TÜRKİYE CUMHURİYET MERKEZ BANKASI

MONETARY POLICY IN A FRAGMENTED WORLD

Fatih Karahan

Governor

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BASEL

Why Communication Matters More in a Fragmented World

Fragmented World → Noisier Inflation Signals → Attention Becomes More Valuable → Expectations Matter More → Communication Strengthens Transmission

Effective communication is not only about transparency—it is about attracting attention to the policy signal.

Expectations are part of monetary transmission.

- Expectations influence firms’ pricing, financing and investment decisions

  Akarsu, Aktuğ and Torun; 2025

- Communication shapes expectations—and the medium matters.

  Akarsu, Aktuğ, Karahan, Torun; 2026

- Direct engagement strengthens expectation management.

  Seven and Yassa; 2026

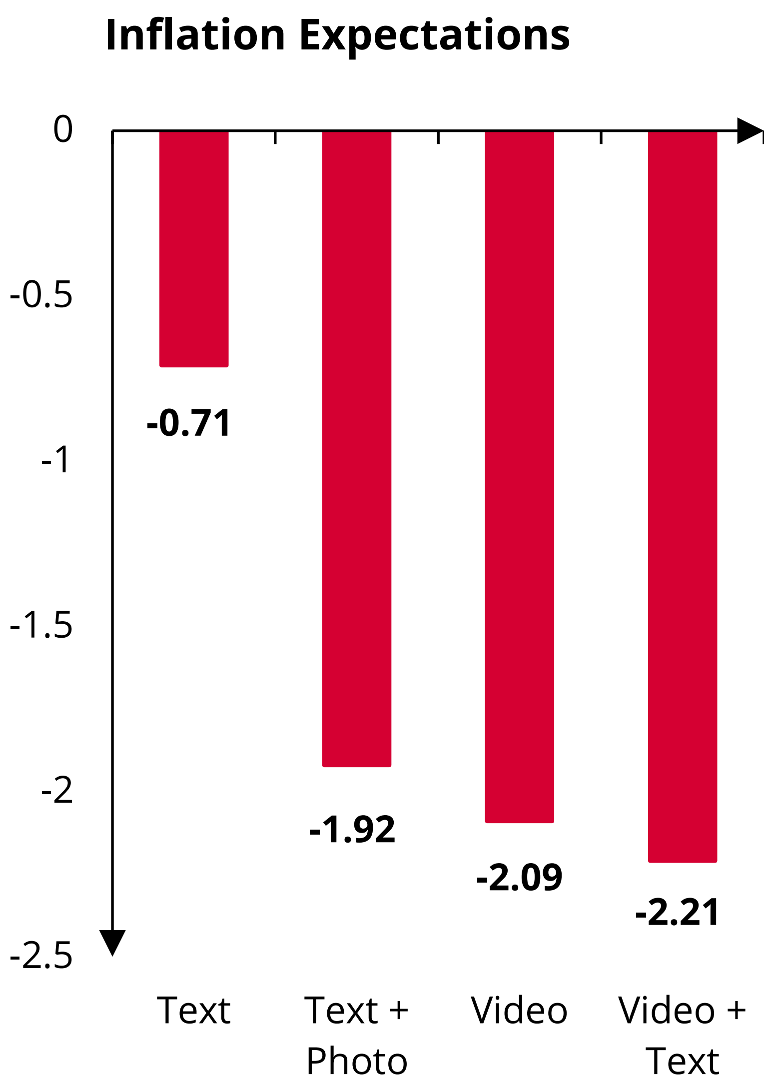
Testing the Effect of Communication Format

