



Decide with Confidence

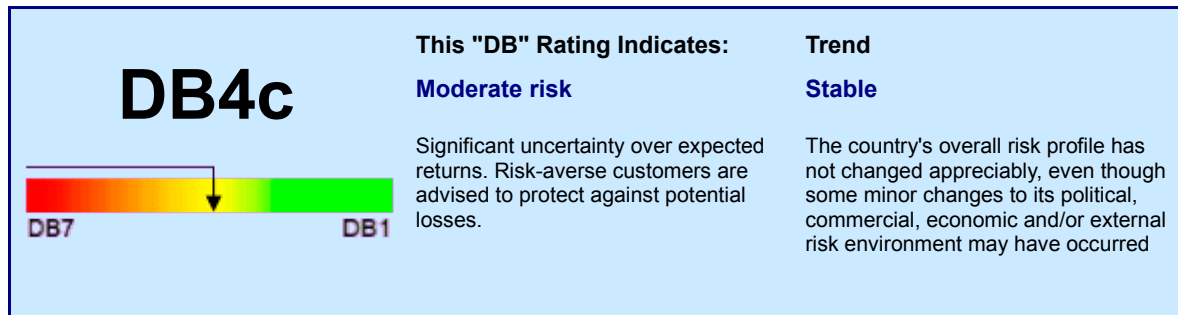
D&B Country RiskLine Report

TURKEY

Region : Western Europe

Edition : September 2014

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

Population:	74.9m
Surface area (sq km):	783,560
Capital:	Ankara
Timezone:	GMT +02:00
Official language:	Turkish
Head of government:	Ahmet DAVUTOGLU
GDP (USD):	820.1bn
GDP per capita (USD):	10,944
Life expectancy (years):	70
Literacy (% of adult pop.):	87.4

Country Overview:

Turkey lies at the eastern end of the Mediterranean, bridging southeast Europe to the Middle East. Its strategic location affords Turkey control over the Turkish straits (Bosporus, Sea of Marmara and the Dardanelles), which link the Black and Aegean seas.

The ruling Justice and Development Party (AKP), which has moderate Islamic roots, is viewed as a threat to the secular traditions of the country's founder, Mustafa Kemal Ataturk. The military, which views itself as the guardian of these traditions, has overthrown governments in 1960, 1971 and 1980, before stepping aside. The country faces a violent and long-running insurgency by Kurdish separatists, in particular the Kurdistan Workers' Party, the PKK.

The AKP is economically liberal, pro-business and pro-EU entry. The dynamic economy is a mix of modern industry and commerce, as well as a traditional agriculture sector. The private sector is strong and growing rapidly as the state withdraws from business activities.

Trade & Commercial Environment

Trade Terms

Minimum Terms:	LC
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The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms:	LC
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D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms:	30-90 days
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Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

Local Delays:	0-2 months
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The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays:	0-2 months
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The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

Trade & Commercial Environment

The World Bank's 2014 *Logistic Performance Index* ranks Turkey 30th (out of 160 countries) with a score of 3.5 (out of a maximum 5.0); in the previous 2012 index, the country was ranked 27th (out of 155 countries) with a score of 3.51. Turkey's score improved in the efficiency of clearance processes (from 3.16 to 3.23), the competence and quality of logistics competence (3.52 to 3.64), and the ability to track and trace consignments (3.54 to 3.77). However, its score fell in terms of quality of trade and transport-related infrastructure (from 3.62 to 3.53), ease of arranging competitively priced shipments (3.38 to 3.18) and timeliness of shipments in reaching destination within scheduled or expected delivery time (3.87 to 3.68).

Export Credit Agencies

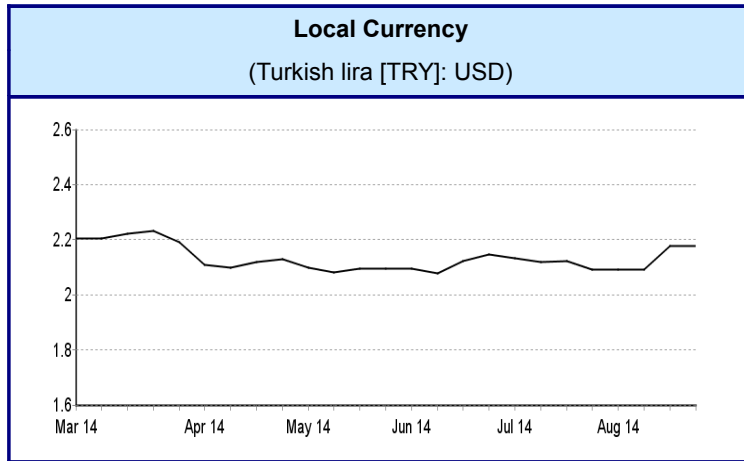
US Eximbank	Full cover available
Atradius	Full cover available
ECGD	Full cover available
Euler Hermes UK	ST cover available, restrictions may apply

Economic Indicators

	2011	2012	2013	2014f	2015f
Real GDP growth, %	8.8	2.1	4.0	3.3	3.5
Inflation, annual ave, %	6.1	9.3	7.4	8.8	7.0
Govt balance, % GDP	-1.3	-2.0	-1.2	-1.6	-2.0
Unemployment, %	9.1	8.4	9.0	9.4	9.1
C/A balance, % GDP	-9.7	-6.2	-7.9	-7.4	-6.9

