



Greece and Turkey: shifting sands

Notes from the road

For Professional Investors Only | Marketing Communication

Veronique Erb
Portfolio Manager,
EM Equities

Laurence Bensafi
Deputy Head of Emerging
Markets Equities

Published November 2025

**“The Acropolis
looms large
over the city,
a reminder of the
enduring power
and influence of
ancient Greek
civilisation.”**

Greece

As a country which has recently been upgraded to developed market status by FTSE, but is classified as an emerging market by MSCI, we were intrigued to visit this small yet historically significant nation of 10 million people. Despite its reputation for abundant sunshine, our arrival is marked by rain. A fully booked flight from London Heathrow underscores Greece's enduring appeal, although the passengers seem to be primarily business travelers, rather than tourists.

This is not surprising given the strength of the country's stock market performance – up >50% year-to-date and a whopping 80% on a 2-year basis¹. Since the 2008 financial crisis, and following a sovereign debt crisis, the Greek economy suffered the longest recession of any developed market (“DM”) economy and became the first developed country to have its stock markets downgraded to that of an emerging market (in 2013). Clearly, however, the Greek economy is finally back.

However, you would be forgiven for thinking that the country is anything but developed when you stroll around the streets of Athens. The Acropolis looms large over the city, a reminder of the enduring power and influence of ancient Greek civilisation. It is a symbol of Greece's democratic and cultural legacy, and a reminder of its once immense contributions to western culture. Today, however the streets are full of tourists and businesspeople. We too are here to look at investments and opportunities.

¹ Bloomberg, October 2025.

As our first port of call, we visit the banks. Greece's banks, which have been recapitalised and benefit from clean balance sheets, are witnessing loan growth close to or on a par with India, and this is just driven by corporate loan growth, before mortgage growth has even picked up. We are witnessing a good recovery, with current GDP growth of 1.7% year-on-year, driven by an ongoing investment recovery (6.5% year-on-year), as well as private consumption and services exports.

The 'spring effect'

Greece is clearly benefitting from the spring effect; any country would have undergone this growth after the pain it has had, and it needed to take haircuts in terms of internal devaluation (the halving of salaries for many years). It is clearly also benefitting from EUR70 billion of aid and also the recovery and resilience facility (RRF) following Covid. Prime Minister Kyriakos Mitsotakis, who has just been re-elected, has a clear mandate to keep doing what he does, as he and his administration are clearly very competent. The country runs a fiscal surplus, not just a primary surplus, putting it in a very strong position. Kyriakos Pierrakakis, Minister of Economy and Finance and previously Minister of Digital Governance, is equally impressive and his former department's e-gate system, whereby all public services now run on a portal, has not only made access to public services easier but has also digitalised the economy. As an example, it is now a requirement to digitally submit taxes, which has worked well in terms of tax collection.

“It is clearly also benefitting from EUR70 billion of aid and also the recovery and resilience facility following Covid.”



Greece's economy is booming again.



Meeting with banks in Athens.

Secondly, we visit a power company which, despite its incorporation in the 1950s, has completely transformed its portfolio towards renewable energy sources. With Greece having over 300 days of sunshine a year, it makes sense for it to add 6GW of renewables and grow over 50% between now and 2027. The mindset/culture and DNA of the company has completely changed from one that was not customer-centric, shareholder-friendly, and was based on coal fires, to one that puts decarbonisation front and centre, and is also customer-focused and aligned to its shareholders. This is exactly what Greece should be doing – decarbonising the economy and investing for the future.

The positives to the Greek economy are clearly visible now but when the spring effect wears off, growth may well slow down to the lower European level – that is, if no structural reform is implemented to attract FDI outside of the energy sector and in higher value-added industries. Large corporates control the economy in Greece and innovative companies have struggled in this environment. Therefore, in three years' time, and when RRF monies have expired, it is possible that the country could witness quite a slowdown.



Athens' dazzling Acropolis.

