Summary of the Monetary Policy Committee Meeting

1 February 2024, No: 2024-03

Meeting Date: 25 January 2024

Global Economy

1. While the downward course of global inflation has come to a standstill recently, inflation remains above the long-term averages and central bank targets. Compared to the previous Monetary Policy Committee (MPC) meeting period, consumer inflation increased from 2.67% to 3.12% in advanced economies and from 6.16% to 6.30% in emerging economies.[1] Accordingly, inflation continues to hover above the average target rate of 2% in advanced economies and 3.5% in emerging economies. Average annual inflation expectations for the last quarter of 2024 for advanced and emerging economies are 2.4% and 5.2%, respectively. On the other hand, compared to the previous MPC meeting period, core inflation declined from 3.76% to 3.65% in advanced economies and from 6.50% to 6.48% in emerging economies. Average annual inflation expectations for the last quarter of 2024 are 2.4% in the USA and 2.3% in the euro area, while the core inflation expectation is 2.3% for both the USA and the euro area.
2. Despite the almost flat course of commodity prices recently, geopolitical risks, financial conditions and supply-side factors cause oil prices to remain volatile. Brent crude oil prices per barrel have fluctuated in the USD 75-82 range since the previous MPC meeting while the Title Transfer Facility (TTF) price, which serves as a benchmark for European natural gas prices, has decreased. The current level of the Commodity Price Index is 20.8% above the average of the previous ten years. The index fell 30.2% from its peak level in 2022. Similarly, the Agricultural Commodity Price Index, which has declined 19% from its peak level in 2022, is 8.1% above the average of the previous ten years. Its level continues to have an impact on inflation due to the high share of food items in consumer basket.
3. High levels of core inflation and inflation expectations imply that global inflation will continue to remain above the targets of central banks for some time. Nevertheless, in their communications, central banks of advanced economies, particularly the Federal Reserve (Fed), highlighted the decline in core inflation and lowered their medium-term inflation forecasts. As a result, expectations that rate cuts may start earlier in 2024 have strengthened, while projections for the likely course of policy rates have been revised downwards. However, with centrals banks drawing attention to overpricing and higher-than-expected inflation readings in January, policy rate expectations priced by markets have gone up again in the recent period, and the probability of a more cautious rate-cut path has increased. The central banks of 12 advanced countries held a total of 178 meetings in the last 23 months, and policy

[1] Advanced Economies: The USA, Czechia, Denmark, the Euro Area, South Korea, the United Kingdom, Sweden, Japan, Canada, Norway.
Emerging Economies: Brazil, China, Indonesia, the Philippines, South Africa, India, Colombia, Hungary, Mexico, Peru, Poland, Romania, Russia, Chile, Thailand, Türkiye.

rates were increased in 107 of these meetings. [2] During the same period, 15 emerging countries' central banks held a total of 261 meetings, and policy rates were increased in 108 of these meetings. As a result of the monetary policies implemented, global financial conditions have become significantly tighter, the frequency of policy rate-hike decisions has decreased, and central banks of many advanced and emerging economies have reached the end of monetary tightening process. The Bank of Japan signaled an end to the negative rate policy it has pursued since 2016 while the Bank of Canada, which has kept its policy rate unchanged for the last four meetings, clearly indicated in its meeting statement that the rate-hike cycle was coming to an end. Meanwhile, the Central Reserve Bank of Peru continued with policy rate cuts on the back of declining consumer inflation. On the other hand, the central banks of South Africa, Indonesia, and Poland kept their policy rates constant at their January meetings. Given the levels of inflation and the central banks' policy communications, it is expected that policy rates in these economies will continue to be adjusted in line with decreasing inflation; however, the tightness of monetary policy is expected to be maintained so as to ensure the disinflationary trend.

4. Despite the flat global growth outlook, labor markets continue to be tight. The global growth index, which is weighted with the export shares of Türkiye's foreign trade partners, remained flat compared to the previous MPC meeting period. The index projects a growth level of 1.7% in 2023, which is approximately 0.4 percentage points higher than its lowest level in January 2023. However, considering the 3.5% growth of the index in 2022, a notable slowdown in Türkiye's foreign demand outlook is observed as of last year. Global PMI data continued to decline in the last quarter of 2023, driven by the services sector. In this period, the global manufacturing industry PMI increased 0.1 percentage points quarter-on-quarter to 49, remaining below the threshold value. Meanwhile, the global services PMI decreased 0.6 percentage points to 50.9. Thus, in the final quarter of 2023, the global composite PMI index dropped 0.4 percentage points over the previous quarter to 50.5. The fall in the global PMI data was driven by both advanced and emerging economies. Therefore, the slowdown in global economy registered in the third quarter of 2023 is expected to continue in the last quarter and the global economy is projected to display a growth outlook similar to the third quarter. On the other hand, despite the recent downward trend in global headline and core inflation rates, the continuation of tight monetary policies implemented to ensure a permanent decline in these rates and geopolitical risks are prominent risk factors for the course of global economic activity in 2024.