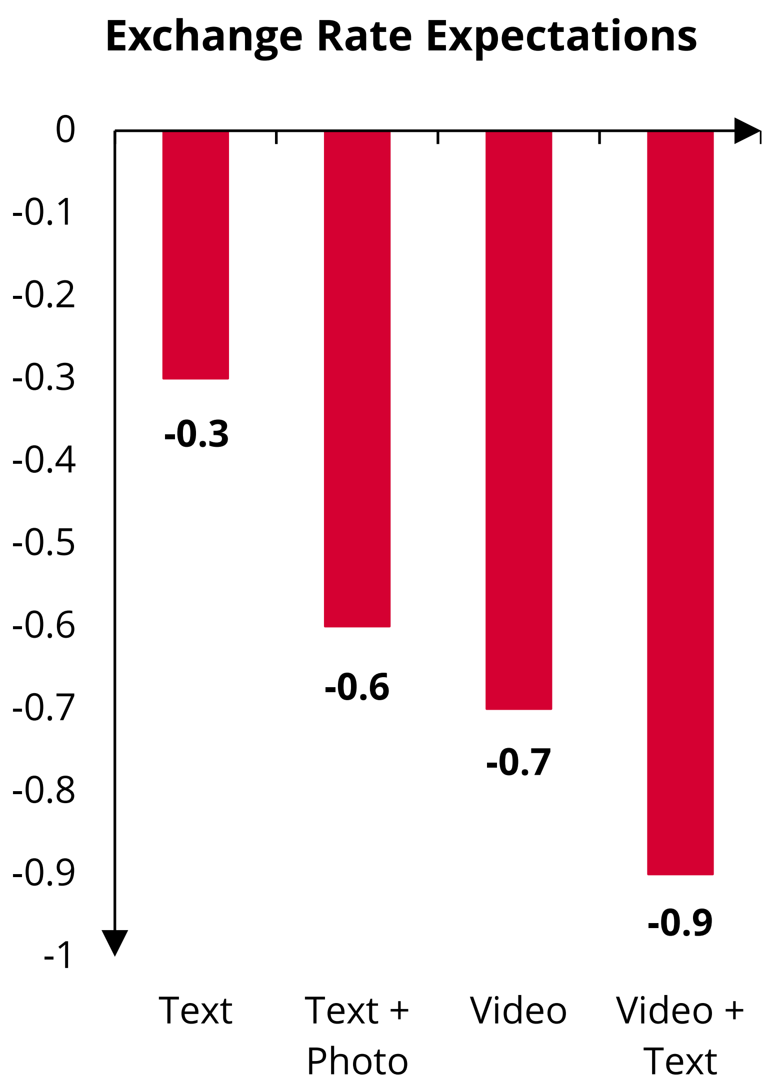
We randomly assigned firms to receive the same policy message in different formats.

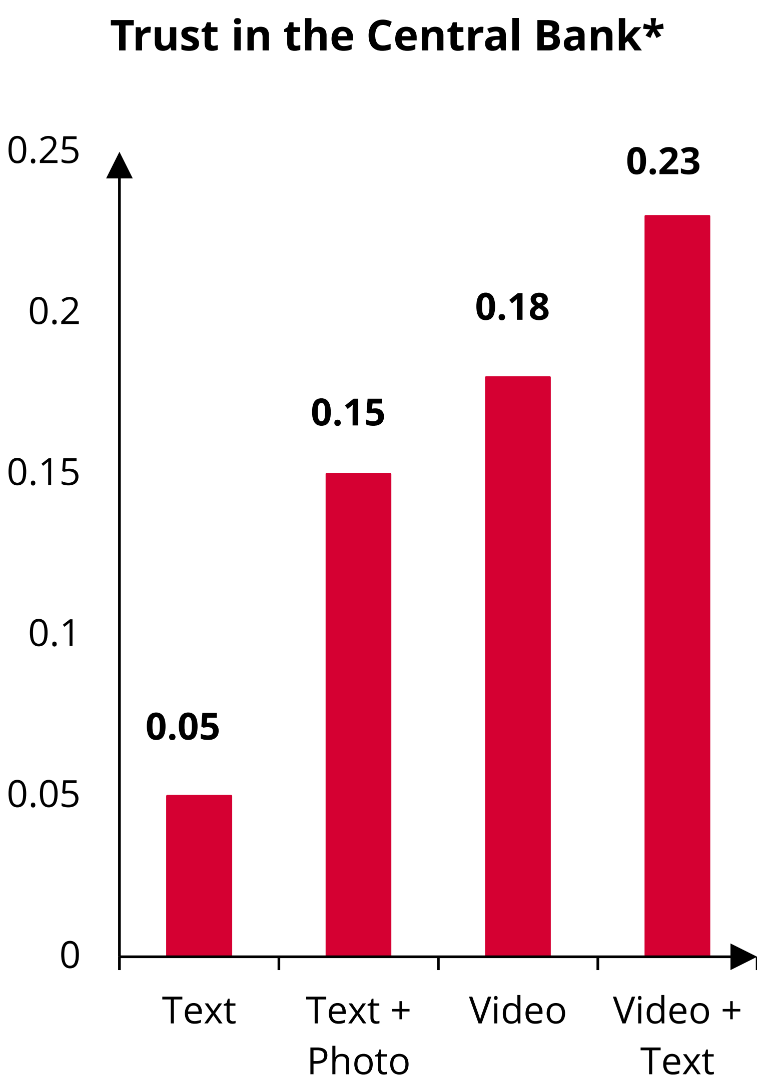
> ***"Our forecasts for end-2026 indicate that inflation will decline to the 13 to 19 percent range."***

- **Control**
- **Text**
- **Text + Photo**
- **Video**
- **Video + Text**

Video-based communication produces the largest improvement in expectations.







