

Turkey

The prospect of greater financial and political stability, combined with a young, consumption-focused population and an enterprising economy, is strengthening Turkey's appeal to international investors. Please read on for your two-minute guide to this key market in Emerging EMEA....

Why we like it:

- Return of sound monetary policy plus a 'new economic policy' indicate a new era of fiscal prudence and transparency and a focus on attracting foreign direct investment.
- Improving current account balance thanks to strong exports, declining energy costs, and strong tourism.
- Deep, attractively-valued equity market with record low foreign participation suggests a pick-up in international interest in 2024.
- Municipality elections in March 2024 pave the way for four-plus years without electioneering: a positive backdrop for monetary and fiscal policy aiming to win back investor confidence and bring down inflation.
- Turkey boasts a large population of over 80mn, of which about 40% are under age 25. This increase in the working-age population offers an opportunity for accelerated economic growth.¹
- In turn, this 'demographic dividend' should support job creation, local companies, and increase consumption as citizens become wealthier.

Key themes:

FALLING RISK PREMIUM: Turkey's increasingly investor-friendly and balanced policies will, over time, continue to drive down the country's risk premium, attracting investment and supporting stock market performance.

GROWTH POTENTIAL: A young and entrepreneurially-minded population provides the backdrop for an economy brimming with potential in almost all sectors, making Turkey a strong target for foreign direct investment.

In short:

Turkey has a highly liquid equity market with substantial growth potential, trading at a substantial discount to peers with a genuine turnaround story. Executed properly, it should attract international inflows, helping to insulate it from global risk factors.

TURKEY IN NUMBERS

Population:²

85M

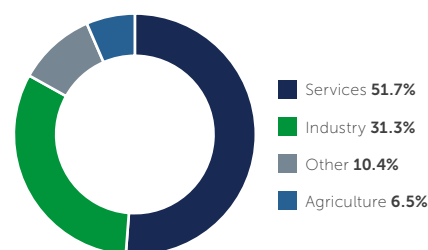
Global ranking by GDP:³

17th

	2022	2023F	2024F
Economic growth (GDP)	5.5%	4.5%	2.9%
Core inflation	57%	57%	47%

Source: OECD Economic Outlook, January 2024. F=forecast.

ECONOMIC PROFILE



Source: Statista/Worldbank, 2022.

1 Source: United Nations, as of June 2023.

2 World Bank - <https://www.worldbank.org/en/country/turkey/overview>

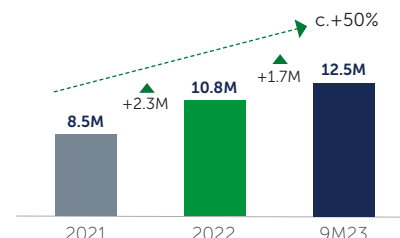
3 World Bank - <https://www.worldbank.org/en/country/turkey/overview>

Companies to watch:

AKBANK

Akbank is one of Turkey's largest banks and has been using its ecosystem of innovative product and services across mobile and digital banking to rapidly acquire and monetise its customers. This has been supported by the bank's strong management team, which has successfully navigated Turkey's recent volatile and uncertain economic backdrop. Its shares are attractively valued and under-owned by international investors, which makes them well placed for an uplift. Turkey's new economic policy should provide a supportive operating environment for the company.

ACTIVE CUSTOMER BASE

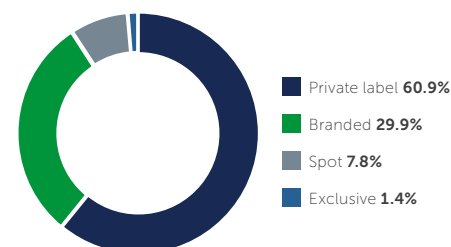


Source: Akbank, January 2024, based on MIS data.

BIM

A leading retailer of discounted food and consumer goods with over 12,000 stores⁴, BIM has a reputable management team with a strong track record of execution. Its focus on providing highly competitively-priced goods should make it a strong defensive growth stock for investors as Turkey's new economic policy is implemented. A strong balance sheet combined with a share buyback programme should also support BIM's share price, which has been trading at compelling valuations.

REVENUE BREAKDOWN



Source: BIM, September 2023.

⁴ BIM Q3 – 2023 Financial Results

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