5. The fall in global inflation rates in the previous MPC meeting period and the Fed's communication at its December meeting led to a significant recovery in the global risk appetite. As a result, in the nine weeks between the 6th of November and the 5th of January, USD 33.7 billion flowed into equity markets and USD 16.9 billion into bond markets of emerging economies. However, following the statements from the Fed and the European Central Bank, portfolio flows to emerging economies slowed in the last two weeks (7 January-19 January), with both bond and equity markets recorded portfolio inflows below USD 1 billion.

6. Recently, the course of inflation as well as the messages from the central banks of advanced economies have reinforced the probability of a more cautious rate-cut process. Geopolitical risks, the level of monetary tightness and the timing of interest rate cuts by central banks of advanced economies will determine the course of the global economy in the upcoming period.

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[2] Australia and New Zealand, which are not included in the inflation country set as their data are at quarterly frequency, are included in the policy rate analysis. Türkiye, which is included in the inflation set, is excluded from the emerging economies set in the policy rate analysis.

Inflation Developments

7. Consumer prices rose 2.93% in December, and annual inflation increased 2.79 percentage points to 64.8%. In December, headline inflation increased in line with the outlook presented in the last Inflation Report. The price increase in natural gas reflected in the basket weakened parallel to the developments in consumption, and the impact of the natural gas item on the monthly consumer inflation was 0.29 percentage points, which is consistent with projections. Led by unprocessed food items, the food group adversely affected headline inflation in December. While exchange rates followed a relatively steady course, the existing level of domestic demand, stickiness in services inflation, and geopolitical risks keep inflation pressures alive. Despite heightened geopolitical risks, global energy prices remain mild. On the other hand, it is also noteworthy that freight charges increased in January following the geopolitical developments but this increase has not been significantly reflected in price setting yet. As also projected in the last Inflation Report of 2023, inflation is expected to increase in January due to wage adjustments, particularly the minimum wage, developments in services items subject to time-dependent price setting, automatic tax adjustments, and increases in administered prices.
8. Contributions of subgroups to annual inflation rose from 17.0 percentage points to 18.3 percentage points in the food and non-alcoholic beverages group (up by 1.31 percentage points), from 3.13 percentage points to 3.90 percentage points in the energy group (up by 0.77 percentage points), from 23.5 percentage points to 24.0 percentage points in the services group (up by 0.45 percentage points), from 15.4 percentage points to 15.7 percentage points in the core goods group (up by 0.31 percentage points); but decreased from 2.90 percentage points to 2.86 percentage points in the total of alcohol, tobacco and gold groups (down by 0.05 percentage points).
9. Prices of the food and non-alcoholic beverages group rose 4.81% in December, and annual inflation increased 4.85 percentage points to 72.0%. In December, the unprocessed food subgroup was the main driver of the food group with its price increase of 7.24%. Seasonally adjusted data showed that the prices of fresh fruits and vegetables surged, led by vegetables. While widespread price increases were observed in other unprocessed food, eggs and red meat that was affected by the rise in carcass meat prices were among the most notable items. Thus, red meat was the food sub-item that posted the largest price increase in 2023 with an increase of 138.5%. The monthly price increase in the processed food subgroup remained high at 2.76%, despite having slowed parallel to the developments in prices of milk and dairy products. In this period, price increases in processed meat products, fats and oils, and canned vegetables were noteworthy.
10. Energy prices increased 2.74% in December, and annual energy inflation rose 6.01 percentage points to 27.2%. In line with the developments in natural gas consumption, prices included in the basket increased at a slower pace, and the impact of natural gas on monthly headline inflation declined from 1.01 percentage points in November to 0.29 percentage points in December. Municipal water and solid fuel prices were up by 3.62% and 2.04% in December, respectively. Following the developments in crude oil prices, fuel prices fell 2.20%, limiting the monthly energy inflation.
11. Prices in the services group were up 2.36% in December, and the group’s annual inflation increased 0.95 percentage points to 90.7%. Annual inflation declined in transport services, but increased in other subgroups. In the rents subgroup, the monthly increase was 4.48%, while annual inflation went up 2.77 percentage points to 108.6%. Led by mobile phone call as well as internet fees, communication services posted a more limited monthly price increase of 3.04% compared to previous months, while the subgroup’s annual inflation rose 3.30

