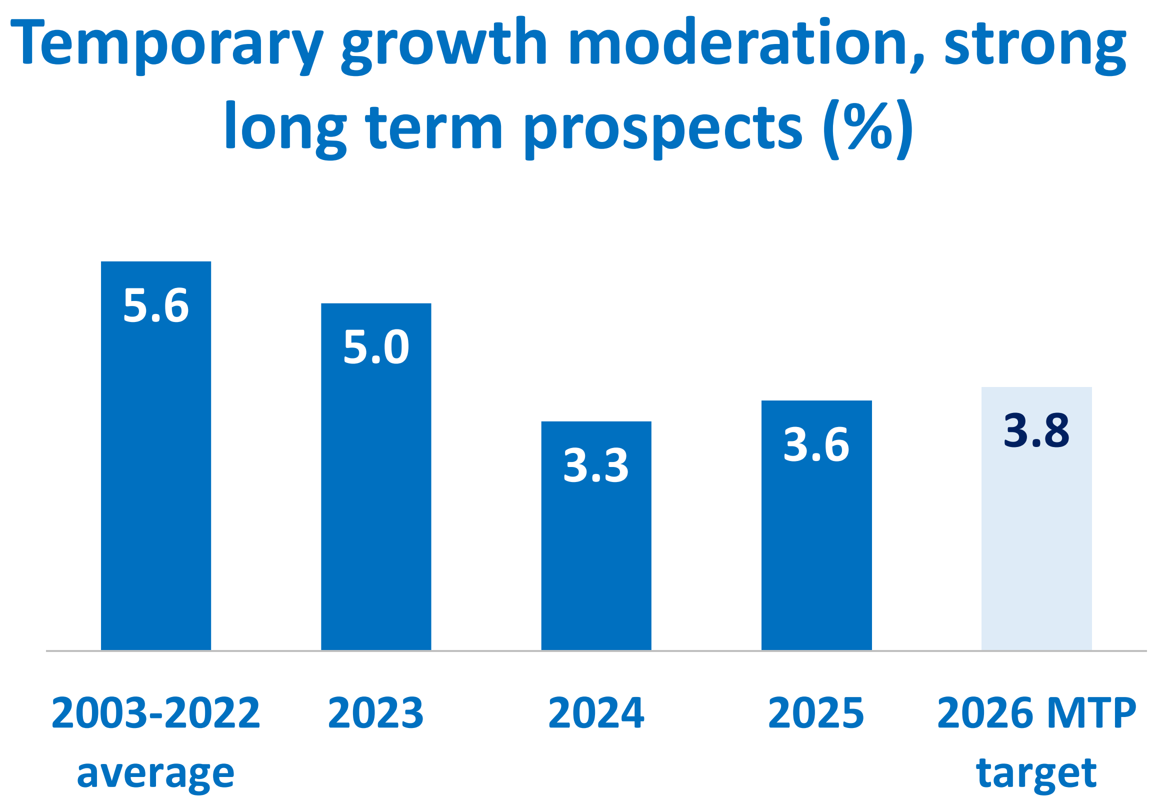
Türkiye-EU
High Level Economic Dialogue

July 2026 | İstanbul

Economic Outlook for Türkiye

Growth outlook

- Short term moderation reflects geopolitical shocks and tight financial conditions
- Favorable demographics, rising productivity and low leverage point to strong medium term growth outlook

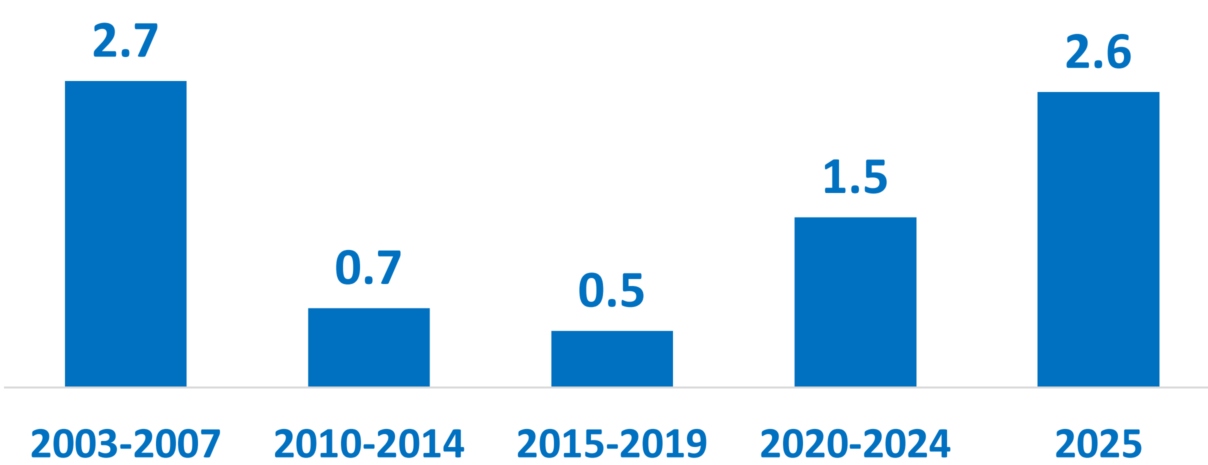


Source: TURKSTAT, MTP (2026-2028)

Rising productivity

- Macroeconomic Stabilization & Reform Program appears to have led to better resource allocation
- Technology diffusion is accelerating
- Firm-level efficiency is improving

Productivity growth is rebounding (%)

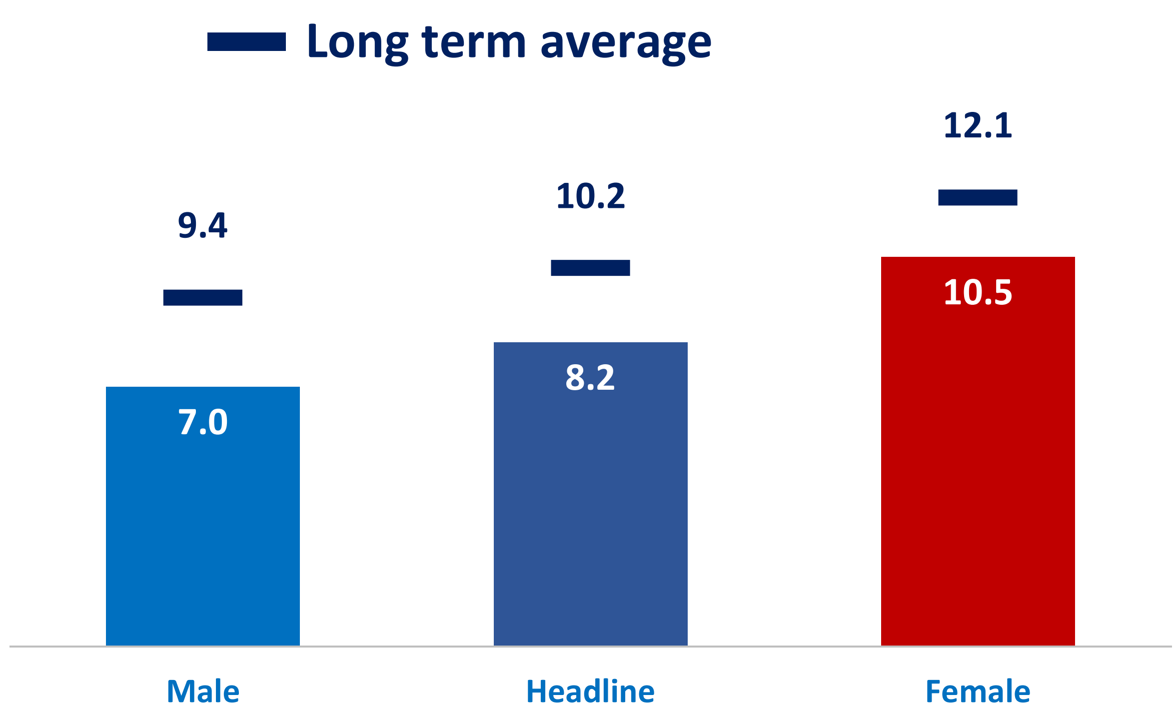


Source: Strategy and Budget Office

Moderate job growth

Working on labor market reforms

Unemployment (%, May 2026)

