MNI CBRT Preview: October 2025

Details:

Monetary policy decision: 1200BST/1300CET/ 0700ET, Thursday 23rd October 2025

MNI Point of View:

The CBRT is expected to moderate its easing pace from the 250bp reduction delivered last month following the sharp jump in monthly CPI in September. That would be consistent with the Bank's data-dependent forward guidance, while central bank officials have underlined their commitment to ensuring inflation falls in line with the interim targets. Among sell-side, analysts lack clear consensus over the outcome of Thursday's meeting, with estimates ranging from no change to the repo rate to a cut as large as 250bps. Most estimates are skewed towards a 100-150bp move.

Last month's 250bp rate cut came as a slight surprise compared to market expectations of a slightly smaller 200bp move, taking the one-week repo rate to 40.5%. The stronger-than-expected inflation data for August and political developments justified the more cautious approach, and in its policy statement, the CBRT stated that "The step size will be reviewed prudently on a meeting-by-meeting basis with a focus on the inflation outlook."

The most notable tweak to the policy statement came with the omission of any reference to real TRY appreciation when discussing the channels through which tight monetary policy contributes to disinflation. Analysts noted then that this signalled a weakening of the CBRT's implicit target of real currency appreciation and instead marked a prioritisation of its reserves accumulation strategy.

Monthly CPI jumps in September on back-to-school effects

Since the previous meeting, headline CPI inflation accelerated for the first time since May last year, rising from 33.0% Y/Y in August to 33.3% Y/Y in September and exceeding market expectations of a slowdown to 32.5% Y/Y. On a sequential basis, headline inflation accelerated meaningfully, jumping from 2.0% M/M (nsa) to 3.2% M/M. Seasonally adjusted inflation rose 2.7% M/M in September compared to a prior 2.5%.

Among the subcategories, 'Education' prices recorded the highest annual increase, rising 66% y/y, followed by 'Housing' at 51% y/y. 'Food and non-alcoholic beverages' prices rose 36% y/y (contributing 8.6ppts to the total headline figure) while 'Transport' prices rose 25% y/y (with a 4.2ppt contribution to annual inflation). Given the start of the school season in September, strong price increases across both education and transport prices had been anticipated. Meanwhile, adverse weather conditions were expected to keep food prices elevated.

Stronger-than-expected inflation threatens CBRT easing plans

Commenting on the data, CBRT Governor Fatih Karahan stated that underlying trend points to a "slowdown" in the disinflation process and stressed that the central bank will ensure inflation falls in line with interim targets. As per the CBRT's latest Inflation Report, inflation is projected (with 70% certainty) to be between 25-29% at year-end, but the Bank is targeting an interim rate of 24% - a target it its widely expected to miss. Given the repeated data-dependent guidance, a slowdown in the easing pace appears inevitable this month, but questions remain over whether officials will pause the cycle entirely.

Writing for Ekonomi newspaper, columnist Emre Alkin says "more or less everyone" thinks that the central bank will cut the repo rate by 150bps, compared to previous expectations of a 200bp cut. Meanwhile, writing for Oksijen, Haluk

Business Address – MNI Market News, 3rd Floor, 1 Great Tower Street, London, EC3R 5AA

Burumcekci said he predicts that the size of October's rate cut will be significantly smaller than September's and that there is even a possibility of a pause. He points to the MPC's repeated emphasis that the magnitude of policy rate adjustments will be determined based on data and on a meeting-by-meeting basis as justification.

Speaking to MNI, Turkish economist Selva Demiralp said a probable 100bp cut will mean policy remains tight, "however, given the surprise strength in headline inflation in September, following up with a rate cut could send the signal that the easing cycle is on auto pilot." Meanwhile, the director of Ankara's Centre for Studies on Fiscal and Monetary Policy told MNI he expects "a smaller cut (100 bps), with an emphasis on anchoring medium-term inflation expectations," noting that such a move support the CBRT's "meeting-by-meeting" communication framework. Both interviews can be found further in this document.

