year Ahead	12.84		-

Headline inflation will decline beginning in 2024H2.





**TÜRKİYE CUMHURİYET
MERKEZ BANKASI**

www.tcmb.gov.tr