



# DOING BUSINESS IN TÜRKIYE

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## Market profile

Türkiye is a transcontinental Eurasian country. Istanbul is the largest city in the country while Ankara is the capital. Türkiye has a unitary structure in terms of administration and the provinces are subordinate to the central government in Ankara.

Türkiye's constitution governs the legal framework of the country. The President of Türkiye is the head of state who is elected for a 5-year term by direct elections. Executive power is exercised by the President, including the power to issue decrees, appoint his own cabinet, draw up the budget, dissolve parliament by calling early elections, and make appointments to the bureaucracy and the courts. There is no office of the Prime Minister and the legislative power is vested in the unicameral parliament. The judiciary is independent from the executive and the legislature, but the constitutional changes in recent years gave larger powers to the President and the ruling party for appointing or dismissing judges and prosecutors.

### FACTS

- Main Export Breakdown: Manufacturing (Metals, Automotive, Textile&Apparel, Food) Agriculture, Fishing & Forestry, Mining
- Capital: Ankara
- Official language: Turkish
- Area: 783 562 sq km
- Population: 85.2 million

## Economy and business structure

- GDP 2022: 905.5 billion USD (+13%)
- GDP per capita 2022: 10,655 USD
- Exports of Goods and Services in 2022: 254.2 USD billion (+13%)
- Bilateral trade between Finland and Türkiye hit an all-time high in 2022, total exports from Finland to Türkiye reached 1 223 MEUR.
- Number of Finnish companies in Türkiye: Around 50 daughter companies and more than 200 representatives/distributors

The Turkish economy has recovered fast from the COVID-19 pandemic. However, macroeconomic policies and high commodity prices have contributed to the surge in inflation, with growing external imbalances and implicit liabilities.

Private consumption and exports have been the main drivers of economic growth. However, inflation has risen to a 20-year high, exacerbated by global supply constraints and buoyant domestic and external demand. The sharp rise in energy prices and other commodity prices triggered by the pandemic and subsequently Russia's war against Ukraine contributed significantly to overall inflation. Lira depreciation has added pressures on import prices.

Looking ahead, growth is projected to slow down around 3% per annum for the upcoming 2 years based on different projections by international economic institutions. Weak external demand and persistent geopolitical uncertainties will weigh on investment and export growth. Consumer price inflation is expected to decline due to base effects but to exceed 40% over the next 2 years, reflecting gradual pass-through of recent Lira depreciation, producer price inflation and wage decreases. High inflation will dent household purchasing power and private consumption will slow.

Although the economic turbulence, Türkiye kept its attractiveness for foreign direct investments with its young innovative companies, robust business culture and young talent force. In recent years, FDI to Türkiye has slowed down compared to other emerging markets. Good quality FDI is important for Türkiye to catch-up to high income levels.

The two very large earthquakes of February 6 caused an estimated 34.2 billion USD in direct physical damages in Türkiye, the equivalent of 4% of the country's 2021 GDP, according to a World Bank rapid damage assessment report. The report also acknowledges that recovery and reconstruction costs will be much larger, potentially twice as large, and that GDP losses associated to economic disruptions will also add to the cost of the earthquakes.

Türkiye has also entered the election economics period in 2023. On May 14<sup>th</sup>, 2023, presidential and parliamentary elections will take place in Türkiye, the outcome of which might have an effect on what kind of economic policies the country will follow in the post-election period.

## Key industries and their trends

### Textile

Textiles and the ready-made clothing industry is the largest sector of the manufacturing industry with a production value of \$78 billion. Türkiye belongs to the top five world export champions in the textile sector. Textiles and ready wear garment manufacturing industries together, ranking second in the total exports of Turkey, recorded an export volume of \$31.2 billion in 2022, increased 3.2% compared to the previous year. These two sectors have a 12.3% share in the total exports of the country with a total value of \$31.2 billion in 2022. Türkiye is the third largest supplier of the EU's ready-to-wear and apparel industry and 2nd biggest supplier in textiles. In recent years, position of Türkiye in international and European markets was further fortified by disruption in global supply chains. EU's efforts for Green Transition in the field of sustainability will bring results that will directly affect the export and production structure of the Turkish ready-made clothing and apparel industry.

