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# Türkiye minister's disinflation recipe – do not try this at home

Explaining Türkiye’s economic policy over the past three years to a foreign reader is not easy. On paper, the story looks familiar: high interest rates, tight monetary policy, a strong currency, inflation fighting, and confidence building. But Türkiye’s case begins exactly where theory meets reality.

The recipe may have been named correctly, but the way it was applied constantly clashed with life on the ground. When Mehmet Şimşek took office and was appointed minister of treasury and finance in mid-2023, annual inflation was around 38 per cent according to official data.

Since then, inflation first climbed above 75 per cent and later fell back to the 32 per cent range. Presenting that as a success story requires quite some talent.

The policy was roughly this: high interest rates and a controlled exchange rate. In other words, raise rates, keep the currency as calm as possible, suppress demand, and wait for inflation to fall over time.

In theory, it sounds reasonable. But in an economy like Türkiye’s, which depends heavily on imported energy, intermediate goods, technology, and many essential inputs, things do not work that smoothly.

Keeping the exchange rate under pressure does not make inflation disappear. Costs enter through other doors: energy, rent, labour, taxes, financing, and logistics. All of them continue to live inside prices.

## Whose belt is actually being tightened?

On top of this came heavy taxation. Taxes, fees, and indirect burdens were increased. The state leaned more heavily on citizens and businesses to raise revenue. Then, when these costs passed into prices, it was called “strong demand.”

But demand was not strong; citizens were trying to survive. Businesses were not trying to make extraordinary profits; they were trying to roll over costs. When tax increases are used as if they were an anti-inflation tool, the result is usually not lower inflation, but a higher price level.

> In Türkiye, that belt tightened most around pensioners, minimum-wage workers, SMEs, and industrial producers

The public sector did not present a much brighter picture either. Since public spending could not be sufficiently restrained, the high-interest-rate policy placed a heavy interest burden on the budget.

As the state borrowed domestically at very high rates, the cost of fighting inflation was once again passed on to taxpayers, producers, pensioners, and wage earners. If there is austerity, one must ask whose belt is actually being tightened.

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## A reality felt on the ground

Pensioners and minimum-wage workers became some of the heaviest losers of this programme. Whatever official inflation says, people experience inflation in the market, in rent, in school expenses, in utility bills, and in the grocery basket.

They were told “inflation is falling,” but prices did not fall. They were told “disinflation has started,” but purchasing power did not recover. For citizens, the issue was not the rate; it was the basket. Once the basket shrank, the story lost its credibility.

*Türkiye moved away from the image of an economy growing through production and drifted towards an economy struggling with financing costs - Mehmet Å□imÅ□ek*

The damage on the industrial side also grew. When high interest rates, a suppressed exchange rate, and rising costs arrived at the same time, producers were squeezed.

Exporters could not pass domestic cost increases into foreign prices. Industrial firms were trapped in expensive credit. SMEs struggled to access financing. Domestic demand weakened, while competition in export markets became harder.

Türkiye thus moved away from the image of an economy growing through production and drifted towards an economy struggling with financing costs. That is why “deindustrialisation” is no longer merely an academic warning; it has become a reality felt on the ground.

## When “the programme is working” isn’t enough

The most interesting part of this programme was the opportunity it created for foreign investors. For an investor who brought money into Türkiye, converted dollars into lira, entered high-yield TL instruments, and exited while the exchange rate remained controlled, an extremely attractive carry-trade story emerged.

Some calculations refer to dollar-based returns exceeding 60 per cent over two years. In other words, while domestic industrialists struggled with expensive credit, foreign hot money earned very serious returns thanks to high interest rates and a controlled exchange rate. If this is called success, one must also ask: success for whom?

> Simply saying “the programme is working” is not enough

So, what did companies experience during this period? Concordat filings increased, payment chains came under pressure, and businesses with broken cash flows began seeking restructuring.

Concordat is no longer an exceptional legal mechanism; it has become one of the most visible signs of financial distress. Businesses sell but cannot collect. They want to produce but cannot find financing. They raise prices but lose customers. In such an environment, simply saying “the programme is working” is not enough.

