

# Decision of the Monetary Policy Committee

October 22, 2020, No: 2020-61

## Participating Committee Members

Murat Uysal (Governor), Murat Çetinkaya, Ömer Duman, Uğur Namık Küçük, Oğuzhan Özbaş, Emrah Şener, Abdullah Yavaş.

The Monetary Policy Committee (the Committee) has decided to:

- keep the policy rate (one-week repo auction rate) constant at 10.25 percent, and
- adjust the monetary policy operational framework and set the margin between the CBRT Late Liquidity Window lending rate and overnight lending rate as 300 basis points.

While global economic activity has shown signs of partial recovery in the third quarter following the normalization steps taken by several countries, uncertainties on global economic recovery persist. Advanced and emerging economies continue to maintain expansionary monetary and fiscal stances. The pandemic disease is closely monitored for its evolving global impact on capital flows, financial conditions, international trade and commodity prices.

The recovery in economic activity continues. Following recent policy steps, the normalization trend observed in commercial and consumer loans has become more pronounced. The expected moderation in imports has started with the phasing out of pandemic-related supportive policies. The strong recovery in exports of goods, relatively low levels of commodity prices and the level of the real exchange rate will support the current account balance in the upcoming periods.

As a result of fast economic recovery with strong credit momentum, and financial market developments, inflation followed a higher-than-envisaged path. A significant tightening in financial conditions has been achieved, following the monetary policy and liquidity management steps taken to contain inflation expectations and risks to the inflation outlook. Accordingly, the Committee has decided to keep the policy rate unchanged, while enhancing flexibility in liquidity management and continuing with liquidity measures until inflation outlook displays a significant improvement.

The Committee assesses that restoring the disinflation process is a key factor for achieving lower sovereign risk, lower long-term interest rates, and stronger economic recovery. Keeping the disinflation process in track with the targeted path requires the continuation of a cautious monetary stance. In this respect, monetary stance will be determined by considering the indicators of the underlying inflation trend to ensure the continuation of the disinflation process. The Central Bank will continue to use all available instruments in pursuit of the price stability and financial stability objectives.

It should be emphasized that any new data or information may lead the Committee to revise its stance.

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