

Turkey Business Forecast Report Q1 2015

<https://marketpublishers.com/r/T0929F53EBBEN.html>

Date: December 2014

Pages: 52

Price: US\$ 1,195.00 (Single User License)

ID: T0929F53EBBEN

Abstracts

Core Views

Although we hold a positive view on Turkey's long-term growth, we expect slower, more balanced growth in the next decade relative to the previous one. This will result from less abundant foreign capital inflows and slower domestic credit growth. Political uncertainty and social tensions will rise in the run up to general elections in 2015, further weighing on business and consumer confidence.

The government maintains a conservative fiscal policy with healthy budget and debt dynamics. However, recent populist policy initiatives lead us to question the government's long-term commitment to conservative fiscal management.

Lower commodity prices, in particular that of oil, has bolstered Turkey's short-term outlook. Lower imported energy costs will support household purchasing power and help reduce the current account deficit.

Nevertheless, we expect Turkey's current account deficit to narrow gradually in coming years, as its net hydrocarbon deficit will remain very large. Turkey will remain reliant on short-term foreign capital inflows to cover the sizeable current account shortfall, leaving it prone to tightening global liquidity and shifts in international risk sentiment. A dovish central bank will keep inflation above target and ensure a volatile growth trajectory.

A major corruption scandal and increased incidence of popular protest have highlighted the fact that major political challenges still face the country over the medium term. In particular, the ruling Justice and Development party will take an increasingly unilateral approach as it struggles to maintain support, and will face growing and more vocal public and institutional opposition, with the potential for further unrest.

Moreover, Turkey faces a challenging foreign policy environment amidst heightened regional tensions and rising external security risks as the government attempts to cement its role as an economic and political power in the region.

While the government's debt load is low by regional standards, the private sector's rampant external borrowing in previous years has greatly increased macroeconomic risks.

Major Forecast Changes

We have revised our current account deficit forecasts, and now expect a shortfall of 5.0% and 4.8% of GDP in 2015 and 2016 respectively, from 5.7% and 5.6% previously.

We have revised our general government budget forecasts, and now expect a deficit of 2.1% and 1.9% of GDP in 2015 and 2016 respectively, from 2.6% and 2.5% previously.

Contents

Executive Summary
Core Views
Major Forecast Changes
Key Risks To Outlook

CHAPTER 1: POLITICAL OUTLOOK

SWOT Analysis
BMI Political Risk Index
Domestic Politics
Rising Security Risks In All Directions

Turkey will largely exclude itself from the fight against the Islamic State, as it sees greater dangers from joining the US coalition than from taking a passive stance. This will jeopardise the government's peace talks with Kurdish PKK separatists and exacerbate domestic social tensions. Furthermore, Turkey faces rising security risks from all directions, and will find itself increasingly isolated from old and new allies.

Table: Political overview

Long-Term Political Outlook
Structural Changes To Continue

Turkey's moderate Islamist Justice and Development Party (AKP) will continue to press ahead with reforms to the country's political and social system for the foreseeable future. Although the AKP continues to enjoy broad popular support, its consolidation of power will elicit strong opposition from the traditional secular establishment which threatens to trigger a wider backlash. In terms of foreign policy, we expect Turkey to continue rebalancing its interests away from the West in favour of closer ties with former Soviet Union states, the Middle East and North Africa.

CHAPTER 2: ECONOMIC OUTLOOK

SWOT Analysis
BMI Economic Risk Index
Economic Activity
Outlook Improving, But Slower Trend Growth Still Lies Ahead

Abundant global liquidity and falling oil prices have bolstered Turkey's short-term economic outlook, but a transition to slower, more balanced growth relative to the past decade will continue as the country's external rebalancing process has much further to run. We forecast real GDP growth of 3.5% and 3.8% in 2015 and 2016 respectively.

Table: GDP By Expenditure

Exchange Rate Policy

TRY: Short-Term Gains Won't Last

The Turkish lira will outperform other emerging market currencies in the coming months on account of improving terms of trade and strong speculative capital inflows, but over the medium term the currency will remain on a depreciatory path owing to high relative inflation, US dollar strength, and a dovish central bank.

