



# War, oil and the Turkish economy?

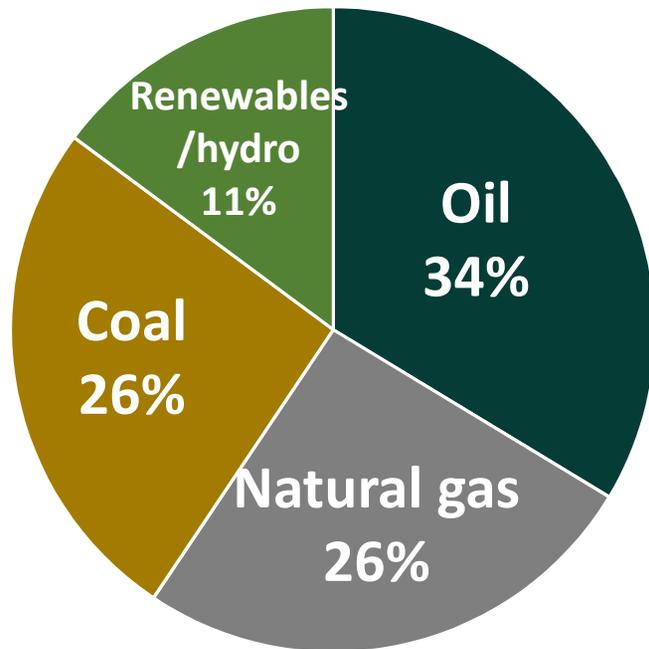
# Short term economic effects of the War

## **Negative, but manageable**

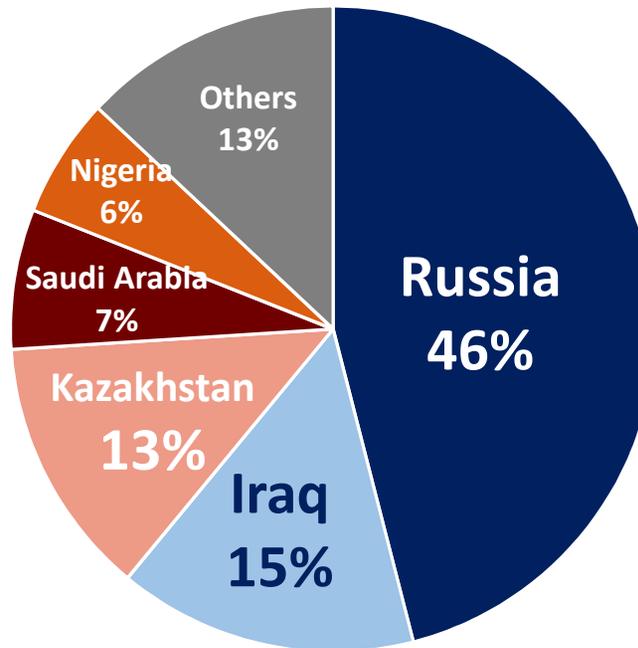
- ✓ **Energy supply security not at stake**
- ✓ **Deploying fiscal space as a shock absorber**
- ✓ **Limited warflation, wider current account deficit, slower growth**

# Energy supply security not at stake

## Total energy supply (2024)

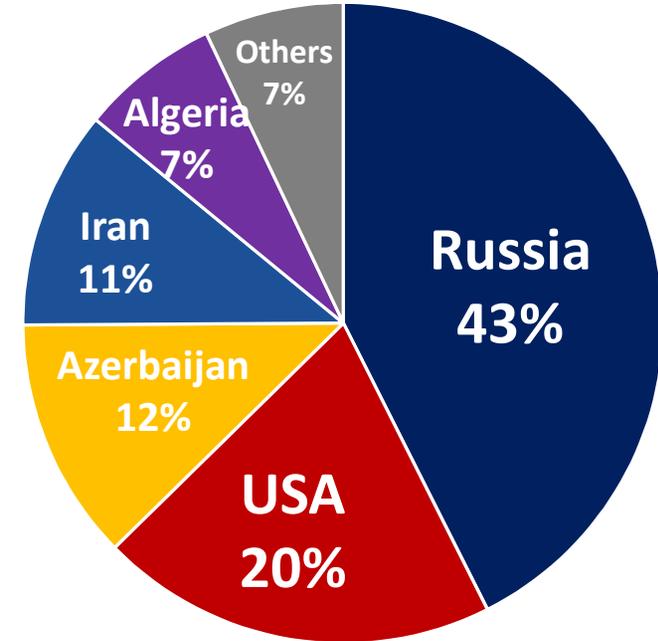


## Crude oil imports (2025)



**\$16.1 billion**

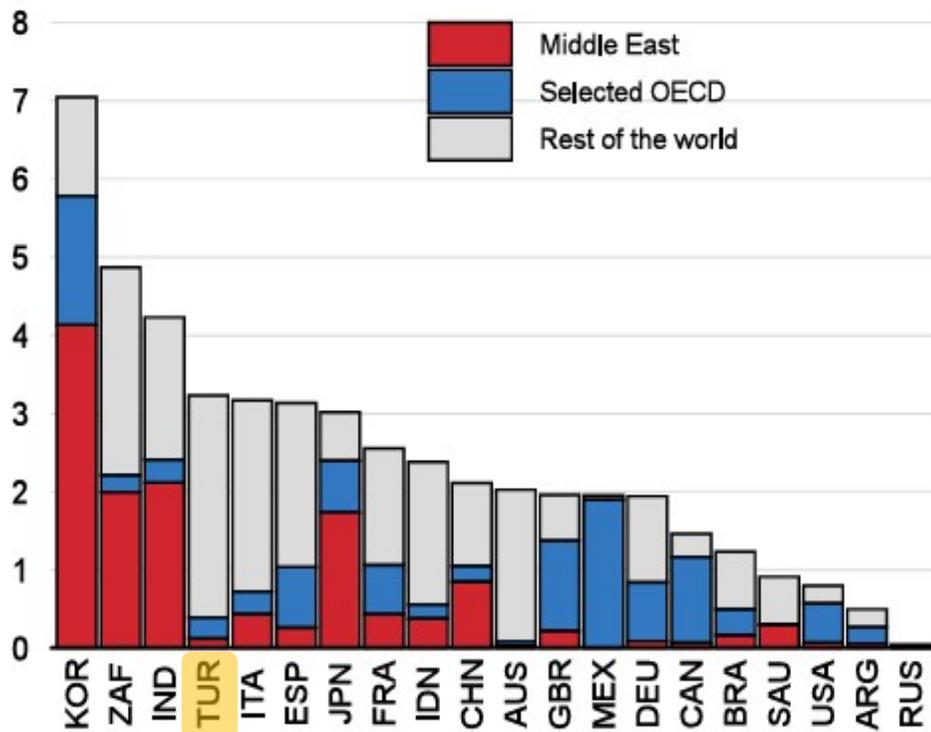
## Gas imports\* (2025)



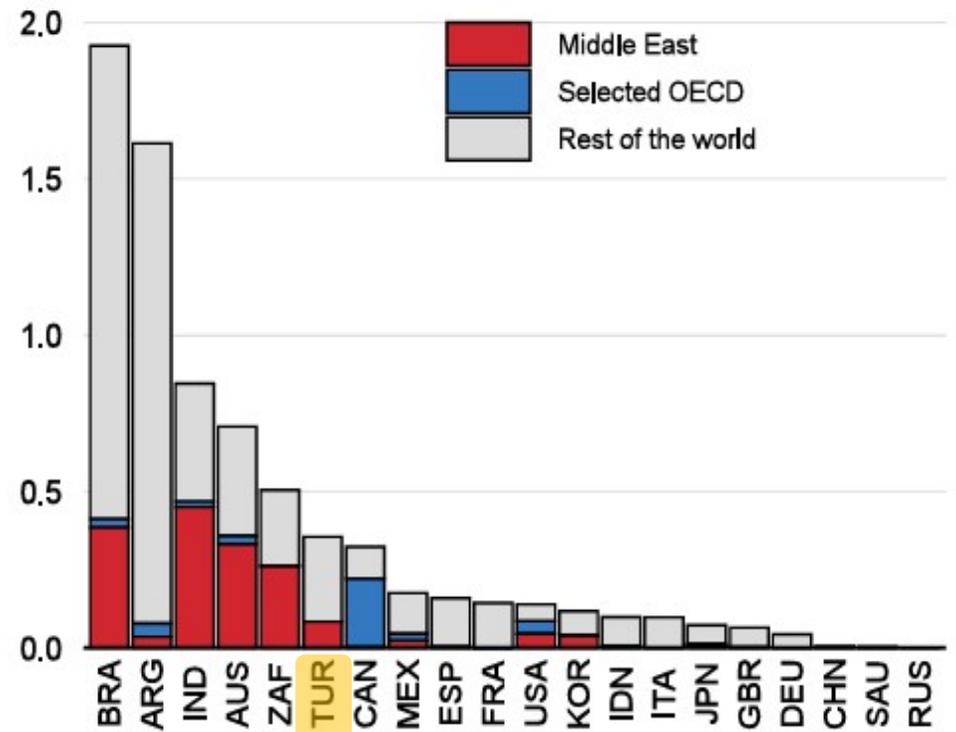
**\$21.2 billion**

# Limited Middle East import exposure

## Oil & gas imports (% of total GDP, 2024)



## Fertilizers (% of total import values 2024)



# Impact of oil price shock

# Impact of oil price shock - manageable

- ✓ Program assumption \$65/bbl
- ✓ Year-to-date average \$77.4/bbl\*
- ✓ Futures-implied average for 2026 \$84.1/bbl (March 30)

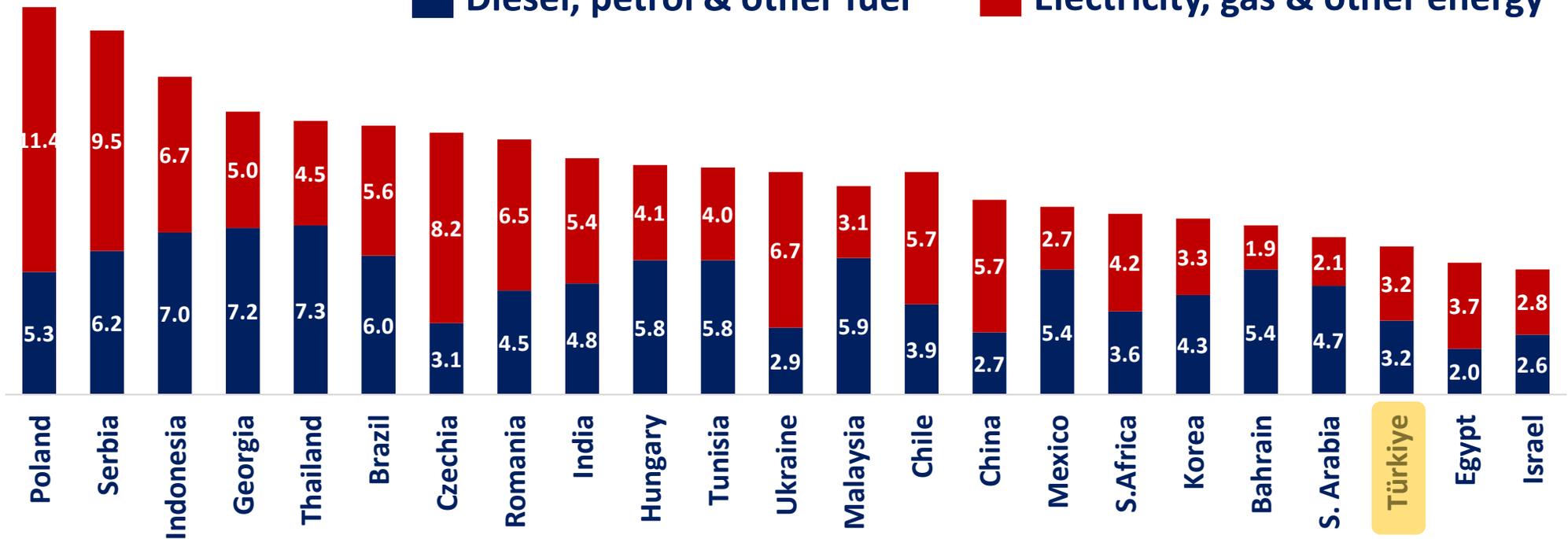
## Rough estimates of the impact (relative to MTP targets), assuming \$85/bbl in 2026)

Inflation	↑ +3.6pp-4.4 pp
Current account deficit	↑ 1.1-1.4% of GDP
Growth	↓ [-0.6pp]-[-1.5 pp]
Budget deficit	↑ 0.6% of GDP

# Disinflation: Low energy weight in CPI

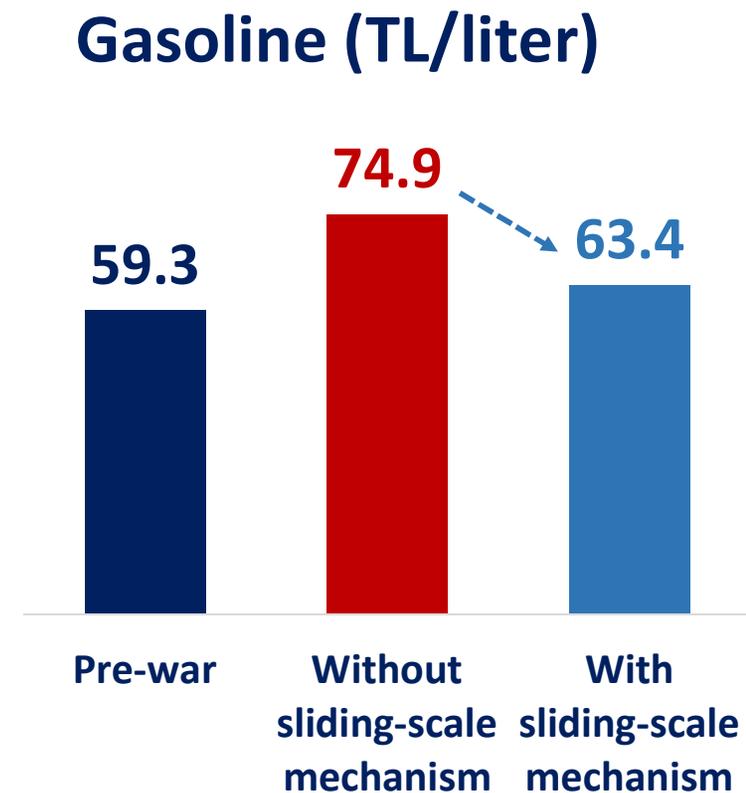
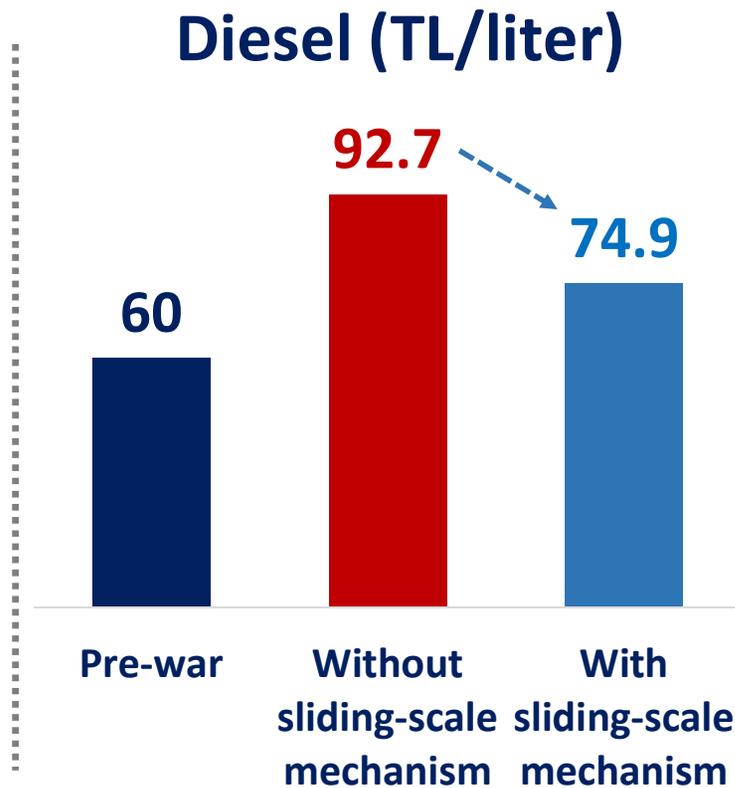
## % of 2026 CPI basket

■ Diesel, petrol & other fuel      ■ Electricity, gas & other energy



# Deploying fiscal space: Sliding-scale fuel pricing mechanism

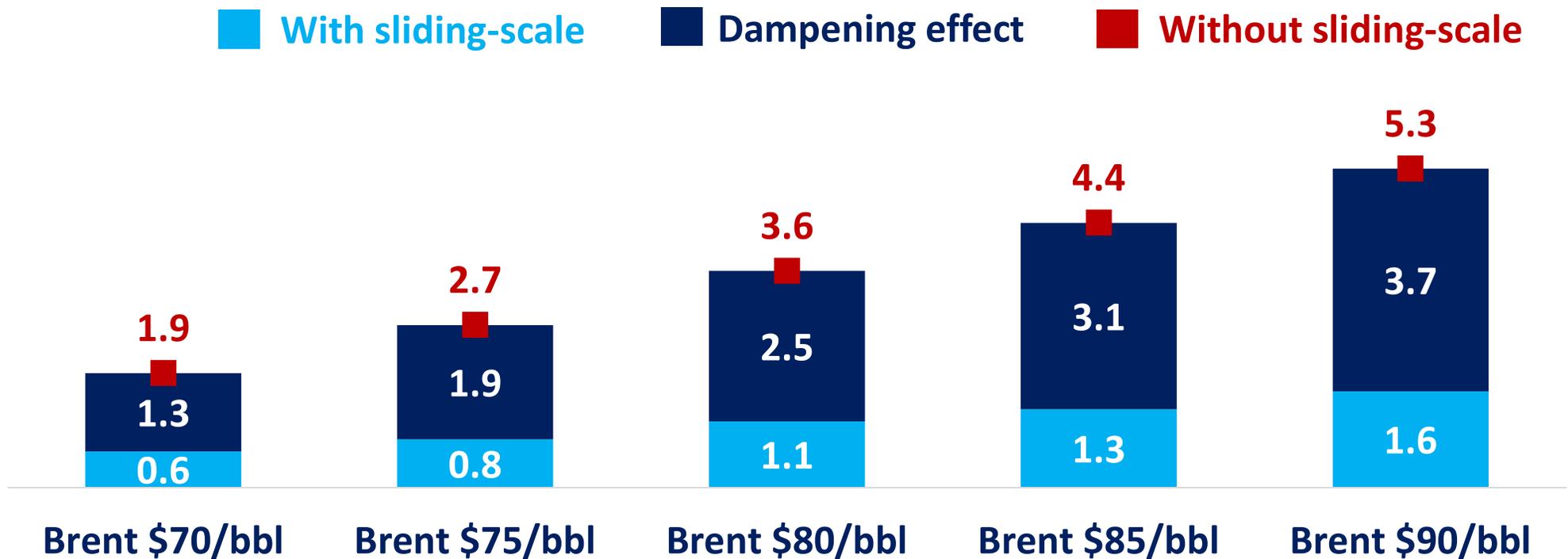
- ✓ 75% of fuel price increases absorbed
- ✓ Direct energy pass-through contained
- ✓ Brent at \$85/bbl: Fiscal impact **0.6% of GDP**



