

Sovereign and Public Sector

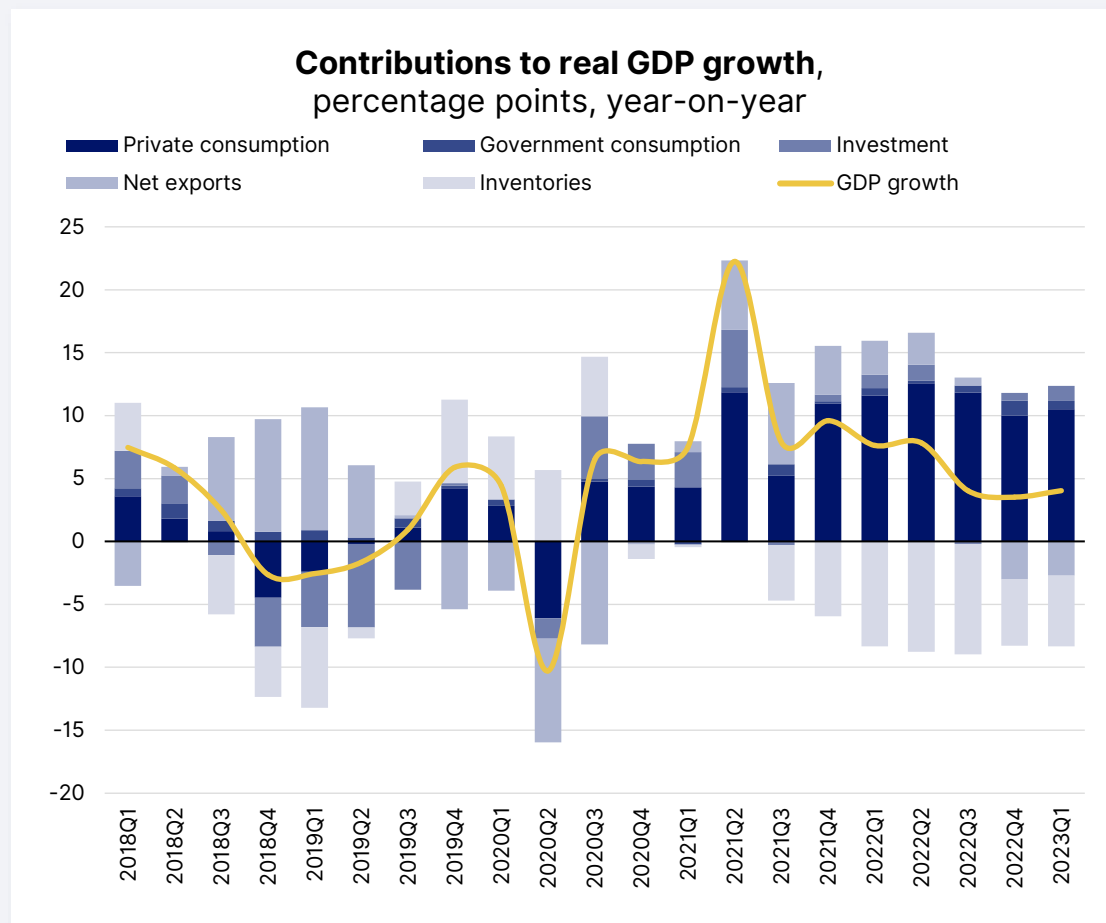
Türkiye's policy mix
post elections:

What is at stake for
the credit ratings?

