

Republic of Türkiye

Rating report

Rating rationale

Effective monetary policy stance, prospects for a contractionary fiscal policy, and a moderate economic slowdown support a sustainable disinflation process. The Central Bank of the Republic of Türkiye (CBRT) has pursued a restrictive monetary policy, driving a steady decline in inflation below 50% and enabling the real policy rate to return into positive territory for the first time since 2021. Consumer inflation expectations trending down, given improved monetary policy transmission, tighter fiscal stance, with primary balance projected in 2026, and moderate economic slowdown raise confidence in the continued disinflation process.

Sounder economic and financial management should drive gradual economic rebalancing, easing pressure on the balance of payments and reducing financial stability risks. The narrowing of current account deficits thanks to the restrictive policy mix and the steady decline in gross external debt are expected to drive a reduction in external gross financing needs. Moreover, effective monetary policy, disinflation and removal of Türkiye from the FAFT grey list are expected to support foreign capital inflows, raising confidence in the sustained replenishment of external liquidity buffers. Finally, the restrictive monetary policy and the strengthening of macroprudential policies reduce reliance on foreign capital inflows.

Rating challenges: i) high inflation relative to the central-bank's target and rating peers, underscoring continued risks on the ongoing disinflation process and gradual economic rebalancing; ii) external-sector vulnerabilities, reflected in still large gross financing needs, limiting resilience against external headwinds; 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%	ccc			-3/3		
Financial stability risk	10%	aaa			-2/3		
ESG risk	Environmental factors	5%			bb+		[+0]
	Social factors	7.5%	a-	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. ***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. Source: Scope Ratings

Foreign currency

Long-term issuer rating

BB-/Stable

Senior unsecured debt

BB-/Stable

Short-term issuer rating

S-3/Stable

Local currency

Long-term issuer rating

BB-/Stable

Senior unsecured debt

BB-/Stable

Short-term issuer rating

S-3/Stable

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Credit strengths and challenges

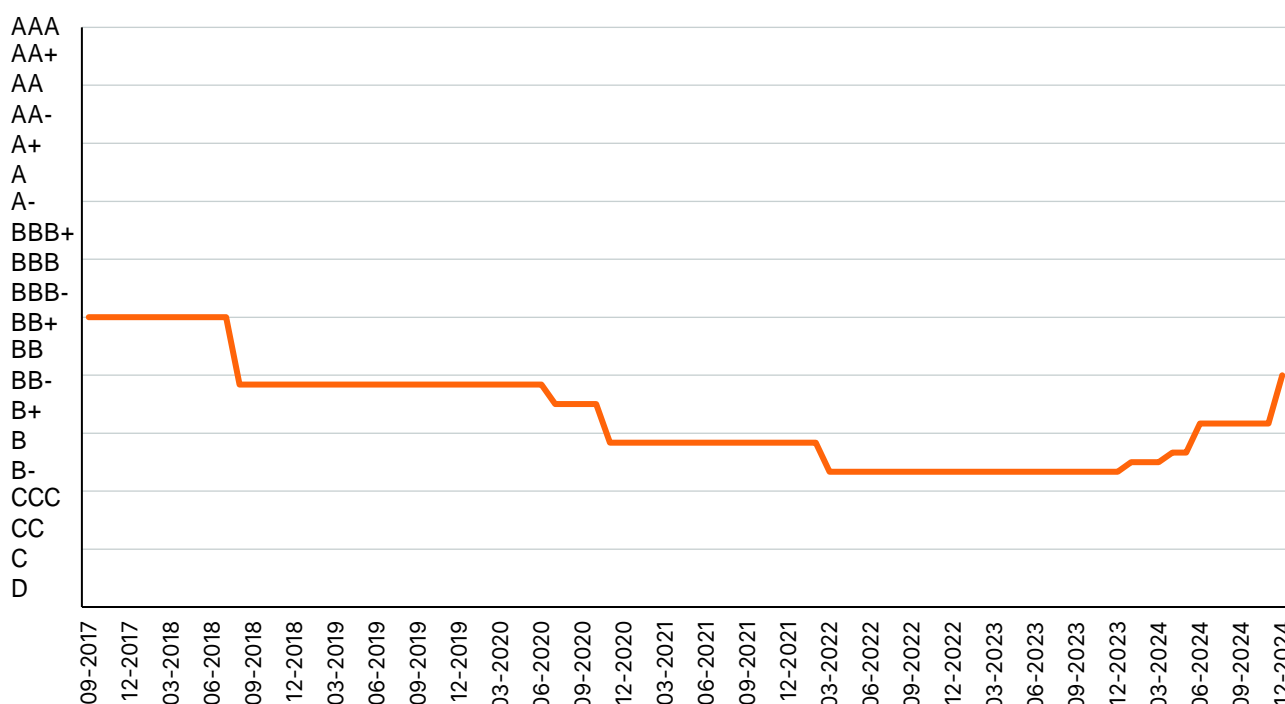
Credit strengths	Credit challenges
<ul style="list-style-type: none"> • Comparatively high potential growth • Large and diversified economy • Declining government debt-to-GDP • Resilient banking system 	<ul style="list-style-type: none"> • Record of unorthodox policies, high inflation • Elevated external-sector vulnerabilities, exposure to shocks • Institutional challenges, high geopolitical risks, regional instability

