

# Turkey-MPC Meeting

17.06.2021  
3:40 PM

## June 2021 - Policy rate kept at 19.00% in line with the consensus

**The CBRT has kept the 1-week repo (policy) interest rate on hold at 19.00%, in line with the consensus. The next MPC meeting will be held on July 14th.**

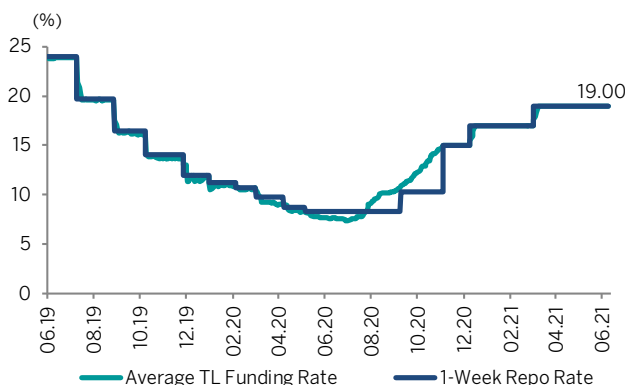
In the meeting minutes,

- **Statements regarding the current stance have been strengthened.** "Taking into account the high levels of inflation and inflation expectations, the current tight monetary policy stance will be maintained decisively until the significant fall in the April Inflation Report's forecast path is achieved." Compared to the previous note, the CBRT has added "tight" and "decisively" wording to the text.
- **No change regarding the policy stance going forward.** "The policy rate will continue to be determined at a level above inflation to maintain a strong disinflationary effect until strong indicators point to a permanent fall in inflation and the medium-term 5 percent target is reached."
- **Inflationary effects on a global basis were detailed. Import-related cost factors in Turkey were stated as risk factors for inflation.** "In addition to the recent import-price-based cost factors, demand conditions, supply constraints in some sectors, and high levels of inflation expectations continue to pose risks to the pricing behavior and inflation outlook."
- **The positive effects of the acceleration in vaccination on activity and the current account deficit were added.** "The acceleration of domestic vaccination rollout facilitates the recovery in services and tourism sectors, which have been adversely affected by the pandemic, and leads to a more balanced composition in economic activity." "Despite the rise in commodity prices, the strong upward trend in exports, the slowdown in credit growth, the significant fall in gold imports and the strong progress in the vaccination program stimulating tourism activities are expected to accelerate the ongoing improvement in the current account balance."

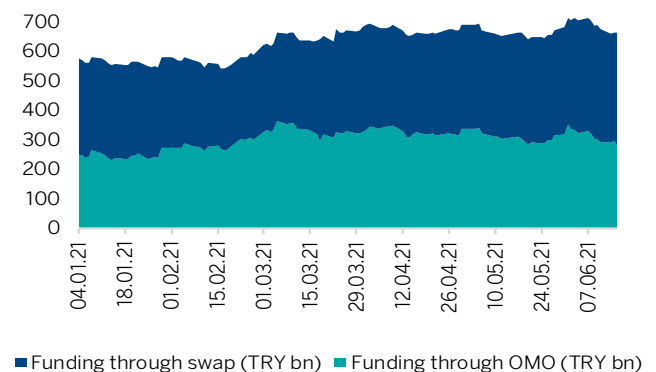
We expect CPI yoy inflation to fall to 15% by the end of 2021, after hovering at around 16-18% until the last months of the year. Commodity and food prices, the course of the TRY and domestic demand will be key factors in the inflation path over the coming months. According to the CBRT's latest survey, the market's year-end inflation forecast of 14.5% is significantly above the CBRT's forecast of 12.2%. Based on our inflation forecast path, we predict that the CBRT could begin gradual interest rate cuts in September. Our 2021 year-end policy rate forecast is 16.0%.

Looking at the funding composition of the CBRT, swap funding has increased by USD1.9bn mom to USD44.5bn, on a 10-day average basis. The share of swap funding in total funding has increased from 52% to 55%.

CBRT Interest Rates



CBRT Funding Sources (bn TRY)



Source: CBRT, Garanti BBVA Securities

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