

# Republic of Türkiye

## Rating Report

STABLE  
OUTLOOK

B-

### Credit strengths

- Moderate levels of public debt
- Resilient banking system
- Large and diversified economy
- Comparatively high potential growth

### Credit challenges

- Record of unorthodox policies, persistently very high inflation
- Elevated external-sector vulnerabilities
- Institutional challenges, elevated geopolitical risks and regional instability

### Rating rationale:

**Moderate levels of public debt:** General government debt is projected to slightly decline thanks to robust GDP growth rates offsetting sustained fiscal deficits. However, Türkiye's debt trajectory is exposed to the lira depreciation, high inflation and higher refinancing rates.

**Resilient banking system:** Local banks remain adequately capitalised and the non-performing loan ratio is low. Monetary policy tightening and the simplification of prudential regulations have improved the operating environment, strengthened resilience, and lowered external funding pressures.

**Large and diversified economy with comparatively high potential growth:** Türkiye's diversified economy has a solid medium-run growth potential, supported by its customs union with the European Union, diversified trading partners, and favourable demographic trends.

**Rating challenges include:** i) the sustained implementation of conventional monetary and economic policies supporting the economy's long-run sustainability as real policy rates remain deeply negative and inflation significantly above the central-bank's target; ii) high external-sector vulnerabilities, including current-account deficits, significant exposures to lira depreciation, periods of capital outflows and inadequate net international reserves; and iii) institutional challenges amid municipal elections in March 2024 and elevated geopolitical risks as well as regional instability.

### Türkiye's sovereign rating drivers

Risk pillars	Quantitative		Reserve currency*	Qualitative**	Final rating (foreign currency)	Final rating (local currency)	
	Weight	Indicative rating					Notches
Domestic Economic Risk	35%	bbb	TRY [+0]	-2/3	B-	B	
Public Finance Risk	20%	a+		-3/3			
External Economic Risk	10%	ccc		-3/3			
Financial Stability Risk	10%	aa+		-2/3			
ESG Risk	Environmental Factors	5%		b-			-1/3
	Social Factors	7.5%		a-			0
	Governance Factors	12.5%		c			-1/3
<b>Indicative outcome</b>	<b>bbb-</b>		<b>-3</b>				
<b>Additional considerations***</b>					<b>-3</b>	<b>-2</b>	

Note: \*The reserve-currency adjustment applies to currencies in the IMF's SDR basket. \*\*The qualitative-scorecard 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 Ratings' methodology'. \*\*\*For Türkiye, an extraordinary two-notch downside adjustment is applied across foreign- and local-currency long-term ratings to account for years of significant weaknesses in macro-financial management and high economic imbalances. A further one-notch downside adjustment is applied for foreign-currency issuer and senior unsecured long-term ratings to account for high balance of payment risks. Source: Scope Ratings

### Outlook and rating triggers

The Stable Outlook represents our view that risks to the ratings are balanced.

#### Positive rating-change drivers

- Current policy normalisation is continued in a consistent manner, enhancing durably the predictability and effectiveness of public policies
- External vulnerabilities are significantly reduced, due, for example, to a sustained rise in net international reserves

#### Negative rating-change drivers

- Unconventional policies threaten the rebalancing of the economy
- Macroeconomic stability is undermined by severe balance of payment pressures
- Severe domestic political pressure and/or an acute deterioration in security conditions and international relations

### Ratings and Outlook

#### Foreign currency

Long-term issuer rating	B-/Stable
Senior unsecured debt	B-/Stable
Short-term issuer rating	S-4/Stable

#### Local currency

Long-term issuer rating	B/Stable
Senior unsecured debt	B/Stable
Short-term issuer rating	S-4/Stable

### Lead Analyst

Thomas Gillet  
+33 186 261 874  
[t.gillet@scoperatings.com](mailto:t.gillet@scoperatings.com)

### Team Leader

Alvise Lennkh-Yunus  
+49 69 667738985  
[a.lennkh@scoperatings.com](mailto:a.lennkh@scoperatings.com)