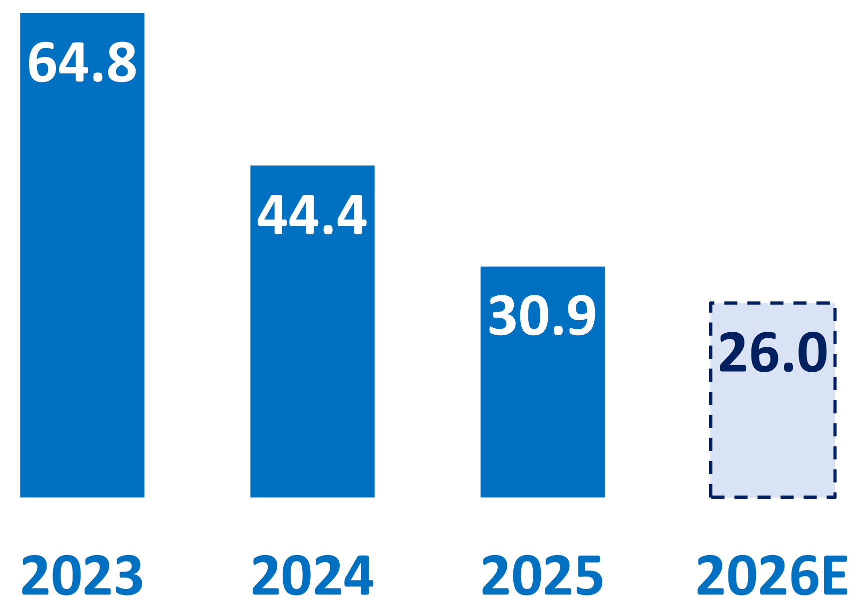


Source: TURKSTAT

Disinflation

- Tight monetary policy stance
- Supportive fiscal & incomes policies
- Supply side measures (housing, food, energy)
- Widening negative output gap
- No evidence of sustained stickiness in services inflation

Inflation is likely to continue falling albeit at a slower pace (annual, %)

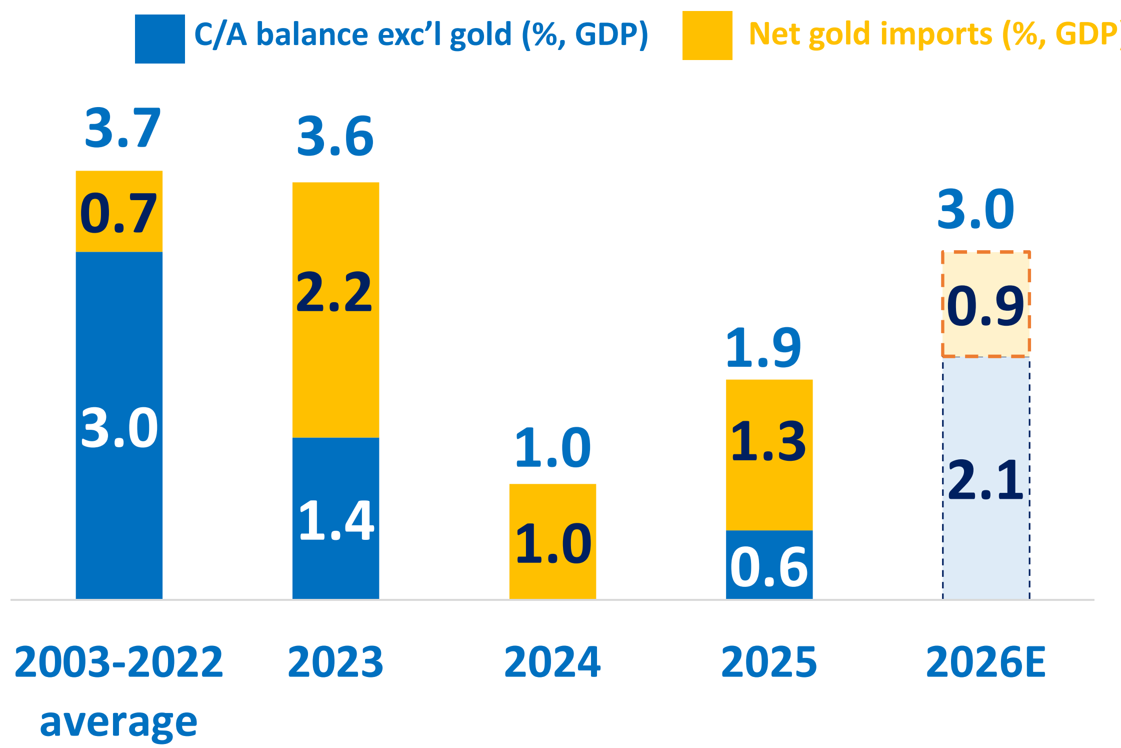


Source: TURKSTAT, CBRT; E: Central Bank forecast

Manageable current account balance

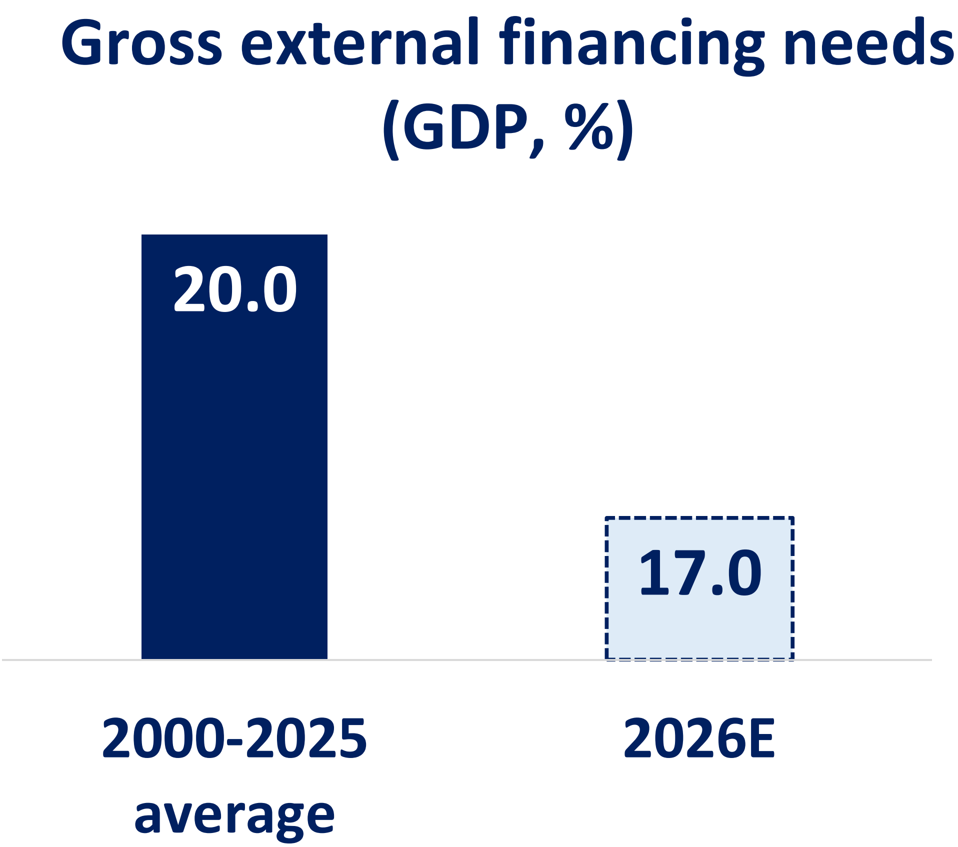
- Boosting domestic oil & gas output
- Accelerating green transition, reducing import dependency
- Expanding services surplus
- Moving up the value chains via industrial policy initiatives

