

Press Release on Interest Rates

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Participating Committee Members

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The Monetary Policy Committee (the Committee) has decided to increase the policy rate (the one-week repo auction rate) from 15 percent to 17.5 percent.

The Committee decided to continue the monetary tightening process in order to establish the disinflation course as soon as possible, to anchor inflation expectations, and to control the deterioration in pricing behavior.

While global inflation has been declining, it remains above the long-term averages and targets of central banks. As a result, many central banks continue the monetary tightening process.

In our country, recent indicators point to continuation of the increase in the underlying trend of inflation. The strong course of domestic demand, cost pressures stemming from wages and exchange rates and the stickiness of services inflation have been the main drivers. In addition to these factors, the Committee anticipates that tax regulations and the deterioration in pricing behavior will put further pressure on inflation.

Foreign direct investment, notable improvement in external financing conditions, continued increase in foreign exchange reserves and improvement in current account balance driven by rising tourism revenues will contribute significantly to price stability.

The policy rate will be determined 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 percent inflation target in the medium term. Monetary tightening will be further strengthened as much as needed in a timely and gradual manner until a significant improvement in the inflation outlook is achieved.

To increase the functionality of market mechanisms and strengthen macro financial stability, the Committee will continue to simplify and improve the existing micro- and macroprudential framework. Guided by impact analyses, the simplification process will continue to be gradual. In this context, in addition to the increase in the policy rate, the Committee has made decisions on quantitative tightening and selective credit tightening to support the monetary policy stance.

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.

The Committee will continue to make its decisions in a predictable, data-driven and transparent framework.

The summary of the Monetary Policy Committee Meeting will be released within five working days.