

# Press Release on Interest Rates

23 July 2024

No: 2024-39

## 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 registered a notable decline in June. Leading indicators suggest that monthly inflation will rise temporarily in July due to adjustments in administered prices and taxes as well as supply-side factors in unprocessed food prices, which are relatively beyond the control of monetary policy. However, the rise in the underlying inflation is expected to be relatively limited. Recent indicators confirm that domestic demand, albeit still at inflationary levels, continues to slow down. In addition to the high level of and the stickiness in services inflation, inflation expectations, geopolitical risks, and food prices keep inflationary pressures alive. The Committee closely monitors the alignment of inflation expectations and pricing behavior with projections.

The effects of monetary tightening on credit conditions and domestic demand are closely monitored. 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. 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.

Based on loan growth and its composition, additional measures were taken for FX loans to support the macro financial stability and the monetary transmission mechanism. In case of unanticipated developments in credit and deposit markets, monetary transmission mechanism will continue to be supported via additional macroprudential measures. Liquidity conditions are assessed with respect to prospective developments and closely monitored. Sterilization will be implemented effectively by also enriching the toolset whenever needed.

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.