

# Press Release on Interest Rates

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## Participating Committee Members

Hafize Gaye Erkan (Governor), Osman Cevdet Akçay, Elif Haykır Hobikođlu, Yaşar Fatih Karahan, Hatice Karahan.

The Monetary Policy Committee (the Committee) has decided to raise the policy rate (the one-week repo auction rate) from 35 percent to 40 percent.

Headline inflation edged down in October and remains in line with the outlook presented in the most recent Inflation Report. The existing level of domestic demand, the stickiness in services inflation, and geopolitical risks keep inflation pressures alive. On the other hand, recent indicators suggest that domestic demand has started to moderate as the monetary tightening is reflected on financial conditions. The Committee also assesses that inflation expectations and pricing behavior started to show signs of improvement. The improvement in external financing conditions, continued increase in foreign exchange reserves, positive impact of demand rebalancing on current account balance, and the increase in domestic and foreign demand for Turkish lira denominated assets contribute significantly to exchange rate stability and the effectiveness of monetary policy. In light of these developments, a decline in the underlying trend of monthly inflation is observed.

The Committee assessed that the current level of monetary tightness is significantly close to the level required to establish the disinflation course. Accordingly, the pace of monetary tightening will slow down and the tightening cycle will be completed in a short period of time. The monetary tightness will be maintained as long as needed to ensure sustained price stability.

To increase the functionality of market mechanisms and strengthen macro financial stability, the Committee continues to simplify and improve the existing micro- and macroprudential framework. While lending rates are assessed to be in line with the targeted level of financial tightness, the Committee evaluates that the regulations to increase the share of Turkish lira deposits and monetary tightening will continue to strengthen the transmission mechanism and to improve the funding composition of the banking system. In addition to policy rate decisions, the Committee will continue to make quantitative tightening decisions to support the monetary policy stance.

Taking into account the cumulative and lagged effects of monetary tightening, the Committee will continue to determine the policy decisions in a way that will create 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 continue to decisively use all the tools at its disposal in line with its main objective of price stability.

The Committee will continue to 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.