

Press Release on Interest Rates

14 April 2022

No: 2022-21

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 ongoing geopolitical risks keep the downside risks to regional and global economic activity alive and increase the uncertainty. Concern over global food security, high course of commodity prices, supply constraints in some sectors that have become more evident particularly in energy, and high transportation costs have led to producer and consumer price increases internationally. The effects of high global inflation on inflation expectations and international financial markets are closely monitored. Moreover, central banks in advanced economies assess that the rise in inflation may last longer than previously anticipated due to rising energy prices and imbalances between supply and demand. 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 still continue their supportive monetary stances and asset purchase programs at a slower pace.

Level of capacity utilization and other leading indicators show that domestic economic activity remains strong, with the help of more robust external demand even some regional differences emerge. While share of sustainable components of economic growth increases, risks on current account balance due to energy prices continue. Sustainable current account balance is important for price stability. The Committee also assesses that the credit growth including the long-term investment loans and targeted usage of accessed funds for real economic activity is important for financial stability. In this context, the Committee decided to strengthen the macroprudential policy set.

Increase in inflation in the recent period has been driven by rising energy costs resulting from geopolitical developments, temporary effects of pricing formations that are not supported by economic fundamentals, strong negative supply shocks caused by the rise in global energy, food and agricultural commodity prices. The Committee expects disinflation process to start on the back of measures taken and decisively pursued for sustainable price and financial stability along with the decline in inflation owing to the base effect and the resolution of the ongoing regional conflict. Accordingly, the Committee has decided to keep the policy rate unchanged. While cumulative impact of the recent policy decisions is being monitored, to create an institutional basis for sustainable price stability, the comprehensive review of the policy framework continues with the aim of encouraging permanent and strengthened liraization in all policy tools of the CBRT.

The CBRT will continue to use all available instruments decisively within the framework of liraization strategy 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.