Turkey

Our next stop...Istanbul. Upon our arrival, the scale of the airport does not fail to impress us. It has been voted the “World’s Best Airport” by readers of Condé Nast Traveler and it is truly impressive. So big! As we drive into the city, the construction activity, bustling cafes, and glistening towers are quite a contrast to the newly-built mosques and the sound of the call to prayer. These new mosques are thought to be a combination of vanity projects that serve as political symbols but also meet the needs of a religious conservative base and represent national pride.

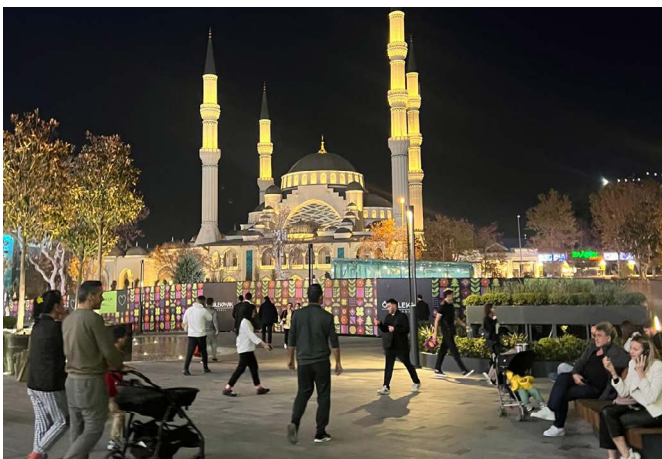
The nationalist story has existed for over 20 years and has accelerated in the last 10 years since the constitutional change in 2012, which gave President Erdogan more powers and reduced the powers of the judiciary. Turkey does seem to be on an authoritarian path, but when we look at the latest voting participation rates, it is registering very high rates of 80%+. Would this not imply that democracy prevails?

As we drive from the airport on the European side, we cross over one of several bridges that cross the Bosphorus onto the Asian side, giving us a clear sense of scale and Turkey’s geopolitical importance – a place where continents and cultures collide.

“A country that has seen inflation fall from over 70% in April 2024 to a current 33.5% annual inflation rate.”

An inflation story

As a country that has seen inflation fall from over 70% in April 2024 to a current 33.5% annual inflation rate, the Turkish population is used to this, and inflation is nothing new. The country has been contending with it since the 1970s, and the Finance Minister, Mehmet Simsek, has managed this latest disinflationary programme well. His orthodox monetary policy has put Turkey back on track and stabilised the economy by reducing inflation, stabilising the Turkish lira, and improving transparency and predictability in the economy.



Visiting the new mosques of Istanbul.



Istanbul: a city under construction.

Despite the political risks, Turkey remains a hugely exciting place where East meets West. Its geographic location is its trump card...quite literally! Prime Minister Erdogan, who has alienated otherwise very enamoured foreign equity investors with his unorthodox economic policies and undemocratic ways, is now wanted by everyone it seems... not least, US President Donald Trump who is one of his biggest fans and is equally viewed as a ‘strong man’.

Europe also needs Turkey for defence, as the country represents the second largest army in NATO after the U.S., and Turkey has been engaging with and fixing its relationships in the Middle East – with Saudi Arabia, Egypt, Syria, Israel, and Gaza. It has been instrumental in peace negotiations between Russia and Ukraine, where it has been seen as a mediator.

Meeting a range of companies from light vehicle manufacturers to supermarket and discount market chains to banks and white good brands, we understand that growth remains high, driven by consumption. In our meetings, we hear that car sales are up 20% in the third quarter this year, and white goods sales are strong. Part of this strong consumption story can be driven by the growth of many a Turkish family’s inflation hedge and store of wealth – namely gold – but also the very high real rates Turkish people earn in the banking system. However, growth has always been high in Turkey as services represent most of it, and there has also been a big demographic change that has seen large population inflows in the last 30 years. There is clearly no economic crisis in Turkey, with such buoyant car and household sales and single digit unemployment, but like elsewhere, the middle class is getting squeezed as Erdogan is good to his political allies (read upper class cronies) and gives to the poor.