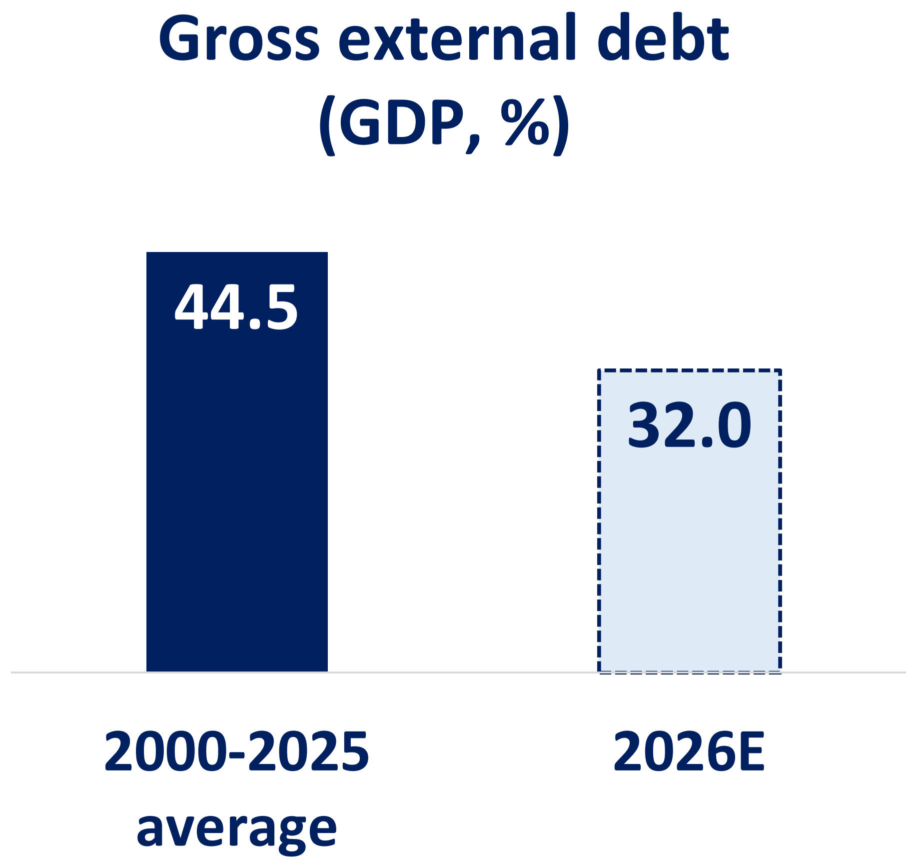
Current account deficit is rising, but remains manageable (%, GDP)



Source: CBRT, TURKSTAT; E: Estimate

External vulnerabilities have eased

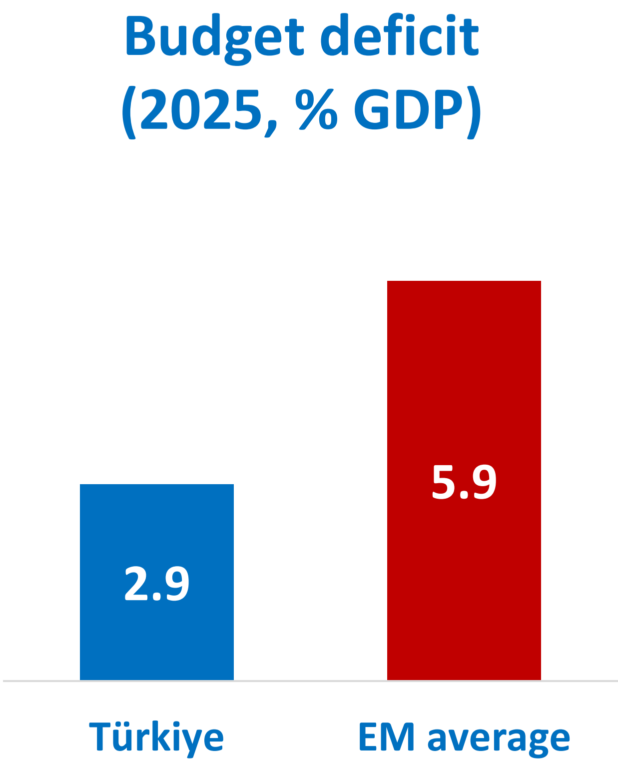


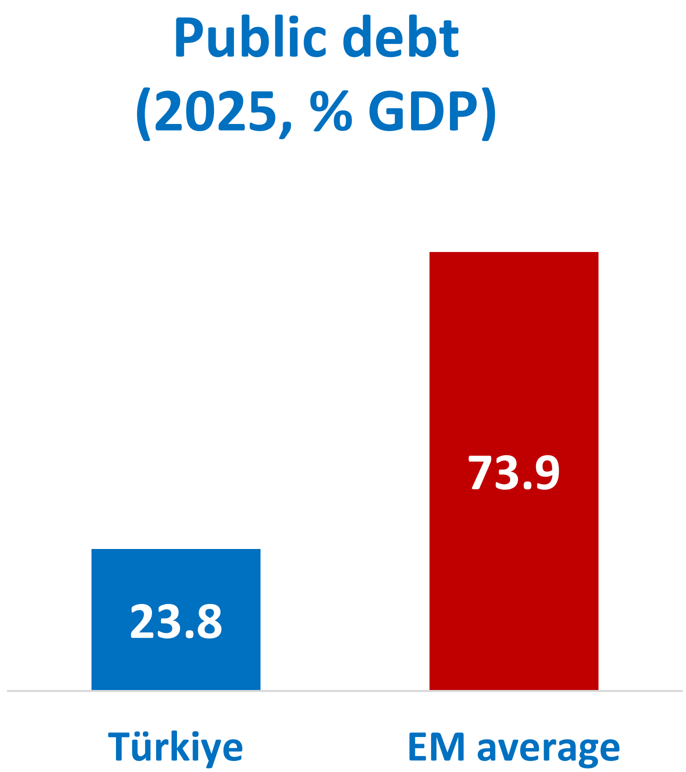


Source: MOTF, CBRT, E: Estimate

Strong fiscal position

- Maintain strong spending controls
- Boost revenues via combatting informality
- Continue to reduce tax expenditures
- Public finance reforms





