

# Republic of Türkiye

## Rating report

### Rating rationale

**A large and diversified economy with a comparatively high potential growth:** Türkiye's large and diversified economy has a solid growth potential relative to peers, estimated at 4%, supported by relatively favourable demographics. Even so, population ageing and lower capital accumulation could weigh on long term potential growth absent structural reforms.

**A moderate government debt-to-GDP:** General government debt is materially lower than rating peers at around 25% of GDP, a core credit strength that supports fiscal space. The debt trajectory remains sensitive to lira depreciation, due to foreign currency denominated liabilities, and higher interest rates. However, the share of foreign currency debt in central government debt has declined, which moderates the sensitivity of the debt trajectory to the exchange rate.

**A resilient banking system:** Banks have proven to be resilient to challenging economic conditions, policy uncertainty and regulatory changes. Sounder financial management and enhanced prudential policies mitigate financial stability risks. However, high foreign currency exposures, including to non-financial corporates, and the large sovereign-bank nexus remain vulnerabilities.

**Rating challenges:** i) high inflation relative to the central-bank's target and sovereign peers, underscoring continued risks on the disinflation process and gradual economic rebalancing; ii) external sector vulnerabilities, reflected in large albeit declining gross financing needs, limiting resilience against external shocks; and iii) institutional challenges, elevated geopolitical risks and high regional instability.

Figure 1: Türkiye's sovereign-rating drivers

Risk pillars		Quantitative		Reserve currency*	Political risk**	Qualitative****	Final rating
		Weight	Indicative rating	Notches	Notches	Notches	
Domestic economic risk		35%	a	TRY	Türkiye	- 1/3	BB-
Public finance risk		20%	a+			- 1/3	
External economic risk		10%	bb-			- 3/3	
Financial stability risk		10%	aaa			- 2/3	
ESG risk	Environmental factors	5%	bb+	[+0]	[-2]	- 1/3	
	Social factors	7.5%	bbb+			0	
	Governance factors	12.5%	ccc			- 1/3	
Sovereign Quantitative Model***		bbb-				-3	
Additional considerations						0	

\*The reserve-currency quantitative adjustment applies to currencies in the IMF's Special Drawing Rights (SDR) basket.

\*\*The political-risk quantitative adjustment is based on the World Bank's Political Stability & Absence of Violence/Terrorism index.

\*\*\*Scope's SQM signals an indicative credit rating of 'bbb-' for Türkiye, which was approved by the rating committee.

\*\*\*\*The qualitative scorecard analyst adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. For details, please see Scope's [Sovereign Rating Methodology](#).

### Foreign currency

Long-term issuer rating/Outlook

BB-/Stable

Senior unsecured debt

BB-/Stable

Short-term issuer rating/Outlook

S-3/Stable

### Local currency

Long-term issuer rating/Outlook

BB-/Stable

Senior unsecured debt

BB-/Stable

Short-term issuer rating/Outlook

S-3/Stable

### Lead Analyst

Thomas Gillet

+49 30 278911-25

[t.gillet@scoperatings.com](mailto:t.gillet@scoperatings.com)

### Team Leader

Alvise Lennkh-Yunus

+49 69 6677389-85

[a.lennkh@scoperatings.com](mailto:a.lennkh@scoperatings.com)

## Credit strengths and challenges

### Credit strengths

- Comparatively high potential growth
- Large and diversified economy
- Moderate government debt-to-GDP
- Resilient banking system

### Credit challenges

- Record of unorthodox policies, high inflation
- Elevated external-sector vulnerabilities, exposure to shocks
- Institutional challenges, high geopolitical risks, regional instability

## Outlook and rating triggers

The Stable Outlook reflects Scope's view that risks for the ratings are balanced.

