



TÜRKİYE CUMHURİYET
MERKEZ BANKASI

MONETARY POLICY AND INFLATION OUTLOOK IN TÜRKİYE

Fatih Karahan, Ph.D.
Governor

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ISTANBUL



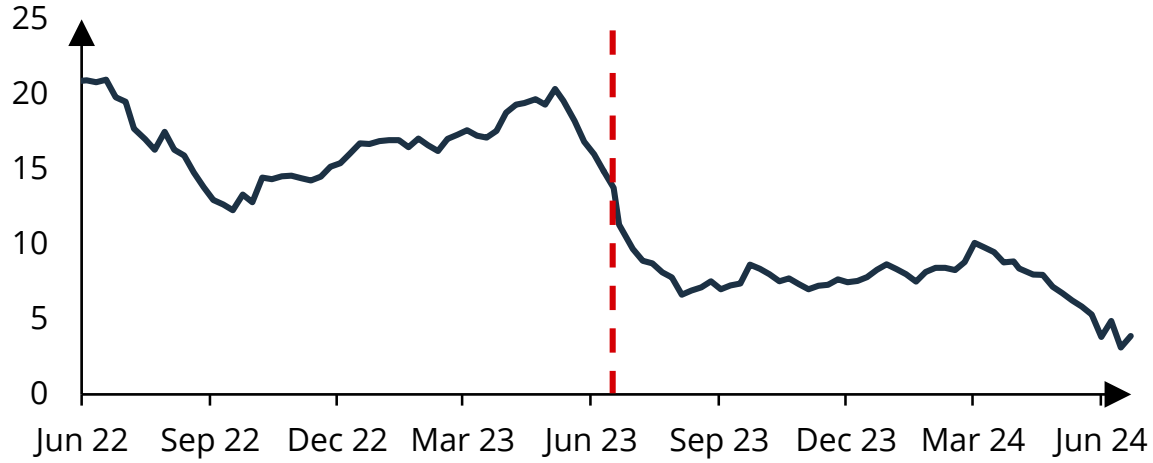
Outline

- **Overview**
- **Monetary Policy**
- **Financial Conditions**
- **Disinflation Path**

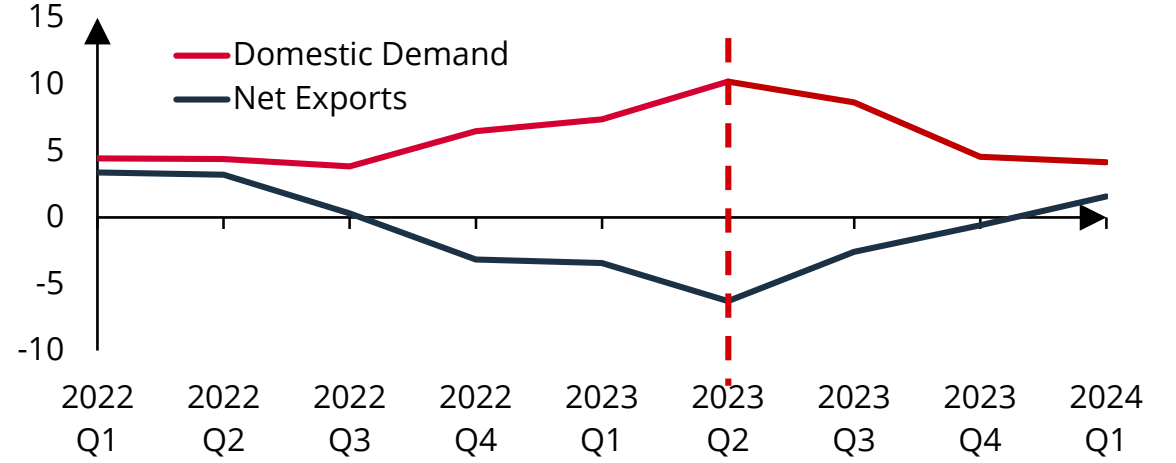
OVERVIEW

Macroeconomic indicators at a glance:

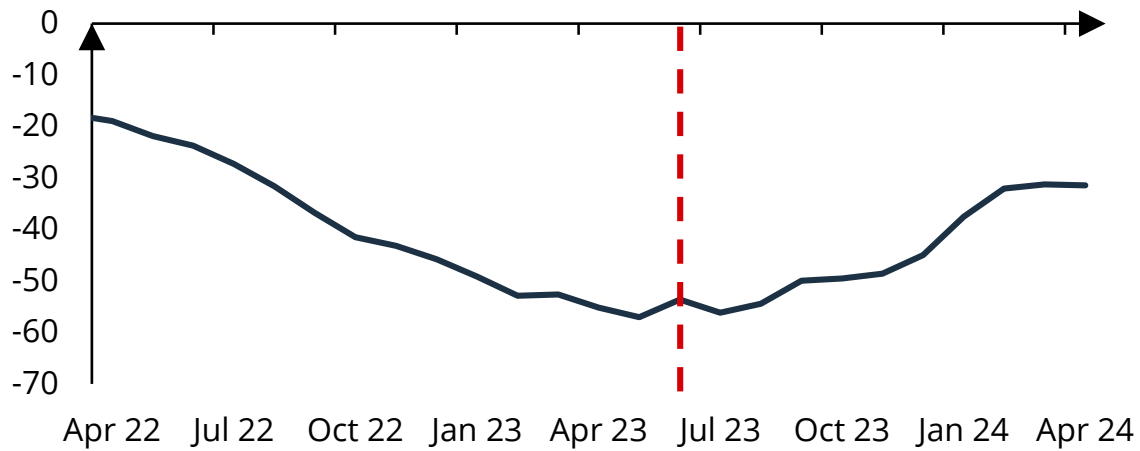
TL Loan Growth (13-week, %)



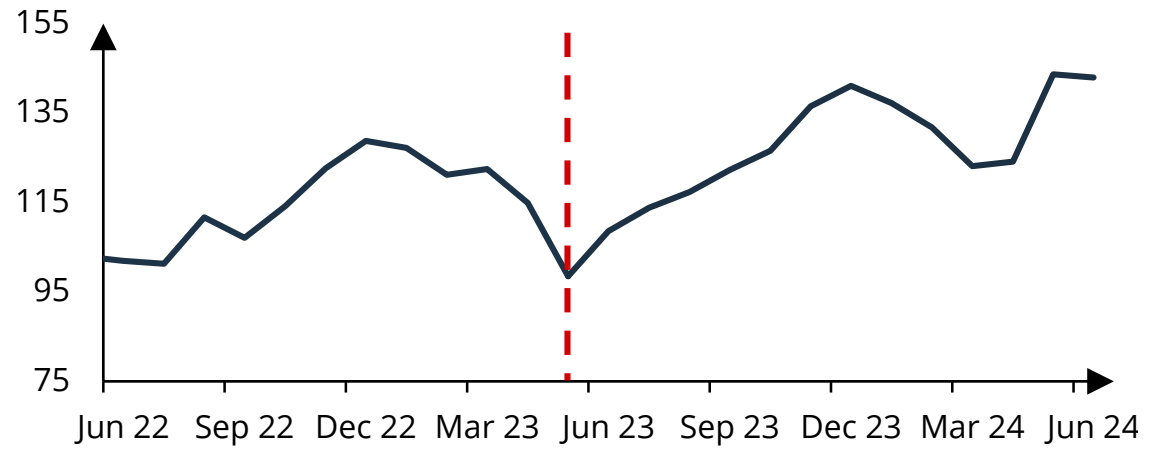
Contributions to Annual GDP Growth (Points)



Current Account Balance (12-month-accumulated, Billion USD)

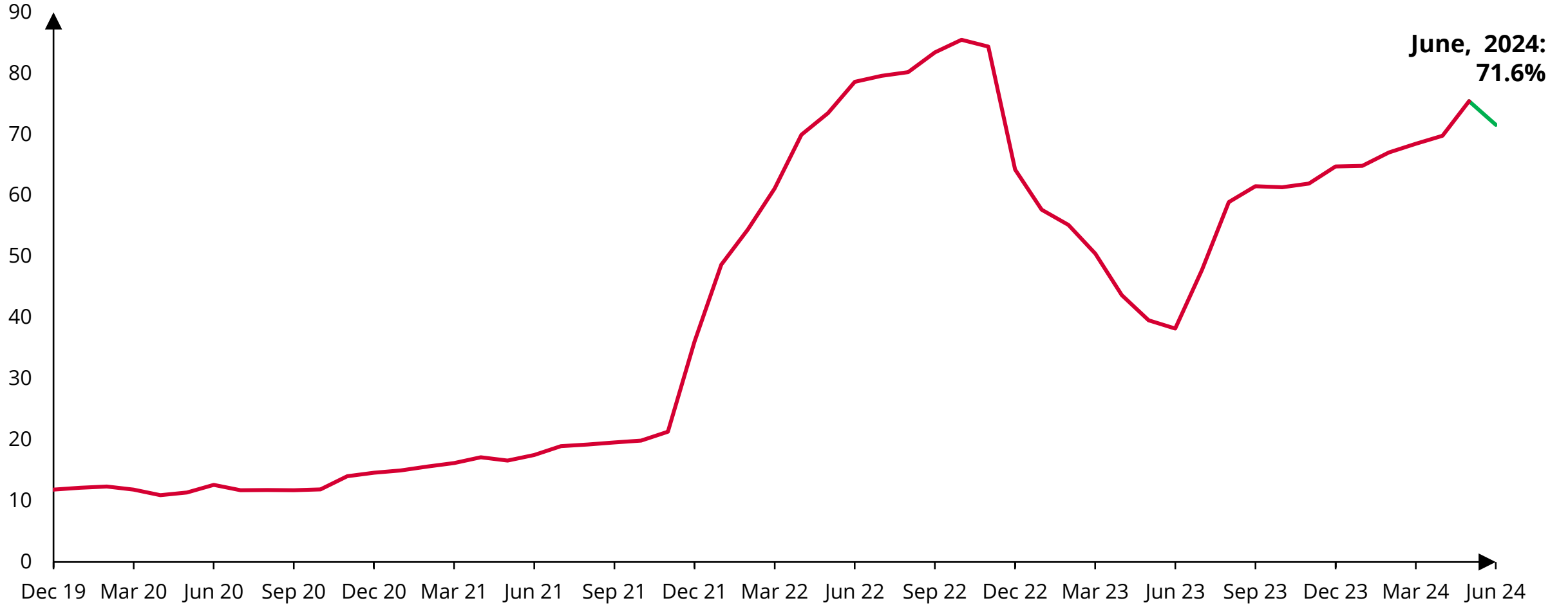


Reserves (Billion USD)



We are on the verge of a sustained disinflation period.

