



TÜRKİYE CUMHURİYET  
MERKEZ BANKASI

# MONETARY POLICY AND INFLATION OUTLOOK IN TÜRKİYE

April 17, 2024

Washington, DC



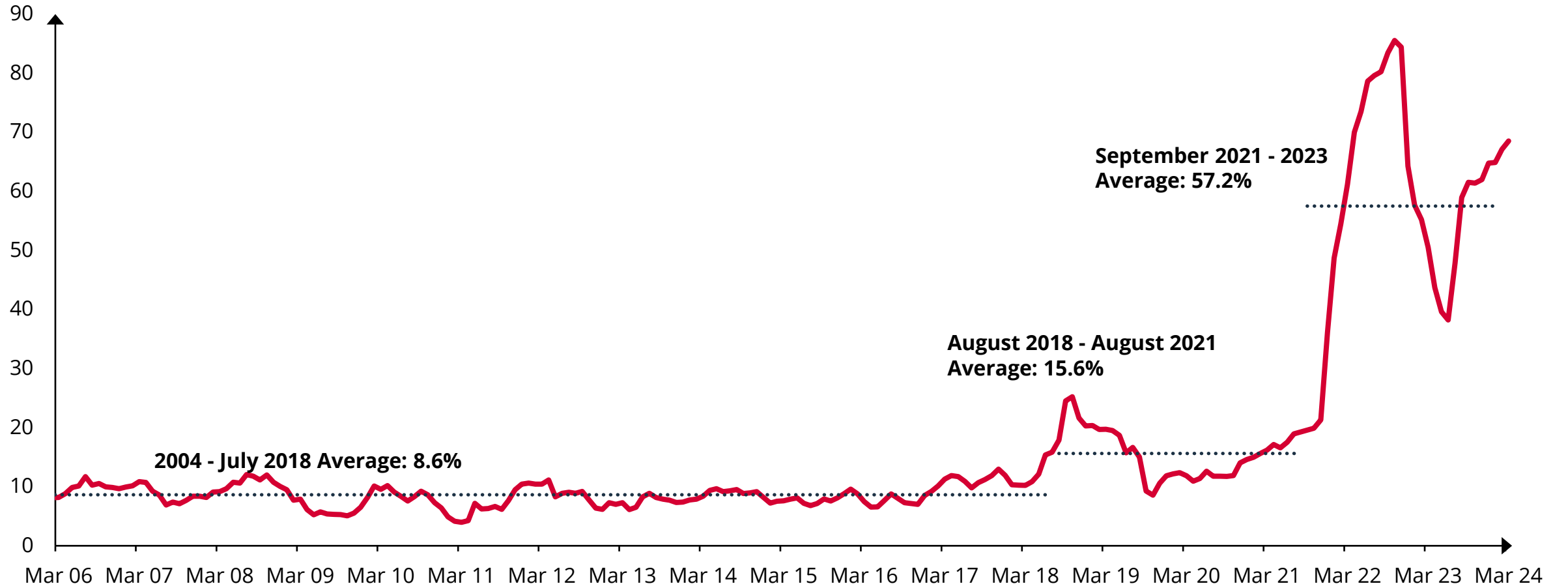
# Outline

- **Key Issues**
- **Monetary Policy**
- **Disinflation Path**

# KEY ISSUES

# Inflation increased considerably after 2021.

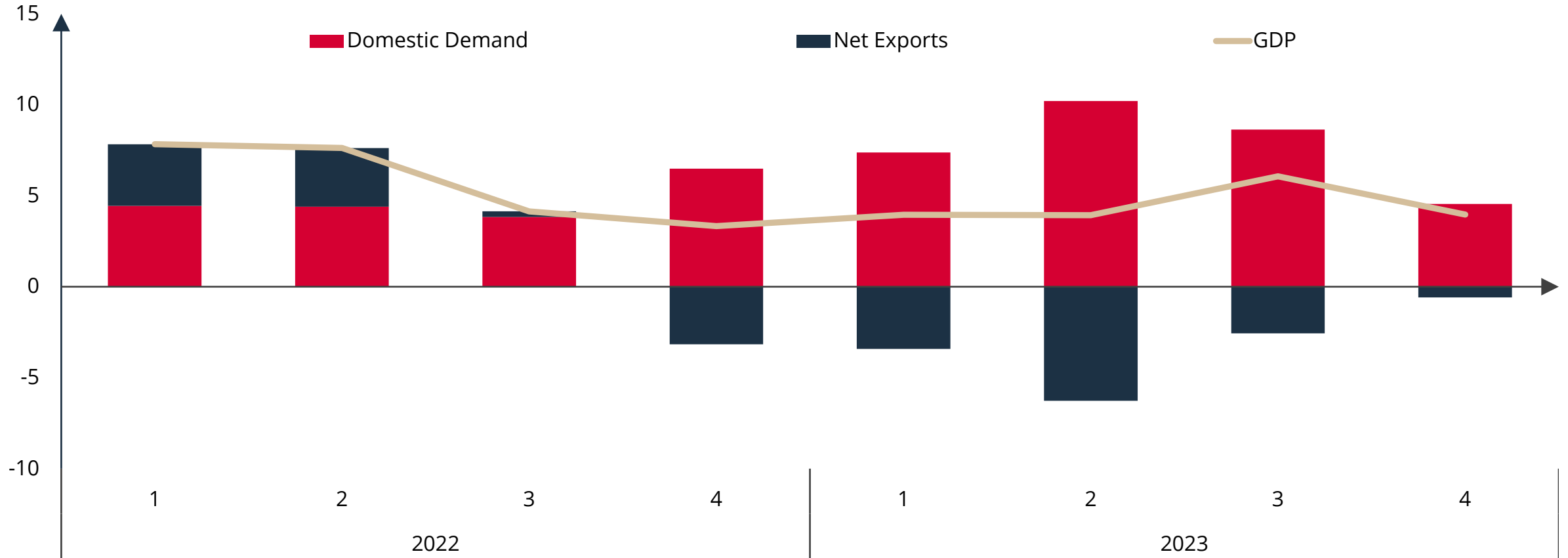
**Consumer Inflation** (Annual % Change)



Source: TURKSTAT, CBRT

# Growth in 2023 was mostly driven by domestic demand.

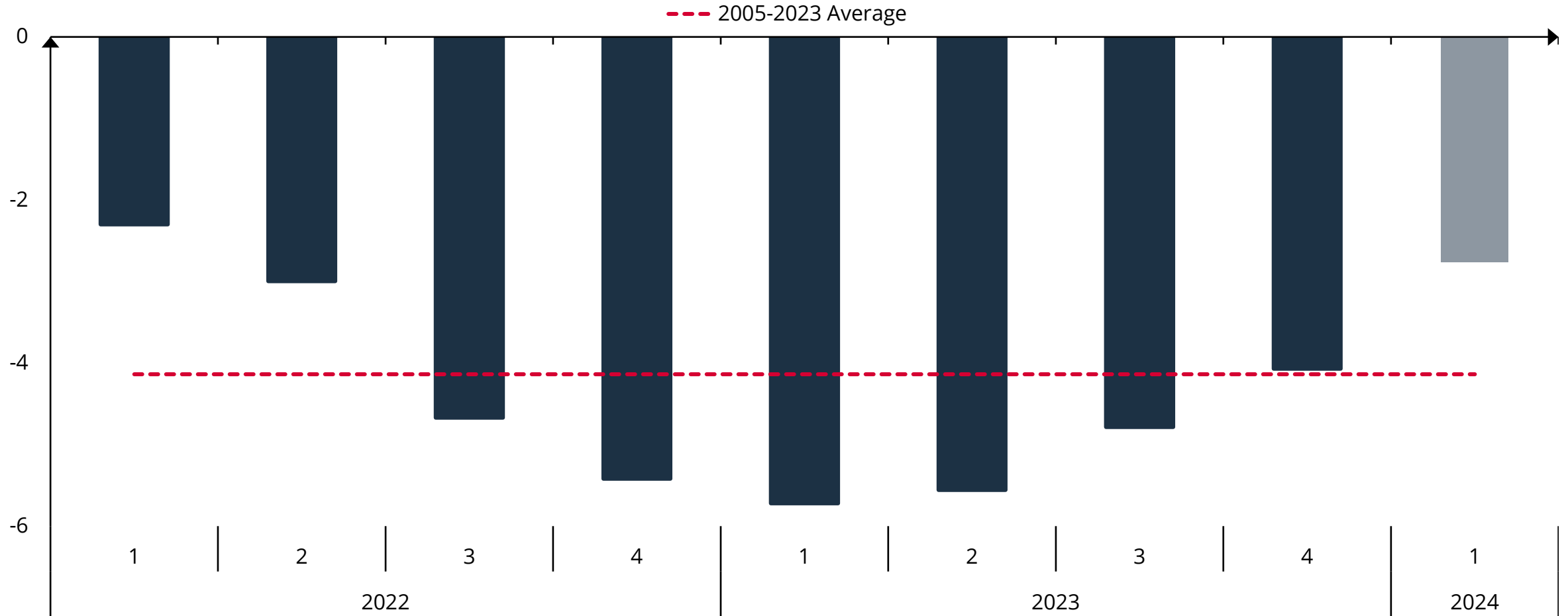
Contribution to Annual GDP Growth from Expenditure Side (% points)



Source: TURKSTAT, CBRT

# Excessive demand had a negative impact on current account balance.

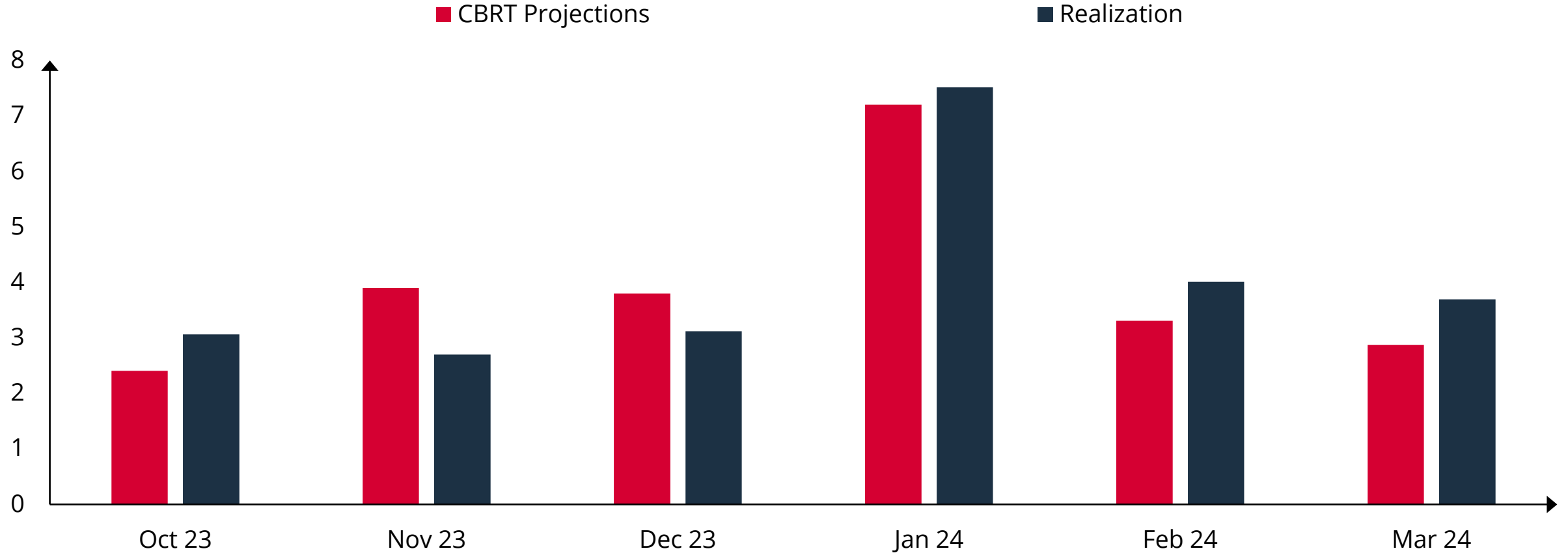
Current Account Balance\* (12-month-accumulated, % of GDP)



