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GLOBAL riskupdate

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2017 Economic Predictions

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Turkey: The Impact of Fitch's Downgrade to BB+

From this Edition's Guest Contributor, Mert Berker.

Unfortunately due to the recent geopolitical tensions and economic slowdown Fitch Ratings has downgraded Turkey to BB+ however, maintains long term Turkish lira ratings at investment grade while the Japanese ratings agency JCR still rates Turkish sovereign at investment grade.

And on January 30, 2017 the Istanbul Stock exchange increased by 2.88 percent which means there is still interest from foreign investors in Turkey.

As you may know many larger banks and cooperatives are rated at least investment grade in Turkey and gain the majority of their revenues from their operations outside of Turkey.

We believe that even though there will be slower economic growth over the medium term, interest in Turkey will continue from foreign investors.

You may have also followed recently that UK and Turkey had talks about a possible trade partnership post-Brexit which is also a positive sign as a major advanced economy is still interested in cooperating with Turkey.

Furthermore the ongoing cease-fire talks between Turkey, Iran and Russia regarding the conflict in Syria may bring some stability into the region.

Finally, Morgan Stanley has stated that even though on average it takes about 6.1 years for a country to get back to investment grade this could happen sooner in Turkey due to the fact that Turkey has stronger growth levels and better performance that its peers in terms of fiscal discipline.

So while Fitch's downgrade makes headlines those in the know continue to value Turkey as growth-led investment grade.

The author invites comments via email to

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