

# 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 19 percent.

The global economy, having contracted sharply in 2020 due to the pandemic, continues to recover on the back of accommodative policies and positive developments in the vaccination process. This improvement process is determined especially by the acceleration in manufacturing industry activity and global trade. While the upward trend in commodity prices has decelerated, the effects of the rising global inflation expectations on international financial markets remain significant.

Despite the constraining effect of the pandemic, domestic economic activity is strong, led by domestic and external demand. Manufacturing industry activity exhibits a strong momentum, whereas the weak course continues in the services sector, which has been adversely affected by the pandemic restrictions. Nevertheless, risks for economic activity exist in either direction depending on the progress of the pandemic and the vaccination process. Notwithstanding the rise in exports and the fall in gold imports, strong domestic demand and commodity prices continue to adversely affect the current account balance. While commercial loans exhibit a moderate course, an upward trend is observed in consumer loan growth despite tightening financial conditions.

Demand and cost factors, supply constraints in some sectors, and high levels of inflation expectations continue to pose risks to the pricing behavior and inflation outlook. The decelerating impact of the current monetary stance on credit and domestic demand is envisaged to become more significant in the upcoming period. Accordingly, the MPC has decided to maintain the tight monetary policy stance by keeping the policy rate unchanged.

The CBRT will continue to use decisively all available instruments in pursuit of the primary objective of price stability. 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.

The stability in the general price level will foster macroeconomic stability and financial stability positively through the fall in country risk premium, reversal in currency substitution, accumulation of foreign exchange reserves and perpetual 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.