

HEAD OFFICE

ANKARA, 31 January 2022

Please refer to:

**TCMB: 98422658 -**

**Dr. Nureddin NEBATİ**  
**MINISTER OF TREASURY AND FINANCE**  
**ANKARA**

Pursuant to Article 42 of the Central Bank Law No. 1211, when the inflation target cannot be achieved, the Central Bank of the Republic of Türkiye (CBRT) is accountable for reporting to the Government and announcing to the public the reasons for the deviation from the inflation target and the necessary measures to be taken. Consumer inflation at the end of 2021 remained above the uncertainty band set around the 5% target. Accordingly, attached we hereby submit to you the January 2022 Inflation Report, which explains the reasons for the significant deviation of inflation from the targeted path, along with the measures already taken and to be taken to achieve the targets, for your kind information.

Instead of focusing on short-lived immediate gains, the CBRT has initiated a comprehensive monetary policy review process to achieve sustainable and permanent price stability in the long run. The liraization strategy is the most crucial part of this process. This liraization will support the monetary policy instruments in the medium and long-term fight against inflation through three channels.

Firstly, Turkish lira savings will be encouraged through FX-protected accounts and similar tools, and the returns on such accounts will not be allowed to remain lower than their alternatives. It is already obvious that FX-protected savings tools will help with the structural transformation of maturity extensions, addressing the long-standing issue of very short maturities. We expect that the liraization process will provide a lasting contribution to price stability in the medium term thanks to our decisions regarding reserve requirements and FX-protected deposits.

Secondly, the transition to Turkish lira instruments for CBRT liquidity and provisioning operations will be carried out progressively. Specifically, the funding share of currency swap transactions in total funding will be reduced. In accessing Turkish lira, priority will be given to Turkish lira-denominated collaterals and instruments. We will also incorporate this principle into reserve requirement policies.

Thirdly, to secure permanent gains in disinflation by improving production capacity, it is important to meet funding needs of sectors that support the current account balance and engage in foreign exchange earning activities at suitable maturities in Turkish lira terms. Dependence on external loans to finance production will be minimized with the help of loans aligned with the above targets. Thus, necessary conditions for ensuring the long-term stability of exchange rates that are determined by free market conditions and economic fundamentals will be established.

Coordinated economic policies and the widest possible public consensus are essential to the success of the steps taken to achieve and maintain price stability. In this context, the potential for success in achieving sustainable price stability is greater than ever. The disciplined fiscal stance is expected to have a high contribution to the fight against inflation. For permanent price stability, full alignment of taxation strategies with price stability targets as well as the effective use of the public inspection, supervision and regulation capacity against the factors hindering price competition in trade will remain significant.

Sincerely,

**CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE**  
**Head Office**

Prof. Şahap Kavcıoğlu  
Governor

Taha Çakmak  
Deputy Governor

Annex: 2022 January Inflation Report