Outlook for Türkiye

Mehmet ŞİMŞEK

Minister of Treasury and Finance

May 2026

Outline

Global outlook

Macroeconomic Stabilization and Reform Program

Competitive strengths

Sectoral outlook & opportunities

Global outlook: War driven near-term risks, structural headwinds and opportunities over the medium term

Near term:

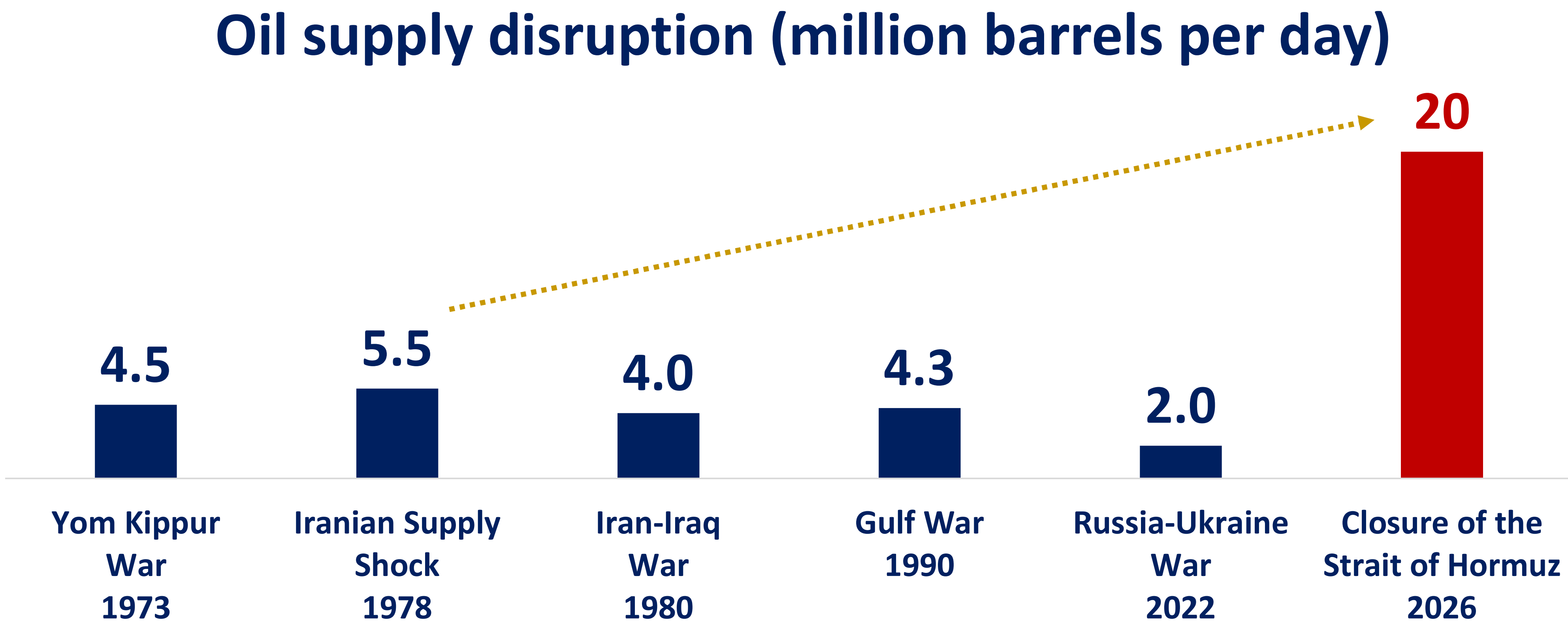
- Commodity price shocks
- Rising global inflation
- Tighter financial conditions
- Slowing growth momentum
- The Second China Shock (overcapacity, weak domestic demand & export rerouting)

Medium term:

- Geopolitical tensions & conflicts
- Trade fragmentation/protectionism
- Transformative/disruptive frontier technologies
- High global indebtedness
- Aging world population
- Impending climate disaster

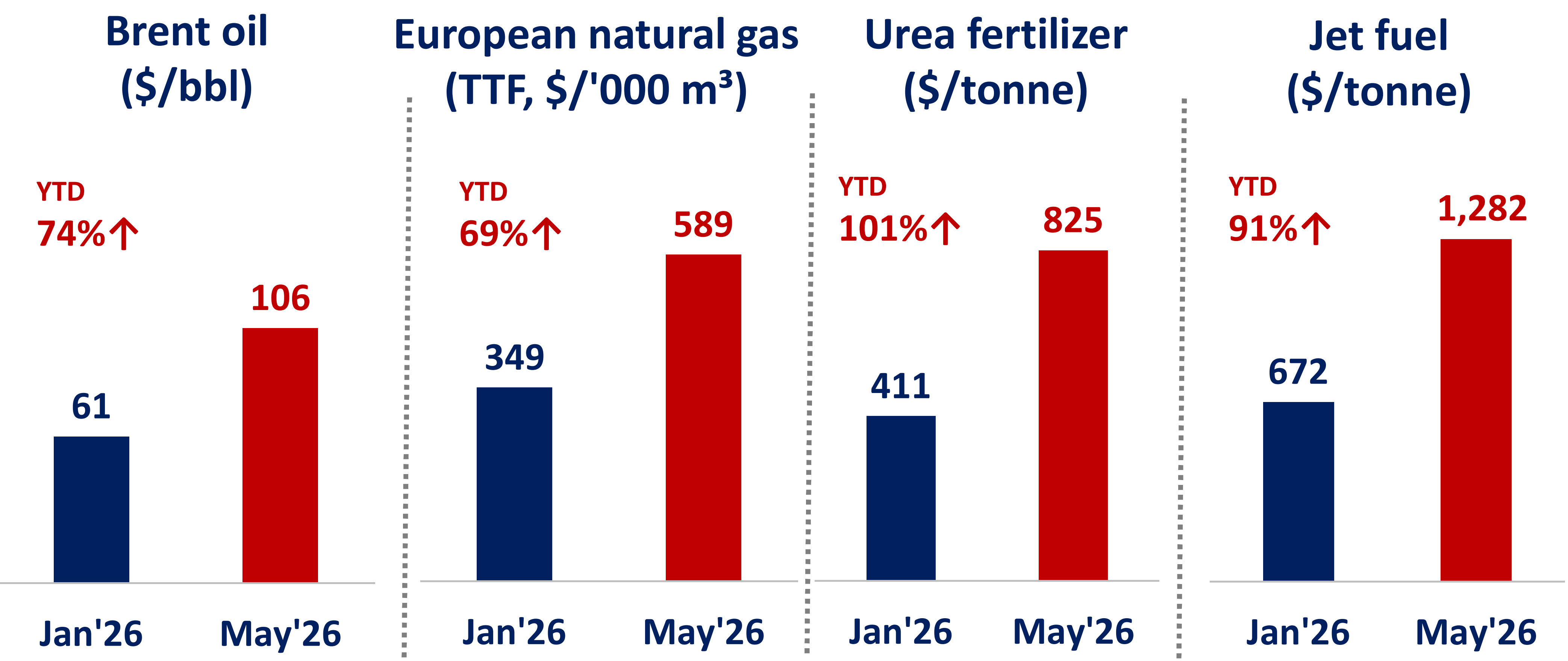
Impact of the War

The largest oil supply shock since 1970s



Source: Clarksons, March 2026

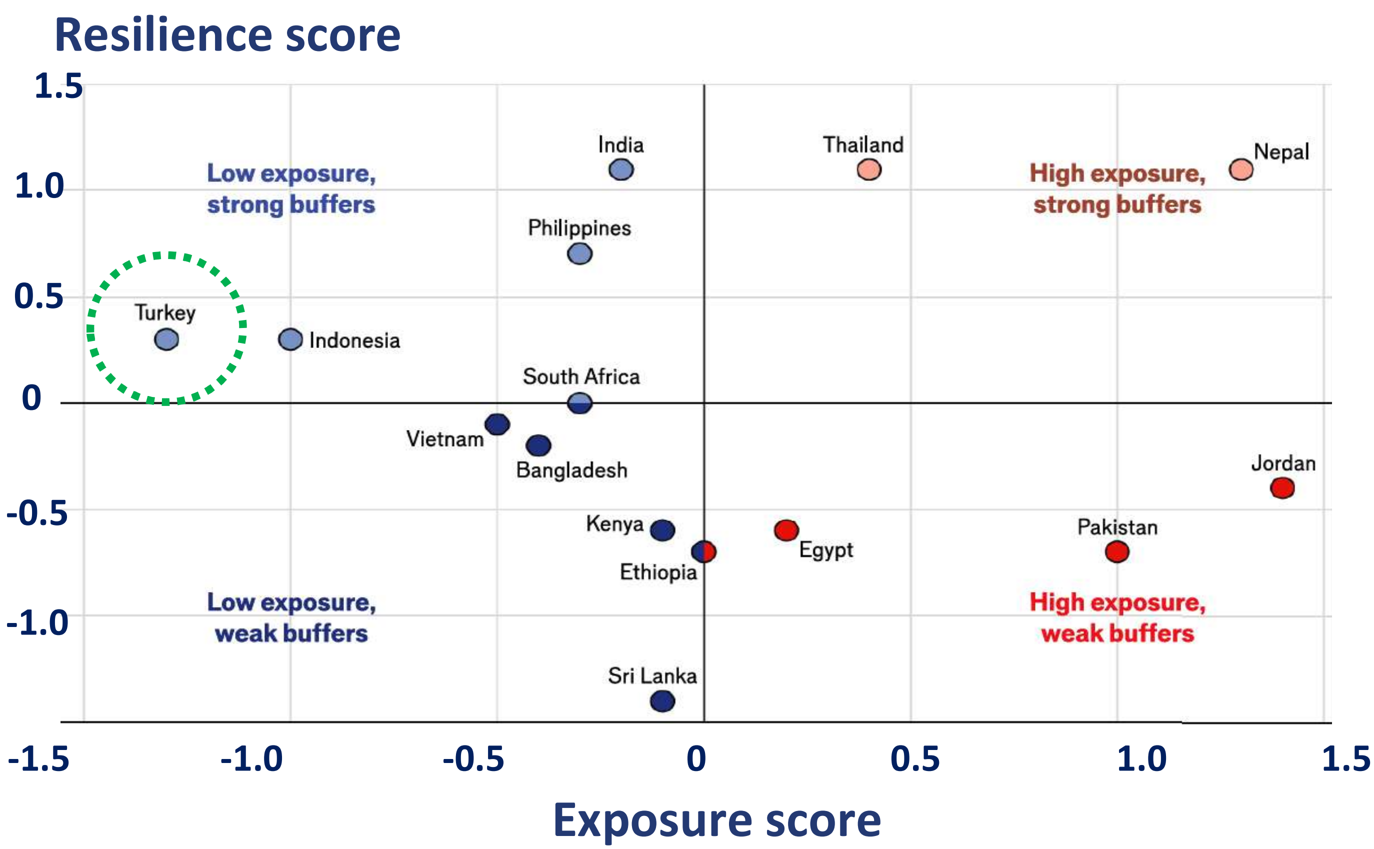
Brent, gas, fertilizer and jet fuel prices



Source: Bloomberg, as of May 14, 2026

Iran War: Türkiye's low exposure, strong buffers

The insulated & the isolated



Components of resilience score

- ✓ Foreign-exchange reserves
- ✓ External government debt

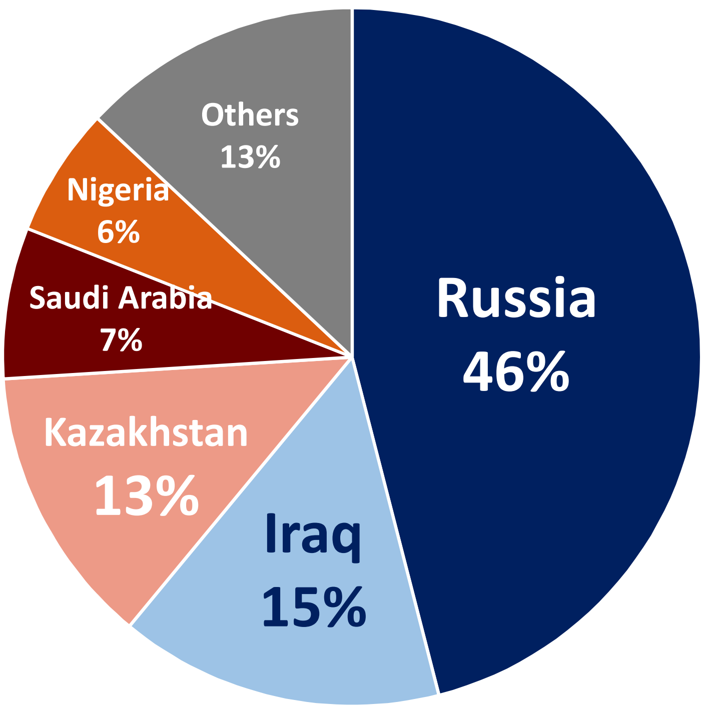
Components of exposure score

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

Source: The Economist, March 19, 2026

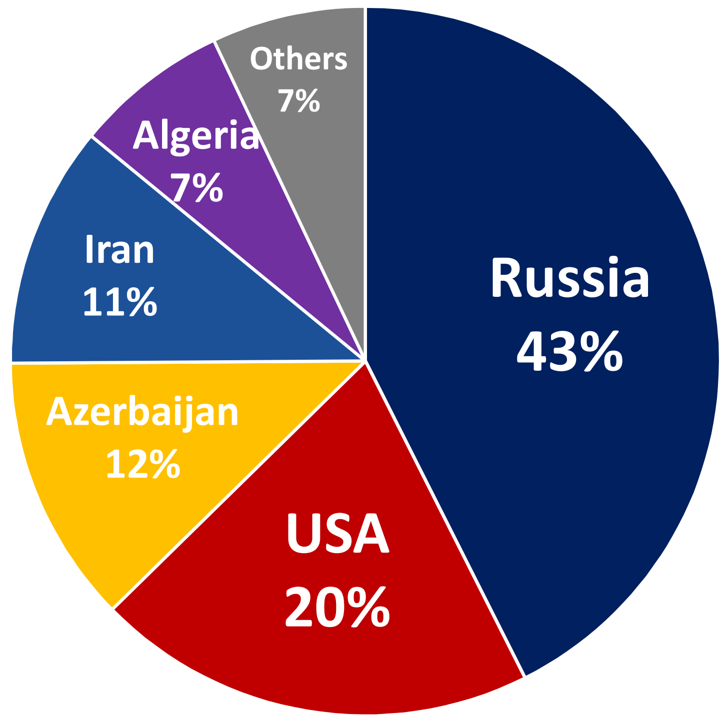
Low exposure: Energy supply security not at stake

Crude oil imports (2025)



$16.1 billion

Gas imports* (2025)



$21.2 billion

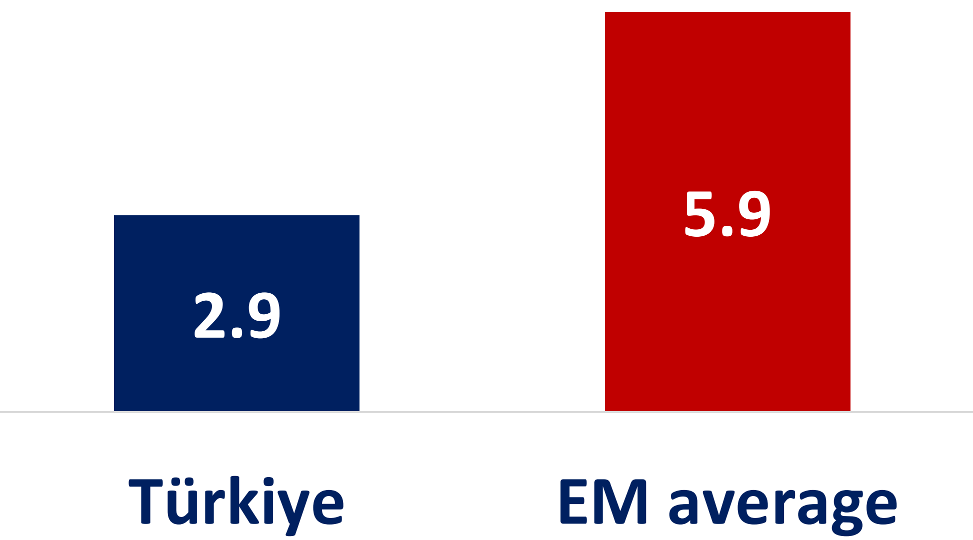
Source: Ministry of Trade, *Pipeline + LNG

Strong buffers

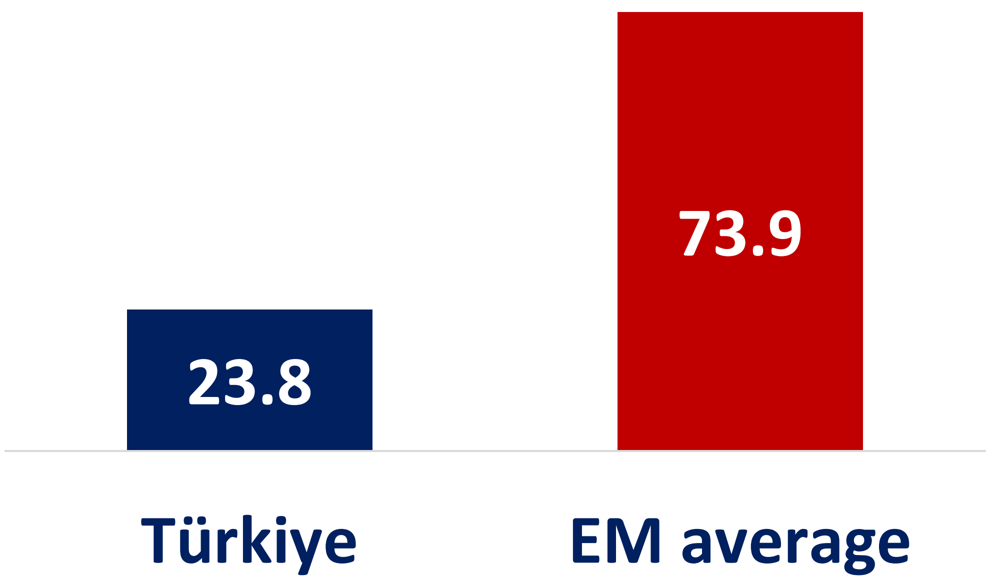
- Low fiscal deficit & gross public debt
- Moderate current account deficit
- Relatively low gross external financing requirements & gross external debt
- Adequate international reserves & very low contingent liabilities

Strong buffers: Fiscal discipline

Budget deficit (2025, GDP%)

