MNI MARKET ANALYSIS

All Signal, No Noise

MNI CBRT Preview: December 2025

Details:

Monetary policy decision: 1100GMT/1200CET/ 0600ET, Thursday 11th December 2025

MNI Point of View:

Analysts are split on whether the CBRT will cut the one-week repo rate by another 100bps at its final meeting of the year or accelerate the easing pace to 150bps. Despite a significant downside surprise to headline CPI in November, underlying indicators and consumer inflation expectations remain at uncomfortable levels overall. This may justify keeping the rate cut pace unchanged at 100bp/meeting, particularly as repricing effects and minimum wage negotiations add uncertainty to the outlook for inflation for 2026. Of the sell-side notes we have seen, expectations are slightly skewed towards a 100bp cut, but a 150bp move is by no means ruled out.

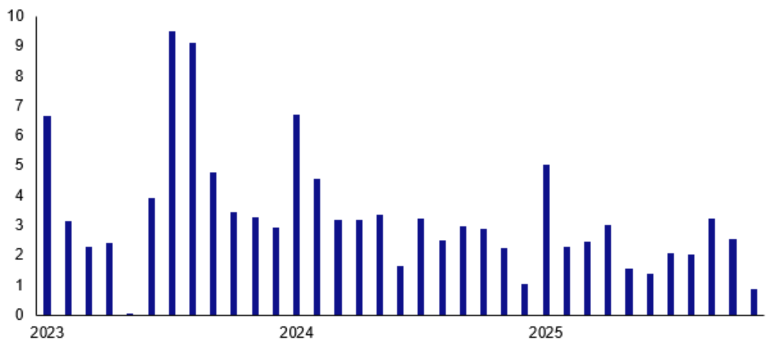
In October, the CBRT slowed the pace of monetary easing from 250bps to 100bps, with the cut leaving the policy rate at 39.50%. An increase in the underlying trend of inflation in September justified the slowdown, with the Bank noting that the risks posed by price developments to the disinflation process through the inflation expectations and pricing behaviour channels had become more pronounced.

The MPC removed September's references to higher-than-expected Q2 GDP growth and weak final domestic demand but retained an affirmation of the CBRT's commitment to determining the correct policy rate in line with interim targets. Otherwise, the statement was largely unchanged from the previous month, with the step size of future moves to be reviewed "prudently on a meeting-by-meeting basis with a focus on the inflation outlook," and the monetary policy stance to be tightened "in case of a significant deviation in inflation outlook from the interim targets."

First Sub-1% Month-on-Month CPI Reading Since May 2023

Since then, CPI inflation data for November came in well below expectations. M/M CPI moderated to +0.87% from +2.55% in October – below the +1.35% expected and the first sub-1% reading since May 2023. The annual figure came in at +31.07% Y/Y (Est: +31.60%; Prior: +32.87%) while core softened to +31.65% Y/Y from +32.05%.

Figure 1: Turkey CPI (M/M, %)



Source: MNI, Turkstat

As expected, softer fruit and vegetable prices drove much of the decline in inflation, with food and non-alcoholic beverages prices down 0.69% compared to October, contributing -0.17ppts to the total M/M figure. The lower course for food prices follows strong monthly readings in the summer months which was in part due to the drought. Given that the soft print is almost exclusively explained by the correction lower for food prices, the CBRT may look through this print and instead focus on the underlying metrics.

On this front, the CBRT noted in its latest assessment of monthly price developments that "underlying monthly inflation has declined to May level in November after the increase in September." At the same time, inflation expectations have improved but are still elevated. Prior to this, the central bank stated in its Inflation Report that the underlying trend of disinflation had slowed but is not consistent with its inflation target of 16% for 2026, which would therefore require it to keep policy tighter than previously planned.

GDP data points to strong quarterly momentum

The Turkish economy expanded 3.7% Y/Y in Q3, down from Q2's upwardly revised 4.9% (Est: +4.2%). However, there was persistently strong momentum on a quarterly basis – GDP rose 1.1% Q/Q in Q3, above expectations of just +0.5% – with performance generally strong across all sectors. While the CBRT may look into the annual slowdown in activity as support for a potentially faster easing pace, strength over the quarter will provide another cause for concern amid still-elevated inflation – even as annual price growth slows. At the same time, expectations of further lira weakness could lead consumers to increase purchases of big-ticket goods.

Finally, the inflation outlook into January is clouded by significant uncertainty given that there is no confirmation yet of the size of increases to administratively set prices and the minimum wage. There is some risk of the disinflation process slowing even more in Q1 due to these price adjustments, particularly through the inflation expectations channel.