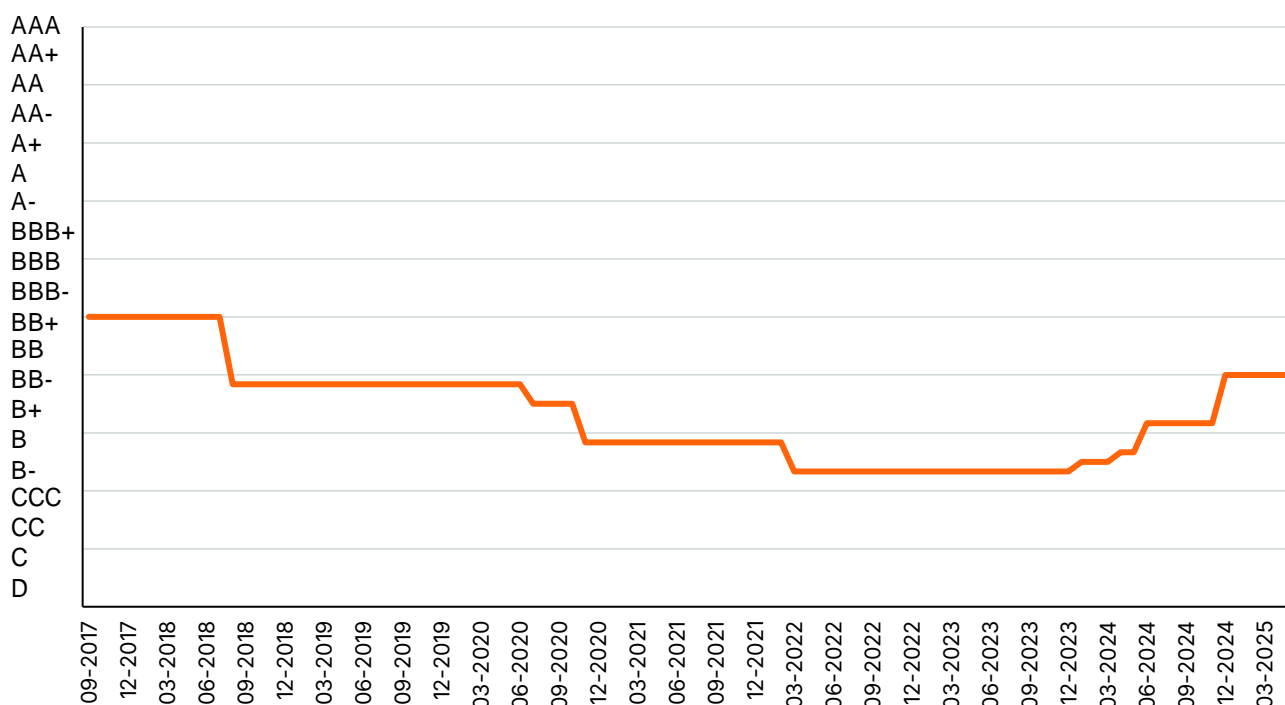
### Positive rating-change drivers

- Strengthened inflation outlook, based on enhanced credibility, independence, and effectiveness of the central bank
- Stronger fiscal outlook, raising confidence in the capacity to reach and maintain a primary surplus
- Higher international reserves, based on lower external gross financing needs and higher foreign capital inflows

### Negative rating-change drivers

- Sharp economic slowdown or an external shock, threatening the disinflation process
- Declining international reserves, weakening external resilience and increasing financial stability risks
- Severe domestic political pressure, acute deterioration in security conditions and international relations

Figure 2: Rating history



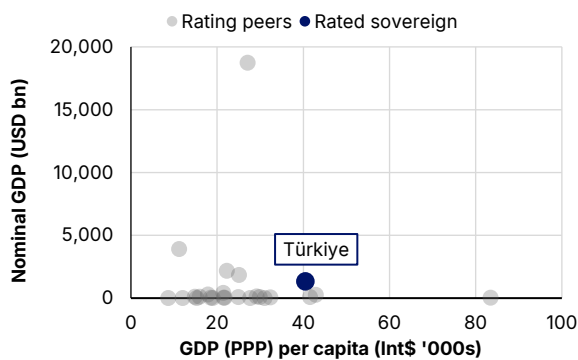
Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