Outlook and rating triggers

The Stable Outlook reflects Scope’s view that risks to the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Sharp economic slowdown or an external shock, threatening disinflation • 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 history¹



Source: Scope Ratings

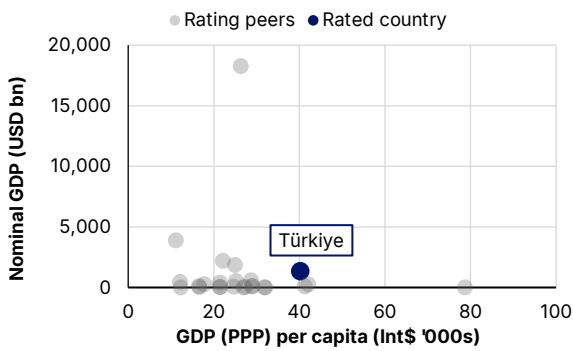
¹ Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment

Domestic economic risk

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

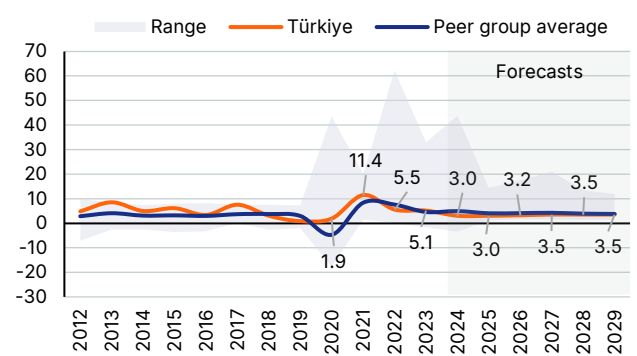
SQM* indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a	Growth potential and outlook	Neutral	0	Robust growth potential; economic momentum slowing down amid more restrictive policy mix stance
	Monetary policy framework	Neutral	0	Record of unconventional policy; track record of effective monetary tightening, inflation targeting
	Macroeconomic stability and sustainability	Weak	-1/3	Large and diversified economy; gradual reduction of large macroeconomic imbalances following last year policy pivot

Figure 3: Nominal GDP and GDP per capita



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

Figure 4: Real GDP growth, %



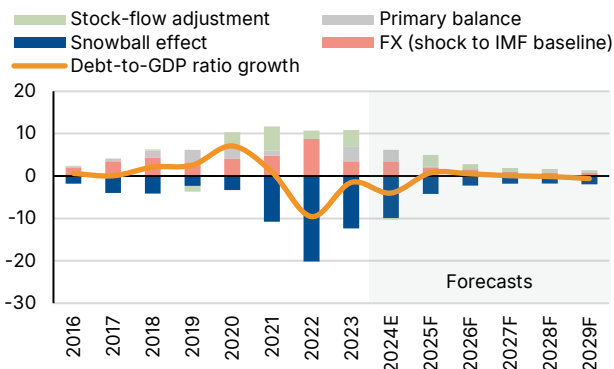
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