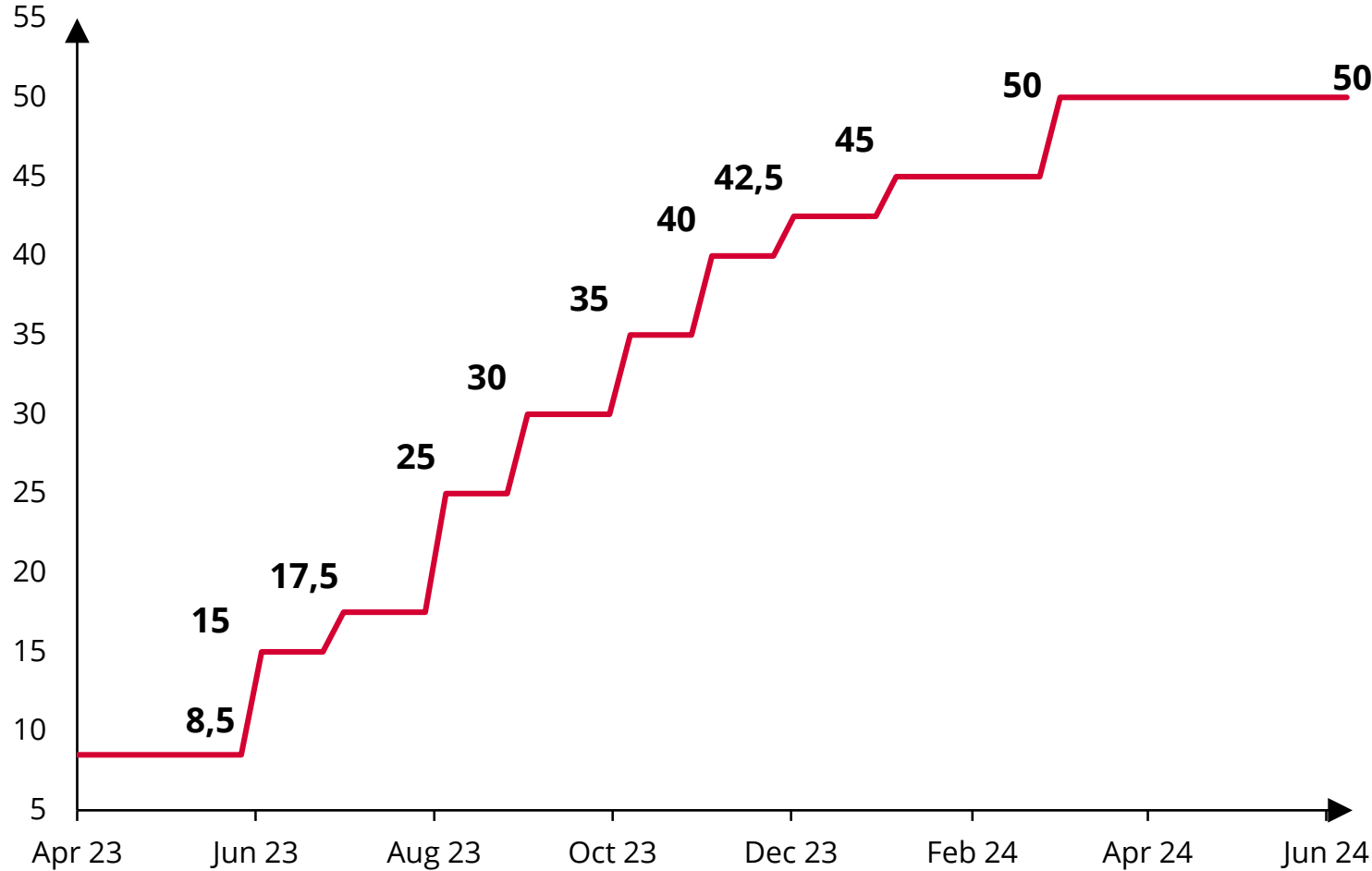
Consumer Inflation (Annual % Change)



MONETARY POLICY

Tight monetary policy stance continues.

Policy Rate (%)



Quantitative Tightening

Macroprudential Framework

Recent quantitative and macroprudential tightening measures:

1

Higher RRR for Turkish lira and KKM deposits.

	Previous Ratio	New Ratio
Short-term Turkish lira deposits	8%	12%
Long-term Turkish lira deposits	0%	8%
Short-term KKM	25%	33%
Long-term KKM	10%	22%

2

Limit on FX loan growth.

3

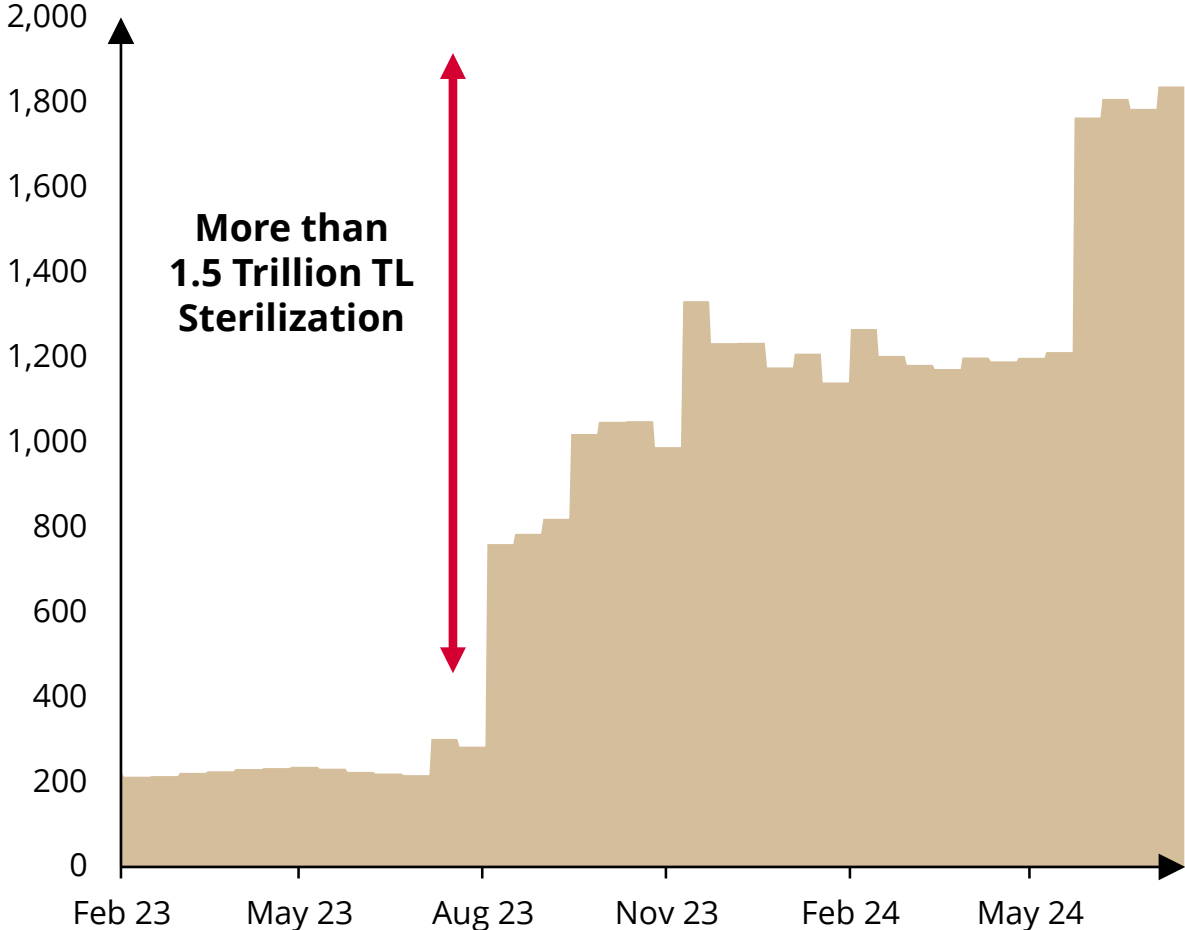
Adjustments to KKM transition and rollover targets.

4

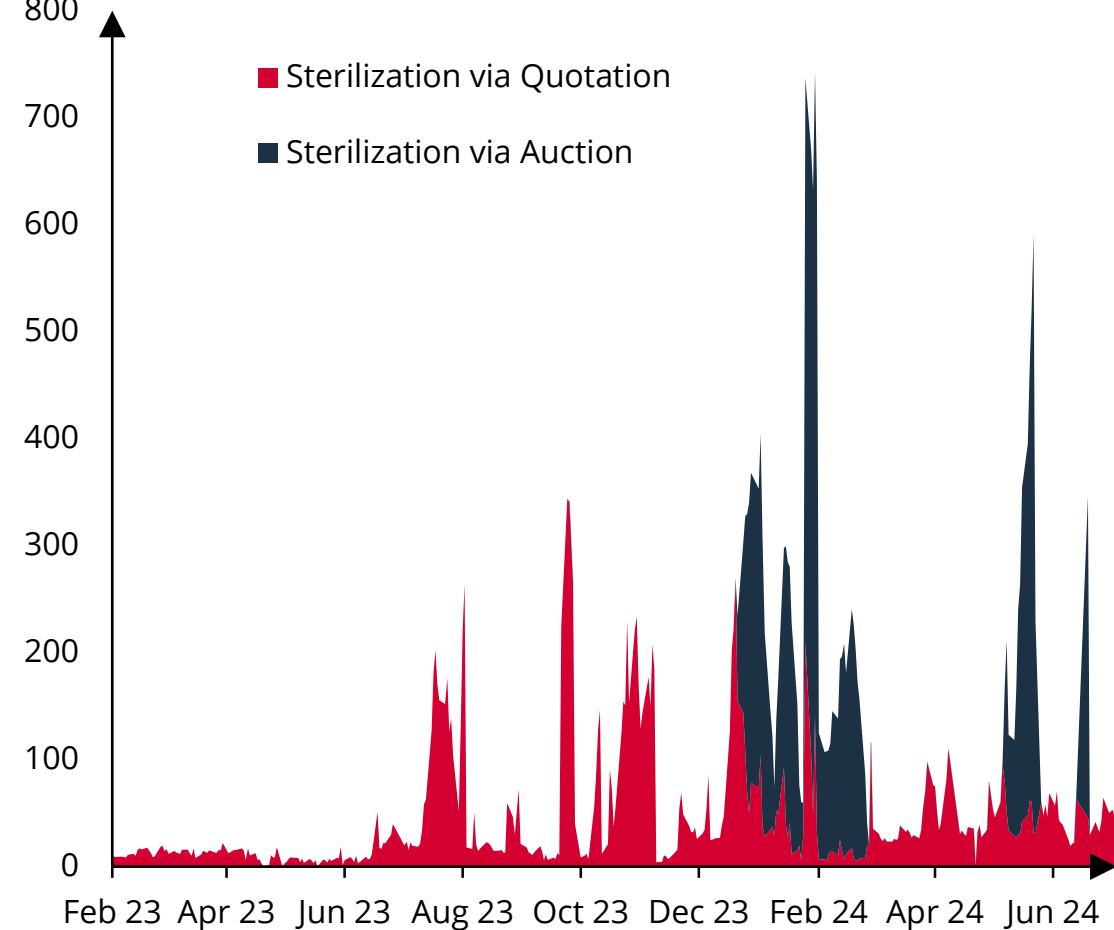
Adjustments to maximum fees paid for early repayment of loans.