Source: MOTF, IMF Fiscal Monitor (April 2026)

Structural transformation

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

Green transition: Not a choice but a necessity

Total energy imports, 2000-2026*

$1.1 trillion

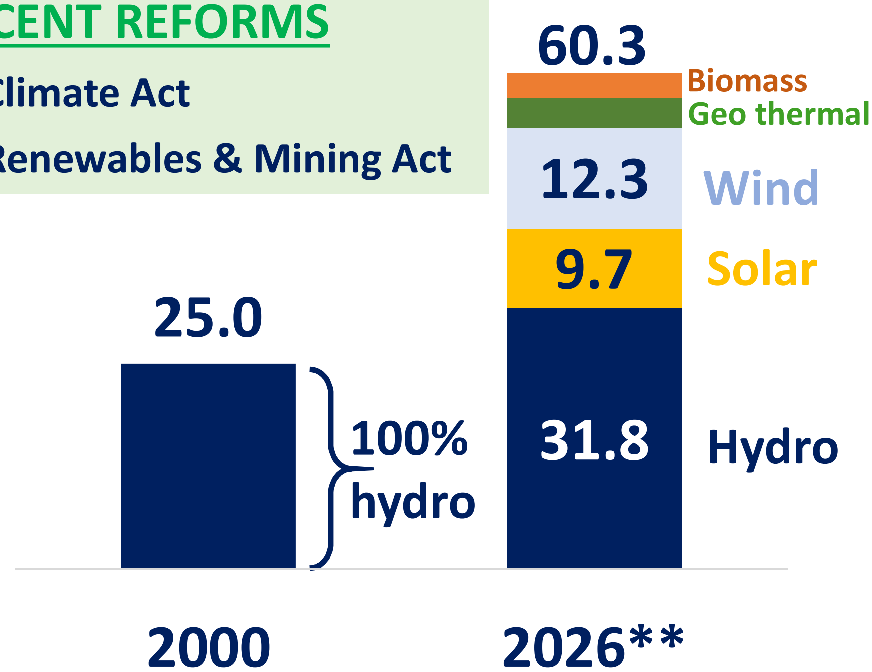
1.6x* *Total C/A deficit

2.1x* *Total external debt

Share of renewables in electricity production (%)

RECENT REFORMS

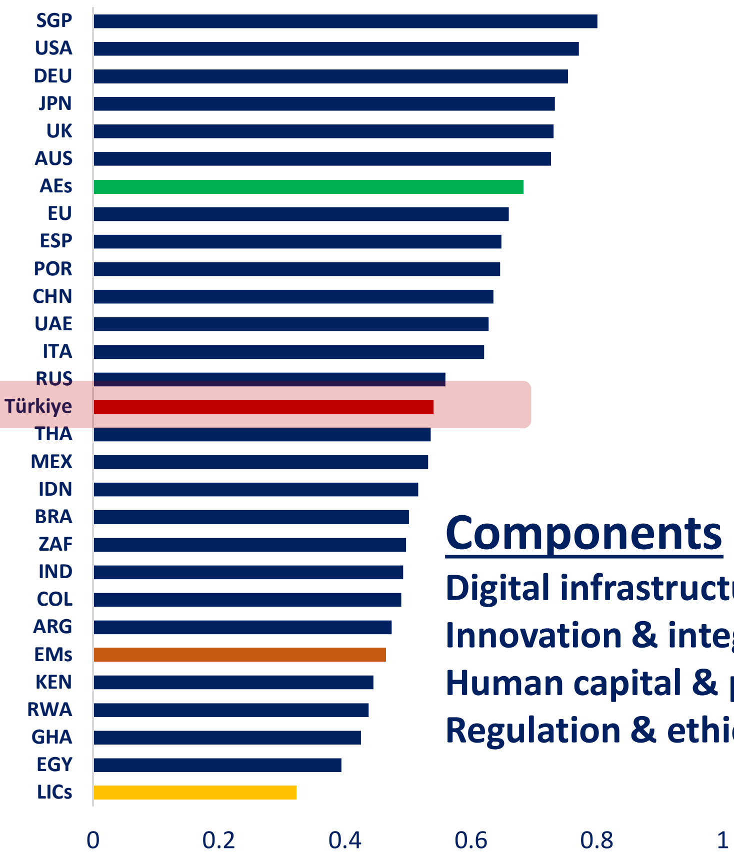
- ✓ Climate Act
- ✓ Renewables & Mining Act



(*) As of April 2026, (**) Jan-May 2026
Source: TURKSTAT, 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
- Attracting investments in hyperscaler data centers
- Investing in nuclear power plants
- Incentivizing apps using LLM models

Connecting manufacturing hubs to ports via railways

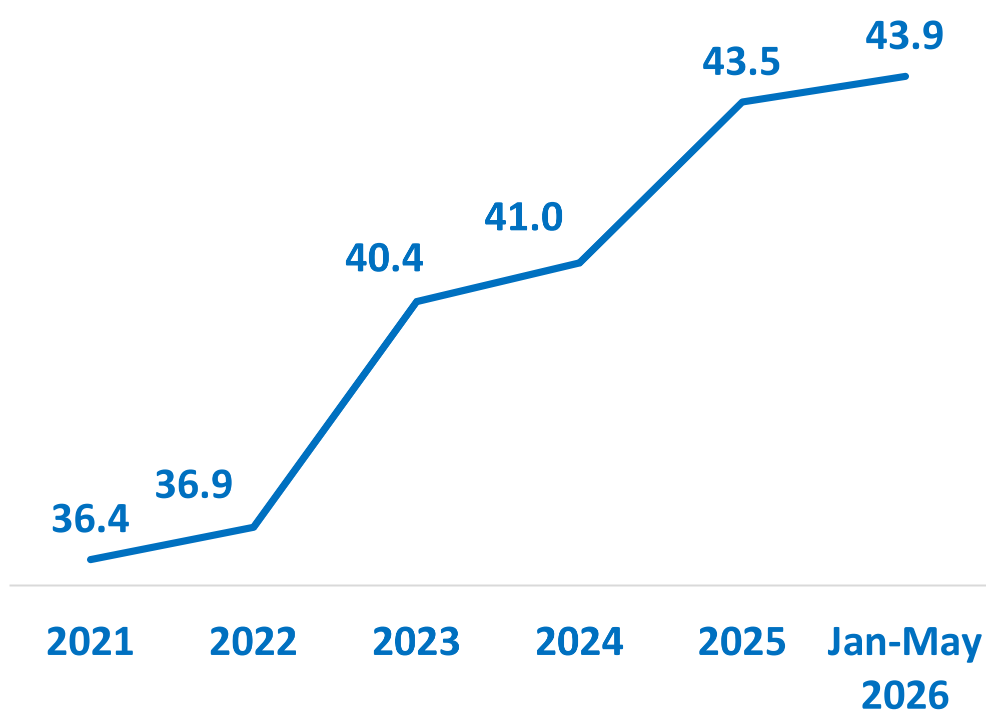
- **$355 billion invested in infrastructure since 2023**
- **Multilane highway network expanded six-fold**
- **Number of active airports nearly tripled**
- **Among only 22 countries with a high-speed rail network**

Industrial transformation: Moving up the value chain

Industrial policy initiatives

- **HIT-30 (8 areas, 30+ priority investments, $30 bn)**
- **Preferential Credit Policy (supporting investments in 284 medium-high and high tech products)**
- **Targeted incentive schemes**

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



Source: Ministry of Industry and Technology, Ministry of Trade

Defense industry serving as an engine of industrial transformation

An example

ASELSAN demonstrates how defense technologies can generate high-value civilian innovation

Only a few countries worldwide manufacture heart-lung machines, Türkiye is one of them!