Source: Ministry of Treasury and Finance, as of March 30 2026

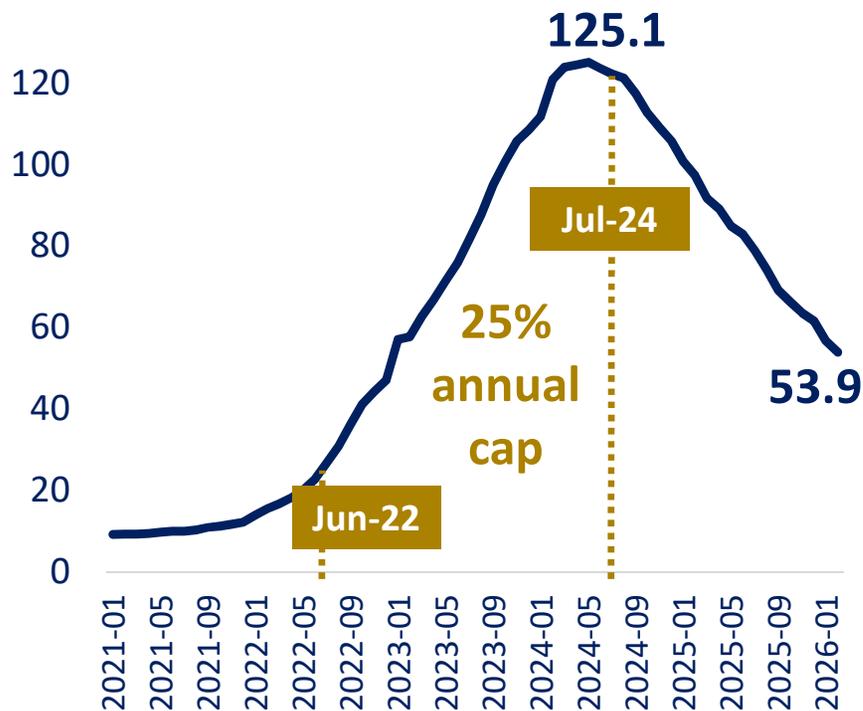
# Fiscal buffer limits oil-to-inflation pass through

## Impact of sliding scale system after 12 months (%)

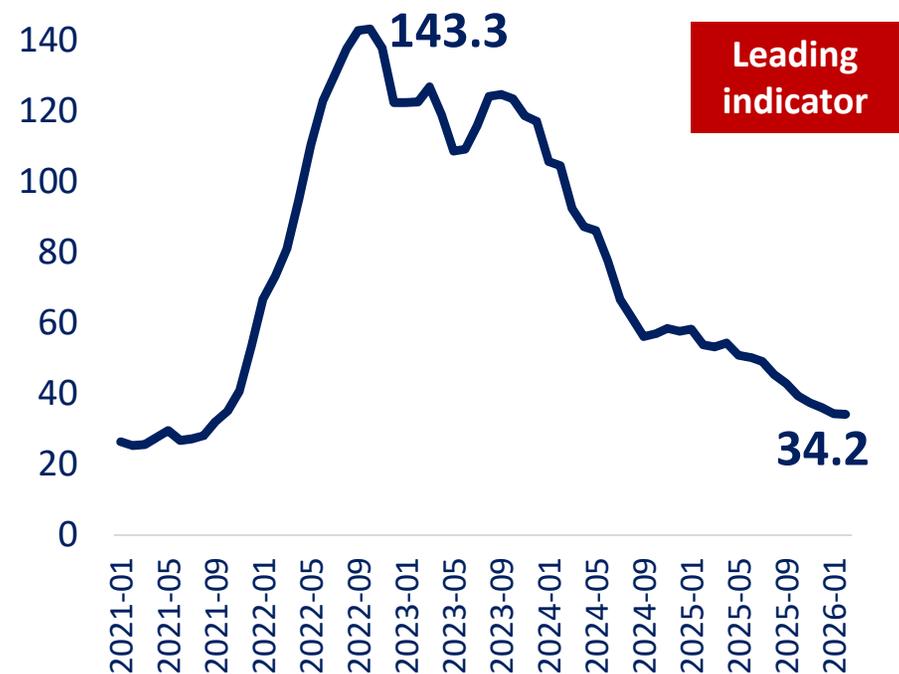


# Disinflation: Rent inflation moderates, leading indicators point to further disinflation

## Rent inflation (y-o-y, %)

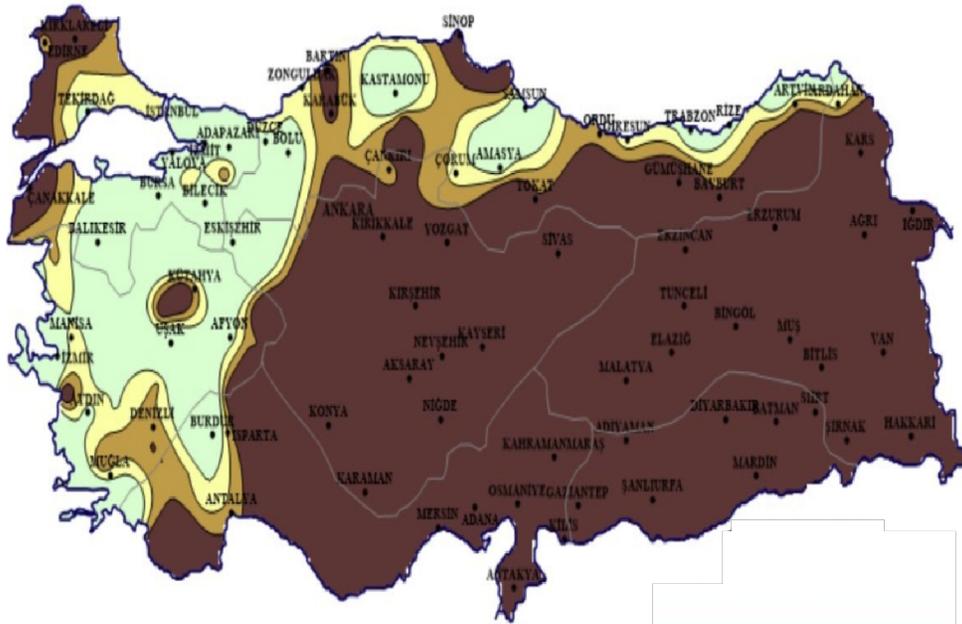


## New Tenant Rent Index (y-o-y, %)



# Disinflation: Drought risks recedes sharply in 2026

## Drought (January 2025)

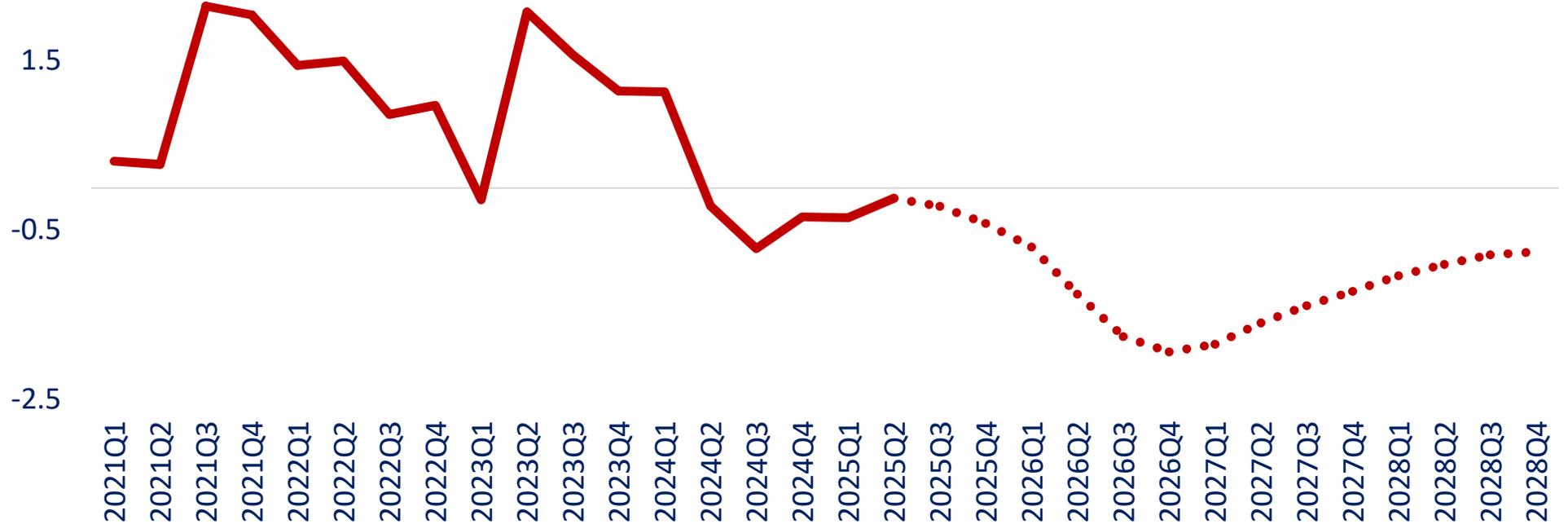


## Drought (January 2026)



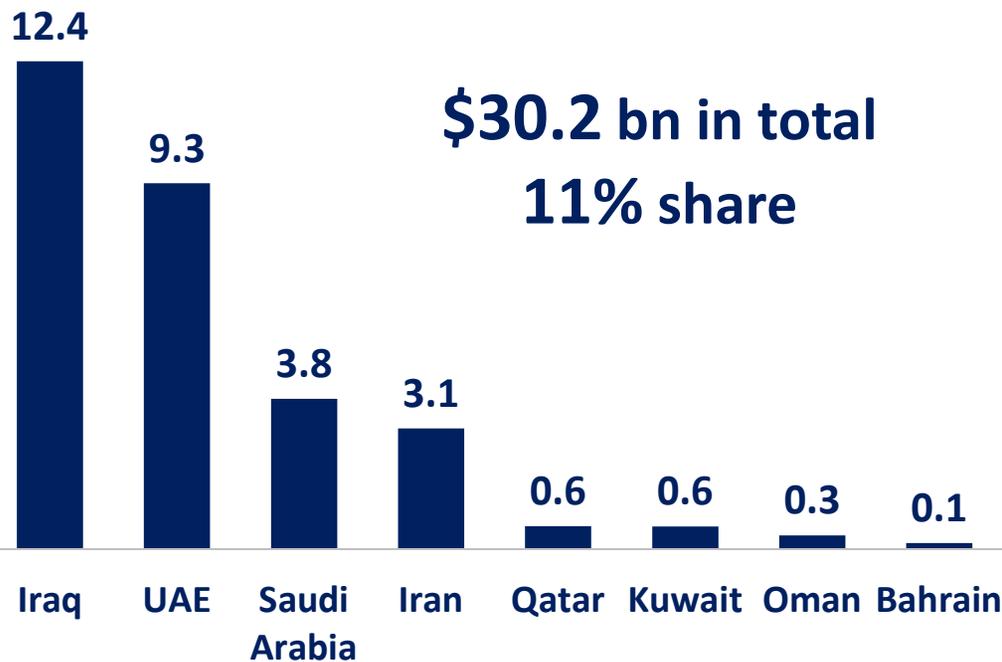
# Disinflation: Negative output gap looks set to persist

## Output Gap (%)



# Exports with Middle Eastern countries

## Exports (2025, bn \$)

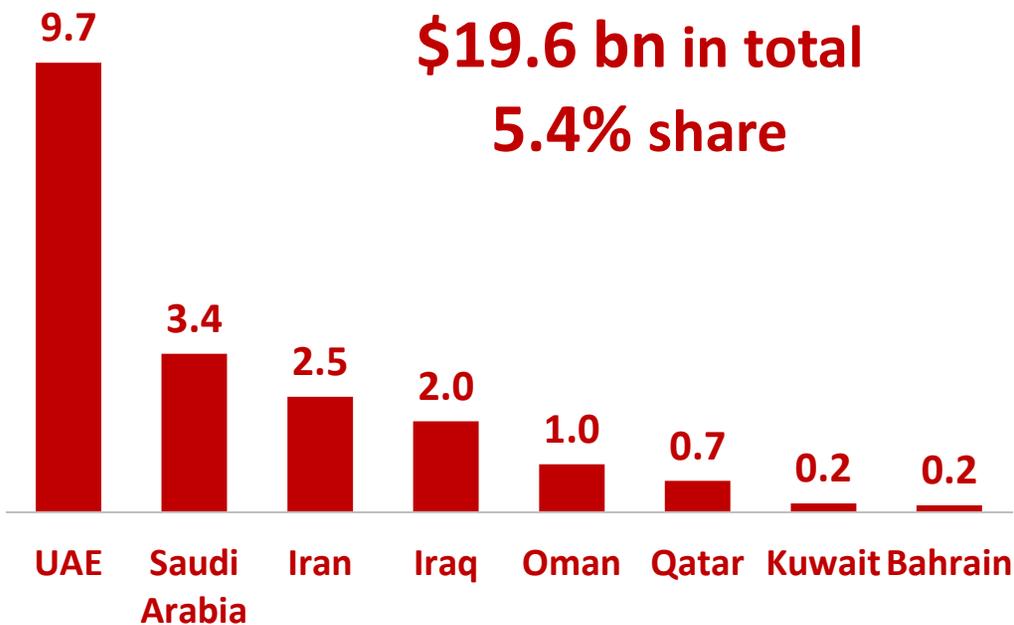


## Exports breakdown by product (2025)

	bn \$	Regional export share (%)
Jewelry & gold	5.6	18.4
Machinery & equipment	2.0	6.6
Electronics	1.7	5.6
Fruits and nuts	1.1	3.7
Chemicals	1.0	3.4
Plastics	1.0	3.3
Furniture	1.0	3.2
Iron & steel	1.0	3.2
Vehicles	0.9	3.0
Carpets	0.8	2.6
<b>Others</b>	<b>14.1</b>	<b>46.9</b>

# Imports with Middle Eastern countries

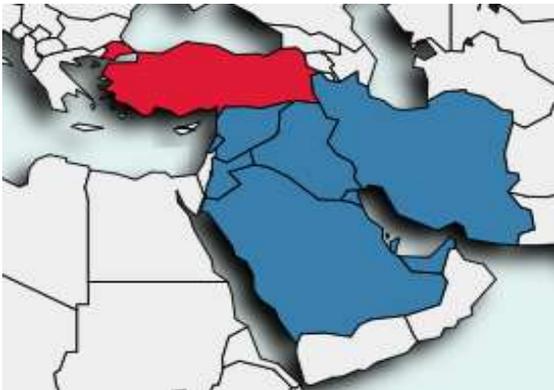
## Imports (2025, bn \$)



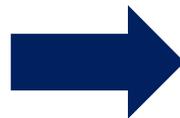
## Imports breakdown by product (2025)

	bn \$	Regional import share (%)
Jewelry & gold	8.0	41.0
Crude oil & petroleum products	2.6	13.4
Plastics	2.5	12.6
Aluminum	2.2	11.1
Petrochemicals	1.0	5.0
Iron and steel	0.5	2.6
Copper	0.5	2.5
Fertilizers	0.5	2.3
Fruits and nuts	0.4	1.9
Chemicals	0.3	1.4
<b>Others</b>	<b>1.1</b>	<b>6.1</b>

# Tourism



*Saudi Arabia, Iran  
Iraq, Syria  
Bahrain, Kuwait  
UAE, Qatar  
Lebanon, Jordan*



**2025**

**# of tourists**

**6.9 million people**

**10.8% of total**

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**Tourism revenue**

**\$7.8 billion**

**12% of total**

# Drivers of sustainable current account balance

- **Boosting domestic oil & gas output**
- **Accelerating green transition, reducing import dependency**
- **Expanding services surplus**
- **Moving up the value chains via industrial policy initiatives**
- **Investing in resilience & competitiveness**

# Structural improvement: Green transition

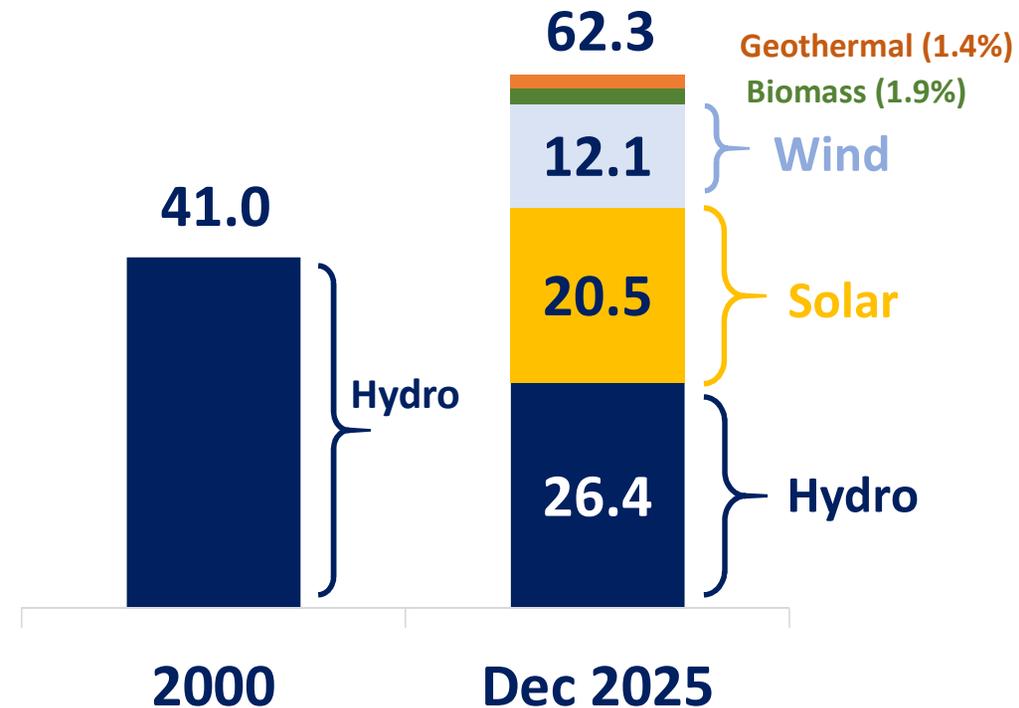
## Share of renewables in electricity production (%)