### Scope Ratings GmbH

Neue Mainzer Straße 66-68  
60311 Frankfurt am Main

Phone +49 69 6677389-0

### Headquarters

Lennéstraße 5  
10785 Berlin

Phone +49 30 27891-0  
Fax +49 30 27891-100

[info@scoperatings.com](mailto:info@scoperatings.com)  
[www.scoperatings.com](http://www.scoperatings.com)



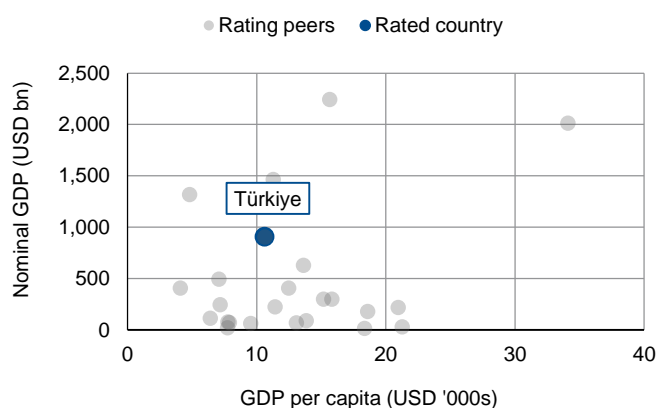
Bloomberg: RESP SCOP

### Domestic Economic Risk

Overview of Scope's qualitative assessments for Türkiye's *Domestic Economic Risk*

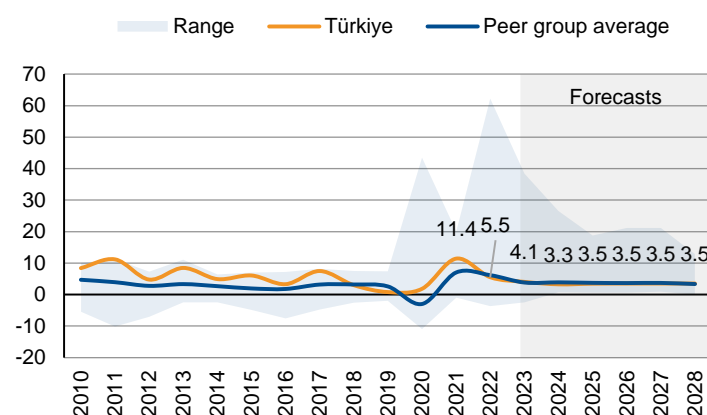
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb	Growth potential of the economy	Neutral	0	Robust growth potential, but constraints given large economic imbalances; record of unorthodox policies but recent policy pivot
	Monetary policy framework	Weak	-1/3	Monetary-policy undermined by frequent changes in central-bank governance; recent policy pivot has started to improve credibility, independence, and effectiveness of the central-bank
	Macro-economic stability and sustainability	Weak	-1/3	Large and diversified economy; however, significant macroeconomic imbalances including very high inflation and low labour-force participation