Heart-Lung Machine

Not wasting the crisis: The New Investment Framework

Produce, trade and export more

- ✓ 12.5% Corporate Income Tax (CIT) for manufacturers
- ✓ 100% tax exemption on services exports
- ✓ Zero CIT on transit trade

Attract more

- ✓ A regional headquarters regime for multinationals
- ✓ A 20-year non-dom window
- ✓ A new hub for start-ups

Simplifying investment processes: One stop-shop

Significance of PKK disbanding & disarming itself

- **Huge economic dividends**
- **Enhanced prospects for regional stability & economic integration**
- **The southeast & eastern regions look set to become Türkiye's new engines of growth**

Policy Challenges & Cooperation Opportunities

Shared challenges

- ✓ Restoring competitiveness in a fragmented global economy
- ✓ Reducing strategic dependencies through de-risking & diversification
- ✓ Improving energy affordability & security
- ✓ Closing the productivity gap through innovation & AI

Investing in integration in time of fragmentation

✓ Industrial partnerships

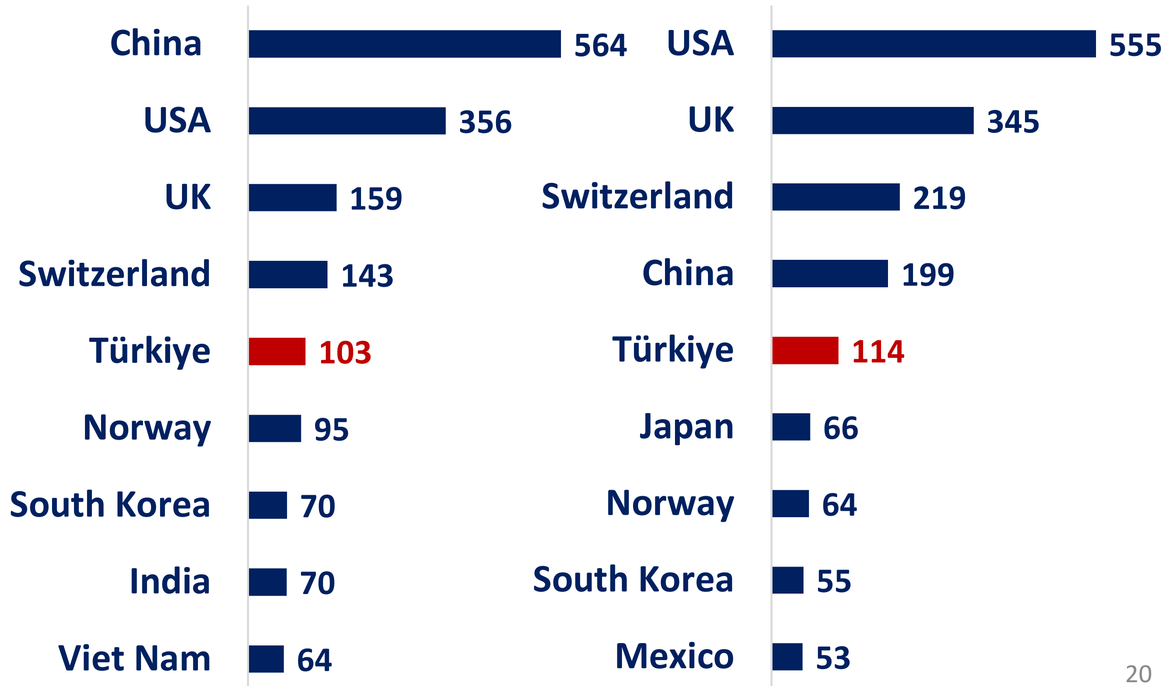
- Automotive & mobility, machinery, defense & aerospace, pharma, green-tech, health-tech, high value-added services

✓ Customs Union upgrade

- Services, public procurement, agriculture (potential of ≈ €400 bn trade volume)

The EU is Türkiye's largest trade partner, Türkiye is the EU's 5th largest

EU Imports (bn €) **EU Exports (bn €)**



Source: Eurostat, 2025

Reducing strategic dependencies

Dealing with competition from Asia

- Fair competition
- Trade defense
- Diversification of sourcing

Resilient connectivity

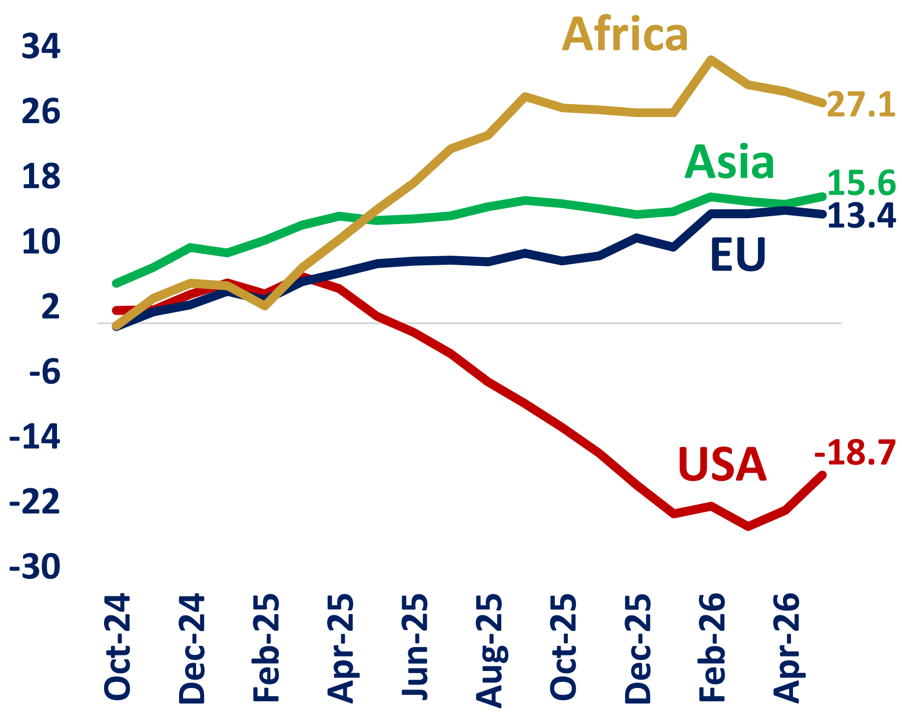
- New trade corridors
- Digital connectivity