# The underlying trend of inflation was higher than expected in Q1.

## Underlying Trend of Inflation

(Average of B-C Indicators, Seasonally Adjusted Monthly % Change)

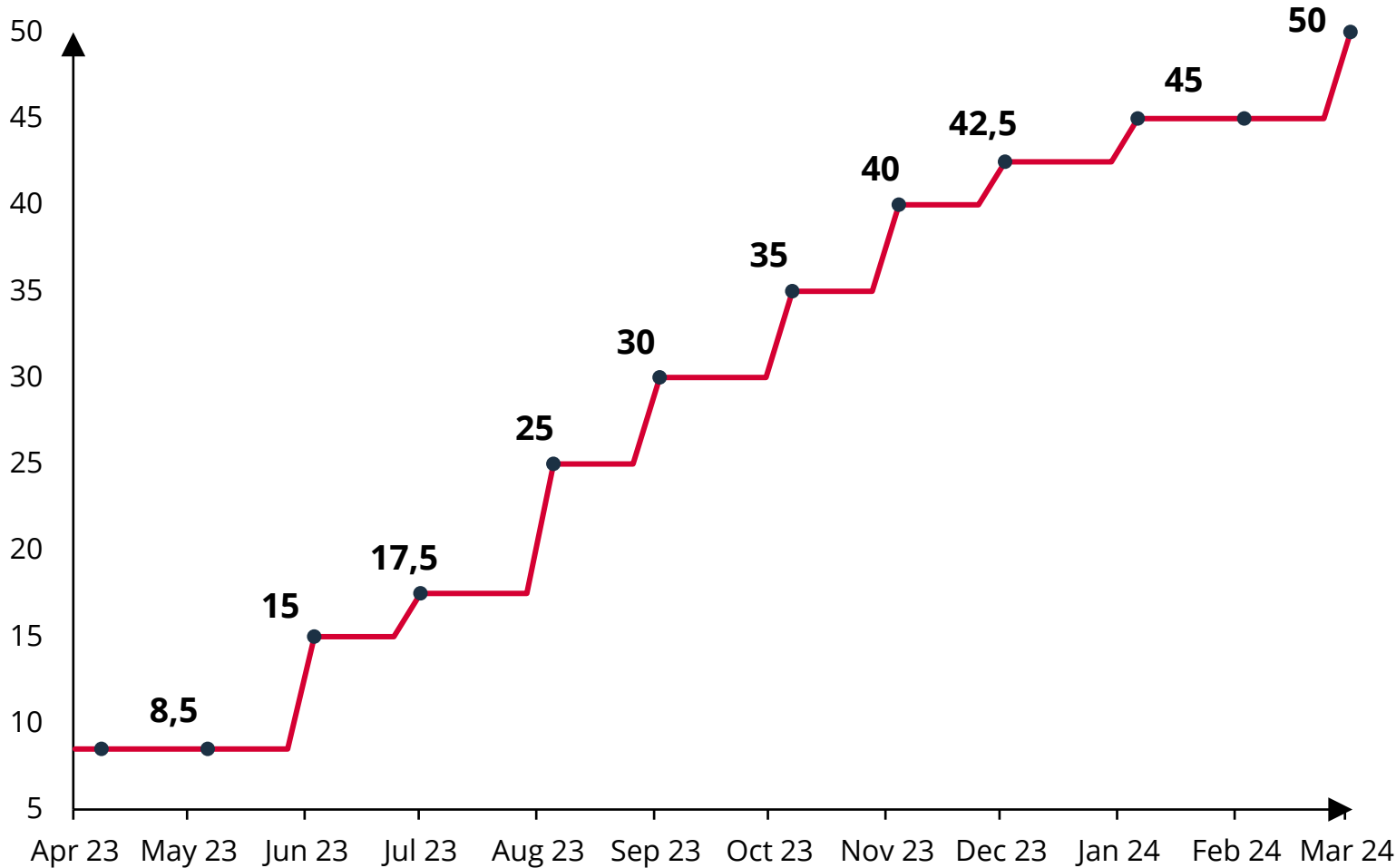


# **MONETARY POLICY**



# Monetary stance has been tightened considerably.

Policy Rate (%)



Source: CBRT



**Quantitative  
Tightening**

**Macprudential  
Framework**

# We took additional tightening steps in March.

## ADJUSTMENTS

## GOALS

- Raised the interest rates that banks can charge for credit cards

1

- Reducing the excessive consumption demand

- Decreased monthly growth limits
- Introduced RR for excess loan growth

2

- Decelerating credit growth

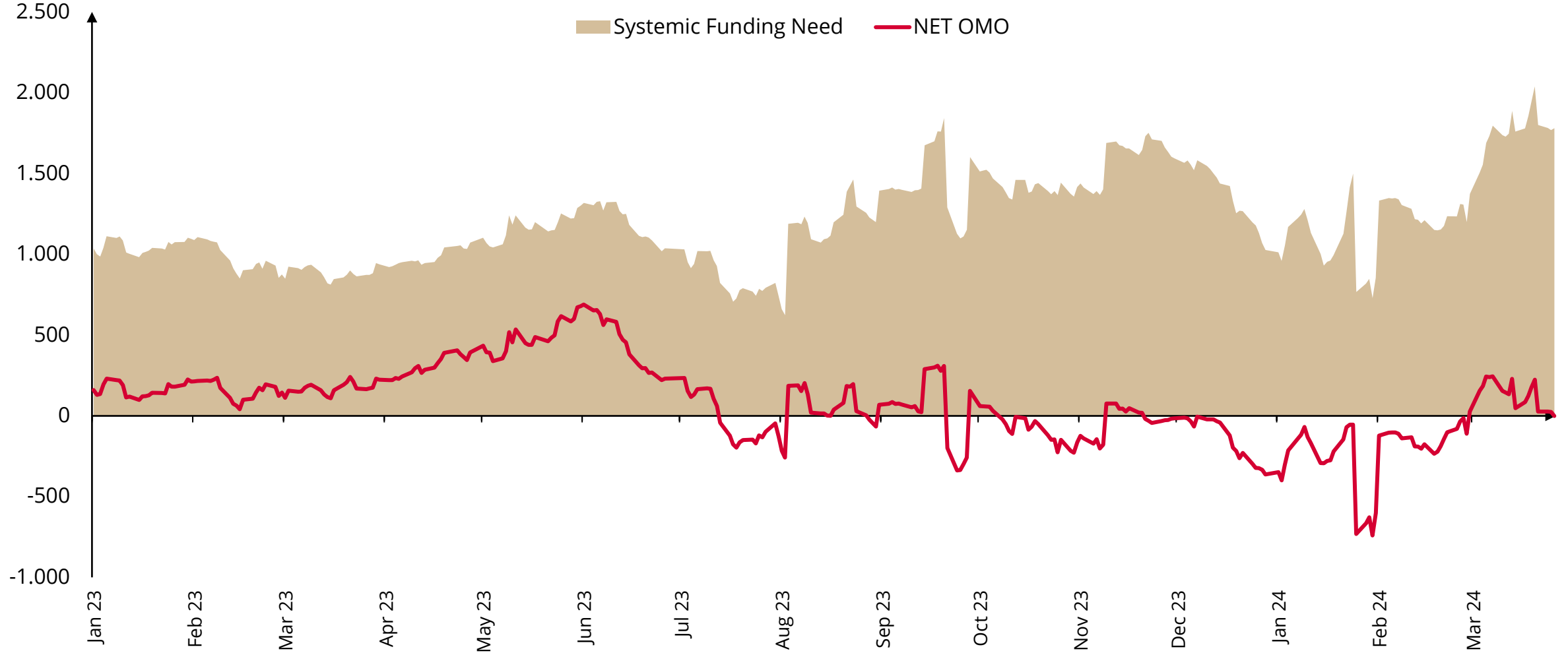
- Incentivized banks to increase TL commercial deposits through monthly targets and commission rates

3

- Strengthening the monetary transmission
- Increasing the share of Turkish lira deposits

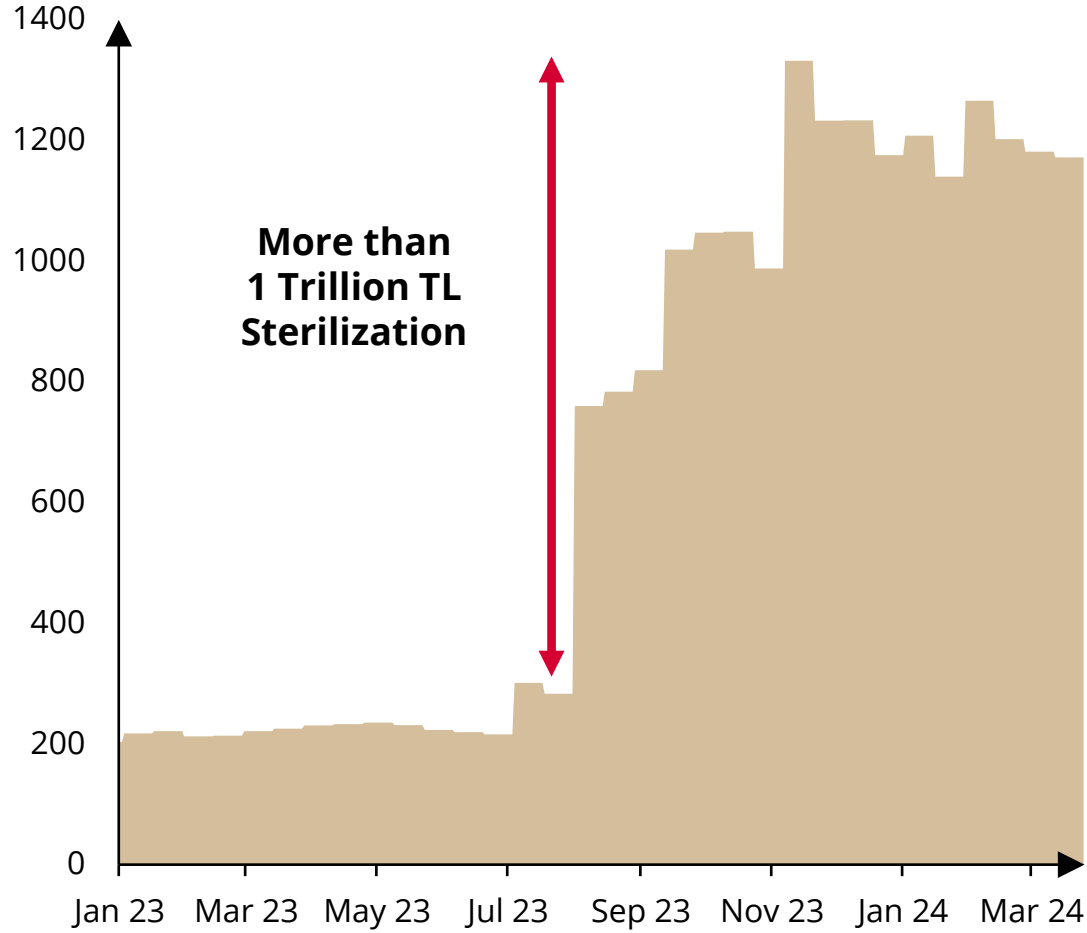
# FX-protected account payments and domestic swaps led to excess liquidity.