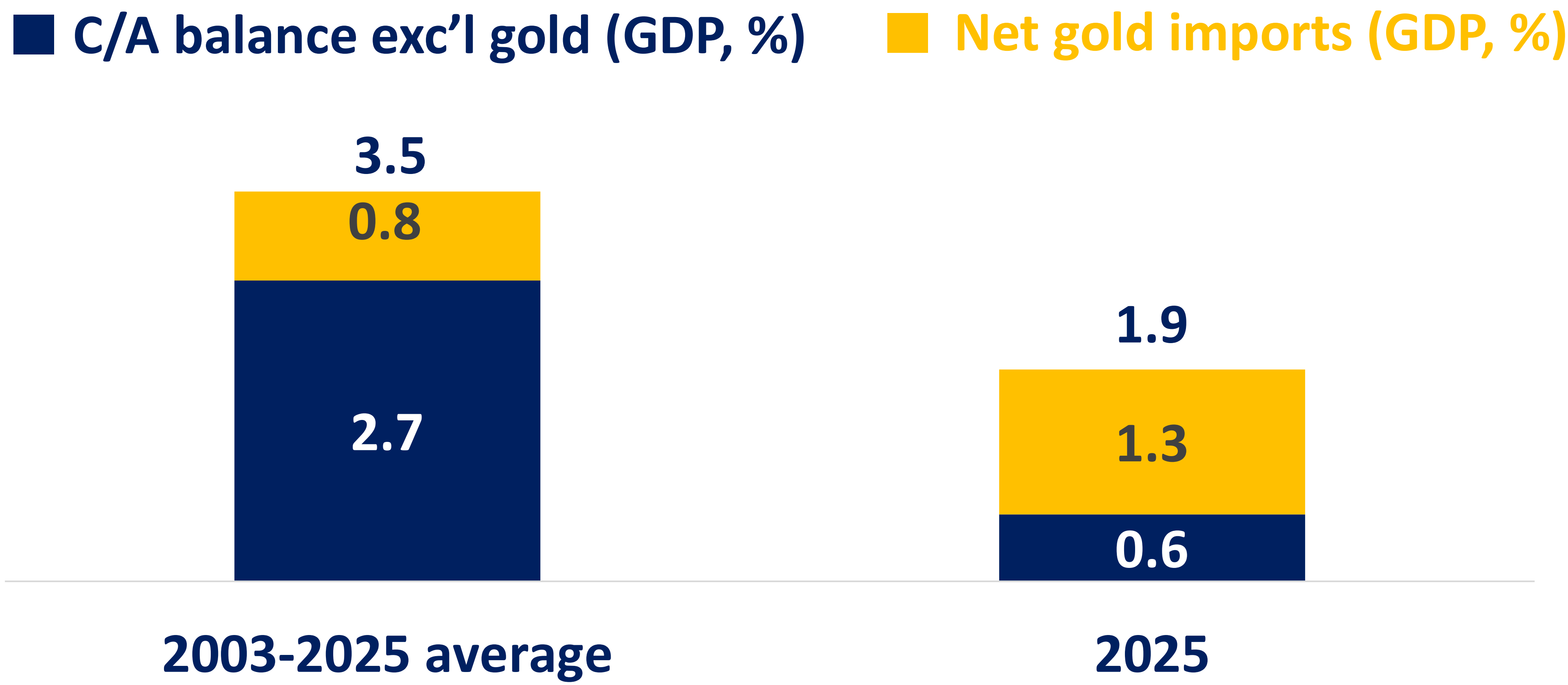


Gross public debt (2025, GDP%)



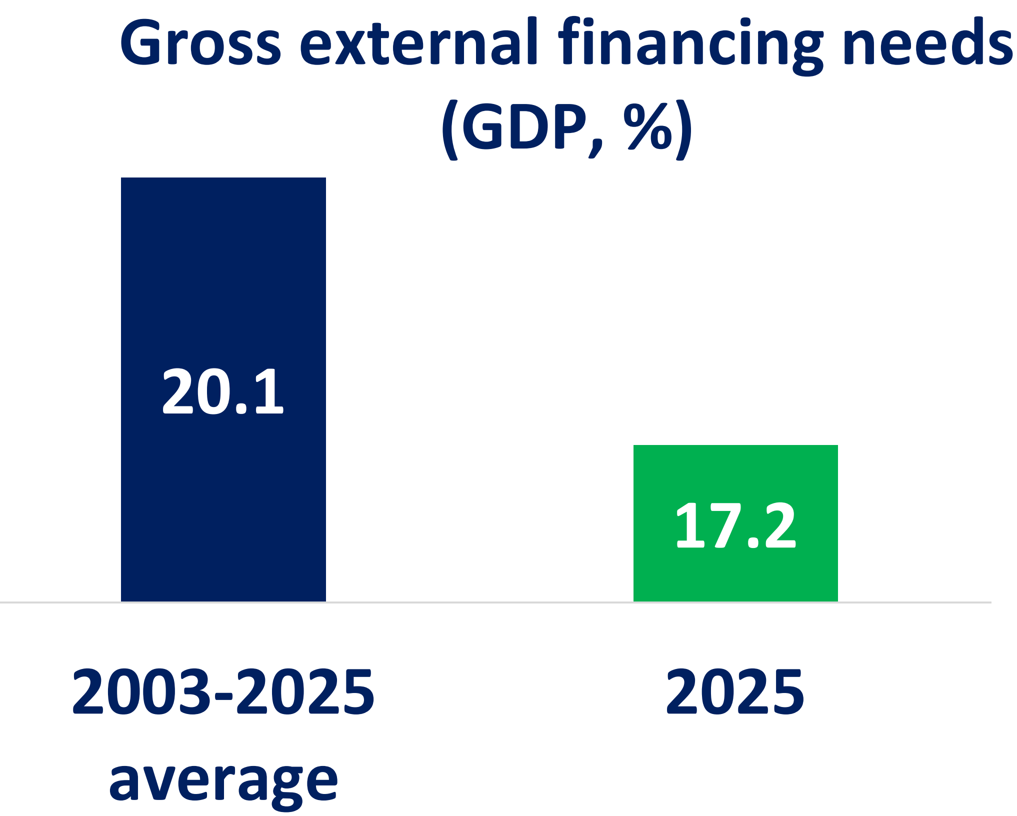
Source: MOTF, IMF Fiscal Monitor (Nisan 2026)

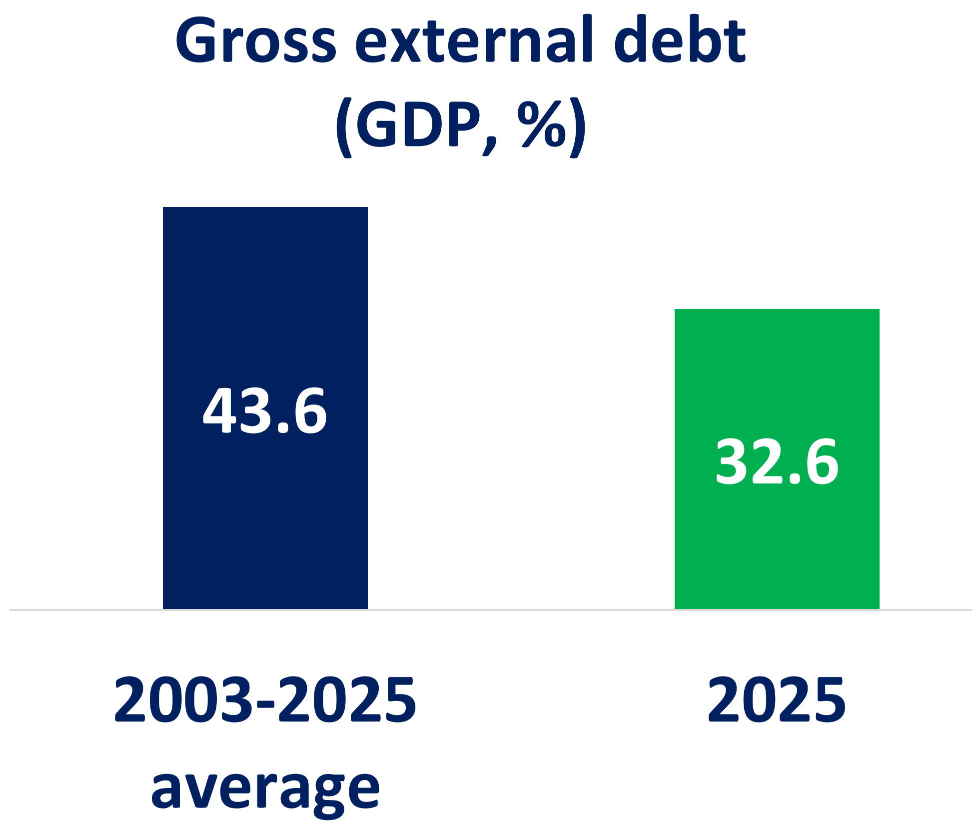
Strong buffers: Sustainable current account deficit



Source: CBRT, TURKSTAT

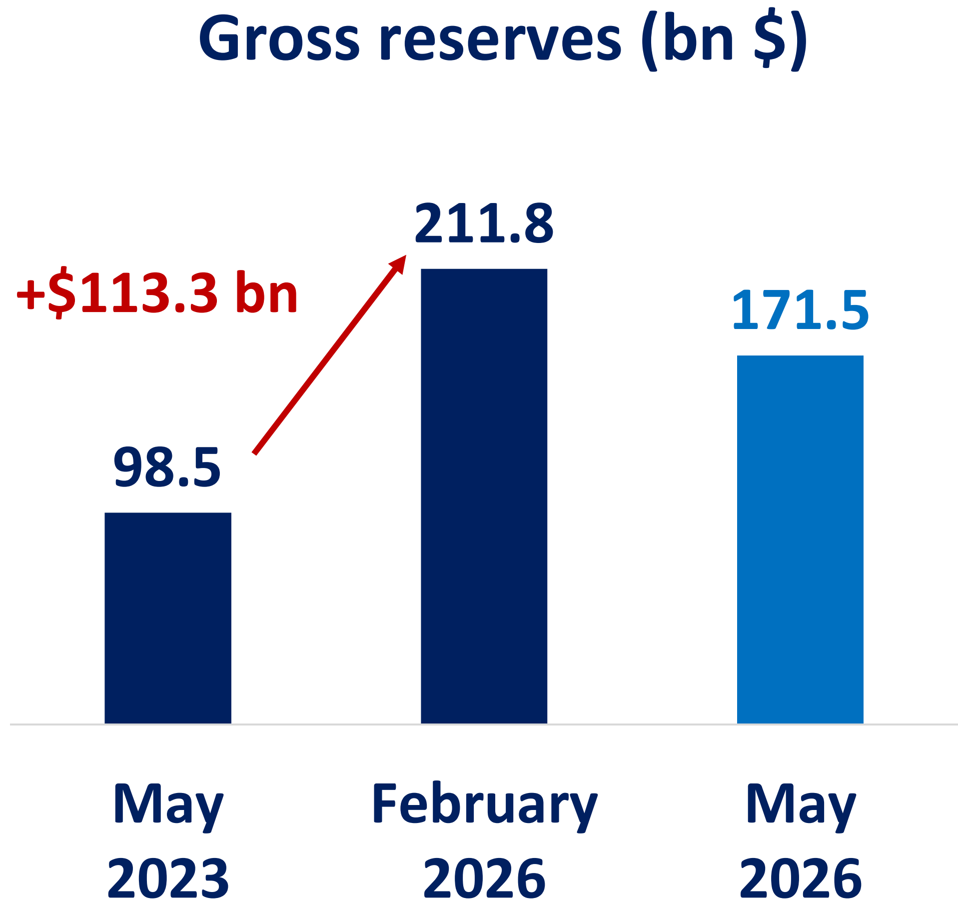
Strong buffers: Decline in gross external financing needs & external debt