#### Nominal GDP and GDP per capita



Source: IMF, Scope Ratings

#### Real GDP growth, %



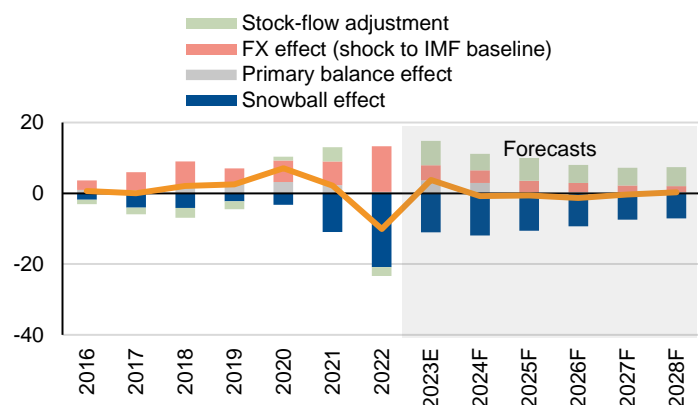
Source: IMF, Scope Ratings

### Public Finance Risk

Overview of Scope's qualitative assessments for Türkiye's *Public Finance Risk*

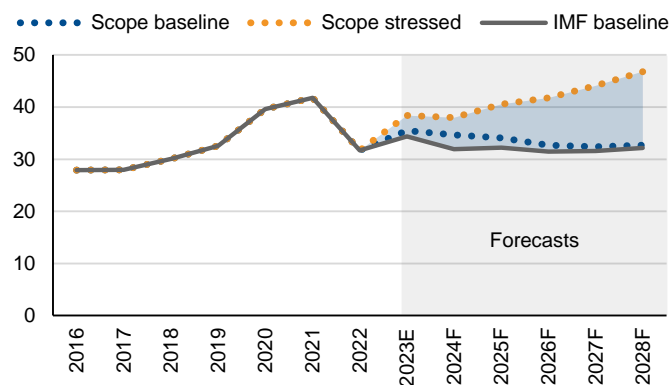
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a+	Fiscal policy framework	Weak	-1/3	Spillovers from previous unconventional policies; still broadly accommodative stance, including wage and pension revalorisation, and earthquake related spending
	Debt sustainability	Weak	-1/3	Moderate levels of public-debt but trajectory highly exposed to lira depreciation under adverse scenarios
	Debt profile and market access	Weak	-1/3	Developed domestic capital markets but elevated FX exposure in liabilities, higher financing costs

#### Contributions to changes in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

#### Debt-to-GDP forecasts, % of GDP



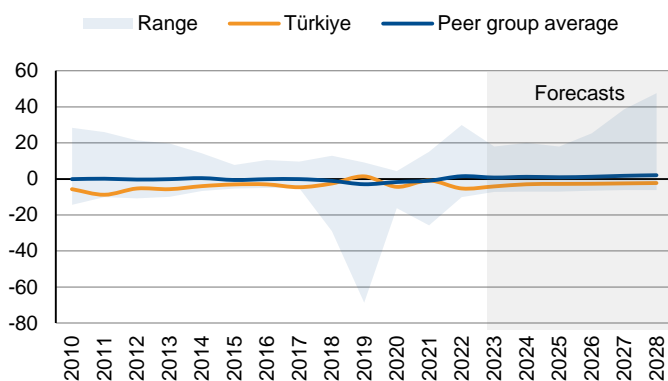
Source: IMF WEO, Scope Ratings forecasts

### External Economic Risk

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

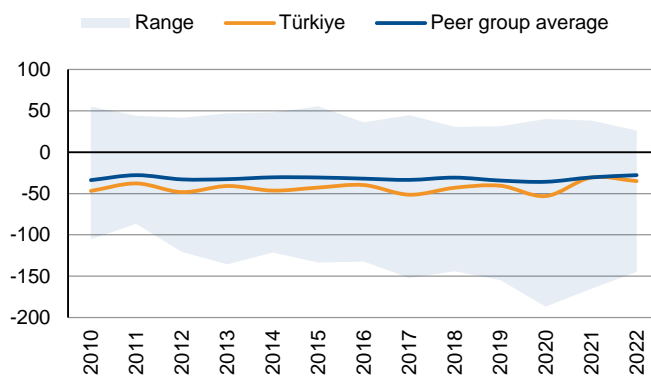
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
ccc	Current account resilience	Weak	-1/3	Diversified exports; however, high current-account deficits amid exposure to volatile energy and commodity import prices
	External debt structure	Weak	-1/3	Substantial short-term external debt; improving but highly negative net international investment position
	Resilience to short-term external shocks	Weak	-1/3	Inadequate reserve coverage; significant net foreign liabilities of the central-bank excluding foreign-currency swaps

