MNI CBRT Review: September 2025

Executive Summary:

- **The CBRT cut the one-week repo rate by 250bps to 40.50%, slightly above the median estimate of a smaller 200bp move.**
- **The Bank repeated that future decision will be made prudently on a meeting-by-meeting basis.**
- **Interestingly, the Bank omitted reference to real TRY appreciation from its policy statement.**
- **Click here to see the policy statement.**

Key Takeaways:

While the 250bp cut was slightly larger than the 200bp expected, BloombergHT's median forecast of surveyed institutions had predicted a 250bp cut after some dovish comments by Governor Fatih Karahan, so this month's decision does not come as a huge surprise. There were some slight tweaks to the policy statement, but the Bank still notes that its step size will be reviewed "prudently" and on a "meeting-by-meeting" basis.

Alongside the 250bp cut to the one-week repo rate, the CBRT also adjusted either side of its rate corridor by 250bps, thereby maintaining the 300bp gap between the repo rate (40.5%) and the overnight lending rate (43.5%). This provides policymakers with the flexibility to tighten conditions by shifting funding across windows – which was demonstrated during the episode of political turmoil in March/April and may be important as we approach the court ruling targeting the CHP's 2023 main congress on September 15.

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," guidance which was identical to that in July. Food and services prices are both flagged as upside risks to the inflation outlook, although the statement notes that the underlying trend of inflation slowed down again in August.

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 note that this may signal a weakening of the CBRT's implicit target of real currency appreciation and instead points to a prioritisation of its reserves accumulation strategy. Meanwhile, the Bank previously guided for the effective use of all monetary policy tools in the event of a deterioration in the inflation outlook (i.e. the use of macroprudential measures), but its guidance now indicates that the monetary policy stance will be tightened if inflation deviates from the interim targets. This could suggest a greater reliance on interest rates instead.

However, Bloomberg report, citing people with direct knowledge of the matter, that real TRY appreciation remains an expected policy outcome for Turkey's central bank despite the monetary authority dropping an explicit reference to it in the statement. Bloomberg write, "The change in the rate statement was a matter of simplifying language".

Key Upcoming Dates:

- **September MPC meeting summary:** "Within five working days"
- **Court ruling on CHP congress:** September 15
- **September inflation data:** October 03
- **Next MPC meeting:** October 23

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Analyst Views (Alphabetical):

Goldman Sachs: Potential Policy Shift Poses Upside Risk to 35% Year-End Policy Rate Forecast

- Goldman Sachs note that the Committee reaffirmed its data-dependent approach, noting that any step adjustments to the policy rate will be decided meeting-by-meeting in response to inflation developments. They believe the slowdown in the pace of easing, following the upside growth and inflation surprises in August, enhances the credibility of the CBRT's commitment to a data-driven strategy.
- Instead of emphasising real appreciation, the CBRT now referred to "the exchange rate" as a driver of disinflation. Moreover, the Bank was previously guiding for the effective use of all monetary policy tools in the event of a deterioration in the inflation outlook. Now, however, its guidance indicated that the monetary policy stance will be tightened if inflation deviates from the interim targets, implying a greater reliance on interest rates, in GS' view.
- Taken together, Goldman Sachs think that these changes suggest that the CBRT is less inclined to rely on real TRY appreciation for disinflation going forward, opting instead to maintain relatively higher interest rates should inflation surprise to the upside.
- Goldman say this potential policy shift poses upside risks to their end-2025 inflation (27% y/y) and policy rate forecasts (35%). That said, they continue to think the Bank's initial response to any notable acceleration in dollarisation will be to slow the pace of TRY depreciation, rather than tightening policy through rate hikes.

HSBC: Believe Change in Real TRY Appreciation Guidance is Key

- HSBC say the rate decision was not the focus from an FX perspective even if the cut was slightly bigger than expected by consensus.
- They note that the statement made an important change in its language around the exchange rate. The CBRT removed the explicit reference to the TRY 'real' appreciation. Instead, it simply mentioned that the 'exchange rate' was one of the factors contributing to the disinflation process. HSBC believe that such a change is key. The guidance on the real currency appreciation has been important in shaping the FX policy framework since early 2024. It has contributed to the slow pace of TRY depreciation.
- HSBC have previously emphasised that the CBRT's implicit target of a real TRY appreciation was looking looser than last year. For them, one the reason is related to the reserve accumulation strategy prioritised over the real FX appreciation objective, particularly post the political turmoil in March.
- Overall, they say the statement clarifies the CBRT's stance vis-à-vis FX. HSBC's USD/TRY year-end forecast of 44.0 is consistent with a 'no TRY real appreciation' assumption.

JP Morgan: Expect 200bp Cut in October, 150bp Cut in December

- JP Morgan anticipate CPI to increase by 2.3% m/m in September with risks to the upside. They say September CPI will be driven by the re-pricing of services associated with the back-to-school period. They also see upside risks to food inflation due to the lagged impact of agricultural frost and drought.
- Overall, JPM see significant upside risks to their year-end inflation forecast of 29.5% due to the more front-loaded rate cut cycle, sticky services inflation, and food inflation. Given the resilient demand outlook and the absence of meaningful improvement in the inflation trend, they anticipate that the CBRT will slow the pace of rate cuts in upcoming meetings.
- Accordingly, JP Morgan maintain their year-end 2025 policy rate forecast at 37%. They expect the CBRT to reduce the magnitude of its rate cuts to 200bps at the October MPC meeting and 150bps at the December meeting, thereby bringing the policy rate to 37% by end-25.