

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 raise the policy rate (the one-week repo auction rate) from 42.5 percent to 45 percent.

In December, headline inflation increased in line with the outlook presented in the last Inflation Report. The existing level of domestic demand, stickiness in services inflation, and geopolitical risks keep inflation pressures alive. On the other hand, recent indicators suggest that domestic demand continues to moderate in line with the projected disinflation process as monetary tightening is reflected in financial conditions. The Committee also assesses that inflation expectations and pricing behavior continued to show signs of improvement. External financing conditions, strengthening in foreign exchange reserves, rebalancing in current account balance, and demand for Turkish lira denominated assets continue to contribute to exchange rate stability and the effectiveness of monetary policy. In light of these developments, the decline in the underlying trend of monthly inflation continued.

Taking into account the lagged impact of monetary tightening, the Committee assesses that the monetary tightness required to establish the disinflation course is achieved and that this level will be maintained as long as needed. The Committee assesses that the current level of the policy rate will be maintained until there is a significant decline in the underlying trend of monthly inflation and until inflation expectations converge to the projected forecast range. The Committee will reassess the stance of monetary policy if notable and persistent risks to inflation outlook emerge.

To increase the functionality of market mechanism and strengthen macro financial stability, the Committee continues to simplify and improve the existing micro- and macroprudential framework. In line with the simplification process, the Committee will strengthen the monetary transmission mechanism in the face of any potential excess volatility in credit supply and deposit rates through macroprudential policy. In addition to policy rate decisions, the Committee will continue to implement quantitative tightening by extending the sterilization tools at its disposal in order to support the monetary tightening process.

Taking into account the lagged effects of monetary tightening, the Committee will continue to 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 continue to decisively use all the tools at its disposal in line with its main objective of price stability.

The Committee will continue to 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.