

## Incumbent victory in Turkey's presidential election— Declining uncertainty over domestic politics is positive on the ratings

The following is the opinion of Japan Credit Rating Agency, Ltd. (JCR) on the result of the presidential election in the Republic of Turkey.

- (1) On June 24, 2018, a presidential election and a parliamentary election took place in the Republic of Turkey. Local media reports said that Recep Tayyip Erdoğan, incumbent belonging to the ruling Justice and Development Party (AKP), was assured of reelection by gaining a majority of 52.5% of the votes, with 99% of the votes counted. The ruling coalition of Justice and Development Party (AKP) and Nationalist Movement Party (MHP) also won the comfortable majority of the seats. Erdoğan's victory is expected to further strengthen AKP's political base following the introduction of the executive presidency. JCR sees that resultant declining uncertainty over domestic politics would be positive for the ratings.
- (2) On the other hand, JCR holds that the major ongoing macroeconomic statistics such as inflation rate and current account deficit indicate that measures to correct macroeconomic imbalances as proposed in the former Erdoğan administration's Medium-Term Program (MTP) at the end of September 2017 have not fully proceeded as planned. JCR will keep watching on whether the new Erdoğan administration will focus on structural reforms aimed for the correction of macroeconomic imbalances and whether it will achieve the targets set forth in the MTP.

Toshihiko Naito, Shinichi Endo

<Reference>

Issuer: Republic of Turkey

Foreign Currency Long-term Issuer Rating: BBB-      Outlook: Stable  
Local Currency Long-term Issuer Rating:    BBB-      Outlook: Stable

**Japan Credit Rating Agency, Ltd.**

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan  
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

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