## Domestic economic risk

### Overview of Scope's assessments of Türkiye's Domestic Economic Risk

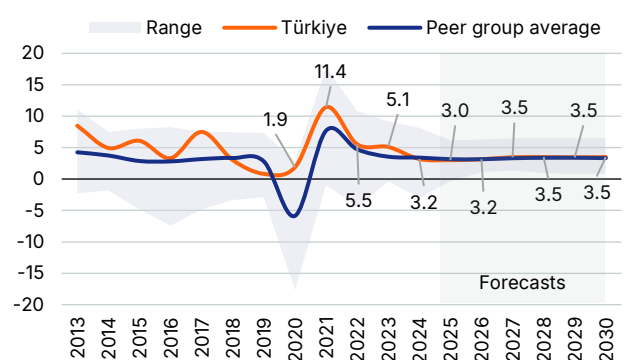
SQM <sup>1</sup> indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a	Growth potential and outlook	Neutral	0	Robust growth potential; economic momentum slowing down amid more restrictive policy mix stance
	Monetary policy framework	Neutral	0	Record of unconventional policy; track record of effective monetary tightening, inflation targeting
	Macroeconomic stability and sustainability	Weak	- 1/3	Large and diversified economy, mainly focused on lower value added sectors; gradual reduction of large macroeconomic imbalances

Figure 3: Nominal GDP and GDP per capita (2024E)



Source: IMF World Economic Outlook (WEO), Scope Ratings

Figure 4: Real GDP growth, %



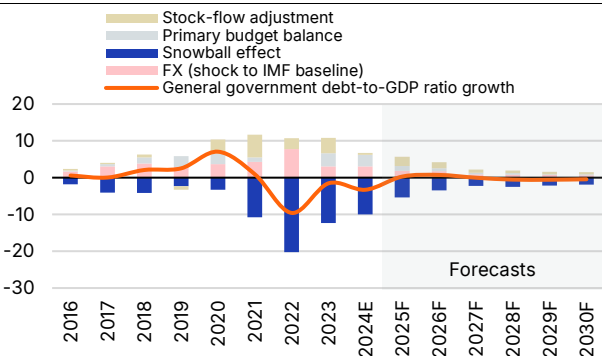
Source: IMF WEO, Scope Ratings forecasts

## Public finance risk

### Overview of Scope's assessments of Türkiye's Public Finance Risk

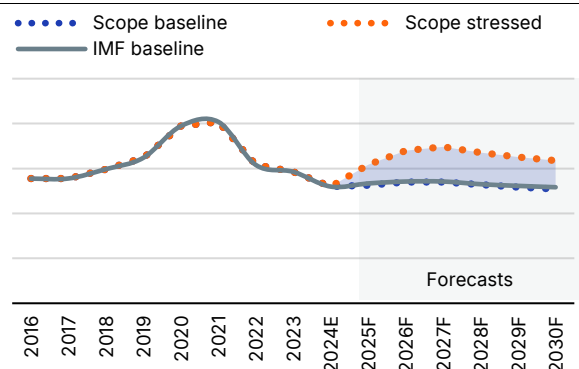
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a+	Fiscal policy framework	Neutral	0	Stronger fiscal discipline, tax reform; significant wage and pension revalorisation due to high inflation
	Long-term debt trajectory	Neutral	0	Moderate debt-to-GDP; trajectory exposed to lira depreciation and, to a lower extent, higher interest rates
	Debt profile and market access	Weak	- 1/3	Developed domestic capital markets; high although declining foreign-currency exposure in liabilities, higher financing costs

Figure 5: Contributions to change in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Figure 6: Debt-to-GDP forecasts, % of GDP