CBRT Data Watch:

mni Central Bank Watch - CBRT

December 09, 2025

MNI CBRT Data Watch List

Inflation		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
CPI YoY	% y/y	31.07	32.95	↓	35.41	↓					-1.20
Core CPI YoY	% y/y	31.65	33.00	↓	35.37	↓					-1.20
PPI YoY	% y/y	27.2	25.2	↑	23.1	↑					1.23
Expected CPI	%	23.49	22.84	↑	25.06	↓					-0.27
Economic Activity		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Industrial Production YoY	% y/y	2.9	8.5	↓	2.5	↑					0.22
Trade Balance	$bn	-7.58	-6.47	↓	-12.11	↑					-0.07
Markit PMI Mfg	Index	48.0	47.3	↑	47.2	↑					1.65
Capacity Utilization	%	74.4	73.5	↑	75.0	↓					0.29
Monetary Analysis		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
M3 Money Supply	TRYbn	26053.5		↑	22651.4	↑					1.64
Foreign Transactions of Equities	%	-9.2		↓	93.2	↓					-0.90
Foreign Transactions of Govt bond	$m	114.0	69.00	↑	83.0	↑					0.22
Home Sales YoY	% y/y	-0.5	12.40	↓	56.6	↓					-0.94
Consumer / Labour Market		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Retail Sales YoY	% y/y	14.32	15.08	↓	9.66	↑					0.08
Consumer Confidence	Index	61.8	62.60	↓	58.2	↑					0.97
Unemployment rate	%	8.20	8.30	↓	8.50	↓					-0.22
Foreign Tourist Arrivals	% y/y	4.3	-3.00	↑	8.0	↓					0.78
Markets		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Equity Market (BIST 100)	Index	10899	11288	↓	9020	↑					1.16
TR 10-Year Yield	%	6.53	6.92	↓	7.77	↓					-1.23
TR Yield Curve (2s-10s)	bps	450	525	↓	605	↓					1.55
Effective Exchange Rate	Index	71.79	69.84	↑	71.22	↑					0.85

Note: For quarterly data the 3m ago column will display the previous data point and the 6m ago column will display the data point prior to that.
Source: MNI, Bloomberg

Analyst Views (Alphabetic Order):

While the CBRT is unanimously expected to continue cutting its key rate, the size of the move remains highly uncertain. 12 of the 21 analysts surveyed by Bloomberg expect a 100bp cut, with the remaining 9 expecting a slightly larger 150bp step.

BNY: Cautious Easing to Remain the Norm for the CBRT

- BNY note that cautious easing will remain the norm for the CBRT, and as inflation approaches 30% Y/Y, they say the real rate buffer should be sufficiently strong to limit outflows. BNY's data point to some improvement in TRY flow performance, though some gains may reflect hedge unwinding, as underlying asset flows remain challenged.
- They also note that carry trades have struggled throughout the past few months. BNY doubt there will be strong appetite for renewed exposure toward year end, though the Fed decision may influence the general performance of carry currencies and affect the scale of the CBRT's move.

Goldman Sachs: Expect 100bp Cut Compared to Previous Call for 150bps

- Goldman Sachs expect the CBRT cut the repo rate by 100bp. This is a change from their previous forecast of a 150bp cut. Though headline inflation fell to 0.9%mom in November, Goldman note that this was largely due to food prices – a segment where inflation had risen sharply in previous months.
- By contrast, sequential seasonally adjusted core inflation indicators remained largely stable. Similarly, Goldman note that their proprietary indicators of underlying inflation remained almost unchanged compared with the previous three months.

ING: Expect 100bp Cut But Do Not Rule Out Larger Move

- ING notes that while the November inflation data should encourage the central bank to remain on its easing path, the latest 3Q GDP data and early indicators for the last quarter imply less supportive demand conditions for the disinflation process, increasing upside risks to the inflation outlook with the ongoing rate cut cycle and easing financial conditions.
- Accordingly, they say the central bank will likely remain cautious with a measured 100bp cut in the December MPC, though ING do not rule out the possibility of a larger hike.

JP Morgan: Expect 100bp Cut, But Close Call Between 100 and 150bps

- JP Morgan expect a 100bp rate cut to 38.5% but note that it is a close call between a 100bp and a 150bp cut. They say November headline CPI surprised to the downside on the back of a sharp correction in food prices. In their view, the absence of a slowing in underlying inflation momentum requires the continuation of cautious 100bp cuts in forthcoming MPC meetings.

Scotiabank: Sticky Inflation Expectations, Weak TRY Should Keep Cut Size Modest

- Scotiabank note that the CBRT is expected to cut its benchmark repo rate by 75-150bps on Thursday, following a further easing of inflation readings since its last meeting in October. However, they add that sticky inflation expectations and a weak currency could limit the size of the cut, keeping the adjustment relatively modest.