#### Current account balance, % of GDP



Source: IMF WEO, Scope Ratings

#### Net international investment position, % of GDP



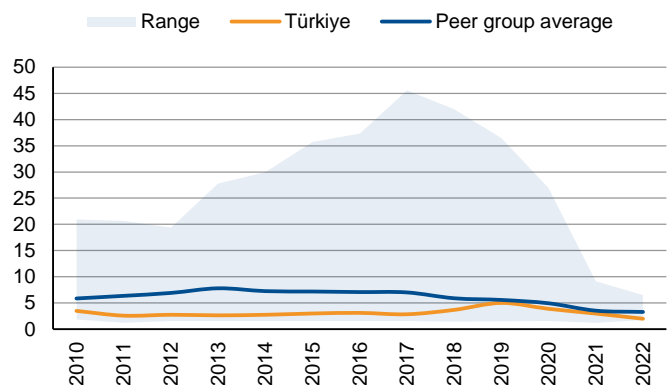
Source: IMF, Scope Ratings

### Financial Stability Risk

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

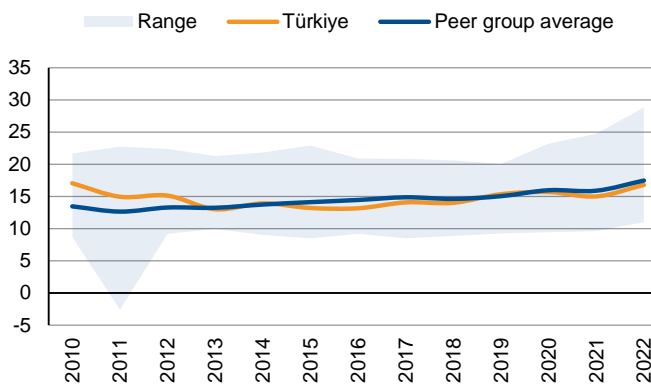
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa+	Banking sector performance	Neutral	0	Resilient banking system able to provide significant liquidity to the sovereign, low NPLs, but lira depreciation weakens capitalisation ratios
	Banking sector oversight	Weak	-1/3	Ongoing simplification of macroprudential framework follows years of state-coerced banking system interventions in exchange rate and in credit conditions
	Financial imbalances	Weak	-1/3	Moderate private-sector debt, but large sovereign-bank nexus, high FX exposure, significant (although declining) net FX liabilities of corporates

#### Non-performing loans, % of total loans



Source: IMF, Scope Ratings

#### Tier 1 capital, % of risk-weighted assets



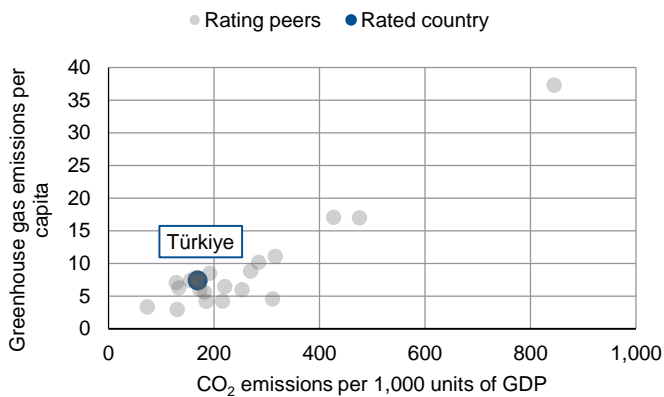
Source: IMF, Scope Ratings

### ESG Risk

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

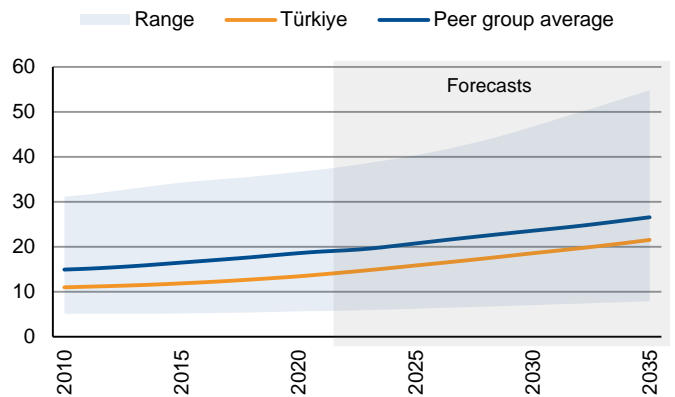
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
ccc	Environmental factors	Weak	-1/3	Significant exposure to a broad range of natural risks; high economic reliance on fossil fuels; weaker preparedness for climate change
	Social factors	Neutral	0	Relatively favourable demographics, high income inequality, progress in reducing poverty levels and improving educational outcomes
	Governance factors	Weak	-1/3	Significant institutional challenges amid municipal elections in March 2024; risks compounded by geopolitical tensions and regional instability