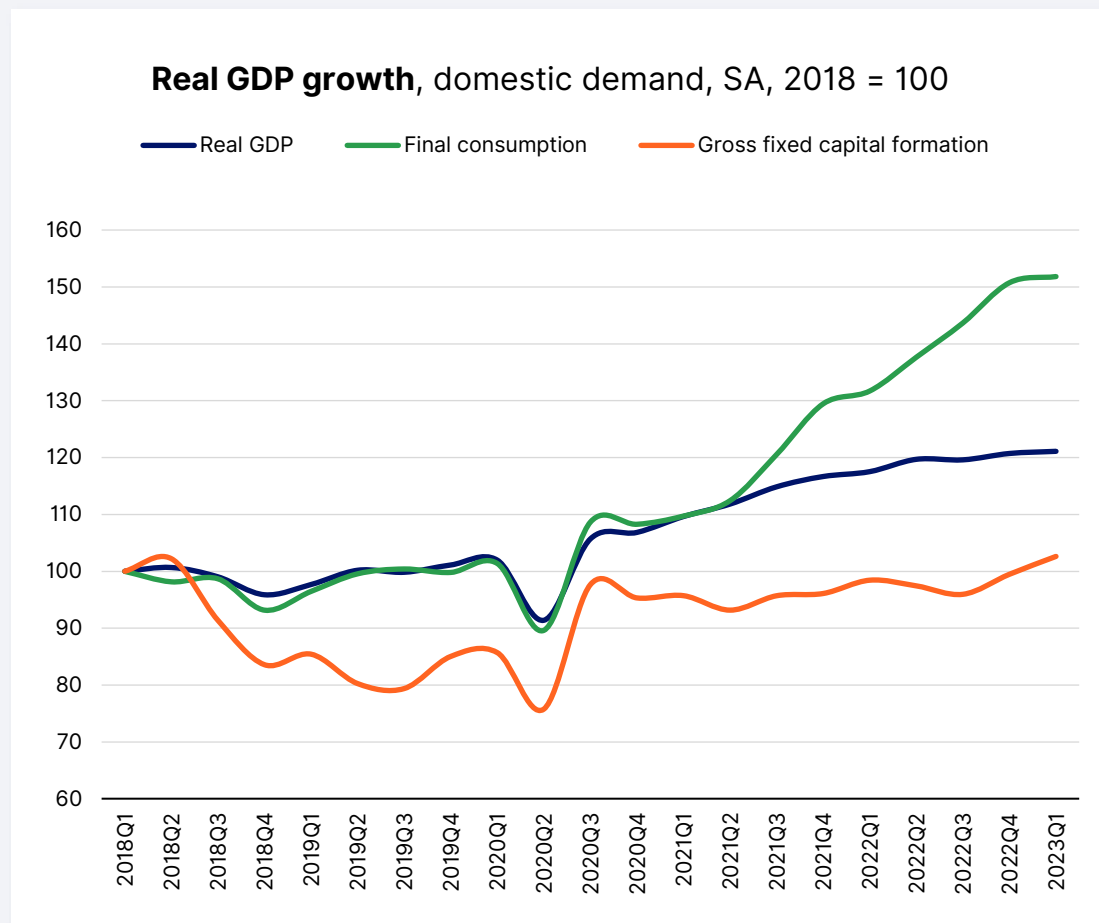


Unsustainable growth model calls for a shift in the policy mix

Credit and fiscal stimulus boosted domestic demand ahead of last month's legislative and presidential elections



