

# Press Release on Interest Rates

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## Participating Committee Members

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The Monetary Policy Committee (MPC) has decided to keep the policy rate (one-week repo auction rate) constant at 9 percent.

Although recently released data point to a stronger economic activity than anticipated, recession concerns in developed economies as a result of ongoing geopolitical risks and interest rate hikes continue. While the negative consequences of supply constraints in some sectors, particularly basic food, have been alleviated by the strategic solutions facilitated by Türkiye, the high level in producer and consumer inflation continues on an international scale. The effects of high global inflation on inflation expectations and international financial markets are closely monitored. The divergence in monetary policy steps and communications of central banks in advanced economies continue to increase due to their diverse economic outlook. It is observed that central banks continue their efforts to develop new supportive measures and tools to cope with the increasing uncertainties in financial markets. Additionally, financial markets started to adjust their expectations that the central banks would end the rate hike cycles in the near term on the back of the increasing recession risks.

A strong growth was observed in the first three quarters of 2022. Indicators for the last quarter of the year show that a slowdown in growth due to the weakening foreign demand is compensated by the relatively strong course in domestic demand. The effects of foreign demand-based pressures observed in the manufacturing industry on domestic demand and supply capacity currently remain limited. Compared to peer economies, job creation has been stronger. Considering the sectors that contribute to the employment increase, it is observed that the growth dynamics are supported by structural gains. While share of sustainable components of economic growth increases, the stronger than expected contribution of tourism revenues to the current account balance continues throughout the year. On the other hand, domestic consumption demand, high level of energy prices and the likelihood of a recession in main trade partners keep the risks on current account balance alive. Sustainable current account balance is important for price stability. The rate of credit growth and allocation of funds for real economic activity purposes are closely monitored. As announced in the 2023 Monetary Policy and Liraization Strategy document, the Committee will continue to decisively use the tools supporting the effectiveness of the monetary transmission mechanism and the entire policy toolset, particularly funding channels, will be aligned with liraization targets.

Level and underlying trend of inflation have been improved with the support of the integrated policy approach implemented to strengthen sustainable price stability and financial stability. The effects of slowing foreign demand on aggregate demand conditions and production are closely monitored. It is critically important that financial conditions remain supportive for the sustainability of structural gains in supply and investment capacity by preserving the growth momentum in industrial production and the positive trend in employment in a period of

increasing uncertainties regarding global growth as well as further escalation of geopolitical risks. Accordingly, the Committee has decided to keep the policy rate unchanged.

The CBRT will continue to use all available instruments decisively until strong indicators point to a permanent fall in inflation and the medium-term 5 percent target is achieved in pursuit of the primary objective of price stability. The CBRT will implement Liraization Strategy in order to create an institutional basis for permanent and sustainable price stability. Stability in the general price level will foster macroeconomic stability and financial stability through the fall in country risk premium, continuation of the reversal in currency substitution and the upward trend in foreign exchange reserves, and durable decline in financing costs. This would create a viable foundation for investment, production and employment to continue growing in a healthy and sustainable way.

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

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