Source: IMF WEO, Scope Ratings forecasts

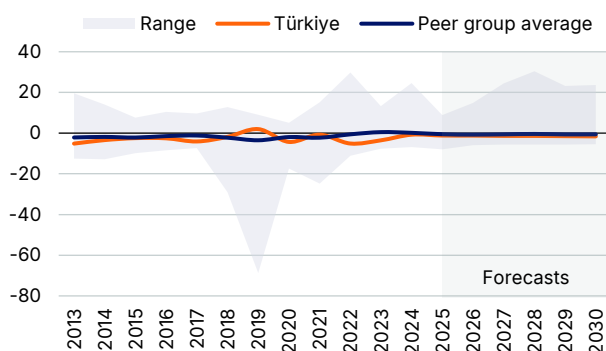
<sup>1</sup> Sovereign Quantitative Model

## External economic risk

### Overview of Scope's assessments of Türkiye's External Economic Risk

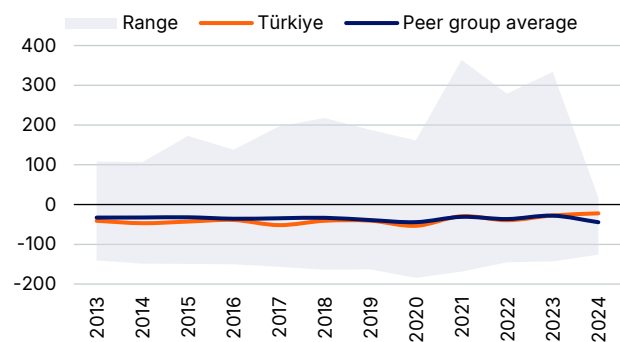
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb-	Current account resilience	Weak	- 1/3	Diversified exports and gradual decline in current-account deficits; high exposure to volatile energy and commodity import prices
	External debt structure	Weak	- 1/3	Lower external debt; highly negative net international investment position, substantial short-term liabilities
	Resilience to short-term external shocks	Weak	- 1/3	Low net foreign assets of the central-bank excluding foreign-currency swaps with commercial banks

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 8: Net international investment position (NIIP), % GDP



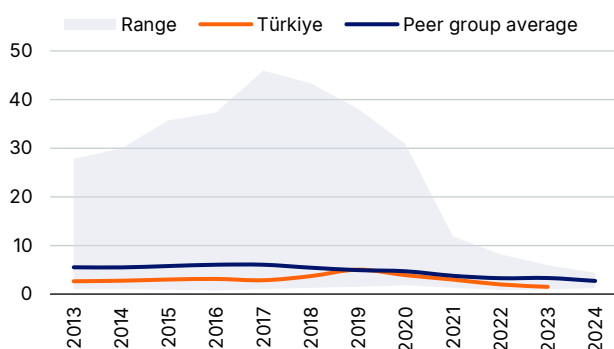
Source: IMF, Scope Ratings

## Financial stability risk

### Overview of Scope's assessments of Türkiye's Financial Stability Risk

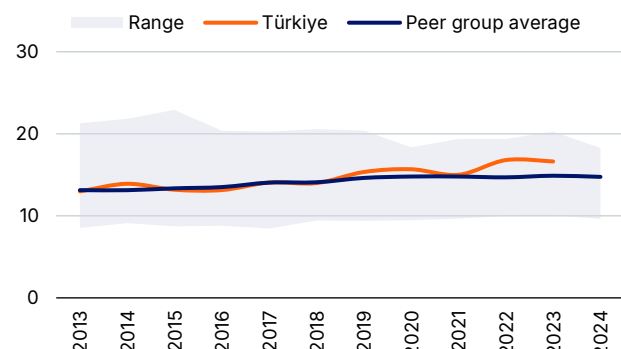
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	Resilient banking system, low NPLs; lira depreciation could weigh on capitalisation ratios given high dollarisation
	Financial sector oversight and governance	Weak	- 1/3	Simplification of macroprudential framework follows years of state-coerced banking system interventions
	Financial imbalances	Weak	- 1/3	Moderate private-sector debt, but pressure on net foreign currency liabilities of corporates, large sovereign-bank nexus