We have been actively sterilizing excess liquidity using a variety of tools.

Required Reserves (Billion TL)

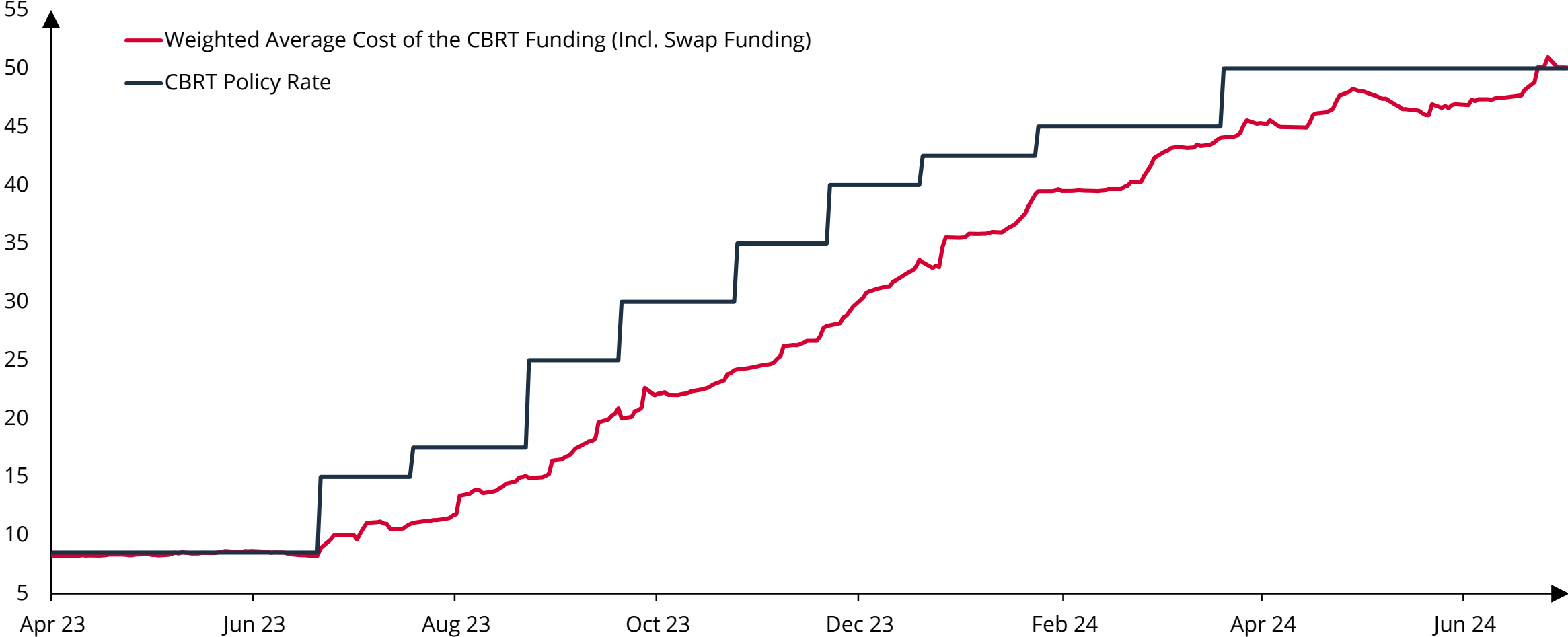


TL Deposit Auctions and Quotation (Billion TL, Outstanding)



Decline in domestic swaps strengthened monetary transmission mechanism.

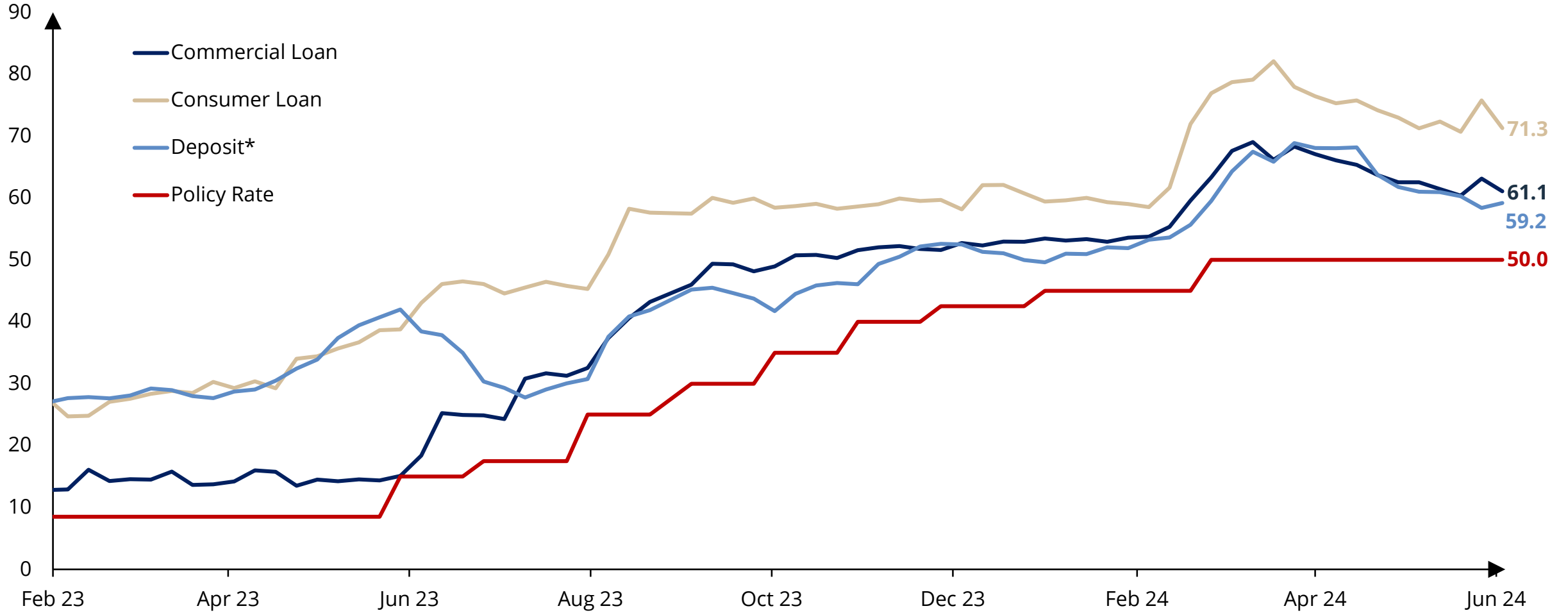
CBRT Policy Rate and Cost of the Funding Rate (%)



FINANCIAL CONDITIONS

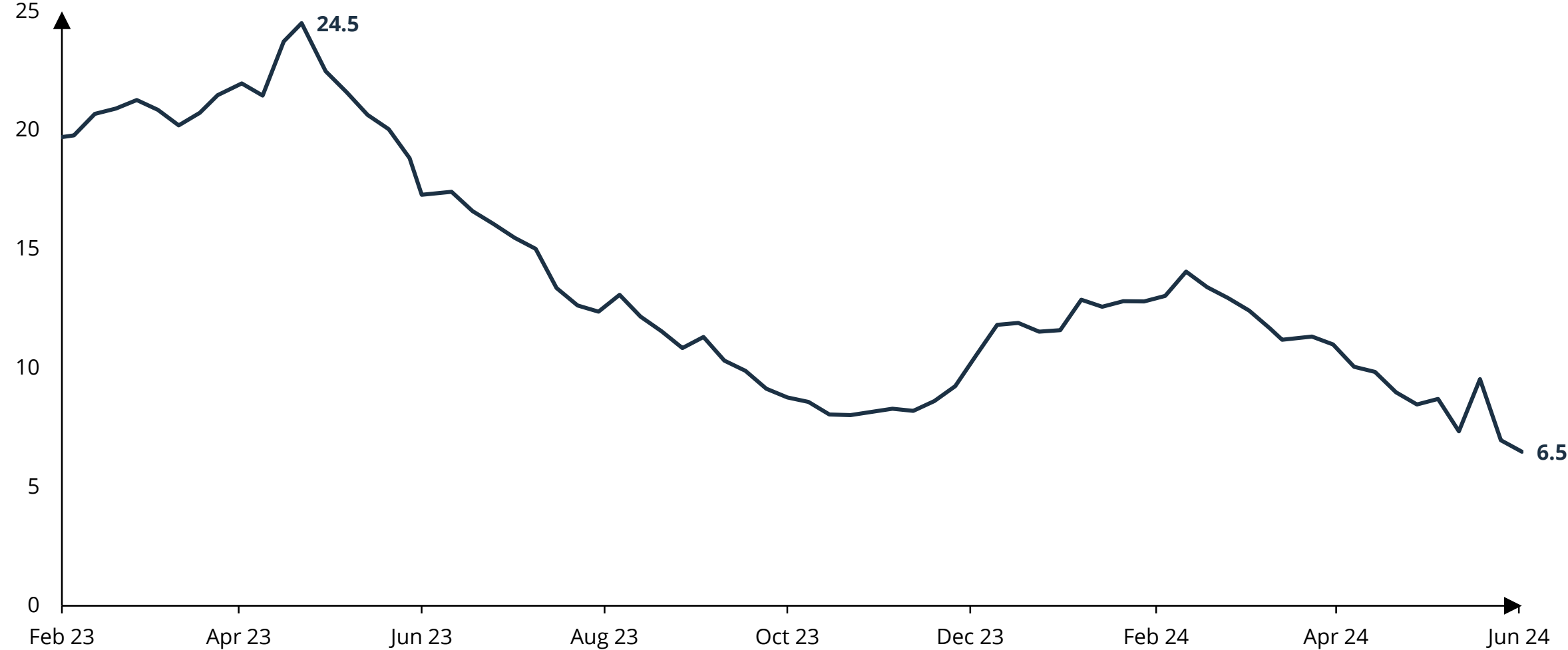
Financial conditions remain tight.