### Recent steps

- ✓ Climate Act
- ✓ Renewables & Mining Act

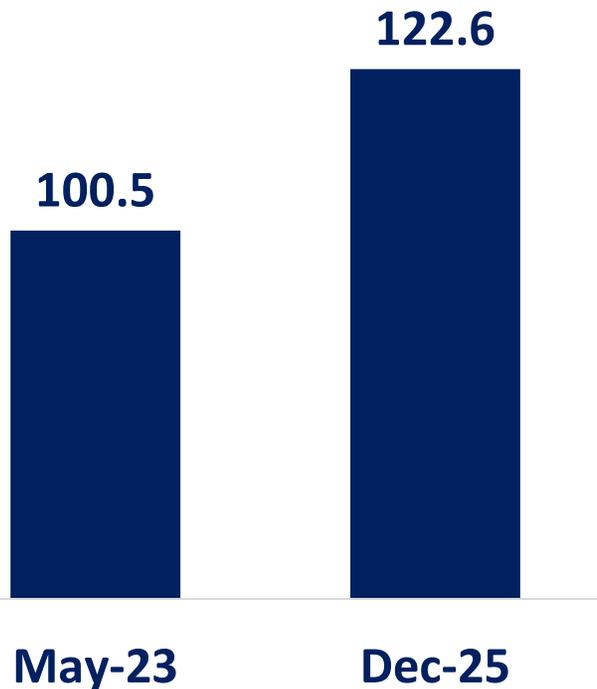


## Share of renewables in installed capacity (%)

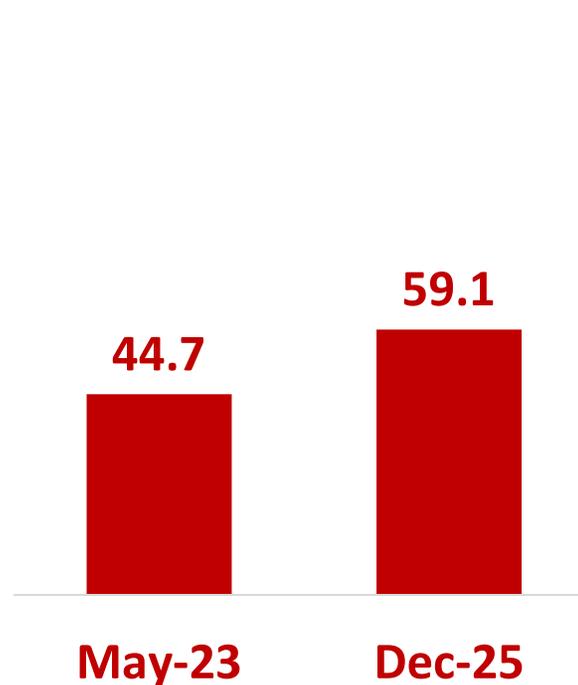


# Structural improvement: Improving services exports

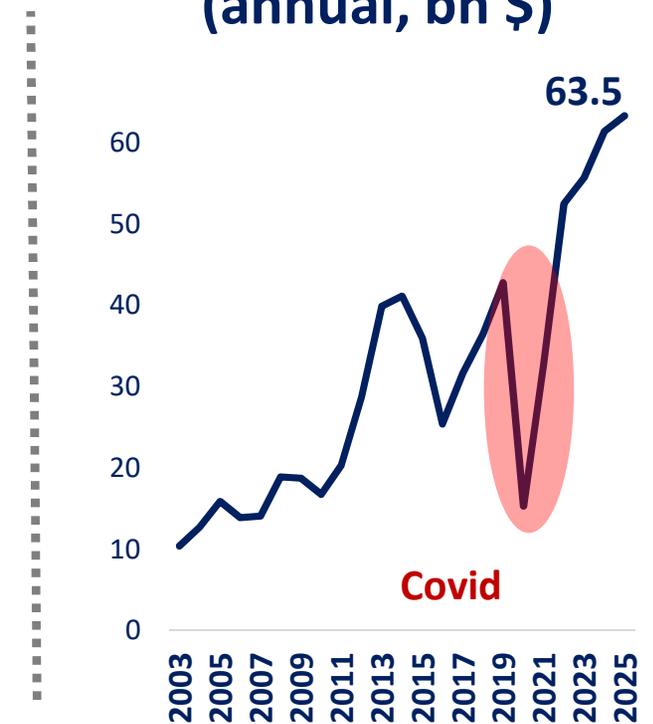
Services export  
(annual, bn \$)



Services import  
(annual, bn \$)



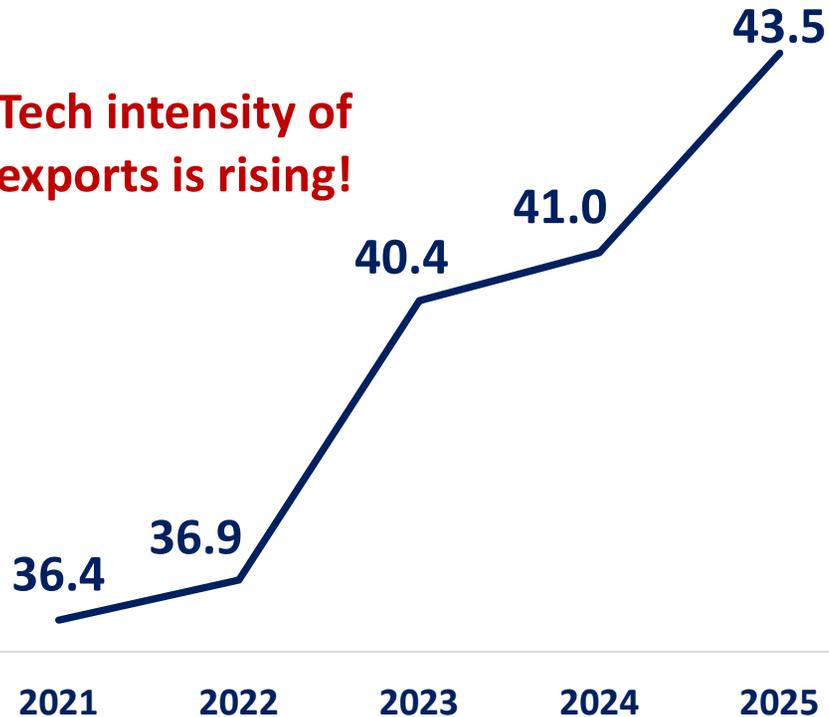
Services surplus  
(annual, bn \$)



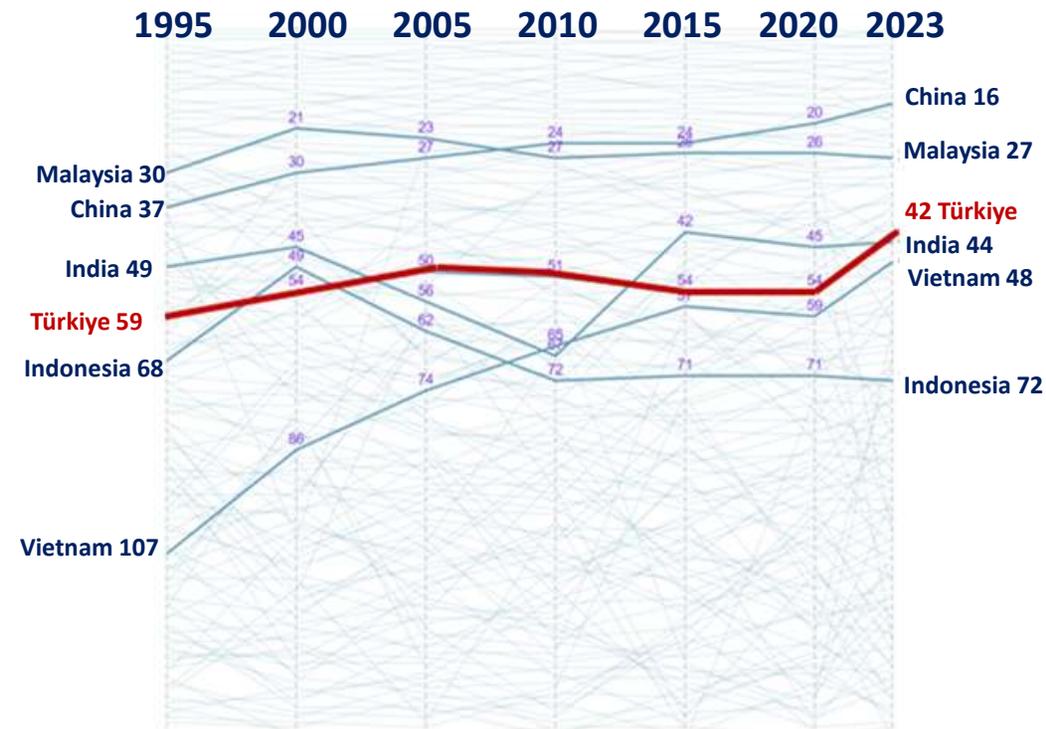
# Structural improvement: Moving up the value chain

## High and medium-high tech exports (% manufacturing exports)

Tech intensity of exports is rising!



## Economic Complexity Index Ranking



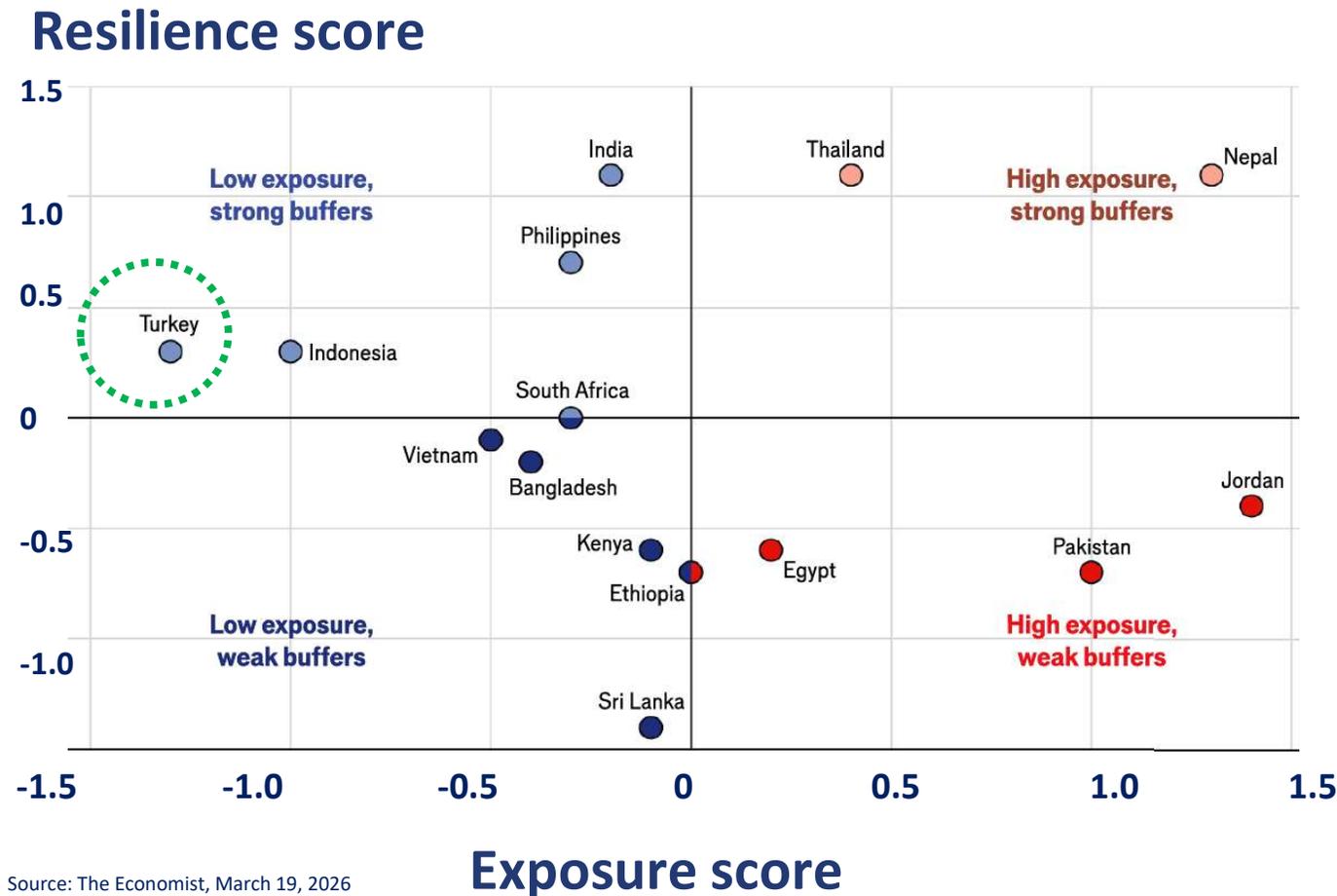
The Economic Complexity Index is a ranking of countries based on the diversity and complexity of their export basket

**Can Türkiye weather  
this shock?**

# Proven resilience

- ✓ **Stronger commitment to sound policies**
- ✓ **Continue to prioritize disinflation**
- ✓ **Won't waste the crisis, accelerate reforms**
- ✓ **Political outlook remains supportive (strong leadership & proven crisis management skills)**

# The insulated & the isolated



## Components of resilience score

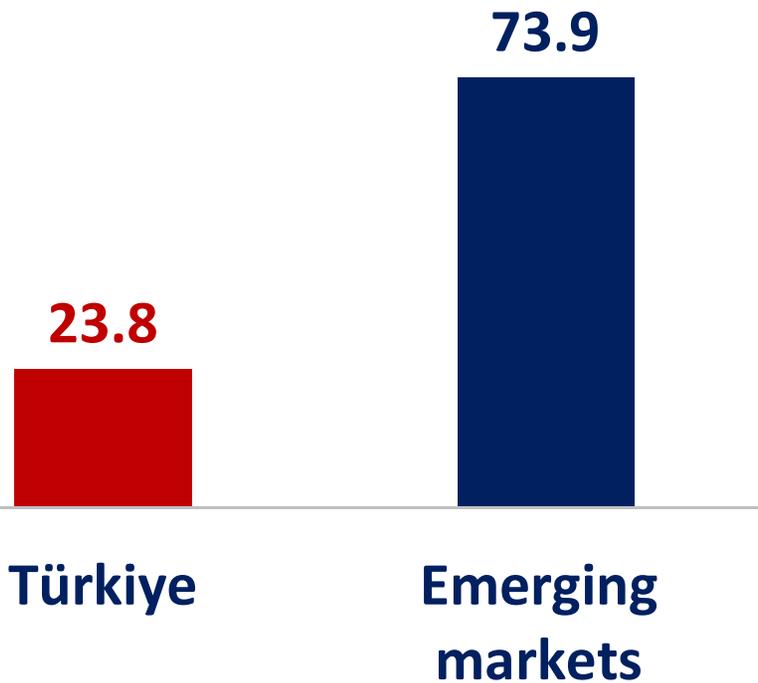
- ✓ Foreign-exchange reserves
- ✓ External government debt

## Components of exposure score

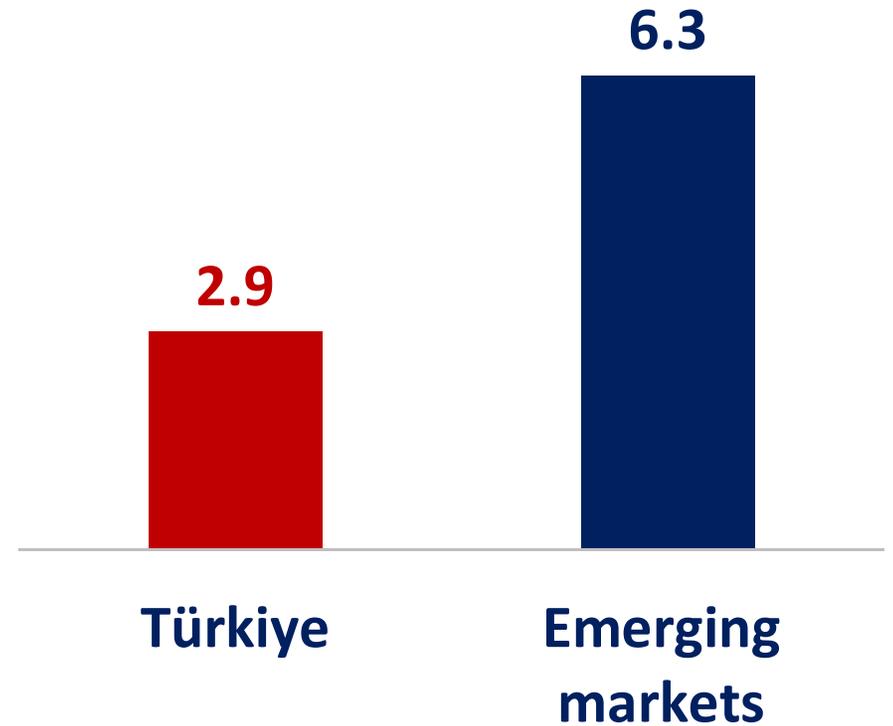
- ✓ Net oil & gas imports
- ✓ Oil & gas imports from the Middle East & Gulf remittances

# Low public debt & budget deficit

Gross public debt to GDP (% , 2025)



Budget deficit to GDP (% , 2025)

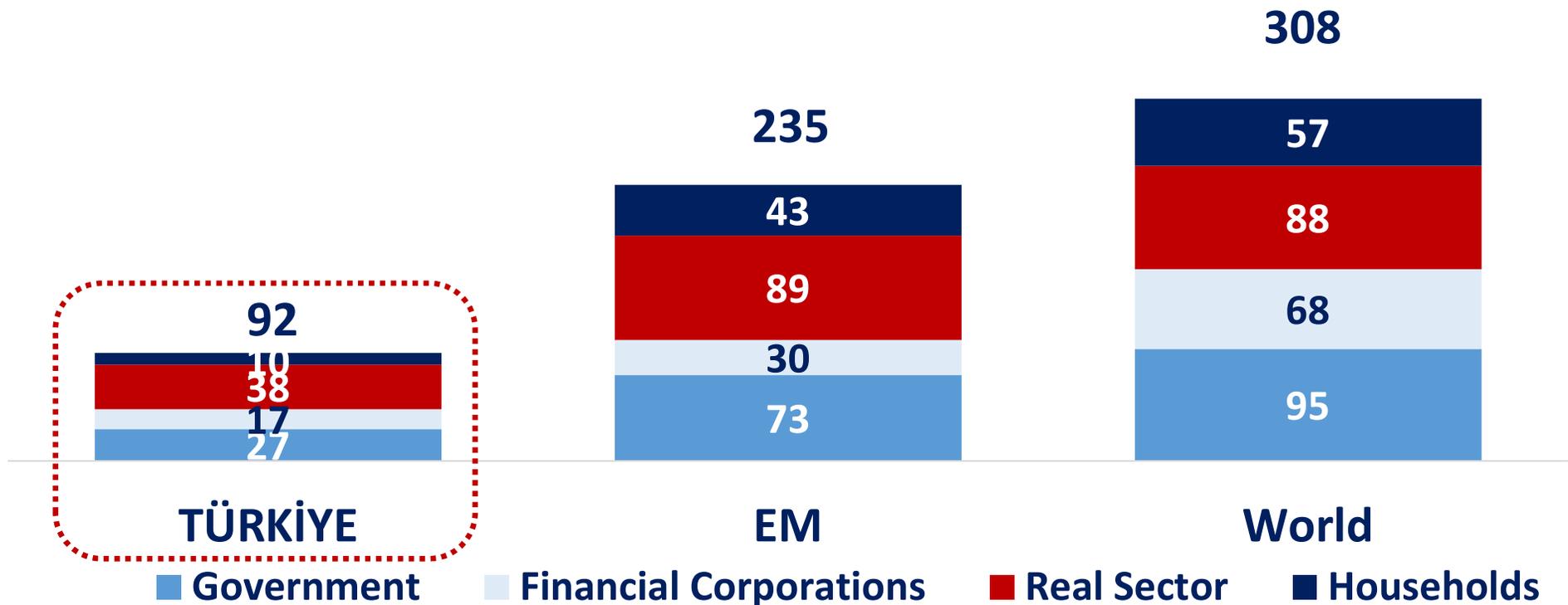


# Debt sensitivity to macroeconomic shocks

	Change in gross public debt/GDP
Change in real exchange rate (5 pps)	+ / - 0.6 pps
Change in TL interest rates (500 bps)	+ / - 0.6 pps
Change in GDP growth (2 pps)	+ / - 0.5 pps