Life on the ground

Our own EMD senior sovereign strategist, Timothy Ash, has set up meetings with a variety of his macro contacts where we hear about ‘real’ Turkey and life on the ground. The ‘visa crisis’ that is alluded to, with backlogs of queues for visas to Europe and elsewhere, means Turks are enjoying holidays at home. Given its balmy clime and wide choice of beaches and island, there are worse crisis we can think of!

We are also impressed by the levels of tertiary education the wider population enjoys. Like Greece, Turkey seems to put great emphasis on further education and students acquiring masters as well as PhDs. What does seem to bite though is the price of education, where costs have skyrocketed. Our contacts tell us that even kindergarten and primary education costs are doubling or tripling.

“Like Greece, Turkey seems to put great emphasis on further education and students acquiring masters as well as PhDs.”

However, overall, we can’t see signs of an economic crisis, nor do there seem to be any systemic risks, of sorts. Furthermore, there is no significant current account deficit, foreign currency reserves are robust, consumption is healthy, growth is good, there is banking stability, Erdogan is in vogue, and the political backdrop seems ok(ish). At our final meeting, we hear an analogy of how a child going through puberty and becoming an adult is forever changed but can still be ‘good’. Turkey, our contact says, was a ‘bad’ kid during puberty but is now growing into an adult. This, he says, is the new world order....for now.

We are under no illusion that the main issue for Turkey is that persistently high inflation and interest rates remain. Unfortunately for now this is structural, and unless factors such as food inflation are tackled, this won’t change. The build-up in power generation can offset some of the impact but probably not enough.



In Istanbul with our EM Debt colleague.



Out and about in Istanbul.

Therefore, the market may do well if the political environment is slightly subdued and inflation goes to low 20% levels, but importantly, reforms are needed to bring these high inflation levels lower and interest rates to a level where the equity market makes sense again for a sustained period.

Summary

For now, valuations in both Greece and Turkey are supportive but we need more reforms to see sustained rallies. We are watching this space with interest!

Authors

Veronique Erb

Portfolio Manager

MSc (Finance) (2000), Cass Business School, U.K.; BSc (Economics and German) (1998), University of Surrey, U.K.



Veronique is a portfolio manager on the RBC Emerging Markets Equity team at RBC GAM-UK and focuses on research on Southeast Asia and Saudi Arabia. Prior to joining the organization in 2015, she worked at CLSA Asia Pacific Markets, responsible for Asian ex-Japan equities – covering geopolitical, macroeconomic and fundamental analysis of the region for 15 years. Veronique began her career in the investment industry in 2000.

Laurence Bensafi, CFA

Managing Director & Portfolio Manager, Deputy Head of Emerging Markets Equities

CFA (2004); Magistère d'Économiste Statisticien & D.E.S.S. Statistique et Économétrie (1997), Université de Toulouse, France.



Laurence is a managing director, and a portfolio manager and deputy head of the RBC Emerging Markets Equity team at RBC GAM-UK. Prior to joining the organization in 2013, she headed the Emerging Markets team at Aviva Investors. In this role, Laurence was responsible for Global Emerging Markets income funds, and for developing quantitative stock selection & analysis models. She began her career in the investment industry in 1998 as a quantitative analyst at Société Générale Asset Management, supporting European and Global Equity portfolio management by developing quantitative models to assist in the portfolio construction and security selection process.