Interest Rates (%)



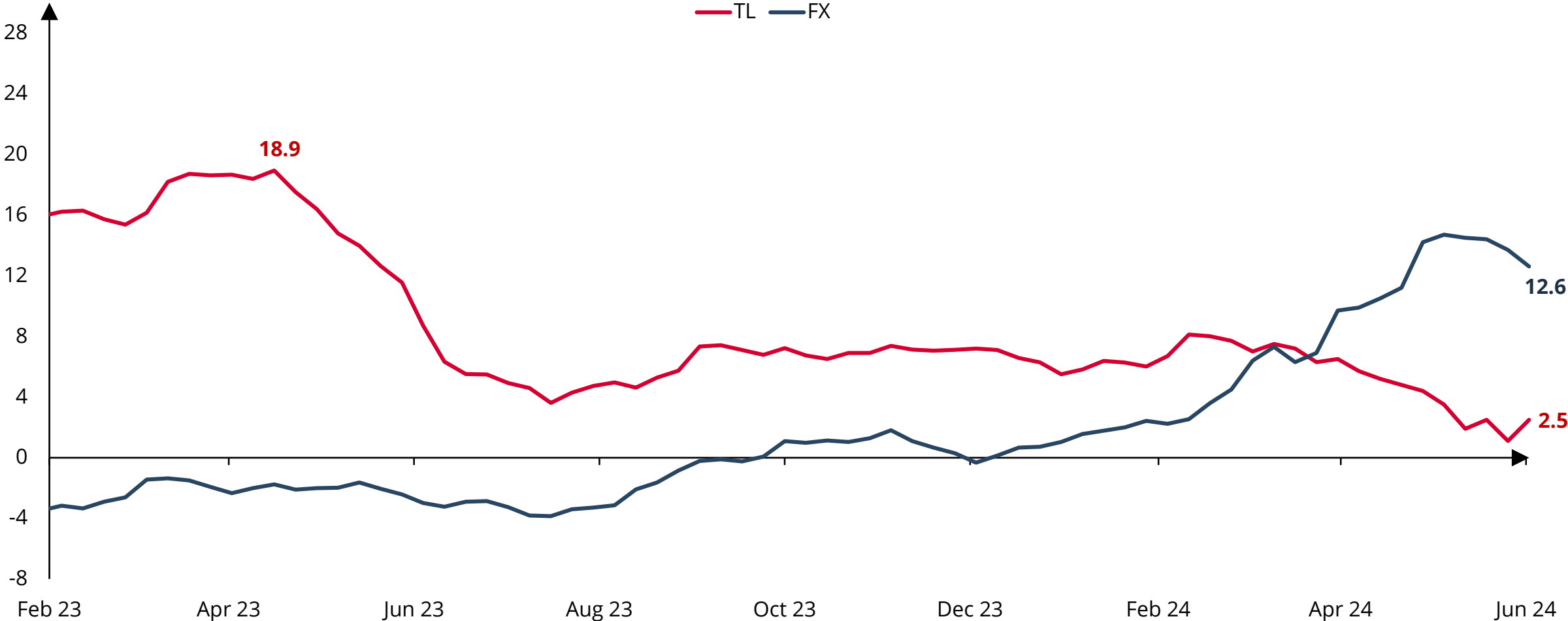
Retail loan growth has moderated.

Retail Loan Growth (% , 13 Week)



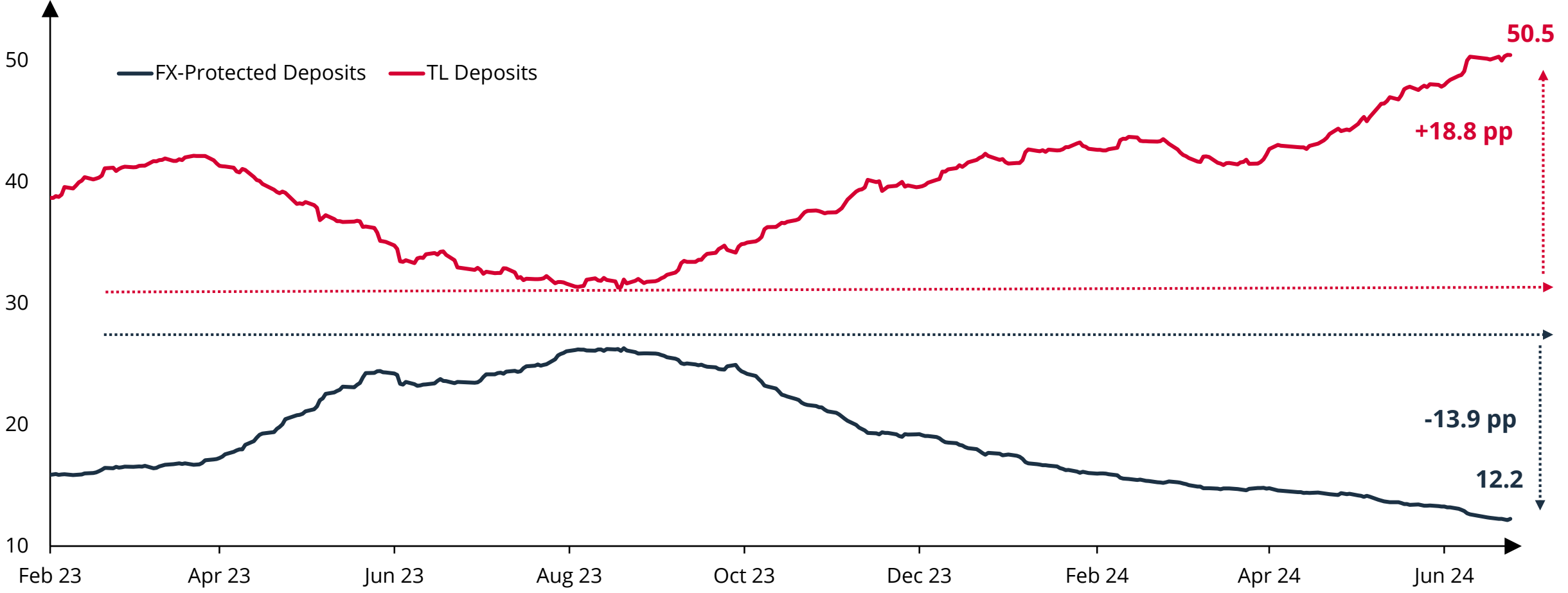
Commercial loan growth declined significantly, driven by TL loans.

Commercial Loan Growth (% , 13 Week)



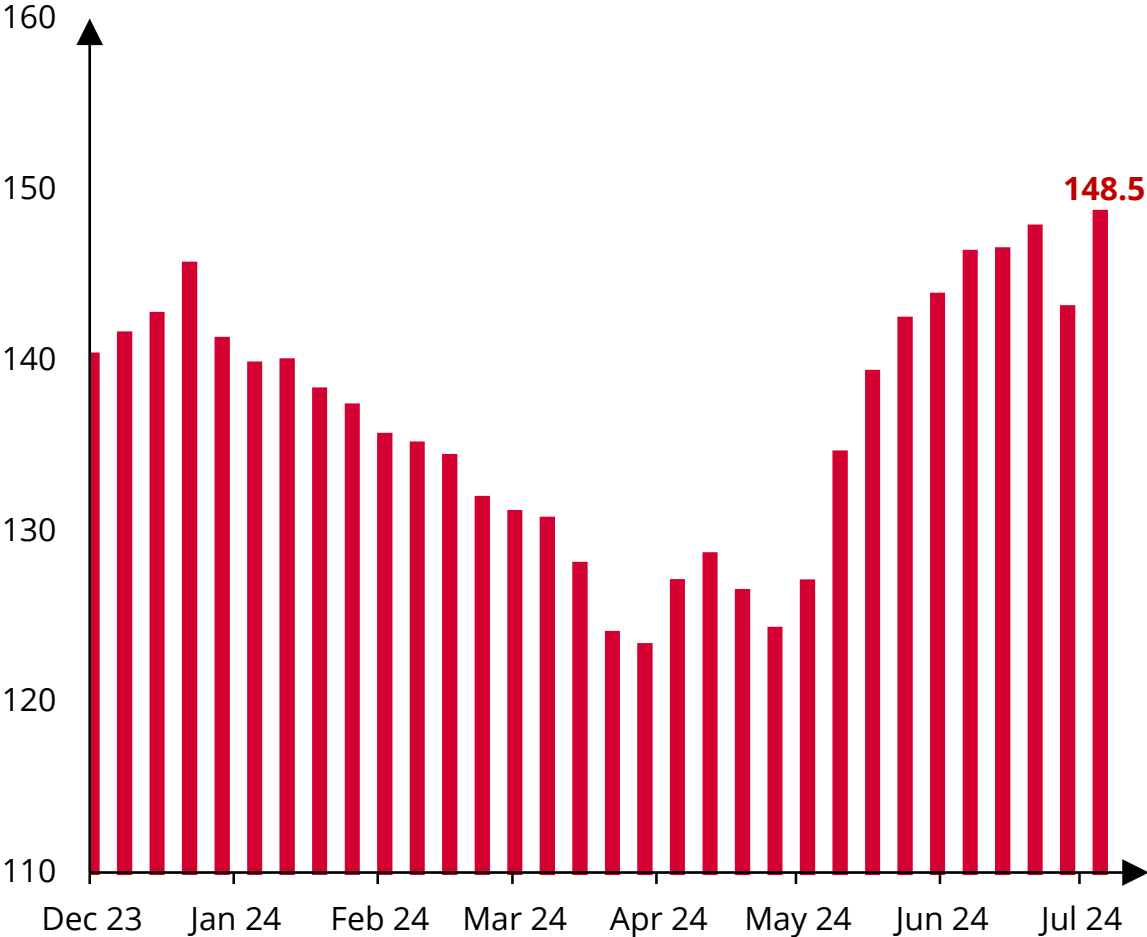
The share of Turkish lira deposits exceeded year-end target.

