

MNI CBRT Preview: March 2026

Details:

Monetary policy decision: 11:00GMT/12:00CET/ 07:00ET, Thursday 12th March 2026.

MNI Point of View:

The CBRT is widely expected to leave the one-week repo rate unchanged at 37%, reflecting heightened uncertainty stemming from the conflict in the Middle East and Turkey's sensitivity to rising energy prices. The Bank's recent backdoor tightening measures make a formal rate hike improbable as well, with policymakers likely to adopt a cautious tone amid ongoing geopolitical risks. Indeed, almost all analysts surveyed by Bloomberg anticipate no change to the repo rate this month.

At its last rate-setting meeting in January, the CBRT cut the one-week repo rate by 100bps to 37%, a slightly more moderate move compared to the 150bps reduction expected by most analysts. The Bank justified the decision by noting that monthly inflation was likely to increase in January, driven by food prices, while inflation expectations continued to pose a risk to the disinflation process. The guidance paragraph remained unchanged from the previous statement, indicating that the size of future policy moves would be assessed "prudently on a meeting-by-meeting basis with a focus on the inflation outlook," and that the monetary stance could be tightened if the inflation outlook deviates significantly from interim targets.

Pre-emptive steps to Iran war reduce likelihood of rate action

Unsurprisingly, the conflict with Iran is likely to be the central consideration at this month's meeting. Turkey's sensitivity to the war reflects both energy and geopolitical factors: the country relies heavily on imported crude, while its geographic proximity to the escalation has already been evident – NATO has intercepted two Iranian missiles over Turkish airspace.

In response to the strikes, the CBRT suspended one-week repo auctions which normally provide funding at the policy rate of 37% and instead channelling liquidity through the overnight lending facility at 40%, tightening financial conditions by 300bps without a formal rate hike. Meanwhile, Treasury and Finance Minister Mehmet Simsek announced the implementation of a fuel tax mechanism aimed at cushioning consumers from rising oil prices. Under the scheme, if oil prices or the exchange rate increase, the special consumption tax on fuel will be reduced by up to 75% of the rise, meaning only up to 25% of higher refinery exit prices will be passed through to domestic fuel prices.

Given these measures, neither a rate hike nor a rate cut appears warranted at this stage. In terms of communication, policymakers are likely to reiterate their "meeting-by-meeting" approach to policy decisions.

Sequential inflation elevated amid strong food price pressures

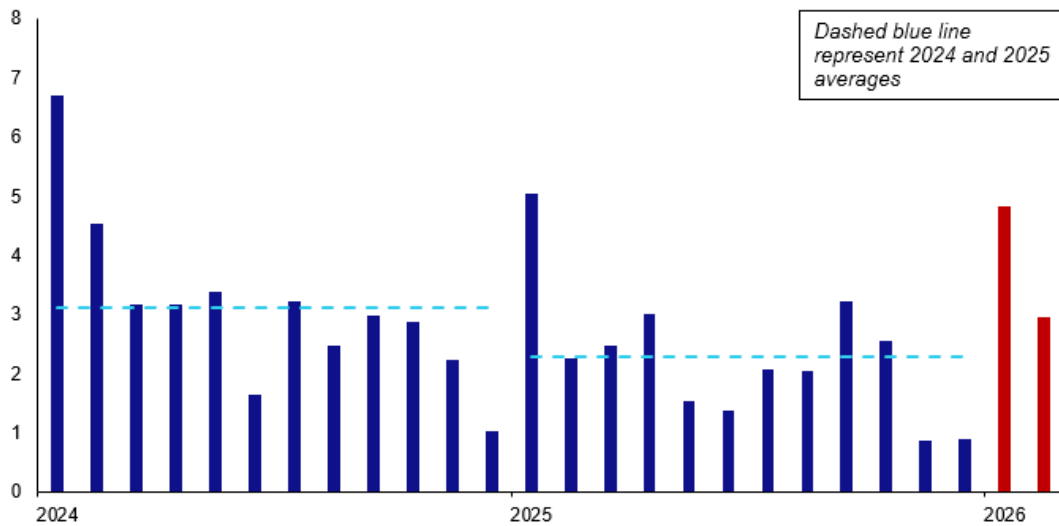
Since the previous meeting, two CPI releases have been published. Sequential inflation rose 4.84% in January and 2.96% in February, both exceeding analysts' expectations. On an annual basis, inflation eased to 30.65% in January before accelerating to 31.53% in February as base effects waned. The main driver of February's monthly headline CPI was food prices, which rose 6.9% M/M, reflecting Ramadan-related demand effects and adverse weather conditions.

Governor Karahan had previously warned that food inflation could contribute to heightened volatility early in the year, though he emphasised that the broader disinflation trend in underlying price pressures remains intact. At the first

Inflation Report presentation of the year, the central bank raised its 2026 average inflation forecast to 15–21%, up from a previous 13–19% range, while maintaining the year-end target at 16%.

When asked whether the central bank might pause the easing cycle at its March meeting, Karahan adopted a measured tone overall but noted the “threshold” to increase the pace of cuts is high. Deputy Governor Cevdet Akcay later reinforced this cautious stance, but also noted “It seems like we’ll have to reduce the cut sizes a little bit.”