CBRT Swap Transactions and NET OMO (Billion TL)



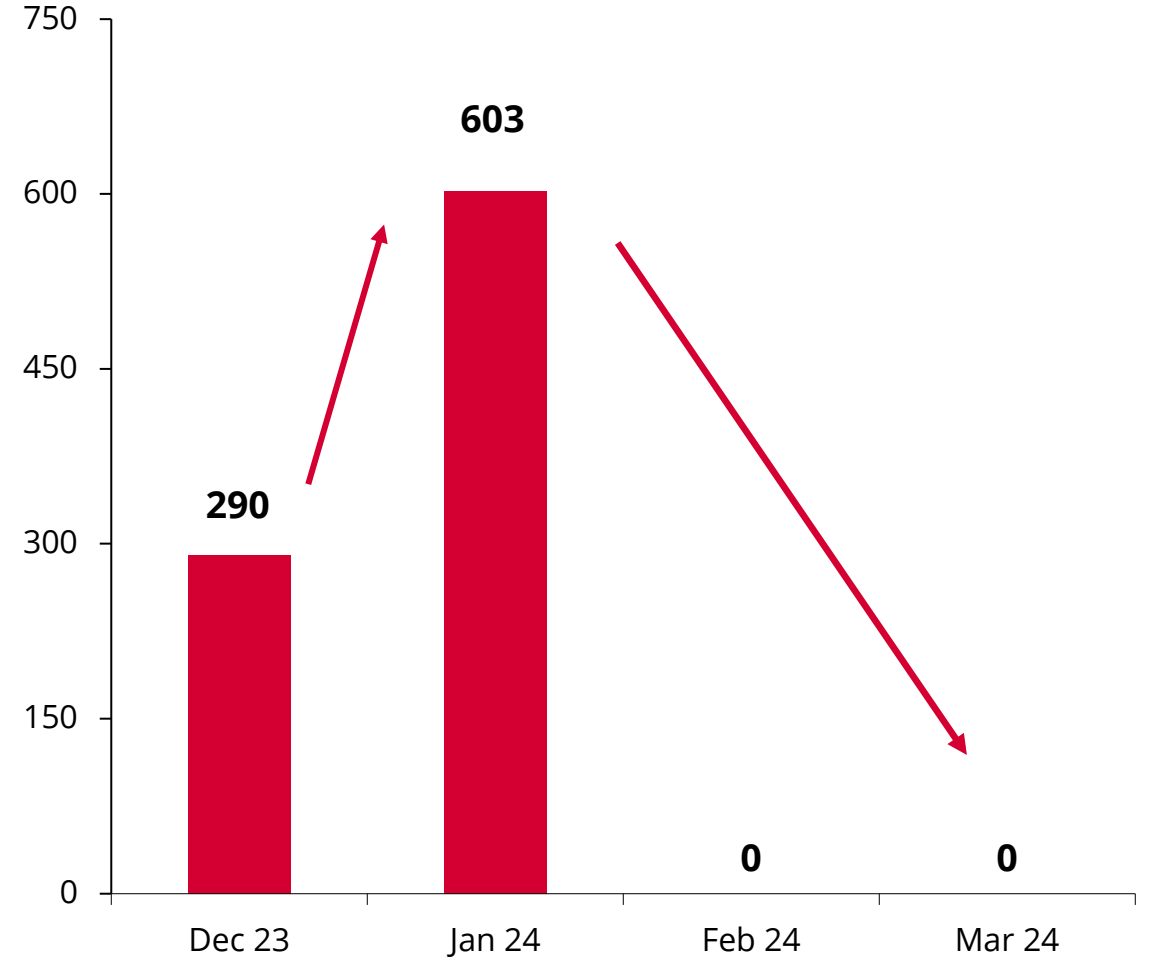
# We have been actively sterilizing excess liquidity.

Required Reserves (Billion TL, Weekly)



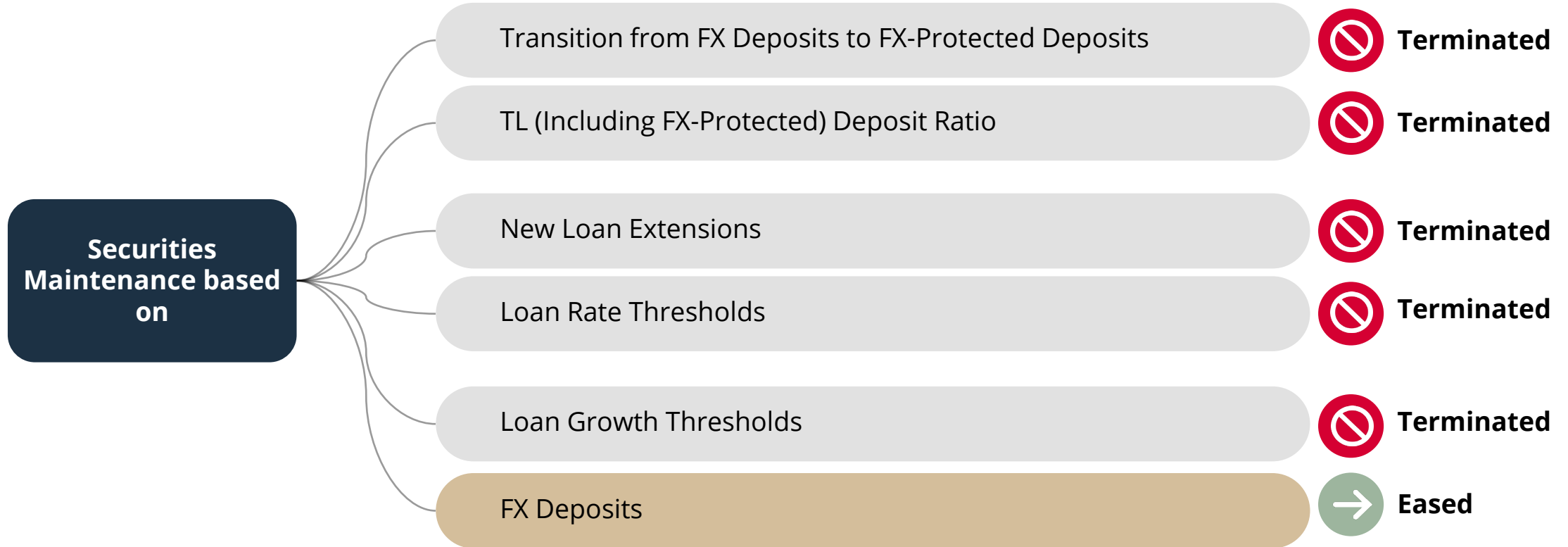
Source: CBRT, as of March 25<sup>th</sup> 2024

TL Deposit Purchase Auctions (Billion TL, Outstanding)



Source: CBRT

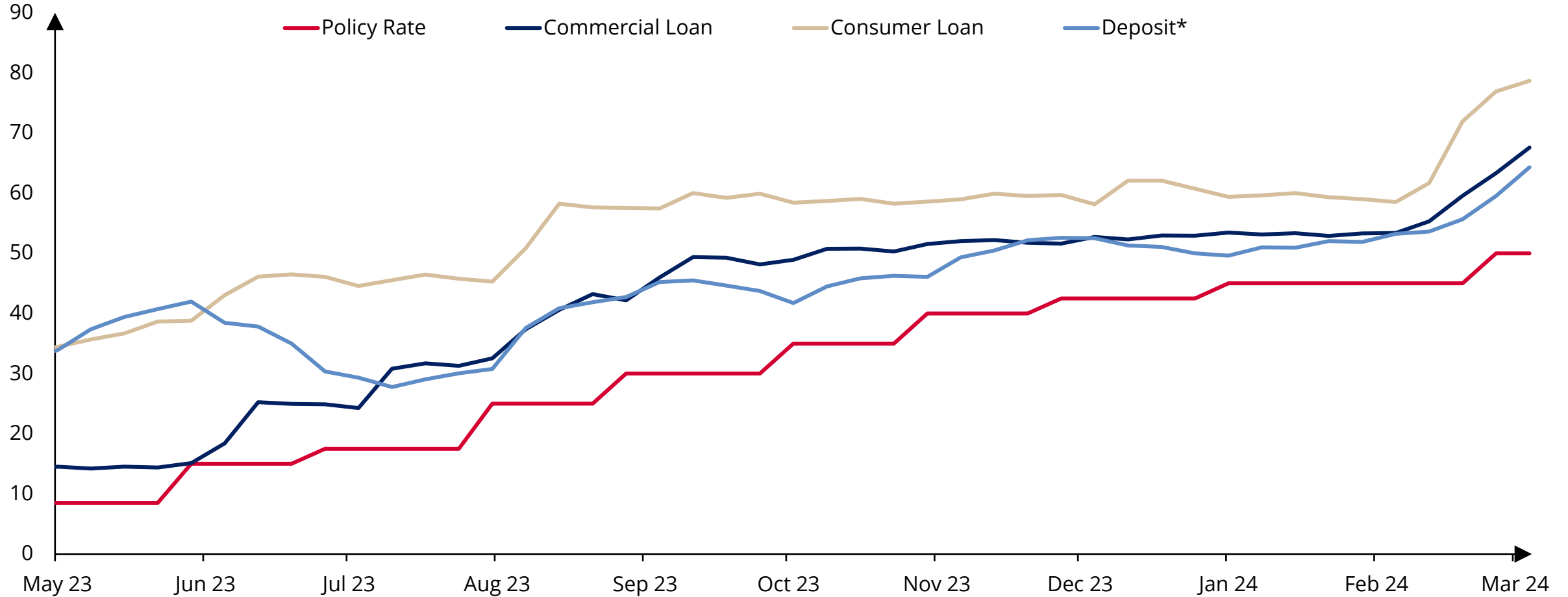
# We have largely abolished the security maintenance requirements.



# DISINFLATION PATH

# Financial conditions have tightened following the policy rate hikes.

## Interest Rates (%)



Source: CBRT

As of 29 March 2024

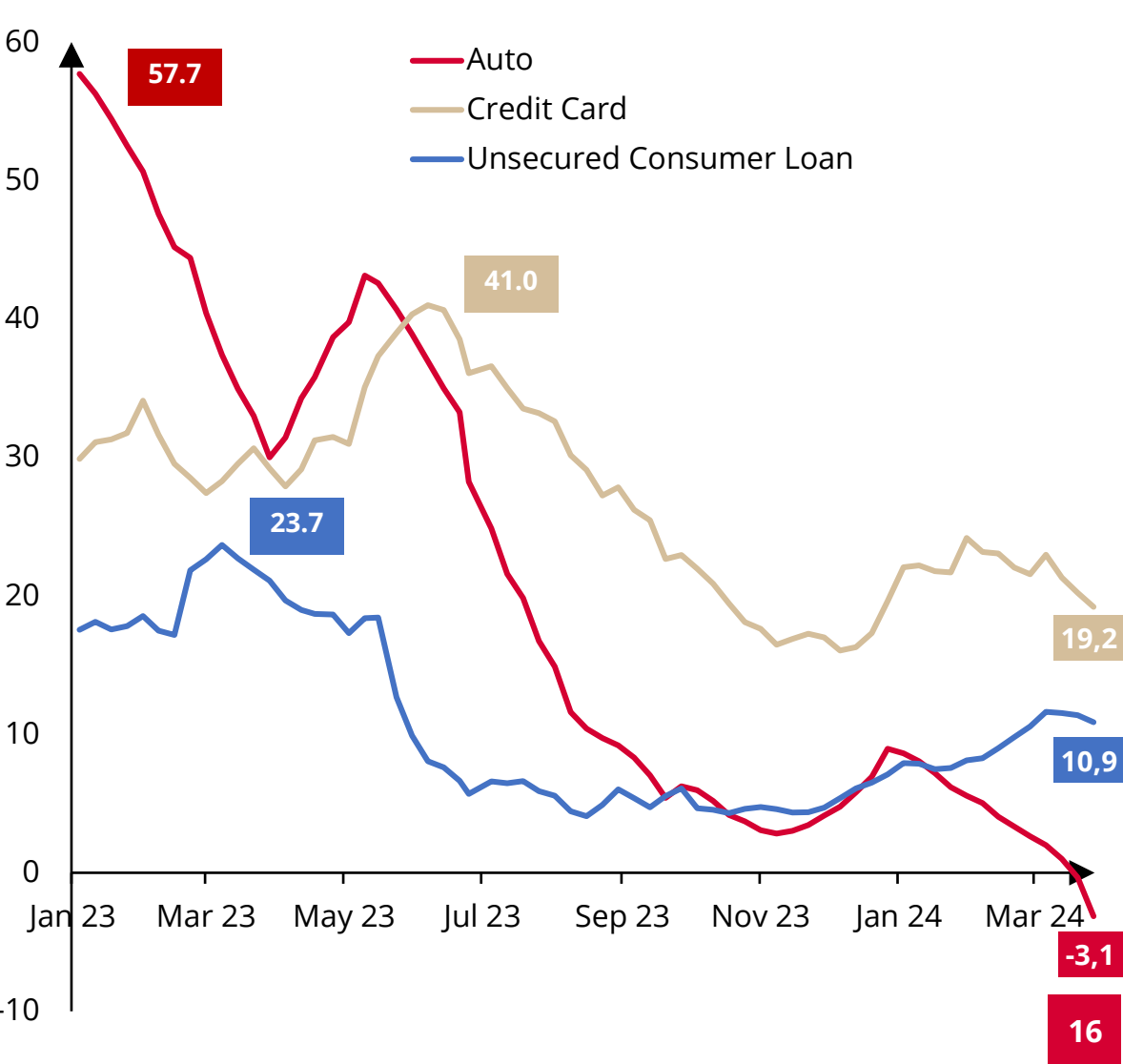
\* 1 to 3 month TL deposit interest rate

