MNI CBRT Preview: September 2025

Details:

Monetary policy decision: 1200BST/1300CET/ 0700ET, Thursday 11th September 2025.

MNI Point of View:

While the CBRT had been expected to continue with the 300bp easing pace established in July, the stronger-than-expected inflation data for August and recent political developments warrant a more cautious approach. The median expectation as per an analyst survey now looks for a 200bp cut to the one-week repo rate, which would take it to 41%.

The CBRT's 300bp cut to the repo rate in July came as a slight surprise compared to market expectations. The flat trend of underlying inflation in June justified easing, but policymakers stressed that persistent threats to the disinflation process would mean future decisions will be made prudently on a meeting-by-meeting basis. Given this stance, a sub-300bp rate cut is widely anticipated this month, with policymakers expected to show that the central bank stands ready to react to shocks that increase risks around the inflation outlook.

Inflation, GDP data argues for a more cautious easing pace

Headline inflation in August eased only slightly, falling from 33.5% Y/Y in July to 33.0% Y/Y, a touch above expectations. On a month-on-month basis, CPI rose 2% compared to expectations of a more moderate +1.75% M/M. Higher food prices and rent increases largely explained the above-consensus headline print, while services and core goods inflation was more benign. However, sequential headline inflation decreased only marginally, with the CBRT noting that underlying inflation was flat in three-month averages.

Meanwhile, Q2 GDP growth came in above expectations at +1.6% Q/Q, +4.8% Y/Y. The acceleration was largely explained by the higher number of working days Turkey had this year compared to 2024, but even so, spending by households rose 5.1%, the highest rate since the first quarter of 2024, Turkstat said, providing worrying evidence that domestic demand remains too strong. Commenting on the figures, CBRT Governor Fatih Karahan said: "Though headline GDP growth was higher than forecasts, the components of the GDP data showed that demand conditions continue to support disinflation."

Political turmoil further complicates easing plans

Turkish assets have been under heavy pressure since a court ruling removed the opposition CHP's Istanbul leadership. The Borsa Istanbul 100 Index has fallen around 7.5% since to its lowest level since mid-July, while 2-year local yields have spiked close to 2ppts. The decision does not bode well for the more significant ruling expected on September 15, at which a court in Ankara is expected to rule on case targeting the CHP's 2023 main congress which elected Ozgur Ozel as party leader. A decision against the party could potentially reinstate its former leader, Kemal Kılıcdaroglu, and has been flagged by sell-side analysts as a key risk event.

Asked by Bloomberg last week whether the central bank's views on inflation are influenced by the overall levels of uncertainty, Karahan said: "We haven't allowed for the deterioration of inflation expectations nor for demand to disrupt disinflation and we won't allow it." The extent to which the recent episode of political turmoil affects the CBRT's easing plans remains to be seen. But given that the CBRT has maintained the 300bp gap between the overnight lending rate (46%) and the policy rate (43%), policymakers still have the flexibility to tighten conditions by shifting funding across

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windows even if it decides to proceed with rate cuts. This was demonstrated during the episode of political turmoil earlier in the year. As such, an unchanged decision from the CBRT this week would come as a significant surprise.

Bloomberg estimate FX intervention at $3.6bln on the day of the ruling last week, taking the September total to $5.2bln and reducing net reserves to $43.3bln. With the critical September 15 hearing still looming, risks are skewed towards the CBRT having to dig deeper into its reserves, further complicating its easing plans.

CBRT Data Watch:

mni

Central Bank Watch - CBRT

September 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	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):

Barclays: Still Expect a 250bp Cut

- Barclays still expect a 250bp cut. They note that August CPI at 2.04% m/m was above the consensus expectation, and that the upside surprise was mainly related to food CPI, which added 0.8ppts to headline CPI. Seasonally adjusted CPI was 2.5% m/m in August, an acceleration from the previous three-month average of 2.2% m/m, signalling some deterioration in the pace of disinflation despite stronger support from the TRY.
- They say the higher-than-expected inflation data came in the same week as higher-than-expected economic growth for Q2 25 (at 1.6% q/q) and negative political headlines that created some pressure on CBRT reserves. This led some economists to trim their rate cut expectation for the next week to 200bp from 300bp.