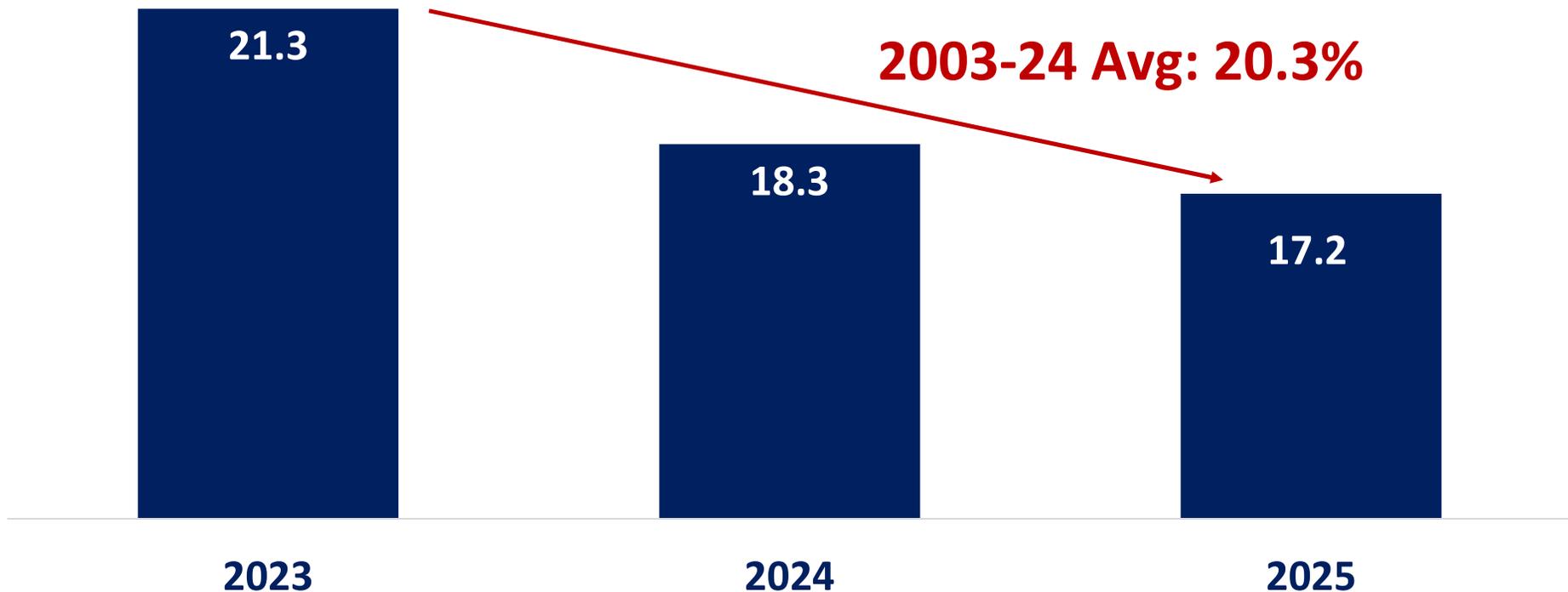
# Low total indebtedness

## Debt to GDP (2025)



# Falling gross external financing needs

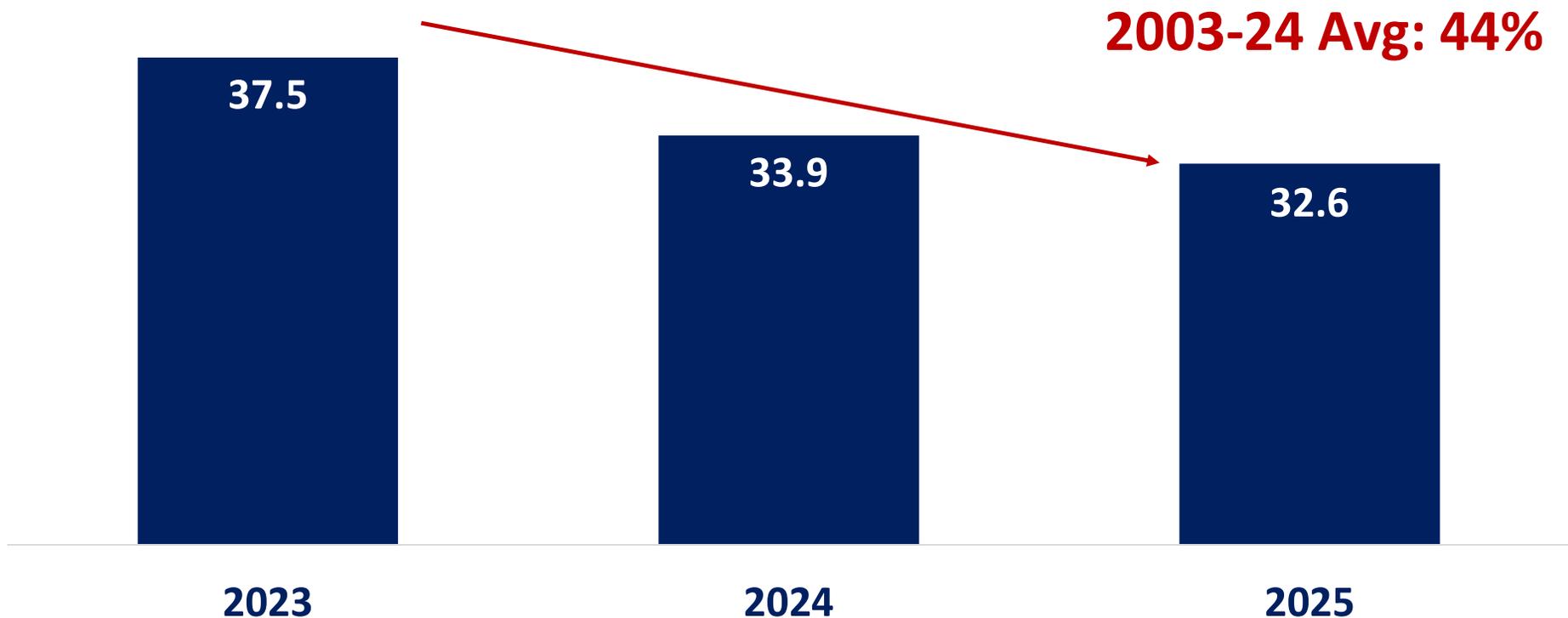
## Gross external financing needs (% of GDP)



Note: Gross external financing needs are calculated by summation of current account deficit and external debt payments within one year or less regardless of the original maturity  
Source: CBRT, TURKSTAT, MoTF calculations

# Falling gross external debt

## Gross external debt (% of GDP)

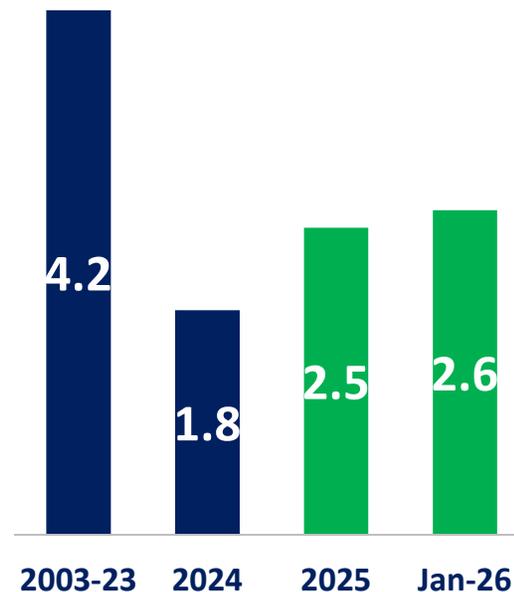


# Healthy banking sector

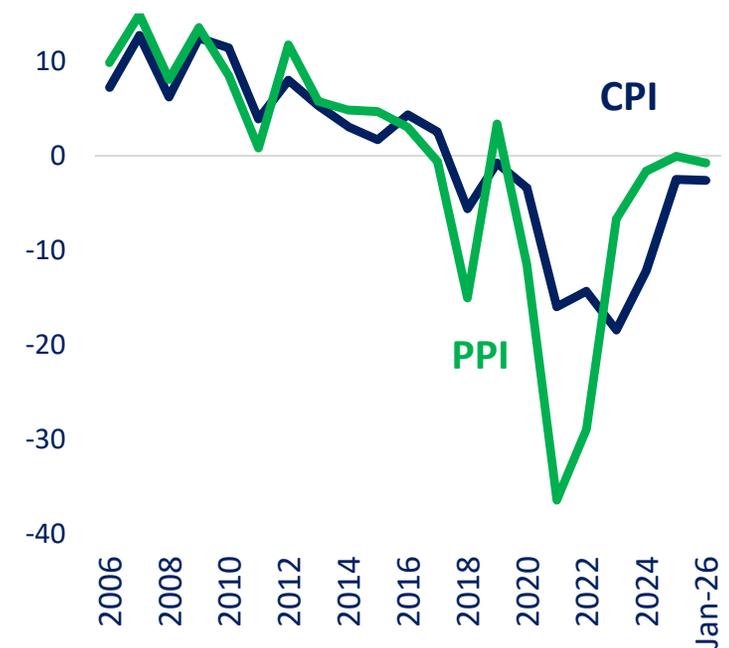
## Well-capitalized (Capital Adequacy Ratio, %)