# Retail loan growth has moderated.

Retail Loan Growth (% , 13 Week)



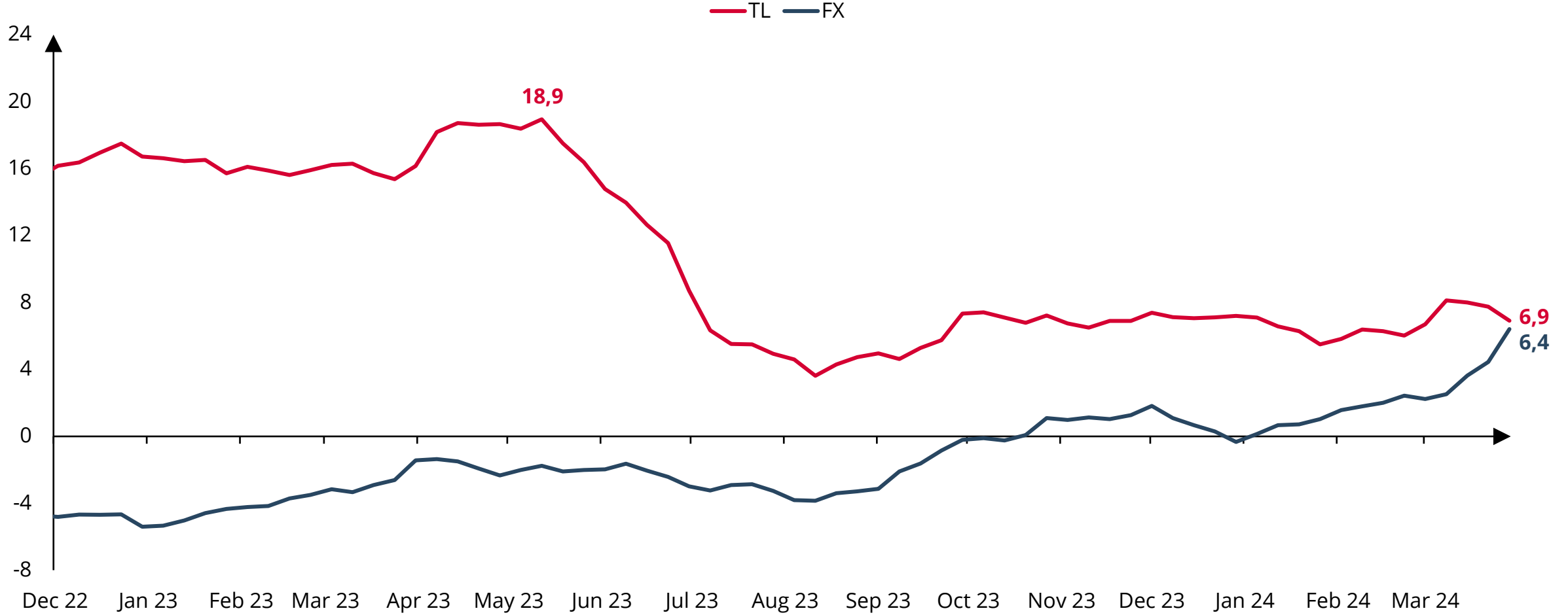
Retail Loan Growth by Category (% , 13 Week)





# Turkish lira commercial loan growth normalized while FX loan growth increased.

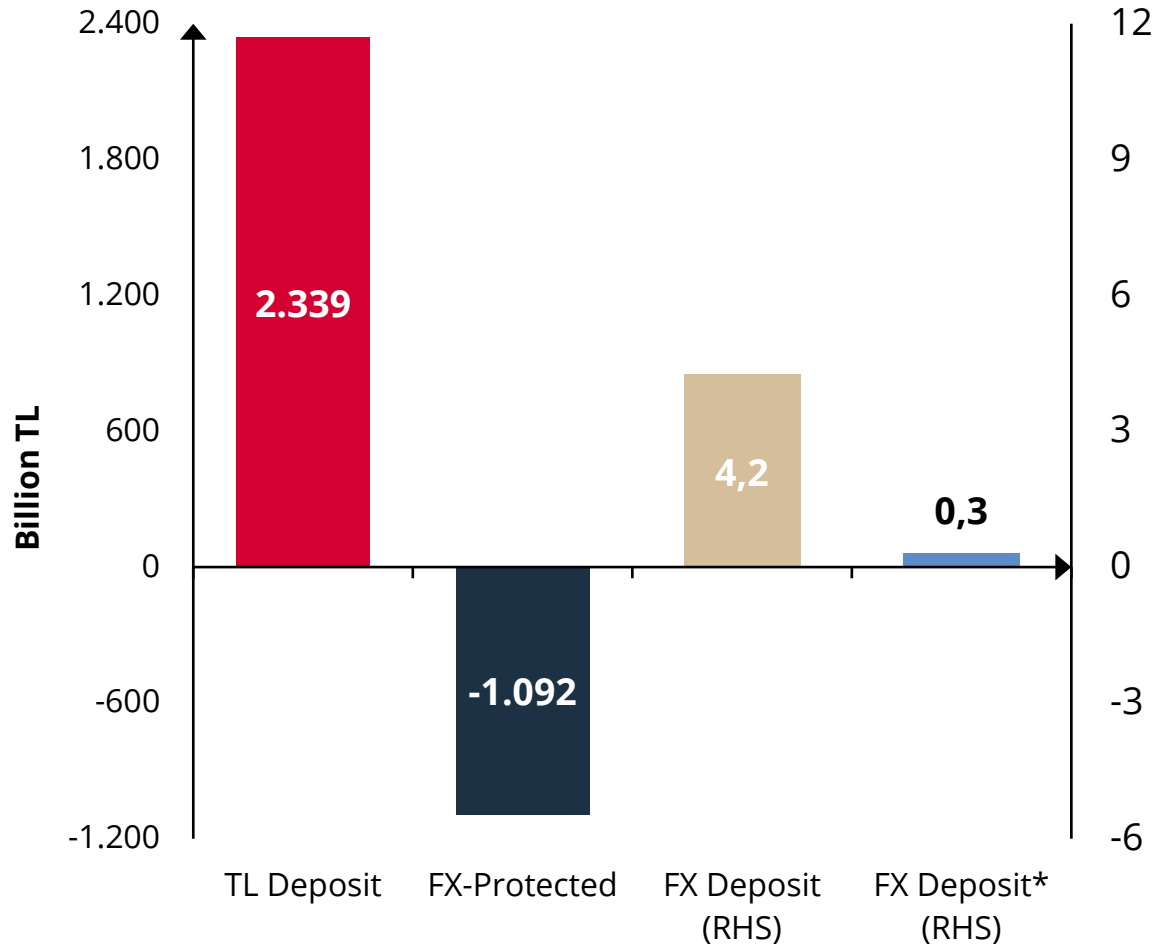
Commercial Loan Growth (% , 13 Week)



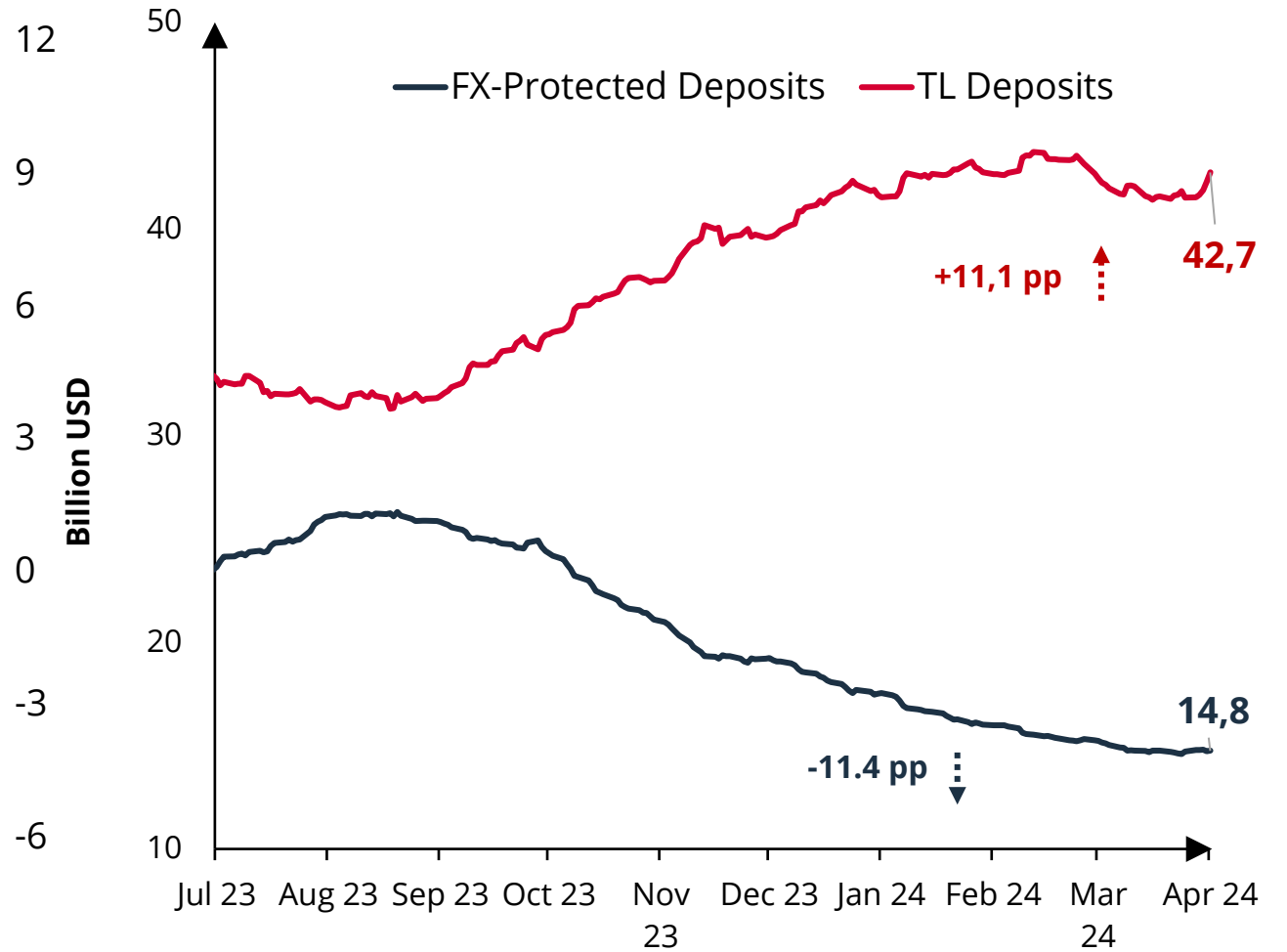
Source: CBRT  
As of 29 March 2024

# The share of Turkish lira deposits increased, but some of the gains reversed.

Change in Deposits (25 August - 29 March)