percentage points to 63.9%. In the restaurants-hotels subgroup, prices increased 2.81% driven mainly by catering services, while the decline in accommodation prices continued. In the other services subgroup, prices rose 2.23% in December, while items with the most significant price increases were cultural services, maintenance-repair of personal transport vehicles, and package tours due to the developments in pilgrimage fees. On the back of the continued fall in fuel prices, prices in transport services were down by 2.03%, and annual inflation declined 2.96 percentage points to 92.4% in this subgroup.

12. Annual core goods inflation edged up by 0.57 percentage points to 52.8%. Annual inflation rose in durable goods, but remained almost unchanged in other subgroups. Prices in durable goods (excluding gold) recorded a stronger month-on-month uptick of 2.77%. This rise is mainly attributable to prices of the white goods item, which soared by 7.21%, while price increases remained limited in furniture and automobiles with 2.11% and 1.25%, respectively. Expected wage raises are considered to be the drivers of higher prices in durable goods. Prices of other core goods rose by 3.75%, while annual inflation increased slightly by 0.28 percentage points to 50.4%. Across this subgroup, price increases continued further, driven mainly by medicines, which surged by 14.5% due to the revision in the reference euro exchange rate. This price hike in medicines in December is expected to have carry-over effects in January.

13. The decline in the underlying trend of monthly inflation continued. The three-month average increases in the seasonally adjusted B and C indices, which peaked at 8.75% and 8.59% respectively in February 2022, were measured at 3.56% and 3.71% in November 2023 and stood at 2.76% and 3.14% in December. The seasonally adjusted rates of increase in the B and C indices were measured at 2.91% and 3.22%, respectively in December. The downtrend in the consumer inflation diffusion index, which began in August, interrupted, and the three-month average value, which was 0.58 in the previous month, remained almost unchanged at 0.56 in December. The trend of core indicators pointed to a more favorable inflation trend at the end of the year than projected in the last Inflation Report.

14. In line with projections, leading indicators point to a temporary rise in the underlying trend of inflation in January due to the minimum wage adjustment and price hikes in services items, which exhibit time-dependent pricing behavior, with administered prices in the lead. According to the preliminary data, price increases in the energy group are stronger compared to the previous month. This is mainly due to fuel prices, as the producer price hikes in the second half of 2023 reflected on the SCT as of January. The impact of automatic tax increases is also visible in bottled gas prices. In January, natural gas prices are expected to have an impact on monthly headline inflation similar to that in December. The monthly price increase in the food group does not register a notable change compared to the previous month and remains high. Prices in the services group are expected to rise notably due to the items that are significantly sensitive to wage developments and subgroups that have time-dependent price setting and high tendency for backward indexation. The fact that minimum wage increases support demand may also have an impact on pricing behavior, especially in the services group. Meanwhile, monthly core goods inflation is projected to register some increase due to durable goods. Accordingly, monthly inflation in core inflation indicators is expected to rise in January, mainly due to services price developments that carry the risk of stickiness.

15. Following the expected, temporary monthly increase in inflation in January, which was also reflected in the Inflation Report forecasts, price increases are expected to slow down in February and beyond.

Demand and Production

16. Recent indicators suggest that domestic demand continues to moderate in line with the projected disinflation process as monetary tightening is reflected in financial conditions. Accordingly, while the trend of imports weakens, the foreign trade balance displays a relatively favorable outlook. On the other hand, discounts and campaigns in the last quarter of 2023 and wage revisions in January 2024 have been the factors curbing the decline in demand.

17. In November, adjusted for seasonal and calendar effects, the retail sales volume index increased by 0.2% on a monthly basis. The annual growth of the retail sales volume index fell 0.6 percentage points to 12.8%, while in quarterly terms, retail sales edged down following the 0.4% rise in the third quarter. In seasonally adjusted terms, manufacturing firms' registered orders from the domestic market decreased in the fourth quarter. An analysis of the broad economic categories reveals that the decline was more pronounced in the durable goods group. Meanwhile, card expenditures increased in the last quarter of the year, when campaigns intensified. Interviews with firms also imply that discount campaigns and the demand response in the said period curbed the loss of momentum in domestic sales in the last quarter. Although the rebalancing that started with the monetary tightening process continues, it is evaluated that wage revisions in January contribute to the resilience in demand. In fact, in seasonally adjusted terms, manufacturing firms' registered orders from the domestic market increased again in January. Accordingly, the current level of demand continues to be considered as a risk factor on inflation.