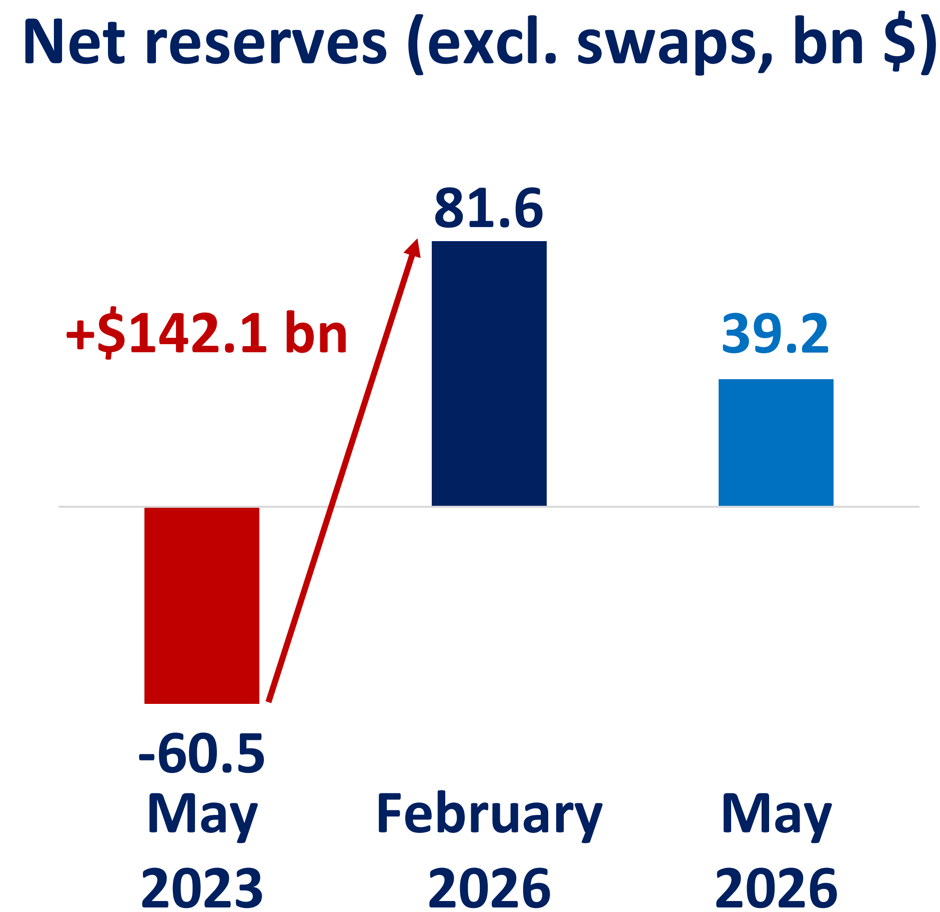




Source: MOTF, CBRT

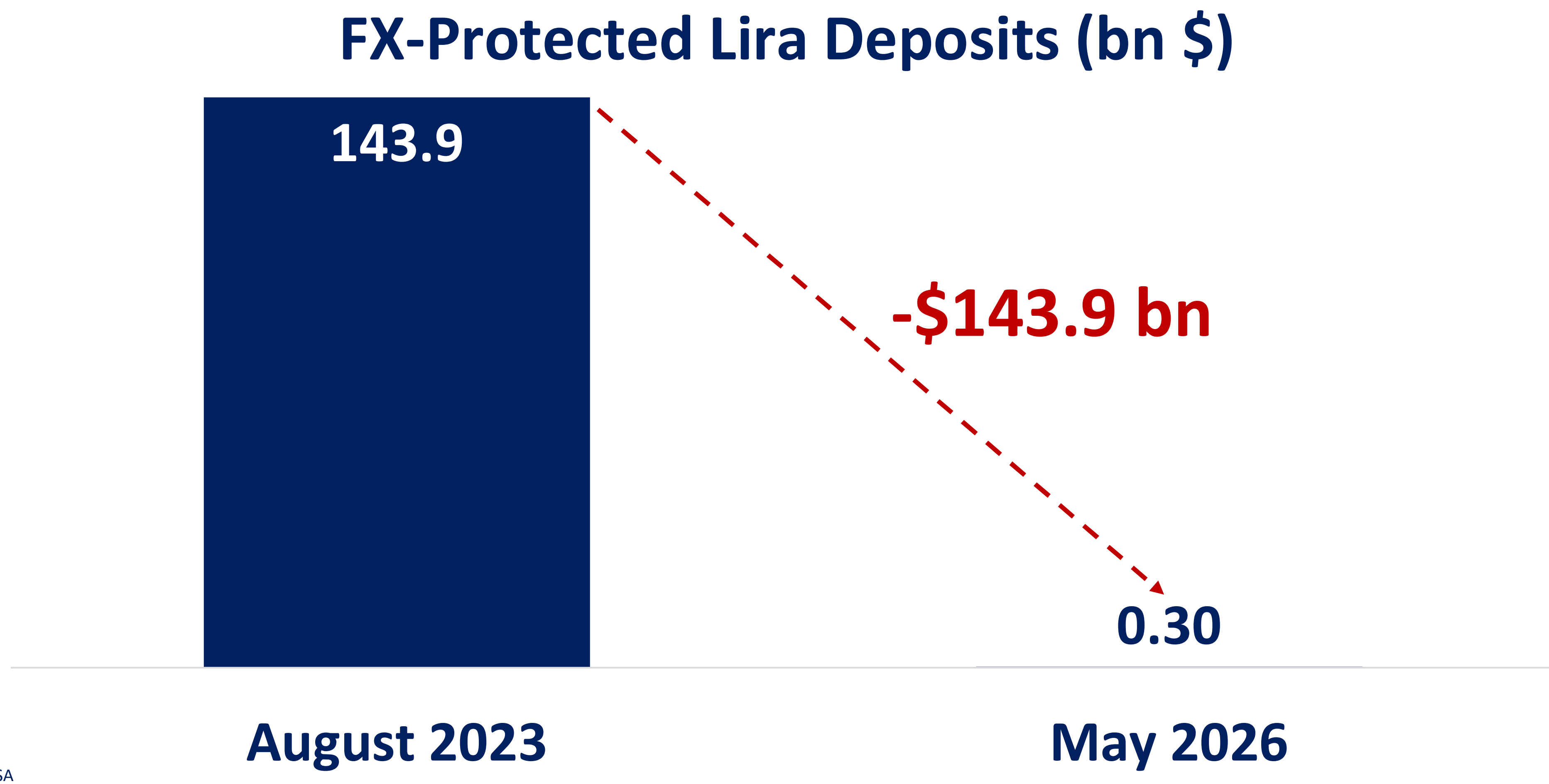
Strong buffers: Reserve accumulation





Source: CBRT, May 8

Strong buffers: Very low contingent liabilities



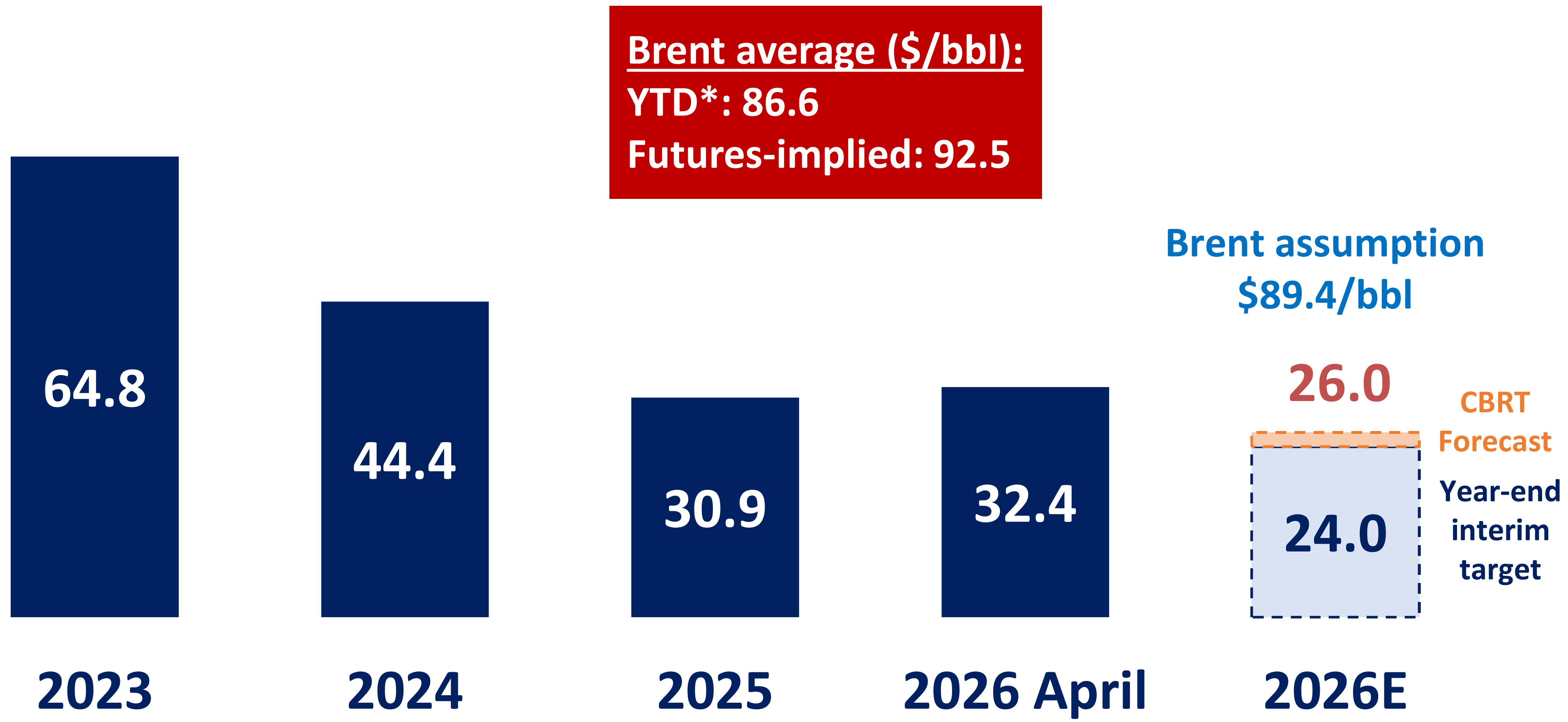
Source: BRSA

Macroeconomic Stabilization and Reform Program

Key priorities

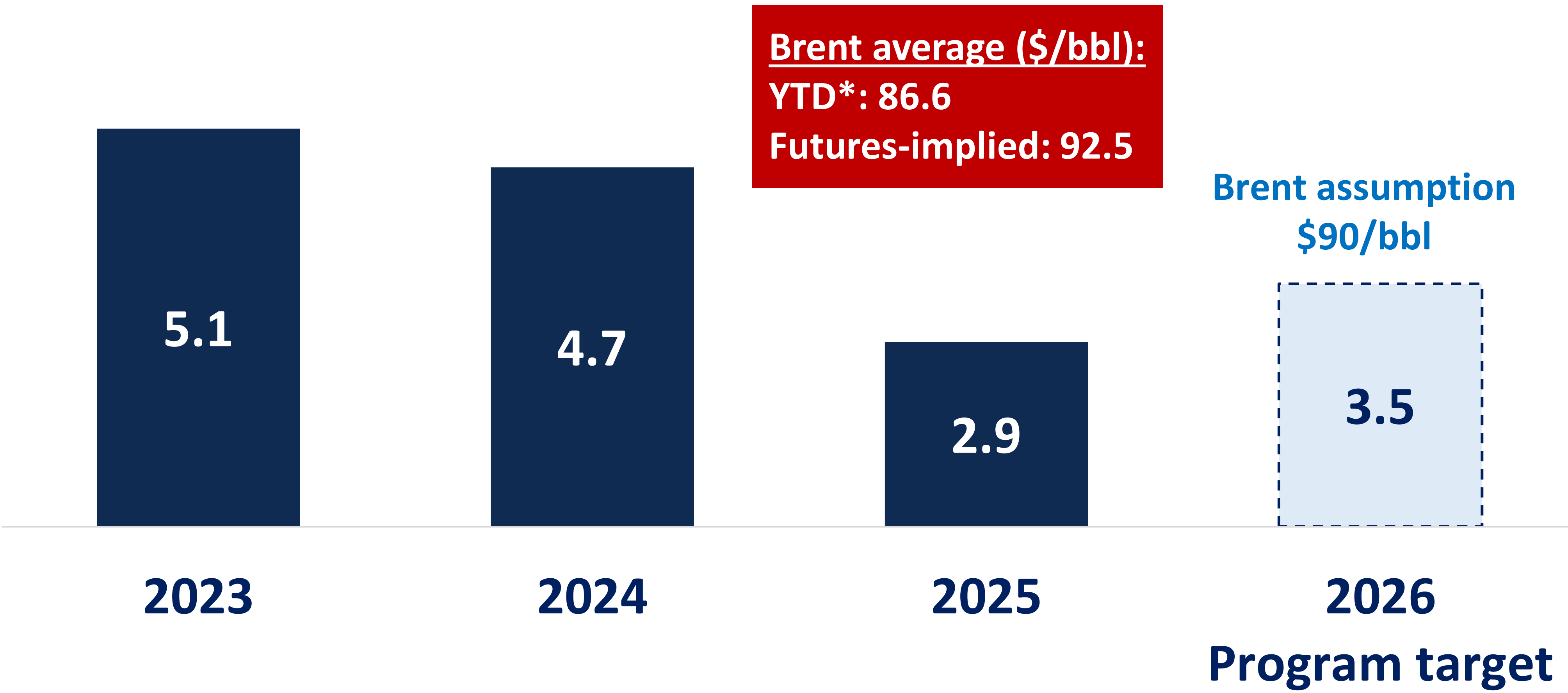
- Attaining price stability
- Maintaining fiscal discipline
- Sustainable current account balance
- Enhancing competitiveness, governance & institutional strength through structural reforms

Disinflation: Annual inflation (%)



Source: TURKSTAT, CBRT; E: Estimate, *May 15

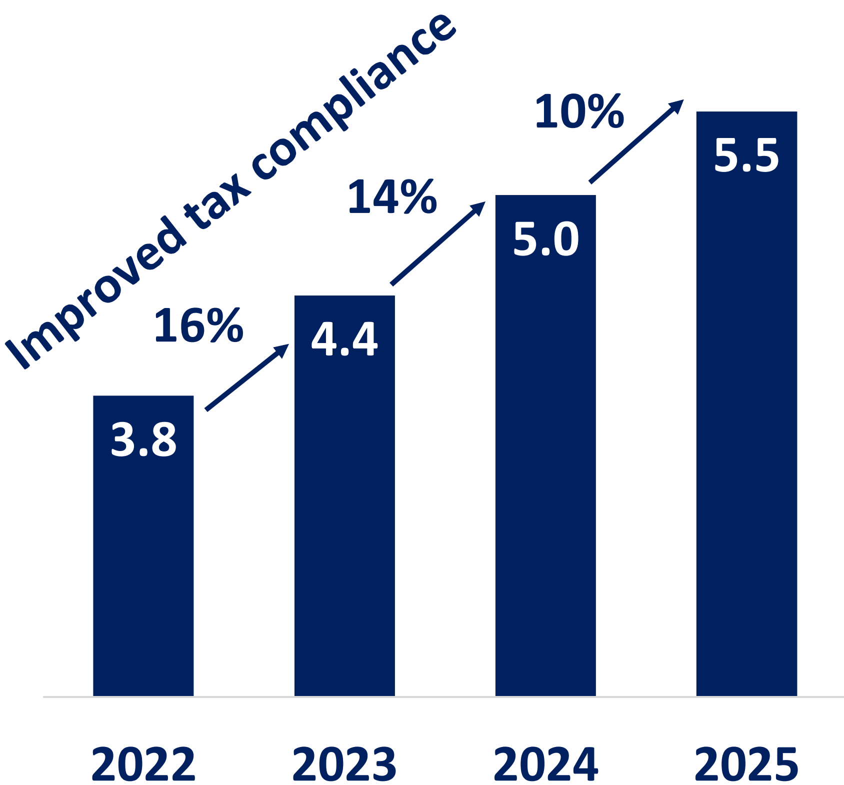
Fiscal discipline: Budget deficit (%, GDP)



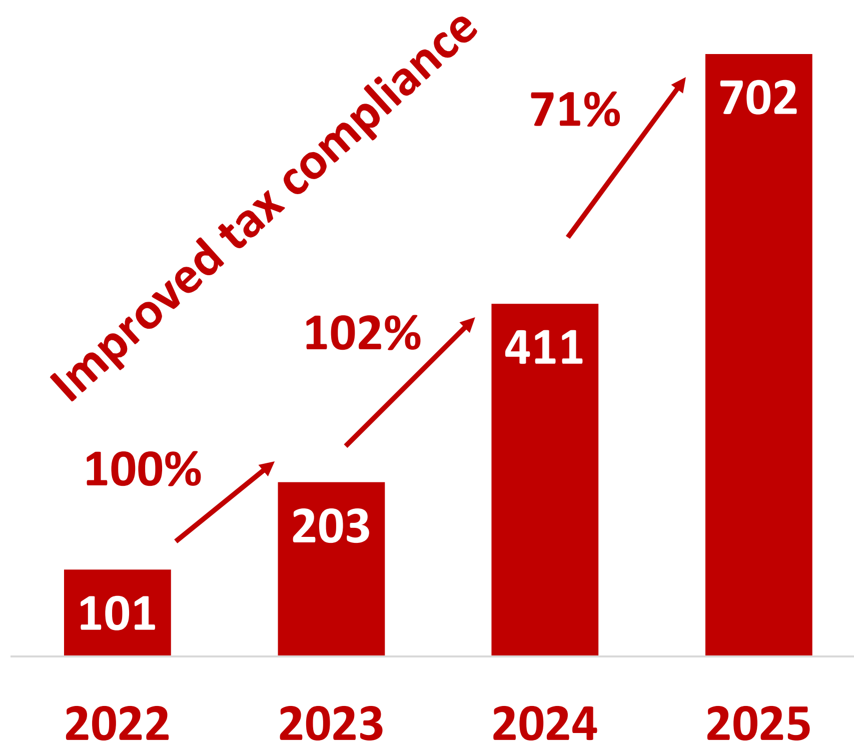
Source: Medium Term Program (2026-28), *May 15

Fiscal discipline: Combatting the informal economy

Number of personal income tax returns (million)



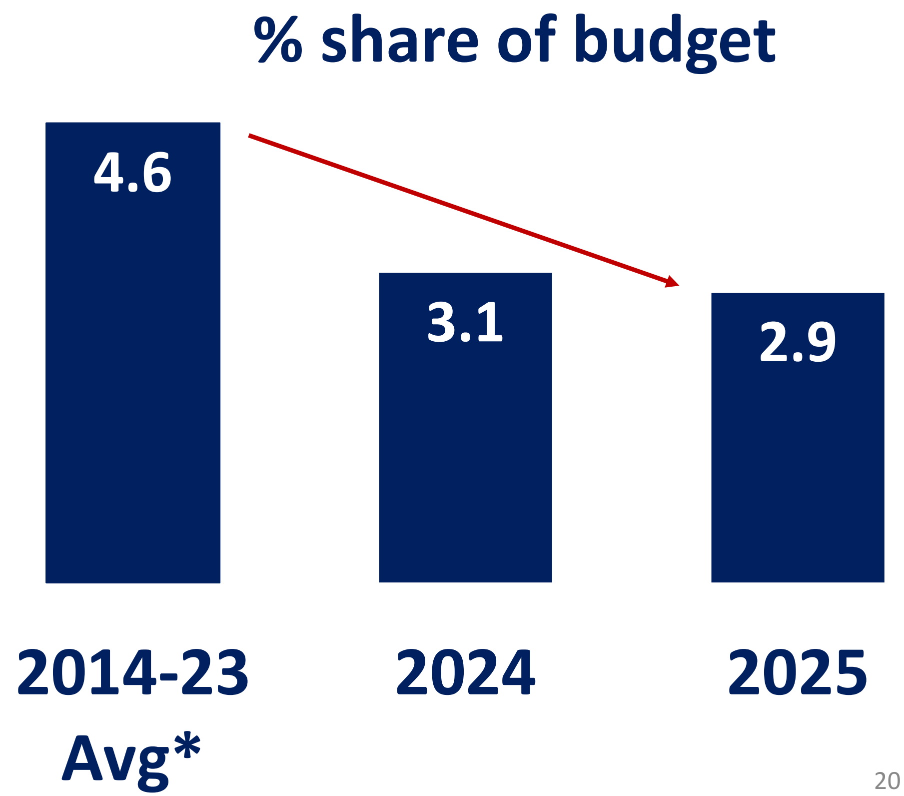
Increase in personal income tax revenues (bn TL)



Fiscal discipline: Türkiye’s successful DOGE scheme

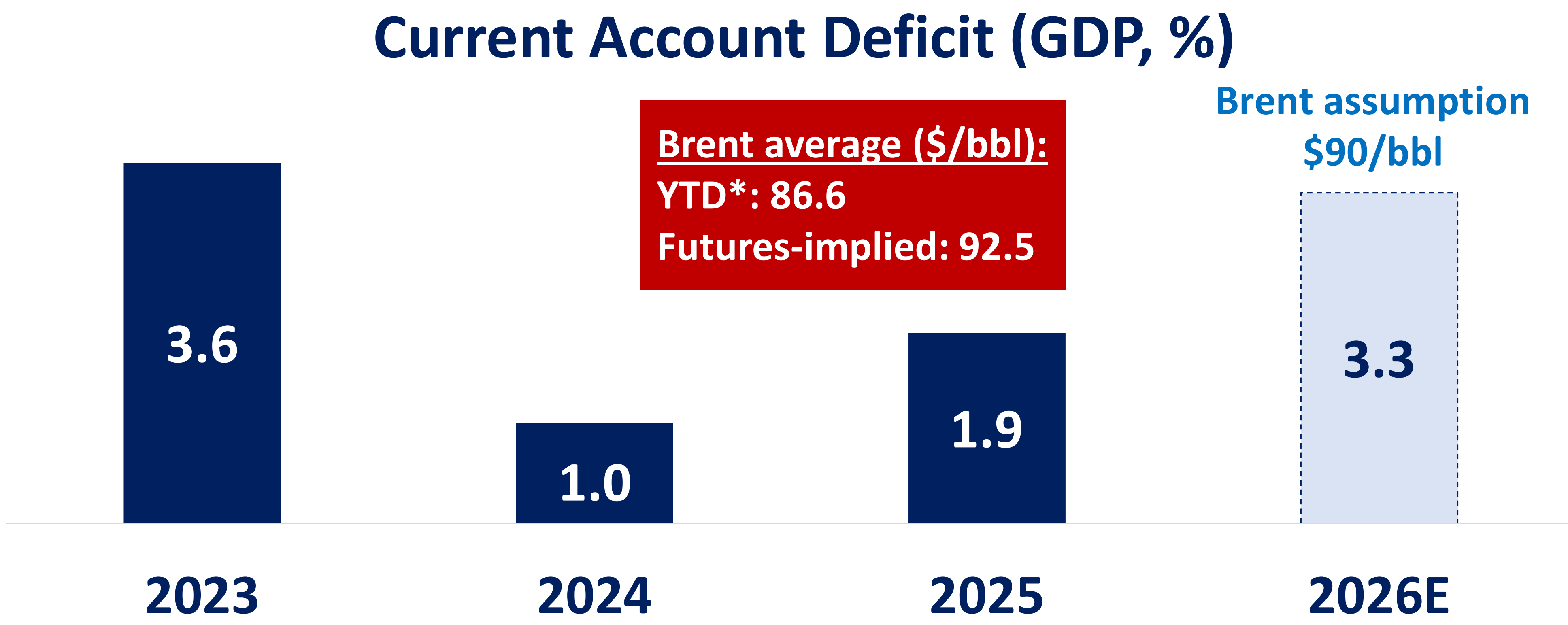
Expenditures covered by the scheme

Current expenditures such as:
- Transportation vehicles
- New construction/ renovations
- Cost of telecom, postal services
- Utility bills
- Office supplies
- Equipment, furniture



Source: MoTF, *exc’l interest and earthquake spending

External balance: Current account deficit



Source: CBRT, TURKSTAT; E: Estimate, May 15

Never waste a crisis

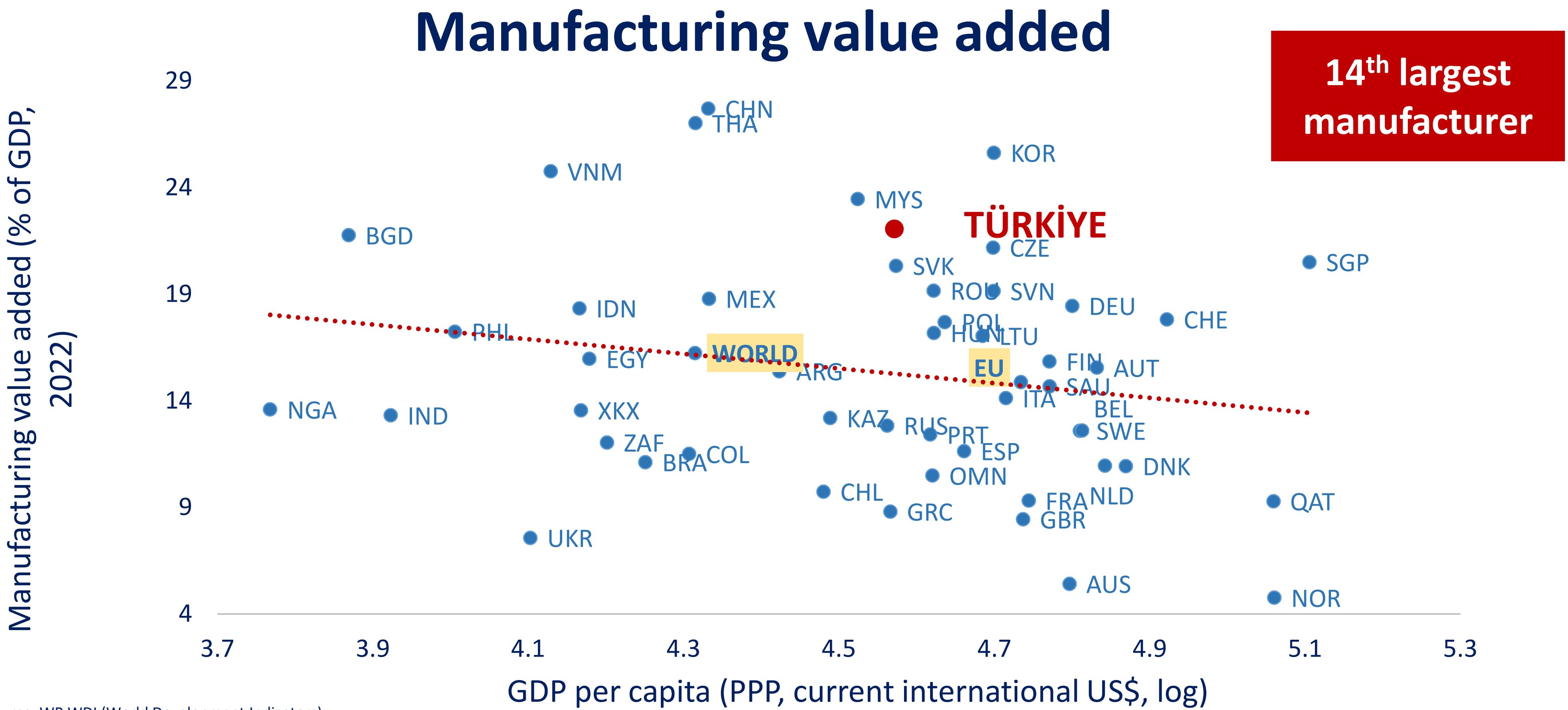
"Only a crisis -actual or perceived- produces real change*"