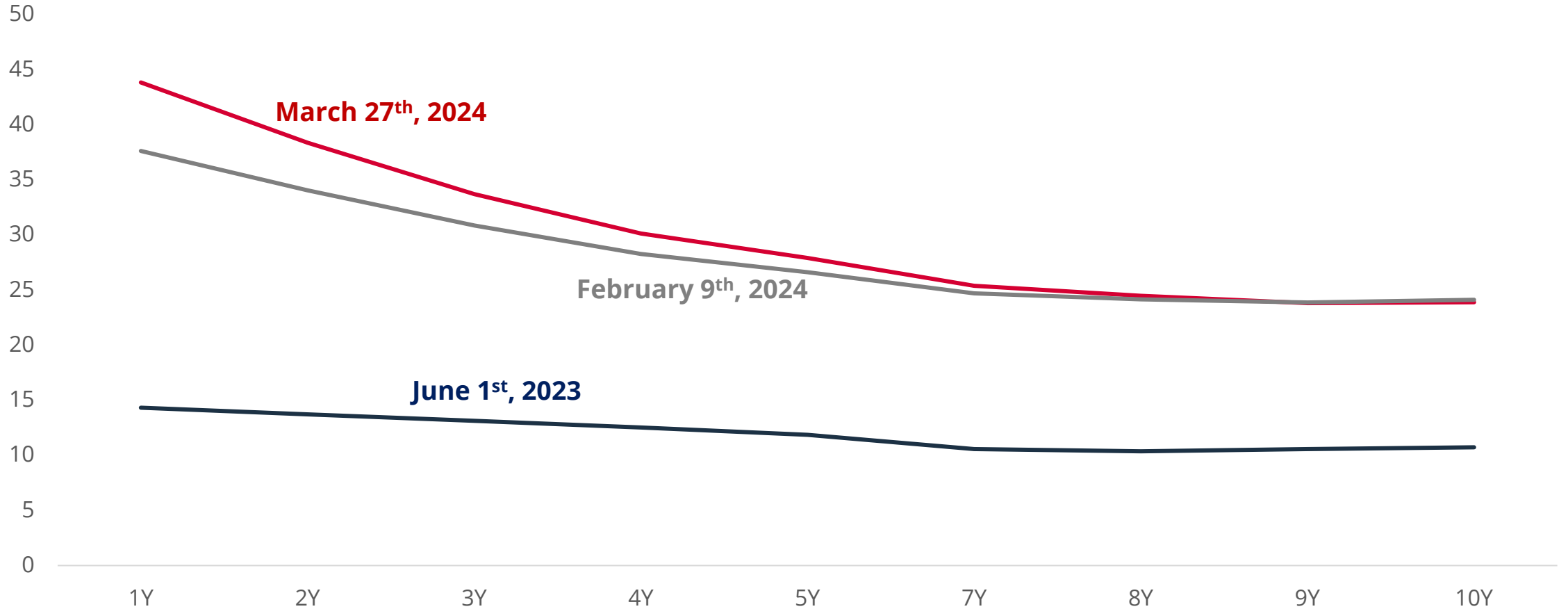


Deposit Share (%)



# Yield curve is shifting in tandem with monetary tightening.

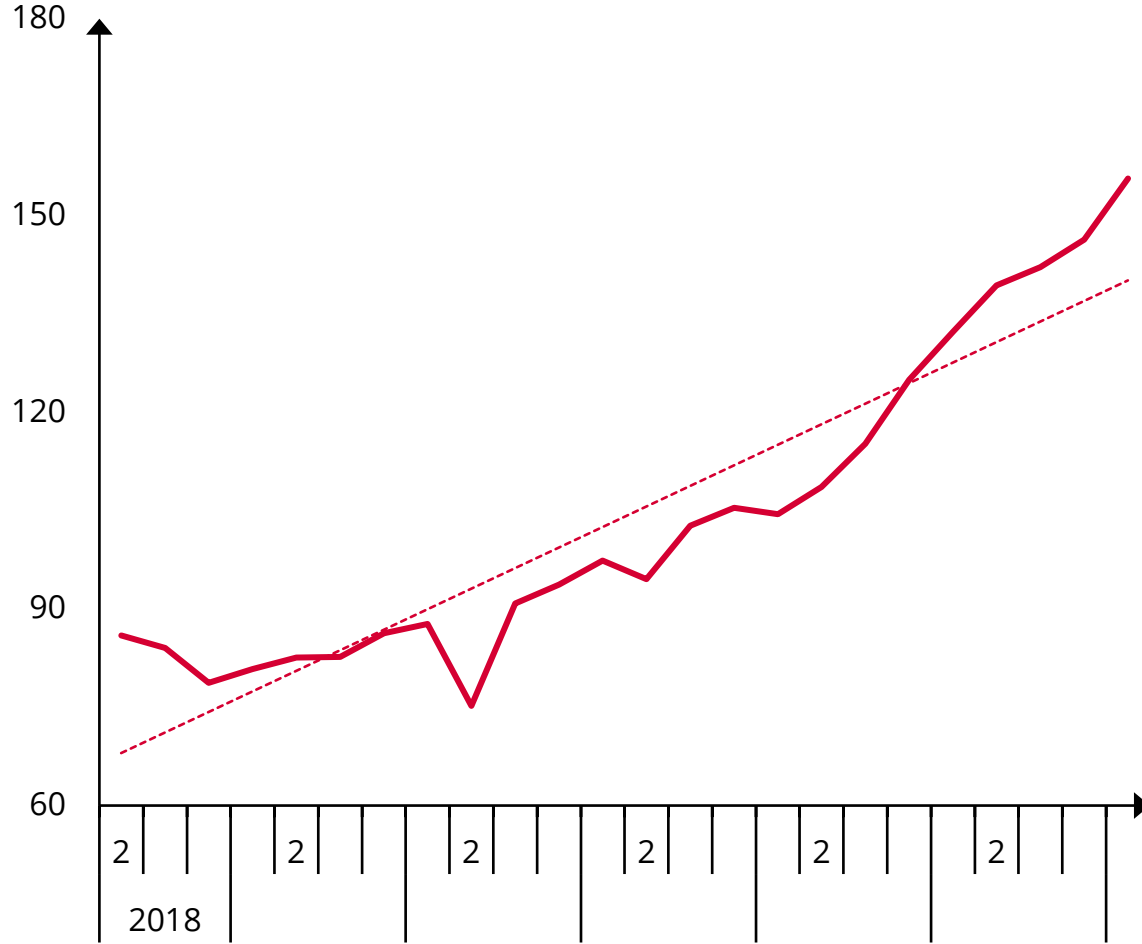
Yield Curve (%)\*



Source: Bloomberg  
\* As of 27 March 2024

# Domestic demand remains resilient with signs of normalization.

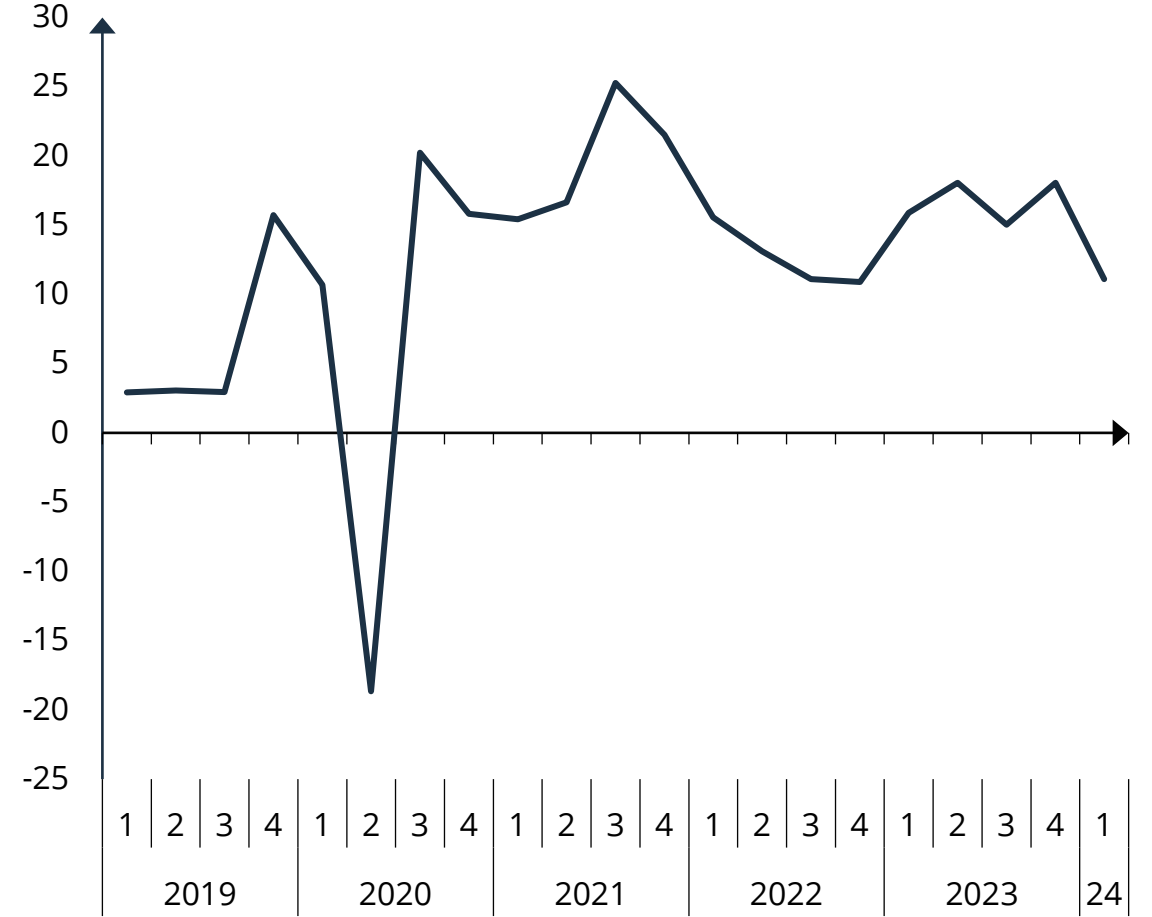
Retail Sales Volume Index\*\* (SA, 2015=100)



Source: TURKSTAT.

\* As of January 2024. \*\* Dashed line in the left panel shows the linear trend.