MNI Policy Team Insights

MNI INTERVIEW: CBRT to Focus on Real Rate Stability – Demiralp

By Luke Heighton
Dec 4, 2025

MNI (London) The Central Bank of Turkey will look to bring real interest rates closer to 5% in 2026, but will lower policy rate by less than the 300 basis points needed to do so next week, despite November's much lower than expected monthly inflation number, leading Turkish economist Selva Demiralp told MNI in an interview.

The CBRT cut its policy rate by 100bps to 39.5% in October with headline inflation at 32.9%, leaving real rates close to 6.5%. But annual CPI inflation of 31.07% and 0.87% m/m, a significant downside surprise on market predictions, led investors to increase cut expectations to 200bps on Wednesday. The Monetary Policy Committee is set to meet next week.

Demiralp, Professor of Economics and Director of the Koc University-TUSIAD Economic Research Forum, sees the spread between interest rates and inflation broadly maintained in December, but believes it will narrow next year.

"In Governor Karahan's most recent interview, he emphasized that the policy rate will follow the direction and pace of inflation. My interpretation is that the CBRT intends to maintain a broadly stable real interest rate -- likely around 5% -- for at least the first half of the year."

Having fallen by around 12% in 2025, next year's decline in inflation will be closer to 6 percentage points, said Demiralp. The CBRT can also be expected to pause the easing cycle or slow the pace of cuts in order to maintain a higher real interest rate should political tensions escalate rapidly.

"I do not expect the CBRT to assume that political tensions will ease in 2026; therefore, they will likely avoid reducing the real rate much below 5 percent," she said.

TARGET MISS

November's announcement that the central bank will miss this year's 24% inflation target, with inflation instead forecast to end the year at 31-33%, will not meaningfully impact households' own assessments of price pressure, Demiralp said.

And while the decision to stick to a 16% target in 2026 is unlikely to anchor household inflation expectations, exceeding it is unlikely to push them up by much, she said, citing Koc University Survey of Household Inflation Expectations data that indicates sentiments are highly correlated with headline measures.

"As the disinflation process has slowed, household expectations have also lost momentum. After falling sharply from 68 percent to 58 percent between April and September, year-ahead inflation expectations have plateaued at around 53 percent for the past two months," she noted.

Recent expansion in consumer lending underscores the importance of closely monitoring household inflation expectations, said Demiralp, with the current credit boom suggesting both that real ex-ante lending rates remain relatively low, and that prolonged high inflation has boosted households' reliance on consumer loans to maintain their standard of living.

NPL CHALLENGE

The growth of non-performing loans, with delinquency rates rising across all consumer categories, according to Banking Regulation and Supervision Agency (BDDK) figures, is concerning, but may also play an important role in explaining the easing cycle, Demiralp said.

The primary motivation for CBRT easing appears to be financial-stability concerns after more than two years of tight monetary policy "which have pushed NPLs higher and increased the risk of bankruptcies," she added.

But the government's announcement that it will set certain fees and taxes next year below the Revaluation Rate may indicate that authorities are committed to continuing the fight against high inflation, Demiralp said.

"From both a technical perspective and an expectations-management standpoint, raising certain taxes and fees by less than the revaluation rate is a favourable move," she said, noting it would help in the overall battle to get expectations in line.

MNI INTERVIEW: More CBRT Cuts Boost De-Anchoring Risk – Cagnoz

By Luke Heighton
Dec 2, 2025

MNI (London) The Central Bank of Turkey will cut rates by up to 150 basis points next week, but it should be increasingly wary of inflation expectations becoming de-anchored amid rising credit-driven "distress" demand, credibility concerns and lack of fiscal discipline, the director of Ankara's Centre for Studies on Fiscal and Monetary Policy told MNI.

With the one-week repo rate at 39.5%, markets are pricing in 100 to 150bps of easing when the CBRT meets next Thursday, M. Coskun Cangoz said in an interview. This would be consistent with policymakers' emphasis on gradualism and the persistence of credit-driven demand pressures.

However, this year's improvement in household inflation expectations came to a "worrying" halt in November, Cangoz said, a development that may signal fragile anchoring rather than a stable disinflationary path. Indeed, the Monetary Policy Council could soon find themselves at a crossroads, especially if monthly CPI inflation—2.55% in October—fails to improve significantly, he said.

COMMUNICATIONS

Central bank communications continue to highlight the target of 16% inflation by end-2026, with visible policy easing simultaneously aimed at giving the impression that expectations can be lowered, Cangoz said. Yet headline inflation remains elevated, while rapid consumer credit growth weakens the narrative by increasing real exposure to future price rises.

"Households are no longer reacting to the promise of disinflation but are judging solely by the reality of their purchasing power. If monthly CPI remains above 2%, expectations could de-anchor further, shifting from a 'wait-and-see' phase to a more rapid deterioration driven by backward-looking pricing," he said.