## Strong asset quality (NPL Ratio, %)

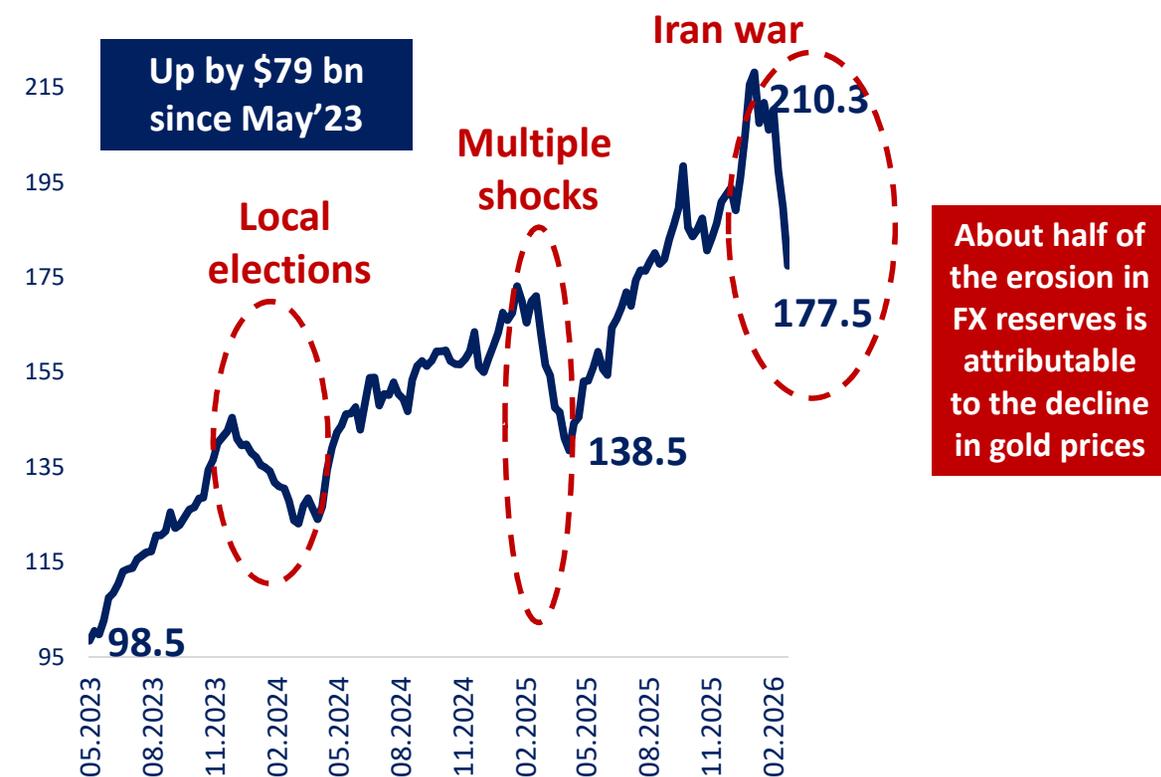


## Improving real ROE (annual, adjusted by CPI & PPI, %)

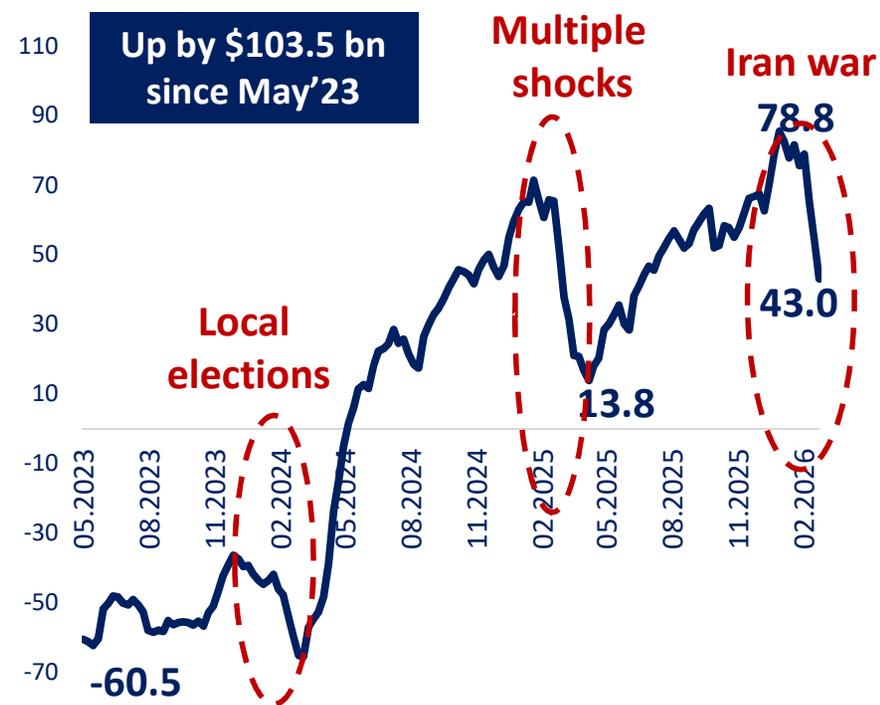


# International FX reserves (bn \$)

## Gross reserves

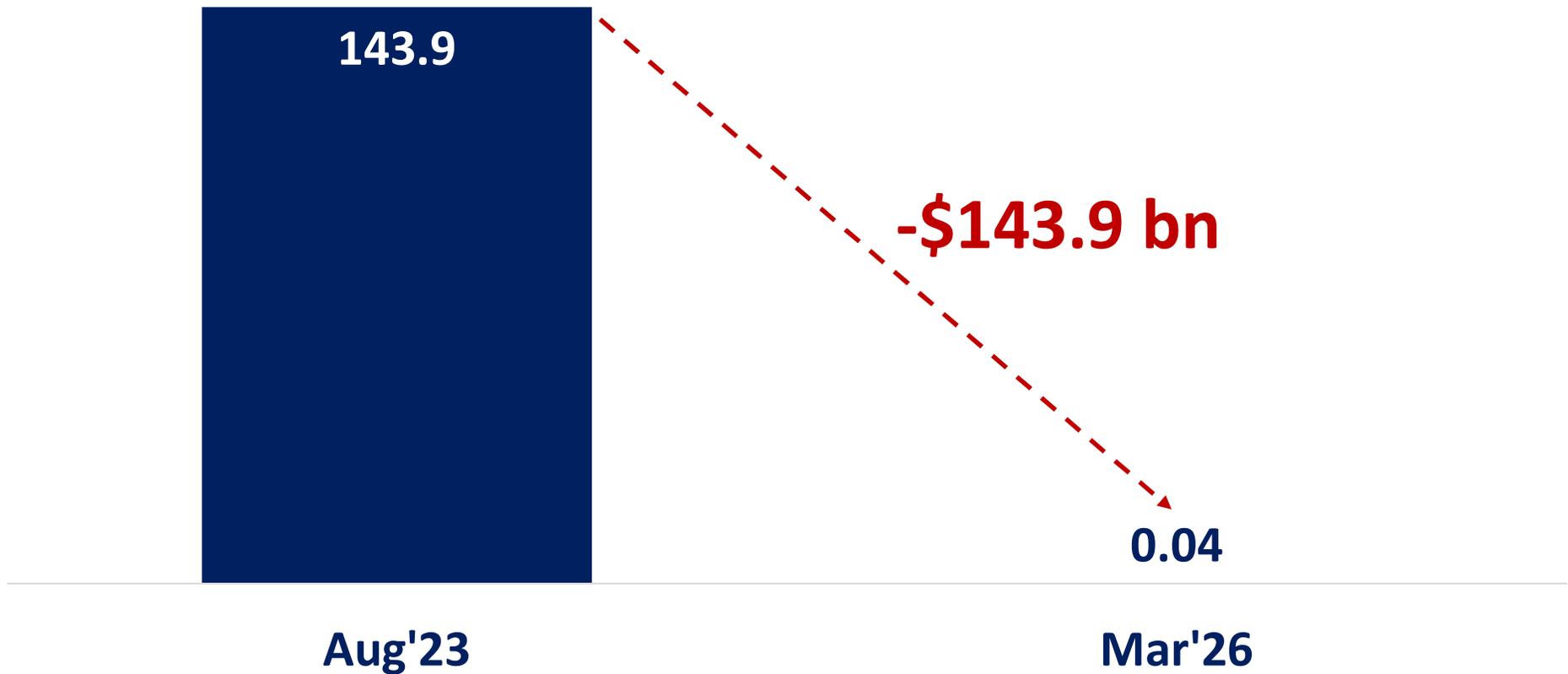


## Net reserves (excl. swaps)



# Very low contingent liabilities

## FX-Protected Lira Deposits (bn \$)



**Dollarization:  
Déjà vu or is this time  
different?**

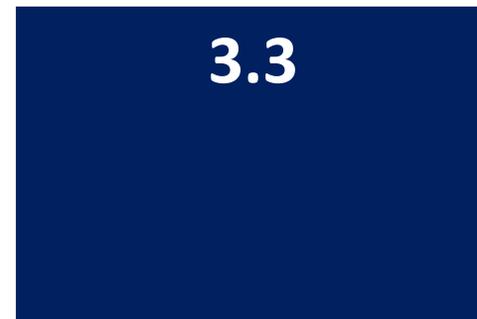
# Limited household demand for FX

## Retail FX demand (bn \$)



4.9

March 19-April 16, 2025

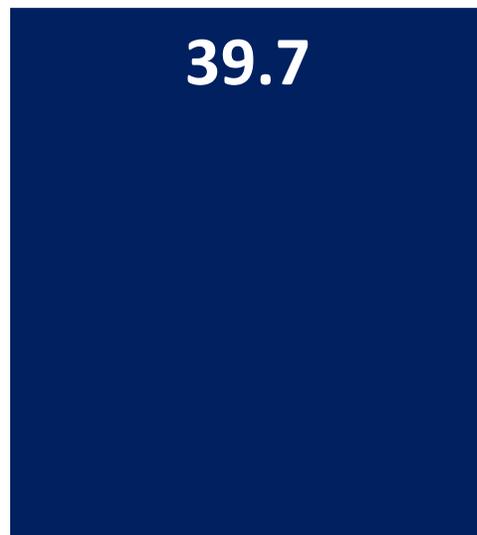


3.3

February 27-March 26, 2026

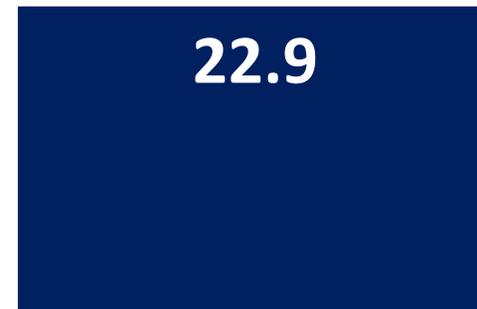
# Limited non-resident outflows

## Non-resident outflows\* (bn \$)



39.7

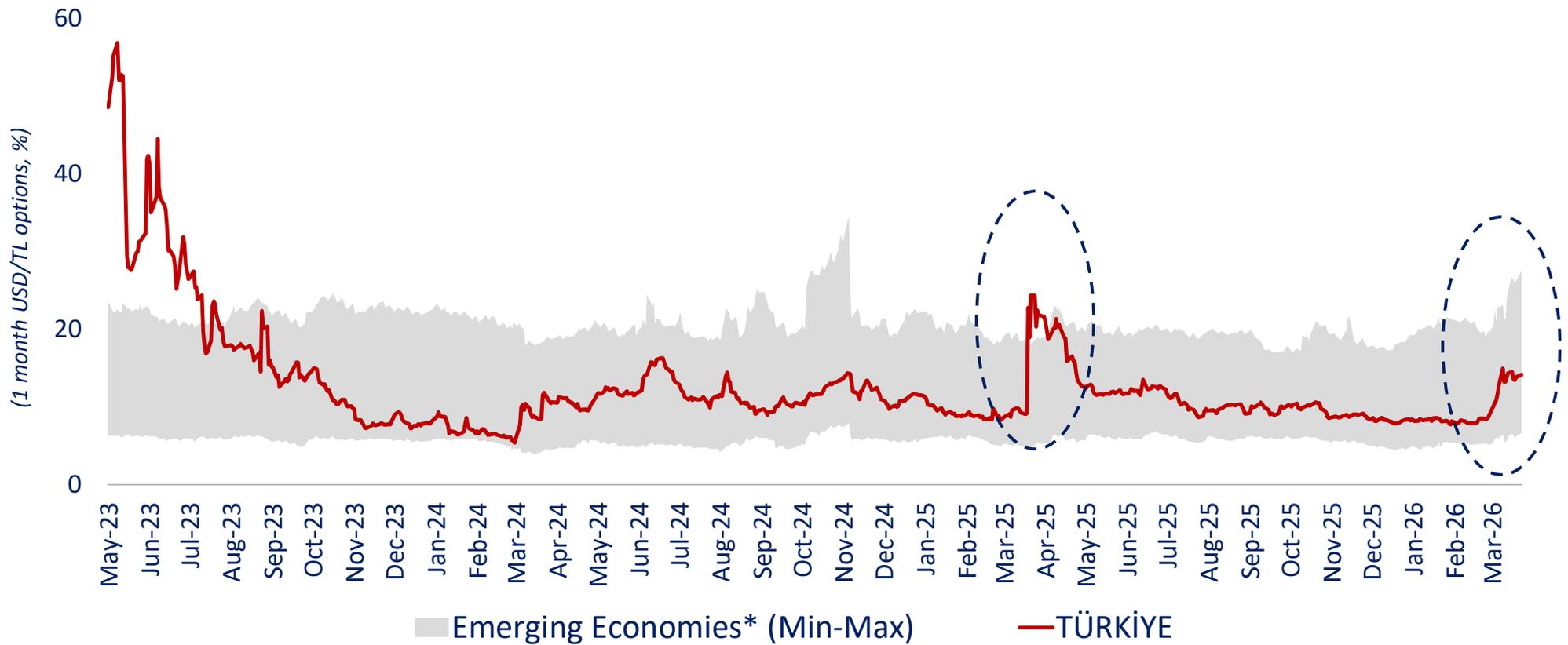
March 19-April 16, 2025



22.9

February 27-March 26, 2026

# Implied exchange rate volatility



Last data: March 30, 2026

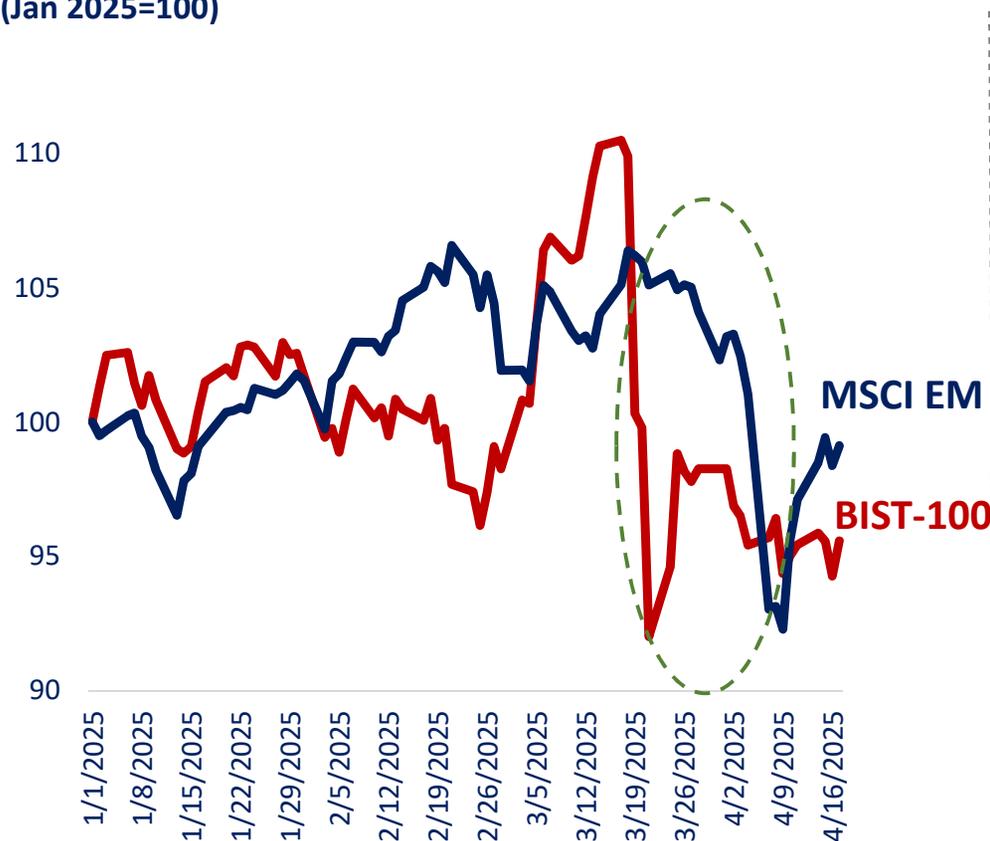
(\*) Brazil, Chile, Colombia, Mexico, Poland, Philippines, Malaysia, South Africa, Indonesia, Romania, Hungary

Source: Bloomberg

# Equity markets: Resilience

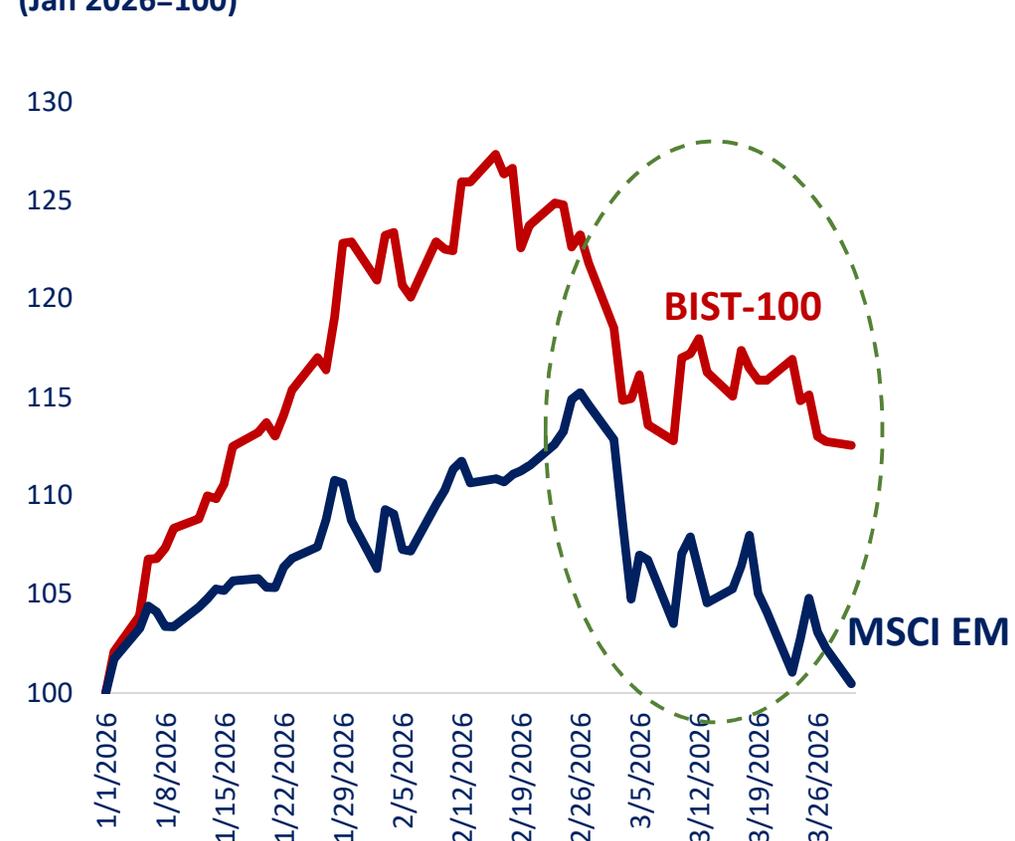
## Underperformance in 2025

(Jan 2025=100)



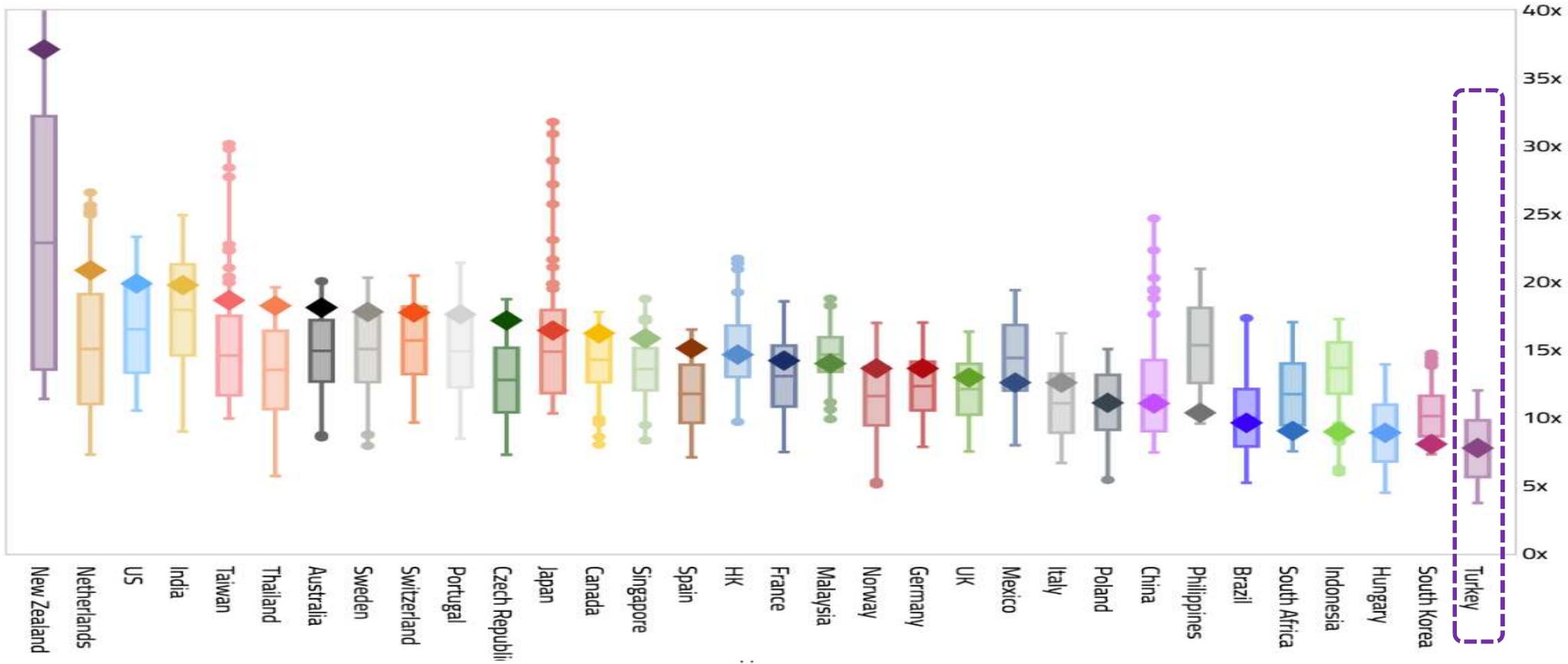
## Outperformance in 2026

(Jan 2026=100)



Source: Bloomberg, March 30, 2026

# Global equity forward P/E



*Note:* Based on 20-year histories. The diamonds represent the latest values. The boxes provide one standard deviation around the mean. The brackets show the min and max.

**Is there a change  
in the outlook for the  
Macroeconomic Stabilization  
and Reform Program?**

# **No change in priorities, program remains broadly on track**

- **Attaining price stability**
- **Maintaining fiscal discipline**
- **Sustainable current account balance**
- **Enhancing competitiveness, governance & institutional strength through structural reforms**

# Macroeconomic Stabilization & Reform Program

Sep'23-Sep'24

## First phase



### Avoiding tail risks & rebuilding buffers

- ✓ Return to rule-based market economy
- ✓ Controlling high inflation & avoiding BOP stress
- ✓ Financing earthquake spending without monetization
- ✓ Rebuilding FX reserves & reducing contingent liabilities

Sep'24-Dec'25

## Second phase



### Addressing imbalances

- ✓ Starting disinflation in earnest
- ✓ Restoring fiscal health
- ✓ Achieving sustainable current account balance
- ✓ Exiting FX-protected deposit scheme
- ✓ Strengthening resilience

January 2026+

## Third phase



### Achieving price stability & structural transformation

- ✓ Maintain credible, transparent, and forward looking policies
- ✓ Single digit inflation
- ✓ Fiscal deficit  $\leq 3\%$
- ✓ C/A deficit  $\leq 1\%$
- ✓ Boosting productivity & competitiveness through reforms

**Risk of the conflict  
spreading to Türkiye?**

# Extremely low, why?

- ✓ **No ego in geopolitics!**
- ✓ **Türkiye's strong deterrence capability**
- ✓ **NATO Article 5, an attack on Türkiye is an attack on all**
- ✓ **A weak or dysfunctional Iran isn't in Türkiye's interest**

# Medium & long term opportunities

# Medium term: Post war opportunities

**Lower oil prices?**

*- Macro relief -*

**Defense industry**

*- Rapid scale-up -*

**Reconstruction**

*- Multi-year demand cycle -*

**Attracting FDI & talent**

*- Strong inflow momentum -*

**Energy transition**

*- Regional energy hub -*

**New trade corridors**

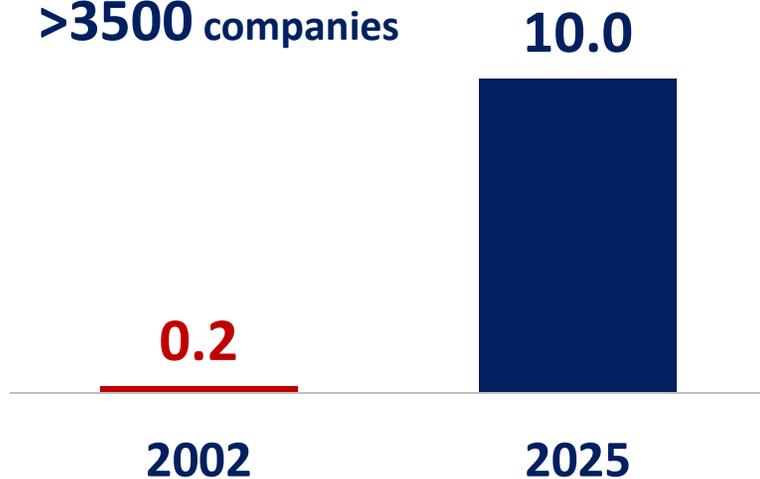
*- Corridor of growth -*

# Rising defense export opportunities

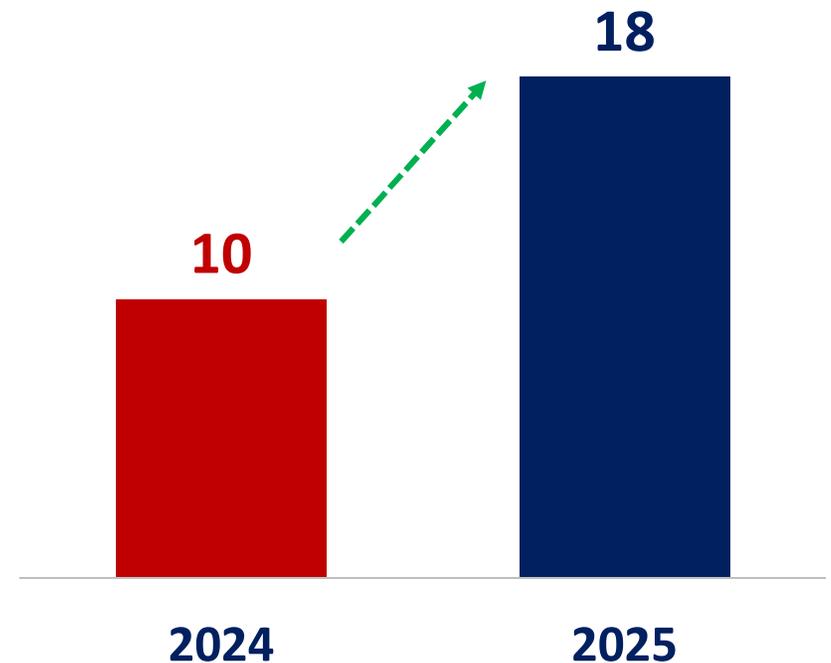
## Türkiye's Exports (bn \$)

- >230 products
- >185 countries
- >1400 projects
- >3500 companies

**5** companies among the World's Top 100

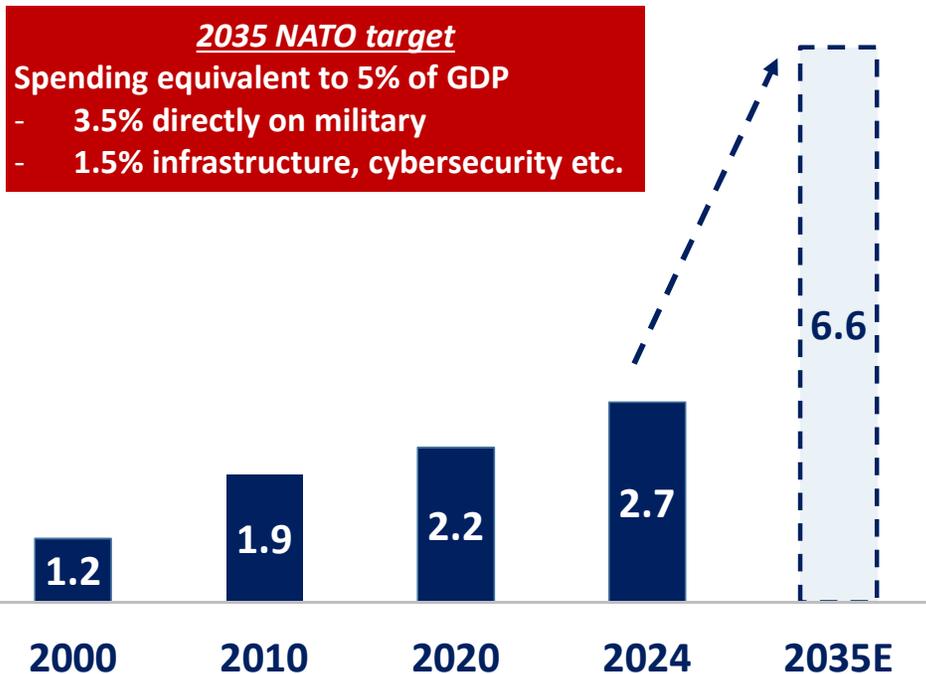


## New orders (bn \$)



# Defense industry: Rapid scale-up

## Global defense expenditures (trillion \$)



## Top 15 defense exporters (% global share, 2021-2025)



# Hybrid innovation model in defense industry



**Phase 1: Public-funded military technology**



**Phase 2: Dual-use form**



**Phase 3: Transfer to civil sectors**

- **Sectors:** Machinery, automotive, white goods, electronics, energy equipment, rail systems, health-tech, agritech, biotech, space-tech, etc
- **Selected products:** Air traffic management, smart cities, augmented reality in healthcare & education, next generation communication systems

