

**Turkish Macro: CBRT decision: Emphasis on risks on global growth and inflation continued**

Risks on global growth and already high global inflation continue amidst the escalating geopolitical risks. The divergence of monetary policy steps and communications of developed countries' central banks are increasing due to their diverse economic outlook.

Having held the policy rate constant at 14%, the CBRT, in its MPC disclosure, emphasized the accelerating geopolitical risks, which caused a weakening in the global economic activity and an increase in the likelihood of a recession. Moreover the CBRT highlighted the increases in consumer and producer prices on a global scale. In that respect, increasing uncertainties in global food security due to trade restrictions, high commodity prices along with the persistence of supply chain constraints in some sectors, particularly in food, have led producer and consumer price increases on a global scale. Major central banks in advanced economies emphasize that the rise in inflation may last longer than previous expectations due to higher energy prices and as well as demand and supply imbalances.

As a difference relative to the June statement, the sentence "Compared to peer economies, job creation has been stronger." is included in the July statement. The divergence in monetary policy steps and communications of central banks in advanced economies continued and that central banks have increased their efforts to develop new supportive measures and tools to cope with financial uncertainties.

The CBRT has kept its view on domestic economic outlook as stated in June FOMC meeting: Robust growth in the first quarter of 2022 continues in the second quarter with the boost of external demand. CBRT emphasizes the importance of sustainable current account balance (CAB) and price stability. Despite tourism related improvements, risks on CAB continue due to high energy prices. In addition, the likelihood of a recession in Turkey's main trade partners keep the risks on CAB alive.

The CBRT is closely monitoring credit growth, which lost some steam, and allocation of funds for real economic activity purposes. In accordance with the statement, the Bank may take additional measures if needed in its strengthened macroprudential policy set.

The CBRT states that increases in energy costs, pricing behaviors far from economic fundamentals and strong negative supply shocks caused by rising commodity prices continue to drive up the domestic inflation.

The CBRT anticipates that disinflationary process to start with the help of decisively implemented measures to strengthen sustainable financial and price stability along with the decline in inflation as a result of the base effect and the resolution of the ongoing regional conflict. Within this structure, the CBRT has kept the policy rate constant.

The CBRT states that in order to create an institutional basis for sustainable price stability the comprehensive review of the policy framework continues. With the finalization of the review process, the CBRT will continue to implement the collateral and liquidity policy actions in order to strengthen the effectiveness of the monetary policy transmission mechanism.

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