



INFLATION REPORT

2021-I

28 January 2021



TÜRKİYE CUMHURİYET
MERKEZ BANKASI

Contents

1. Overview	1
1.1 Monetary Policy Decisions	3
1.2 Medium-Term Projections	4
1.3 Key Risks to Forecasts	6
2. Economic Outlook	10
2.1 Global Economic Developments	10
2.2 Financial Conditions	14
2.3 Economic Activity	19
2.4 Inflation	27
3. Medium-Term Projections	56
3.1 Current State, Short-Term Outlook and Assumptions	56
3.2 Medium Term Projections	58
3.3 Key Risks to Inflation Forecasts and Possible Impact Channels	62
Boxes	
Box 1.1 Recent Monetary Policy Decisions and Their Effects on Financial Indicators	8
Box 2.1 Factors Affecting Deposit Dollarization	38
Box 2.2 Effects of the Covid-19 Pandemic on Firms' Liquidity	41
Box 2.3 The Role of Bank Lending in the Current Account Deficit	44
Box 2.4 Determinants of Producer Inflation and Risks	47
Box 2.5 Main Macro Determinants of Inflation in 2020	50
Box 2.6 Wage Distribution and Effects of Wages on Inflation in Turkey	53
Box 3.1 A Technical Assessment of Output Gap Estimates	64