# More opportunities for Turkish construction firms

## 1972-2025

# of projects  
12,674

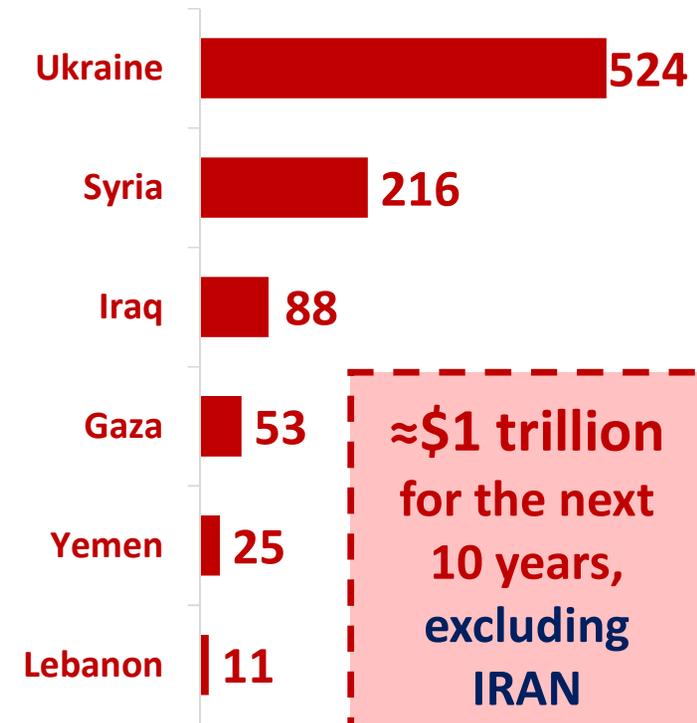
# of countries  
137

Total worth of projects  
\$546.8bn

## # of companies in top 250 contractors (2025)



## Reconstruction needs in the neighbourhood (billion \$)



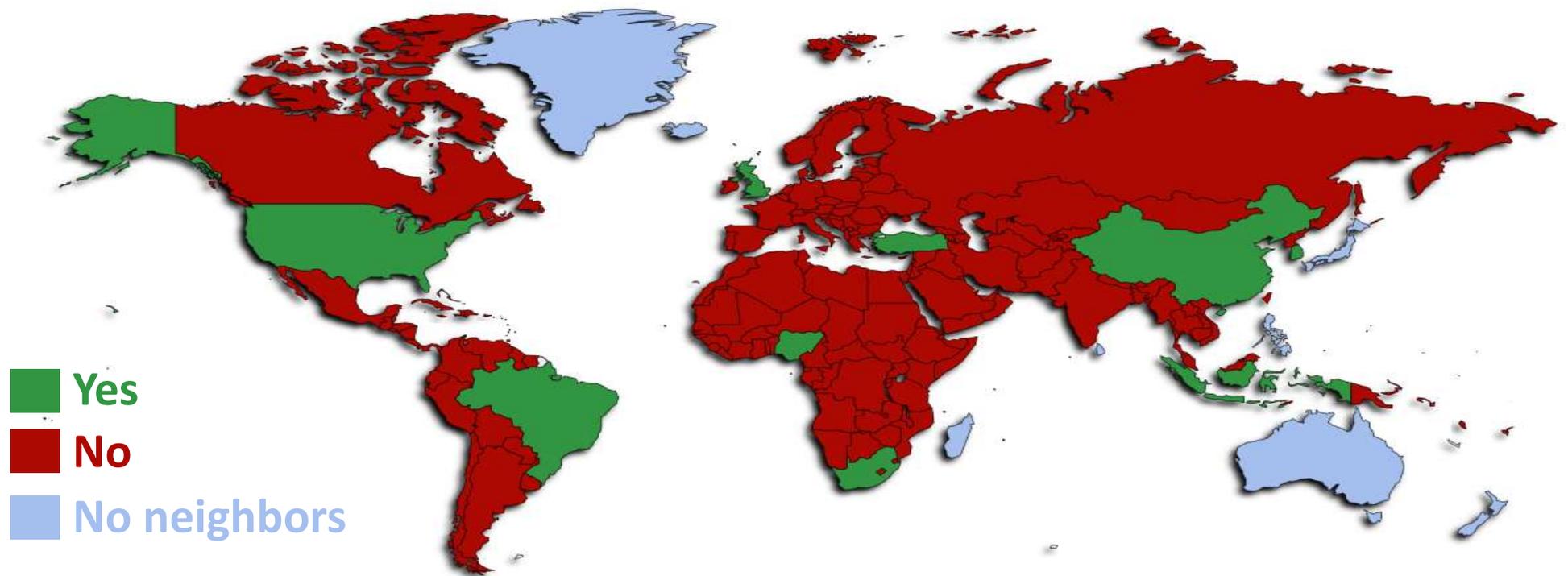
# Supply chain reconfiguration could boost FDI

- **A large economy with strong growth performance**
- **Resilient to global trade fragmentation**
- **Quality infrastructure & skilled labor force**
- **A strong manufacturing & services hub**
- **A gateway to Central Asia, Middle East, North Africa and Europe**

# Countries with more GDP than all neighbors combined

**Türkiye's GDP: \$1.6 trillion**

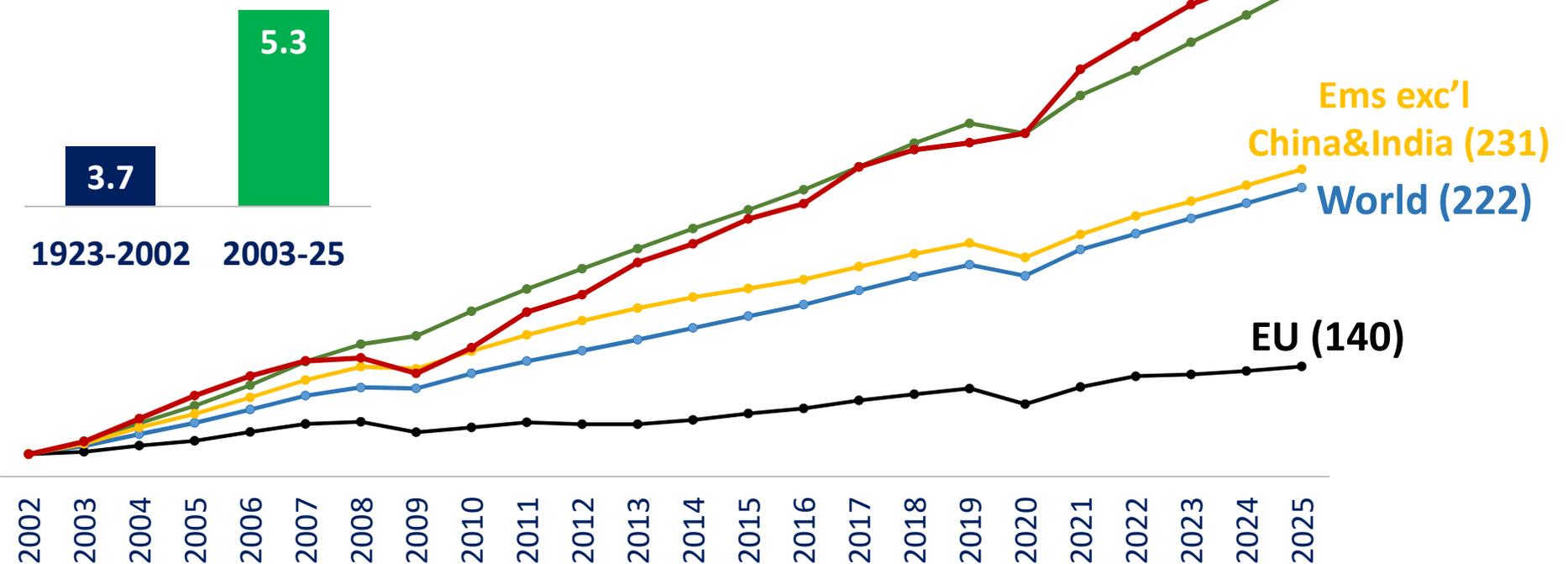
**All neighbors combined: \$1.3 trillion**



# Strong growth performance

## GDP (2002=100)

Average growth rate (%)

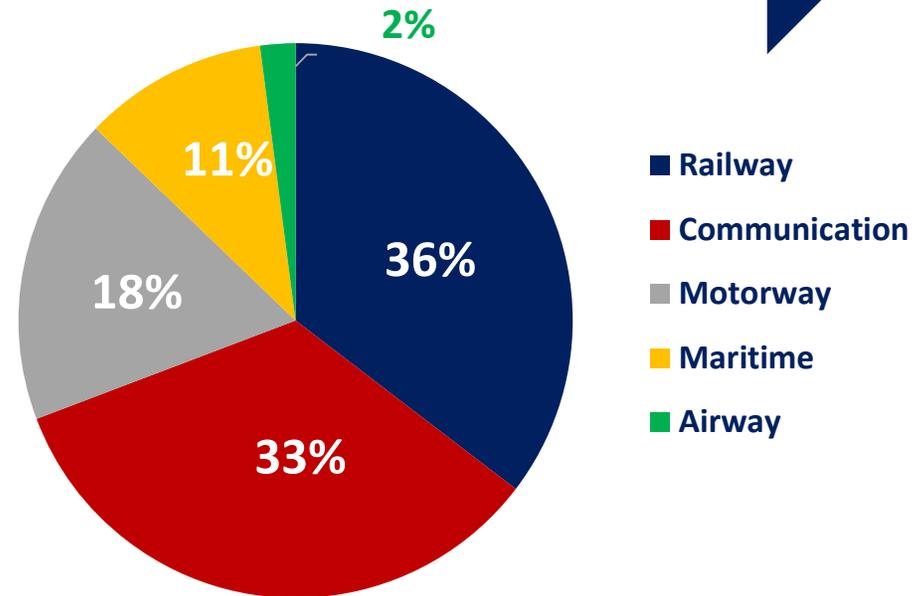




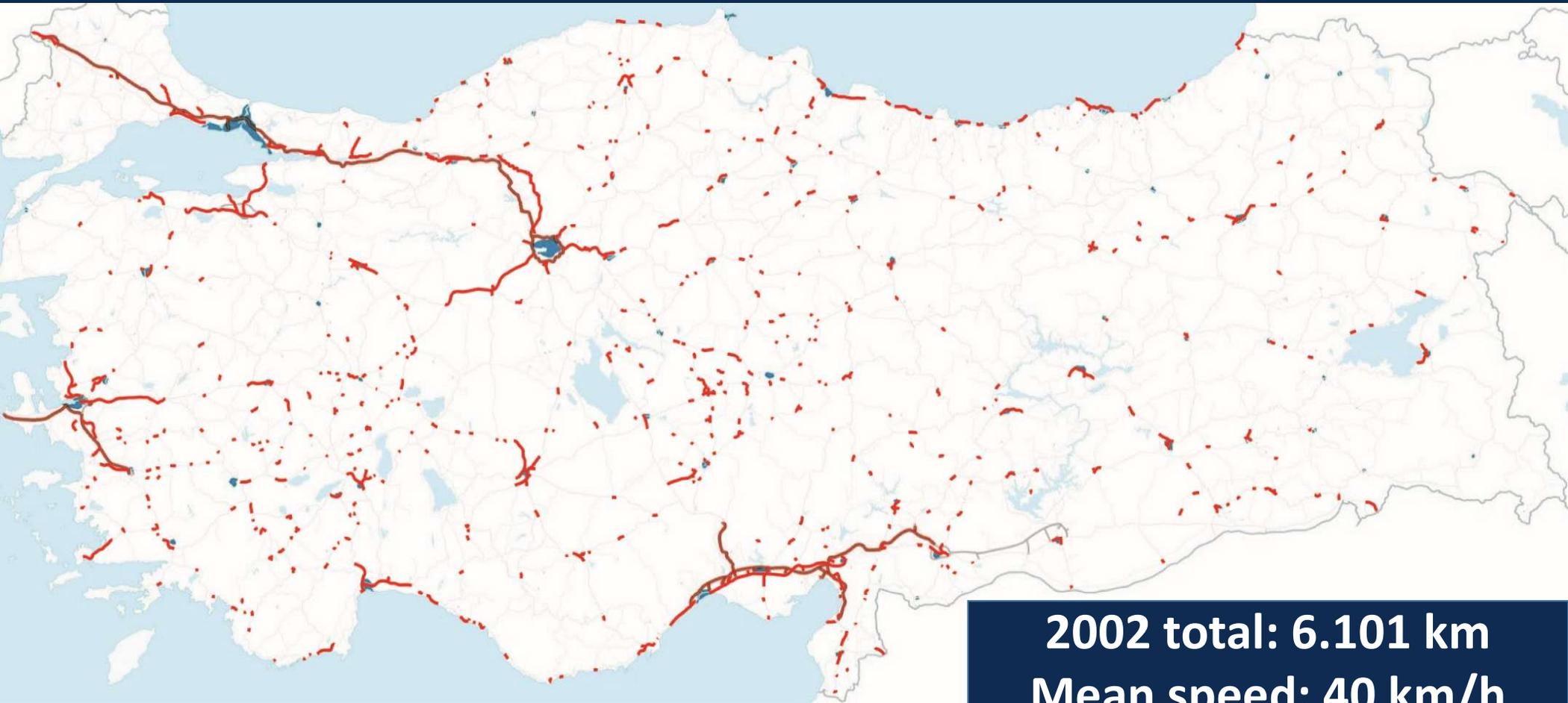
# Investments in infrastructure



**TOTAL  
INFRASTRUCTURE  
INVESTMENTS UNTIL  
2053  
\$197bn**



# Highways (Dual carriageways-2002)



**2002 total: 6.101 km**  
**Mean speed: 40 km/h**

Source: Ministry of Transportation and Infrastructure

# Highways (Dual carriageways-2025)



Source: Ministry of Transportation and Infrastructure

# Airports



 1923-2003

 2003-2024

 Under construction  
Yozgat, Bayburt-Gümüşhane, Trabzon

2003

26



2025

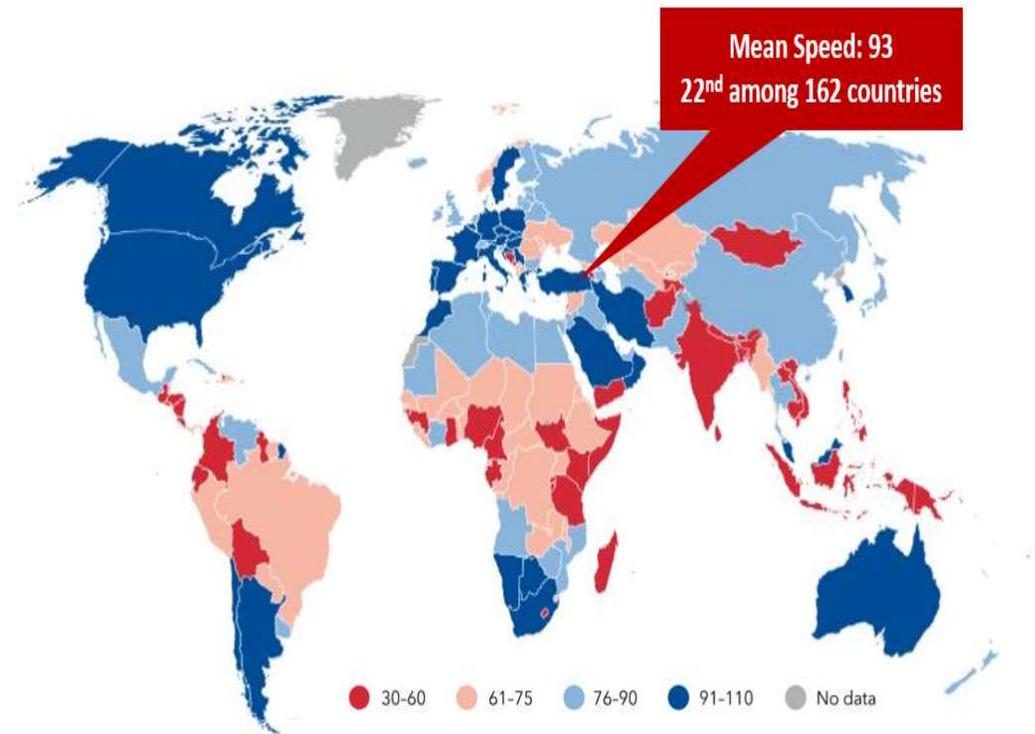
58+3

# Quality infrastructure

## The world's best-connected airports

- 1  Istanbul
- 2  Frankfurt
- 3  Paris Charles de Gaulle
- 4  Amsterdam Schipol
- 5  Chicago O'Hare

## The world's fastest roads (mean speed km/h)



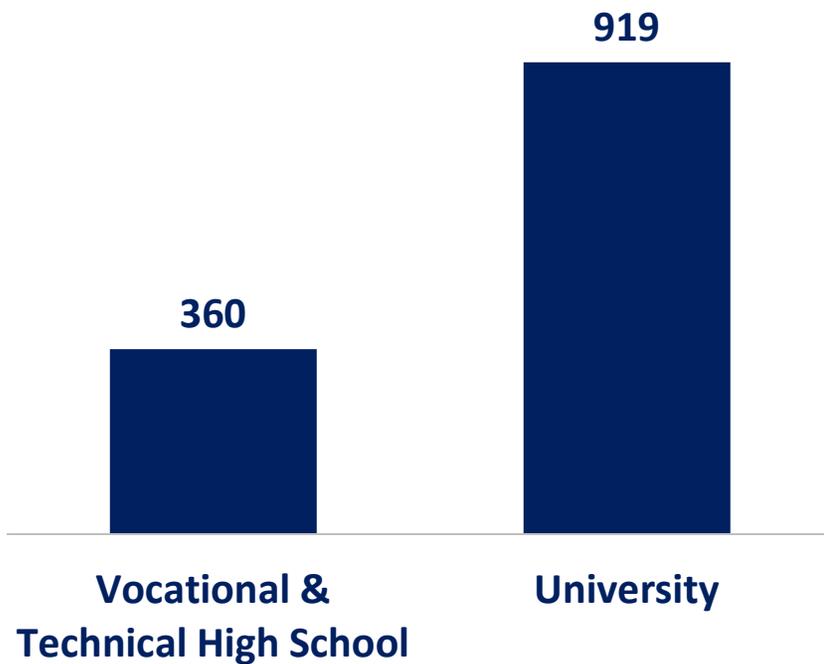
# Connecting manufacturing hubs to ports via railway