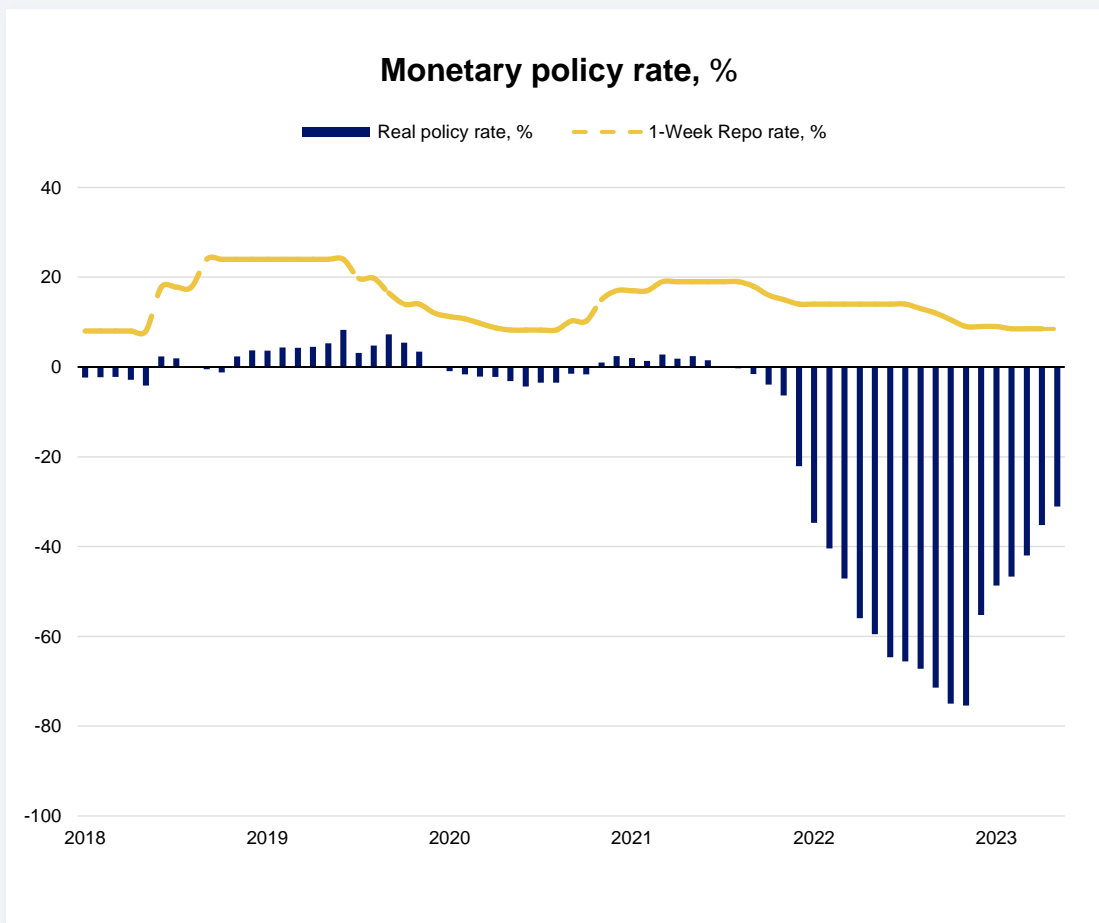
Source: Macrobond, Scope Ratings



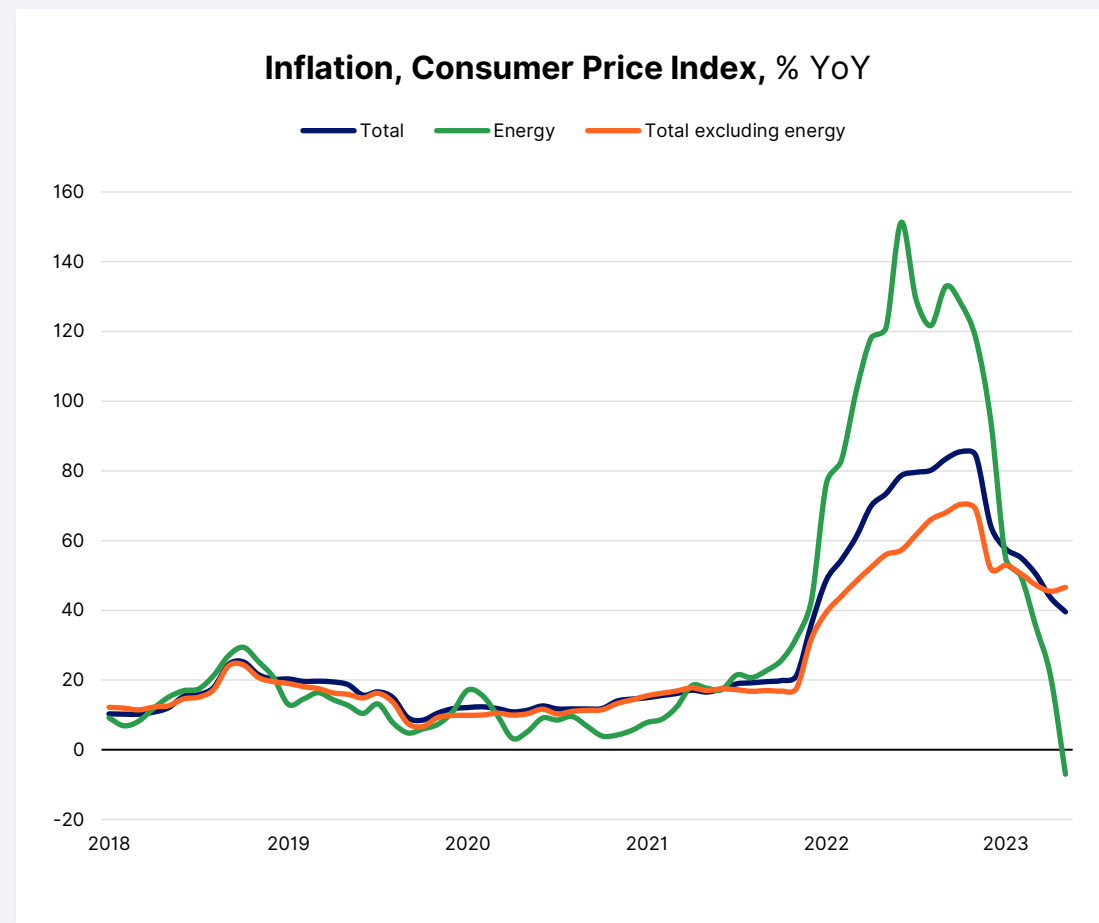
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Structurally loose monetary policy, unorthodox policies expected in the long run

Only short-run pivot is foreseen post elections as inflation temporarily recedes amid lower energy prices, economic slowdown