- However, Barclays maintain their forecast of a 250bp cut to 40.5%. In their view, the pressure on reserves was limited and short-lived. They estimate net FX sales by the CBT on Tuesday and Wednesday last week at $4.5bln.
- That said, Barclays note that there is a risk of a middle inflation trap in 2026 if the CBRT does not receive enough support from fiscal and income policies and is not willing to use macro-prudential policies to slow lending growth if there is a further acceleration in CPI adjusted loan growth.

Goldman Sachs (Post CPI view): Expect CBRT to Slow Pace of Cuts to 300bps

- Goldman Sachs expect the CBRT to approach policy with greater caution next week and to slow the pace of rate cuts. They now anticipate a 200bp policy rate cut (previously 350bp) for two reasons. First, the Bank has emphasised its data-dependent approach. With Q2 GDP growth far surpassing expectations and August inflation coming in higher than forecast, GS believe the CBRT will opt for a smaller cut compared to the previous meeting. This should help prevent markets from assuming the rate-cutting cycle will continue unaffected by incoming data.
- Second, the recent judicial ruling to annul the CHP's regional party congress in Istanbul increases the likelihood that the court hearing the case on the annulment of the last CHP national congress, scheduled for 15 September, may take a similar stance and reinstate the previous CHP leadership.
- Goldman Sachs argue that the annulment of the regional CHP congress triggered significant sell-offs in equity and local bond markets, arguably increasing risk premia that the CBRT will need to consider in its interest rate decision.

ING: Expect 200bp Cut Following Higher-Than-Expected Inflation and Recent Political Developments

- ING note that the combination of August's higher-than-expected inflation figures and the recent political and institutional developments is likely to complicate the central bank's decision-making process. In determining the magnitude of an interest rate cut at the upcoming MPC meeting, containment of market volatility will also play a critical role alongside inflation, though it has remained relatively limited so far.
- During the July MPC meeting, the CBRT stated that future policy steps will be guided by economic data and evaluated on a meeting-by-meeting basis, emphasising a cautious and flexible approach. Taken together, these factors point to a less aggressive easing this month than previously anticipated, in ING's view. Accordingly, they expect a 200bp cut to 41%.

JP Morgan (Post CPI view): Now Expect 200bp Rate Cut in Sept vs. 300bp Previously

- JP Morgan see upside risks to their end-2025 inflation forecast of 29.5%. They note that August CPI was characterised by a reversal of food price declines and sticky services prices and expect CPI to be up 2.1% m/m and 31.8% y/y in September.
- They now expect the CBRT to cut its policy rate by 200bps (previously 300bps) to 41% in September. They say the higher-than-anticipated August CPI, upside risks to September CPI, coupled with stronger growth momentum, suggest that the CBRT is likely to downsize the rate cuts to 200bps.
- Additionally, the CBRT is likely to keep the policy rate well above headline CPI inflation to prevent dollarisation among Turkish residents, especially in light of recent political turmoil. Hence, JPM anticipate the CBRT reducing the magnitude of its rate cuts to 200bps each at the September, October and December MPC meetings, bringing the policy rate to 37%.

Morgan Stanley: Expect CBRT to Slow Pace of Easing to 200bps, Do Not Rule Out Smaller Move

- Morgan Stanley think that the lack of a significant improvement in the underlying inflation trend (in three-month terms) and stronger-than-expected 2Q GDP increase upside risks to the CBRT's inflation projections, which warrant a more cautious approach to rate cuts.
- Moreover, Morgan Stanley believe that the market will continue to focus on newsflow relating to the main opposition party CHP as we head into the September 15 hearing. They say we could potentially see more market volatility around such headlines in the coming weeks, which could lead to increased FX demand from locals or some position-unwinding from foreign investors.
- Meanwhile, the improvement in macro fundamentals, i.e., continued disinflation and notable recovery in reserves during the summer months, should provide resilience against domestic uncertainties. However, risks related to FX and reserves would be on the CBRT's radar, in MS' view.
- Given these considerations, Morgan Stanley now expect a 200bp cut from the MPC from 300bps previously. In a base case, where market volatility remains contained, MS keep their forecasts of 200bp cuts in October and December as before, bringing us to a 37% policy rate at end-2025.
- Depending on the domestic news flow and the evolution of FX demand, Morgan Stanley do not rule out a smaller 150bp cut, should we see significant pressure building up on the CBRT's net FX position. They see chances of a pause as quite small given where the markets stand.