

# Press Release on Interest Rates

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## Participating Committee Members

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The Monetary Policy Committee (MPC) has decided to keep the policy rate (one-week repo auction rate) constant at 19 percent.

The global economy, having contracted sharply in 2020 due to the pandemic, continues to recover on the back of accommodative policies and positive developments in the vaccination process. This improvement process is determined especially by the acceleration in manufacturing industry activity and global trade. While commodity prices have increased again in the recent period, the effects of the rising global inflation expectations on international financial markets remain significant.

Despite the constraining effect of the pandemic, domestic economic activity is strong. While domestic demand has slightly decelerated due to pandemic restrictions, external demand remains strong. Manufacturing industry activity exhibits a strong momentum, whereas the weak course continues in the services sector, which has been adversely affected by the pandemic restrictions. Nevertheless, risks for economic activity exist in either direction depending on the progress of the pandemic and the vaccination process. Consumer loans, along with commercial loans, exhibit a milder course, and the durability of this development is monitored for macroeconomic stability. Despite the rise in commodity prices, the strong upward trend in exports, the significant fall in gold imports and the slowdown in credit amid the tightening of financial conditions support the expected improvement in the current account balance.

Demand and cost factors, supply constraints in some sectors, and high levels of inflation expectations continue to pose risks to the pricing behavior and inflation outlook. The decelerating impact of the monetary tightening on credit and domestic demand has begun to be observed. Taking into account the high levels of inflation and inflation expectations, the current monetary policy stance will be maintained until the significant fall in the April Inflation Report's forecast path is achieved. Accordingly, the MPC has decided to keep the policy rate unchanged.

The CBRT will continue to use decisively all available instruments in pursuit of the primary objective of price stability. The policy rate will continue to be determined at a level above inflation to maintain a strong disinflationary effect until strong indicators point to a permanent fall in inflation and the medium-term 5 percent target is reached.

The stability in the general price level will foster macroeconomic stability and financial stability positively through the fall in country risk premium, reversal in currency substitution, accumulation of foreign exchange reserves and perpetual decline in financing costs. This would create a viable foundation for investment, production and employment to continue growing in a healthy and sustainable way.

The Committee will continue to take its decisions in a transparent, predictable and data-driven framework.

The summary of the Monetary Policy Committee Meeting will be released within five working days.