

Press Release on Interest Rates

17 February 2022

No: 2022-14

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 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, 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.

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 improving trend in current account balance is important for price stability. The Committee assesses that extending long-term Turkish lira investment credit will play a significant role in achieving this target.

Increase in inflation in the recent period has been driven by pricing formations that are not supported by economic fundamentals, supply side factors such as the rise in global energy, food and agricultural commodity prices, supply constraints, and demand developments. 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. 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 encouraging permanent 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.