

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.

The underlying trend of inflation registered a decline in October. Indicators for the last quarter suggest that domestic demand continues to slow down, reaching disinflationary levels. While core goods inflation remains low, signs for an improvement in services inflation have become more apparent. Unprocessed food inflation remains elevated due to temporary supply conditions. While inflation expectations and pricing behavior tend to improve, they continue to pose risks to the disinflation process.

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. Increased coordination of fiscal policy will also contribute significantly to this process. Consequently, the disinflation process will gain strength. 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. Accordingly, the level of the policy rate will be determined in a way to ensure the tightness required by the projected disinflation path, taking into account both realized and expected inflation. The Committee reiterated that it remains highly attentive to inflation risks. Monetary policy tools will be used effectively in case a significant and persistent deterioration in inflation is foreseen.

In case of unanticipated developments in credit and deposit markets, monetary transmission mechanism will be supported via additional macroprudential measures. Liquidity conditions are assessed with respect to prospective developments and closely monitored. Sterilization tools will continue to be implemented effectively.

Taking into account the lagged effects of monetary tightening, the Committee will make its policy decisions so as to 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.