

MNI CBRT Review: December 2025

Executive Summary:

- The CBRT cut the one-week repo rate by 150bps to 38%, a slightly larger move than the 100bps that was expected.
- Officials pointed to an improvement in the underlying trend of inflation but also flagged familiar risks to the disinflation process.
- The Bank repeated its guidance that future decision will be made prudently on a meeting-by-meeting basis.
- [Click here to see the policy statement.](#)

Key Takeaways:

Expectations ahead of this month's meeting were finely split, so it does not come as a significant surprise that the CBRT accelerated its easing pace to 150bps. The central bank pointed to the improvement in both headline inflation as well as its underlying measures, but continued to note that inflation expectations and pricing behaviour poses risks to the disinflation process. Guidance was unchanged, with the Bank set to determine the step size "prudently on a meeting-by-meeting basis".

Alongside the 150bp cut to the repo rate, the CBRT adjusted either side of its rate corridor by 150bps, thereby maintaining the 300bp gap between the one-week rate (38%) and the overnight lending rate (41%), providing policymakers with the flexibility to tighten conditions by shifting funding across windows.

October's policy statement highlighted that data had been pointing to a slowdown in disinflation – with a particular emphasis on the threat posed by food prices as well as pricing behaviour and inflation expectations – which ultimately warranted a slowdown in the easing pace to 100bps. While this month's edition continues to flag the risk posed by the latter, it also notes that the "underlying trend of inflation declined slightly in October and November," and that "consumer inflation was lower than expected" overall.

Otherwise, the policy statement was nearly identical to October's (see comparison on next page), 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".

As per an analyst survey, a slight majority of analysts (12 out of 21) had been looking for a smaller 100bp cut, with most noting that the soft inflation print for November (+0.87% M/M vs. +1.35% expected) was explained almost exclusively by a correction lower for food prices, and that caution was therefore warranted given that underlying inflation remains at uncomfortable levels. But even those expecting the smaller move had by no means ruled out a 150bp cut, explaining the muted reaction across Turkish markets to today's decision.

Looking ahead, the inflation outlook 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. Negotiations to determine the minimum wage for 2026 are set to begin on December 12, and expectations are generally skewed towards 25-30% increase.

Key Upcoming Dates:

- **December MPC meeting summary:** “within five working days”
- **December inflation data:** January 05
- **Next MPC meeting:** January 22

Statement Comparison

Yaşar Fatih Karahan (Governor), Osman Cevdet Akçay, Elif Haykır Hobikoğlu, Hatice Karahan, Fatma Özkul.

The Monetary Policy Committee (the Committee) has decided to reduce the policy rate (the one-week repo auction rate) from ~~40.5%~~ 39.5 percent to ~~39.5%~~ 38 percent. The Committee has also lowered the Central Bank overnight lending rate from ~~43.5%~~ 42.5 percent to ~~42.5%~~ 41 percent and the overnight borrowing rate from ~~39~~ 38 percent to ~~38%~~ 36.5 percent.

~~The underlying trend of inflation increased in September. While recent data suggest that demand conditions are at disinflationary levels, they also point to a slowdown in the disinflation process. The risks posed by recent price developments, particularly in food, to the disinflation process through inflation expectations and pricing behavior have become more pronounced.~~

In November, consumer inflation was lower than expected due to a downward surprise in food prices. Following an increase in September, the underlying trend of inflation declined slightly in October and November. Quarterly GDP growth turned out higher than projected in the third quarter. Leading indicators for the last quarter point out that demand conditions continue to support the disinflation process. While showing signs of improvement, inflation expectations and pricing behavior continue to pose risks to the disinflation process.

The tight monetary policy stance, which will be maintained until price stability is achieved, will strengthen the disinflation process through demand, exchange rate, and expectation channels. The Committee will determine the policy rate by taking into account realized and expected inflation and its underlying trend in a way to ensure the tightness required by the projected disinflation path in line with the interim targets. The step size is reviewed prudently on a meeting-by-meeting basis with a focus on the inflation outlook. Monetary policy stance will be tightened in case of a significant deviation in inflation outlook from the interim targets.

In case of unanticipated developments in credit and deposit markets, monetary transmission mechanism will be supported via additional macroprudential measures. Liquidity conditions will continue to be closely monitored and liquidity management tools will continue to be used effectively.

The Committee will make its policy decisions so as to create the monetary and financial conditions necessary to reach the 5 percent inflation target in the medium term. The Committee will make its decisions in a predictable, data-driven and transparent framework.

The summary of the Monetary Policy Committee Meeting will be released within five working days.

Analyst Views (Alphabetical):

Goldman Sachs: Larger Rate Cut Could Challenge CBRT's Strengthening Credibility

- Goldman Sachs think that the CBRT's communication and decision to accelerate its cutting pace suggest it no longer sees a structural deterioration in the disinflation process. In contrast to the CBRT, Goldman think that both the increase in underlying inflation momentum in September and the subsequent slowdown were mostly due to residual seasonality, rather than deeper structural changes.
- In their view, seasonal adjustments do not fully capture the seasonal patterns of Turkish inflation at current elevated levels, especially following the sharp moves since 2022. They therefore place less emphasis on individual monthly changes even when seasonally adjusted. Instead, GS focus on the stabilisation of underlying inflation momentum since the middle of last year at a rate well above the CBRT's end-2026 inflation target of 16% Y/Y.
- With inflation running above the Bank's projections, Goldman Sachs expected the CBRT to continue with a 100bp cut to signal its ongoing commitment to maintaining a tighter policy stance than previously assumed. While they think that monetary policy is currently transmitted mainly through loan growth caps rather than interest rates, rates remain an important signalling tool. Amid de-anchored expectations, Goldman believe that today's accelerated cutting pace could challenge the CBRT's gradually strengthening credibility, increasing the likelihood that persistent inertia will keep inflation at elevated levels particularly beyond 2026.

ING: Minimum Wage Negotiations and Adjustment to Automatic Tax Rates Key for the Outlook

- ING note that while the bank emphasised that future rate decisions will remain data-driven and assessed on a meeting-by-meeting basis, it provided little clarity regarding near-term rate actions.
- In this context, inflation expectations, the outcome of the 2026 minimum wage negotiations, and the anticipated adjustment to automatic tax rates – promised by Finance Minister Mehmet Simsek – will be key for the outlook, alongside considerations regarding dollarisation and reserve levels, in ING's view.

JP Morgan: CBRT Missed Opportunity to Enhance Credibility

- JP Morgan note that the CBRT delivered a dovish 150bp rate cut to 38%. Previously, they noted that it was a close call between 100bp and 150bp given the dovish remarks by CBRT Governor Karahan, despite the lack of improvement in the underlying trend of inflation.
- But in JPM's view, the CBRT missed an opportunity to enhance credibility with markets and to anchor inflation expectations. By increasing the magnitude of its rate cut, the CBRT has introduced a degree of uncertainty into the rate-cutting cycle.
- JP Morgan expect the CBRT to revert to 100bp reductions from the next meeting onward