

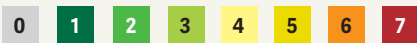
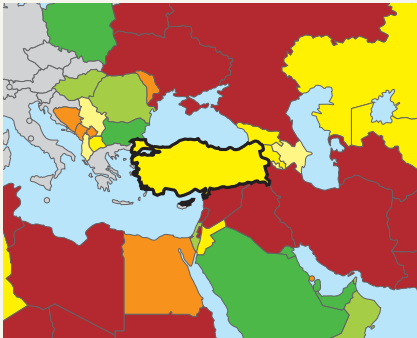
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OF 7

Türkiye

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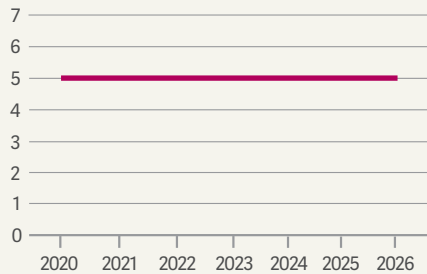
## Basic facts (2025)

Population: 86 million  
 GDP, nominal: USD 1 565 billion  
 GDP/capita: USD 18 198



The country risk categories are arranged on a scale from 0 to 7. The lower the figure, the better the country's creditworthiness

## Country classification history



Source: EKN

## Strengths

- + Middle-income country with a large and diversified economy
- + Stable public finances
- + Banking system with buffers against temporary economic downturns

## Weaknesses

- Institutional capacity has weakened over a long period
- Significant external imbalances
- Geopolitical tensions in the region

## Private sector drives growth

The Turkish economy has shown resilience through several currency and inflation shocks, largely due to the private sector's competitiveness, which also underpins the country's growth. Over the past 20 years, the economy has expanded by an average of 5.5 per cent per year. At the same time, the ambition to achieve growth at almost any cost has contributed to recurring economic crises in recent years, with growth driven to a large extent by credit expansion rather than by productivity gains or improved competitiveness.

Since 2021, inflation has averaged 48 per cent year on year, while increased concentration of power around the presidency has at times contributed to lower inflows of foreign capital.

GDP is expected to grow by just under four per cent per year over the next two years, broadly in line with long-term potential growth rate. The monetary policy adjustment since June 2023 has slowed credit growth, stabilised the domestic currency, the lira, and supported the rebalancing of the economy away from growth driven by overheated domestic demand in the wake of the earlier surge in credit growth.

Growth in household consumption fell to around five per cent year on year in the first half of 2025, compared with more than 14 per cent in 2023. Supported by lower energy import prices, the current account deficit is expected to narrow to 1.4 per cent of GDP in 2025 and decline somewhat further over the following two years, compared with 3.6 and 5.0 per cent in 2023 and 2022 respectively.

Low savings rates have at times led to large current account deficits and dependence on foreign capital inflows, which remain key weaknesses. Ongoing and planned structural reforms aimed, among other things, at reducing the energy import bill and improving the business environment could reduce these risks over time.

Türkiye is the world's 17th largest economy measured by GDP. It is also an open economy: exports amount to more than 40 per cent of GDP and are diversified. Demographics are favourable, with a median age of 33 years (compared with 44 in the EU) and annual population growth of 1.1 per cent (compared with 0.1 per cent in the EU).

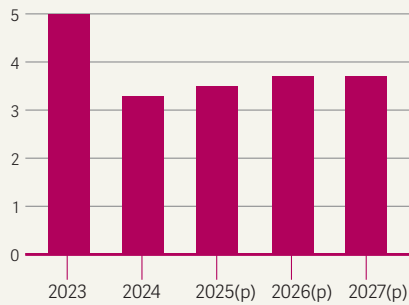
The private sector is sophisticated, export-oriented and resilient, supported by the country's customs union with the EU, which absorbs more than 40 per cent of goods exports and one quarter of services exports. Government debt stands at 24 per cent of GDP, which is low compared with other emerging economies. Budget deficits are expected to narrow in the coming years as reduced electricity and gas subsidies take effect.

Risks are dominated by the possibility that the government will prioritise a return to credit-driven and unsustainable growth at the expense of continued disinflation. This risk is reinforced by a prolonged weakening of institutional capacity.

## Disinflation policy gains credibility

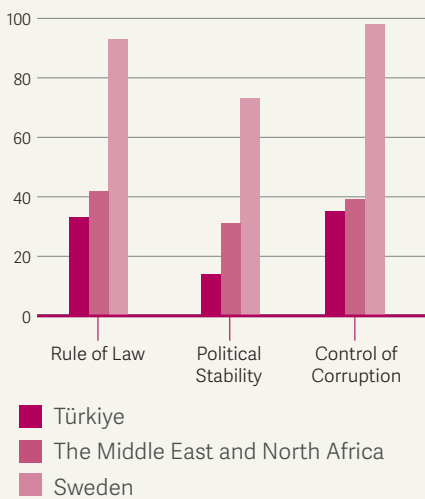
Conventional monetary policy is broadly expected to be maintained over the

### Real GDP growth (constant prices, % per annum)



Source: IMF WEO, Macrobond

### Business environment



Ranking from 0 (worst) to 100 (best)

Source: The World Bank, Macrobond

### Swedish export to Türkiye

	MSEK
2025	n/a
2024	22 420
2023	23 809
2022	20 445
2021	15 159

Source: SCB

### EKN:s exposure

	MSEK
Guarantees	10 547
Offers	47 078

coming years, and real interest rates are expected to remain positive. This will dampen domestic demand through weaker household credit growth and help stabilise the exchange rate of the lira. Inflation is therefore expected to continue falling. At the end of 2025, the inflation rate stood at 31 per cent and is expected to decline towards 15 per cent during 2026, according to the IMF.