***Milton Friedman**

Never waste a crisis: Reform agenda

- ✓ Industrial transformation (moving up the value chain)
- ✓ Speeding up green transition & digital transformation
- ✓ Prioritizing investments in productive infrastructure (railways)
- ✓ The New Investment Framework

A manufacturing powerhouse



Source: WB WDI (World Development Indicators)

Industrial policy initiatives: Moving up the value chain

HIT-30

8 areas, 30+ priority investments, $30 bn

Active investment calls

- ✓ Wind
- ✓ EVs
- ✓ Battery
- ✓ Semi-conductors

New investment calls

- ✓ Data center
- ✓ AI
- ✓ Quantum
- ✓ Industrial robot

Preferential Credit Policy

- Supporting investments in 284 medium-high and high tech products*
- TRY 500bn loan package
- 2Y grace, 10Y maturity, at 1/3 market interest rate

Source: Ministry of Industry and Technology, for more information, visit: https://hit30.sanayi.gov.tr/, *For the full list of products, see: https://yatirimkredisi.sanayi.gov.tr/Home/ProductTechAreaList

Green transition: Not a choice but a necessity

Total energy imports, 2003-2026*

Nearly
$1.1 trillion

1.6x
Total C/A deficit

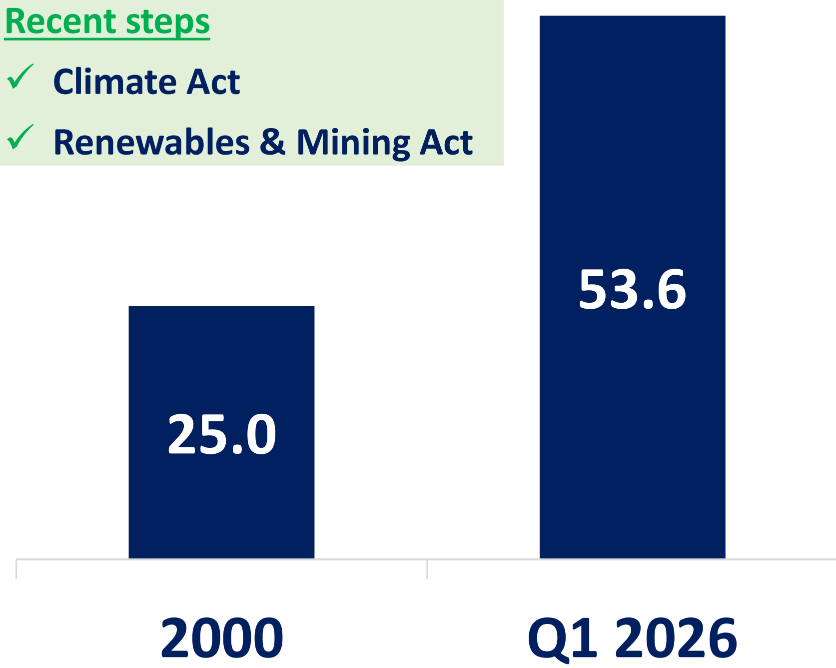
2x
Total external debt

(*) Including 2026 estimates of deficit
Source: TURKSTAT

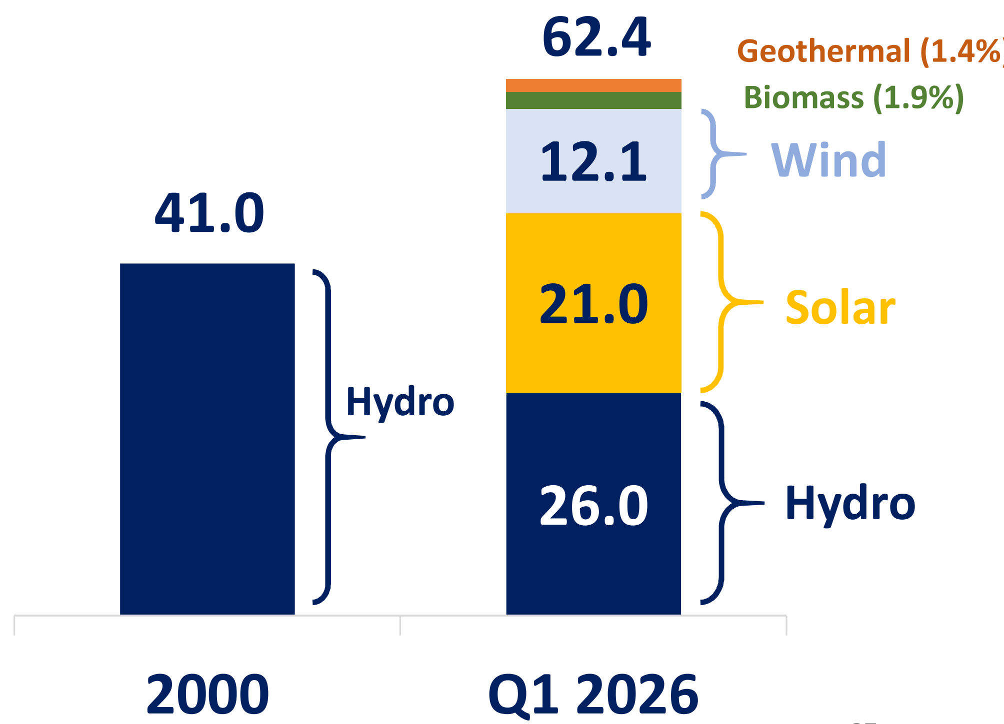
Green transition: Renewables

Share of renewables in electricity production (%)

Recent steps
- ✓ Climate Act
- ✓ Renewables & Mining Act



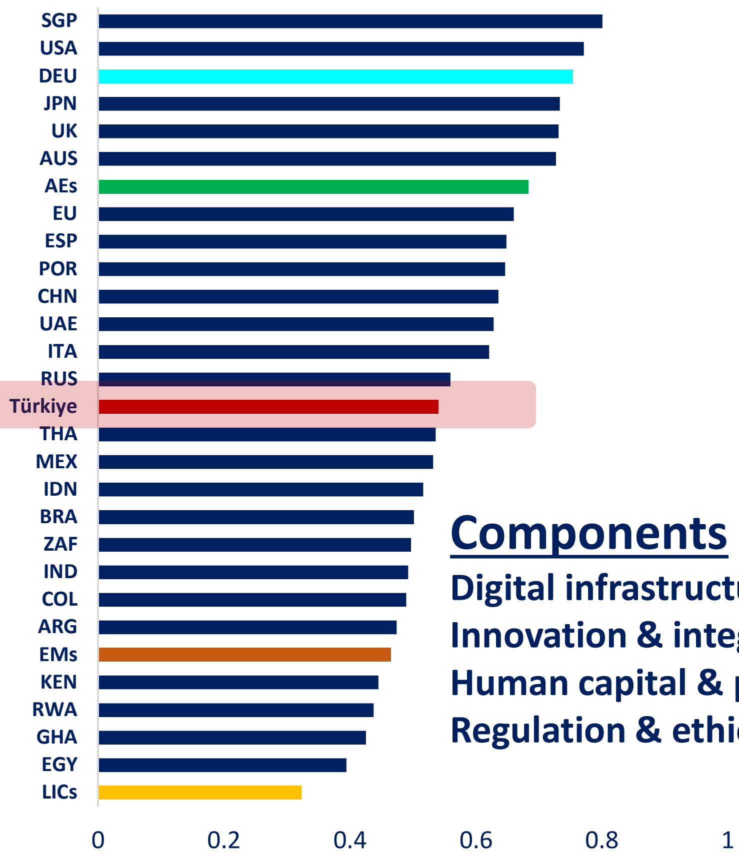
Share of renewables in installed capacity (%)



Source: Ministry of Energy and Natural Resources

Digital transformation: Türkiye's roadmap

IMF AI Preparedness Index



Components

Digital infrastructure
Innovation & integration
Human capital & policies
Regulation & ethics

- Investing in 5G+
- Expanding fiber capacity
- Hyperscaler data centers
- Investing in nuclear power plants
- Incentivizing apps using LLM models

Connecting manufacturing hubs to ports via railways

EXISTING
287 lines
446 km

UNDER CONSTRUCTION
9 lines
151 km

READY TO BE BUILT
10 lines
82 km

PLANNED
17 lines
189 km

Türkiye’s new investment framework

Three strategic initiatives

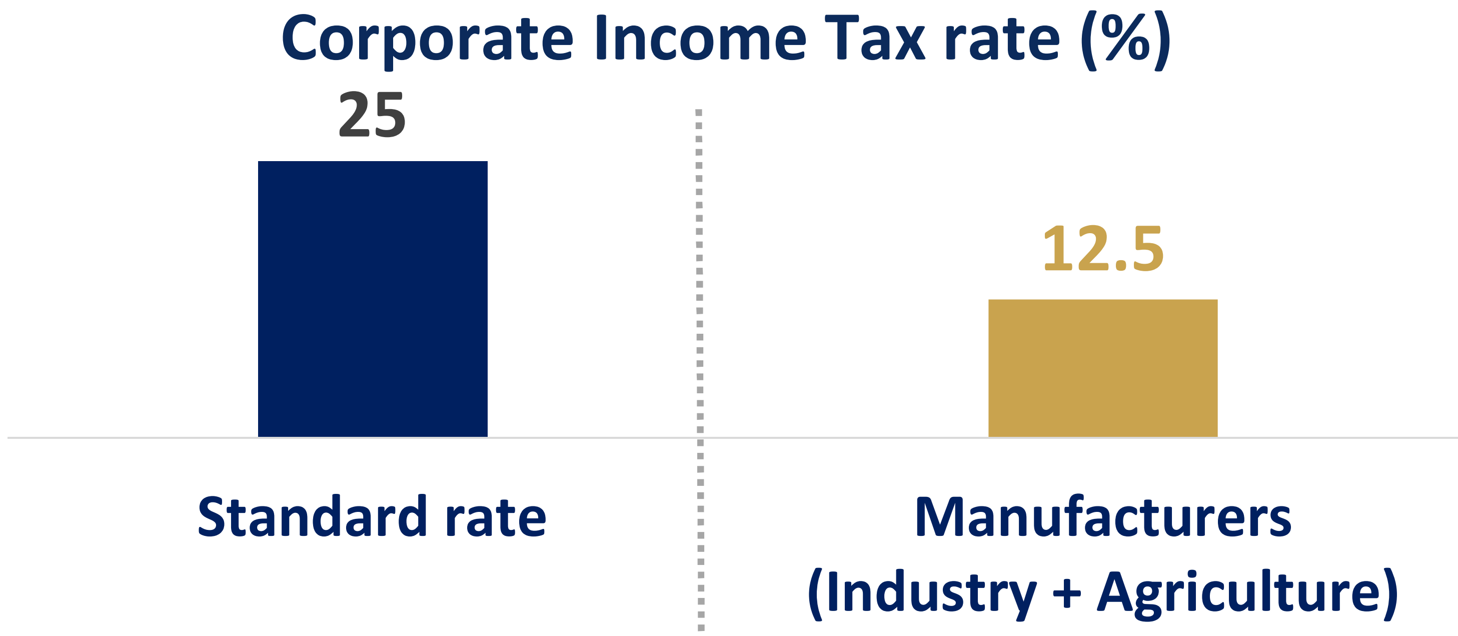
PRODUCE/ EXPORT MORE

ATTRACT MORE

REGIONAL CORE

PRODUCE MORE

12.5% CIT for manufacturers



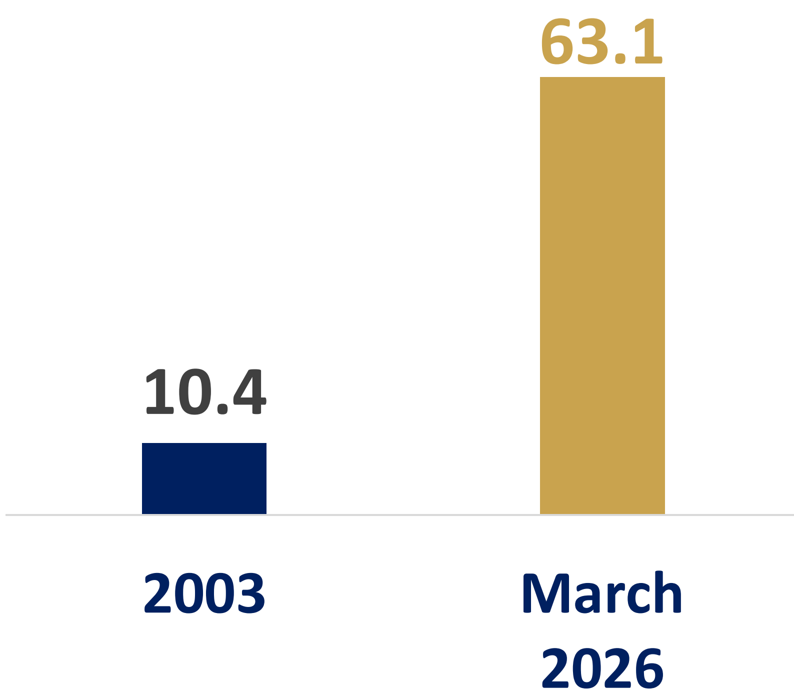
A targeted incentive to

- ✓ ***make Turkish manufacturers more competitive***
- ✓ ***attract FDI***

EXPORT MORE

100% tax exemption on services exports

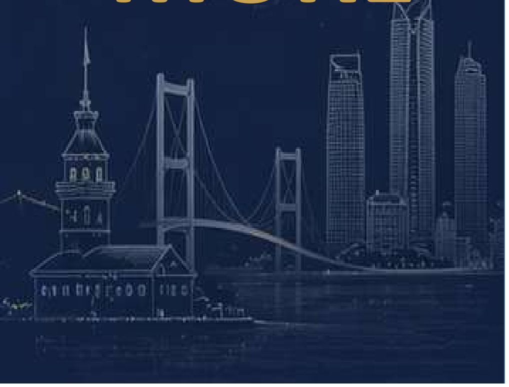
Services surplus (annual, bn $)



- ✓ **Targets high-value services exports** (i.e software, video gaming, medical tourism, education, engineering, design, and more)
- ✓ **Captures resilient global trade flows, services over goods**

GLOBAL TÜRKİYE

TRADE MORE



Zero corporate income tax on transit trade

İstanbul Financial Center

100% tax exemption

Outside the IFC

95% tax exemption

Aligning Türkiye with Singapore, Hong-Kong and the Netherlands as a competitive merchanting jurisdiction

ATTRACT MORE

A regional headquarters regime for multinationals

✓ **Corporate tax exemption for 20 years**

İstanbul Financial Centre

100%

Outside the IFC

95%

✓ **Income tax exemption:** Zero tax up to **4x** or **6x (IFC)** the minimum wage (between $3000-$4500)

✓ **Eligible activities:** Management, strategy, advisory, audit, supply-chain, HR

✓ **Eligibility criteria:** ≥80% of revenue must come from abroad

Placing Türkiye in the same league as Singapore

*Also includes Shared Services Centers

SIMPLIFYING INVESTMENT PROCESSES

One stop-shop

✓ **Transform Presidential Investment and Finance Office one-stop shop for investors**

✓ ***Reducing bureaucracy***

✓ ***Introducing VIP services for investors***

- **Company formation**
- **Work & residence permits**
- **Tax & social security**
- **Land allocation**
- **Investment incentives**
- **Environmental approvals**

ATTRACT MORE

A 20-year non-dom window

20 years: Zero tax on foreign-source income for new residents

Local income: Only Turkish-source earnings are taxed

1% inheritance tax

Eligibility: No Turkish tax residency in the prior 3 years

The world's longest non-dom window (Italy & Greece 15 years), designed for entrepreneurs and high net worth individuals

ATTRACT MORE

A new hub for start-ups

- **Digital company regime:** Incorporate, operate and govern, all online
- **Employee Stock Option Plans (ESOPs):** Tax-efficient employee equity
- **VC-friendly funding tools** (streamlined convertibles)
- **Terminal İstanbul:** The flagship start-up campus (Atatürk Airport)

Built for entrepreneurs, built for capital, built for talent

Competitive strengths

Türkiye's competitive strengths

- Regional integration & connectivity
- Critical energy & logistics hub
- Competitive energy supply
- Talent & infrastructure
- Manufacturing powerhouse
- A major services hub