Share in Total Deposits (%)

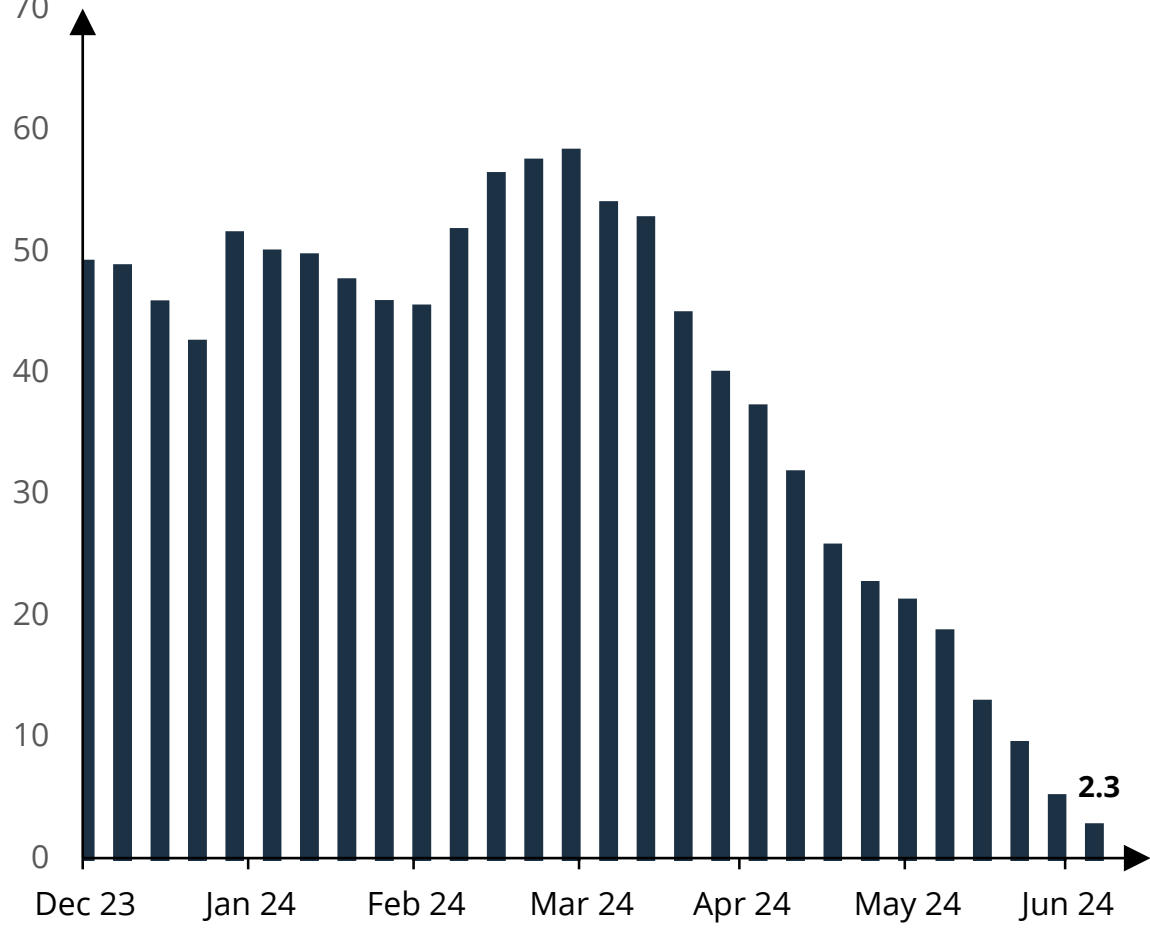


FX reserves increased rapidly.

Reserves (Billion USD)



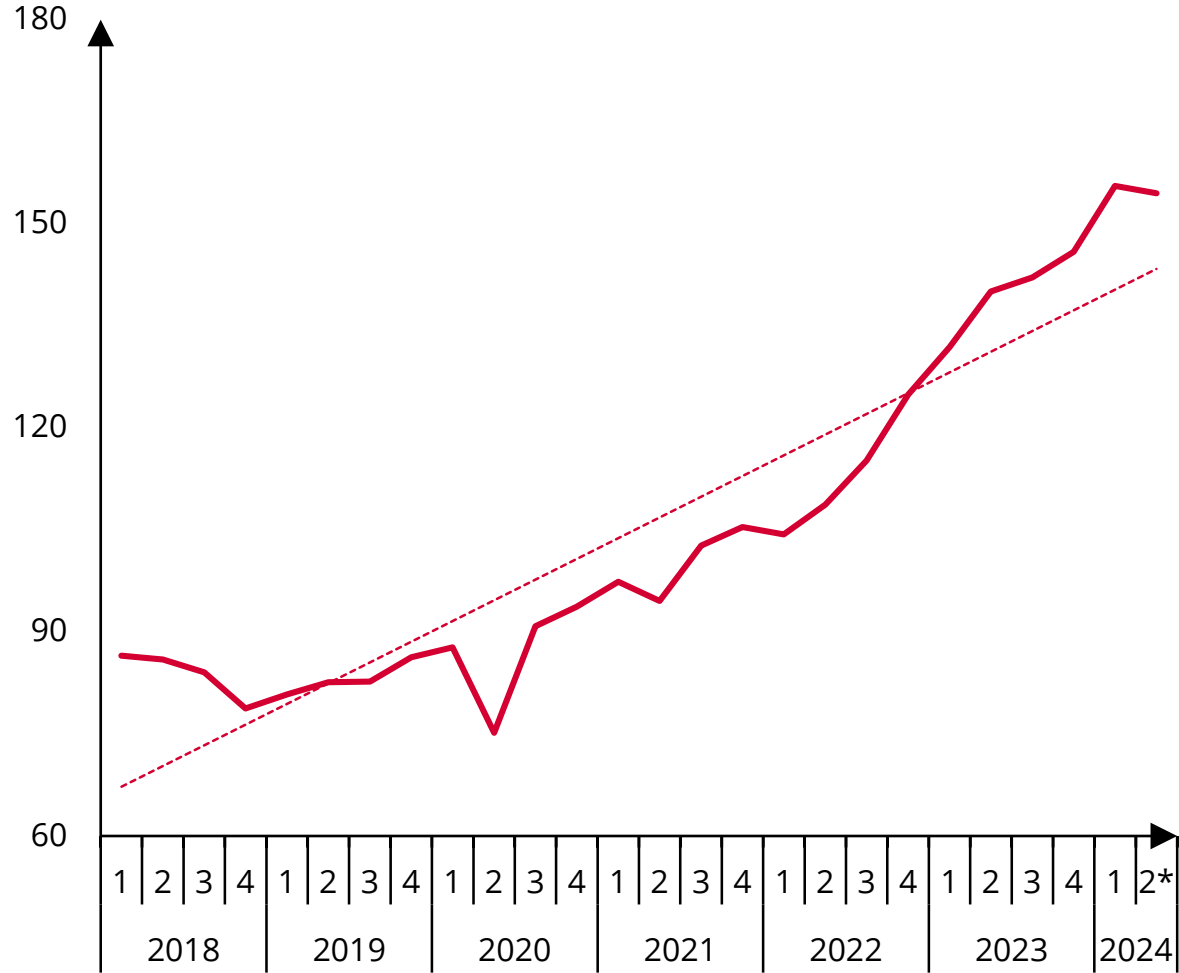
CBRT Swap Transactions (Billion USD)



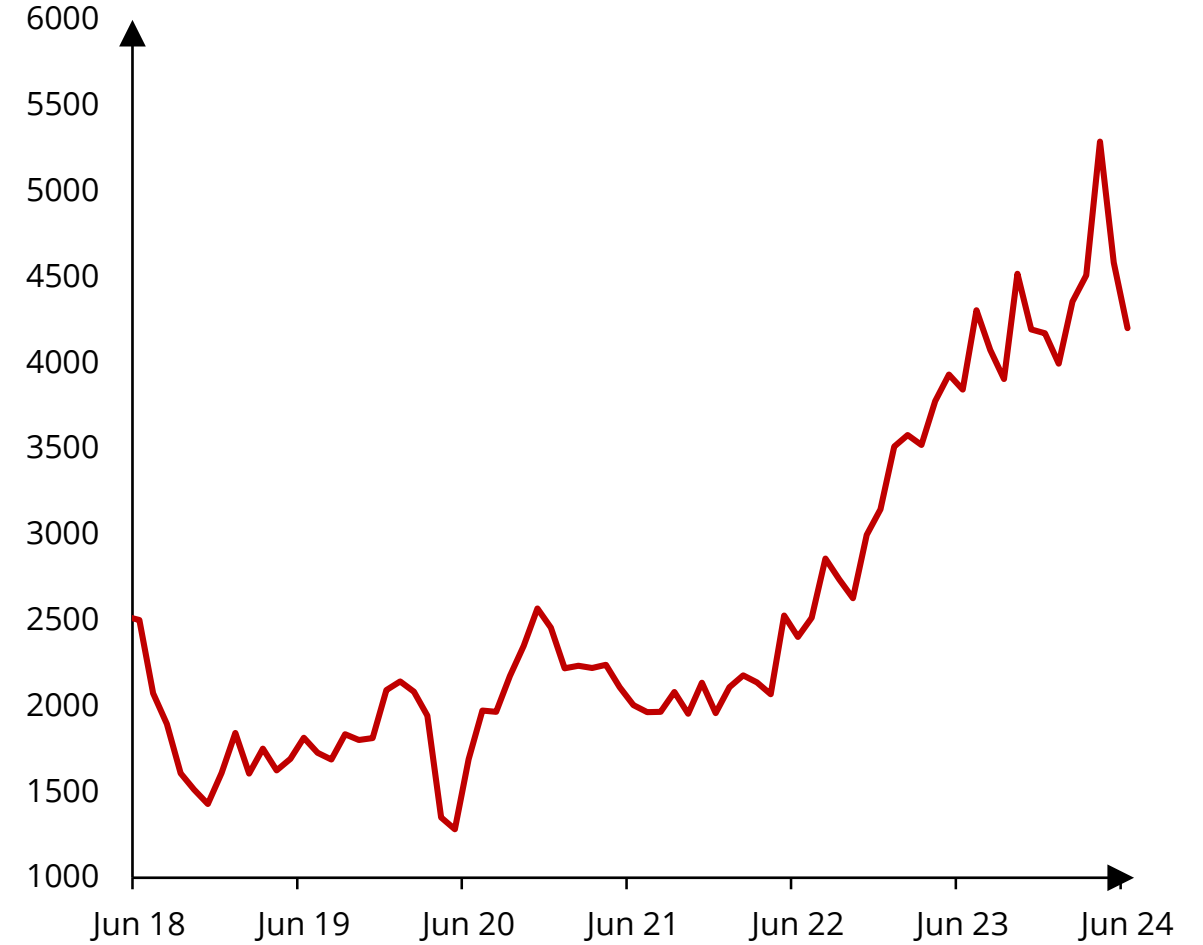
DISINFLATION PATH

Domestic demand is showing signs of normalization.