Figure 9: Non-performing loans (NPLs), % of total loans



Source: World Bank (WB), Scope Ratings

Figure 10: Tier 1 capital, % of risk-weighted assets



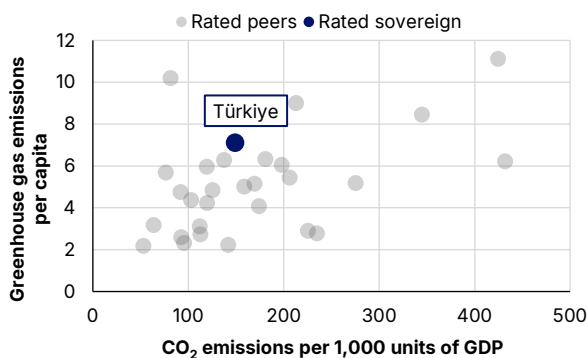
Source: IMF, Scope Ratings

## Environmental, Social and Governance (ESG) risk

### Overview of Scope's assessments of Türkiye's ESG Risk

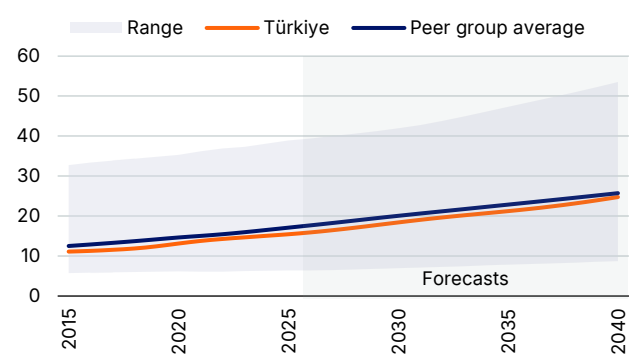
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
b+	Environmental factors	Weak	- 1/3	High economic reliance on fossil fuels; growing GHG emissions; progress in climate change preparedness; high natural disaster risks
	Social factors	Neutral	0	Relatively favourable demographics; high income inequality, progress in reducing poverty, improving educational outcomes
	Governance factors	Weak	- 1/3	Significant institutional challenges and high domestic political uncertainty; geopolitical tensions and high regional instability

Figure 11: CO<sub>2</sub> emissions per capita/GDP (2023), mtCO<sub>2</sub>e



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

## Reserve-currency adjustment

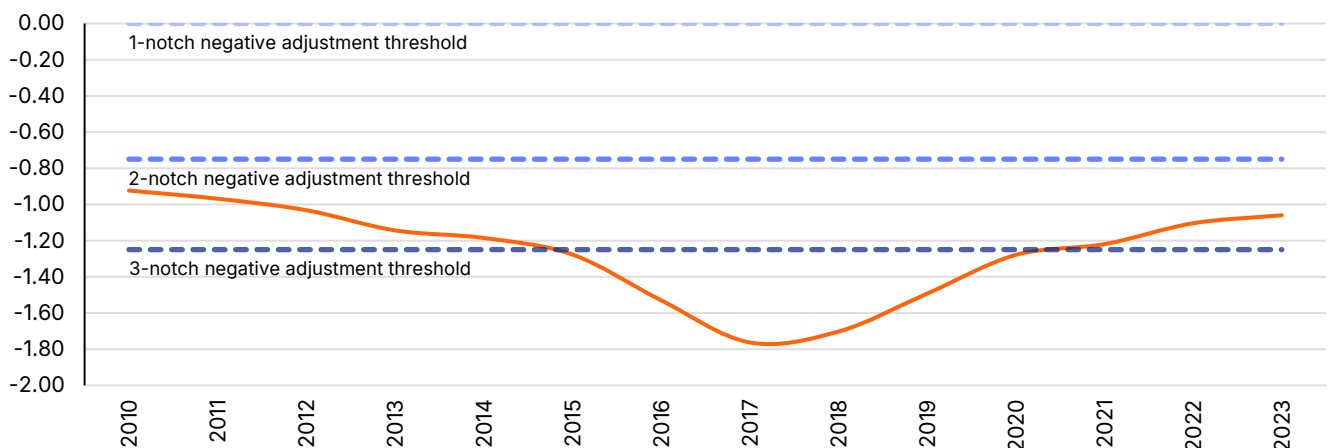
### IMF SDR basket and Scope reserve-currency adjustment