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

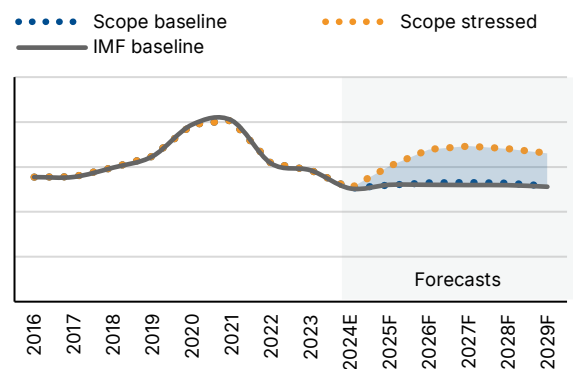
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a+	Fiscal policy framework	Neutral	0	Stronger fiscal discipline, tax reform; significant wage and pension revalorisation due to high inflation
	Long-term debt trajectory	Neutral	0	Declining debt-to-GDP; trajectory exposed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

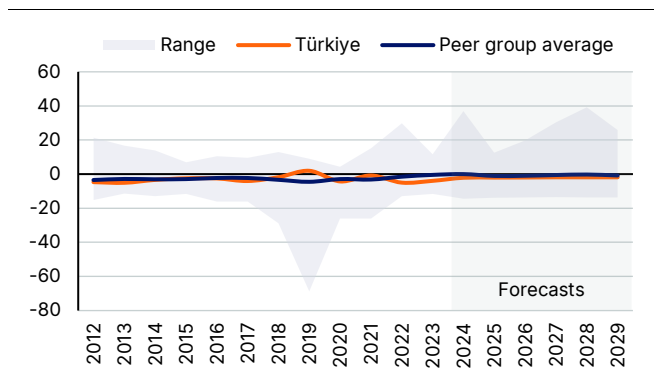
*Sovereign Quantitative Model

External economic risk

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

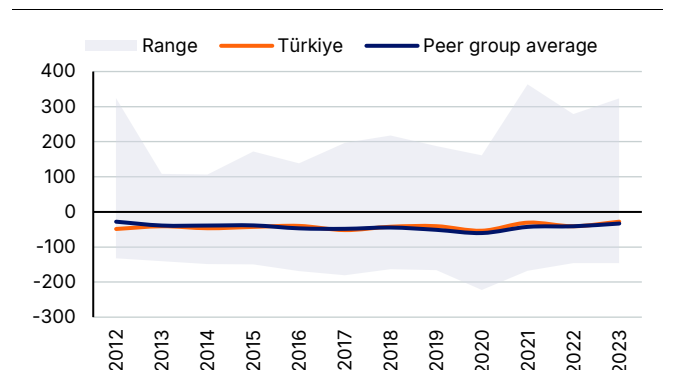
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
CCC	Current account resilience	Weak	-1/3	Diversified exports; gradual decline in current-account deficits amid exposure to volatile energy and commodity import prices
	External debt structure	Weak	-1/3	Lower external debt; highly negative net international investment position, substantial short-term liabilities
	Resilience to short-term external shocks	Weak	-1/3	Low but improving net foreign liabilities 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



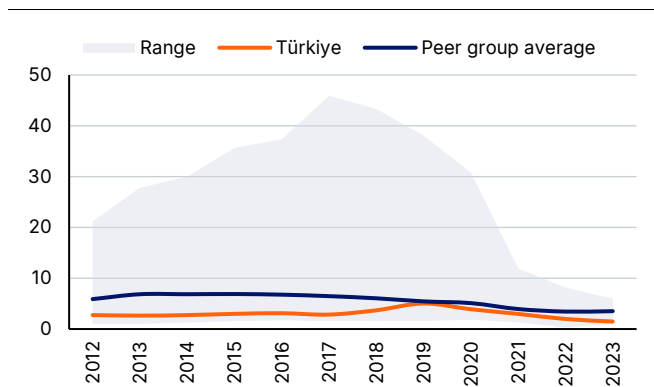
Source: IMF, Scope Ratings

Financial stability risk

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

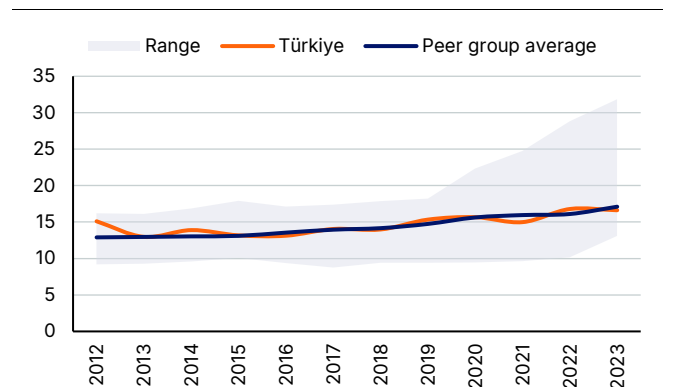
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	Resilient banking system, low NPLs; lira depreciation weakens capitalisation ratios
	Financial sector oversight and governance	Weak	-1/3	Simplification of macroprudential framework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



