

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 reduce the policy rate (the one-week repo auction rate) from 47.5 percent to 45 percent.

While the underlying trend of inflation decreased in December, leading indicators point to an increase in January, in line with the projections. This increase is mainly driven by services items with time-dependent pricing and backward indexation. Core goods inflation, however, remains relatively low. Indicators for the last quarter suggest that domestic demand stands at disinflationary levels. While inflation expectations and pricing behavior tend to improve, they continue to pose risks to the disinflation process.

The decisiveness regarding tight monetary stance is strengthening the disinflation process through moderation in domestic demand, real appreciation in Turkish lira, and improvement in inflation expectations. Going forward, increased coordination of fiscal policy will also contribute significantly to this process. The tight monetary stance will be maintained until price stability is achieved via a sustained decline in inflation. Accordingly, the policy rate will be determined in a way to ensure the tightness required by the projected disinflation path taking into account realized and expected inflation, and the underlying trend. The Committee will make its decisions prudently on a meeting-by-meeting basis with a focus on the inflation outlook. 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 will be closely monitored and sterilization tools will continue to be used effectively with additional measures.

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. Accordingly, all monetary policy tools will be used decisively. 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.