

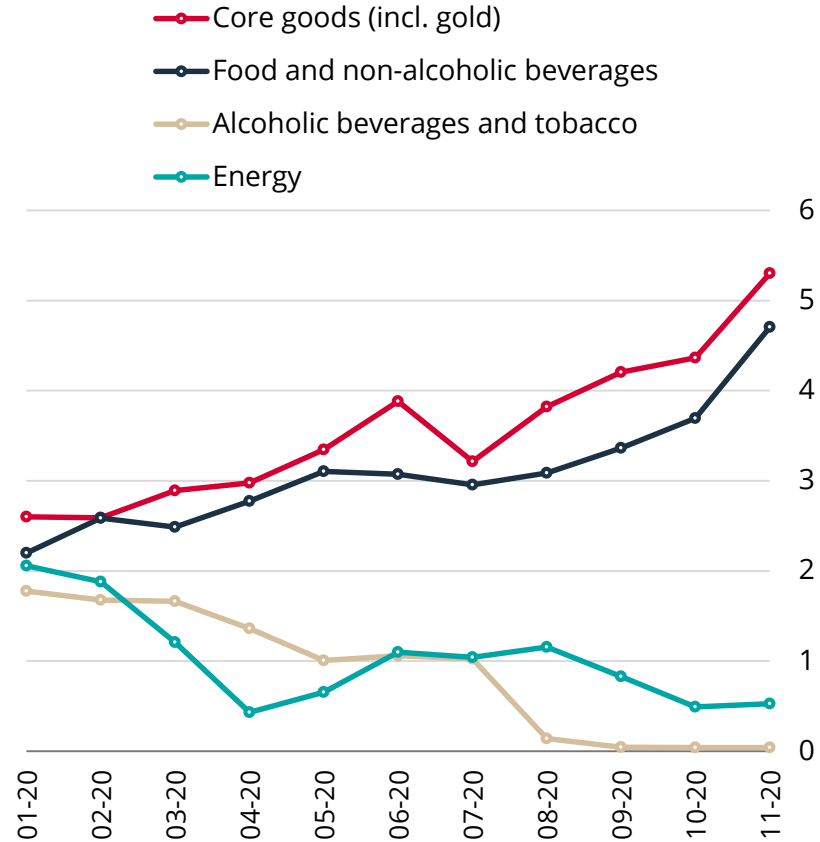
MONETARY AND EXCHANGE RATE POLICY FOR 2021

16 December 2020
Ankara



Inflation Developments

Contributions from Selected Items to Inflation (Percentage Point)



Sources: CBRT; TURKSTAT.

Inflation in 2020 (Annual, %)

	01/20	04/20	07/20	10/20	11/20
CPI	12.2	10.9	11.8	11.9	14.0
Food and nonalcoholic beverages	9.0	11.3	12.7	16.5	21.1
Core goods (incl. gold)	8.4	9.9	10.8	15.0	18.2
Clothing and footwear	5.8	4.7	10.3	2.0	0.8
Durable goods (incl. gold)	11.4	15.5	14.3	25.2	31.6
Other core goods	5.8	5.6	6.4	9.4	11.5
Alcoholic beverages and tobacco	42.2	31.3	21.8	0.7	0.7
Energy	17.1	3.3	8.6	4.0	4.3
Services	12.2	11.8	11.8	10.9	11.4

Sources: CBRT; TURKSTAT.



Upside risks to inflation require the monetary policy stance to be tight and decisive in 2021.

Monetary policy decisions will be taken by giving priority to price stability.



The medium-term **inflation target of 5%** set jointly with the government has been maintained.

Aware of its responsibility in reaching this target, the CBRT will remain **determined** and **resolute** over the target horizon.





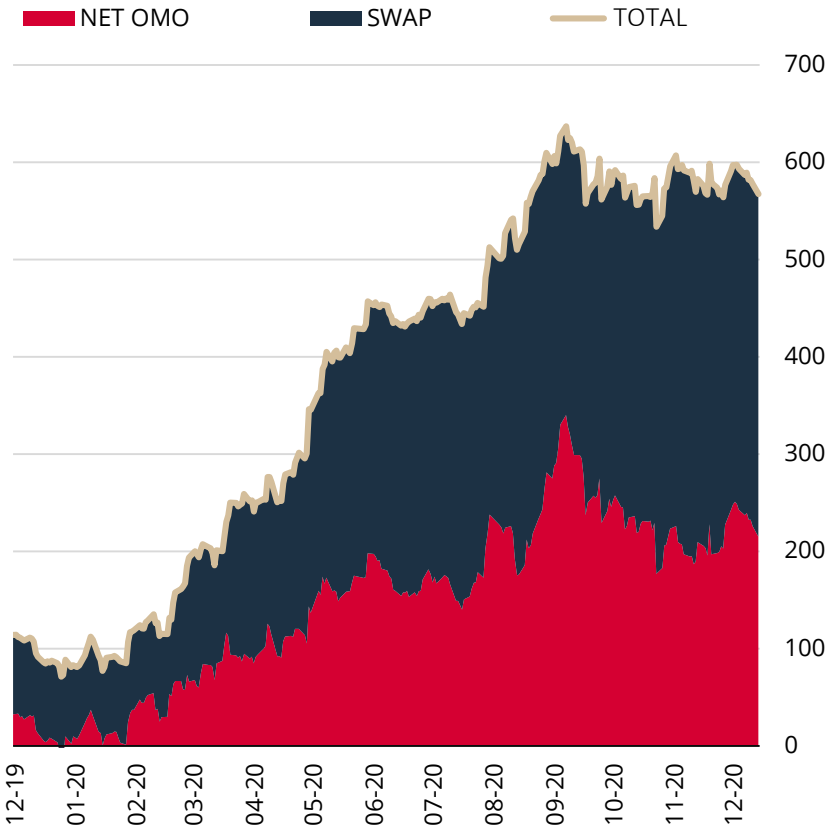
The CBRT's main policy instrument is the **one-week repo auction rate**.

