

Macro: The rate cut was below expectations with 100 bps

CBRT cut its policy interest rate by 100 basis points (bps), less than expected, setting it at 37.0%. Overnight lending and borrowing rates were also reduced by the same amount, to 40.0% and 35.5% respectively, maintaining the width of the asymmetric interest rate corridor. This marks the second lower-than-expected 100 bps rate-cut since the start of July, similar to the one in October. The one in October was influenced by high inflation data during the back-to-school period. Other than the assessment regarding the demand conditions were stronger than previously anticipated in the last quarter and the leading indicators for January inflation; there are no changes to the forward guidance.

Evaluations:

- **There are no changes in forward guidance regarding the policy stance.** Meeting-by-meeting approach in decision-making is maintained. There is also no change in the communication for macroprudential tools and liquidity tools.
- **The changes concentrated on the assessments regarding inflation and the course of the economic activity.**
 - CBRT underlined that January inflation may be high due to food prices in January: ***“While leading indicators suggest that monthly consumer inflation has firmed in January, led by food prices, the rise in the underlying trend of inflation is limited”***. It is inferred that CBRT expects a monthly inflation above market expectations in January. While our inflation forecast based on the data from the first half of the month is 4.2% monthly and 29.9% annually, we note that there are upward risks stemming from food prices, and risks in both directions due to methodology and weighting updates.
 - ***“Indicators for the last quarter point to demand conditions that continue to support the disinflation process, albeit at a moderating pace”***. Based on November data, the average of our growth forecast models indicates that annual growth in the last quarter of 2025 will be in the 2.5%-3.0% range. We believe that the data flow for December (PMI; BTS, foreign trade data, loans, etc.) will push these estimates upwards. Consequently, we estimate that annual growth in the last quarter will be 3.0%, and quarterly growth will be moderately positive, assuming there is no technical correction due to chain indexation. Further, we maintain our previous assessment that demand conditions may not be at deflationary levels in the last quarter.
- **Despite the lower-than-expected rate cut, we are not changing our year-end policy rate forecast.**
 - Based on our year-end inflation forecast (25.0%), we anticipate the policy interest rate to be 31% at the end of the year.
 - We anticipate that the rate cut in March will remain the same. To reach our year-end policy rate forecast, it's possible that CBRT may pause in one of the meetings after March. Alternatively, the rate cut could be reduced (e.g., to 50 bps at each meeting) in some meetings.

This report is prepared by Akbank Economic Research

Economic.research@akbank.com

Çağlar Yüncüler, PhD – Vice President

Caglar.Yunculer@akbank.com

M. Sibel Yapıcı

Sibel.Yapici@akbank.com

Sercan Pişkin

Sercan.Piskin@akbank.com

DISCLAIMER STATEMENT: The text, information and graphs in this report and comments has been prepared from the primary accessible systemic sources on a bona fide basis, and without consideration to establishing any guarantee and assurance for establishing a basis for any informed decision under any name or form, in terms of their accuracy, validity and effectiveness, and thus it has only been gathered for information purposes. Akbank TAŞ, Ak Yatırım AŞ and their employees will not be held responsible for any damages resulting from the comments included in this report such as lack of information and/or updates. Akbank TAŞ and Ak Yatırım AŞ may modify and/or remove the above information and recommendations at any time, without having to serve any prior notice and/or warning in any way, manner or form. Since this report and comments, the comprehensive information and recommendations which have been prepared in the form of general investment suggestions for the purpose of providing general information do not include any commitment by Akbank TAŞ and Ak Yatırım AŞ, the consequences of any decisions taken, conclusions reached, transactions made and any risks caused by any private and/or legal person based on such information will therefore rest with such persons. For this reason, Akbank T.A.Ş., Ak Yatırım A.Ş. and their employees shall not by any means or in any manner be liable for any material and moral damages, loss of profits, or any direct and/or indirect damages, whatsoever, incurred by the persons concerned or 3rd parties, as a result of the decisions taken, conclusions reached, or transactions performed by private and/or legal persons due to reliance on the information contained in this report, the comments and recommendations herein, and the persons concerned understand and accept that they are not entitled to claim any indemnity, whatsoever, from Akbank TAŞ, Ak Yatırım AŞ and their employees for any damages suffered/to be suffered. The information given in this report, and the comments and recommendations contained herein do not constitute an "investment consultancy" service and/or activity, but fall within the scope of a general investment consultancy activity, and individuals and entities willing to receive an investment consultancy service must contact entities and institutions that are authorized to provide such service and obtain such service under a service agreement pursuant to the legislations of CMB. Investment consultancy services are offered under an investment consultancy agreement to be signed between brokerage houses, portfolio management companies, banks that do not admit deposits and the clients. The comments and recommendations contained herein depend upon the personal opinions of the persons who make the comments and recommendations. Since such opinions have been arranged in the scope of a general investment consultancy activity they do not contain reports, comments and recommendations specific to a person, and may therefore not suit your financial status, risk and return preferences. Thus, making investment decisions solely based on the information contained herein might not bring an outcome that meets your expectations.