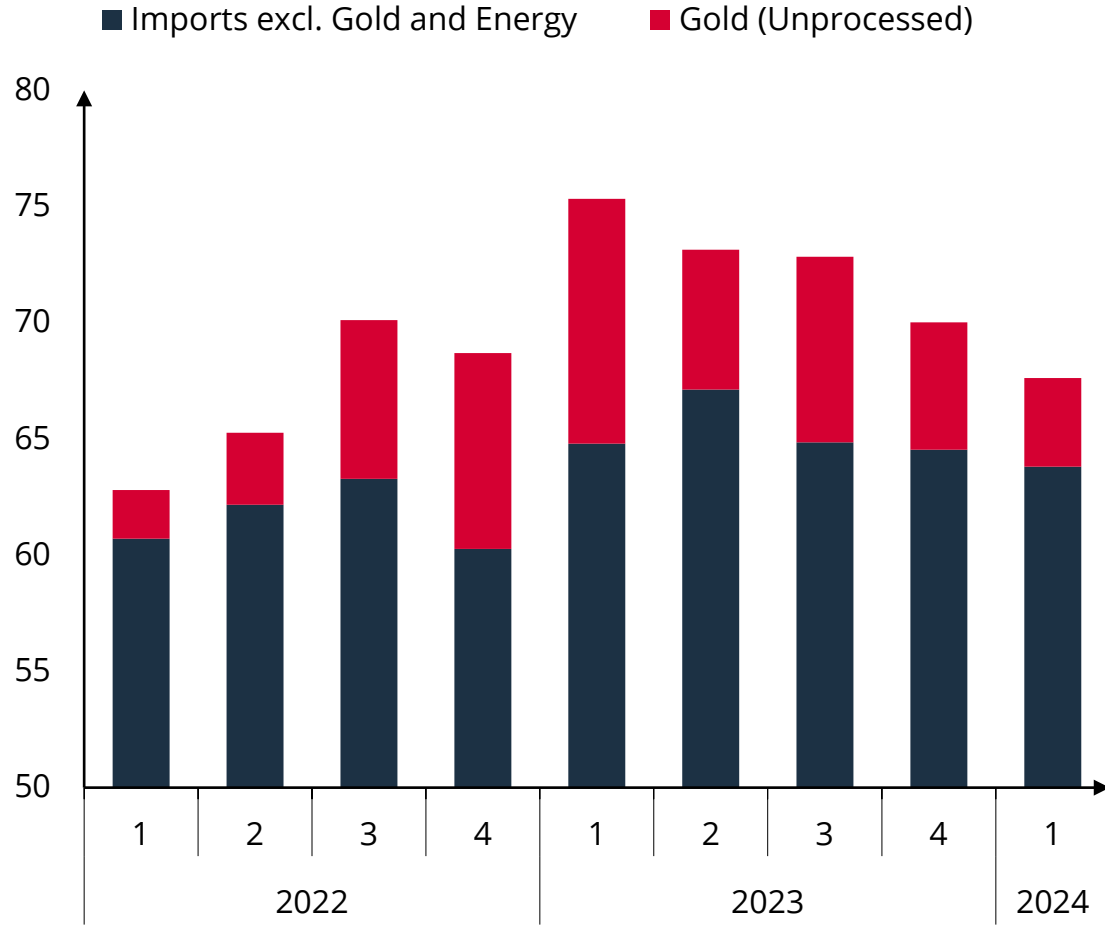
Business Tendency Survey Expected Domestic Orders (SA, Compared to Historical Averages)



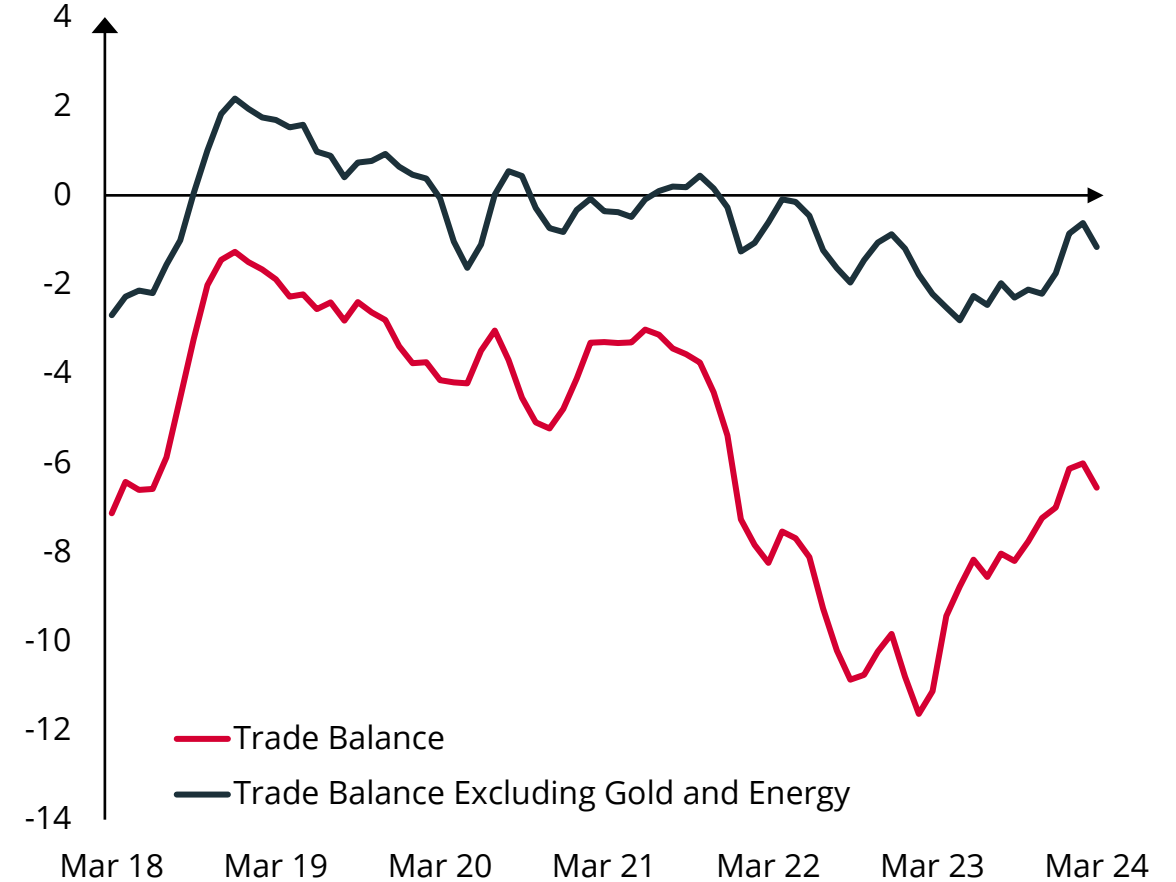
Source: CBRT.

# Declining imports led to an improvement in the trade balance.

**Imports\*** (SA, Nominal, Billion USD)

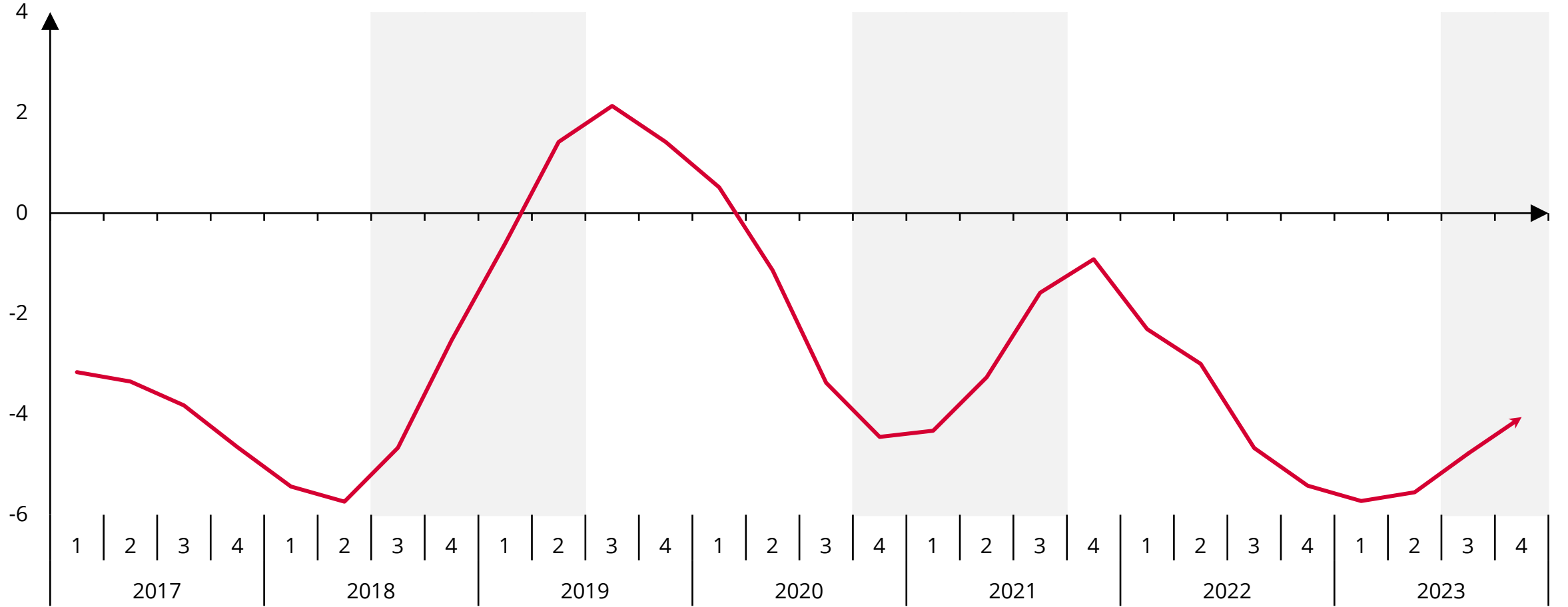


**Monthly Trade Balance\*** (SA, 3-Month MA, Billion USD)



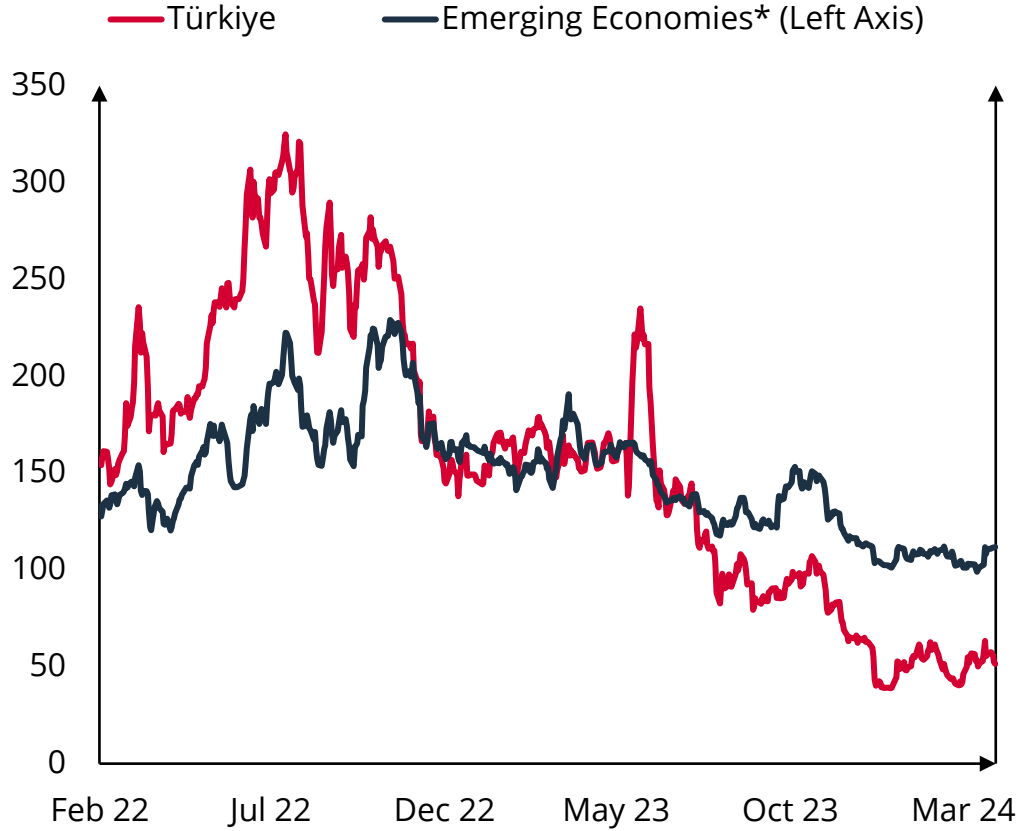
# The current account balance will continue to improve.