## Will the numbers change or only the chair?

The inflation story is also quite instructive. The programme inherited inflation at around 38 per cent. Inflation then surged above 75 per cent. Today, even if it has returned to the 30 per cent range, that alone is not enough to build a success story.

In between, expectations deteriorated, incomes were crushed, the cost of living rose, and confidence was lost. Moreover, confidence in the official figures themselves has become a major issue.

This is where the Turkish Statistical Institute, TÜİK, becomes critical. People in Türkiye have long viewed official inflation data with suspicion. As the heads of the institution change, this trust problem becomes even more visible.

In 2022, TÜİK President Sait Erdal Dinçer was removed from office and replaced by Erhan Çetinkaya.

On May 9, 2026, a presidential decree published in the Official Gazette appointed Mehmet Arabacı as the new head of TÜİK; the press reported this as Çetinkaya's removal, while the Treasury and Finance Ministry stated that Çetinkaya's term had expired in January and that he had been serving as acting president until the new appointment.

> When trust in TÜİK data weakens, the job of economic management becomes harder

In either version, the essential fact does not change: the institution that announces Türkiye's most critical economic data has once again undergone a leadership change.

Such changes are not necessarily a problem in themselves. Public institutions may undergo leadership transitions. But if an institution is already at the centre of a trust debate, every leadership change expands the public question: "Will the numbers change, or only the chair?"

When trust in TÜİK data weakens, the job of economic management becomes harder. Because inflation is not fought only with interest rates; it is also fought with trust in data. If people do not believe the announced figures, wage bargaining, pricing behaviour, and expectation management all deteriorate.

The communication style of economic management often worsened this trust problem rather than easing it. People were repeatedly told, "Just be patient a little longer," "The coming months will be better," and "Disinflation has begun."

But this improvement did not appear in citizens' daily lives. Businesses did not gain access to cheaper financing. Industrialists did not feel relief. Pensioners could not breathe. Minimum-wage workers became more squeezed every month. As a result, people began looking not at statements, but at bills.

## A troubling picture

The current account also painted a troubling picture. Even before the war, external balances showed serious fragility. Now the Iran war, energy prices, and the commodity shock are being added on top of that.

For an energy-importing country, this has a very clear meaning: a higher energy bill, greater pressure on the current account, more stress on the exchange rate, and a new wave of cost inflation.

While all this was happening, the fact that economic management presented the programme abroad as a major success story created further resentment at home.

> The citizen's problem is not the curve on a chart; it is the money missing from the pocket

When investors abroad were told "the programme is working," citizens at home asked, "Why can I not see this success at the supermarket?" Industrialists asked, "If everything is going so well, why am I borrowing at such high costs?" These questions cannot be answered with long presentations.

And then there is the presentation issue. Recently, press conferences have featured hours of slides, charts, models, and technical explanations. But people are no longer looking for answers in long slide decks; they want short and clear explanations.

Technical presentations that look as if they were prepared by artificial intelligence do not ease the stress on the ground. The citizen's problem is not the curve on a chart; it is the money missing from the pocket. The industrialist's problem is not the model assumption; it is the loan coming due.

## Do not try this at home

Today, the issue is no longer merely the technical choices of Mehmet Şimşek or Fatih Karahan. The issue is that society has largely lost faith in this economic management. People are tired of the recipe.

They are tired of hearing "just a little more patience." They are tired of constantly changing targets, failed forecasts, TÜİK debates, and explanations that do not match real life.

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The debate is no longer only about policy change; it has also turned into a demand for personnel change.

For foreign readers, the lesson is this: if you want to reduce inflation, do not expect success simply by raising interest rates and suppressing the exchange rate. Do not create costs through tax increases and then act surprised when inflation rises.

Do not preach sacrifice to citizens without cutting public spending. Do not suffocate producers with expensive credit and then expect export performance.

Do not reward hot money with high returns while leaving industrialists without financing. Most importantly, do not assume that changing targets will create trust when confidence in official data has already been damaged.

So here is the final warning for foreign readers: this recipe may look like a "disinflation programme" in theory, but in practice it has become a mixture of high interest rates, a suppressed currency, heavy taxation, weakening industry, impoverished citizens, disputed data, and lost confidence.

In short, when it comes to Mehmet Şimşek-style disinflation, let us add a small warning label: Do not try this at home.