

# Press Release on Interest Rates

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## Participating Committee Members

Yaşar Fatih Karahan (Governor), Osman Cevdet Akçay, Elif Haykır Hobikođlu, Hatice Karahan, Fatma Özkul.

The Monetary Policy Committee (the Committee) has decided to keep the policy rate (the one-week repo auction rate) constant at 50 percent.

The underlying trend of monthly inflation rose slightly in July but remained below its second-quarter average. Indicators for the third quarter suggest that domestic demand continues to slow down with a diminishing inflationary impact. While goods inflation is declining, improvement in services inflation is expected to lag. The high level of and the stickiness in services inflation, inflation expectations, and geopolitical developments keep inflationary risks alive. The Committee emphasized that the alignment of inflation expectations and pricing behavior with projections has gained relative importance for the disinflation process.

The decisiveness regarding tight monetary stance will bring down the underlying trend of monthly inflation through moderation in domestic demand, real appreciation in Turkish lira, and improvement in inflation expectations. Consequently, the disinflation process will gain strength. Considering the lagged effects of the monetary tightening, the Committee decided to keep the policy rate unchanged, but reiterated that it remains highly attentive to inflation risks. The tight monetary stance will be maintained until a significant and sustained decline in the underlying trend of monthly inflation is observed, and inflation expectations converge to the projected forecast range. Monetary policy stance will be tightened in case a significant and persistent deterioration in inflation is foreseen.

In case of unanticipated developments in credit and deposit markets, monetary transmission mechanism will be supported via additional macroprudential measures. Liquidity conditions are assessed with respect to prospective developments and closely monitored. Sterilization tools will continue to be implemented effectively.

Taking into account the lagged effects of monetary tightening, the Committee will make its policy decisions so as to create the 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.

Indicators of inflation and underlying trend of inflation will be closely monitored, and the Committee will decisively use all the tools at its disposal in line with its main objective of price stability.

The Committee will 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.