"The crossroads is essentially between 'messaging' and 'experience': weaker lived disinflation will degrade credibility even if messaging remains disciplined. If the target becomes visibly unattainable, expectations could move either in discrete jumps or through slow repricing."

Political developments are likely to shape volatility in patches, but the underlying adjustment will be gradual, Cangoz said, noting that households are particularly sensitive to wage-setting, rents, education costs, and government-driven prices such as fuel and utilities.

"If core monthly inflation stabilizes and fiscal-monetary coordination strengthens, expectations could fall below 30%. But a confidence shock, for example, fiscal slippage or heightened political tension, would reinforce stickiness, pushing households toward a 'mark-to-reality' adjustment throughout 2026."

CREDIT CONDITIONS

Consumer credit, especially credit cards and overdrafts, has continued to expand despite high interest rates, driven by households' attempts to bridge the gap between income and inflation via "distress borrowing," rather than as a result of a consumption boom.

Policymakers would therefore be well advised to consider macroprudential measures, including raising risk weights and tightening borrower-level limits, to curb credit-fuelled demand without relying solely on headline rates, he said.

Corporate inflation expectations, while generally faster-evolving, more forward-looking and lower than those of households, are nevertheless also sensitive to policy credibility and demand conditions, Cangoz said.

"Besides, the firms with pricing power have the ability to embed past inflation into contracts, which can slow the pass-through [of monetary policy]."

Alongside further rate cuts next year, the CBRT may consider selectively easing credit conditions for the real economy while trying to avoid signalling a broad monetary loosening, especially as the sector becomes more vocal, Cangoz said.

Meaningful shifts in liquidity tools or reserve requirements that would materially change the stance are less likely. But while the Governor has emphasised there is no exchange rate target, given that FX operations and yield curve management ultimately affect real rates, the CBRT will not allow an additional inflationary impulse through the FX channel, he added.

MNI INTERVIEW: Politics Impair CBRT MonPol Impact – CHP's Ozlale

By Luke Heighton
Nov 10, 2025

MNI (London) The Central Bank of Turkey's October decision to cut rates despite weaker disinflation demonstrates both the limits of its independence and the inability of monetary policy to combat domestic inflation, a leading Turkish economist and former central bank advisor told MNI.

"The link between interest rates and inflation has weakened significantly. The CBRT's latest interest rate decision supports this view," said Umit Ozlale, who has been an MP for the main opposition Republican People's Party (CHP) since 2023, following a career as professor and chair of economics at TOBB University of Economics and Technology and Ozyegin University

The CBRT on Friday announced it expects inflation to end the year between 31% and 33%, having previously seen it between 25% and 29%, but left annual targets for 2026 and 2027 unchanged.

Inflation will be around 31% by the end of 2025 and 24% by the end of 2026, versus that year's target of 16%, with a series of rate cuts from now on and fiscal expansion from the second half of next year worsening long-term inflation expectations, said Ozlale, who has advised both the CBRT and the Turkish ministry of finance.

"Ultimately, price stability cannot be achieved through further monetary tightening; more structural measures are needed."

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Turkey’s current fiscal policy also fails to support central bank efforts to combat inflation, he said, adding that it provides little support either for the green transition, technological and industrial change or even for adequate social protection.

FISCAL POLICY

“Fiscal policy must be strengthened to support the CBRT’s efforts to achieve price stability. While we are currently debating the 2026 budget in parliament, there are no signs of major improvement next year,” he said.

“A low debt ratio is only meaningful if it helps reduce borrowing costs. For example, the most recent 10-year government bond was issued at an interest rate of 40%, while market expectations for inflation by November 2026 are around 24%. Can we really say that a low debt-to-GDP ratio helps to borrow at a lower cost? I don’t think so.”

The CBRT sold record amounts of foreign currency to defend the lira amid market turmoil following the March arrest and jailing of CHP leader Ekrem Imamolgu.

FX reserves have since recovered to USD80.38 billion, with total central bank reserve assets of USD183.6 billion at the end of October, and Ozlale said the CBRT would not hesitate to burn further foreign exchange reserves again if necessary, adding that Imamoglu’s arrest damaged Turkey’s credibility and its attractiveness for foreign investment.

“This excessive reserve policy by the CBRT is very costly, especially given high interest rates. Likewise, the Treasury’s excess TL reserves are also costly. These reserve policies, pursued at the expense of higher borrowing costs, clearly show both the loss to society and the policymakers’ focus on managing market expectations.”

Fatih Karahan is a competent and respectable governor of the CBRT, said Ozlale, but he added his personal qualities “matter only to a limited extent, since the market fully understands that President [Tayyip] Erdoğan will not hesitate to force his resignation if policies contradict his political interests.”