Currency	U.S. dollar	Euro	Chinese yuan	Japanese yen	Pound sterling	Other
IMF SDR basket weights, %	43.4	29.3	12.3	7.6	7.4	0.0
Positive adjustment, notches	3	1	1	1	1	0

Source: IMF, Scope Ratings

## Political-risk adjustment

Figure 13: WB Political Stability & Absence of Violence/Terrorism index, Türkiye, three-year moving average



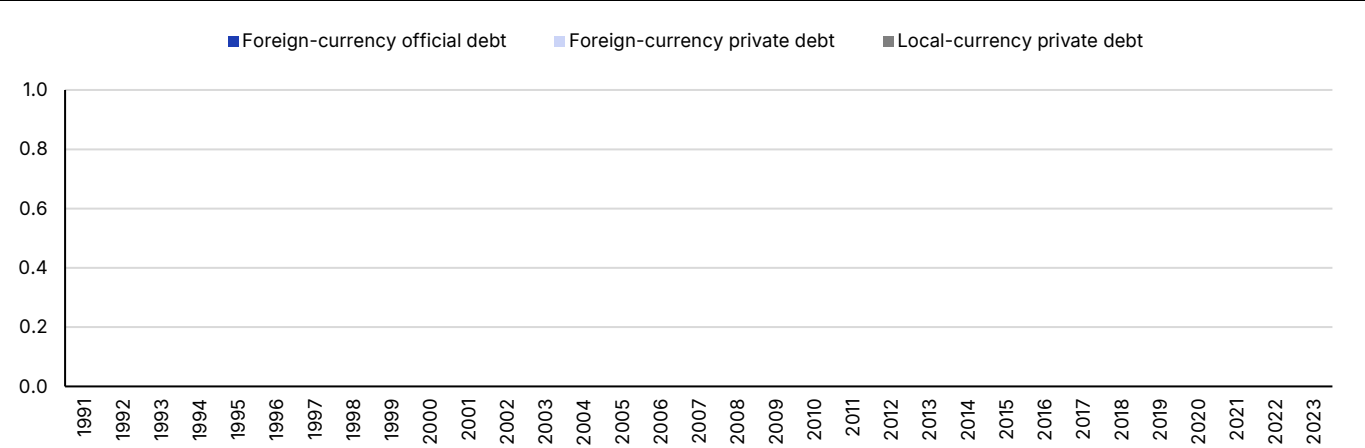
Source: WB, Scope Ratings

Additional considerations

No adjustment was applied to the rating from additional considerations.

Appendix 1. Sovereign default history

Sovereign default history, USD bn



Depicted private-debt defaults may not always constitute a credit event under [Scope's credit-rating definitions](#).  
Source: [Bank of Canada–Bank of England Sovereign Default Database](#), Scope Ratings.

Appendix 2. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

Peer group*
China
Greece
Serbia

\*Select publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.

Appendix 3. Economic development and default indicators

IMF Development Classification	Emerging market and developing economy
5-year USD CDS spread (bps) as of 27 May 2025	305.6

#### Appendix 4. Statistical table for selected SQM indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of five indicators) used in Scope's quantitative model, in line with Scope's Sovereign Rating Methodology. The metrics and sources for the data presented here ensure comparability across global country peers and may therefore differ from data from national and other select international statistical series.