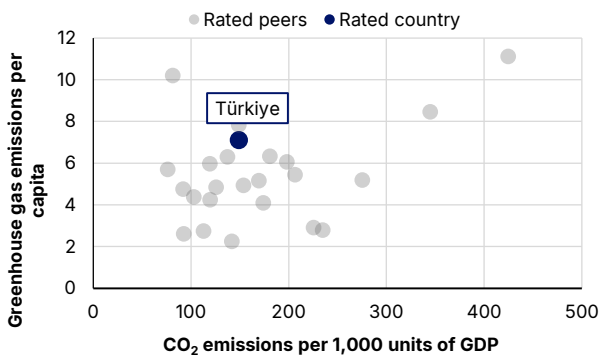
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

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

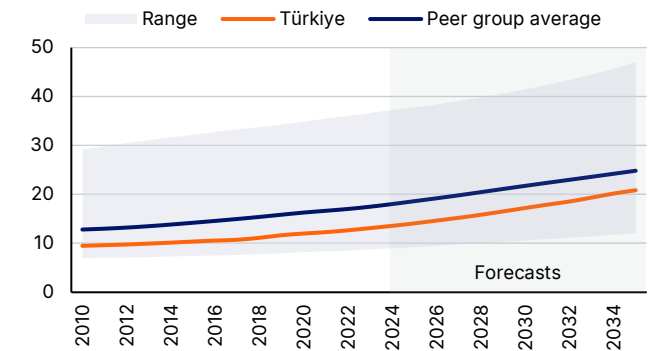
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
b+	Environmental factors	Weak	-1/3	High economic reliance on fossil fuels; progress in climate change preparedness, earthquake rebuilding but high natural disaster risks
	Social factors	Neutral	0	Relatively favourable demographics;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

Figure 11: CO₂ emissions per GDP, mtCO₂e



Source: European Commission (EC), Scope Ratings

Figure 12: Old age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

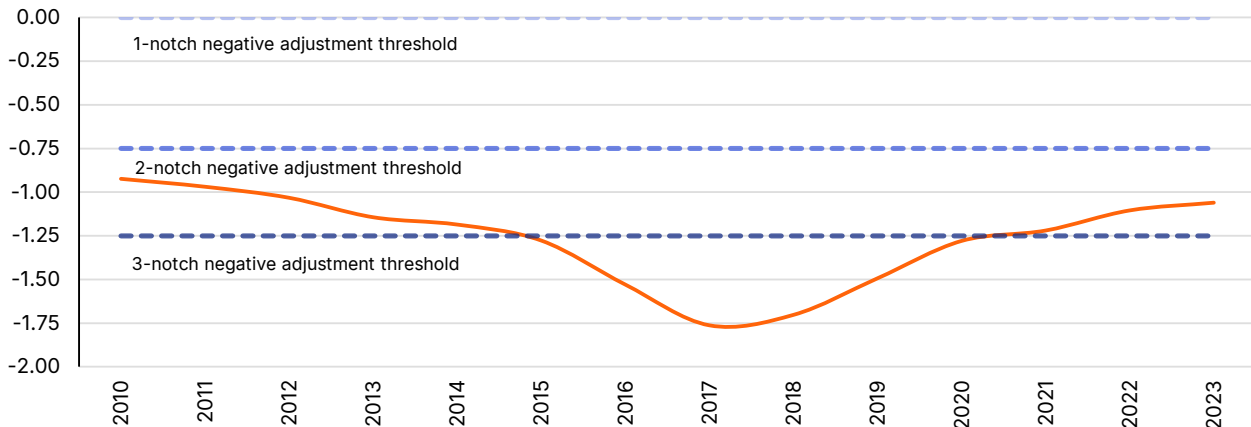
Figure 13: IMF SDR basket and Scope reserve-currency adjustment

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 14: WB Political Stability & Absence of Violence/Terrorism index, Türkiye, 3-year moving average



