

Turkey's lira slides after Erdogan says wants greater economic control

by The Region - 15/05/2018 10:12



Turkey's lira slid to a record low and bond yields briefly touched their highest in at least eight years on Tuesday, after President Tayyip Erdogan said he plans to take greater control of the economy after elections next month.

Erdogan's comments, in an interview with Bloomberg Television in London, reinforced long-standing concerns about the president's drive to shape monetary policy and blunt the central bank's ability to rein in double-digit inflation.

He said the central bank was independent but would not be able to ignore signals from the head of the executive once the switch to a presidential system was complete following the June vote.

"I will take the responsibility as the indisputable head of the executive in respect of the steps to be taken and decisions on these issues," he said in the interview broadcast on Tuesday.

Turkey has called snap presidential and parliamentary elections for June 24 and polls show Erdogan as the strongest candidate to win the presidential vote. Turks narrowly backed a switch to an executive presidency in a referendum last year. That change is due to go into effect after the vote.

His comments helped pushed the ailing lira to a fresh record low of 4.3990 against the dollar, bringing its losses this year to more than 13 percent.

Yields on 10-year government bonds briefly touched their highest in at least eight years.

PRESIDENT RESPONSIBLE

A self-described "enemy of interest rates", Erdogan wants to see lower interest rates to fuel credit growth, particularly to the construction industry.

"Turkish lira selling (is) seen after statements that politics will play a clearer role in monetary policy," Is Investment said in a daily markets note.

Erdogan said that citizens would ultimately hold the president responsible for any problems generated by monetary policy.

"They will hold the president accountable. Since they will ask the president about it, we have to give off the image of a president who is effective in monetary policies," he said.

"This may make some uncomfortable. But we have to do it. Because it's those who rule the state who are accountable to the citizens," he added.

He also said that Halkbank executive Mehmet Hakan Atilla, who was found guilty by a U.S. court of helping Iran evade U.S. sanctions, was innocent and Turkey wanted his acquittal.

"If Hakan Atilla is going to be declared a criminal, that would be almost equivalent to declaring the Turkish Republic a criminal," he said.