Emissions per GDP and per capita, mtCO<sub>2</sub>e



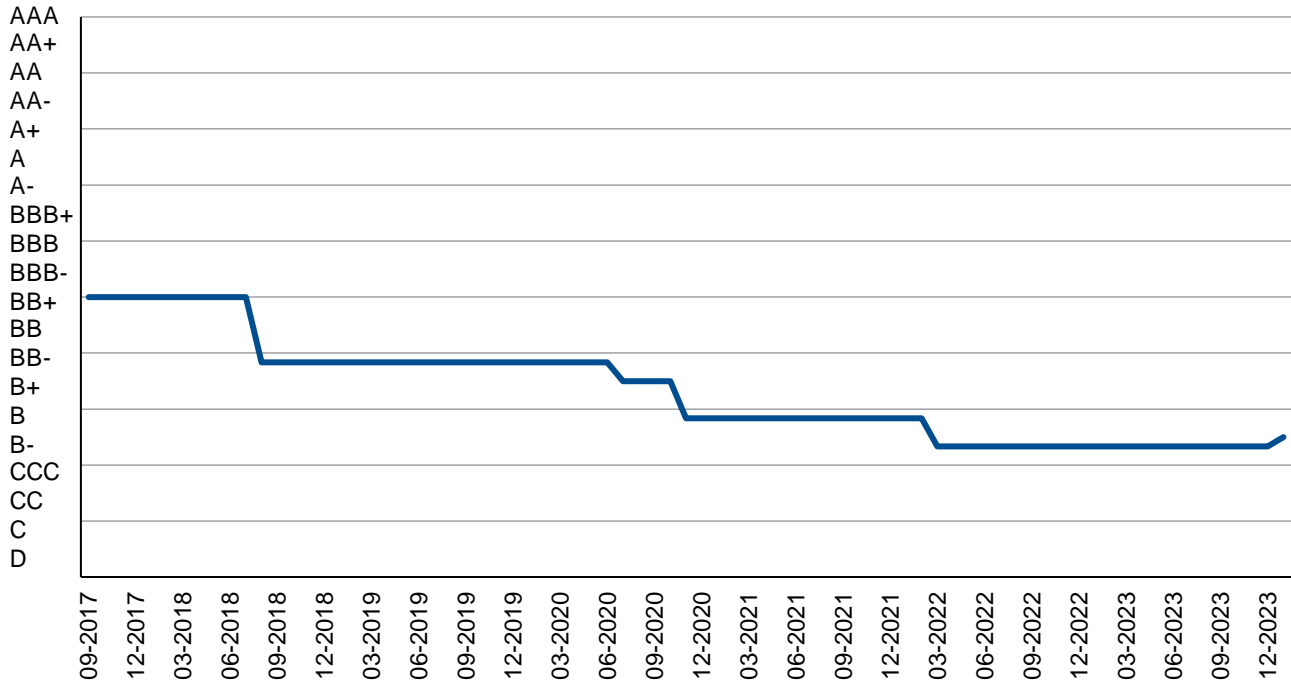
Source: European Commission, Scope Ratings

Old age dependency ratio, %



Source: United Nations, Scope Ratings

### Appendix I. Rating history (foreign-currency long-term ratings)



NB. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment.

### Appendix II. 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 core variable scorecard after accounting for a methodological reserve-currency adjustment.

Peer group*
China
Georgia
Greece
Hungary
Romania

\*Publicly rated sovereigns only; the full sample may be larger.

