

TÜRKIYE



COUNTRY ASSESSMENTS

HIGHLIGHTS

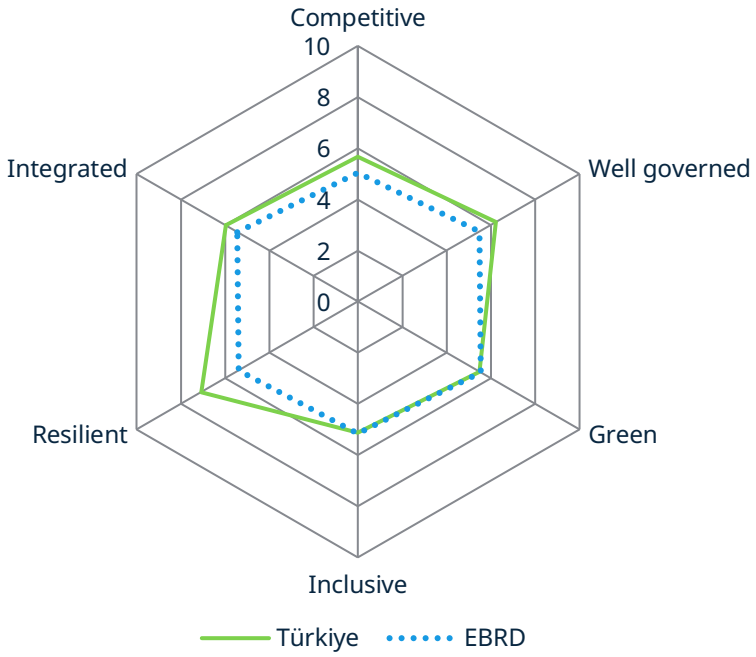
- **The Turkish economy demonstrated resilience in the first three quarters of 2026, even as the disinflation programme encountered headwinds.** Economic growth moderated and disinflation slowed, while the current account deficit widened, partly reflecting higher energy import costs linked to the Middle East conflict. Gross international reserves fell from their January 2026 peak but remained adequate at the end of the third quarter, and economic policies were prudently calibrated to safeguard the economy against shocks.
- **Türkiye's growth model continued to evolve amid domestic and external pressures.** Industrial output remained volatile and uneven, with technology-intensive sectors generally outperforming others. Employment recovered somewhat in the second quarter, although not enough to meaningfully reduce labour underutilisation. Persistently high inflation and tight financial conditions continued to weigh on long-term productivity-enhancing investment.
- **Reforms progressed in several areas.** Measures spanning climate policy, digitalisation, investment incentives and labour-market participation strengthened the policy agenda. However, continuing macroeconomic adjustment and adverse external developments limited their immediate economic impact.

For more information about country macroeconomic developments, please consult our latest Regional Economic Prospects report.

KEY PRIORITIES FOR 2027

- **Secure price stability as a top priority.** The macroeconomic policy mix should remain firmly focused on achieving durable disinflation, anchoring inflation expectations and strengthening external buffers. Lower inflation, underpinned by a predictable and committed policy stance, would strengthen investor confidence and support productive long-term investment.
- **Strengthen productivity growth by supporting industrial decarbonisation and enhancing external trade.** A well-designed regulatory and policy framework could catalyse commercially viable industrial decarbonisation projects and help firms adapt to changing market requirements. Connectivity policies and investments should aim to facilitate east-west trade through Türkiye, while regulatory alignment and improved economic relations with the European Union (EU) would help sustain integration into EU value chains as European trade policy evolves.
- **Support stronger and more inclusive labour-market outcomes.** Raising the labour-force participation rate of women would meaningfully enhance Türkiye's economic potential. Strengthening pathways from education to work, through employer-responsive training and first-job support, would help to address persistent skills mismatches.

ASSESSMENT OF TRANSITION QUALITIES (1-10)



For more on reforms and transition qualities, see Chapter 5 of the Transition Report 2026-27.

KEY REFORMS AND POLICY DEVELOPMENTS[1]

Tax and investment incentives

- A new package of tax incentives, adopted in June 2026, aims to strengthen Türkiye's attractiveness as a production base and foreign investment destination. The law sets a 12.5 per cent corporate tax rate – down from the 25 per cent general corporate tax rate – on profits from qualifying manufacturing and agricultural production, effective from 2027. The law offers a 95 per cent deduction on profits from transit trade (where the goods do not remain in Türkiye) and the same 95 per cent deduction – for 20 years – to companies operating regional service centres that provide business services to their multinational groups.
- The law also grants a 20-year exemption from income tax on foreign-sourced income to qualifying individuals who relocate their tax residence to Türkiye.

Medium-Term Programme 2027–29

- The new Medium-Term Programme for 2027 to 2029 reaffirmed the government's focus on disinflation and prioritised productivity-led growth and economic resilience. The reform agenda covers measures to facilitate investment, amend insolvency and public procurement legislation, and improve skills matching. Green and digital transformation, strategic transport corridors and energy supply security are also priorities.

Green economy transition

- The National Green Finance Strategy and Action Plan 2026-29, published in July 2026, sets out 45 actions covering green investment standards, climate risk management, sustainability reporting, green financial instruments and carbon pricing.
- A regulation adopted in August 2026 requires all 81 provinces to establish climate coordination boards by the end of 2026 and to adopt local plans for emissions reduction and adaptation by the end of 2027.
- Following the adoption of the Climate Law in July 2025, Türkiye advanced the implementation of its climate policy framework, including preparations for a national emissions trading system (ETS). The ETS Regulation was published on 27 August 2026, putting in place the secondary legislation required for the operation of carbon pricing mechanisms and emissions trading.
- Türkiye's Green Taxonomy Regulation, published on 24 September 2026, established a national framework for classifying environmentally sustainable economic activities across 16 sectors and 137 activities, supporting green finance, market transparency and the low-carbon transition.

Digital connectivity and innovation

- Commercial 5G services were launched in all 81 provincial centres in April 2026. Authorisation terms require operators to progressively increase the use of domestically certified and nationally developed communications products. National coverage is targeted within two years.

1 From the fourth quarter of 2025 to October 2026.

- Legislation adopted in July 2026 expanded the mandate of university technology transfer offices, allowing universities to establish joint offices that can hold invention rights, invest their own funds and partner with companies to commercialise research.

Human capital

- New legislation that came into force in May 2026 increased maternity leave from 16 to 24 weeks across the public and private sectors and doubled private-sector paternity leave to 10 days, matching the public-sector entitlement.
- Implementation of the National Employment Strategy 2025-28 advanced, with measures aimed at improving skills matching, increasing labour-force participation among women and young people, reducing informality and supporting the school-to-work transition. The Productive Age of Youth (GÜÇ) programme, launched in January 2026, offers internships, careers guidance, work experience and first-job support. It aims to help more than 3 million young people develop skills and enter employment by the end of 2028.