A reliable and sustainable supplier

Regional integration & connectivity

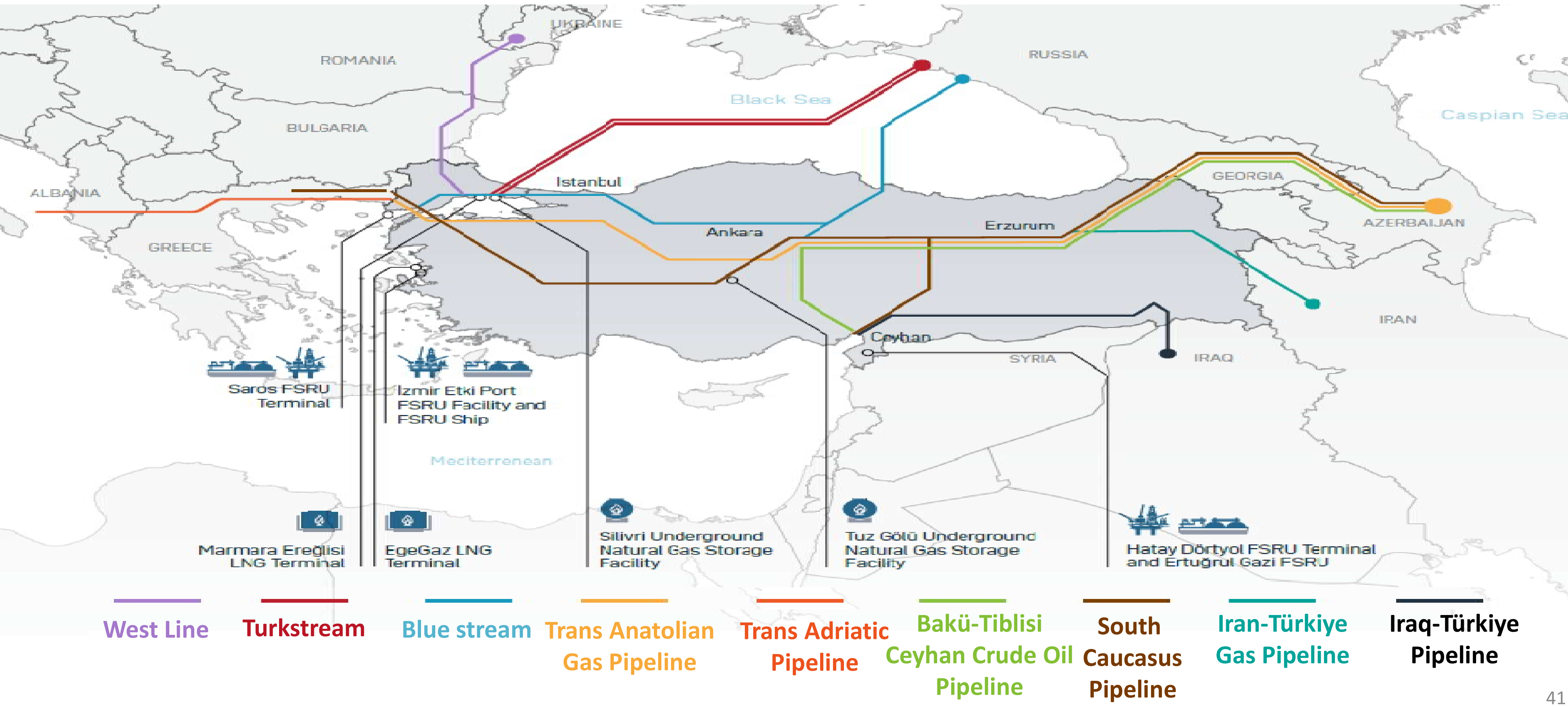
MIDDLE CORRIDOR
70 km/h, 12.500 km
18 days

DEVELOPMENT ROAD
70 km/h, 5.788 km
25 days

SOUTH CORRIDOR
13 miles/h, 11.011 miles
35 days, 7 hours

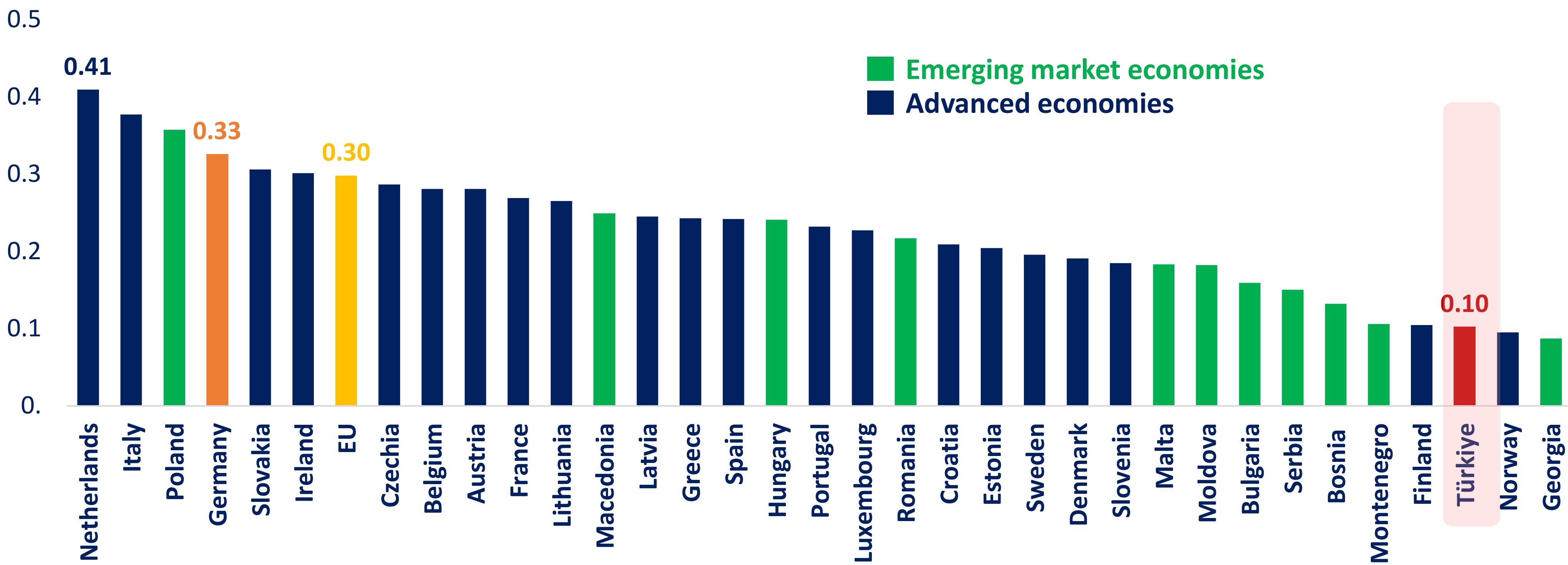
BEIJING-LONDON
Cape of Good Hope
13 miles/h, 14.327 miles
45 days, 22 hours

War reinforces Türkiye's position as a critical energy hub



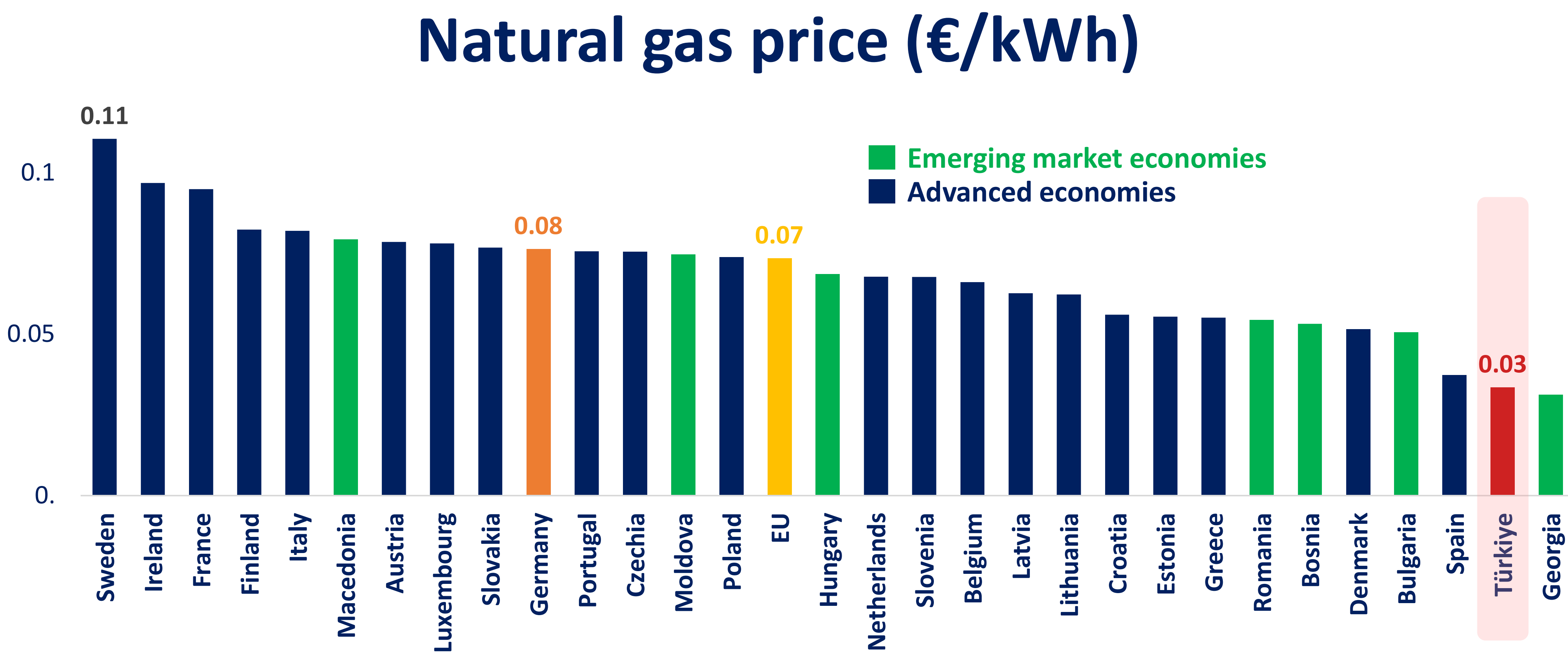
Competitive energy pricing for industry

Electricity price (€/kWh)*



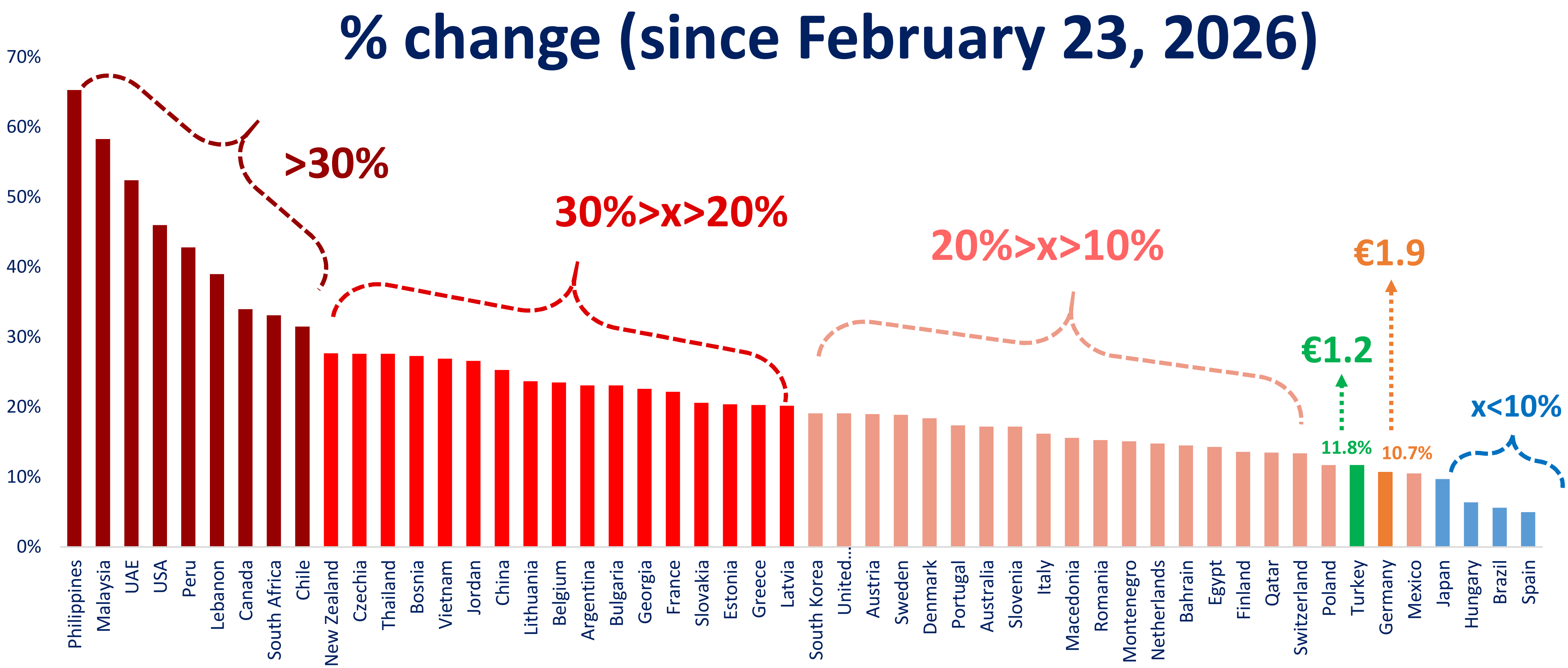
Source: EC, Eurostat, 2nd half of 2025, excluding tax and levies, Consumption less than 20 MWh

Competitive energy pricing for industry



Source: EC, Eurostat, Consumption less than 1 000 GJ, 2nd half of 2025, excluding tax and levies

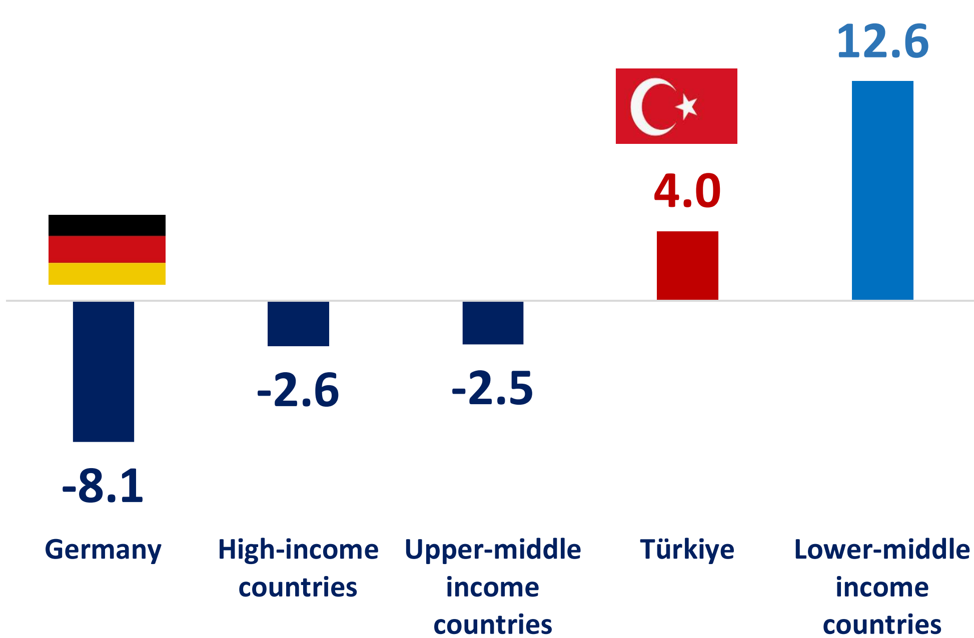
Gasoline prices changes after the War



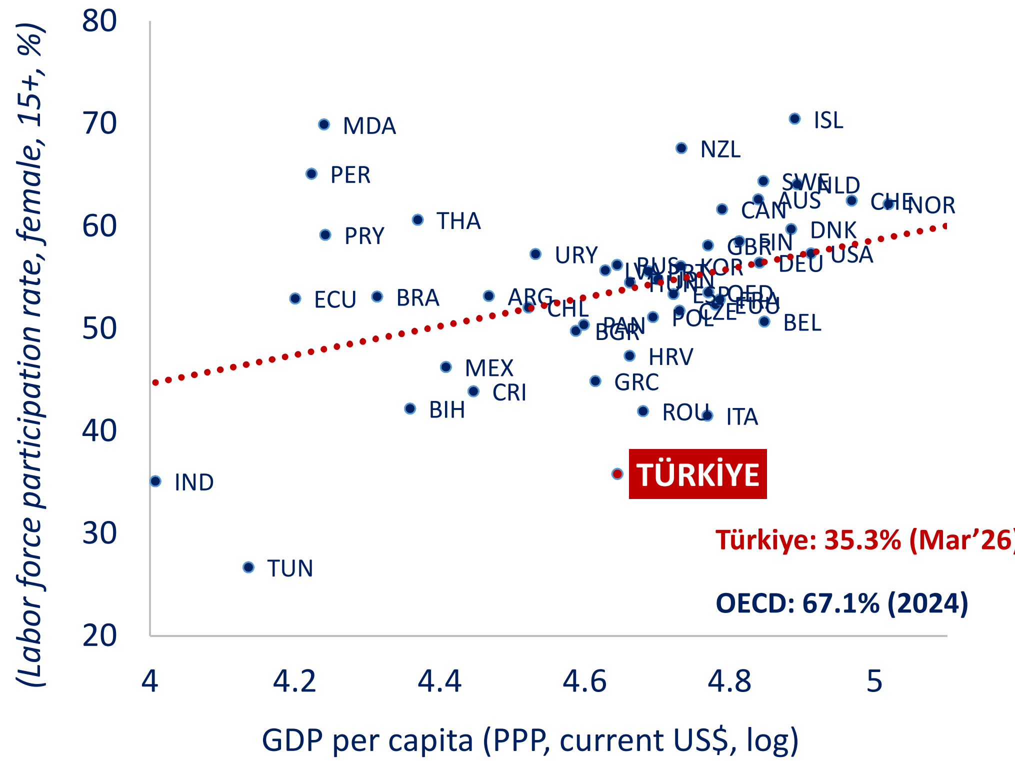
Source: Global petrol prices, https://www.globalpetrolprices.com/fuel_price_trend_Iran_war.php

Favorable demographics, untapped potential

Working Age Population Growth (%, 15-64, 2026-36)