Retail Sales Volume Index* (Seasonally Adjusted, 2021=100)

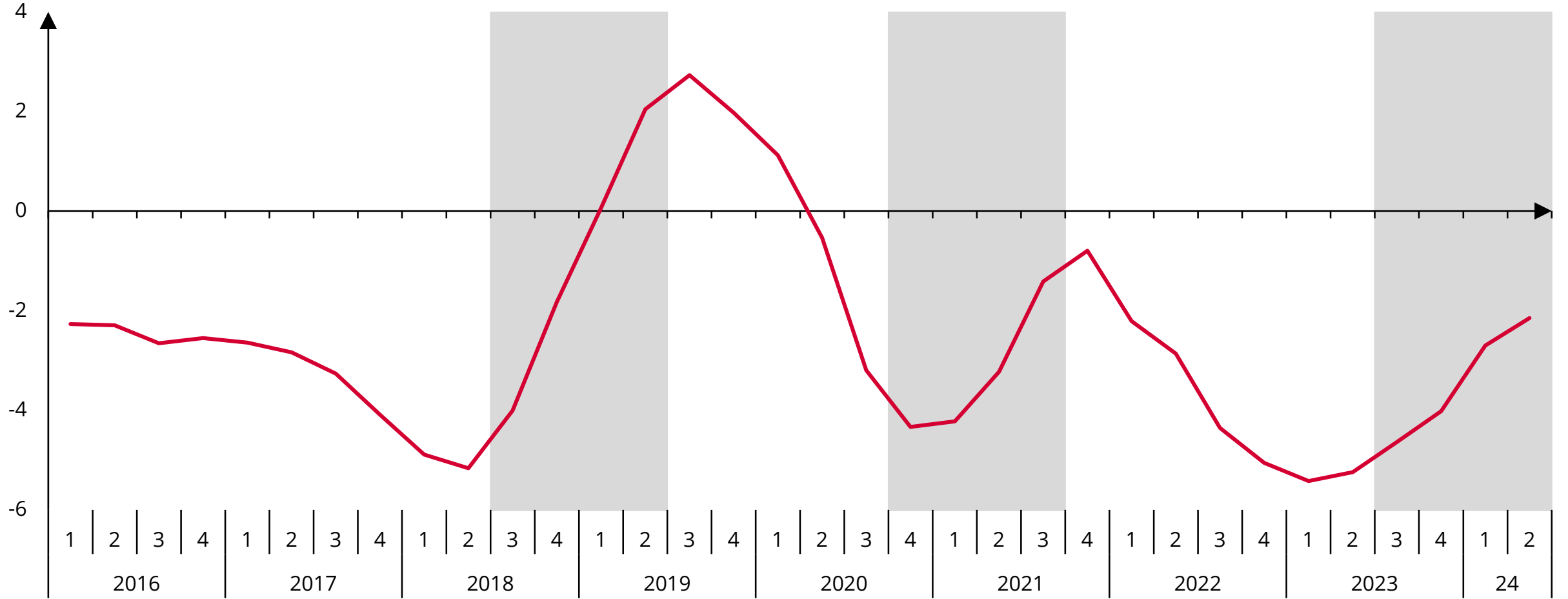


Consumption Goods Import** (Seasonally Adjusted, Million USD)



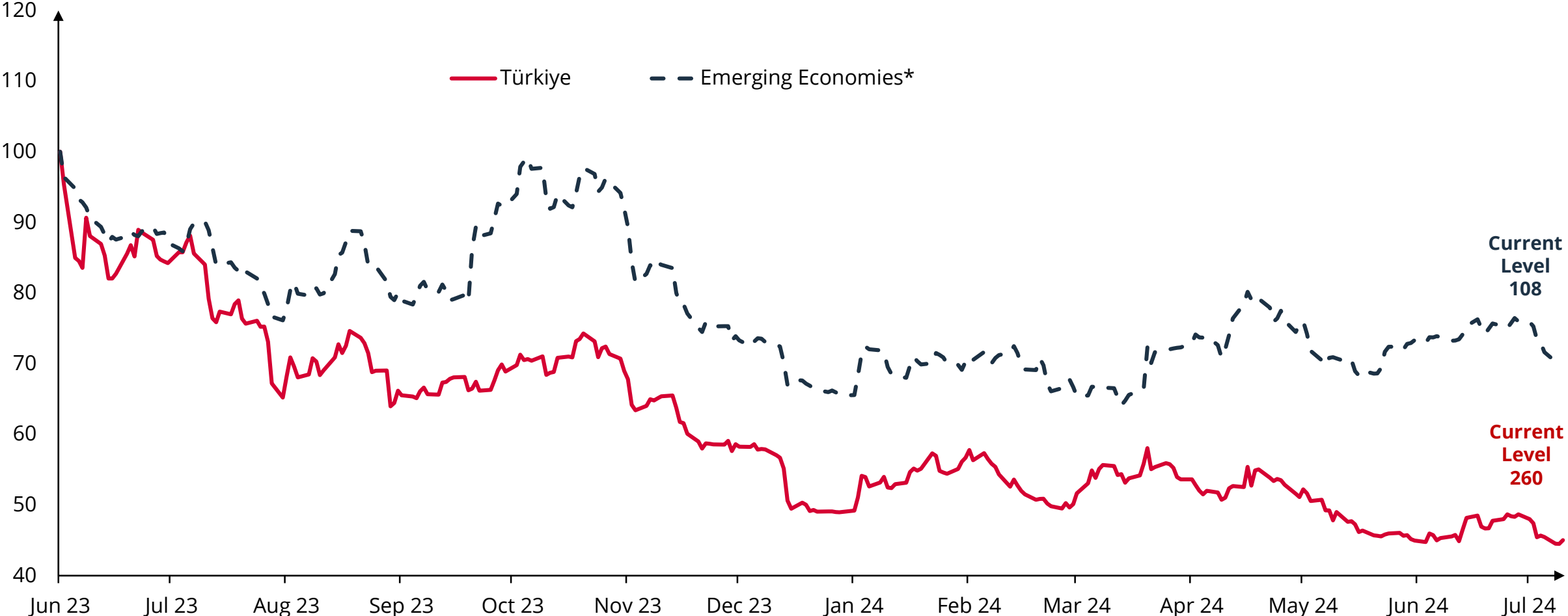
The current account balance continues to improve.

Current Account Balance/GDP * (%)



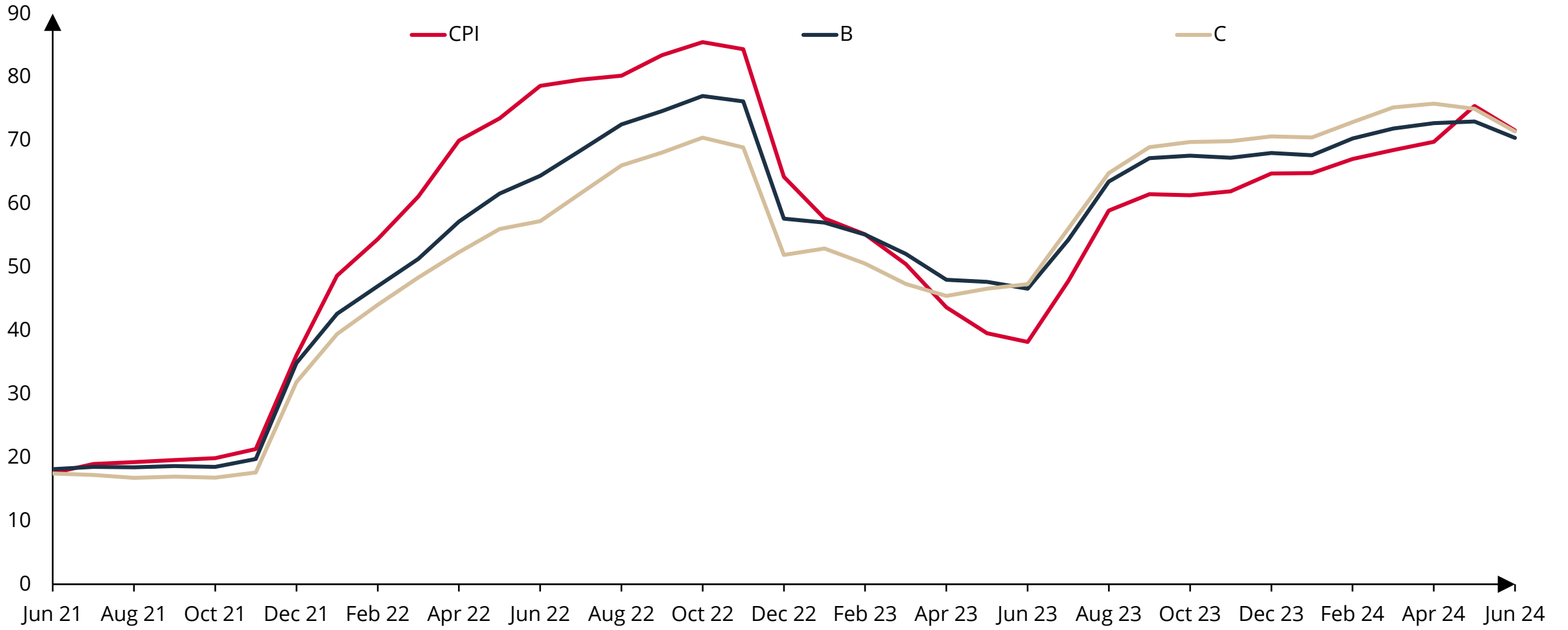
Country risk premia are down.