Figure 1: Turkey CPI M/M (%)



Source: MNI, Turkish Statistical Institute

CBRT Data Watch:

mni		Central Bank Watch - CBRT									
March 10, 2026											
MNI CBRT Data Watch List											
		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
Inflation											
CPI YoY	% y/y	31.53	31.07	↑	32.95	↓					-0.91
Core CPI YoY	% y/y	29.46	31.65	↓	33.00	↓					-1.36
PPI YoY	% y/y	27.6	27.2	↑	25.2	↑					0.80
Expected CPI	%	22.10	23.49	↓	22.84	↓					-1.28
Economic Activity											
Industrial Production YoY	% y/y	-1.9	2.1	↓	4.9	↓					-0.79
Trade Balance	\$bn	-8.38	-7.56	↓	-6.47	↓					-0.63
Markit PMI Mfg	Index	49.3	48.0	↑	47.3	↑					1.43
Capacity Utilization	%	73.5	74.4	↓	73.5	↑					-1.50
Monetary Analysis											
M3 Money Supply	TRYbn	28584.0		↑	24515.0	↑					1.72
Foreign Transactions of Equities	%	65.3		↑	-139.6	↑					-0.50
Foreign Transactions of Govt bond	\$m	114.0	69.00	↑	83.0	↑					0.22
Home Sales YoY	% y/y	-4.7	-0.50	↓	12.4	↓					-0.93
Consumer / Labour Market											
Retail Sales YoY	% y/y	16.34	15.37	↑	15.64	↑					0.53
Consumer Confidence	Index	61.8	62.60	↓	58.2	↑					0.97
Unemployment rate	%	8.60	8.20	↑	8.30	↑					0.76
Foreign Tourist Arrivals	% y/y	3.5	4.30	↓	-3.0	↑					0.64
Markets											
Equity Market (BIST 100)	Index	13718	10899	↑	11288	↑					2.63
TR 10-Year Yield	%	6.80	6.53	↑	6.92	↓					0.10
TR Yield Curve (2s-10s)	bps	489	450	↑	525	↓					0.10
Effective Exchange Rate	Index	103.17	99.93	↑	97.22	↑					1.57

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):

BNY: CBRT expected to keep rates on hold

- BNY note that the CBRT is expected to keep rates on hold at 37%. Like much of the region, inflation forecasts, assumptions and expectations are likely to change dramatically, and Turkey is particularly exposed on many fronts.
- The government is already discussing the deployment of energy-related measures without fiscal expansion through taxation offsets, but the CBRT will need to adopt a zero-tolerance stance toward managing inflation expectations until clarity over the conflict emerges, they say.

Goldman Sachs: Expect policy rate to remain steady

- In a change of call, Goldman Sachs expect the CBRT to keep its policy rate steady at 37% (previously a 100bp cut). Goldman see no reason for the CBRT to reduce its policy rate while the effective funding rate remains 300bp higher. The Bank is also unlikely to raise its policy rate, as it likely considers the shock from the Iran conflict to be temporary and will prefer to address it using the overnight rate.
- Goldman Sachs note that the initial reaction to the arrest of Istanbul Mayor Ekrem Imamoglu in March last year also involved shifting bank funding from repo to the overnight window, which led to an effective 350bp rate hike. However, the Bank also followed this decision with a 350bp policy rate hike and a resumption of repo auctions. The reasoning was that, although the shock from Imamoglu's arrest was considered temporary, the subsequent depreciation of the TRY had an impact on inflation, warranting a policy rate increase.
- This time, the TRY remained stable due to a much more proactive CBRT stance raising the overnight borrowing rate and introducing domestic NDFs to mitigate pressure on the TRY before markets opened on Monday. Elevated energy prices, resulting from the Iran conflict, could have provided a similar rationale now to follow the ON rate hike with a policy rate increase. But the Finance Ministry introduced a sliding scale mechanism that lowers special consumption taxes on certain fuels by up to 75% of the increase in refinery exit prices from the levels on 2 March, allowing only 25% of the rise to be passed on to domestic fuel prices.

ING: Expect CBRT to be cautious, see no change to policy rate

- ING note that the uncertainty surrounding oil prices increases risks to the inflation outlook despite the recent government decision to absorb some of the oil price shock via adjusting tax on gasoline prices.
- In this environment, to support demand for TRY, the central bank suspended one-week repo auctions and allowed the ON rate to move higher to the upper band of the corridor. Accordingly, ING expect the CBRT to be cautious and not to change the policy rate in the March MPC.

JP Morgan: Expect CBRT to keep repo rate unchanged

- In response to the ongoing war in the Middle East, the CBRT has suspended its one-week repo auctions. Consequently, the CBRT has effectively increased the weighted average cost of funding by 300bps. Given the increased risk premia and higher inflation prospects, JPM expect the CBRT to keep the one-week repo rate at 37% and the overnight lending rate at 40% unchanged.

SocGen: Expect CBRT to resume rate cuts in June

- SocGen note that the current commodity shock is making the CBRT's efforts to achieve disinflation even more difficult, following higher-than-expected CPI figures in January and February. They now estimate that inflation will accelerate to 33% Y/Y in March, slowing to 24.5% Y/Y in December (up from the ~20% seen previously).

- In such an environment, SocGen say the CBRT is highly likely to maintain its current policy stance, with a hawkish bias. They also expect the CBRT to maintain this position at the April meeting. However, if geopolitical tensions ease soon, money market rates may start to normalise then.
- The big question is how the CBRT will react within its new framework of interim targets, given that the current interim target of 16% is still valid for December 2026. SocGen see it likely that the CBRT will invoke the possibility of adjusting this upcoming interim target due to external factors outside the bank's control, moving it to 20–24%.
- SocGen expect the CBRT to resume rate cuts in June, delivering a 150bp reduction at each of the remaining meetings in 2026 and ending the year with a policy rate of 29.5%.