

TURKEY: (Likely) reconfirmed Erdogan is not for turning

President Tayyip Erdogan is widely expected to secure a new five-year mandate to extend his rule over Turkey into a third decade. With around 95% of the ballot boxes counted, Erdogan is (according to Anadolu Agency) leading with 52.3% of the votes while Kemal Kilicdaroglu is at 47.7%. Below we provide a snapshot view of what is next assuming Erdogan's victory is confirmed by the final tally.

Next steps

The Supreme Electoral Board is expected to publish the official results of the runoff vote on 1 June. Erdogan will take the oath on the same day or soon after. The next step relates to the appointment of a new cabinet and of one or more vice-president/s. The president has complete discretion on the whole process and there is no official deadline for it.

As 16 of the current ministers, including Vice-President Fuat Oktay, were elected as MPs on 14 May, Erdogan is expected to opt for a wide cabinet reshuffle. As ministers cannot hold positions as MPs under the country's presidential system, Erdogan will have to sacrifice some parliamentary seats to retain key figures in his new cabinet. This is because if an MP steps down, that seat remains vacant for the rest of that parliament's term, unless the number of vacant seats become high and by-elections are called. As Erdogan's People's Alliance won 323 seats in the 600-member Turkish Grand National Assembly, he can afford to lose several of the newly won seats to re-appoint key players, such as Defence Minister Hulusi Akar.

No U-turn but some window-dressing

Vindicated by the election's outcome, Erdogan is unlikely to embrace an outright economic orthodox approach. However, some adjustments to the current heterodox approach could be adopted with the aim of gaining time ahead of the March 2024 local elections. After the losses suffered in 2019, the next municipal elections will be a key target for a re-invigorated Erdogan. As a result, policy-making, including in the economic sphere, will be indexed to this new critical test in the weeks and months ahead. Preserving a sense of economic stability through next Spring will be a priority.

Window-dressing adjustments could include pledges of significant structural reforms, a reset in Turkey-US ties and a new reform drive to advance Turkey's bid for EU membership. Most of these pledges will likely be never fulfilled.

A gradual tightening of interest rates – mainly to bring them closer to the lending rates already adopted by the local banks – could also be contemplated if the local currency comes under more intense pressure. Thanks to his new additional five-year term, Erdogan could also try to secure new external financing from foreign allies by bargaining on foreign policy issues.

The appointment of a new economy minister could also be used to convey the impression that Erdogan is willing to recalibrate his economic policy-making. The front-runners for the job are Lufti Elvan and Cevdet Yilmaz – both enjoy a good reputation but neither of them carries the political weight to oppose Erdogan. Less likely is the appointment of Mehmet Simsek, who may still enjoy the trust of the markets but, just like Elvan and Yilmaz, has no meaningful political standing.

Only if faced with an imminent economic-financial crisis, Erdogan would endorse a dramatic U-turn to return to orthodox economic policy-making, before pivoting back to his favorite low interest monetary policy.

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