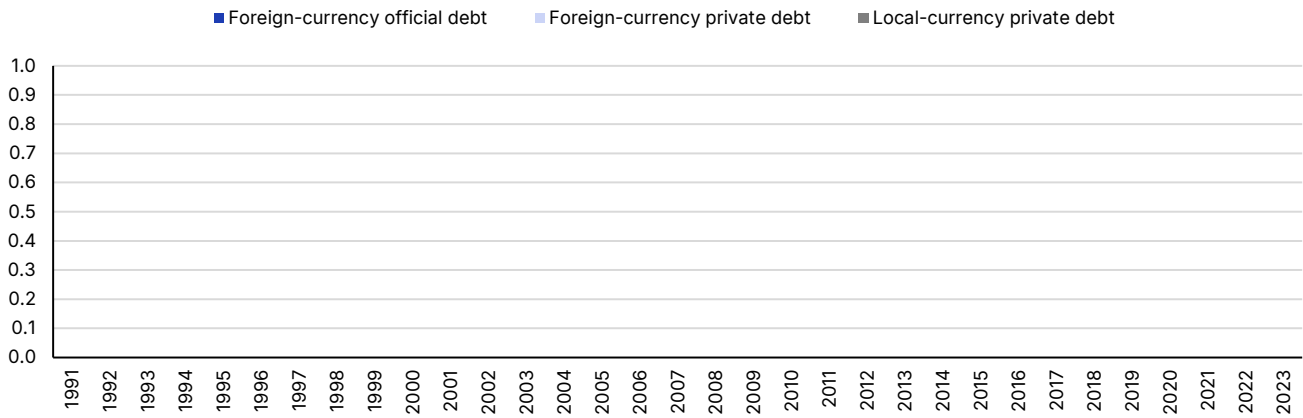
Source: WB, Scope Ratings

Additional considerations

No adjustment was applied to the rating from additional considerations.

Appendix I. Sovereign default history

Figure 15: Sovereign default history, USD m



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 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 sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

Peer group*
China
Georgia
Greece
Serbia

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

Appendix III. Economic development and default indicators

IMF Development Classification	Emerging market and developing economy
5y USD CDS spread (bp) as of 5 December 2024	255

Appendix IV. 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	2018	2019	2020	2021	2022	2023
Domestic Economic	GDP per capita (PPP), Int\$ '000s	IMF	28.1	28.3	28.6	31.4	35.3	38.4
	Nominal GDP, USD bn	IMF	798	760	717	808	906	1,130
	Real growth, %	IMF	3.0	0.8	1.9	11.4	5.5	5.1
	CPI inflation, %	IMF	16.3	15.2	12.3	19.6	72.3	53.9
	Unemployment rate, %	WB	10.9	13.7	13.1	12.0	10.4	9.4
Public Finance	Public debt, % of GDP	IMF	29.9	32.4	39.4	40.4	30.8	29.3
	Net interest payment, % of government revenue	IMF	4.6	5.9	6.0	6.4	4.4	6.3
	Primary balance, % of GDP	IMF	-1.7	-3.0	-2.9	-1.2	0.0	-3.6
External Economic	Current-account balance, % of GDP	IMF	-1.8	2.0	-4.3	-0.8	-5.1	-4.0
	Total reserves, months of imports	WB	4.2	5.2	4.6	4.4	3.7	-
	NIIP, % of GDP	IMF	-42.1	-40.6	-53.2	-30.7	-41.0	28.2
Financial Stability	NPL ratio, % of total loans	IMF	3.7	5.0	3.9	3.0	2.0	1.5
	Tier 1 ratio, % of risk-weighted assets	IMF	14.0	15.3	15.7	15.0	16.8	16.6
	Credit to the private sector, % of GDP	WB	67.5	65.5	75.2	72.3	54.5	50.3
ESG	CO ₂ per EUR 1,000 of GDP, mtCO ₂ e	EC	184.4	176.4	177.0	173.0	154.4	149.3
	Income share of bottom 50%, %	WID	13.7	14.4	13.7	14.2	14.2	-
	Labour-force participation rate, %	WB	57.7	57.7	54.0	56.3	58.3	-
	Old-age dependency ratio, %	UN	11.1	11.7	12.0	12.3	12.7	13.1
	Composite governance indicators*	WB	-0.3	-0.3	-0.4	-0.4	-0.5	-
	Political stability, index	WB	-1.3	-1.4	-1.1	-1.1	-1.0	-

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

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Applied methodology

[Sovereign Rating Methodology, 29 January 2024](#)

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