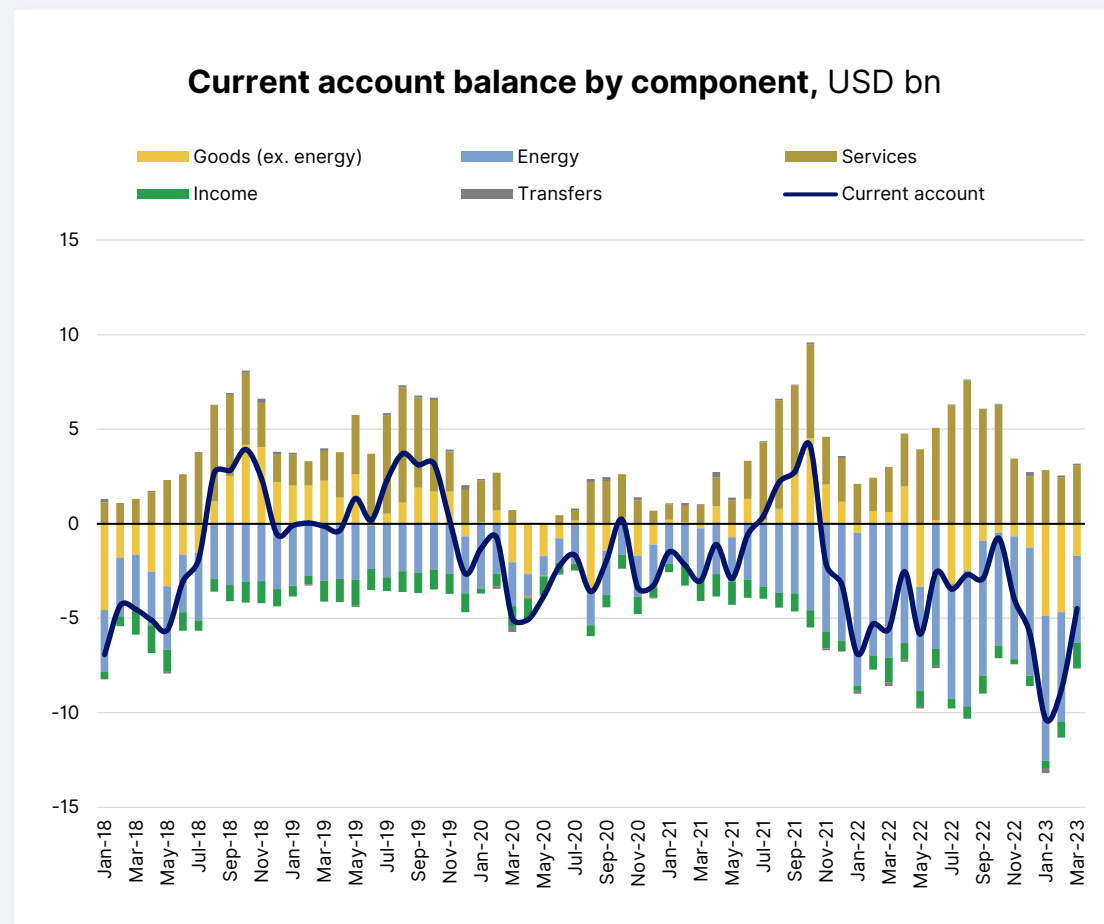
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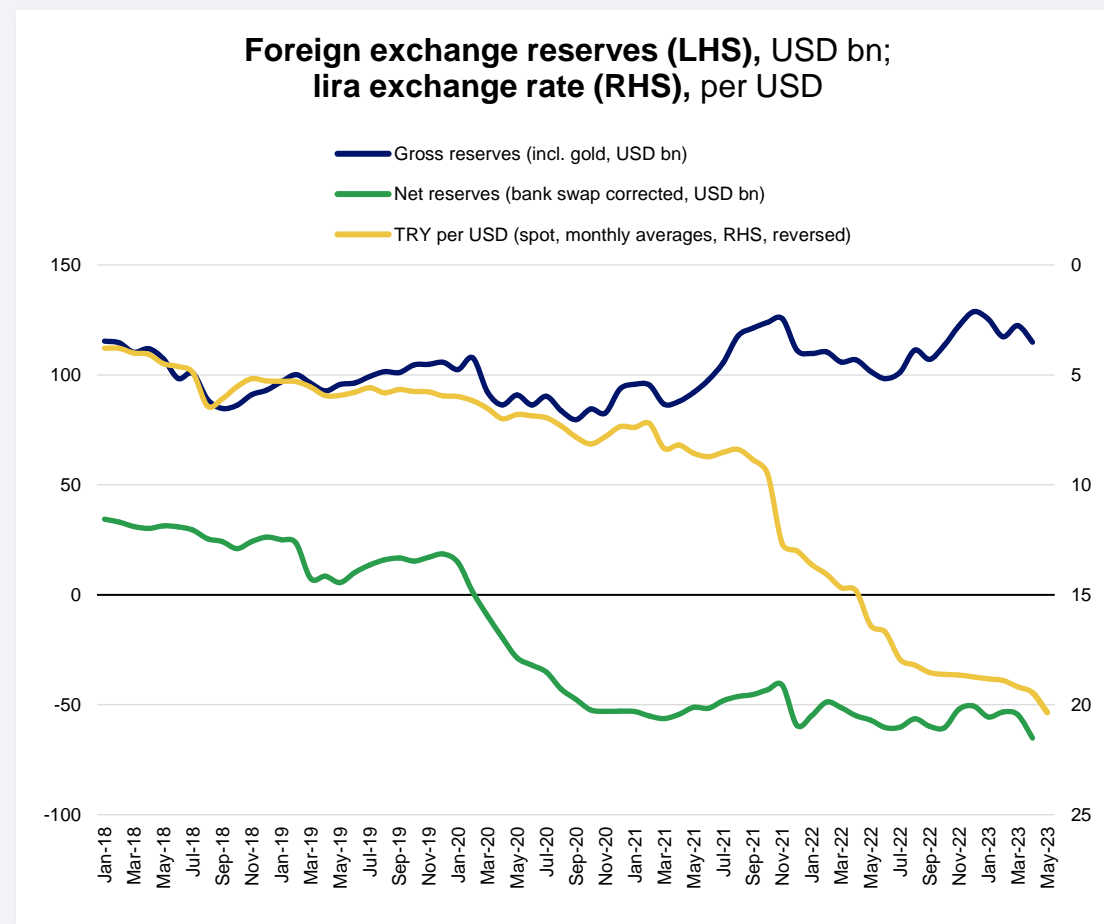
Source: Macrobond, Scope Ratings

External tensions will remain acute post elections

Capital controls, external bilateral support are central to containing the erosion in net foreign-exchange reserves