18. In November, the seasonally and calendar adjusted industrial production index decreased 1.4% month-on-month, while, adjusted for calendar effects, it increased 0.2% on an annual basis. On a quarterly basis, industrial production fell by 1.3% as of November compared to the third quarter. Excluding the sectors with high monthly volatility, industrial production posted a quarterly decrease of 0.8%. In the last quarter, the seasonally adjusted capacity utilization rate increased by 0.7 percentage points quarter-on-quarter to 77.2%. In January, the manufacturing industry capacity utilization rate was realized as 76.4 % close to historical averages.

19. As of November, seasonally adjusted employment stood at 31.6 million. In this period, seasonally adjusted employment increased 0.3% quarter-on-quarter, while the labor force participation rate decreased 0.2 percentage points. After falling to 8.6% in October, unemployment rate rose to 9% in November, while posting a quarterly decline of 0.4 percentage points to 8.8%. High-frequency data indicate that demand lost strength to a limited extent in the labor market.

20. In November, in line with the ongoing downward trend in the foreign trade deficit, the annualized current account deficit fell USD 1.3 billion from the previous month's level to USD 49.6 billion. This fall was driven by the rise in exports, the decline in the gold trade deficit, and the improvement in the energy balance due to the ongoing annual decline in energy prices, whereas foreign trade deficit excluding gold and energy recorded an increase. Provisional foreign trade data for December indicate that seasonally adjusted exports and imports posted a monthly increase. The three-month average trend, considered along with the high frequency data for January, implies a rise in exports and a decline in imports. In view of the current data, projections point that the decline in imports of consumption goods, which started in November 2023, accelerated in January 2024. Meanwhile, gold imports hover above historical averages, while the improvement in gold trade balance continues in annualized terms.

21. As of November, the annual services balance surplus decreased USD 0.4 billion month-on-month to USD 51.3 billion. On the other hand, tourism revenues, which have been strong throughout the year, continue to contribute positively to the current account balance. Travel revenues increased by USD 5.8 billion in the first eleven months of the year compared to the same period of the previous year, and reached USD 45.1 billion. Similarly, the number of foreign visitors increased 11.8% year-on-year to 47 million in the first eleven months of the year.

Cost Conditions

22. Energy commodity prices, which had been declining since the second half of 2022, trended upwards as of July. This upward trend ended in October and prices started to fall again in the following period. Having remained almost flat in recent months, non-energy commodity prices fell somewhat in December. In the first three weeks of January, the limited price increase in the energy group were offset by the fall in prices of non-energy commodities.

23. In December, domestic producer prices rose 1.14%, while annual inflation increased 1.97 percentage points to 44.2%. According to main industrial groupings, prices fell by 6.63% in the energy group, but increased further in other groups. In this period, annual inflation realized as -1.69% in energy group remaining in the negative territory, while it was relatively flat at high rates in other main groups.

24. The Global Supply Chain Pressure Index was close to its historical trend in December, while international transportation costs remained low in this period. Driven by the energy group, global commodity prices continued to decline in December. Exchange rates have maintained their recent trend of mild increase. On the other hand, disruptions in the global supply chain amid geopolitical problems are noteworthy. Prices in freight rates started to move upwards in January amid the unrest in the Red Sea.

25. Fuel prices can have a significant impact on consumer prices, particularly on transport services, through both production inputs and transportation costs. In fact, the significant increase in fuel prices in the third quarter of 2023 driven by exchange rates, crude oil prices and tax arrangements have rapidly passed through to transport services prices within the same quarter. Transport services prices, which remained flat in November, declined in December in tandem with the developments in fuel prices. On the other hand, following the minimum wage adjustment and the mainly tax-driven rise in fuel prices, leading indicators point to a surge in transport services prices in January. Moreover, the increase in the volatility of oil prices triggered by geopolitical developments remains as a potential risk factor for inflation.

Stickiness of Services Inflation

26. The services sector has posted strong price increases since July. Monthly price increases in the services sector, which displays significant inertia, are higher compared to 2022. Annual inflation in the C index, which includes the core goods and services groups, is around 71%, while annual inflation in the services sector is around 91%. Additionally, the diffusion index for the services sector is hovering approximately 34% above its historical average, indicating that the increases continue to spread across the sector, albeit at a slightly slower pace.