The **interest rate corridor** that is used to limit intraday volatility in overnight interest rates and the **Late Liquidity Window** that performs the CBRT's role as a lender of last resort **will not be utilized as monetary policy instruments except for** their above-mentioned functions.

Reserve requirements and other Turkish lira and foreign currency liquidity instruments will be used effectively in order to ensure the smooth functioning of the monetary transmission mechanism and to limit the risks to macrofinancial stability.

TL and FX Liquidity Developments

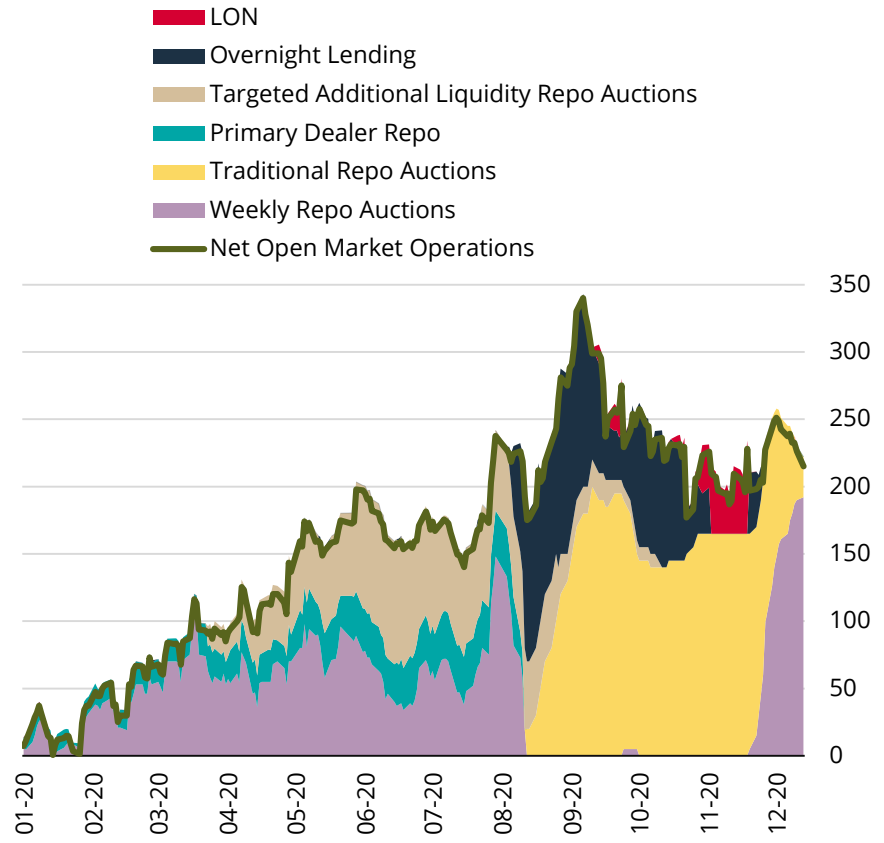
CBRT Funding (TRY Billion)



Source: CBRT

Last Observation: 14 December 2020

OMO Funding in 2020 (TRY Billion)



Source: CBRT

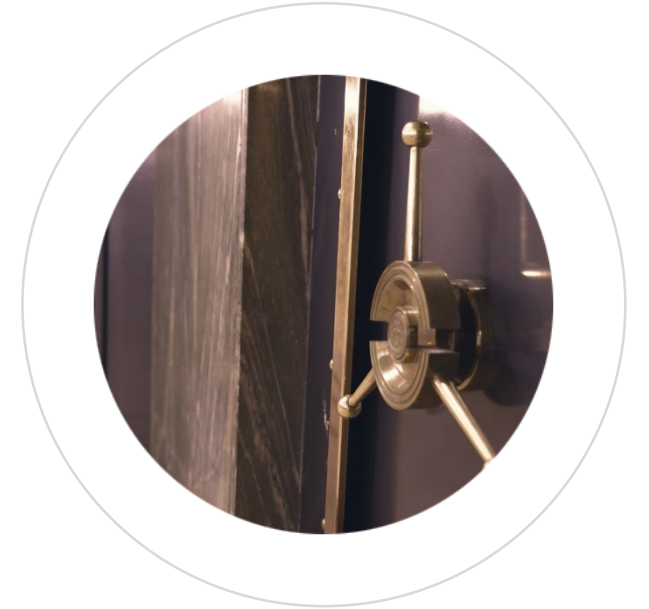
Last Observation: 14 December 2020



The implementation of the **floating exchange rate regime** will continue, and exchange rates will be determined by supply and demand balance under free market conditions. The CBRT does not have a nominal or real exchange rate target.

The CBRT **will not conduct foreign exchange buying or selling transactions** to determine the level or direction of exchange rates.

For effective monetary policy and financial stability, the **CBRT's foreign exchange reserves** will be strengthened and relevant tools will be used to this end under appropriate conditions in a transparent way and within a specific framework.



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