Strategic value chains

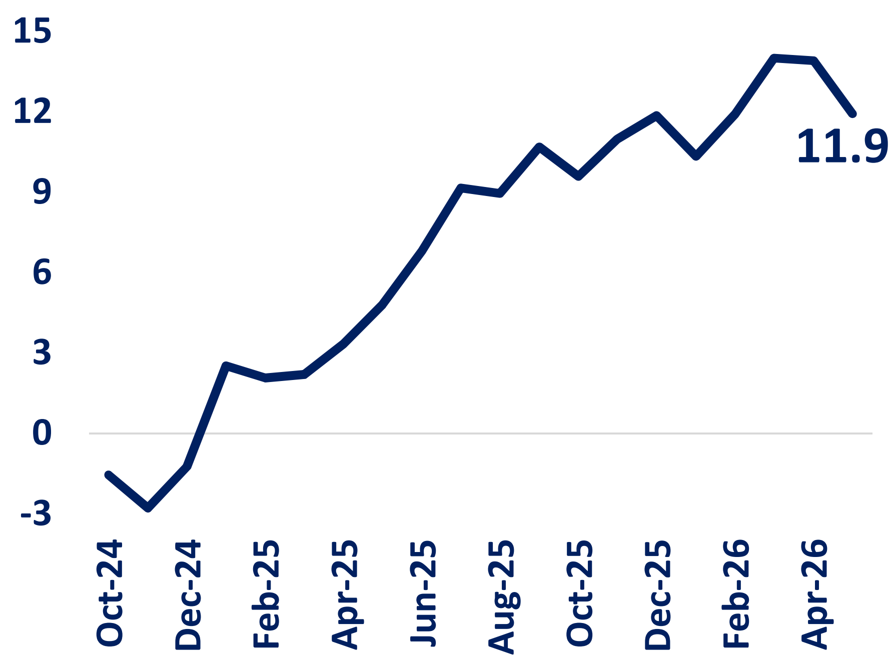
- Nearshoring
- Critical minerals
- Batteries

Second China wave

China's exports by region (%)

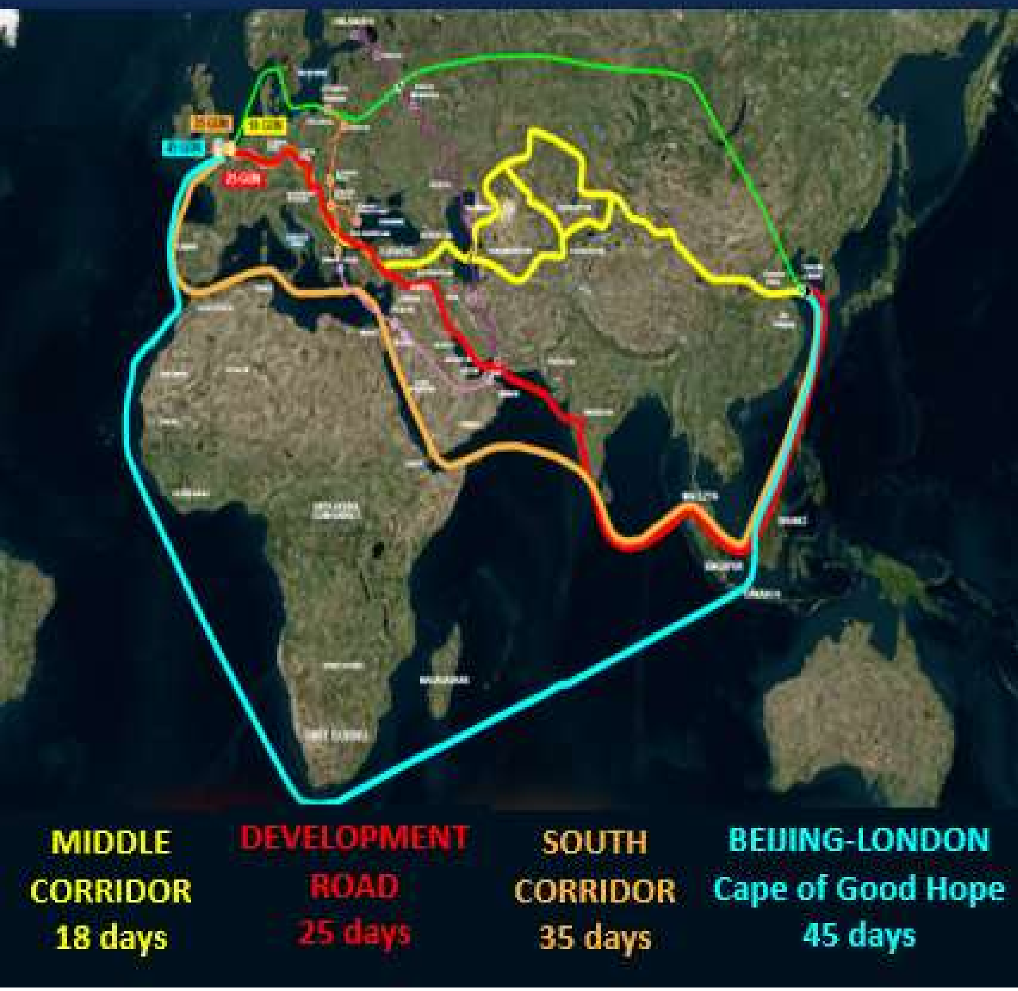


Türkiye's imports from China* (%)



Source: Macro China, TURKSTAT, *Annualized as of May 2026

New trade corridors

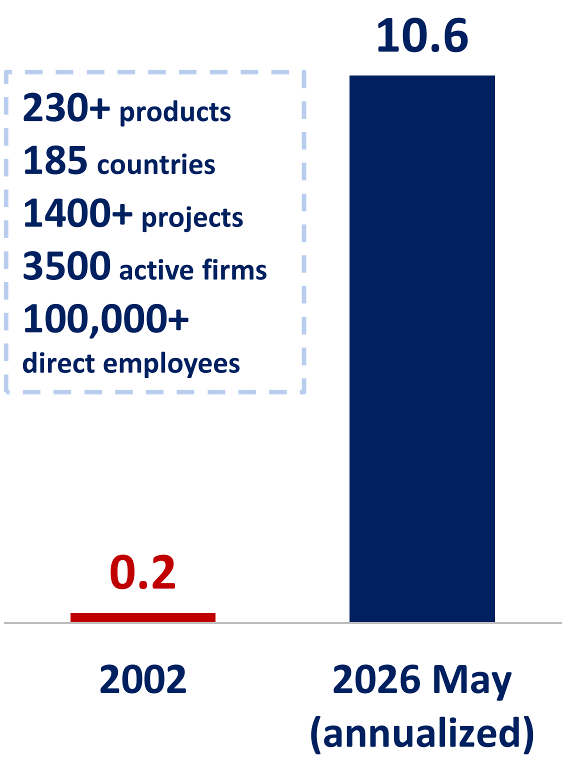


Building secure & trusted digital connectivity

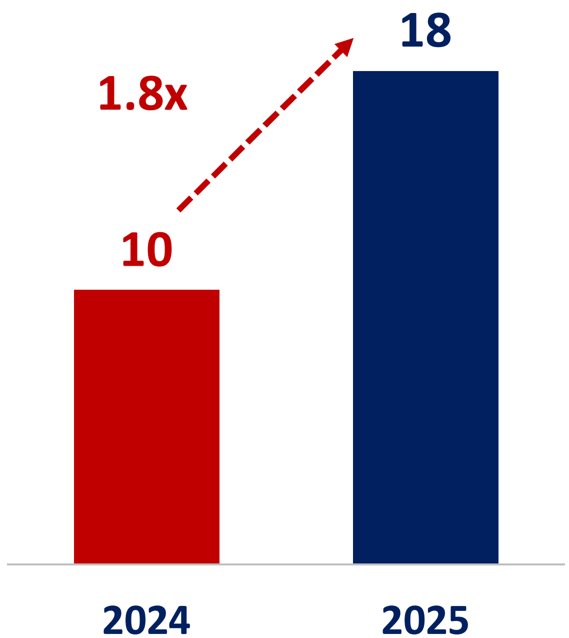
- ✓ Cross-border digital infrastructure
- ✓ Secure data flows
- ✓ 5G/6G cooperation
- ✓ AI & cloud infrastructure
- ✓ Cybersecurity