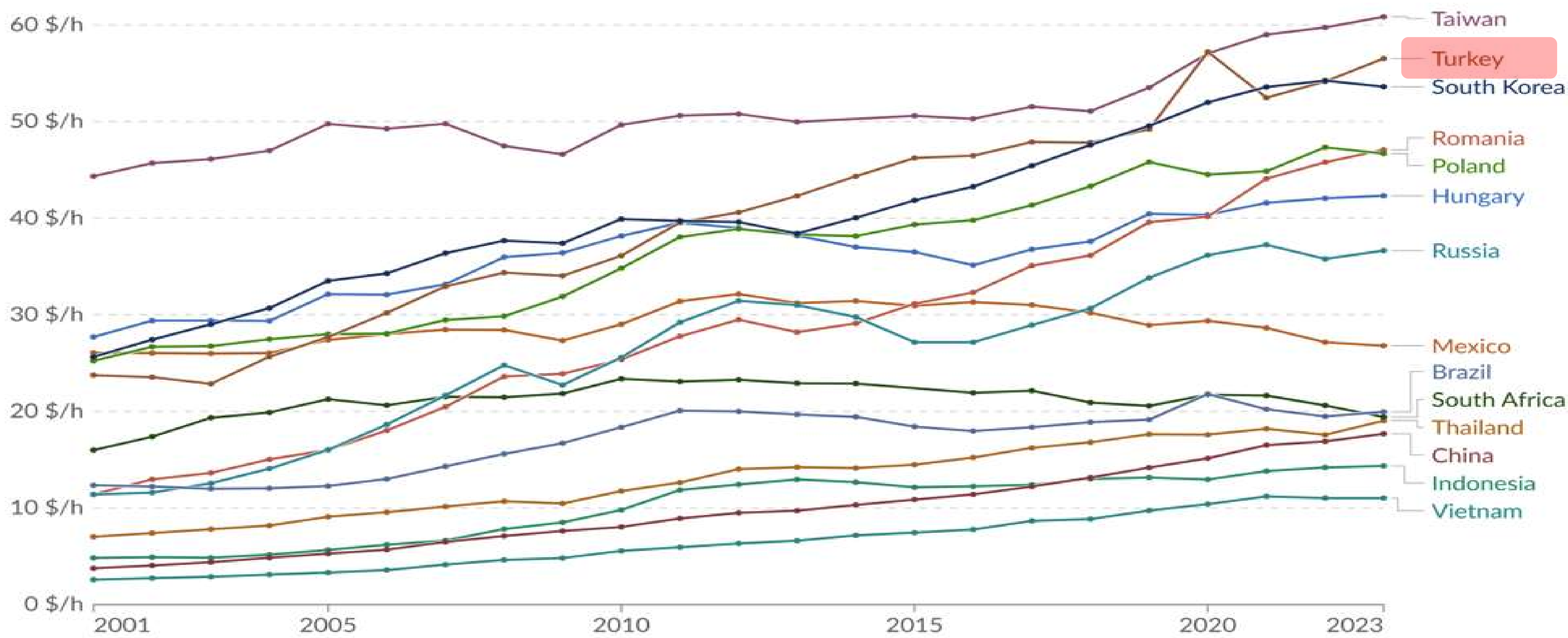


Female labor force participation rate



Source: UN, World Bank Income Groups, TURKSTAT

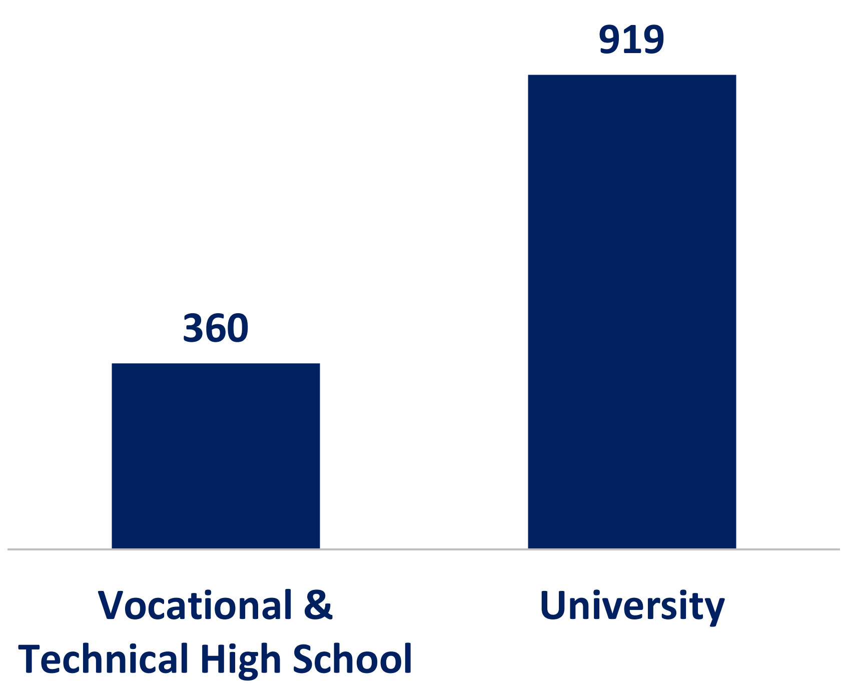
Output per hour worked



Source: Our World in Data; Feenstra et al. - Penn World Table (2025)

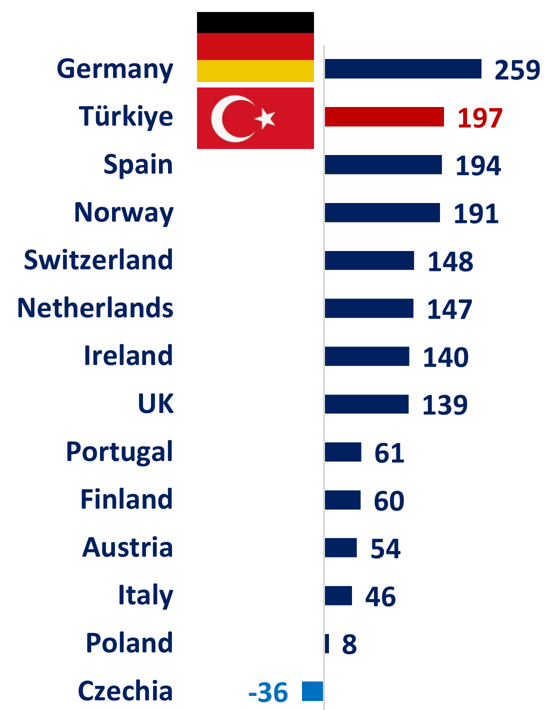
Large & increasingly better qualified labor force

of Graduates
(2024-2025, thousands)

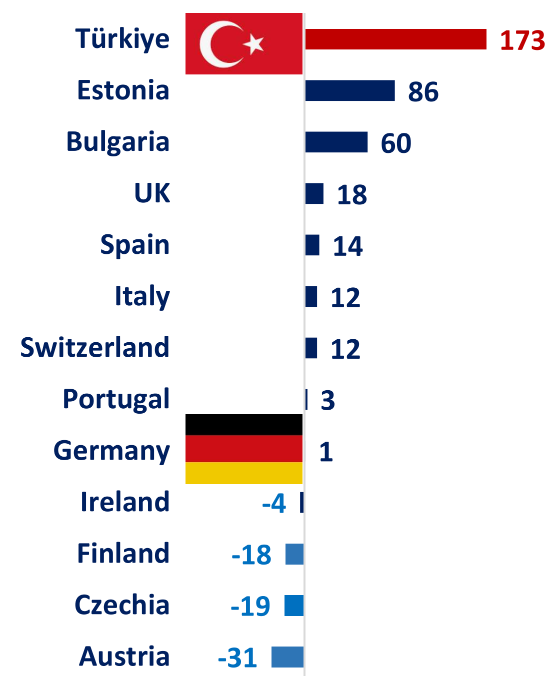


Graduates of CS, CE, IT*
(%, 2012-22)

Master's



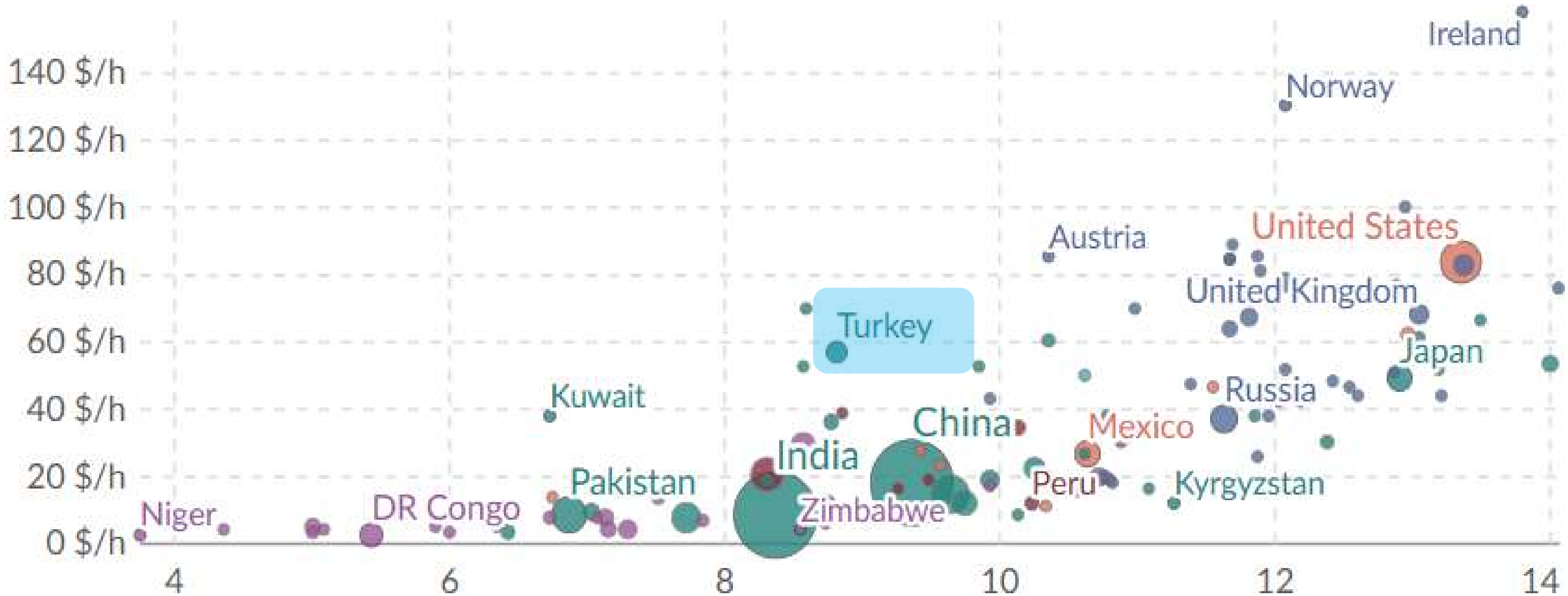
PhD's



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

Productivity vs educational attainment

Output per hour worked (international-$ in 2021 prices per hour)



Average years of education of 15-64 year old youth and adults (years)

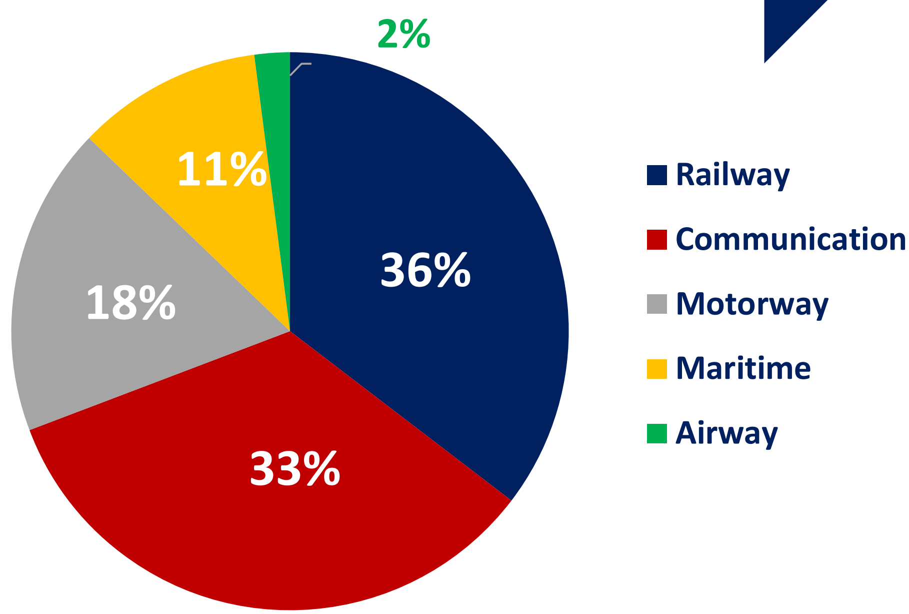
Source: Feenstra et al. - Penn World Table (2025); Barro and Lee (2015); Lee and Lee (2016)

Investments in infrastructure

2003-25	2026-29	2030-35	2036-53	2026-53
$355bn ✓	$87bn	$59bn	$51bn	$197bn

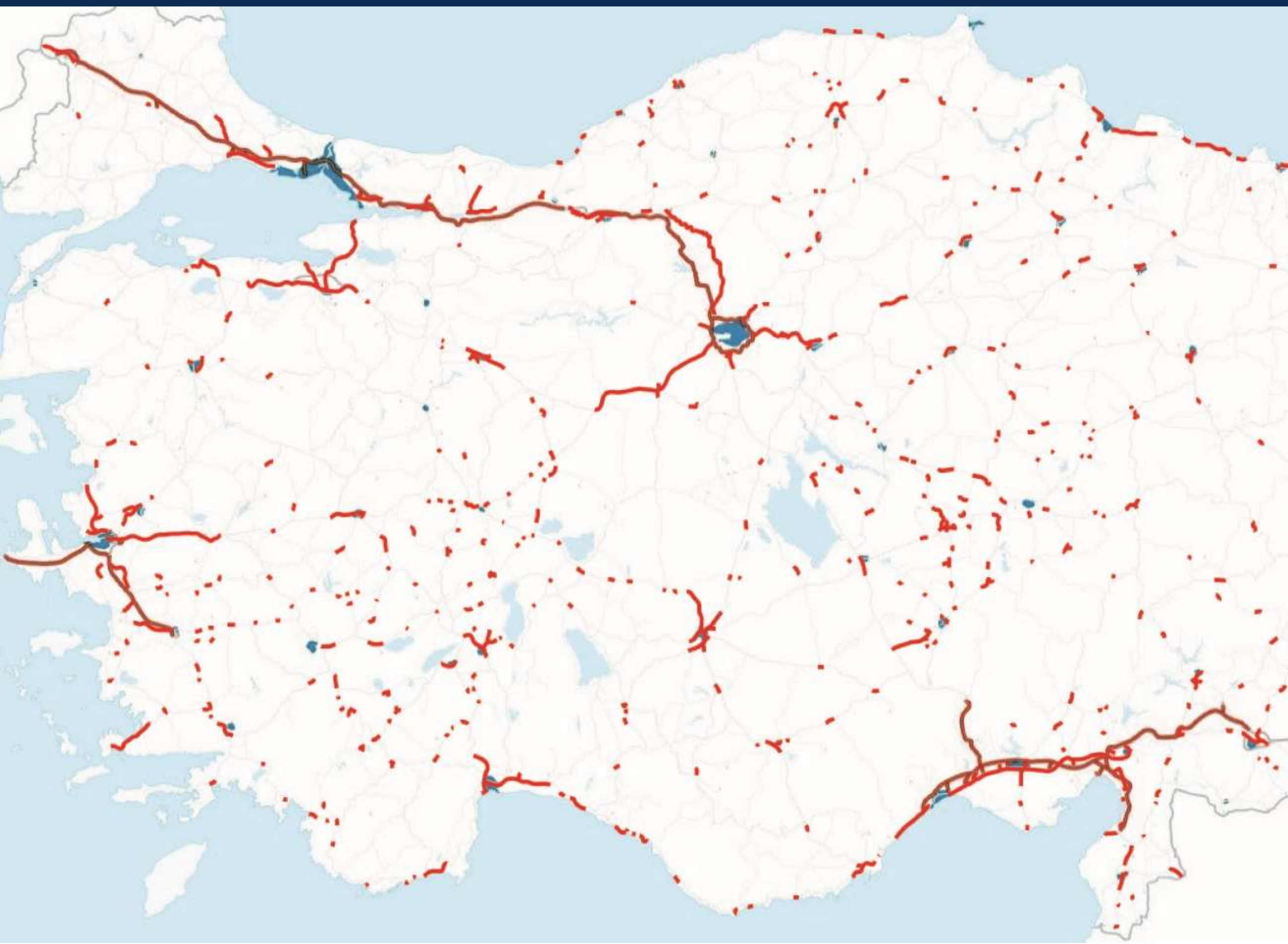
TOTAL INFRASTRUCTURE INVESTMENTS UNTIL 2053

$197bn



Source: Ministry of Transportation and Infrastructure

Motorways & dual carriage highways (2000)



Mean speed: 40 km/h

Source: Ministry of Transportation and Infrastructure

Motorways & dual carriage highways (2025)

Mean speed: 93 km/h

Source: Ministry of Transportation and Infrastructure

Airports

1923-2003

2003-2024

Under construction
Yozgat, Bayburt-Gümüşhane, Trabzon

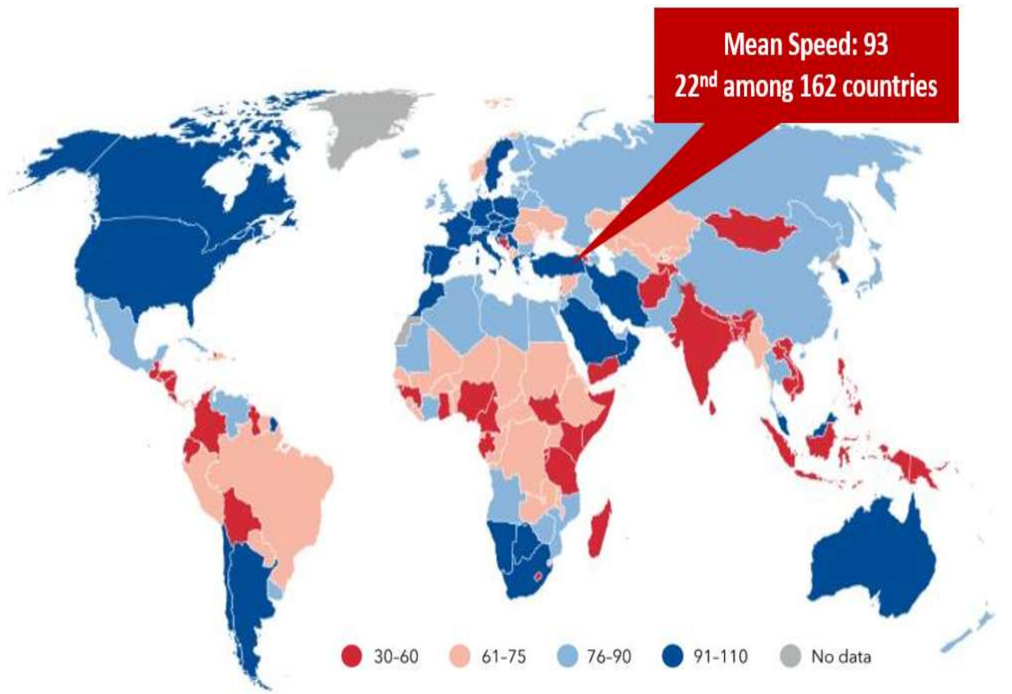
2003 26 → **2025** 58+3

Quality infrastructure

The world's best-connected airports

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

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



Source: Cirium, IMF

Türkiye's rising geopolitical importance

- **Anchored to the West with strong ties to the East**
- **Avoiding conflicts, building a real mediation capacity**
  - **Armenia-Azerbaijan, Russia-Ukraine, Iran-US, Israel-Gaza, African horn**
- **Strong deterrence**
  - **The second largest army in NATO**
  - **Ranking 9th in Global Firepower Index**