The risks of political unrest remain heightened and were most recently evident in March 2025, when authorities detained a leading opposition politician in Istanbul, triggering widespread national protests. The subsequent financial market turbulence, which has since eased, contributed to a broad sell-off of Turkish assets, particularly foreign portfolio investments, increasing depreciation pressure on the Turkish lira. This in turn prompted the central bank to raise the policy rate sharply and intervene in the foreign exchange market to limit the depreciation, which depleted foreign exchange reserves.

Over the coming years, the central bank's foreign exchange reserves are expected to amount to just under three months of import cover, which is low in relation to the country's external financing needs. If gold holdings are also included – and the Turkish central bank has been a significant net buyer in recent years – reserves increase to just under six months of import cover.

Türkiye's institutional capacity, according to global comparisons such as the Worldwide Governance Indicators, has weakened over a long period. Increased concentration of power in the presidency has reduced the predictability of economic policy, while the rule of law and indicators related to control of corruption have also deteriorated.

Despite a high degree of professionalism and capacity in most public institutions, greater political interference in decision-making has reduced efficiency and transparency in the judicial system and other state institutions, according to Moody's. At the same time, the country continues to maintain a long record of orderly public finances, which supports macroeconomic stability.

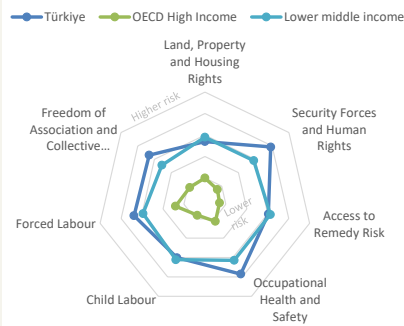
## Business environment

Türkiye's business environment benefits, among other things, from good access to credit information, low trade barriers and the ability to enforce contracts. EU-inspired judicial reforms were implemented in the early 2000s, but reform progress has been uneven. New courts for commercial disputes have been established, but problems such as lengthy legal proceedings remain. Political intervention affects individual sectors and companies. According to several assessments, the economy is today less rules-based than it was previously.

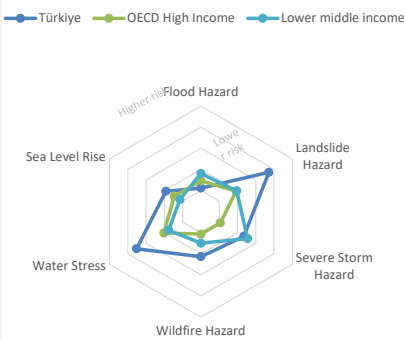
Transparency International's Corruption Perceptions Index for 2024 shows a negative trend in recent years, with Türkiye ranked 107th out of 180 countries. The World Bank's Worldwide Governance Indicators place Türkiye around the average across all measures of institutional and regulatory quality. However, all of these indicators show a negative trend over the past decade.

Türkiye's corporate and banking sectors are accustomed to crises and have previously shown resilience in the face of the country's weak external position and episodes of domestic financial turbulence. The private sector is particularly exposed to a weaker lira, as companies account for a large share of external debt.

Risk profile Human Rights



Risk profile climate risks and natural disasters



The foregoing chart information was obtained from Verisk Maplecroft\*

Turkish banks are profitable, well capitalised and relatively well managed. Profitability is expected to improve during 2025 and further in 2026 as interest rates fall, since liabilities reprice faster than assets. Average capital adequacy stands at 18 per cent. Asset quality remains good.

According to Fitch Ratings, the average non-performing loan (NPL) ratio declined to around 1.5 per cent at the end of 2024, but is expected to have risen to around 3.0 per cent during 2025 as GDP growth slows and credit expands. The main systemic risks are banks' dependence on external funding, which leaves the sector exposed to global financing conditions and risk appetite, as well as exchange rate volatility in the coming years.

In EKN's business assessment, account is taken of the risk of adverse impacts on human rights. EKN focuses on the potential impact of the activities in which the exported goods will be used. In this context, issues such as working conditions, child and forced labour, excessive use of force by security services, indigenous peoples' rights and land rights are of particular importance.

In Türkiye, risks related to human rights violations relevant to business operations are broadly comparable to the average for lower-middle-income countries. However, risks within the sub-index covering security forces and human rights are higher than in comparable countries.

## EKN's policy

EKN classifies Türkiye in country risk category 5 of 7, a classification it has held since 2018, and which is determined jointly within the OECD framework. Türkiye was downgraded from country risk category 4 to 5 due to growing economic imbalances. Normal risk assessment applies to all buyer categories. Budget discipline and relatively strong public finances justify normal risk assessment for public sector counterparties. There are no restrictions for transactions with banks as counterparties.

## EKN's commitment and experience

During the period 2020–2024, EKN issued guarantees in 396 transactions with a total value of just under SEK 31.7 billion for Swedish companies exporting to Türkiye. Exposure is dominated by the infrastructure and transport sectors, mainly involving public counterparties, but also private ones.

Demand for EKN guarantees has increased since the economic turbulence in 2021 and because of the weaker risk environment. Letter of credit guarantees, under which EKN shares risk with banks confirming letters of credit on behalf of Swedish exporters and where the counterparties are Turkish banks, have traditionally seen strong demand. Over the past five years, EKN has on average covered SEK 1.4 billion through this product.

EKN's payment experience is good. Arrears do occur but indemnifications have remained limited. Only a couple of smaller transactions have been indemnified since 2019. Most problematic transactions have been in cyclical sectors such as mining and construction.

Recovery processes have been slow. EKN's experience in insolvency cases is that claims are converted into lira under Turkish bankruptcy law.

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