

Press Release on Interest Rates

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Participating Committee Members

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The Monetary Policy Committee (MPC) has decided to keep the policy rate (one-week repo auction rate) constant at 14 percent.

The new variants and increasing geopolitical risks keep the downside risks to global economic activity alive and increases the uncertainty. Recovery in global demand, high course of commodity prices, supply constraints in some sectors and rise in transportation costs have led to producer and consumer price increases internationally. While the effects of high global inflation on inflation expectations and international financial markets are closely monitored, central banks in advanced economies assess that the rise in inflation on the back of rising energy prices and imbalances between supply and demand may last longer than previously anticipated. Accordingly, while monetary policy communication of central banks in advanced economies varies with their diverse outlook for economic activity, labor market and inflation expectations, they continue their supportive monetary stances and asset purchase programs.

Level of capacity utilization and other leading indicators show that domestic economic activity remains strong, with the help of robust external demand. While share of sustainable components of economic growth increases, current account balance is expected to post a surplus in 2022. Strengthening of the improvement trend in current account balance is important for price stability objective, and in that respect, developments in commercial and consumer loans are closely monitored.

Increase in inflation in the recent period has been driven by distorted pricing behavior due to unhealthy price formations in the foreign exchange market, supply side factors such as the rise in global food and agricultural commodity prices, supply constraints, and demand developments. The Committee expects disinflation process to start on the back of measures taken for sustainable price and financial stability along with the decline in inflation owing to the base effect. Accordingly, the Committee has decided to keep the policy rate unchanged. While cumulative impact of the recent policy decisions is being monitored, to create a foundation for sustainable price stability, the comprehensive review of the policy framework is being conducted with the aim of prioritizing Turkish lira in all policy tools of the CBRT.

The CBRT will continue to use decisively all available instruments until strong indicators point to a permanent fall in inflation and the medium-term 5 percent target is achieved in pursuit of the primary objective of price stability. Stability in the general price level will foster macroeconomic stability and financial stability through the fall in country risk premium, continuation of the reversal in currency substitution and the upward trend in foreign exchange reserves, and durable decline in financing costs. This would create a viable foundation for investment, production and employment to continue growing in a healthy and sustainable way.

The Committee will continue to take its decisions in a transparent, predictable and data-driven framework.

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