### Agrofood

Türkiye is the 2nd in Europe and 14th in the world in terms of agricultural economy with its \$45.4 Billion agricultural production volume. Türkiye is 3rd largest agricultural producing country in the world by quantity for leading commodities (2021) Turkey's agricultural exports, accounted for 13.5 % of total exports last year, increased by 15.3% in 2022 compared to the previous year and reached \$34.2 billion, sector achieving the highest export of all time. Agricultural output in Türkiye has increased significantly in recent years: The sector accounts for 6.6 % of Türkiye's economy and employs about 18% of the labor force. However, it faces important productivity challenges as growth in agricultural output has been driven primarily by input intensification and far less by improvements in resource-use efficiency and technological adoption. The World Bank approved a \$341.27 million loan to Türkiye to support a more sustainable and competitive agricultural sector and promote the use of climate-smart technologies and practices in several provinces in the country under The Türkiye Climate Smart and Competitive Agricultural Growth Project (TUCSAP)

## Automotive

Since early 1960s, Türkiye's automotive industry sector transformed from assembly-based partnership to a full-fledged industry with design capability and massive production capacity. 30 of the top 50 global suppliers have production facilities in Türkiye. Türkiye became 14th largest automotive manufacturer in the world and 4th largest in Europe by the end of 2022. There are also around 1,100 component suppliers supporting the production of OEMs.

## Machinery

Machinery manufacturing continues to be one of the key growth drivers of the Turkish economy. Global machinery companies have been present in Türkiye, using Türkiye as a hub to access regional markets. Turkish machinery industry has been growing over the past decade with approx. 5% CAGR. Accounting for a 9% share of the total exports, machinery products are shipped to more than 200 countries. 60% of total machinery product exports are shipped to the USA and EU countries.

## Energy

Demand for energy and natural resources has been increasing in Türkiye posting the fastest growth in the OECD, with an annual growth rate of 5.5% since 2002. Türkiye is a net energy importer country. Import dependence has been the main driving force behind the formulation and implementation of new policies and investment models to commission local and renewable energy resources.

## ICT (Market & Startup Ecosystem )

ICT market in Türkiye exceeded USD 27 billion. Telecommunications, e-commerce, gaming, banking and finance, data analytics and AI, cloud & data center operations, digital transformation of the Turkish industry, and ICT application in the automotive, healthcare, and hospitality sectors all offer plenty of chances. In 2021, 294 startups raised a total of USD 1.6 billion. In 2021, as for capital raising, grocery delivery, gaming, proptech, fintech and blockchain were the leading verticals, whereas gaming, artificial intelligence, deeptech, fintech and healthtech led the number of deals. Türkiye expects more unicorns to emerge in the near future.

## Important things to consider when doing business in Türkiye

- Business culture in Türkiye is very similar to the rest of the countries around the Mediterranean. It is important to build a relationship with customers.
- When greeting, always greet the oldest person first; Turks have a great respect for the elderly.
- Do not use deadlines or high-pressure tactics during business negotiations with your Turkish colleagues. Be patient during negotiations as decision making can be slow.
- It could be beneficial to talk about football to break the ice. Mentioning positive views on Türkiye is something you should do as it goes down extremely well with the Turkish people.
- Türkiye is a secular country, but there are still about 99% Muslims. It is important to keep track of festivals and holidays but other than that religion has no big impact on the sales process.
- Turks do not require as much personal space as many other cultures and it may be construed as unfriendly if you back away when Turkish colleagues stand close during a conversation.
- Don't offer gifts that are too lavish or personal and be sure to check that your Turkish counterparts drink before offering alcohol.
- Maintain eye contact with your Turkish counterparts whilst speaking, as Turks take this as a sign of sincerity.
- Türkiye has had a turbulent political history and you should try and avoid discussing sensitive issues involving Türkiye, especially Kurdish issues, Cyprus and EU membership.

## Market data sources and other useful links

- [Invest in Türkiye](#)
- [Türkiye - Finland Business Council - DEİK | Dış Ekonomik İlişkiler ... \(deik.org.tr\)](#)
- [The World Bank in Türkiye: Development news, research, data | World Bank](#)
- [The EBRD in Türkiye](#)
- [Ministry of Treasury and Finance](#)
- [Turkish Statistical Institute](#)
- [Central Bank of Türkiye](#)
- [Ministry of Trade of Türkiye](#)
- [Directorate General of Migration Management](#)
- [Türkiye Tourism Portal](#)
- [Study in Türkiye](#)
- [Türkiye Trade Registry Gazette](#)
- [Istanbul Chamber of Commerce Information Bank](#)