5-Year CDS Premiums (June 1, 2023=100)



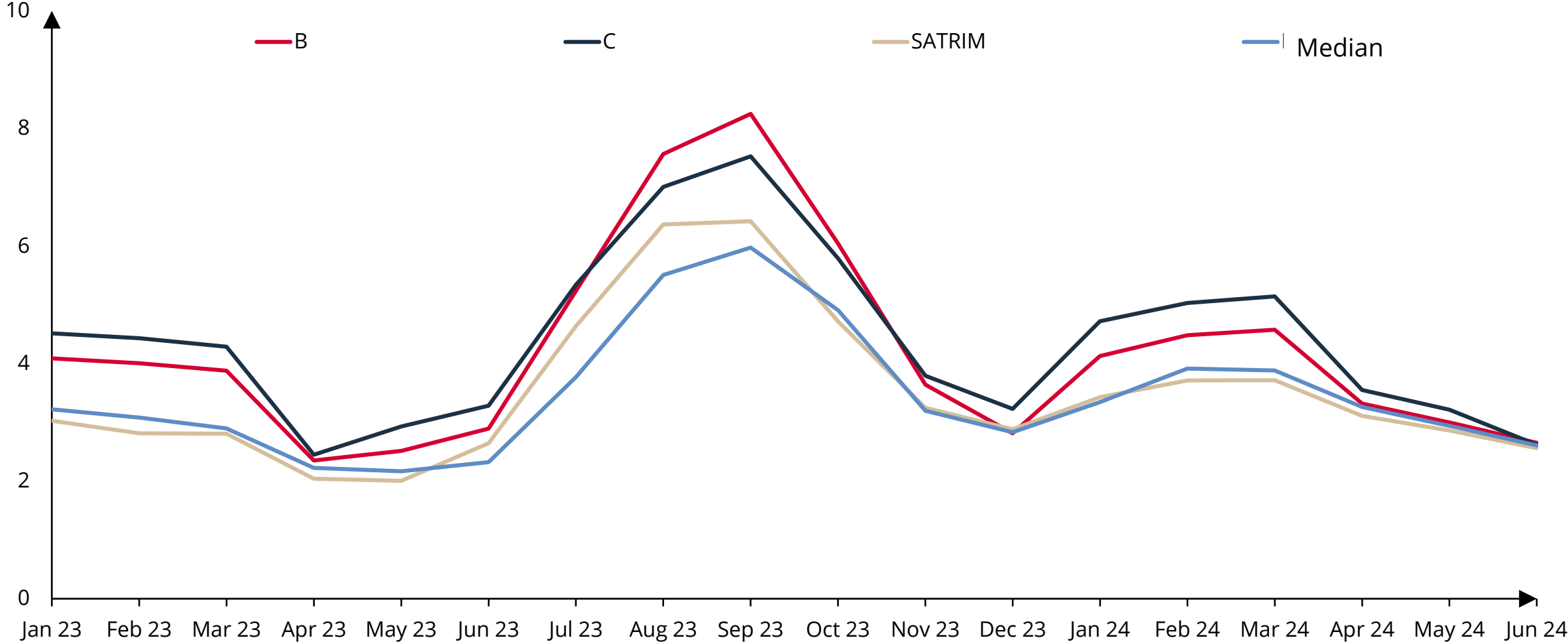
Annual inflation decreased by 3.8 points to 71.6% in June.

CPI, B and C Indices (Yearly % Change)



Inflation indicators point to a decline in the underlying trend.

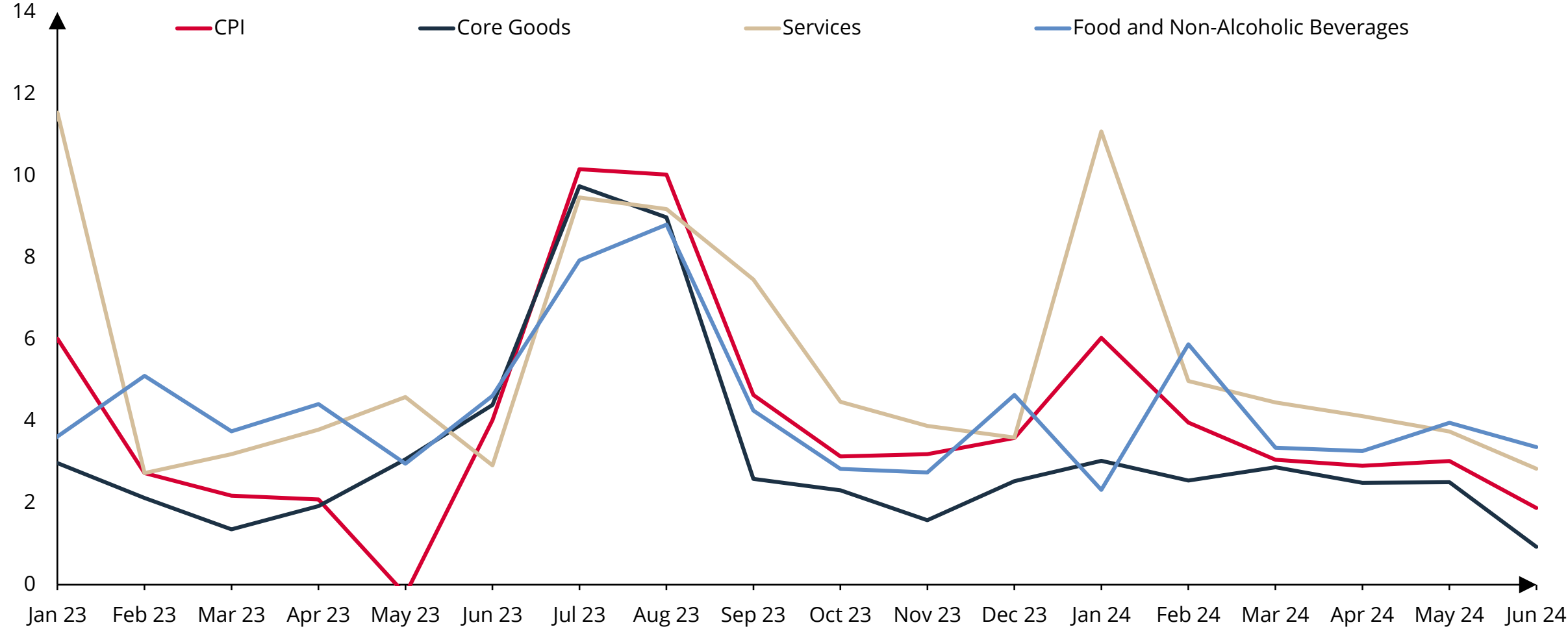
Monthly Inflation Indicators* (Seasonally Adjusted, Monthly % Change, 3-Month Average)



Source: CBRT, TURKSTAT
* SATRIM: Seasonally adjusted trimmed mean inflation.

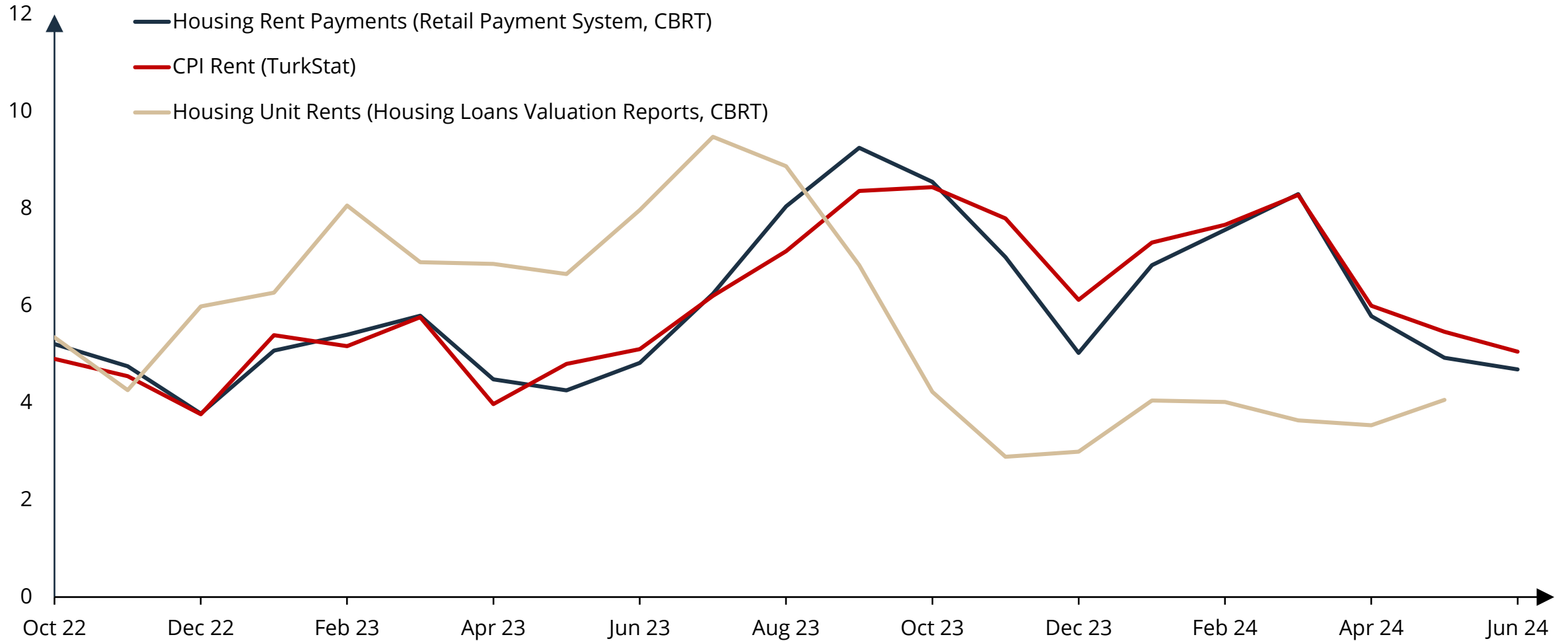
Services inflation has been a challenge.