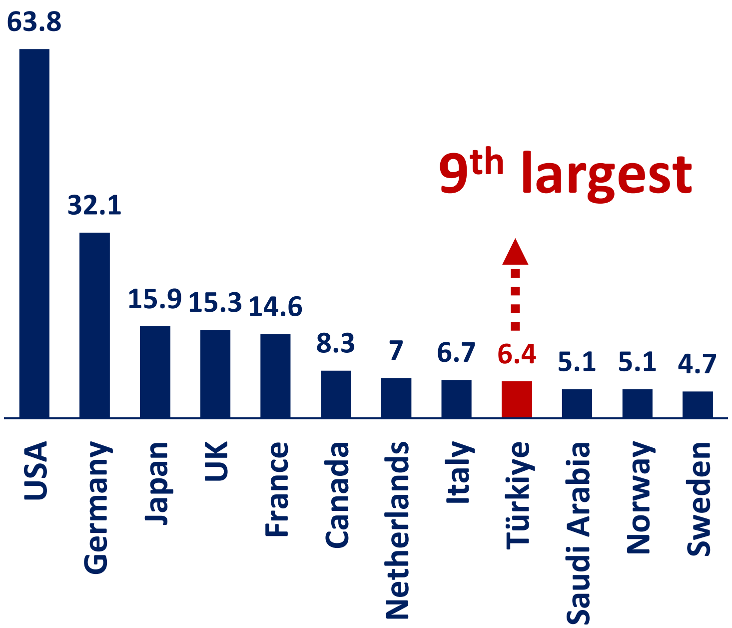
Hosting NATO & COP31 & Turkic States Summits in 2026

Significance of PKK disbanding & disarming itself

- **Huge economic dividends**
- **Enhanced prospects for regional stability & integration**
- **The southeast & eastern regions will be new engines of growth**

Türkiye as an emerging soft power

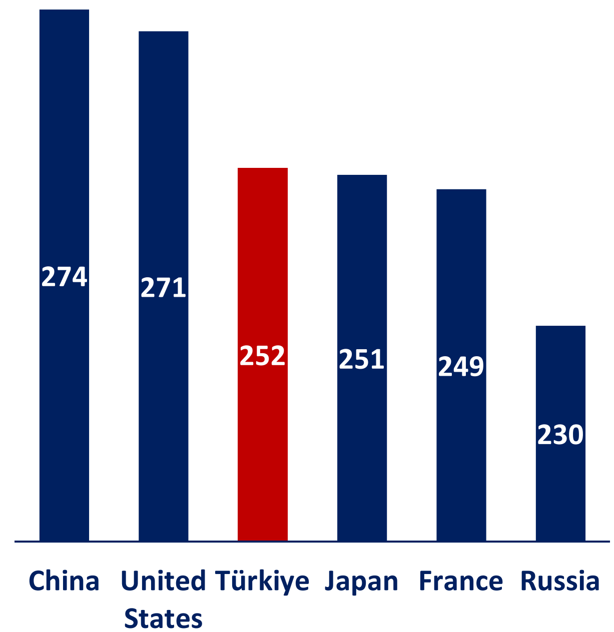
Official Development Assistance
(2024, $ bn, constant 2023 prices*)



Turkish Airlines

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

Diplomatic Missions
(number of total posts)



Source: OECD (2025, https://www.oecd.org/en/topics/development-co-operation.html), EUISS, Turkish Airlines

Sectoral Outlook & Opportunities

Germany & Türkiye partnership: Sectoral opportunities

Manufacturing

- ✓ Defense & Aerospace
- ✓ Automotive
- ✓ Machinery & equipment
- ✓ Green tech, agri tech
- ✓ Digital transformation
- ✓ Pharmaceuticals

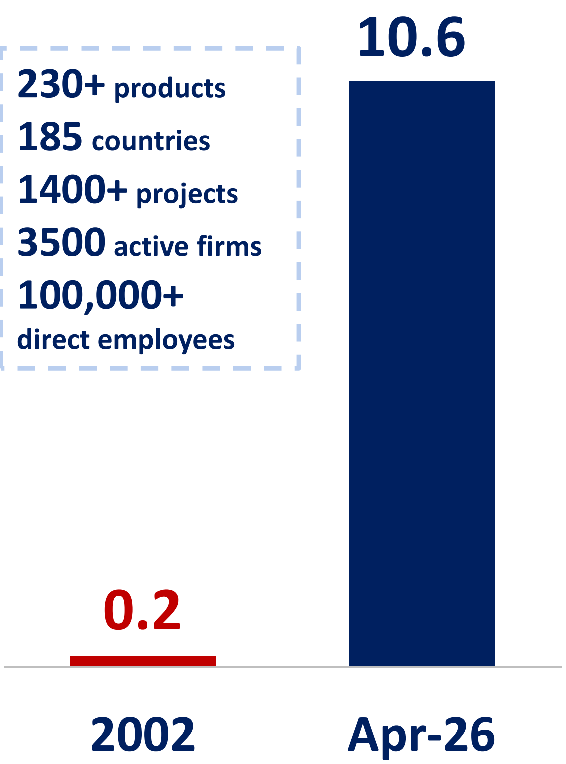
Services

- ✓ Tourism
- ✓ Healthcare
- ✓ Elderly care
- ✓ Digital services
- ✓ Doing business in the 3rd countries

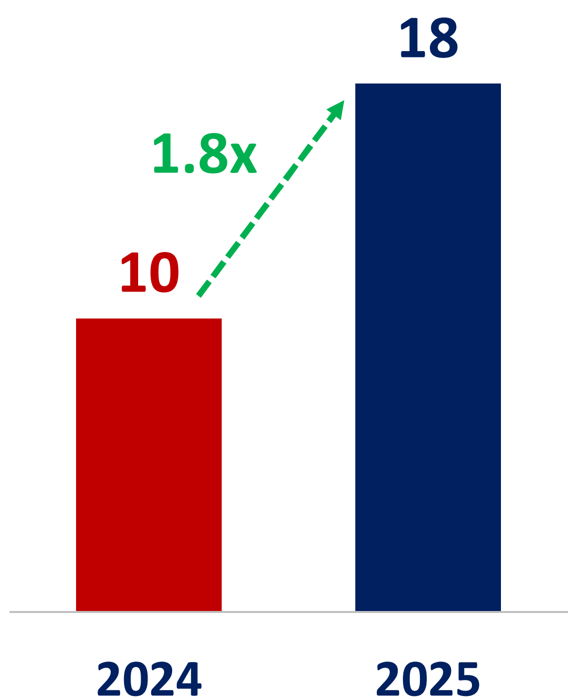
A fast growing defense industry

Exports (annual, bn $)

- **230+** products
- **185** countries
- **1400+** projects
- **3500** active firms
- **100,000+** direct employees

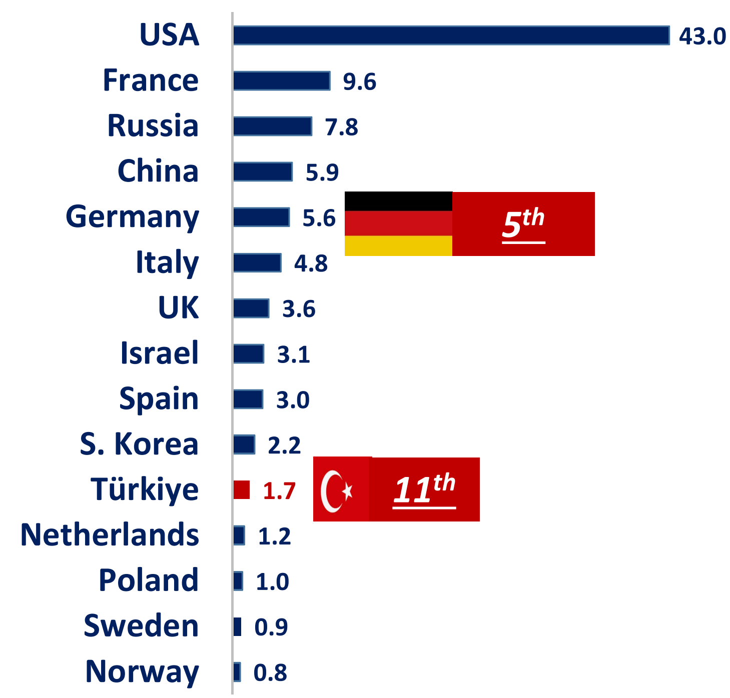


New orders (bn $)



Top 15 defense exporters

(% global share, 2020-2024)



Source: Secretariat of Defense Industries, TIM

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**

Deepen German EV manufacturing footprint in Türkiye

- **Expand cell, module and pack assembly in the Bursa-Kocaeli cluster**
- **Build regional battery recycling and critical minerals recovery capabilities**
- **Strengthen vocational training, supplier upgrading and joint EV engineering programs**

Türkiye offers German OEMs a competitive nearshore manufacturing base, Customs Union integration and access to regional markets

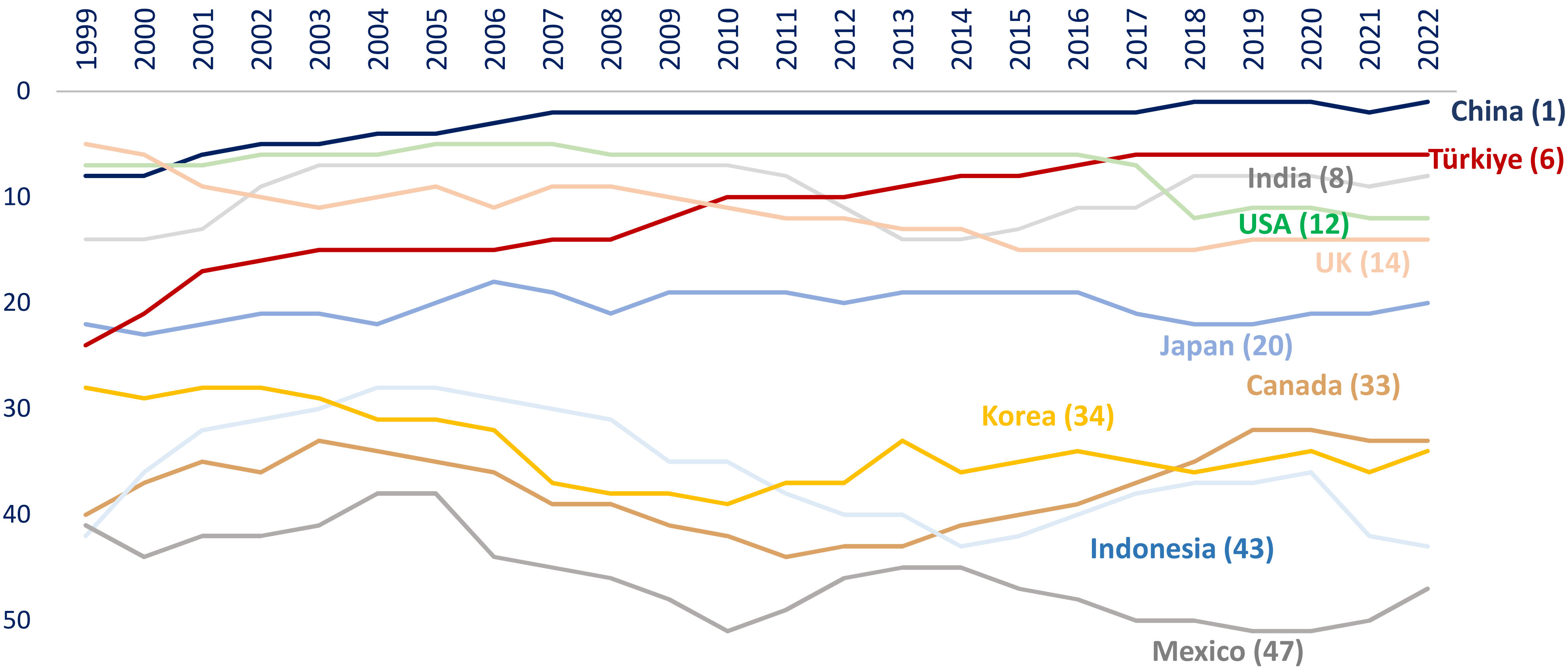
Cooperation in machinery and equipment

Potential areas

- Automation & robotics systems
- Industrial machinery & machine tools
- Rail, logistics and infrastructure equipment

Closer industrial cooperation can support supply chain diversification, technology upgrading and export competitiveness

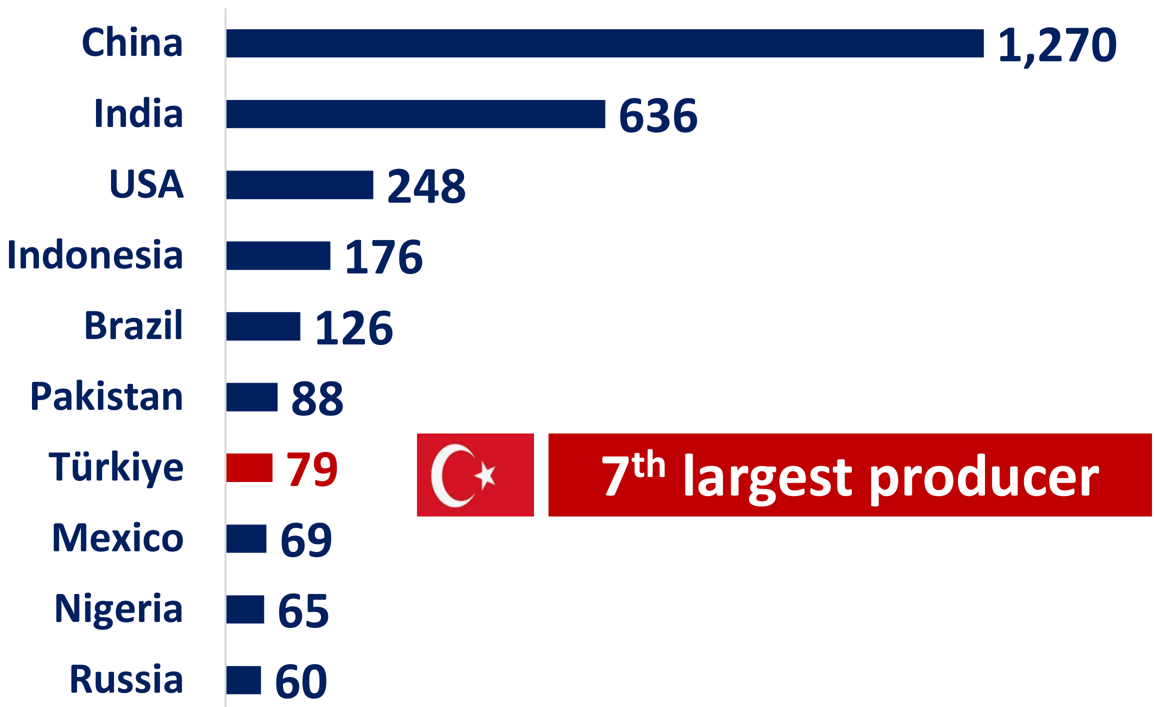
Green tech: Green Complexity Potential



Source: Green Transition Navigator, Findings from researchers at Oxford, Cambridge, and LSE

Türkiye is the 7th largest agricultural producer globally

Agricultural value added ($ bn, 2024)



Source: World Bank WDI

Pharmaceuticals

Türkiye offers

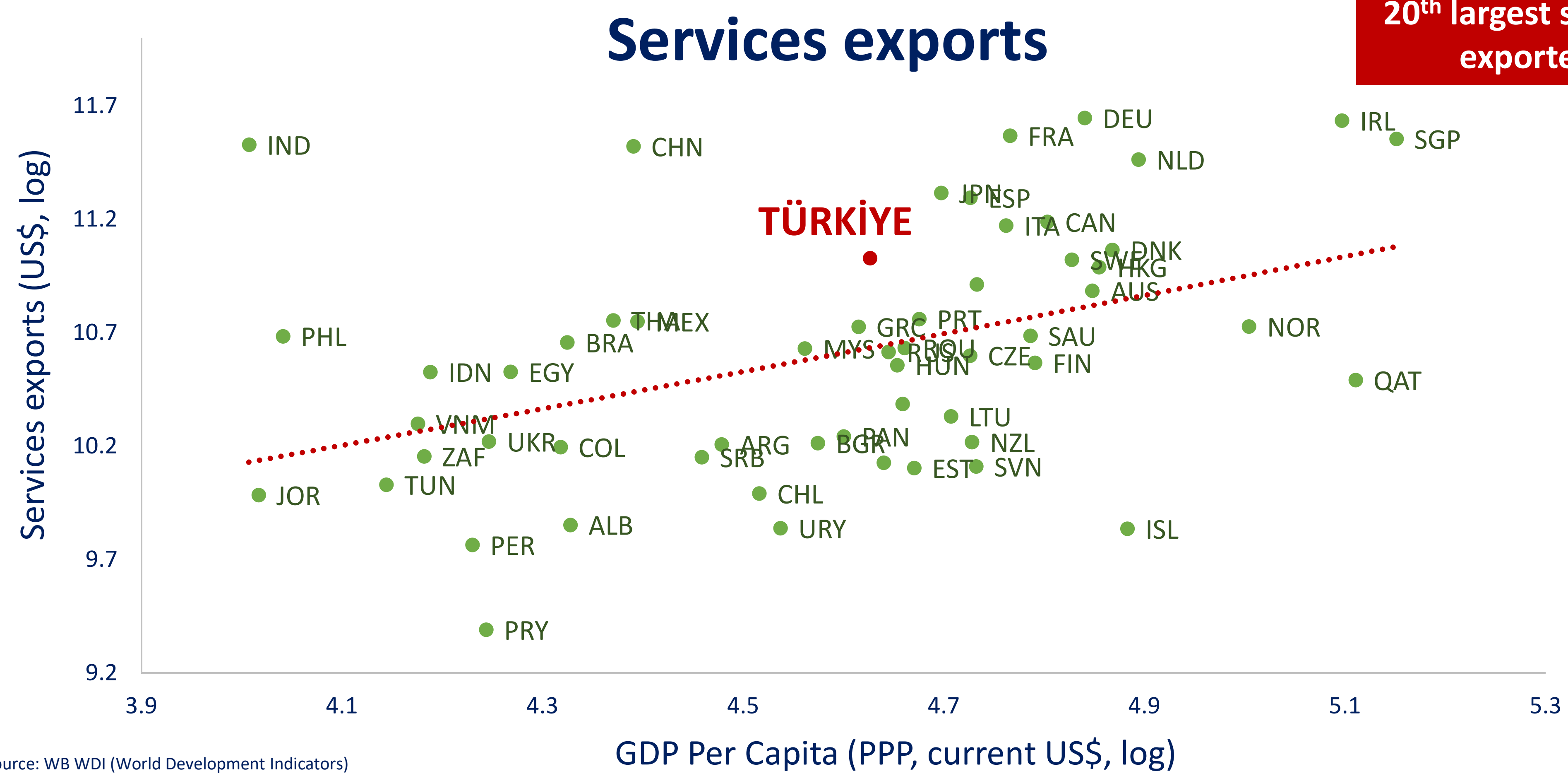
- Universal healthcare coverage
- Strong pharmaceutical production capacity
- Huge scope for clinical trials
- Regional market access and connectivity

Potential cooperation areas

- Biosimilars, vaccines and biotech
- Medical technologies and digital health solutions