Defense partnership

Exports (annual, bn $)

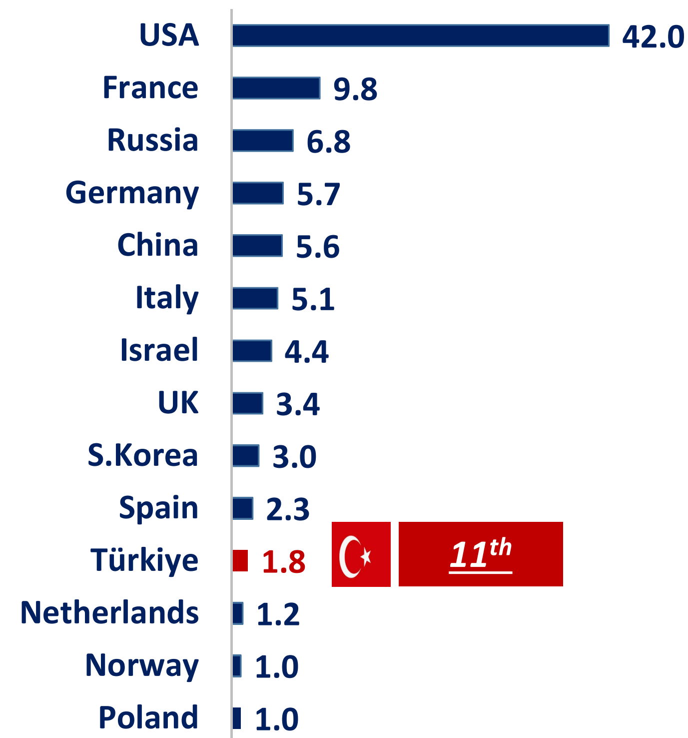


New orders (bn $)



Top 15 defense exporters

(% global share, 2021-2025)



Source: Secretariat of Defense Industries, TIM, SIPRI

Critical and strategic minerals partnership

Building resilient critical minerals supply chains

- Türkiye’s resources and knowhow, EU’s capital
- Building a joint value chain from mine to market
- Investing together in critical minerals processing
- Partnering in Africa, Central Asia and beyond

Improving energy affordability & security

Diversifying energy supplies

- New gas routes
- LNG partnerships
- Strategic energy corridors

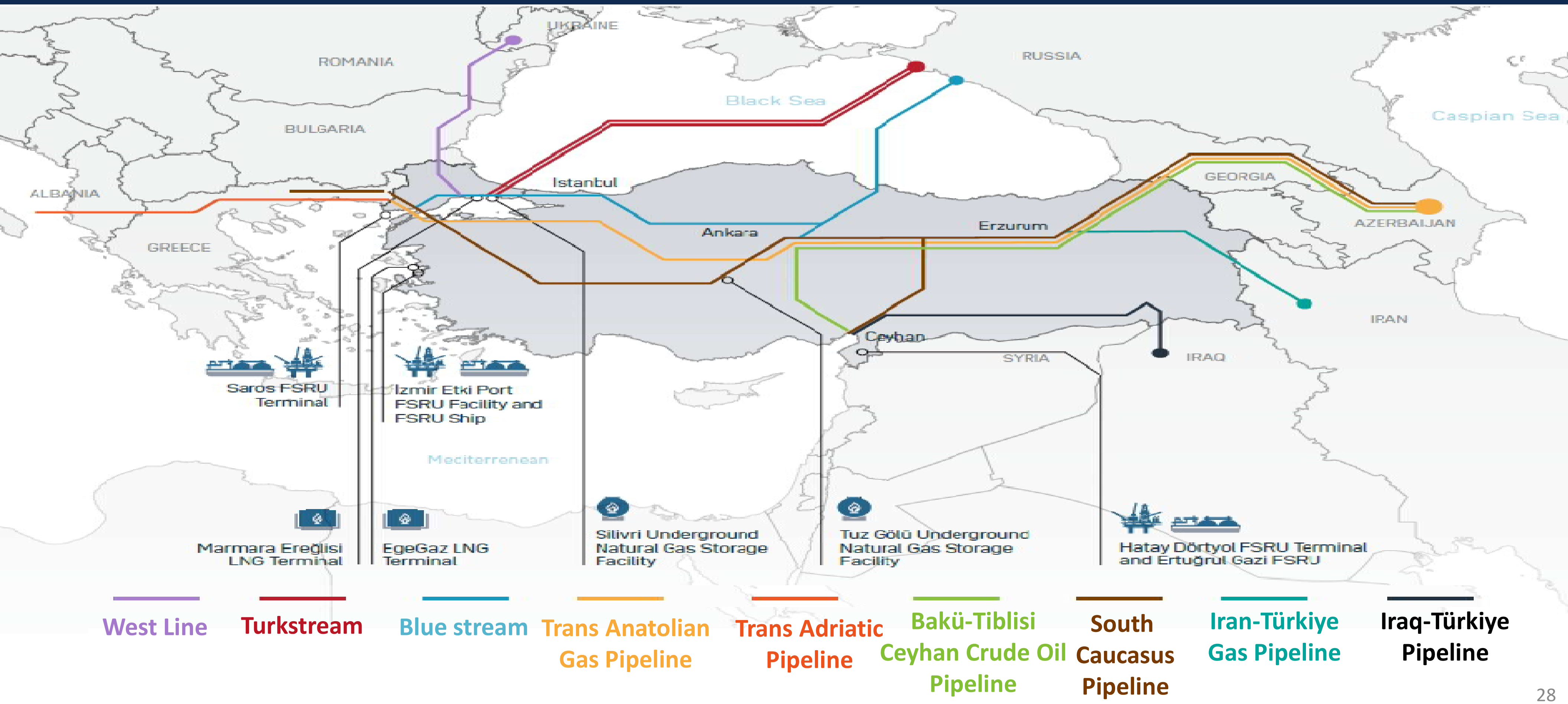
Scaling clean energy technologies

- Renewables
- Green hydrogen
- Nuclear & SMRs

Building an integrated electricity system

- Grid expansion
- Cross-border interconnectors
- Industrial electrification

A critical energy hub



Closing the productivity gap through innovation and AI

- ✓ **Technology adoption (AI-enabled manufacturing)**
- ✓ **Innovation creation (joint R&D)**
- ✓ **Diffusion (SMEs)**
- ✓ **Human capital (skills)**

