Searching for the credibility of monetary policy in Turkey: Evidence from structural VAR analysis

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Abstract

A relationship between the macro shocks and the long-term inflation expectations leads to questioning the credibility of a central bank. This paper investigates the credibility of the Central Bank of Turkey by analyzing the anchoring effect of the long-term inflation expectations by using the uncertainty indicator. We conduct the analysis with the structural VAR method using survey-based inflation expectations data as well as economic uncertainty index data developed for the Turkish economy. Our results provided evidence in favor of the existing de-anchoring process and imply that the monetary policy is not fully credible in Turkey during the period under investigation.

**Keywords**:Inflation expectations, Structural VAR, Credibility, Anchoring, The Turkish economy, Uncertainty

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