CBRT Data Watch:

mni **Central Bank Watch - CBRT**

October 20, 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	32.95	35.41	↓	39.05	↓					-1.42
Core CPI YoY	% y/y	33.00	35.37	↓	40.21	↓					-1.29
PPI YoY	% y/y	25.2	23.1	↑	25.2	↓					0.50
Expected CPI	%	22.84	25.06	↓	25.26	↓					-1.77
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	8.3	2.5	↑	7.0	↑					1.48
Trade Balance	$bn	-6.44	-12.11	↑	-7.51	↑					0.91
Markit PMI Mfg	Index	47.3	47.2	↑	48.3	↓					0.07
Capacity Utilization	%	73.5	75.0	↓	74.5	↓					-2.05
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	24586.1		↑	20636.1	↑					1.77
Foreign Transactions of Equities	%	-139.6		↓	-107.7	↓					-0.41
Foreign Transactions of Govt bond:	$m	114.0	69.00	↑	83.0	↑					0.22
Home Sales YoY	% y/y	12.4	56.60	↓	39.7	↓					-0.92
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	14.71	9.66	↑	13.97	↑					-0.06
Consumer Confidence	Index	61.8	62.60	↓	58.2	↑					0.97
Unemployment rate	%	8.30	8.50	↓	9.00	↓					-0.25
Foreign Tourist Arrivals	% y/y	-5.0	8.00	↓	6.1	↓					-0.57
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	11288	9020	↑	9659	↑					1.82
TR 10-Year Yield	%	6.92	7.77	↓	7.27	↓					-1.55
TR Yield Curve (2s-10s)	bps	525	605	↓	578	↓					0.26
Effective Exchange Rate	Index	69.84	71.19	↓	75.08	↓					-0.94

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):

Commerzbank: CBRT Could Slow Easing Place to 100-150bps

- Commerzbank say they have described before that they view the recent rate cuts as politically-motivated, in the sense that the economic policy team probably senses that the conventional policy experiment has now gone on for far too long – that it may be unrealistic to presume "open-ended patience" from the president.
- Hence, Commerzbank do not think that CBRT will stop cutting rates. Perhaps the pace could slow down to 100-150bps from the last 250bp, but it could be difficult to reverse course or try additional things to comprehensively slow the economy down.

- They note that the CBRT could resort to secondary policy tools instead, but argue that this will not work to control inflation. In fact, Commerzbank say that would make things identical to the work of previous MPC's. Commerzbank conclude that the lira could be poised to face increased volatility.

Goldman Sachs (post-Sept CPI view): Expect 200bp Cut in October, 150bp Cut in December

- Goldman Sachs note that, as in the previous month, price dynamics in September seem largely idiosyncratic and one-off. However, underlying inflation remains strong and persistent, indicating that policy may not be tight enough.
- Goldman Sachs believe the CBRT is likely to further slow the pace of its rate cuts as a consequence. They expect the Bank to lower its policy rate by 200bps at the next meeting, followed by an additional 150bp cut at the final meeting in December, bringing the policy rate down to 37% by year-end.

JP Morgan (via Bloomberg): Expect 100bp Cut in October and December

- JP Morgan revised its estimate on the size of rate cuts for the rest of the year and now sees policy rate at 38.5% at the end of the year. Sees 100bp cut at Thursday's meeting, down from a previous estimate of 150bps. Expects another 100bps cut in December.
- Also revises end-2025 inflation est. to 32% from 31.5%. Sees upside risks to inflation and policy rate estimates for 2025 and 2026 due to "domestic political developments."

MNI Policy Team Insights:

MNI INTERVIEW: CBRT to Cut 100bps With Credibility in Focus

By Luke Heighton
Oct 16, 2025

MNI (LONDON) The Central Bank of Turkey's likely decision to cut rates next week despite inflation holding steady at 33% risks damaging the credibility of monetary policy without continued disinflation, leading Turkish economist Selva Demiralp told MNI, adding that further strong price data could force a pause to the easing cycle.

A probable 100-basis-point cut next week will mean policy remains tight, "however, given the surprise strength in headline inflation in September, following up with a rate cut could send the signal that the easing cycle is on auto pilot," Demiralp said.