Post war reconstruction

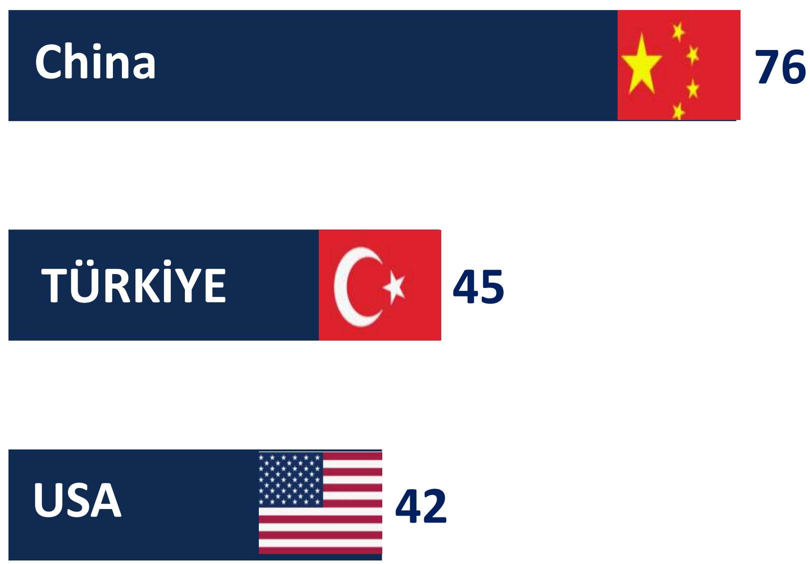
1972-2026

of projects
12,884

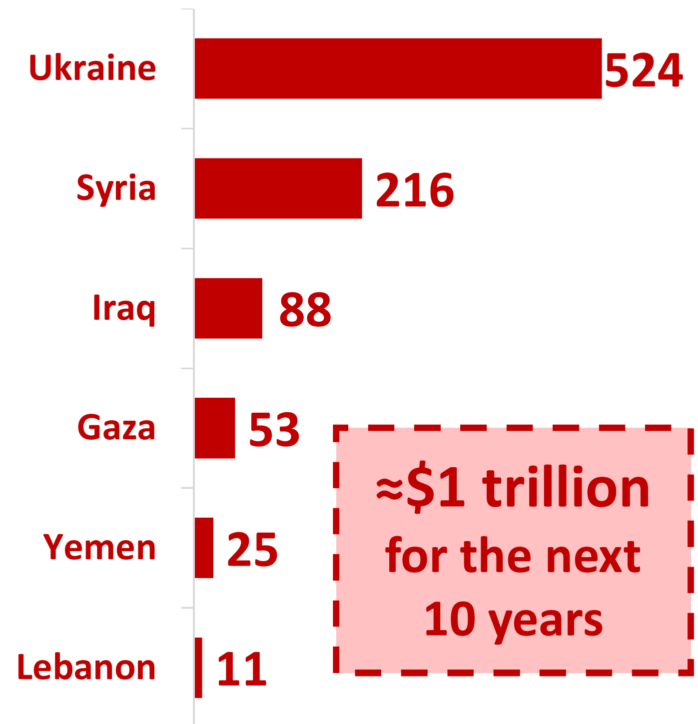
# of countries
138

Total worth of projects
$562bn

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

Doing business in 3rd countries

Africa

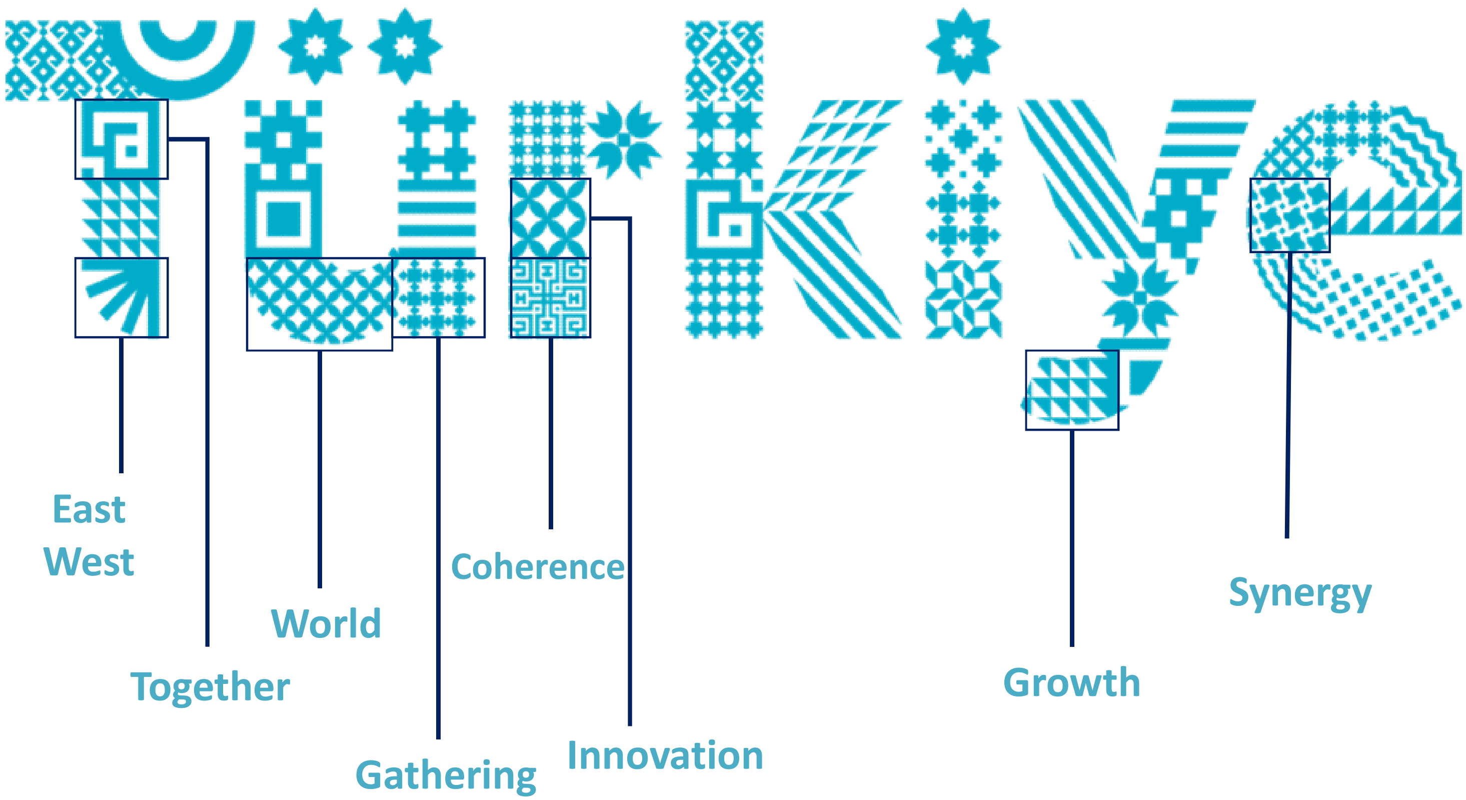
- ✓ High growth potential
- ✓ Emerging consumer markets
- ✓ Massive infrastructure needs

Central Asia

- ✓ Connectivity & trade corridors
- ✓ Rich in natural resources
- ✓ Regional integration

MENA

- ✓ Economic diversification
- ✓ FDI & strategic partnerships
- ✓ Demographic dividend


Türkiye
East
West
Together
World
Gathering
Coherence
Innovation
Growth
Synergy

THANK YOU