A major services exporter

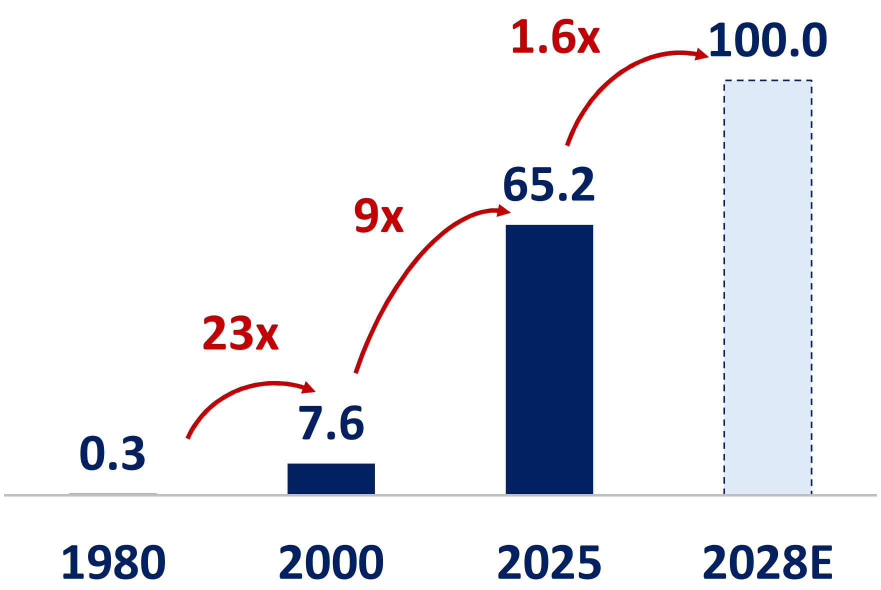
20th largest service exporter



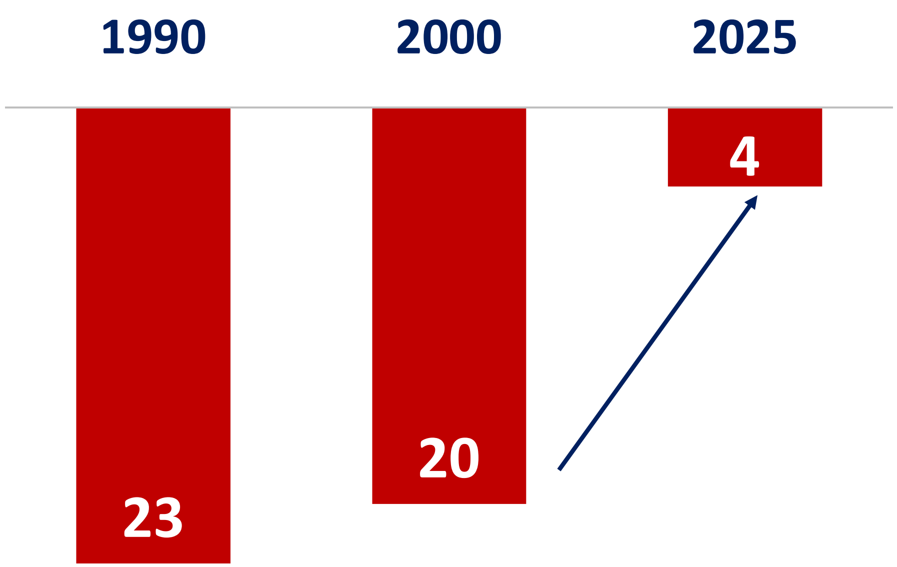
Source: WB WDI (World Development Indicators)

One of the top tourism destinations

Tourism Revenue (bn $)



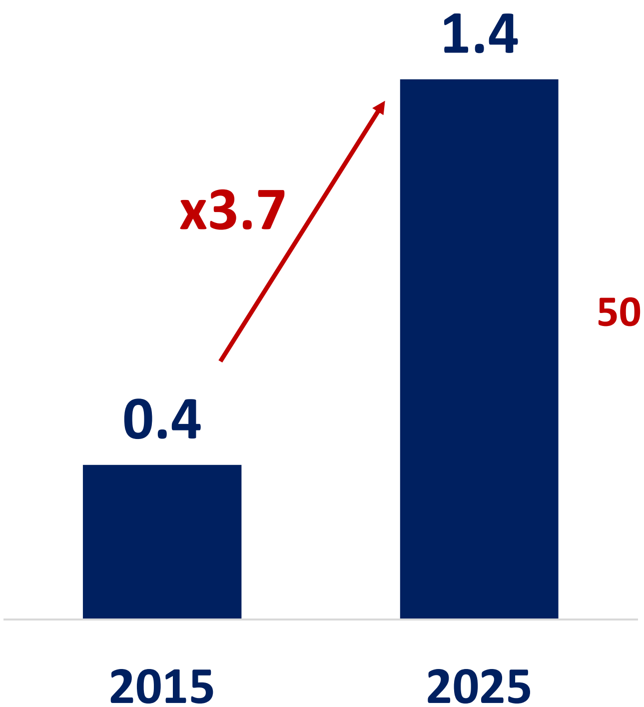
Türkiye's Ranking in World Tourism (visitors)



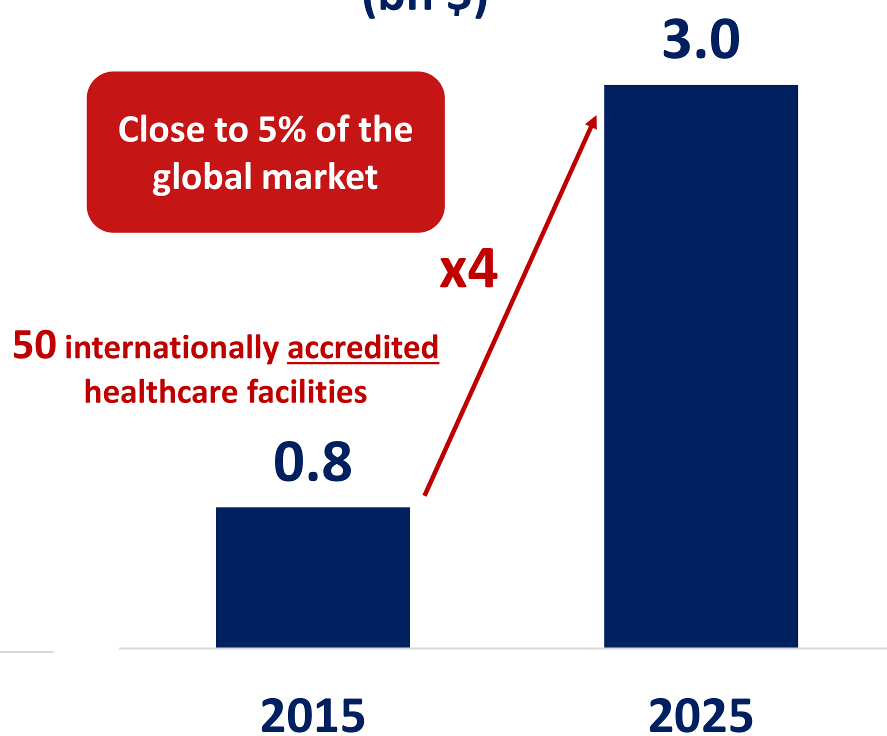
E: Estimate
Source: TURKSTAT, Ministry of Culture and Tourism, UNWTO

A large potential in medical tourism

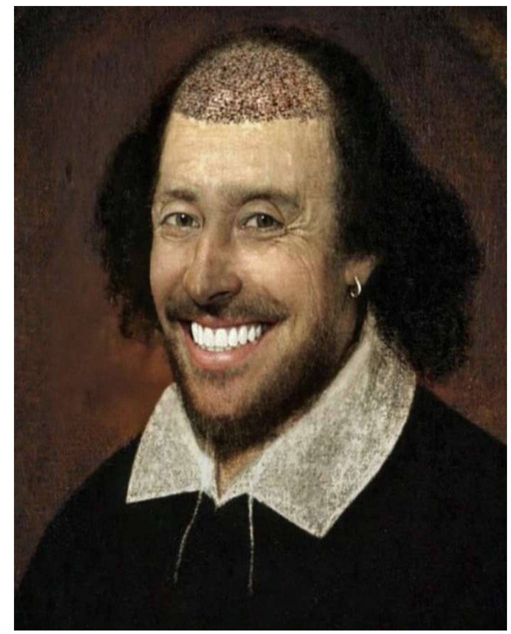
Number of medical tourists (mn)



Healthcare tourism revenue (bn $)



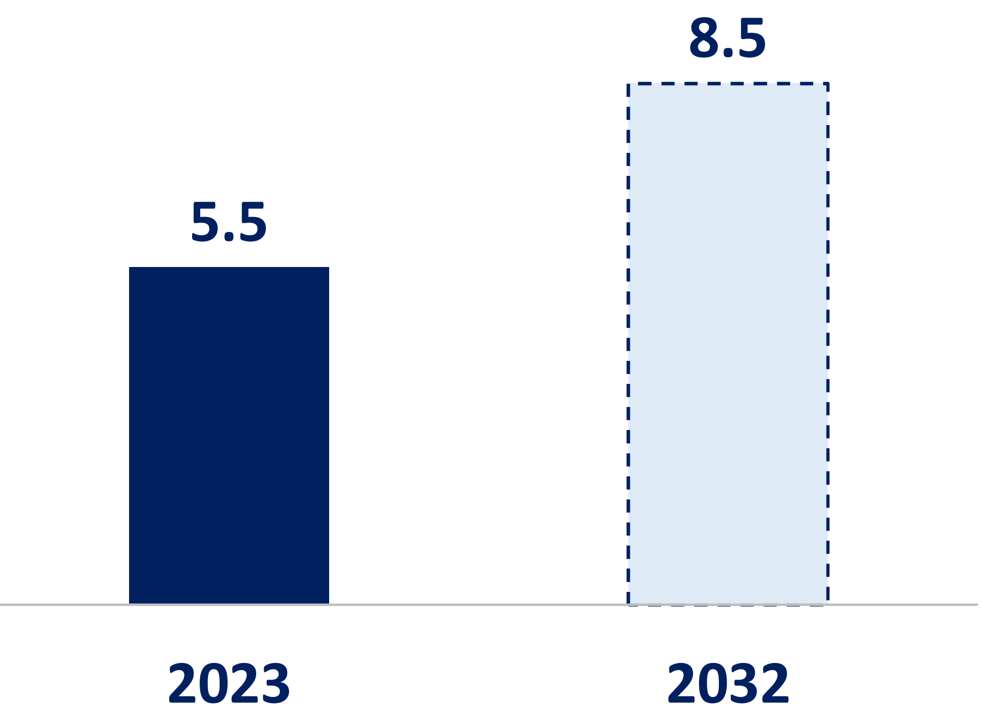
Shakespeare after visiting Türkiye



Source: Ministry of Health

Medical tourism & elderly care services

Silver economy
(global market size, trillion $)



Source: DataIntelo

✓ **Elderly care services**

Geriatric centers, home care, rehabilitation centers

✓ **Advanced health technologies**

Tele-medicine (remote health services), wearable monitoring devices

✓ **Technology & AI**

Care robots, in-home assistant robots, smart home systems (such as fall detection and emergency sensors)

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.

İstanbul & Ankara among top centers

Highest number of game studios in Europe

747

Start-ups

7

Exits with +$100 mn

3

Unicorns

Kaynak: The Economist, Parrot Analytics, Invest in Türkiye (2026)

Türkiye's fintech ecosystem

of Fintech companies by vertical

835

active fintechs

$400M+

VC deals in the last two years

Source: The State of Turkish Fintech Ecosystem, Invest in Türkiye (2026)

A major player in global construction sector

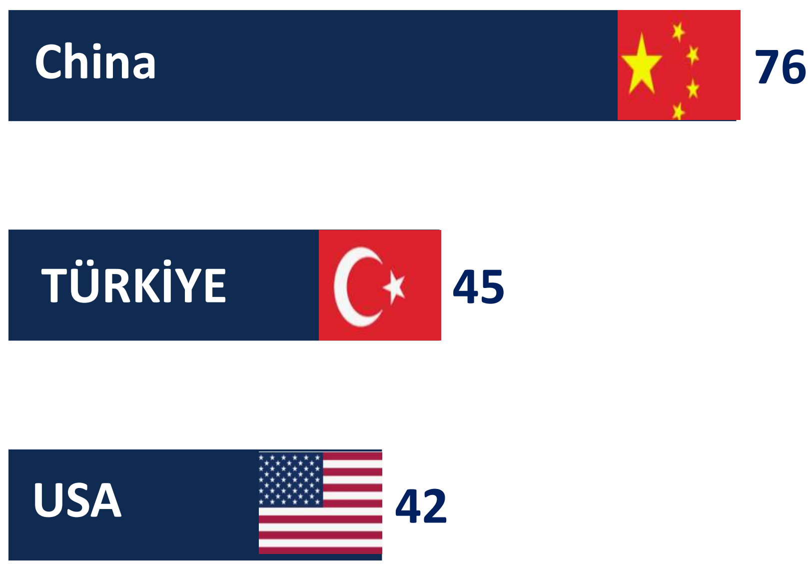
1972-2025

# of projects
12,674

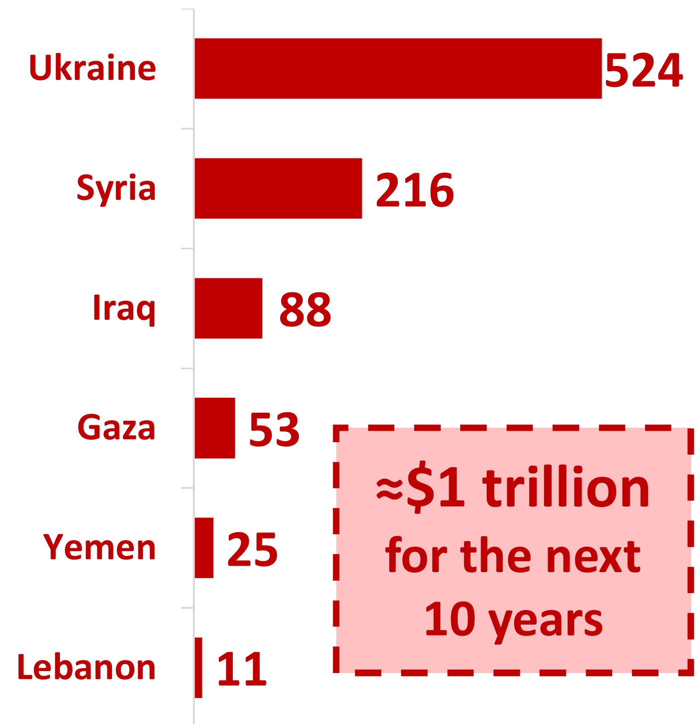
# of countries
137

Total worth of projects
$546.8bn

of companies in top 250 contractors (2025)



Reconstruction needs in the neighbourhood (billion $)



≈$1 trillion for the next 10 years

Source: Ministry of Trade, Engineering News Record (ENR), World Bank

Closing the gap: Why Europe needs deeper integration with Türkiye?

Europe's challenges

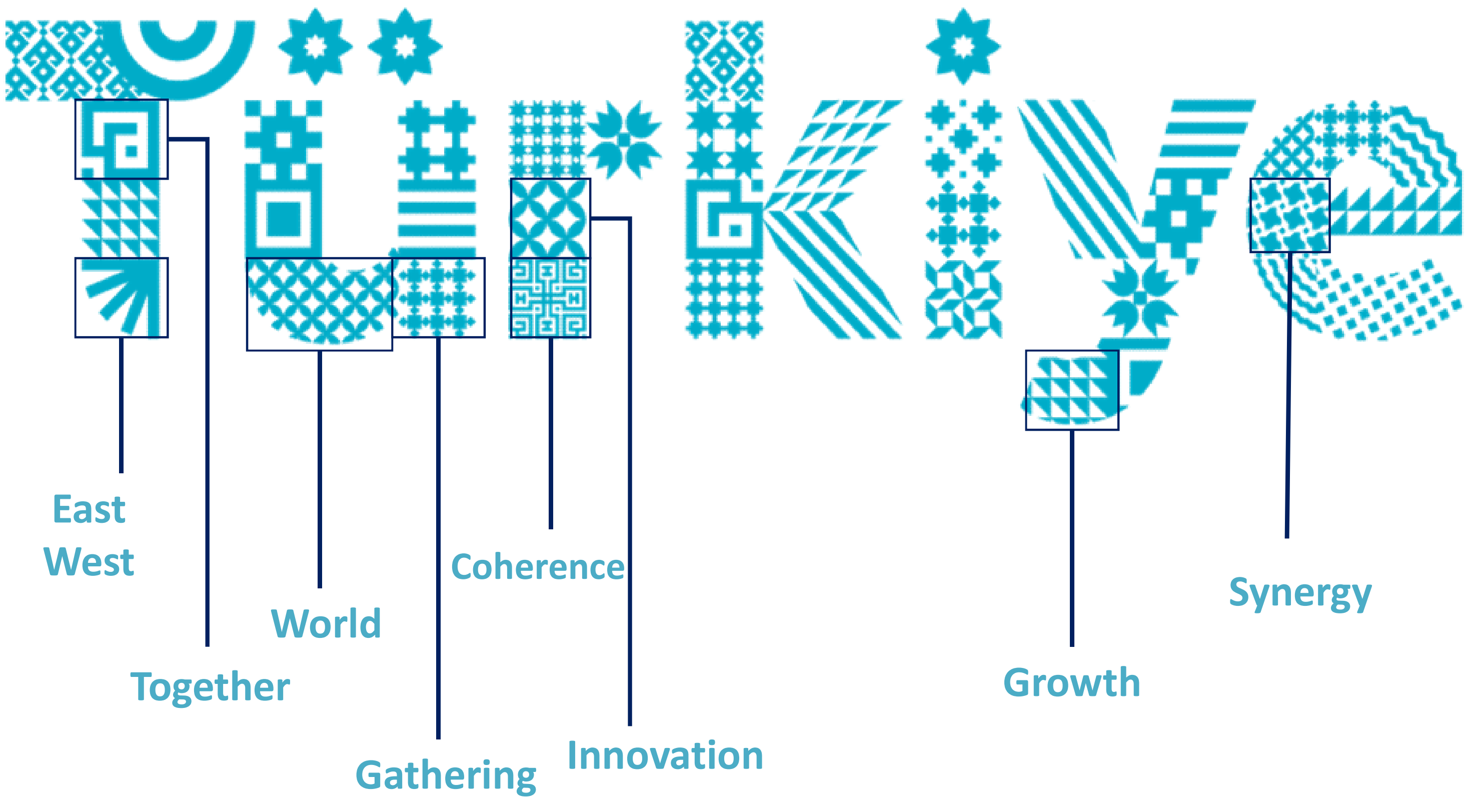
- ✓ Weak productivity
- ✓ Aging population
- ✓ Tech gap

Solution

- ✓ Deepen & broaden the EU single market
- ✓ Stronger economic integration with Turkey

Europe would be much stronger with Türkiye

- ✓ An additional $4 trillion of PPP GDP
- ✓ Greater regional & global influence
- ✓ Enhanced energy supply security
- ✓ Stronger cooperation in migration, combatting international terrorism, and conflict resolution
- ✓ Help closing critical capability gaps in defense


Türkiye
East
West
Together
World
Gathering
Coherence
Innovation
Growth
Synergy

THANK YOU