

Italian companies in Turkey. Uncertainty after the elections

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The results of the parliamentary elections held in Turkey on 7 June 2015 caused great concern in the Turkish stock market. The Islamic party AKP of Turkish President Recep Tayyip Erdogan lost its absolute majority in Parliament, after more of a decade of continuous victories.

In the aftermath of the elections, there was a collapse of the national currency, the Lira, and more generally of the Turkish stock exchange which called for Central Bank intervention.

The fear of political and economic instability has also had repercussions for foreign businesses, including Italian ones that have business links with Turkey. It is likely that this period of uncertainty will last until the next elections (the winning party were unable to form a government) which are likely to be on 1 November 2015.

The 'silver lining' is that the favourable exchange rate increases exports from Turkey. Furthermore, the situation encourages large and medium Turkish businesses to look to other European countries to diversify their business investments. In particular, Italy and Germany are likely to be countries where Turkish businesses may seek new acquisitions or enter into other forms of cooperation such as joint ventures.

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