Pillar	Core variable	Source	2019	2020	2021	2022	2023	2024
Domestic Economic	GDP per capita (PPP), Int\$ '000s	IMF	28.5	28.7	31.6	35.4	38.4	40.5
	Nominal GDP, USD bn	IMF	760	717	808	906	1,130	1,322
	Real growth, %	IMF	0.8	1.9	11.4	5.5	5.1	3.2
	CPI inflation, %	IMF	15.2	12.3	19.6	72.3	53.9	58.5
	Unemployment rate, %	WB / Turkstat	13.7	13.1	12.0	10.4	9.4	8.7
Public Finance	Public debt, % of GDP	IMF / Turkstat	32.4	39.4	40.4	30.8	29.3	24.7
	Net interest payment, % of government revenue	IMF	5.9	6.0	6.4	4.4	6.3	7.4
	Primary balance, % of GDP	IMF	-3.0	-2.9	-1.2	0.0	-3.6	-3.1
External Economic	Current-account balance, % of GDP	IMF	2.0	-4.3	-0.8	-5.1	-3.5	-0.8
	Total reserves, months of imports	WB	5.2	4.6	4.4	3.7	4.1	-
	NIIP, % of GDP	IMF	-40.6	-53.6	-29.4	-39.5	-27.5	-22.3
Financial Stability	NPL ratio, % of total loans	IMF	5.0	3.9	3.0	2.0	1.5	-
	Tier 1 ratio, % of risk-weighted assets	IMF	13.3	14.9	15.0	17.2	15.3	14.5
	Credit to the private sector, % of GDP	WB	65.5	75.2	72.3	54.5	49.6	-
ESG	CO <sub>2</sub> per EUR 1,000 of GDP, mtCO <sub>2</sub> e	EC	176.4	177.0	173.0	154.4	149.3	-
	Income share of bottom 50%, %	WID	16.2	15.4	15.9	15.1	14.1	-
	Labour-force participation rate, %	Turkstat	58.5	54.9	57.2	59.2	59.5	60.4
	Old-age dependency ratio, %	UN	12.4	13.1	13.8	14.3	14.7	15.1
	Composite governance indicators*	WB	-0.3	-0.4	-0.4	-0.5	-0.5	-
	Political stability, index	WB	-1.5	-1.3	-1.2	-1.1	-1.1	-

\*Average of the following five World Bank Worldwide Governance Indicators: Control of Corruption, Voice and Accountability, Rule of Law, Government Effectiveness, Regulatory Quality.

## Analyst

Thomas Gillet  
+49 30 278911-25  
[t.gillet@scoperatings.com](mailto:t.gillet@scoperatings.com)

## Associate Analyst

Elena Klare  
+49 69 6677389-21  
[e.klare@scoperatings.com](mailto:e.klare@scoperatings.com)

## Team Leader

Alvise Lennkh-Yunus  
+49 69 6677389-85  
[a.lennkh@scoperatings.com](mailto:a.lennkh@scoperatings.com)

## Related research

[Türkiye: political uncertainty clouds inflation outlook](#), March 2025

[Türkiye: tight monetary policy drives disinflation, eases external liquidity pressures](#), September 2024

## Applied methodology

[Sovereign Rating Methodology](#), January 2025

## Scope Ratings GmbH

Lennéstraße 5, D-10785 Berlin  
Phone: +49 30 27891-0  
Fax: +49 30 27891-100  
[info@scoperatings.com](mailto:info@scoperatings.com)

## Scope Ratings UK Limited

52 Grosvenor Gardens  
London SW1W 0AU  
Phone: +44 20 7824 5180  
[info@scoperatings.com](mailto:info@scoperatings.com)



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