

# 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 17 percent.

Economic activity is on a strong course. While the downward effects of the pandemic-related restrictions on the economy have been limited, the slowdown in activity in services and related sectors and uncertainties surrounding the short-run outlook of these sectors prevail. The strengthening domestic demand, due to the cumulative effects of high credit growth during the pandemic, continues to have an adverse effect on the current account balance. Nevertheless, credit growth has started to slow down amid tighter financial conditions.

Domestic demand conditions, cumulative cost effects, in particular the exchange rate effects, increasing international food and other commodity prices and high levels of inflation expectations continue to affect the pricing behavior and inflation outlook adversely. The decelerating impact of the strong monetary tightening on credit and domestic demand is expected to become more significant; hence the effects of demand and cost factors on inflation are envisaged to wane gradually. On the other hand, the ongoing upward trend in international commodity prices, supply constraints intensifying in some sectors, and the adjustments in wage and administered prices maintain their importance for the medium-term inflation outlook. Accordingly, the tight monetary policy stance will be maintained decisively, taking into account the end-2021 forecast target, for an extended period until strong indicators point to a permanent fall in inflation and price stability. In regard to the indicators pointing to a permanent fall in inflation and price stability, indicators for the underlying trend of inflation and pricing behavior, diffusion indices, demand and cost factors, and inflation expectations are monitored closely for their compatibility with the targets in the forecast horizon. Additional monetary tightening will be delivered if needed.

The balance between the monetary policy rate and actual/expected inflation will be sustained decisively to maintain a strong disinflationary effect until permanent price stability and the 5 percent target are reached. Sustaining the tight monetary policy stance in such a manner, besides attaining permanent price stability, will foster macroeconomic and financial stability positively by facilitating the fall in country risk premium, the reversal in currency substitution, the accumulation of foreign exchange reserves and the perpetual decline in financing costs.

In its decision-making process, the CBRT adopts a framework with a medium term perspective, based on analyzing all factors affecting inflation and the interaction between these factors. 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.