"I would wait for the next couple of inflation releases to see the trend in inflation. If the trend is indeed positive, then a central bank that continues to cut rates, albeit at slower increments, would lose credibility. If the disinflation process continues however, then I would not worry too much about CBRT's credibility."

The CBRT cut its policy rate, the one-week repo rate, by 250 basis points to 40.5% in September, citing an August slowdown in the underlying trend in inflation. Yet September's annual inflation rate exceeded analysts' expectations at 33.29%, a 3.23% rise in monthly terms.

The CBRT stated in its August Inflation Report that there was a 70% probability inflation would end the year between 25% and 29%. A figure closer to 32% looks more realistic, Demiralp said, with November's Inflation Report likely to see the central bank shift its confidence interval up by 2-3 points.

PRIVATE SECTOR COMPLAINTS

Demiralp, a professor of economics at Koc University, said she understood that the central bank was coming out of a long tightening cycle and faced increasingly vocal complaints from the private sector.

“However, if I were in charge of the decision, I would likely pass this meeting to reinforce the hawkish signals that Governor Karahan gave at the national assembly earlier this month.”

One stronger-than-expected data point will not cause policymakers to reevaluate the direction of monetary policy, but a series of adverse readings could make them think again, Demiralp said.

“If the upwards stance [of inflation] continues, they would need to pause the easing cycle at a very minimum and consider tightening again if necessary. I don’t think it will be easy for them to justify a tightening to the government, but they might pause the easing.”

The effects of tight monetary policy on prices look increasingly embedded among households, Demiralp said.

“Our survey results at Koc University show that household inflation expectations are declining since April. This is a good sign because even though the level is still high, the average household is under the impression that the policies are working.”

MNI INTERVIEW: Flat CPI Puts CBRT Nearer Hike Trigger Point

By Luke Heighton
Oct 17, 2025

MNI (London) Sticky inflation means Turkey's central bank is nearing the "trigger point" when it may have to pause or partially reverse its easing cycle, the director of Ankara’s Centre for Studies on Fiscal and Monetary Policy told MNI, though he added that growth concerns mean it will likely cut by 100 basis points to 39.5% next week.

"We are closer to the tightening trigger than a month ago. Another month of elevated prints would likely force at least a pause, potentially accompanied by macro-prudential measures—depending on the magnitude of the deviation from the interim path," M. Coskun Cangoz said in an interview.

The CBRT said in August that it expects prices to rise by 25-29% this year - an increase on the previous projection of 19% to 29% and implying a mid-point of 27%. But inflation of more than 33% in each of the last two months will have caused policymakers' midpoint for this year to shift up “modestly - by around half a percentage point," Cangoz said.

That would put the mid-point closer to the 28.5% average for 2025 seen in the government's Medium Term Program report published last month, though Cangoz said he did not expect the CBRT to re-centre its band formally.

"My initial year-end inflation forecast was slightly above 30%, and I keep it unchanged. This reflects the recent inflation surprises, last month’s rate cut, and the likelihood of another—albeit smaller—cut this month."

SMALLER STEP

Recent annual and monthly inflation readings point to stickier momentum, which, coupled with the central bank’s own guidance that policy will be tightened if the outlook diverges from interim targets, argues either for pause in easing or “at a minimum” a smaller step with hawkish language, Cangoz said.

“I expect a smaller cut (100 bps), with an emphasis on anchoring medium-term inflation expectations. A smaller step also supports their “meeting-by-meeting” communication framework.”

For 2026, the 13–19% range seen by the CBRT is likely to be maintained in November's Inflation Report, with inertia and import-price dynamics highlighted as key upside risks, Cangoz said.

Yet the CBRT remains under pressure to retain the greater credibility it has gained under the current leadership, he said.

“Credibility has improved markedly over the last two years, but it remains conditional on delivering disinflation consistent with interim targets. In that sense, this meeting is a test: a modest move (or a pause) plus hawkish guidance would reinforce the data-dependent narrative; an overly large cut would risk adverse re-pricing of expectations.”