Current Account Balance/GDP\* (%)

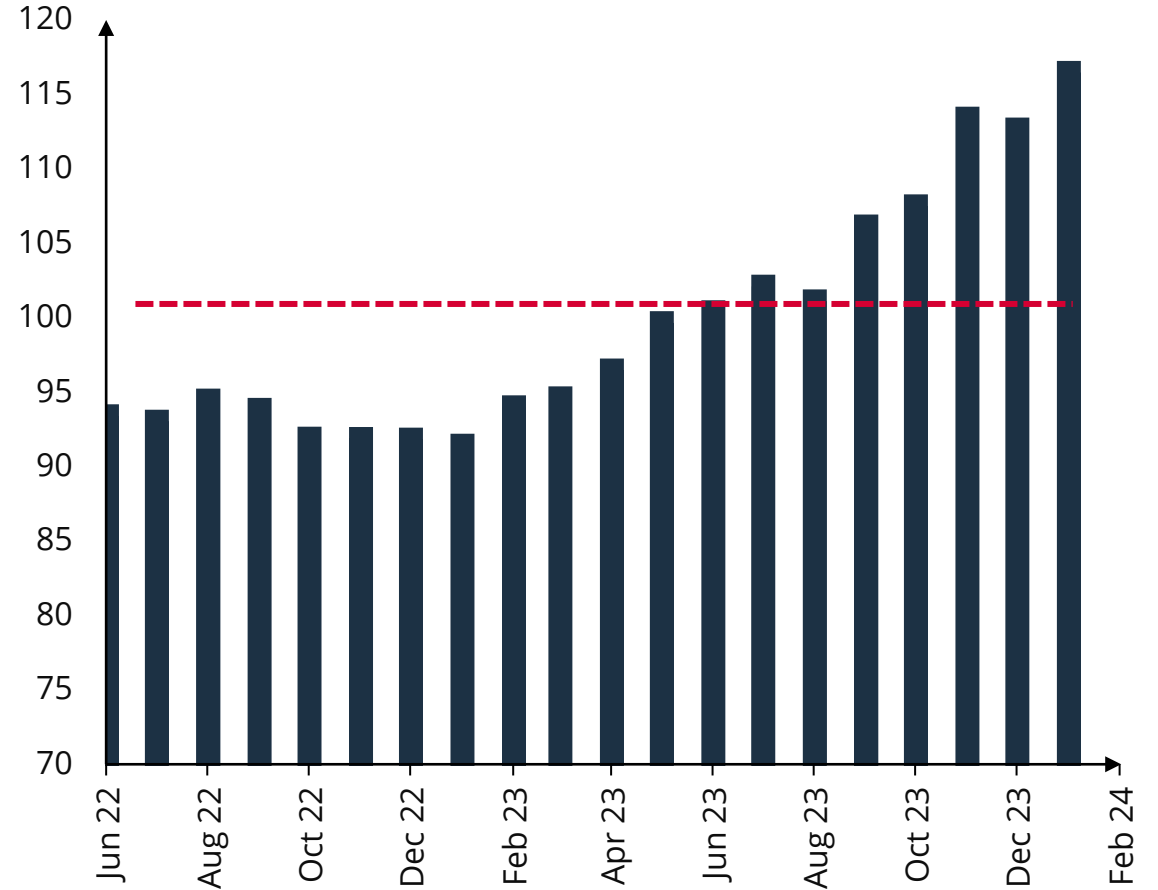


# Country risk premia are down and external debt rollovers are up.

5-Year CDS Premiums (bps)

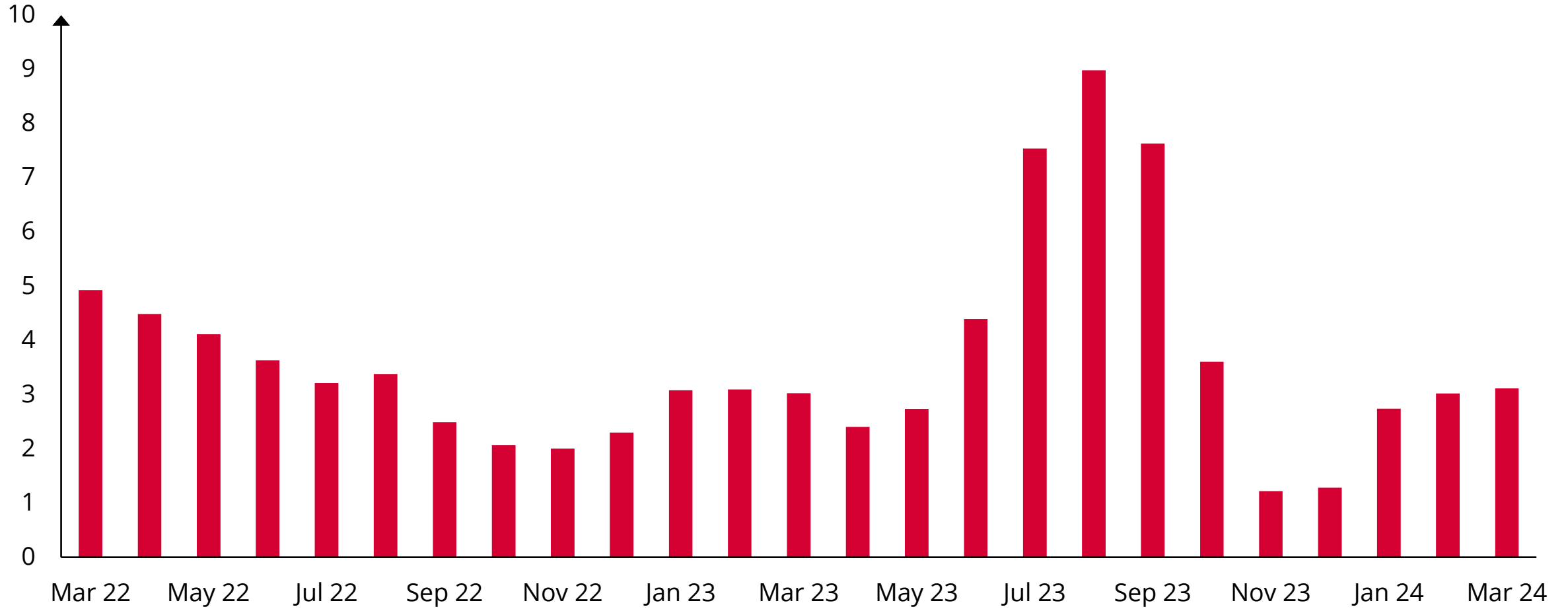


Bank External Debt Rollover Ratios (6-month MA, %)



# Inflation in durable goods has declined.

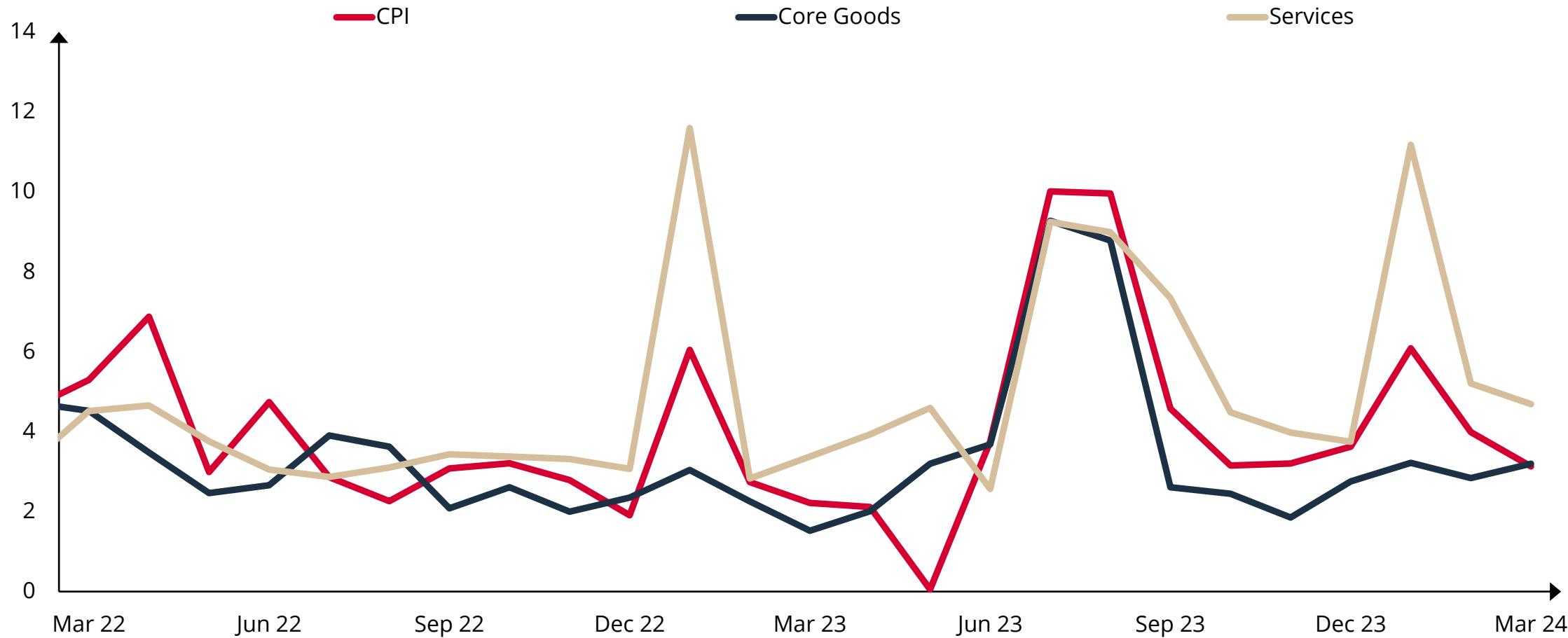
**Prices of Durable Goods** (3 Months Average % Change, Exc. Gold) \*





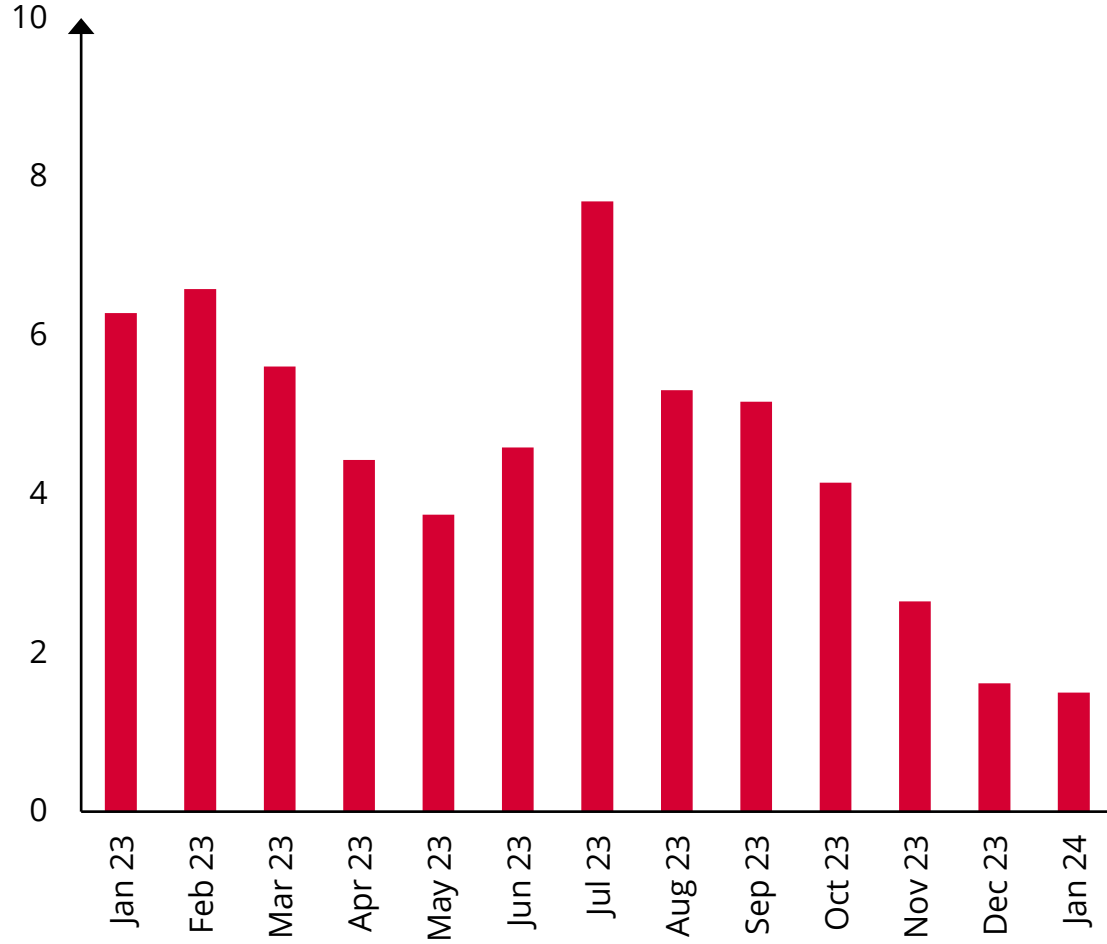
# Services inflation has been a challenge.

