

MNI CBRT Review: April 2025

Executive Summary:

- CBRT partially reverse YTD easing with a 350bps rate rise to the benchmark one-week repo rate
- In tandem, the bank raised their overnight borrowing and lending rates to retain the corridor
- By tightening policy, the bank made clear that financial and market stability are a policy priority for the central bank, who acknowledged softening inflationary pressure, but saw further uncertainty ahead
- Full policy statement here: <https://www.tcmb.gov.tr/wps/wcm/connect/c9e035ae-e1e4-47a4-8615-a8894197c77c/ANO2025-24.pdf>

Key Takeaways:

The CBRT unexpectedly raised the one-week repo auction rate from 42.5% to 46.0%, and lifted the overnight lending rate from 46% to 49% as well as the overnight borrowing rate from 41% to 44.5%. The statement acknowledges the decline in trend inflation across March - however they do note that core goods inflation is expected to rise in April due to "recent developments in financial markets" and state they're monitoring the effects of rising protectionism.

In reference to their unscheduled policy decision after March's market volatility, they defended their actions as follows "In response to the recent developments in financial markets, additional measures to support the monetary transmission mechanism were swiftly put in place. Liquidity conditions will continue to be closely monitored and liquidity management tools will continue to be used effectively."

In raising policy rates and making reference to recent market volatility, the bank are making clear their preference for financial and market stability over and above the decline in inflationary pressures – which they see as potentially stalling due to sticky core goods prices across April.

For policy ahead, volatility and the TRY trajectory remains key. We flag renewed inflationary risks in the recent cold snap across critical Turkish food-producing regions within the past two weeks. The weather impacts are seen impacting as many 65 separate Turkish provinces and was among the coldest temperatures seen at this time of year for decades. This is expected to not only have significant impacts on food production for April – raising the risk of a near-term crunch in staples prices, a higher dependency on foreign imports and a worsening trade deficit – but also a fiscal impact. The Agricultural Ministry remains in the process of gathering damage estimates from producers, and while the government have pledged significant support for those effected, calls are growing for a new fund that would cover the totality of the financial impact.

These factors further call for policy tightening ahead, or at the very least, not a return to the easing cycle in the medium-term. USD/TRY corrected lower, putting USD/TRY down to 38.10 for a 0.1% loss on the day. Meanwhile, the BIST-100 edged lower in a move led by banking shares, however the losses were generally contained.

Key Upcoming Dates:

- **April MPC meeting summary:** "Within five working days"
- **March inflation data:** May 05
- **Next MPC rate decision:** Jun 19