

Türkiye's Narrowing Domestic FX Channel: What the Medium Term Programme (2027-2029) Means for Cross-Border Financing

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Turkish corporates with genuine hard-currency funding needs are facing a narrower domestic bank channel just as the economics of foreign-currency borrowing begin to change.

The 2027–29 Medium Term Programme makes both shifts visible: macroprudential constraints continue to limit domestic FX-credit growth, while the official path implies that the real-lira appreciation supporting hard-currency borrowing compresses after 2027. For offshore lenders, the opportunity is therefore becoming more selective, more structured and more dependent on borrowers with a clear natural hedge. Cross-border deal flow is increasingly being shaped by policy and credit selection, rather than simply borrower distress.

The Medium Term Programme (Orta Vadeli Program, “OVP”) is the framework document that sets Türkiye's macroeconomic targets and opens the central government budget process.¹ It matters to lenders for a more practical reason than its growth headlines: the financial stability chapter sets out how tightly domestic foreign-currency credit will remain constrained, and the national accounts tables imply how long hard-currency borrowing will remain cheap in real terms for a Turkish borrower.

The Constraint

The programme records a sequence of macroprudential tightening through 2026. The growth limit on foreign-currency loans was tightened in January. The scope of loans exempt from the credit-growth-linked reserve requirement was narrowed in March. Growth limits on consumer, vehicle and overdraft lending and on foreign-currency commercial credit were reduced again at the end of May.

The effect is visible in the data. Exchange-rate-adjusted annualised growth in foreign-currency commercial lending fell to 11.2% as of 28 August 2026.² Commercial credit composition has shifted toward the lira as a direct consequence, and foreign-currency lending has concentrated in large-cap borrowers.

A further constraint is the higher reserve requirement on offshore funding intermediated through banks. In January, reserve requirement ratios were raised both on funds obtained through lira-denominated offshore repo transactions and on loans drawn from abroad through the banking system.

The measures are consistent with the programme's disinflation objective. Their financing consequence is nonetheless structural rather than cyclical: domestic banks face binding limits on growing their foreign-currency loan books, and the bank-intermediated route to offshore liquidity now carries an additional cost. This increases the relative attraction of directly funded or internationally arranged facilities, including bilateral lending, DFI and ECA-backed structures, private-credit transactions and capital-markets issuance.

The Economics, and How Long They Last

The OVP does not state an exchange rate assumption. It does state GDP in both lira and dollars, which makes the implied average rate a matter of arithmetic.

Exhibit — Implied exchange-rate path and real lira appreciation

	2026	2027	2028	2029
Implied average USD/TRY	46.9	56.1	63.7	68.8
Annual depreciation	18.7%	19.6%	13.6%	8.1%
GDP deflator	30.6%	25.0%	14.5%	9.5%
Implied real lira appreciation	~12 pts	~5 pts	~1 pt	~1 pt

The pattern is the point. Official projections still embed meaningful real lira appreciation in 2027, roughly five percentage points of domestic price growth in excess of currency depreciation, before the two converge in 2028 and 2029.

For a Turkish borrower, that is the difference between foreign-currency debt that is cheap in real terms and foreign-currency debt priced like any other liability. On the programme's own numbers, the real-terms advantage compresses sharply after 2027. Whether the projections prove accurate is a separate question. What they establish is the direction official policy is steering, and the basis on which corporate treasurers are being asked to plan.

What a Lender Is Underwriting

	2026 (est.)	2027	2028	2029
GDP growth	3.3%	4.2%	4.6%	5.0%
CPI, year-end	28.4%	21.0%	13.5%	9.0%
Current account / GDP	-2.6%	-1.9%	-1.8%	-1.6%
EU-defined government debt / GDP	21.8%	21.7%	22.8%	23.9%

Growth for 2026 is now estimated below the 3.8% assumed a year ago. The current account deficit comes in materially above the earlier projection, on a higher energy import bill and a methodological update to the balance of payments statistics. Disinflation continues on a slower path than previously set out; annual consumer inflation reached 31.51% in August 2026.³

Aggregate public, household and corporate leverage remains moderate by emerging-market standards. Gross reserves stood at US\$188.2 billion on 28 August 2026, and Türkiye's five-year CDS traded below 220 basis points in August, tighter than a year earlier despite regional geopolitical developments.

Two developments cut the other way, and both bear directly on credit selection.