Price Index (Seasonally Adjusted, Monthly % Change)

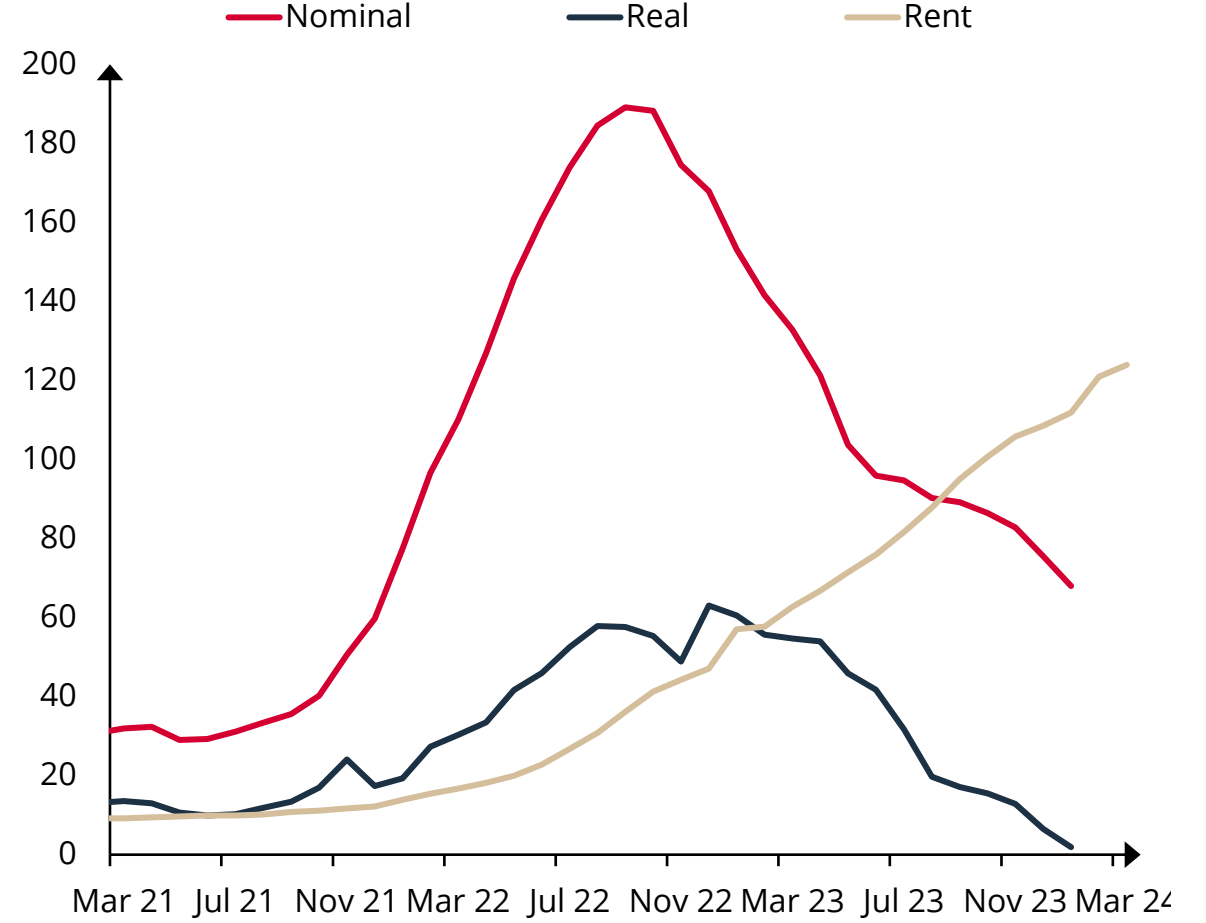


# Residential inflation is declining.

Monthly Residential Prices (SA, Monthly % Change)



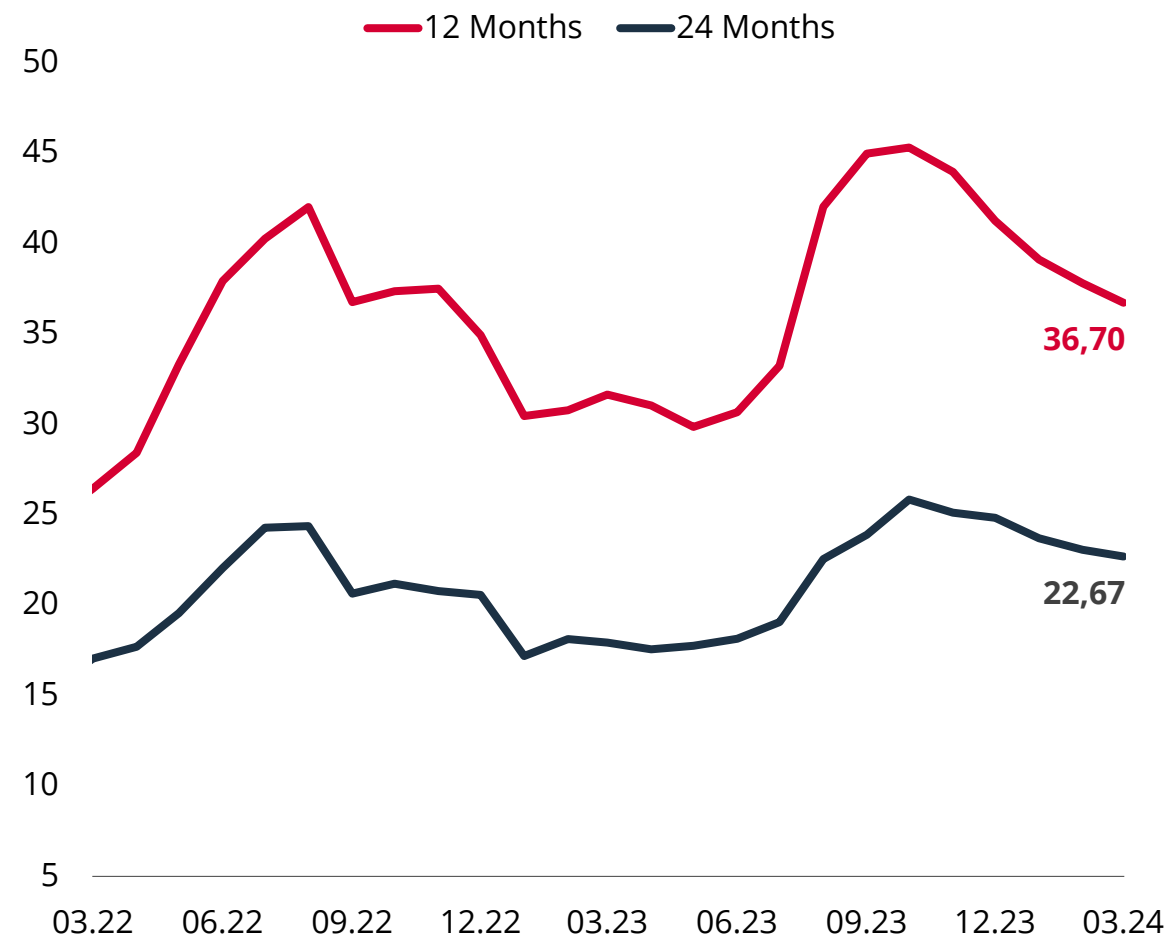
Annual Residential Prices and Rents (Annual % Change)\*



# There is a growing consensus that inflation will fall in the second half of the year.

## Inflation Expectations

(Survey of Market Participants, Trimmed Mean, %)

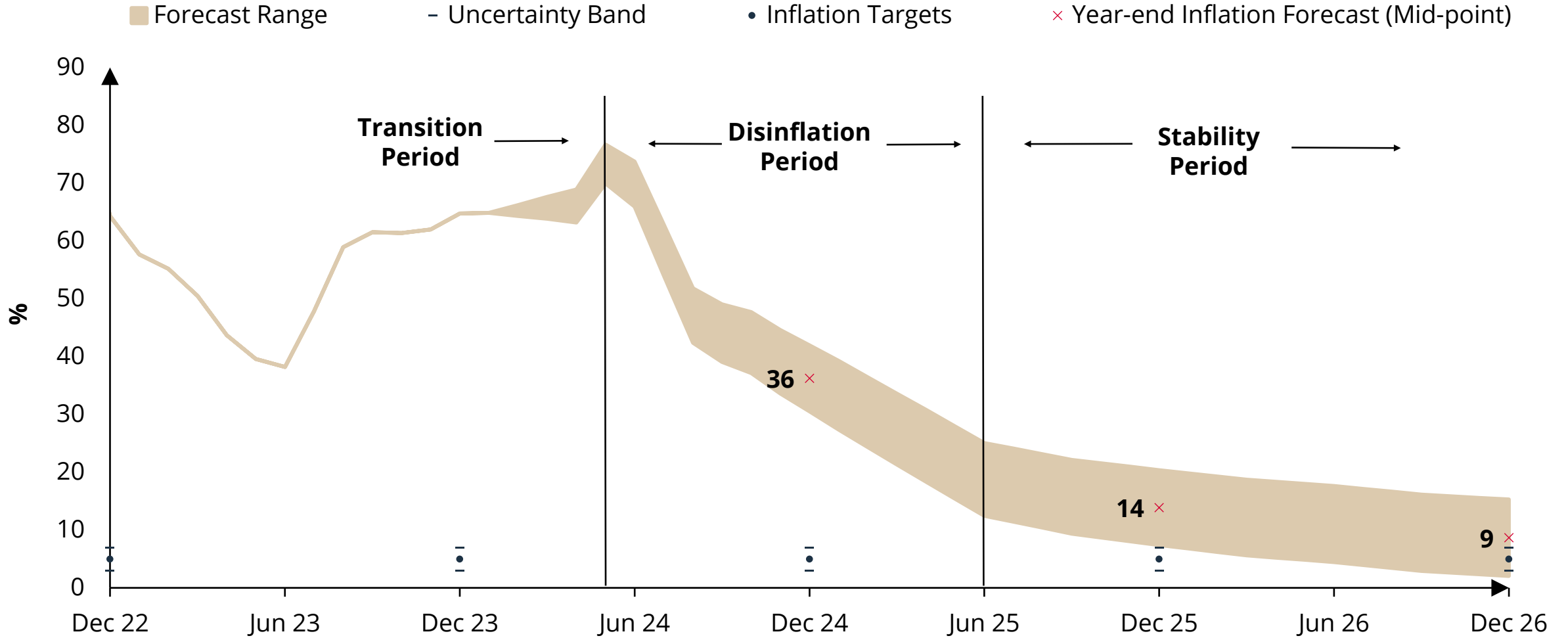


## Inflation Expectations

(Survey of Market Participants)

	Mar.24	2024 IR-I	Expectation -IR Forecast Difference
2024 Year End	44.2	36	8.2
12-Month Ahead	36.7	27.5	9.2
24-Month Ahead	22.7	12.2	10.5
2025 Year End	26.3	14	12.3
5-Year Ahead	12.84		-

# Headline inflation will decline beginning in 2024H2.





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