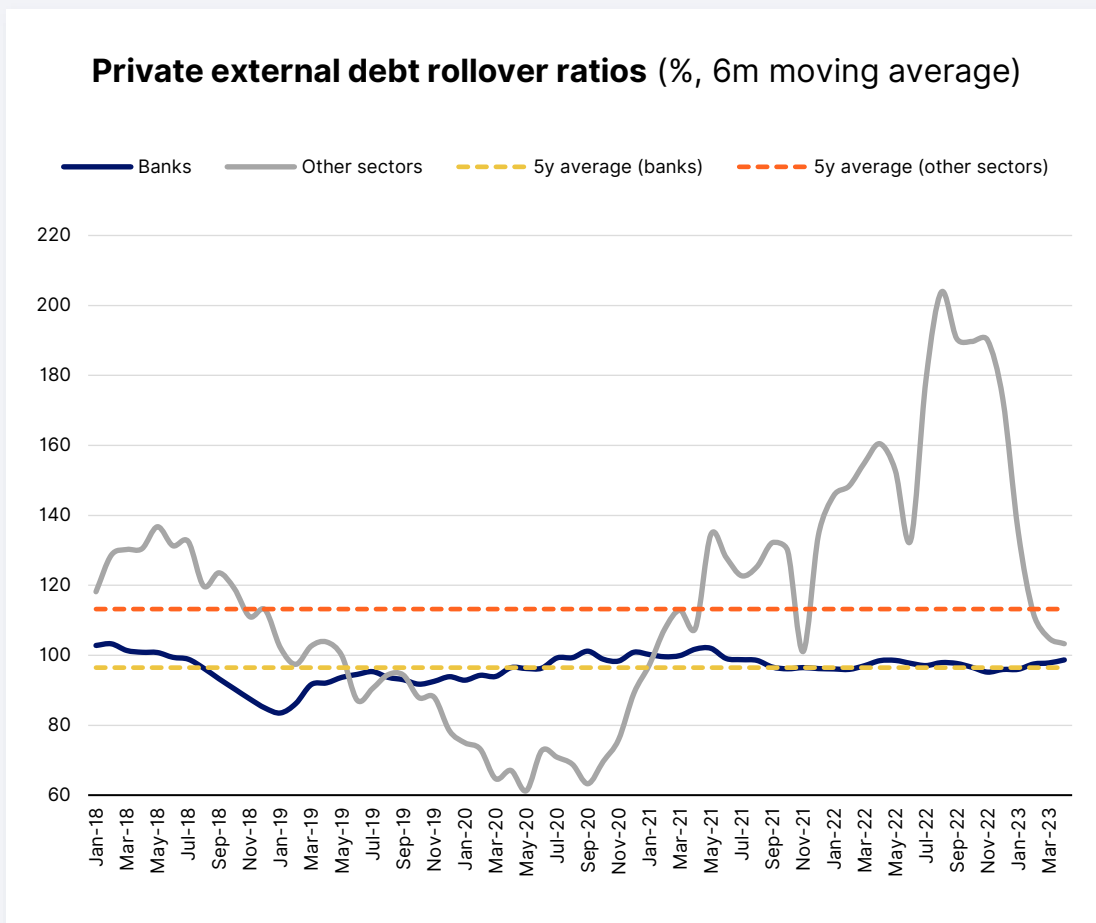
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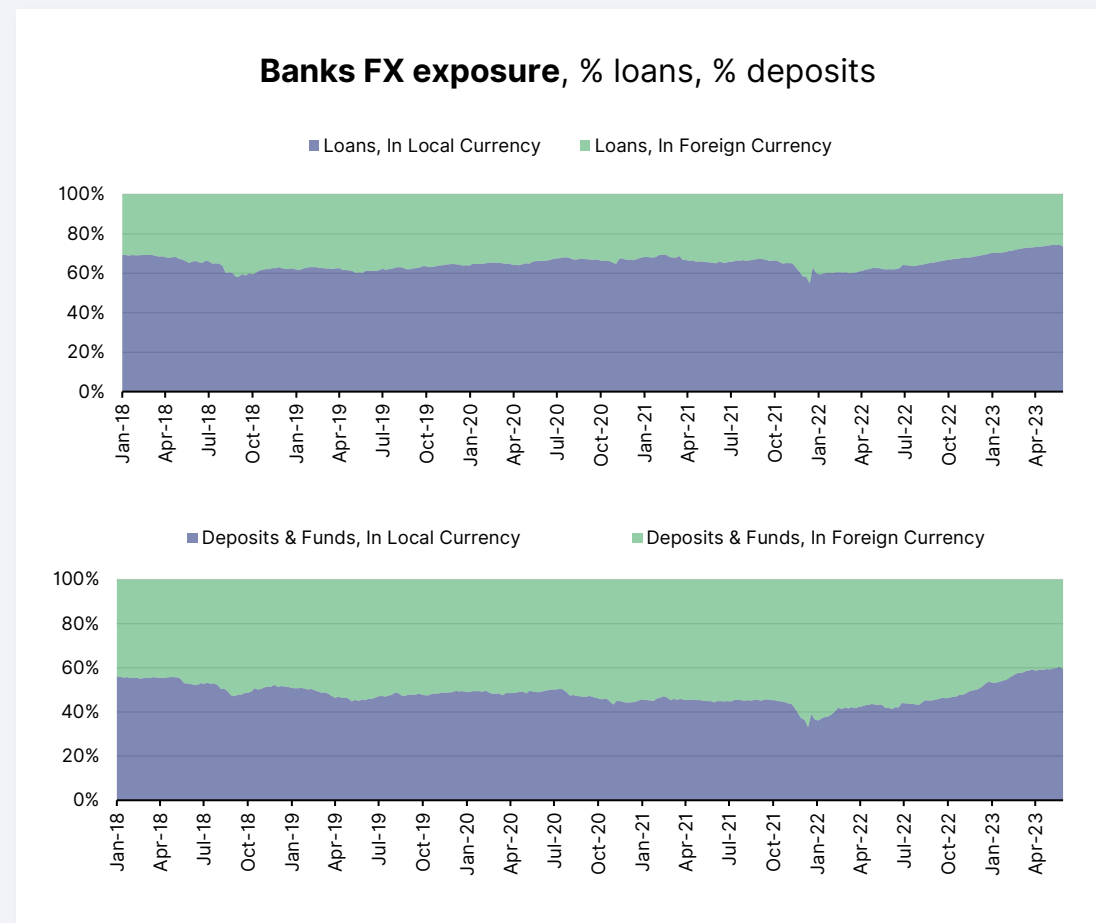
Source: Macrobond, Scope Ratings

