

# Fed, Amazon Were Training Grounds for Turkey Central Bank Chief

Fatih Karahan replaces Hafize Gaye Erkan as central bank chief Karahan previously worked as an economist at Amazon, NY Fed

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Fatih Karahan *Source: Central Bank of the Republic of Turkey*

Turkey's new central bank governor is a University of Pennsylvania-educated economist who's taking over after a period of rapid transition to a more hawkish policy stance in the nearly \$1 trillion economy.

Fatih Karahan was named the monetary body's top official in the early hours of Saturday to replace Hafize Gaye Erkan, the country's first female central bank chief. Erkan had abruptly resigned hours earlier via an announcement on X, citing a smear campaign against her and her family in local media.

While Turkey is no stranger to short-lived tenures of central bank chiefs — and Erkan lasted just eight months in the job — investors are already saying this reshuffle is different from previous, market-disruptive experiences because it's not being driven by President Recep Tayyip Erdogan's preference for lower interest rates. JPMorgan Chase & Co. and Morgan Stanley both said that if anything, Karahan is likely to be more hawkish than his predecessor.

“While sudden leadership changes bring discomfort for investors, we see the new CBRT Governor as positive for disinflation” and the lira, JPMorgan analyst Fatih Akcelik wrote in a note to clients. “We expect high rates for

longer along with tighter macroprudential measures.”

Karahan has been a champion of a tighter monetary stance since he joined the Monetary Policy Committee in July, according to people with knowledge of the matter, who asked not to be named because the bank’s internal discussions are private. Born in 1982, his resume shows more than a decade of experience as a professional economist in the U.S., working at the [Federal Reserve Bank of New York](#) and [Amazon.com](#) since receiving a doctorate in economics from UPenn in 2012.

“Unlike past governor changes in 2019 and 2021, this does not signal a change in policy direction, or a political preference for lower interest rates,” Morgan Stanley economist Hande Kucuk wrote in a report after the shakeup. “We expect the Turkish central bank to continue with a conventional monetary policy framework that prioritizes disinflation.”

Turkish officials rushed to make the case that economic policies initiated under Erkan that put Turkey on a more mainstream path last year will continue regardless of the change in leadership, and that Karahan’s appointment strengthens the pivot to orthodoxy. Ahead of Karahan’s promotion, Treasury and Finance Minister Mehmet Simsek, a former Wall Street banker widely respected and trusted by investors, said the new governor would have his endorsement.

Interest-rate cuts can be expected to be postponed until at least the end of this year under Karahan’s helm of the bank, a person with direct knowledge of the matter said. Some analysts had been expecting cuts to start as early as the third quarter.

Karahan is set to make his first scheduled public appearance on Feb. 8 in Ankara, where he’ll lay out fresh inflation projections and take questions from reporters and analysts at the presentation of the quarterly inflation report.

“We expect Karahan to issue a strong statement in support of tight monetary policies and work closely with Simsek,” said Eurasia Group’s

Europe Director Emre Peker. “His elevation is less important than the fact that Simsek will remain firmly in charge as Turkey’s economy tsar and chart the overall policy course.”

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“We don’t expect a significant policy reversal from the central bank following management change - in fact we think the central bank is now more likely to hike rates should the inflation outlook worsen. We expect the bank to also continue tightening policy under Karahan via alternative tools and banking regulation as well as liquidity steps aimed at draining market lira oversupply.”

— Selva Bahar Baziki, economist. Click [here](#) to read more.

Karahan’s time as senior economist at Amazon had him conducting research related to “labor, inventory efficiency and more,” according to his personal [website](#). His biography on the central bank’s [website](#) says he started his career as an economist at the Federal Reserve Bank of New York in 2012, later moving on to serve as a monetary policy adviser and team leader of labor and product market studies until 2022.

Karahan holds an undergraduate degree from Turkey’s prestigious Bogazici University in mathematics and industrial engineering, and he has taught as an adjunct professor at New York University and Columbia University. He has two children, aged five and 13.

He’s also the nephew of the outgoing Turkish ambassador to the US, Murat Mercan.

Karahan’s name had been floated as a potential deputy minister to Simsek at the Treasury during a policy overhaul that began after Erdogan won a third term as president in May, according to people with knowledge of the discussions. But his experience in macroeconomics made him a better fit for the central bank, one of the people said.

Erkan, the outgoing governor, also served long stints in the US as a

banking executive, including at [Goldman Sachs Group Inc.](#) and [First Republic Bank](#), where she rose to co-chief executive officer. She left First Republic about a year and a half before the San Francisco-based lender went bankrupt.

Alongside Simsek and the revamped monetary policy committee, Erkan spearheaded a sharp U-turn in economic policy that was cheered by investors, raising the policy rate to quell soaring inflation. The central bank under Erkan raised interest rates by a cumulative 3,650 basis points to 45%.

Turkey is expected to report that inflation remained high at around 65% in January, according to the median estimate in a Bloomberg survey of economists. The central bank's last survey of expectations points to inflation falling to 42.1% at year-end, near the top of the bank's own forecast range of 30% to 42% issued in November.

— *With assistance from Cagan Koc*

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