This document is a marketing communication and it may be produced and issued by the following entities: in the European Economic Area (EEA), by BlueBay Funds Management Company S.A. (BBFM S.A.), which is regulated by the Commission de Surveillance du Secteur Financier (CSSF). In Germany, Italy, Spain and Netherlands the BBFM S.A. is operating under a branch passport pursuant to the Undertakings for Collective Investment in Transferable Securities Directive (2009/65/EC) and the Alternative Investment Fund Managers Directive (2011/61/EU). In the United Kingdom (UK) by RBC Global Asset Management (UK) Limited (RBC GAM UK), which is authorised and regulated by the UK Financial Conduct Authority (FCA), registered with the US Securities and Exchange Commission (SEC) and a member of the National Futures Association (NFA) as authorised by the US Commodity Futures Trading Commission (CFTC). In Switzerland, by BlueBay Asset Management AG where the Representative and Paying Agent is BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, 8002 Zurich, Switzerland. The place of performance is at the registered office of the Representative. The courts at the registered office of the Swiss representative or at the registered office or place of residence of the investor shall have jurisdiction pertaining to claims in connection with the offering and/or advertising of shares in Switzerland. The Prospectus, the Key Investor Information Documents (KIIDs), the Packaged Retail and Insurance-based Investment Products - Key Information Documents (PRIIPs KID), where applicable, the Articles of Incorporation and any other document required, such as the Annual and Semi-Annual Reports, may be obtained free of charge from the Representative in Switzerland. In Japan, by BlueBay Asset Management International Limited which is registered with the Kanto Local Finance Bureau of Ministry of Finance, Japan. In Asia, by RBC Global Asset Management (Asia) Limited, which is registered with the Securities and Futures Commission (SFC) in Hong Kong. In Australia, RBC GAM UK is exempt from the requirement to hold an Australian financial services license under the Corporations Act in respect of financial services as it is regulated by the FCA under the laws of the UK which differ from Australian laws. In Canada, by RBC Global Asset Management Inc. (including PH&N Institutional) which is regulated by each provincial and territorial securities commission with which it is registered. RBC GAM UK is not registered under securities laws and is relying on the international dealer exemption under applicable provincial securities legislation, which permits RBC GAM UK to carry out certain specified dealer activities for those Canadian residents that qualify as “a Canadian permitted client”, as such term is defined under applicable securities legislation. In the United States, by RBC Global Asset Management (U.S.) Inc. (“RBC GAM-US”), an SEC registered investment adviser. The entities noted above are collectively referred to as “RBC BlueBay” within this document. The registrations and memberships noted should not be interpreted as an endorsement or approval of RBC BlueBay by the respective licensing or registering authorities. Not all products, services or investments described herein are available in all jurisdictions and some are available on a limited basis only, due to local regulatory and legal requirements.

This document is intended only for “Professional Clients” and “Eligible Counterparties” (as defined by the Markets in Financial Instruments Directive (“MiFID”) or the FCA); or in Switzerland for “Qualified Investors”, as defined in Article 10 of the Swiss Collective Investment Schemes Act and its implementing ordinance, or in the US by “Accredited Investors” (as defined in the Securities Act of 1933) or “Qualified Purchasers” (as defined in the Investment Company Act of 1940) as applicable and should not be relied upon by any other category of customer.

Unless otherwise stated, all data has been sourced by RBC BlueBay. To the best of RBC BlueBay’s knowledge and belief this document is true and accurate at the date hereof. RBC BlueBay makes no express or implied warranties or representations with respect to the information contained in this document and hereby expressly disclaim all warranties of accuracy, completeness or fitness for a particular purpose. Opinions and estimates constitute our judgment and are subject to change without notice. RBC BlueBay does not provide investment or other advice and nothing in this document constitutes any advice, nor should be interpreted as such. This document does not constitute an offer to sell or the solicitation of an offer to purchase any security or investment product in any jurisdiction and is for information purposes only.

No part of this document may be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose in any manner without the prior written permission of RBC BlueBay. Copyright 2025 © RBC BlueBay. RBC Global Asset Management (RBC GAM) is the asset management division of Royal Bank of Canada (RBC) which includes RBC Global Asset Management (U.S.) Inc. (RBC GAM-US), RBC Global Asset Management Inc., RBC Global Asset Management (UK) Limited and RBC Global Asset Management (Asia) Limited, which are separate, but affiliated corporate entities. ® / Registered trademark(s) of Royal Bank of Canada and BlueBay Asset Management (Services) Ltd. Used under licence. BlueBay Funds Management Company S.A., registered office 4, Boulevard Royal L-2449 Luxembourg, company registered in Luxembourg number B88445. RBC Global Asset Management (UK) Limited, registered office 100 Bishopsgate, London EC2N 4AA, registered in England and Wales number 03647343. All rights reserved.

Published November 2025

RE/0311/11/25



RBC BlueBay
Asset Management