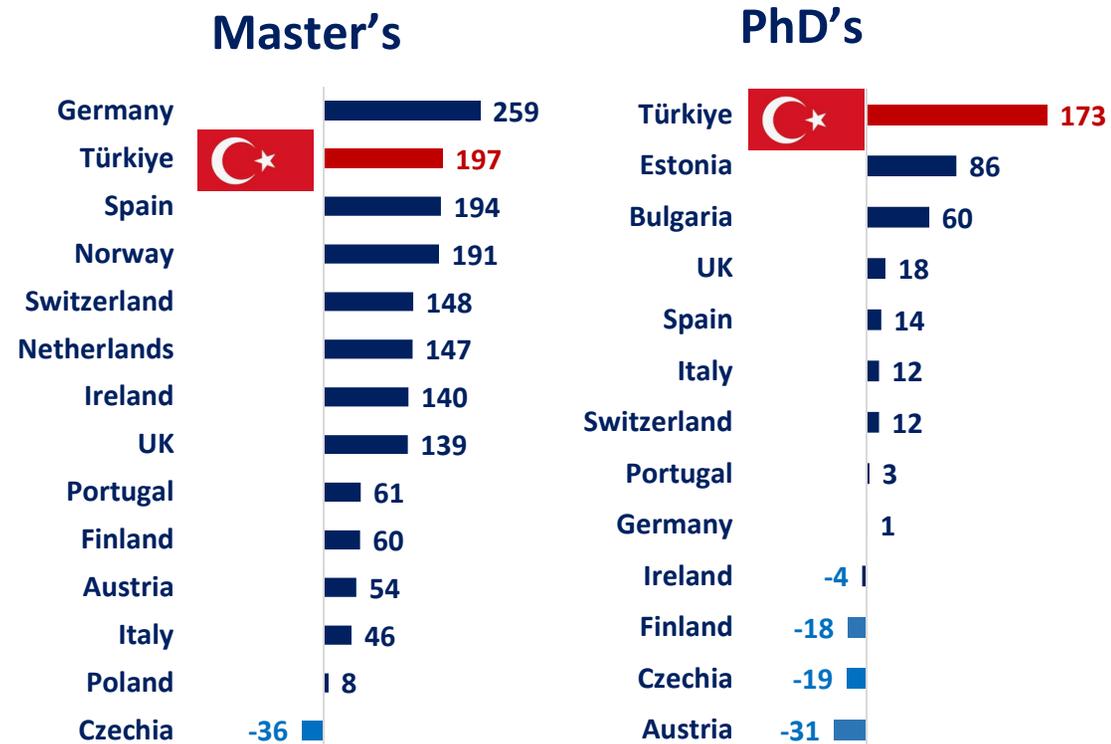
<b>EXISTING</b> 287 lines 446 km
<b>UNDER CONSTRUCTION</b> 9 lines 151 km
<b>READY TO BE BUILT</b> 10 lines 82 km
<b>PLANNED</b> 17 lines 189 km

# Large & increasingly better qualified labor force

# of Graduates  
(2024-2025, thousands)



Graduates of CS, CE, IT\*  
(%, 2012-22)



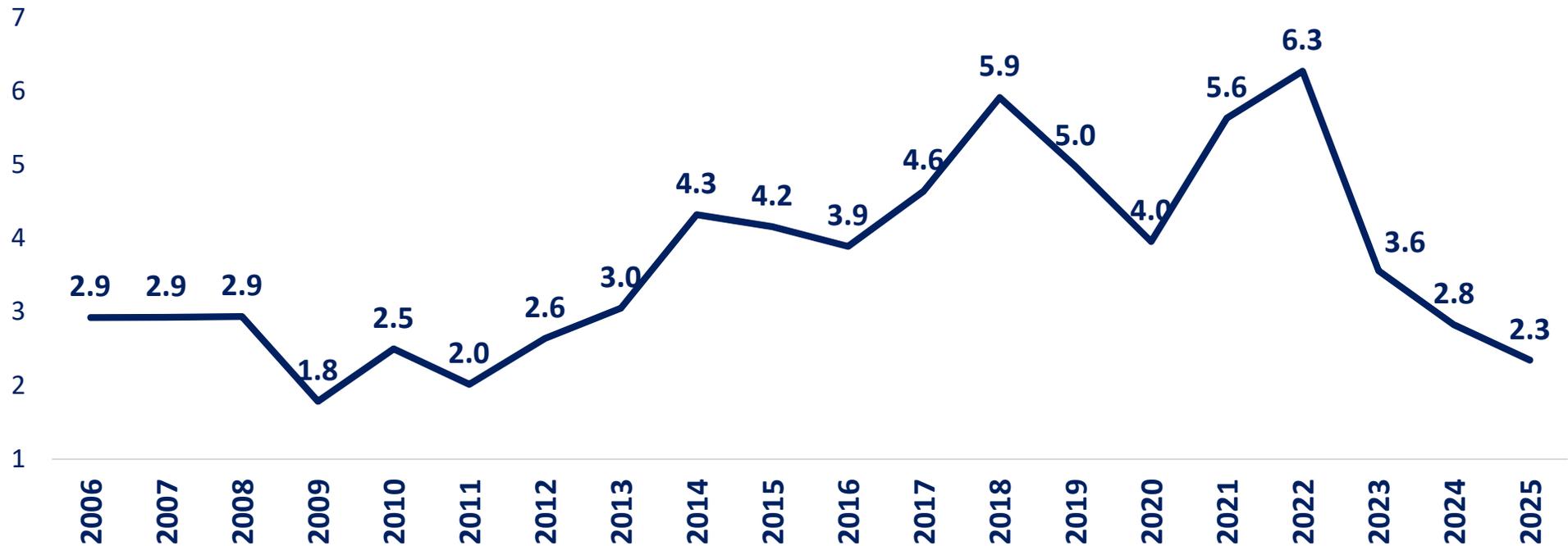
Source: Presidency of The Republic of Türkiye Investment Office, Stanford University, Artificial Intelligence Index Report, December 2024, \*CS: Computer Science, CE: Computer Engineering, IT: Information Technologies

# FDI: Ceyhan “A new petrochemical base”



# FDI: From decline to rebound? War-driven demand may lift real estate

## Real estate demand by foreigners (bn \$)



# Türkiye as a new transit trade hub

## Structural advantages

- **Geography as infrastructure**
- **Port and logistics capacity**
- **Free Trade Agreements with 54 countries**
- **Energy corridor centrality**

**Working on making  
Türkiye a major  
transit trade hub**

# Istanbul Finance Center: A new destination for asset managers



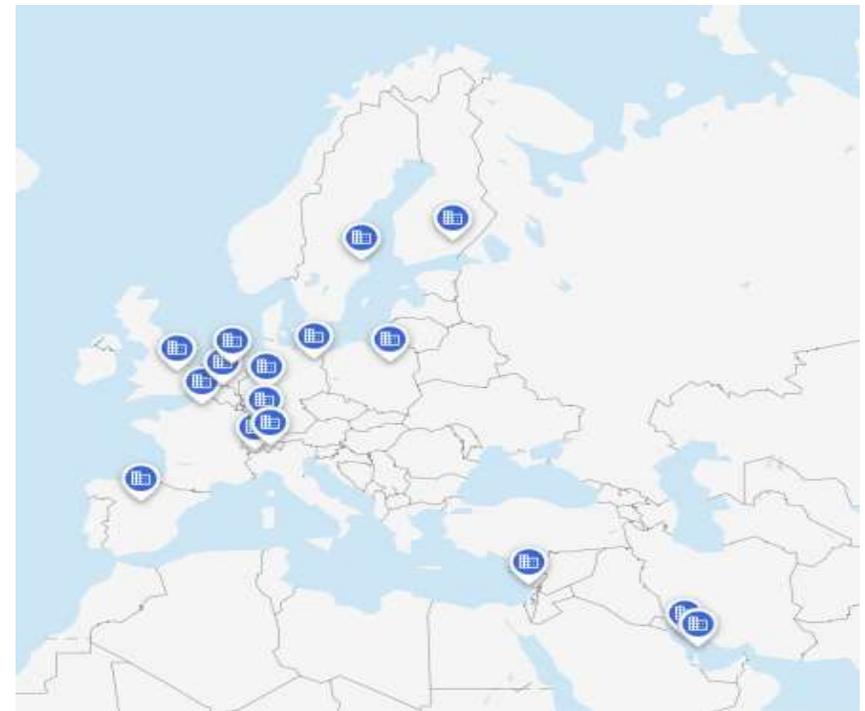
**Working on reforms to strengthen Istanbul's position as a regional financial center**

# The war may change data center location dynamics

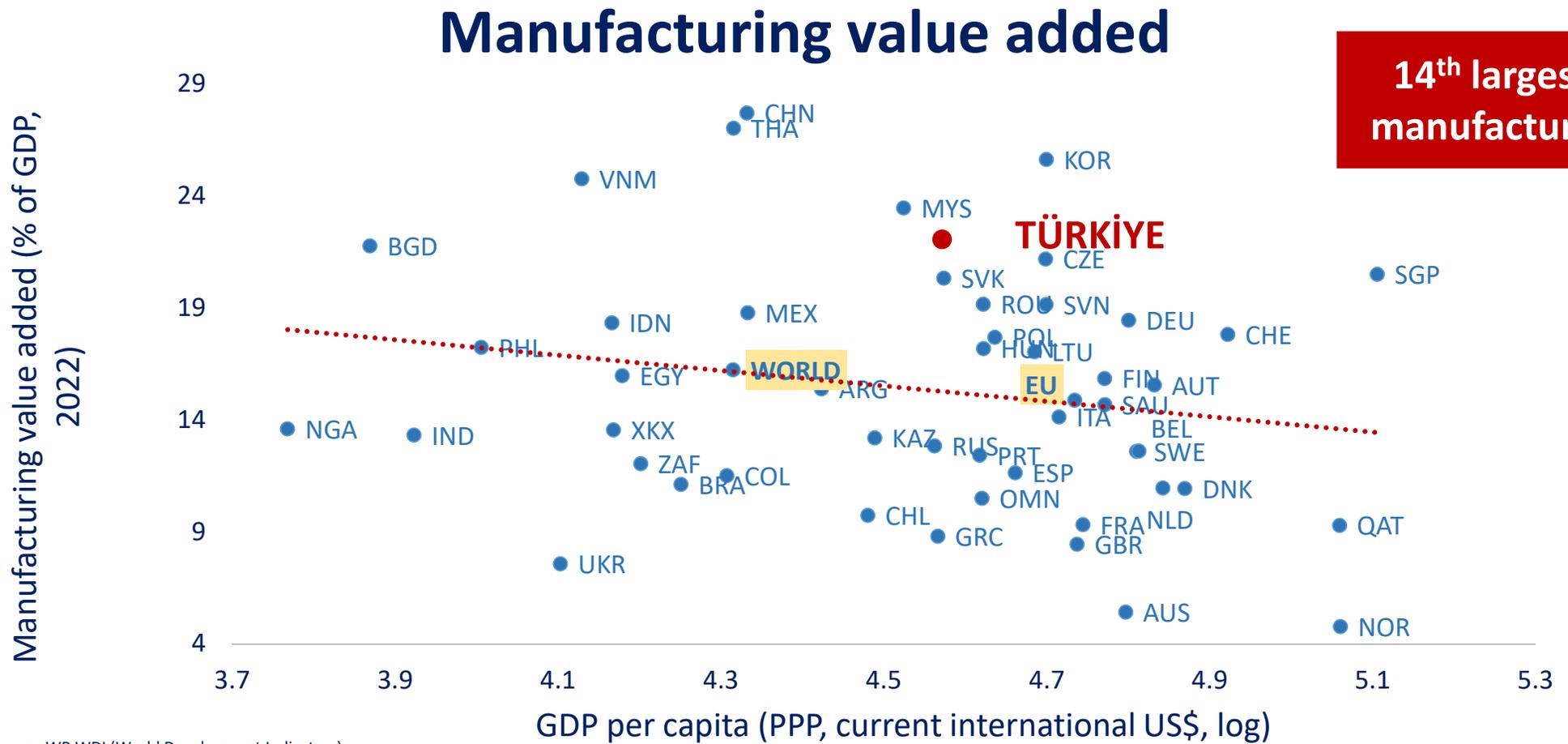
## AWS Global Infrastructure



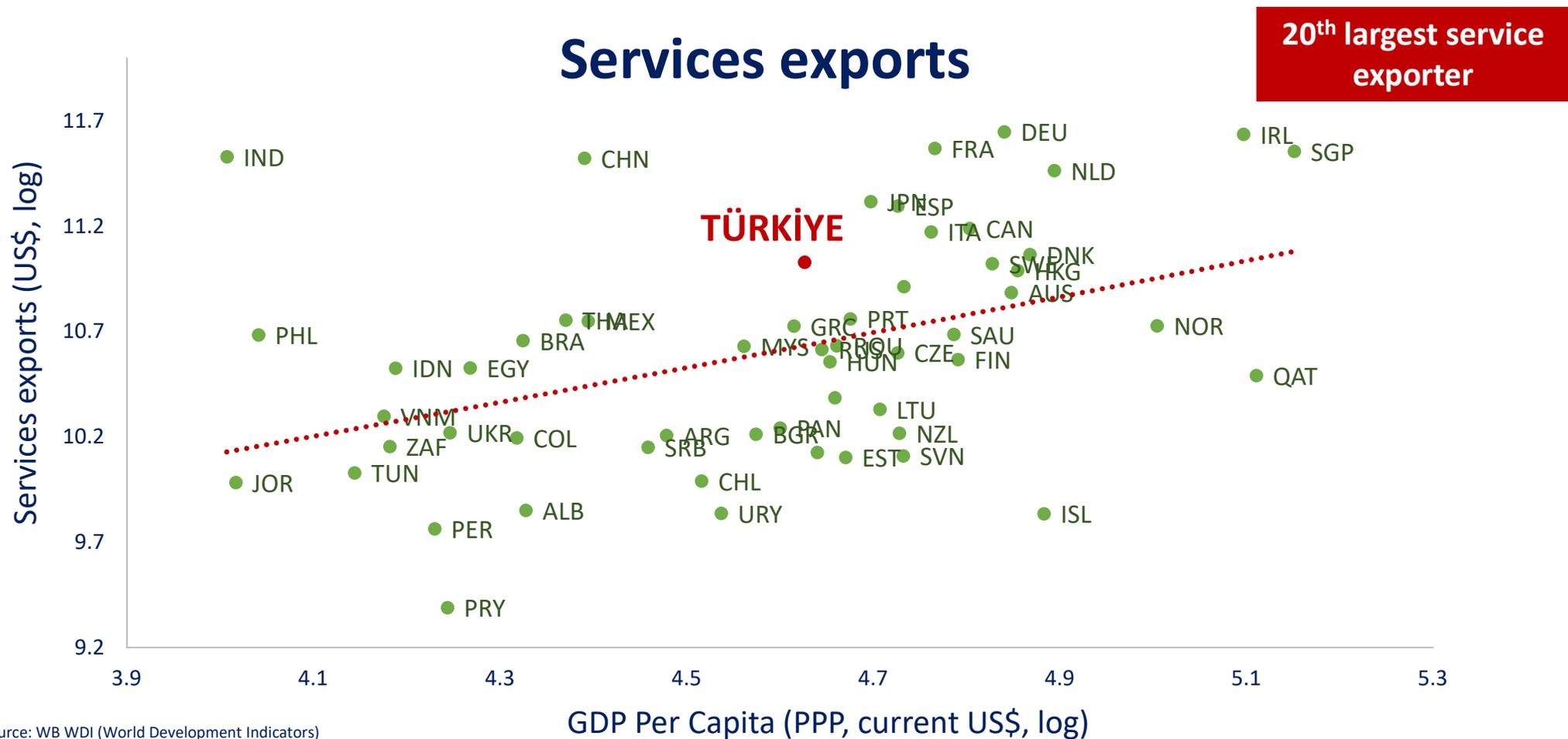
## Google Cloud Locations



# A strong manufacturing base

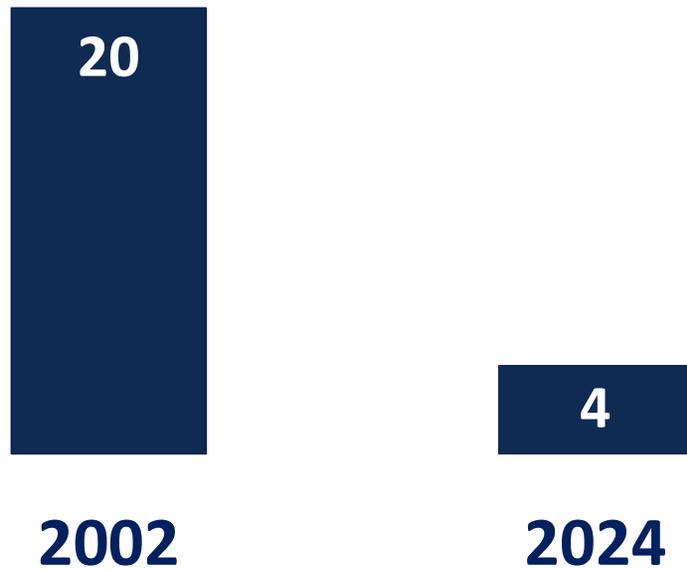


# A large services hub

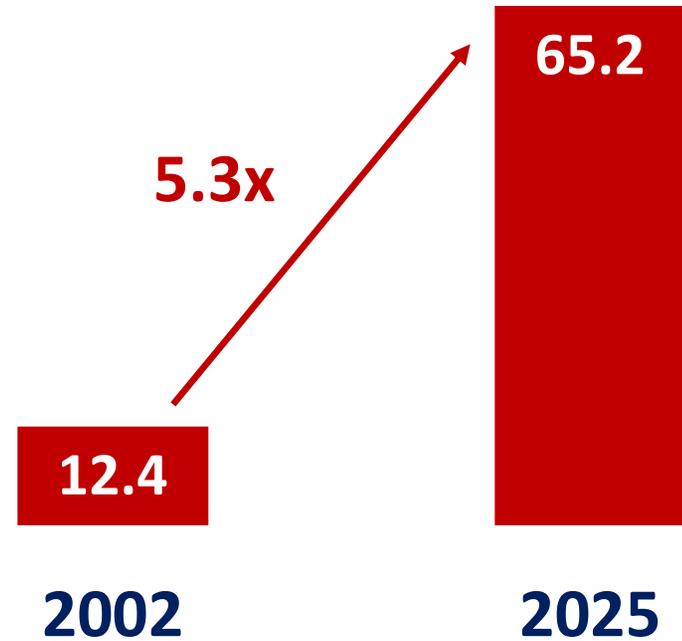


# One of the top tourism destinations

## Türkiye's Ranking in World Tourism (visitors)

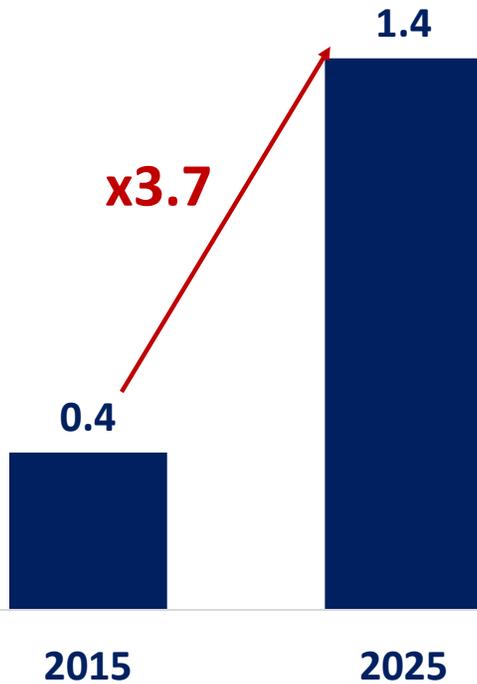


## Tourism Revenue (bn \$)

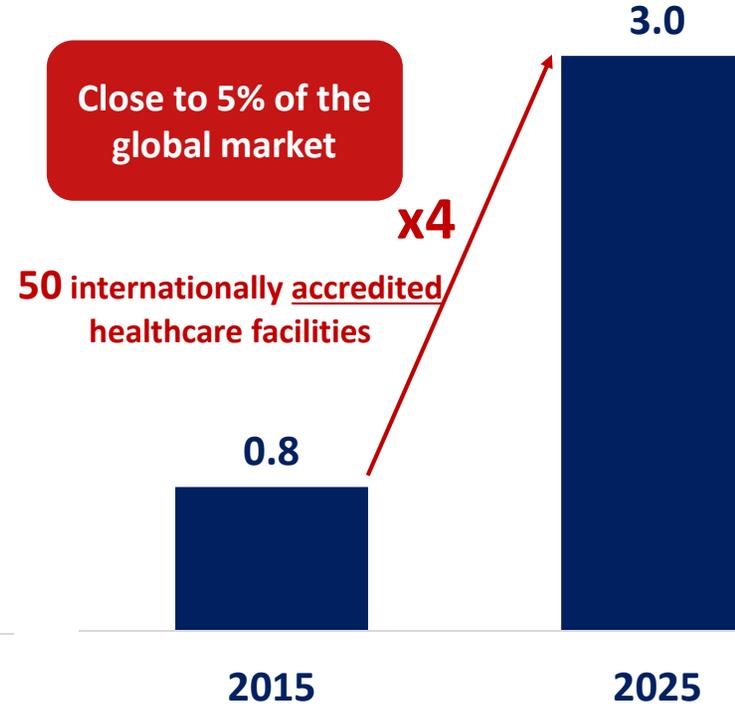


# A large potential in medical tourism

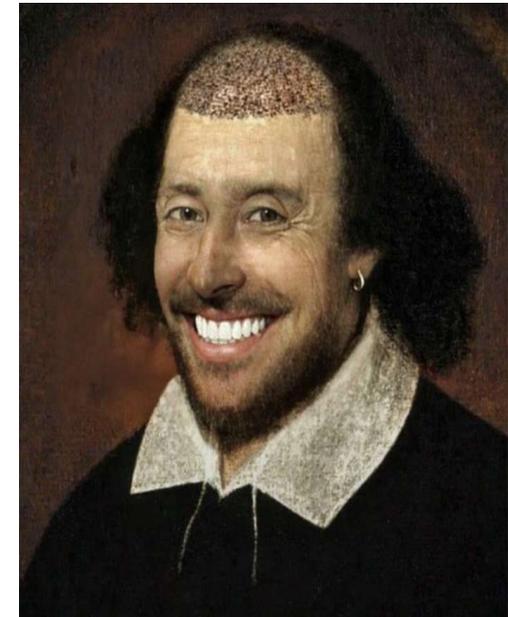
Number of medical tourists  
(mn)



