

# REPUBLIC OF TURKEY MINISTRY OF FOREIGN AFFAIRS

## Economic Outlook of Turkey

Turkey is a free-market economy where rules of competition are in place and the private and public sectors have pioneering and regulatory roles, respectively. A liberal foreign trade policy is implemented and goods and products can be freely traded among individuals and institutions.

In Turkey, great emphasis has recently been placed on structural reforms in economy. The process of privatization has been accelerated and the public finance has been put into order while noteworthy reforms have been implemented in financial markets as well as in sectors such as agricultural, social security, energy and communications.

Thanks to these reforms, the infrastructure for economic institutions has been strengthened, and the country's economy has been made more resistant to probable fluctuations in international markets through the creation of autonomous institutions. Capital markets have been revised with a modern touch and numerous bureaucratic obstacles have been eliminated or minimized.

### Economic growth

Today, as the 18<sup>th</sup> largest economy in the world and 7<sup>th</sup> largest economy in Europe with a GDP of about 800 billion dollars in 2014, Turkey is active member of the G-20 which represents the world's most powerful economies.

Overall growth rates in 2008 and 2009 materialized well below the remarkable performance that was achieved between 2002 and 2007. However, Turkish economy bounced back and has achieved a growth rate of 9.2 % and 8.5 % in the years 2010 and 2011, respectively. Between 2002-2014, the average growth rate realized as 4,9 % and between 2010-2014 it was 5,4 %. In the first 9 months of 2015, Turkish economy grew 3.4 %. Within this scope, per capita income increased up to 10.404 USD in 2014, from the modest figure of 3,500 thousand dollars recorded in 2002.

The most recent Medium Term Programme (MTP) for 2016-2018 targets economic growth of % 4,5 for 2016 and % 5 for 2017 and 2018.

### Foreign Trade

Turkey has been pursuing an export-led growth policy since 1980. By virtue of economic reforms, restrictions on imports were lifted, safeguard practices were reduced, and foreign exchange transactions were liberalized.

As a result of the economic reforms carried out during the last decade, both the volume and composition of the Turkish trade have radically changed.

In 2015, the volume of trade reached 351 billion USD. Turkish exports increased to 144 billion USD in 2015 from 36 billion USD in 2002. For the 100th Anniversary of the Republic, main export target of Turkey is to reach 500 billion USD.

The last six years' statistics of foreign trade are as following:

### Foreign Trade of Turkey (billion \$)

	2010	2011	2012	2013	2014	2015
<b>Export</b>	113,9	134,9	152,6	151,8	157,6	143,9
<b>Import</b>	185,5	240,8	236,5	251,7	242,1	207,2
<b>Trade Volume</b>	299,4	375,7	389,1	403,5	399,7	351,1

Source: Turksat

### Foreign Investment

Turkey's successful economic performance, young population, qualified and competitive labour force, liberal and reformist investment climate, highly developed infrastructure, advantageous geographic position, low tax rates and incentives and large domestic market, as well as customs union with the EU since 1996 provide ample opportunities for foreign investors.

The legal regulations in Turkey, which impose equal obligations and enshrines same rights, provide a secure environment for foreign investors.

What makes Turkey unique in terms of trade and foreign direct investment is that it is a gateway to Europe, the Middle East, North Africa and Central Asia. Indeed, a four-hour flight from Istanbul gives access to more than 50 countries and a vast market that accounts for one fourth of the world economy.

With the abolition of bureaucratic obstacles to a great extent, the improvements in the tax system, the support for transfer of profits and the successful privatization programs, Turkey has emerged as one of the world's leading investment hubs.

By the end of 2015, the number of foreign firms active in Turkey exceeded 46.000 and 916 foreign firms have established liaison offices.

Furthermore, the total amount of foreign direct investments exceeded 165 billion USD as of the end of 2015.

### **Privatization**

Privatization has been among the top priorities of the Government's agenda. The main philosophy of privatization is to confine the role of the state in areas such as health, basic education, social security, national defense, and large scale infrastructure investments. This is in line with Turkey's target of creating a truly competitive market economy driven by the private sector.

Turkey has been listed among the top OECD countries that receive the most out of privatization. Privatization revenues realized as 8 billion Dollars in the period of 1986-2003 and 58 billion Dollars between 2004-2015 and have reached 66 billion Dollars between 1986-2015.

### **Turkish Contracting Services Abroad**

Turkish businessmen have been increasingly active in neighboring countries as well as other regional countries. This is most visible in the construction sector. Turkish contractors have successfully completed 8693 projects in 107 countries across the globe between 1972-2015, with a total value of 276 billion USD between 2002-2015. Total turnover of the Turkish construction and engineering sector has reached around 19,3 billion USD in 2015. While only 11 Turkish firms were listed among the top 250 international contractors in 2004, today 42 Turkish firms are listed in the said list.

### **Tourism**

Turkey, with its natural beauties, unique historical and archaeological sites, ever-developing tourism infrastructure and a tradition of hospitality has so much to offer to its visitors. Turkey has recently become one of the world's most popular tourism destinations. In 2015, 36 million tourists visited Turkey and tourism revenues reached 31 billion USD.

### **Monetary Policy**

Monetary policies, that have been put into force, played a crucial role in securing macroeconomic balances, and most importantly in controlling the inflation over the last decade. Having been one of the major concerns of the Government for more than 3 decades, inflation has finally been brought down to single digits in the mid-2000s.

CPI inflation was 8,17 % in 2014 and 8,81 % in 2015.

### **Reserves**

Turkey's international reserves have continued to increase throughout the last decade. The Central Bank international reserves reached 111 billion dollars as of 28 January 2016. FDI inflows are the main driving force behind considerable expansion in reserves.