Short-run policy pivot requires balancing act to mitigate risks for financial stability

A sharp policy rate hike, further lira depreciation might exert downside pressures on corporate and bank balance sheets



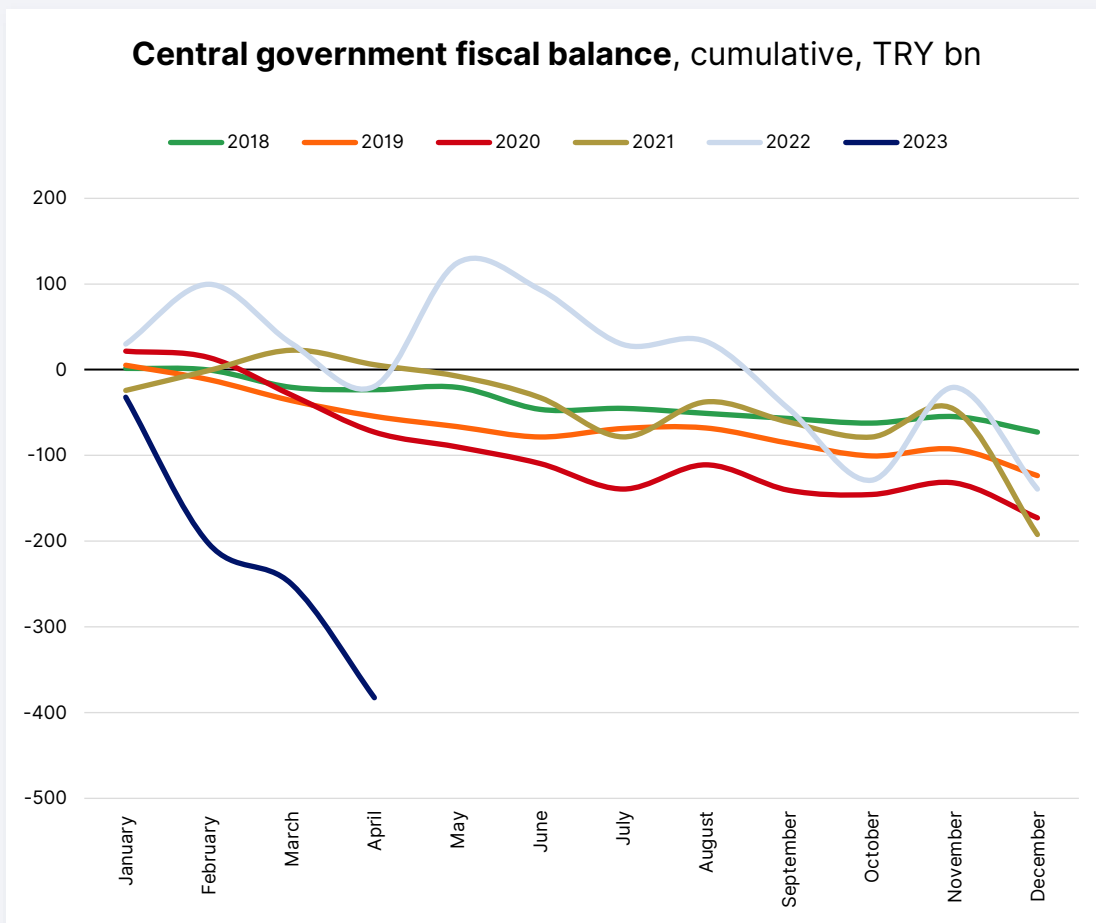
Source: Macrobond, Scope Ratings



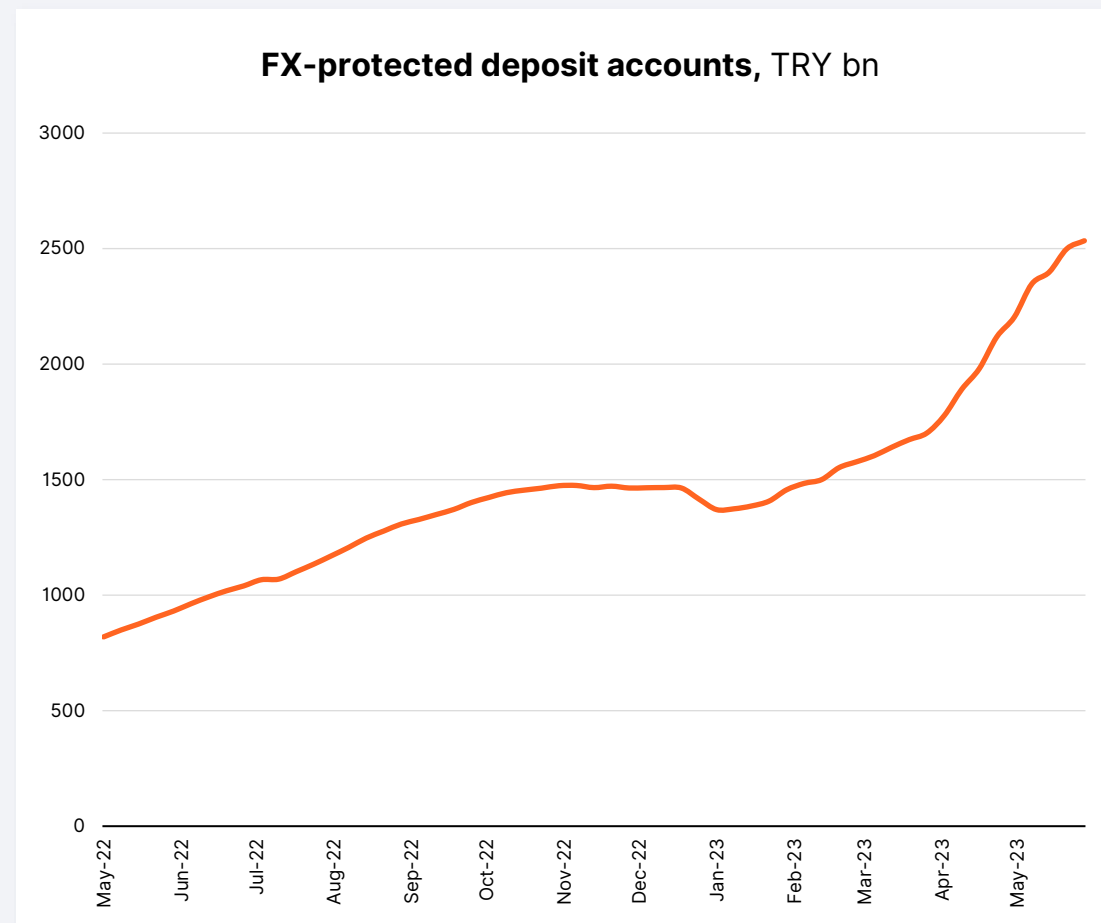
Source: Macrobond, Scope Ratings

Unsustainable policy mix clouds the near-term fiscal outlook

Fiscal stimulus pre-elections, contingent liabilities linked to unconventional policy pressure public finances