Price Index (Seasonally Adjusted, Monthly % Change)



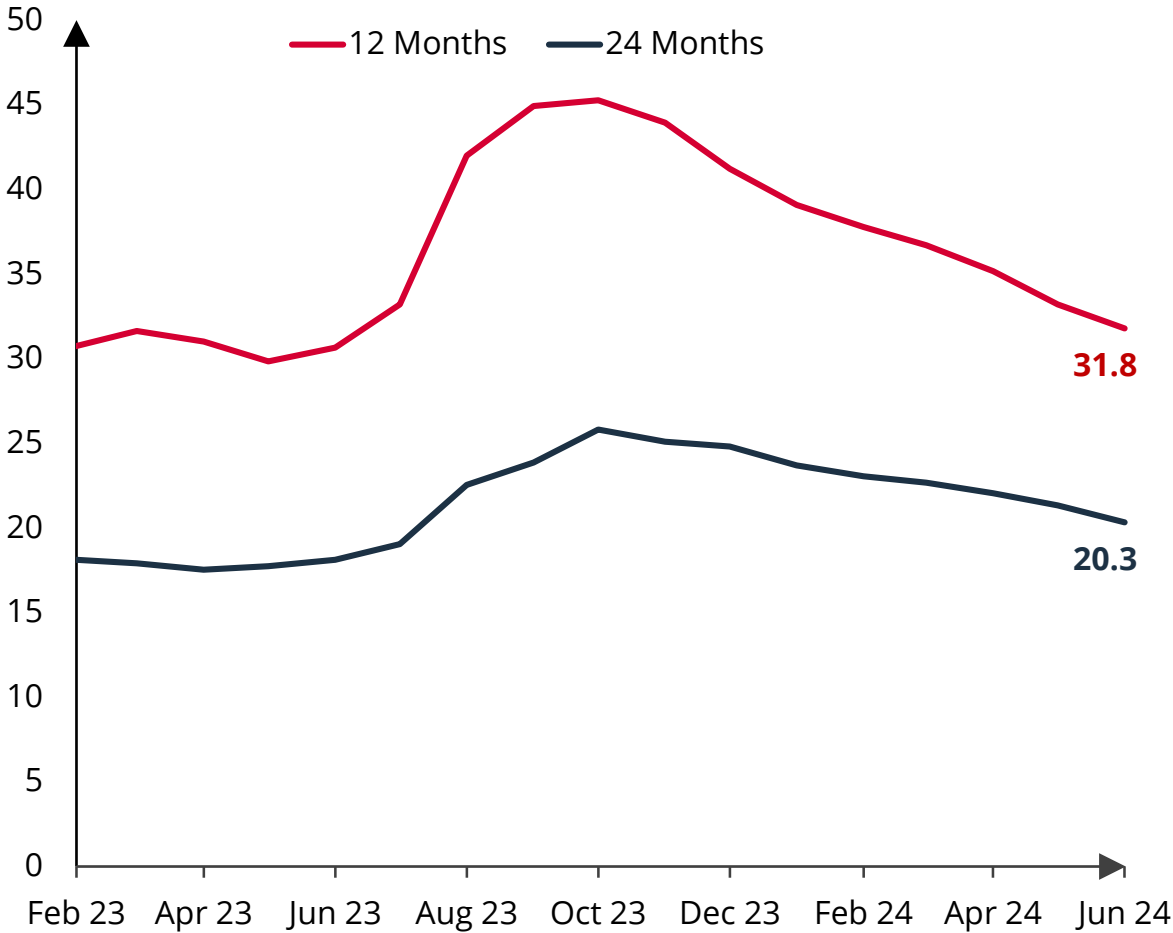
Various leading indicators point to a slowdown in rent inflation.

Rent Inflation Indicators (Monthly % Change, Three-Month Moving Average)

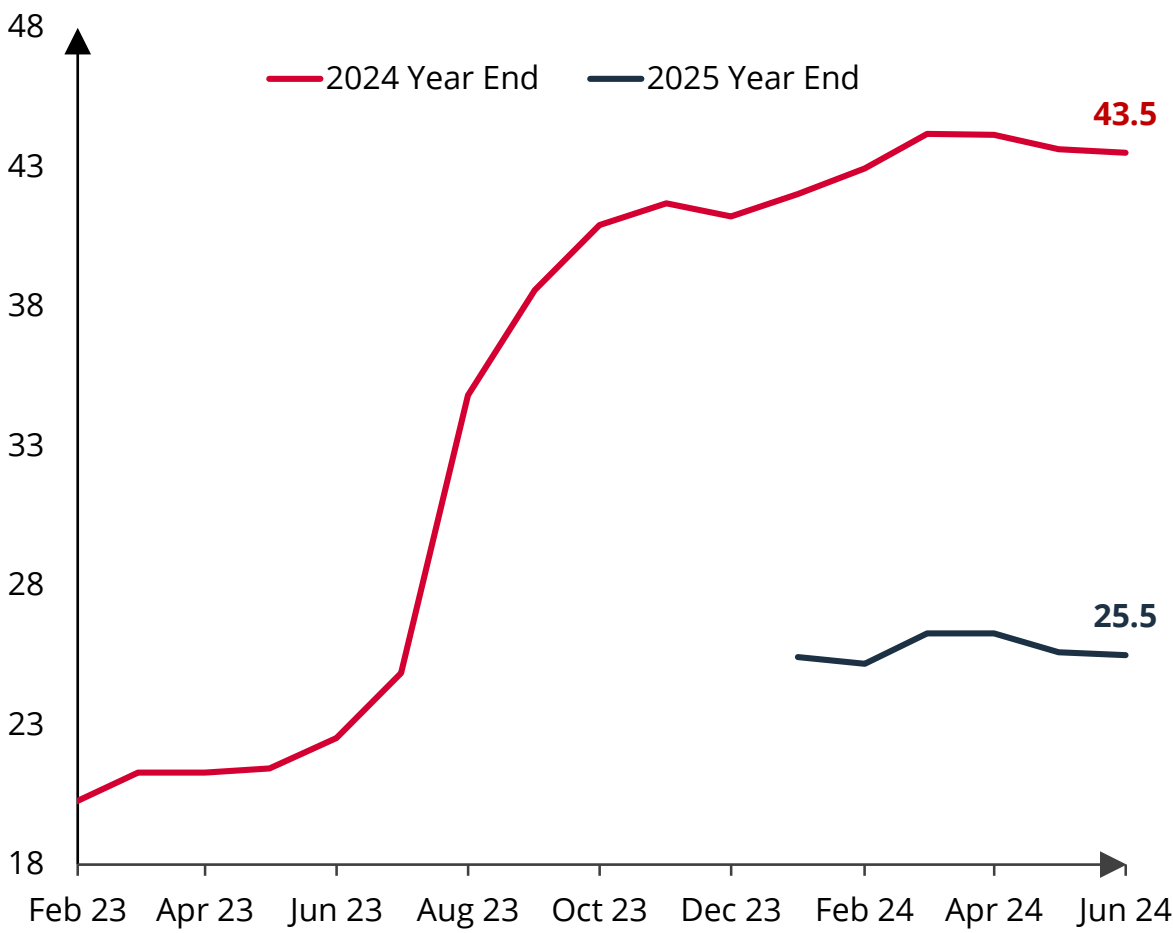


There is a growing consensus that inflation will fall in the second half of the year.

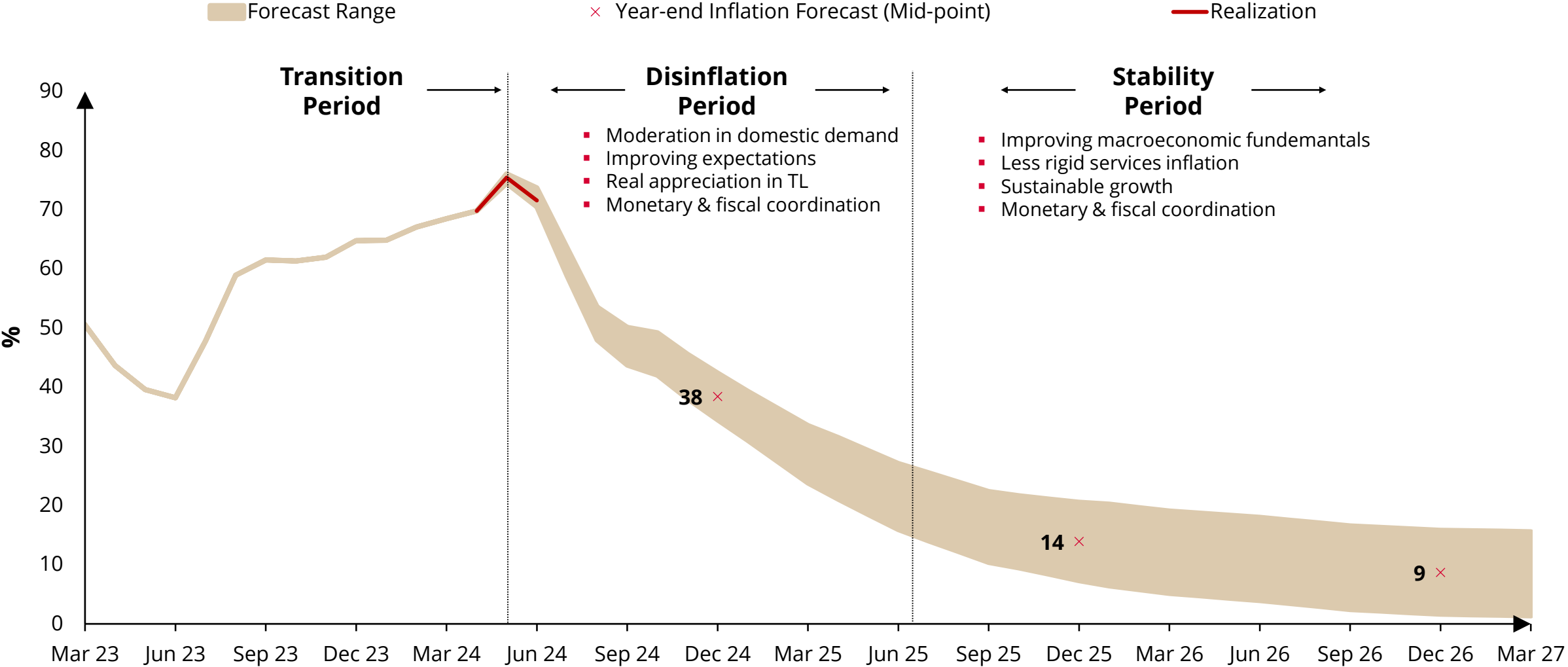
Inflation Expectations (Survey of Market Participants, Trimmed Mean, %)



Inflation Expectations (Survey of Market Participants, Trimmed Mean, %)



The disinflation period has started in June.





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