27. Rising house prices, backward-indexation behavior, and imbalances between supply and demand in the real estate market are pushing rent increases upwards and adversely affecting consumer inflation. On the other hand, while the rise in house prices is losing pace, micro data from the Retail Payment System (RPS) as well as the data for big cities monitored through online platforms indicate that the rate of increase in rents has slowed down in the recent period. In fact, consistent with this overall picture, the monthly increase in rents has

registered a slowdown in December. Leading indicators suggest that rent increases will be higher on account of the number of renewed contracts in January amid seasonal effects.

28. In the restaurants and hotels subgroup that is significantly affected by food, wage and tourism developments, monthly price increases display a persistent outlook. In the recent period, catering services prices continue to be the main driver of the restaurants and hotels subgroup through food prices. While the monthly price increase in catering services in the restaurants-hotels subgroup did not post a noticeable monthly change in December, the fall in accommodation prices continued. Thus, the subgroup’s monthly inflation hovered around that of November. On the other hand, prices in the restaurants-hotels group surged in January as a result of the rise in the minimum wage accompanied by the recent surge in food prices, particularly red meat.

29. Certain services items, particularly rents, education, health, recreation and culture, exhibit pricing behavior indexed to past consumer inflation, prompting inflationary effects to persist over a long period of time. Communication services, which are subject to price rigidities arising from contracts, have a similar effect, and price increases in this subgroup remain strong. Based on the recent realizations of consumer inflation as well as the January minimum wage and administered price developments, there is a risk that inflation will remain high for an extended period. Certain services sectors such as education, health, insurance, and maintenance-repair are expected to stand out in this respect.

Inflation Expectations

30. The Committee assesses that inflation expectations and pricing behavior continued to show signs of improvement. While the consumer inflation diffusion index, one of the indicators followed in order to monitor developments in pricing behavior, displayed a relatively flat outlook prior to the minimum wage adjustment, the index is estimated to rise slightly in January. As the impacts of the time-dependent price setting tendency, and the wage, automatic tax and administered price adjustments, which all are specific to the first month of the year, fade, the diffusion index is expected to resume its downward trend.

31. The medium-term inflation expectations decreased in January as well. According to the January results of the Survey of Market Participants, the 12-month-ahead inflation expectation decreased 2.14 percentage points from 41.2% to 39.1%, the 24-month-ahead inflation expectation decreased 1.13 percentage points from 24.8% to 23.7%, the five-year-ahead inflation expectation was revised downwards 0.58 percentage points from 12.6% to 12.0%. Meanwhile, the current year-end inflation expectation rose 0.81 percentage points to 42.0%. The distribution of 12-month-ahead inflation expectations points to a shift of the distribution to the left, while indicators related to the dispersion of expectations, such as the standard deviation and the coefficient of variation, remained at a similar course to the previous month.

Monetary and Financial Conditions

32. With the effects of the monetary and quantitative tightening, and the simplification decisions, the current lending rates are assessed to be in line with the targeted level of financial tightness. Since the previous MPC meeting period, Turkish lira commercial loan rates stood at 52.9% with a moderate increase. Housing loan rates which have remained flat in the same period stood at 41.4%. Vehicle loan rates increased 11.2 percentage points to 47.1% as the end-of-year sales campaigns were over, whereas general-purpose loan rates (excluding overdraft accounts) remained flat at 61.9% as of 19 January 2024.

33. The normalization in loan growth and composition continued. As of 19 January 2024, the retail loan balance increased 1.68% in credit cards, -1.88% in vehicle loans, 0.38% in general-

purpose loans, and -0.40% in housing loans compared to end-2023, amounting to an increase of 0.74% in total. The average 4-week growth rate of retail loans has increased since the previous MPC meeting period and stood at 4.83%. The average 4-week growth rates of vehicle and general-purpose loans materialized at 3.47% and 3.26%, respectively. Personal credit cards recorded a higher rate of 8.45%. On the other hand, Turkish lira-denominated commercial loans and FX commercial loans adjusted for exchange rates recorded an average 4-week growth rates of 1.76% and -0.15%, respectively, in the same period.