Corporate foreign-currency exposure has widened. The real sector's net FX position deficit increased by US\$15.4 billion during 2026, on higher foreign-currency borrowing from both domestic and offshore sources, while the short-term FX surplus fell to US\$6.6 billion. For a borrower without export revenues or a contractual hard-currency receivable base, the natural hedge question is now a first-order credit question rather than a documentation point.

Asset quality has softened from a low base. The banking sector non-performing loan ratio rose to 2.9% from 2.2% a year earlier, driven by SME lending, consumer loans and credit cards. It remains below its historical average, and high provisioning and strong capital have absorbed the increase.

The Programme's Principal Sensitivity

The OVP assumes Brent at US\$88 in 2026, falling to US\$76 in 2027, US\$72 in 2028 and US\$67 in 2029, with the energy import bill declining from US\$71 billion to US\$61 billion across the period.

Brent has recently traded materially above the 2027 assumption. The programme itself identifies energy prices, geopolitical developments and the spread of protectionist trade policy as upside risks to the current account deficit. If oil holds near current levels rather than easing on the assumed path, both the inflation trajectory and the external balance targets come under pressure, and the implied real appreciation of the lira becomes harder to sustain.

The energy assumption therefore carries the FX path, and with it the borrower economics set out above. It should be stressed explicitly rather than adopted as a central case.

Where Cross-Border Structures Will Be Easiest to Execute

The programme's policy commitments point to three channels where international financing into Türkiye should meet the least friction over the period.

Export and receivables-backed finance. Türk Eximbank's business model and institutional infrastructure are to be redeveloped against international best practice, with priority given to high-technology and high-value-added exports. İhracatı Geliştirme A.Ş. is to reduce the guarantee burden carried by exporters, and export financing instruments are to be diversified specifically to mitigate the cost that carbon pricing will impose on exporting sectors. For an offshore lender, exporters are also where the natural hedge problem solves itself: hard-currency revenue matched against hard-currency debt, with receivables available as collateral. This should remain among the more financeable credit profiles.

Green-transition and CBAM-related capex. The programme commits to strengthening the alignment of the Turkish Emissions Trading System with the EU Carbon Border Adjustment Mechanism, to building reporting infrastructure under a Türkiye Green Taxonomy, to strengthening corporate sustainability reporting and assurance standards specifically in order to improve access to green finance, and to incentivising funding raised by banks for domestic green-transformation investment. Istanbul Financial Centre is to be positioned as a regional sustainable-finance hub, with a dedicated roadmap. For DFI and green-labelled lending into Turkish industrial borrowers, this supplies a domestic policy framework and a reporting basis that previously had to be constructed transaction by transaction. Emission-intensive exporters facing CBAM costs have both the capex need and the eligibility.

NBFI funding and warehouse or portfolio facilities. Non-bank financial institutions may face a similar need for foreign-currency funding, without access to a deposit base, which makes them natural counterparties for secured offshore facilities against receivables or lease portfolios. Alongside this, development banking is to be restructured, Basel III Final disclosure requirements adopted with reference to EU legislation, and the capital markets framework reviewed across brokerage capital adequacy, margin lending and securities lending, with an Investor Risk Centre to be established. The direction is toward a more legible institutional counterparty for an offshore credit committee.

The financing question is no longer whether Turkish corporates will seek hard-currency funding. Many will. The underwriting question is whether a borrower can demonstrate the revenue, receivables, collateral and governance that allow an offshore lender to take that exposure without relying solely on domestic-bank balance-sheet capacity.

That distinction will define the cross-border market over the next 18 months.

Notes

1. Presidency of Strategy and Budget and Ministry of Treasury and Finance, *Orta Vadeli Program (2027–2029)*, September 2026. The programme sets the macroeconomic policy framework, indicative economic aggregates, public sector and budget balance projections, and the expenditure ceilings of public administrations.
2. Credit growth, reserve requirement, reserve, asset quality and corporate FX position data are drawn from the programme's assessment of financial stability in 2026 (Section I.B.5). Macroeconomic projections are drawn from Annex 1, Tables 1.1 and 1.4. Policy commitments are drawn from Section III. The programme does not publish an exchange rate assumption; the implied path shown in the Exhibit is derived from GDP stated in both lira and US dollars in Table 1.1.
3. Consumer inflation of 31.51% for August 2026 is as stated in the programme's general assessment, which notes the outturn exceeded forecast on energy and agricultural supply effects.

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