### Appendix III. Statistical table for selected CVS indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of six indicators) used in Scope's quantitative model, the core variable scorecard, 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	2018	2019	2020	2021	2022
Domestic Economic Risk	GDP per capita, USD '000s	IMF	9.5	9.1	8.6	9.7	10.6
	Nominal GDP, USD bn	IMF	780.2	760.5	720.2	818.3	905.8
	Real growth, %	IMF	3.0	0.8	1.9	11.4	5.5
	CPI inflation, %	IMF	16.3	15.2	12.3	19.6	72.3
	Unemployment rate, %	WB/TurkStat	10.9	13.7	13.1	12.0	10.0
Public Finance Risk	Public debt, % of GDP	IMF	30.0	32.6	39.6	41.8	31.7
	Net interest payment, % of revenue	IMF	4.9	6.1	6.7	6.1	4.8
	Primary balance, % of GDP	IMF	-2.3	-2.9	-3.2	-2.3	-0.4
External Economic Risk	Current account balance, % of GDP	IMF/TCMB	-2.6	1.4	-4.4	-0.9	-5.3
	Total reserves, months of imports	IMF/TCMB	4.2	5.2	4.6	4.4	3.7
	NIIP, % of GDP	IMF	-43.0	-40.5	-53.1	-30.6	-34.9
Financial Stability Risk	NPL ratio, % of total loans	IMF	3.7	5.0	3.9	3.0	2.0
	Tier 1 ratio, % of risk-weighted assets	IMF/BRSA	13.9	13.3	14.9	15.0	17.2
	Credit to private sector, % of GDP	WB	67.5	65.6	75.2	72.4	54.5
ESG Risk	CO <sub>2</sub> per USD 1,000 of GDP, mtCO <sub>2</sub> e	EC	185.2	177.2	173.9	169.2	-
	Income share of bottom 50%, %	WID	13.7	14.4	13.7	14.2	-
	Labour-force participation rate, %	WB/OECD	57.7	57.7	54.0	56.3	-
	Old-age dependency ratio, %	UN	12.7	13.0	13.4	13.8	14.3
	Composite governance indicators*	WB	-0.5	-0.5	-0.5	-0.5	-0.6

\* Average of the six World Bank Worldwide Governance Indicators.

### Appendix IV. Economic development and default indicators

IMF Development Classification

Emerging market and developing economy

5y USD CDS spread (bps) as of 11 January 2024

304



## Scope Ratings GmbH

### Headquarters Berlin

Lennéstraße 5  
D-10785 Berlin

Phone +49 30 27891 0

### Oslo

Karenslyst allé 53  
N-0279 Oslo

Phone +47 21 62 31 42

### Frankfurt am Main

Neue Mainzer Straße 66-68  
D-60311 Frankfurt am Main

Phone +49 69 66 77 389 0

### Madrid

Paseo de la Castellana 141  
E-28046 Madrid

Phone +34 91 572 67 11

### Paris

10 avenue de Messine  
F-75008 Paris

Phone +33 6 62 89 35 12

### Milan

Via Nino Bixio, 31  
20129 Milano MI

Phone +39 02 30 31 58 14

## Scope Ratings UK Limited

### London

52 Grosvenor Gardens  
London SW1W 0AU

Phone +44 20 7824 5180

[info@scoperatings.com](mailto:info@scoperatings.com)  
[www.scoperatings.com](http://www.scoperatings.com)

## Disclaimer

© 2024 Scope SE & Co. KGaA and all its subsidiaries including Scope Ratings GmbH, Scope Ratings UK Limited, Scope Fund Analysis GmbH, and Scope ESG Analysis GmbH (collectively, Scope). All rights reserved. The information and data supporting Scope's ratings, rating reports, rating opinions and related research and credit opinions originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data. Scope's ratings, rating reports, rating opinions, or related research and credit opinions are provided 'as is' without any representation or warranty of any kind. In no circumstance shall Scope or its directors, officers, employees and other representatives be liable to any party for any direct, indirect, incidental or other damages, expenses of any kind, or losses arising from any use of Scope's ratings, rating reports, rating opinions, related research or credit opinions. Ratings and other related credit opinions issued by Scope are, and have to be viewed by any party as, opinions on relative credit risk and not a statement of fact or recommendation to purchase, hold or sell securities. Past performance does not necessarily predict future results. Any report issued by Scope is not a prospectus or similar document related to a debt security or issuing entity. Scope issues credit ratings and related research and opinions with the understanding and expectation that parties using them will assess independently the suitability of each security for investment or transaction purposes. Scope's credit ratings address relative credit risk, they do not address other risks such as market, liquidity, legal, or volatility. The information and data included herein is protected by copyright and other laws. To reproduce, transmit, transfer, disseminate, translate, resell, or store for subsequent use for any such purpose the information and data contained herein, contact Scope Ratings GmbH at Lennéstraße 5 D-10785 Berlin.