Healthcare tourism revenue  
(bn \$)



Shakespeare after  
visiting Türkiye



# A global hub for higher education

**380k**

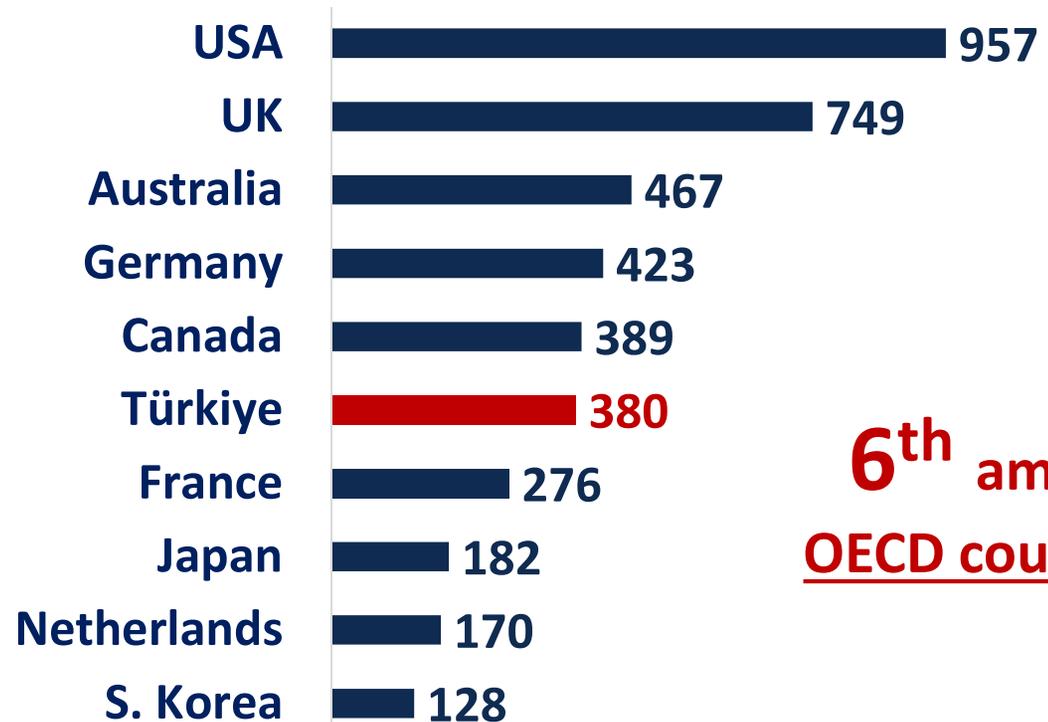
international students

from **198**

countries worldwide

**23** Turkish universities in  
QS Europe 2026 Top 500

## # of international students\*



**6<sup>th</sup>** among  
OECD countries

# High potential in digital services

## TV series

# 3.

*Largest exporter of TV series*



2025 exports

**\$1 billion**



Broadcast in

**+170  
countries**



Top destinations

**Spain, Egypt,  
S. Arabia**

## Gaming ecosystem

# 2.

Istanbul &  
Ankara among  
top centers

*Highest number of game studios in  
Europe*



**796**

**Start-ups**



**6**

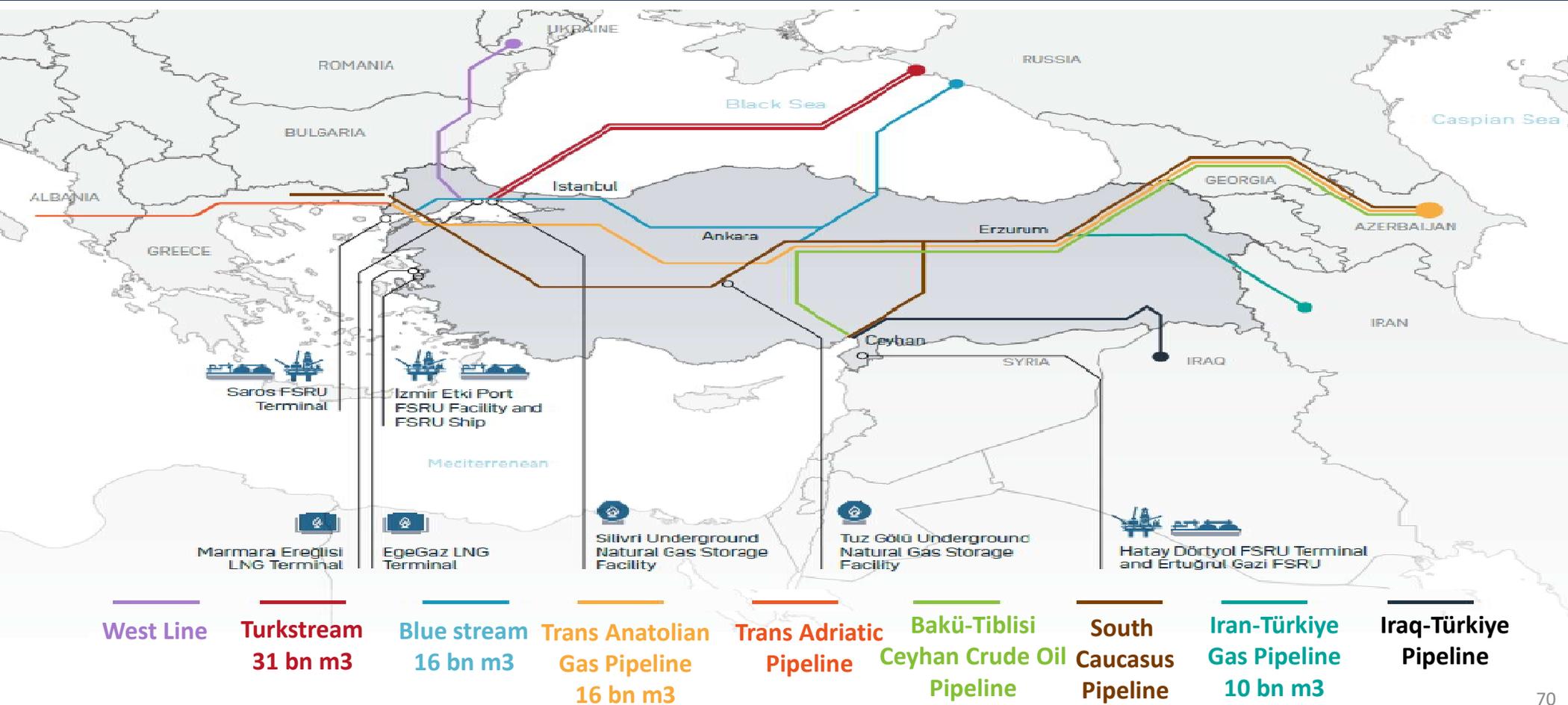
**Exits with  
+ \$100 mn**



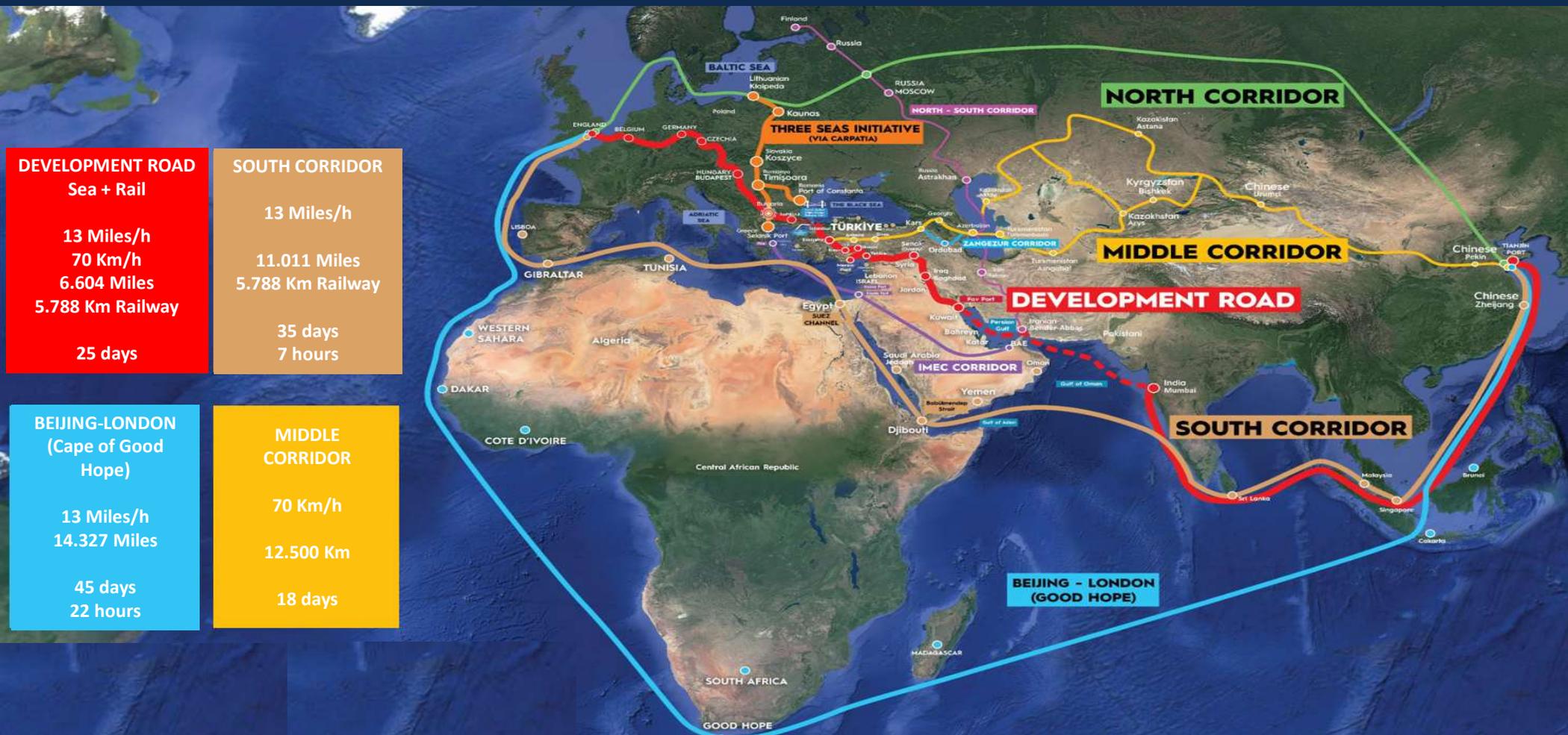
**3**

**Unicorns**

# War reinforces Türkiye's position as a critical energy hub



# Regional integration & connectivity



# Longer term impacts of the War?

# Türkiye's soft power as a strategic asset

## Broad mediation footprint



- Active across -

## Proven delivery

- Black Sea Grain Initiative-

## Soft power depth

- Int'l aid (TİKA), media (TRT World), TV series -

## Investor takeaway

- Mediators are stabilisers, not targets -

## Mispricing

- Türkiye's strategic weight remains underpriced -

## Compounding advantage

- Mediation strengthens geopolitical leverage -

# Türkiye as an emerging soft power

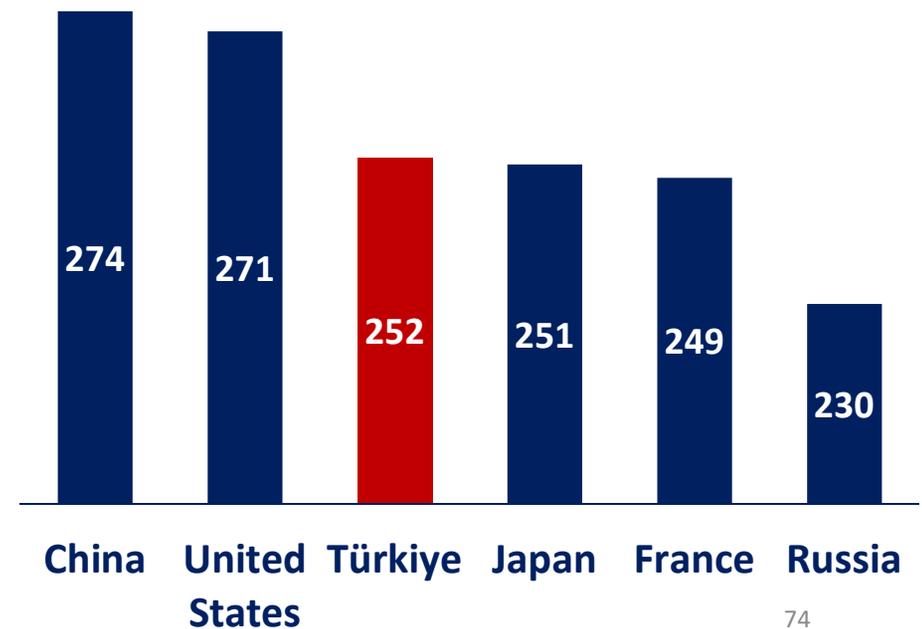
## Turkish Airlines (destinations)

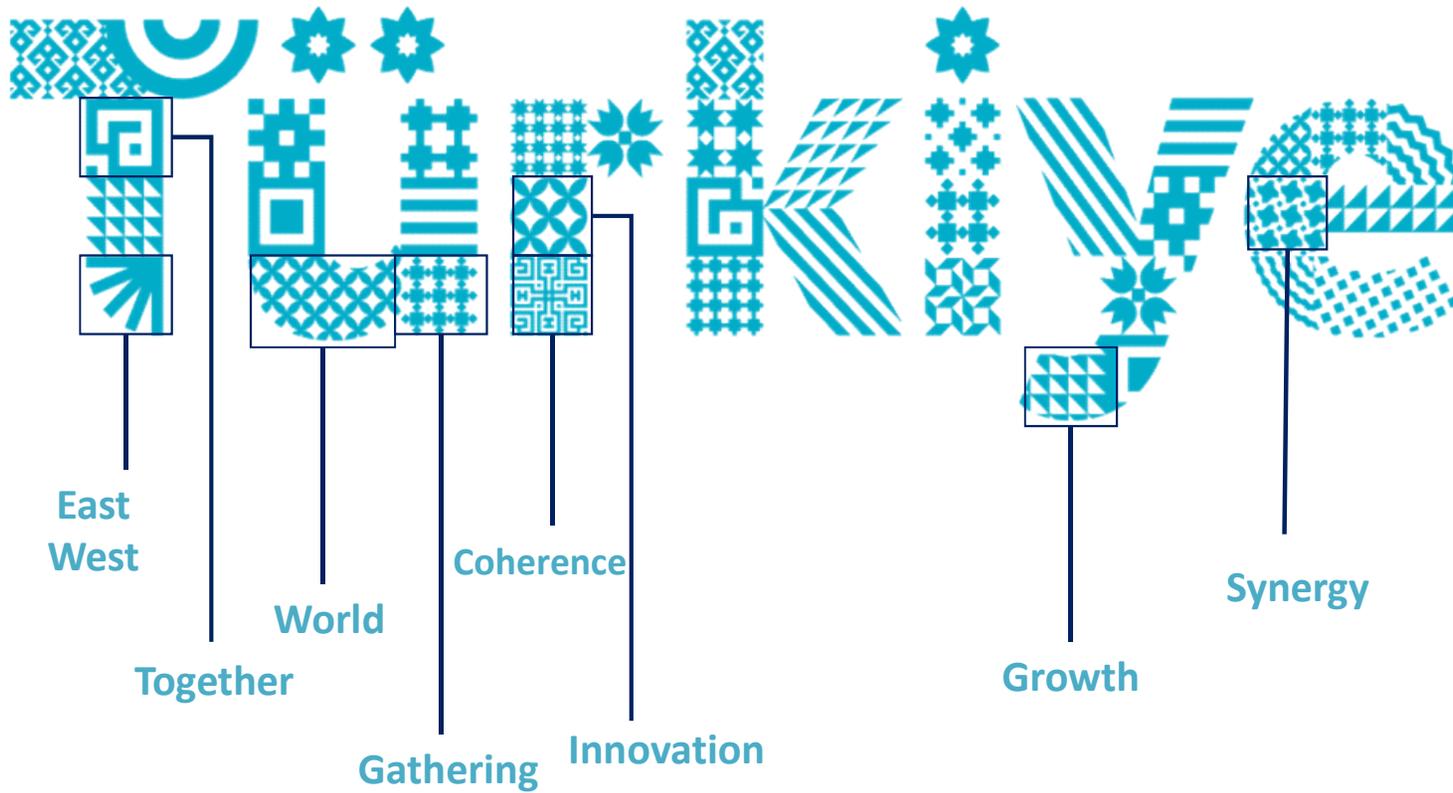
With 356 destinations in 132 countries, Turkish Airlines runs the largest international network globally



Source: EUISS, Turkish Airlines

## Diplomatic Missions (number of total posts)





**THANK YOU**