*The dependent variable is the firm level of confidence that the Central Bank of the Republic of Türkiye can bring inflation under control, measured on a 1–5 scale (1 = no confidence at all, 2 = low confidence, 3 = undecided, 4 = confident, 5 = full confidence).

Does face-to-face communication matter?

Province-level Meetings

7 Provinces visited

In 2025, CBRT held province-level meetings across Türkiye.

Interactive format

Firms ask questions and discuss sector-specific concerns. Direct, personalized.

What the meetings involved

Governor & senior officials visited provincial chambers of commerce and industry

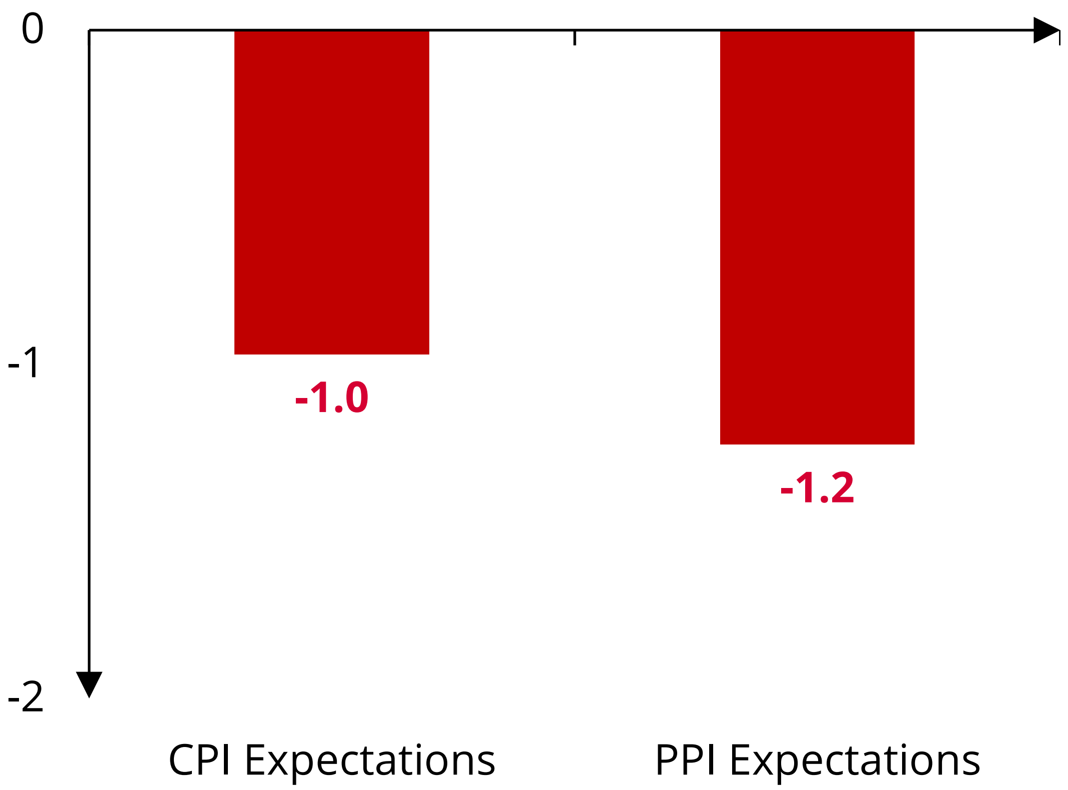
Topics

Inflation dynamics, financing conditions, producer costs, etc.

Face-to-face engagement produces meaningful decline in inflation expectations.

Main Themes of the Outreach Presentation

The Effect of Outreach on Firms' Inflation Expectations (% points)



Source: CBRT staff estimates.

What have we learned?

1. Fragmentation makes inflation signals noisier.
2. Expectations become more important for monetary transmission.
3. Communication affects expectations—and economic behavior.
4. Effective communication must be credible, salient and accessible.