Currency Information

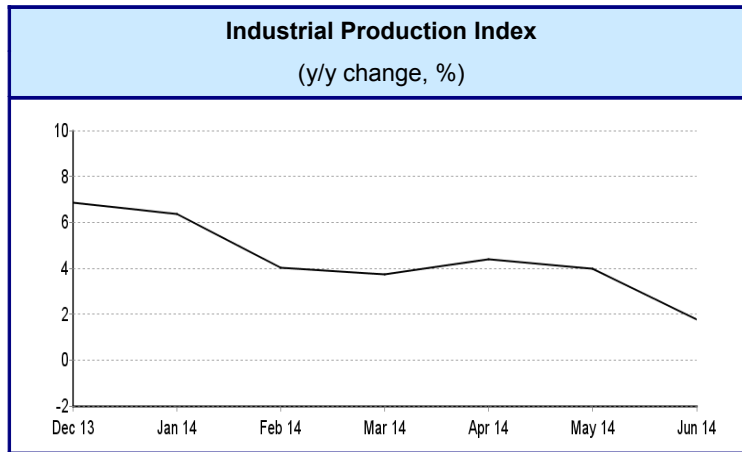
Exchange Rates	
(London, 25 Aug 14)	
EUR	2.8828
GBP	3.6102
JPY*	2.093
USD	2.1787
*(x 100)	



Local Currency
(Turkish lira [TRY]: USD)

	Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14
Week 1	2.205	2.110	2.099	2.094	2.133	2.090
Week 2	2.204	2.097	2.081	2.079	2.120	2.090
Week 3	2.220	2.119	2.095	2.124	2.123	2.176
Week 4	2.232	2.128	2.095	2.147	2.090	2.179
Week 5	2.190					

Industrial Production Index



Data Table

Dec 13	Jan 14	Feb 14	Mar 14	Apr 14	May 14	Jun 14
6.85	6.35	4.01	3.74	4.39	3.97	1.77

Risk Factor

Recep Tayyip Erdogan's narrow victory with 51.8% of the vote in Turkey's first direct presidential election will ensure that political tensions remain high in the country. Erdogan, in his 11-year term as prime minister, has become an increasingly divisive figure in the political environment. Ahmet Davutoglu (an Erdogan loyalist) has been chosen as leader of the AKP (in theory the president, whose role at present is largely ceremonial, should not maintain any party links) and as prime minister to replace Erdogan, while the outgoing president Abdullah Gul returns to the AKP's ranks. Gul, who retains considerable popularity in Turkey and among the grass roots of the AKP, could become a focus for the more moderate elements, which could potentially result in a split in the party. However, Erdogan, whose stated ambition is to take the political system into a presidential one, would need the AKP to gain at least two-thirds of the seats in next year's parliamentary election in order to have the necessary constitutional amendment passed. Any split in the AKP would seriously undermine this (already unlikely) outcome; the AKP's vote appears to have stabilised at just over 50% of the electorate. In addition, Erdogan will face considerable opposition from the traditional secular elite; although their political parties remain particularly weak at present. Furthermore, the split within the Islamists will continue with the informal (but powerful) Gulen movement continuing to act against Erdogan.

The markets reacted to the victory with alarm; the lira lost 0.24% against the US dollar in the afternoon trading, although it was already depreciating. The lira has fallen from TYL2.09:1USD on 24 July to around TYL2.16:1USD at end-August. In addition, the stock market fell 2.1% to its lowest level in a month. The markets are concerned by the pressure Erdogan has been putting on the central bank to cut interest rates at a time when seasonally-adjusted inflation (albeit falling slightly) remains above 9.0% year on year (y/y) at end July. In addition, the business environment has become increasingly politicised since mid-2013, with companies that are seen as opposing Erdogan facing heavy-handed tax investigations.

Meanwhile, the increasing violence in neighbouring Iraq saw Turkish exports fall by 46% month on month in July. Although improving in y/y terms, the current account deficit remains a concern. This is exacerbated by the fall in direct and portfolio investment into the country, which had been funding the deficit. In Q2 2014, direct investment inflows fell to US\$2.6bn, down from US\$4.2bn in Q1 and the lowest level since Q3 2012. Furthermore, a sharp turn in market sentiment in August saw global portfolio flows to emerging markets fall from a monthly average of US\$38bn (in the period May to July) to only US\$9bn in August, which impacts negatively on Turkey's position.

Glossary & Definitions

DEFINITIONS

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Recommended Terms:

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Usual Terms:

Normal period of credit associated with transactions with companies in the stated country.

Local Delays:

The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

F/X Bank Delays:

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C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

Customer Service & Support

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D&B Country Risk Services

For information relating to D&B's Country Risk Services.

UK

Telephone: 01628 492700

Fax: 01628 492929

Email: CountryRisk@dnb.com

USA Inquiry

Telephone: 1-800 234-3867 option 1, 1 and then 2

Email: CountryRiskServices@dnb.com

Rest of World

Telephone: +44 1628 492700

Email: CountryRisk@dnb.com

D&B Customer Services

For all other information or queries relating to D&B products and services.

UK

Telephone: 0870 243 2344 (UK) / 1 890 923296 (IR)

Email: CustomerHelp@dnb.com

USA

Telephone: 1-800 234-3867 option 1, 1 and then 2

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