34. To maintain long-term price stability, technological transformation that will improve the current account balance, strategic investments that will contribute to the continuity of supply, and exports continue to be supported. Programs undertaken for this purpose have been enhanced to include financing costs as well as access to credit, while overseeing the macrofinancial stability. The Advance Loans Against Investment Commitment (ALAIC) program, which intends to utilize long-term resources with favorable financing costs in areas that will support macro-financial stability, is implemented in a framework that highlights the contribution to price stability, technological value, and the strategic nature of investments. Moreover, while overall credit growth has normalized, the commercial loan composition is expected to be shaped in a way that will contribute to the current account balance on the back of the regulatory changes in rediscount credits for export and FX-earning services.

35. As of June, the measures taken to ensure the sound functioning of the banking system within the scope of the simplification process have primarily restored the flow of Turkish lira commercial loans. Turkish lira commercial loans, which increased 0.34% across the sector in June, recorded an average monthly increase of 2.35% in the following five months and grew 2.43% in December. Turkish lira deposit rates, which had a upward course during this period, stood at 47.1% at the end of December and 45.9% in the week ending 19 January. In line with the simplification process, the monetary transmission mechanism will continue to be strengthened in the face of any potential excess volatility in credit supply and deposit rates through macroprudential policy.

36. Due also to the policy rate decision taken in January, the Committee evaluates that alongwith monetary tightening, the regulations to increase the share of Turkish lira deposits will continue to strengthen the transmission mechanism and to improve the funding composition of the banking system.

37. External financing conditions, strengthening in foreign exchange reserves, rebalancing in current account balance, and demand for Turkish lira denominated assets continue to contribute to exchange rate stability and the effectiveness of monetary policy.

38. With the recently-signed agreements, foreign direct investments that will focus on improving technology investments and production capacity will support external financing in the upcoming period.

39. Türkiye's five-year CDS premium, which decreased to 284 basis points in the previous MPC meeting period, increased in parallel to the deteriorating global risk appetite in January and reached 317 basis points as of 24 January 2024. While the 1-month implied exchange rate volatility of the Turkish lira increased by 0.76 percentage points, the 12-month implied exchange rate volatility decreased by 2.28 percentage points in the current MPC meeting period and reached 8.60% and 21.1%, respectively, as of 24 January 2024. Falling figures in the risk premium and exchange rate volatilities were accompanied by net portfolio inflows totaling USD 5.33 billion since June, USD 2.37 billion of which went to the government domestic debt securities (GDDS) market and USD 2.96 billion to the equity market.

40. Despite maintaining their high levels compared to the previous year, the gross international reserves of the CBRT decreased compared to the previous MPC meeting period by USD 4.44 billion to USD 138.1 billion as of 19 January 2024.

Monetary Policy

41. The Committee has decided to raise the policy rate (the one-week repo auction rate) from 42.5% percent to 45%. Taking into account the lagged effects of monetary tightening, the Committee will continue to determine its policy decisions in a way that will create monetary and financial conditions necessary to ensure a decline in the underlying trend of inflation and to reach the 5% inflation target in the medium term.
42. Taking into account the lagged impact of monetary tightening, the Committee assesses that the monetary tightness required to establish the disinflation course is achieved and that this level will be maintained as long as needed. The Committee assesses that the current level of the policy rate will be maintained until there is a significant decline in the underlying trend of monthly inflation and until inflation expectations converge to the projected forecast range. The Committee will reassess the stance of monetary policy if notable and persistent risks to inflation outlook emerge.
43. To increase the functionality of market mechanism and strengthen macro financial stability, the Committee continues to simplify and improve the existing micro- and macroprudential framework. Impact analyses of the CBRT's regulations are conducted for all components of the framework by assessing their impact on inflation, interest rates, exchange rates, reserves, expectations, securities, and financial stability with a holistic approach. With the decisions taken accordingly, it is assessed that significant progress has been made in the simplification process.
44. Recently, a temporary liquidity surplus has been observed in the market due to the impact of public expenditures and monetary base developments. In addition to policy rate decisions, the Committee will continue to implement quantitative tightening by extending the sterilization tools at its disposal in order to support the monetary tightening process. In this context, Turkish Lira Deposit Purchase Auctions continue to be organized. While the policy rate, the main policy instrument, affect monetary and financial conditions and expectations, these decisions aim to stabilize excess Turkish lira liquidity and increase the effectiveness of monetary policy.
45. Indicators of inflation and underlying trend of inflation will be closely monitored and the Committee will continue to decisively use all the tools at its disposal in line with its main objective of price stability.
46. The Committee will continue to make its decisions in a predictable, data-driven, and transparent framework.