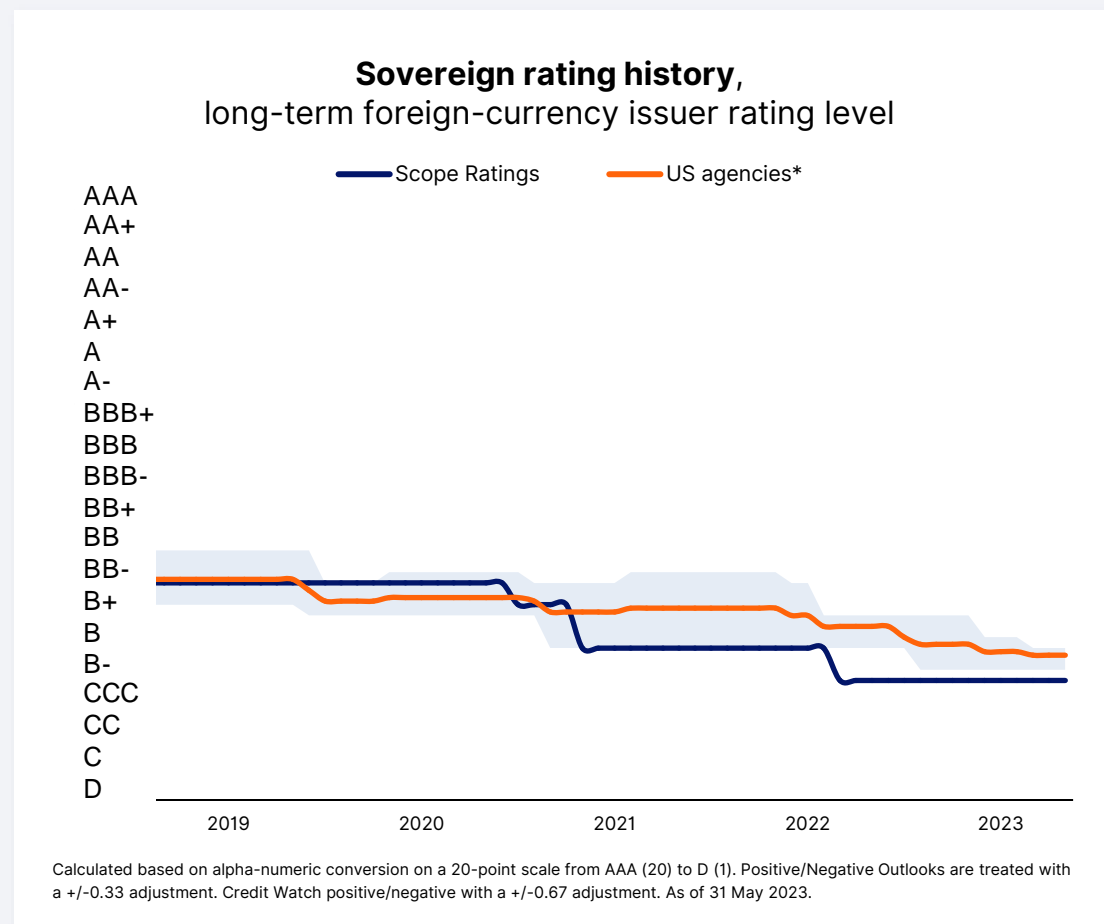
Source: Macrobond, Scope Ratings



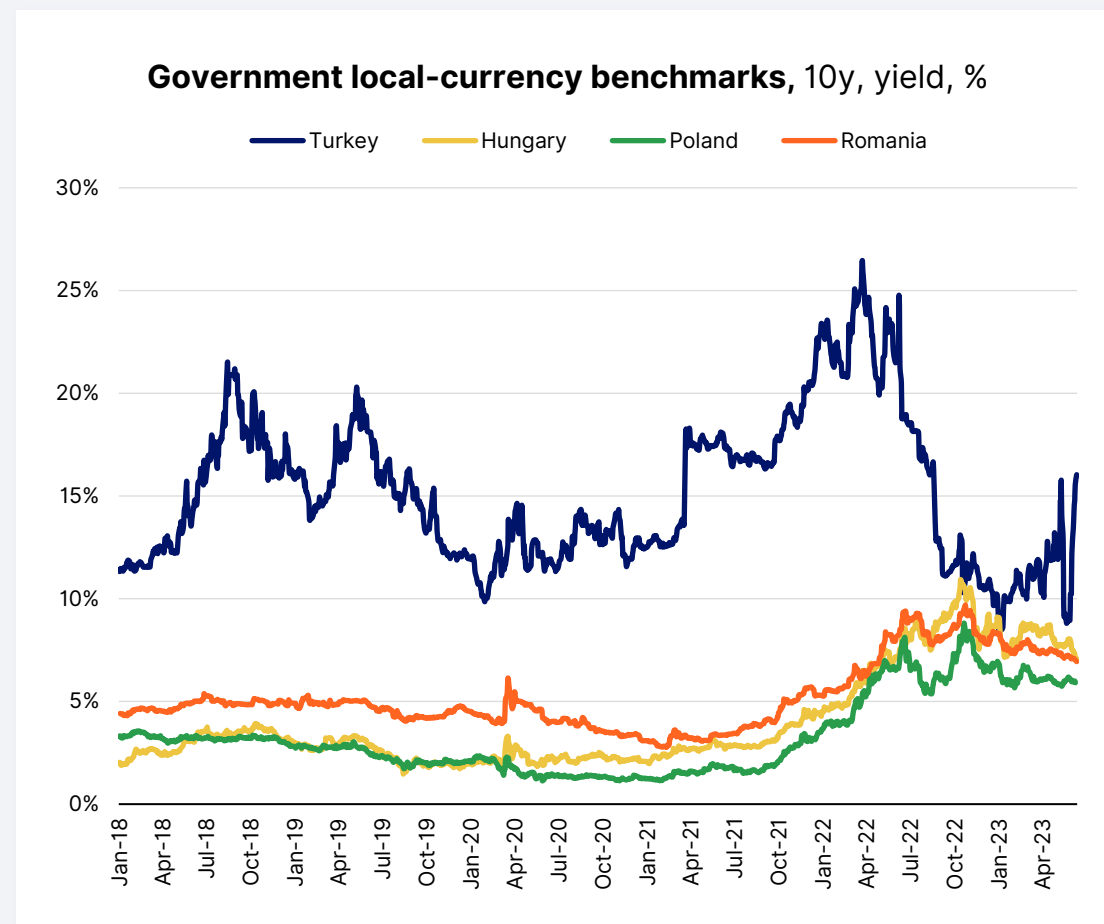
Source: Macrobond, Scope Ratings

Credit ratings still exposed to downside risks after the elections

Unorthodox policies expected long-term, challenging economic backdrop constrain foreign-currency ratings (B-/Negative Outlook)



Source: Macrobond, Scope Ratings, *Average of S&P, Moody's, Fitch



Source: Macrobond, Scope Ratings

Additional resources

To read more from Scope Ratings on Türkiye:

- 30 May 2023 – [Erdoğan's re-election limits prospects for tackling economic challenges, unorthodox policies](#)
- 16 May 2023 – [Close election outcome worsens long-running uncertainty over economic policy](#)
- 20 April 2023 – [Policy reversal in Turkey, consolidation in Egypt crucial for coping with large external deficits](#)
- 24 January 2023 – [Early election points to growing risk of future disruptive economic adjustment](#)



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