Table: Currency Forecast

Balance Of Payments

Oil Not A Game Changer For External Dynamics

Lower oil prices will support Turkey's external rebalancing process. We now forecast a current account deficit of 5.0% and 4.8% of GDP in 2015 and 2016 respectively, from 5.7% and 5.6% previously. However, the deficit will still be one of the largest among major emerging markets and the composition of external financing will remain precariously skewed towards volatile, short-term inflows.

Table: Current Account

Monetary Policy

Monetary Easing Ahead

The Central Bank of Turkey (CBRT) will cut its main policy rate by 50 basis points in H115, to 7.75%, amidst low global yields and declining headline inflation, but US rate hikes and lira depreciation will rule out further easing in the remainder of the year. Even so, monetary policy will be too loose to meet the bank's inflation targets or mitigate the risk of capital flight should global risk appetite worsen.

Table: Monetary Policy

Fiscal Policy

Healthy Fiscal Dynamics To Continue

Healthy fiscal dynamics and a relatively robust sovereign profile will remain strong suits of the Turkish economy. Nevertheless, we forecast the budget deficit to average 1.9% of GDP from 2015-2017, which is wider than the previous years and above the government's own projections.

Table: Fiscal Policy

CHAPTER 3: 10-YEAR FORECAST

The Turkish Economy To 2023

Convergence To Remain In Play

Although serious challenges face the Turkish economy over the next several years, we retain a positive view on its long-term convergence prospects, with real GDP growth expected to continue outperforming the eurozone and many emerging European peers

through to the end of our 10-year forecast period. Key economic policy and institutional reforms in the medium term will be necessary to set the ground work for productivity gains beyond 2015. Significant risks will remain, however, especially as underlying social tensions between secularists and moderate Islamists are unlikely to disappear in the next decade. This has contributed to our view that Turkey will not join the EU anytime over our forecast horizon, eliminating a key policy anchor.

Table: Long-Term Macroeconomic Forecasts

CHAPTER 4: OPERATIONAL RISK

SWOT Analysis

Operational Risk Index

Operational Risk

Table: Operational Risk

Transport Network

Table: Emerging Europe Transport Network Risks

Economic Openness

Table: Emerging Europe – Economic Openness

Table: Top 5 Imported Products (USDmn unless otherwise stated), 2007-2013

Table: Top 5 Trade Partners & Product Exports (USDmn unless otherwise stated), 2007-2013

CHAPTER 5: KEY SECTORS

Infrastructure

Table: Infrastructure & Construction Industry Data (2012-2017)

Table: Infrastructure & Construction Industry Data (2018-2023)

Table: Oil Production (2012-2017)

Table: Oil Production (2018-2023)

Table: Gas Production (2012-2017)

Table: Gas Production (2018-2023)

Other Key Sectors

Table: Pharma Sector Key Indicators

Table: Telecoms Sector Key Indicators

Table: Defence and Security Sector Key Indicators

Table: Food and Drink Sector Key Indicators

Table: Autos Sector Key Indicators

Table: Freight Key Indicators

CHAPTER 6: BMI GLOBAL ASSUMPTIONS

Global Outlook

Warning Signs Growing

Table: Global Assumptions

Table: Developed States , Real GDP Growth H, %

Table: BMI VERSUS BLOOMBERG CONSENSUS REAL GDP GROWTH
FORECASTS, %

Table: Emerging Markets , Real GDP Growth , %

I would like to order

Product name: Turkey Business Forecast Report Q1 2015

Product link: <https://marketpublishers.com/r/T0929F53EBBEN.html>

Price: US\$ 1,195.00 (Single User License / Electronic Delivery)

If you want to order Corporate License or Hard Copy, please, contact our Customer Service:

info@marketpublishers.com

Payment

To pay by Credit Card (Visa, MasterCard, American Express, PayPal), please, click button on product page <https://marketpublishers.com/r/T0929F53EBBEN.html>