



NEW ECONOMY PROGRAM

2020-2022

Transformation Begins...

MEDIUM-TERM PROGRAM

Contents

1. BALANCE, DISCIPLINE AND TRANSFORMATION.....	4
1.1. Overview	4
1.2. Macroeconomic Outlook	5
1.3. Current Political and Economic State	6
1.4. Main Targets.....	7
2. PRICE STABILITY.....	9
3. PUBLIC FINANCE.....	11
4. GROWTH AND EMPLOYMENT.....	15
5. CURRENT ACCOUNT BALANCE.....	20
6. FINANCIAL STABILITY.....	23
7. ACTIONS AND PROJECTS.....	27
8. ANNEX TABLES.....	40

1. BALANCE, DISCIPLINE AND TRANSFORMATION

The main purpose of this program is to maintain as well as enhance the gains in price stability, financial stability and current account balance acquired over the past year pursuant to the *New Economy Program (NEP)* (2019-2021) prepared in line with *Balance, Discipline and Transformation* themes, and to accomplish a change and transformation in the economy focusing on production and productivity, and oriented towards sustainable growth and fair share.

1.1. Overview

- The speculative exchange rate attacks that started in August 2018 have been abated by the measures taken by the authorities.
- Financial stability has been strengthened by institutionalizing the communication and cooperation amongst all organizations of economic management under the roof of the *Financial Stability and Development Committee (FİKKO)*.
- Conventional disinflationary policies have been backed by the *All-Out Fight against Inflation Program*, resulting in a significant decline in inflation.
- The weight of export-oriented goods and services in the composition of imports has been increased with the help of micro-measures, and the current account balance recorded its best-ever levels in the history of the Republic thanks to the contribution of competitive exchange rates and the rebound of tourism revenues.
- Economic activity has been reinforced through sector-oriented tax cuts, employment incentives, and prudent credit expansion by the state-owned banks, leading to a *soft landing* in the economy.
- Tax losses stemming from the slowdown in imports and domestic demand have been offset by identifying alternative income sources rather than increasing the public debt burden or taxes.
- The Public Finance Transformation and Change Office has been institutionalized as the General Directorate of Public Finance and Transformation under the Ministry of Treasury and Finance with an aim of enhancing the efficiency of the

public investment and spending programs as well as incentives. The preparation and implementation of the New Economy Program and the Medium Term Fiscal Plan are carried out in close cooperation with the Ministry of Treasury and Finance and the Strategy and Budget Office.

1.2. Macroeconomic Outlook

- **Inflation:** As a result of the cost pressure caused by the depreciation of the Turkish lira and the deterioration of pricing behavior since the second quarter of 2018, the annual consumer inflation reached 25.2 percent in October 2018, the highest level of the last 15 years. Thanks to the strong collaboration between monetary and fiscal policies, the decline in oil and other commodity prices, cushioning the negative effects of price fluctuations driven by public pricing mechanisms and exchange rates on the consumer inflation, and private sector's voluntary price cuts within the scope of the *All-Out Fight against Inflation Program*, inflation receded to 20.3 percent at end-2018 and declined further to 15 percent in August 2019 in line with the NEP assumptions. Inflation is expected to fall to single digits in September 2019, as producer price-led pressures on consumer prices weaken and a strong base effect steps in.
- **Current account balance:** Current account balance recovered remarkably in response to more competitive levels in the Turkish lira in terms of foreign trade, diversification of export products and markets, decreasing import demand, and increasing tourism revenues. Accordingly, the annualized current account balance, which had run a deficit of 57.1 billion dollars in June 2018, posted a surplus of 4.4 billion dollars in July 2019.
- **Growth:** Due to the rapid increase in inflation and interest rates since the second quarter of 2018, household consumption and private sector fixed investment expenditures decreased. Nevertheless, the economy posted a 2.8 percent-growth rate in 2018 largely due to the high growth rates achieved in the first half of the year. Economic activity recovered moderately in the first half of 2019 mainly driven by consumption expenditures and net exports, while the contribution of investments remained weak. This recovery accelerated in the second half of the year with the help of the improvement in domestic demand due to waning risk premium and uncertainties led by the upturn in financial conditions and the fall in inflation.

- **Employment:** In 2018, approximately 550,000 additional employment was created and the unemployment rate stood at 11 percent (NEP 2019-21 estimate was 11.3 percent). Because of the slowdown in economic activity that started in the second half of 2018, the unemployment rate rose to 13 percent in June 2019. This rise was attributed to the severe contraction in the construction sector. The labor market is anticipated to recover gradually on the back of the expected improvement in economic activity in the second half of 2019.

- **Public finance:** During the last year, fiscal policy supported the economic activity and contributed to the fight against both current account deficit and inflation. Central government budget deficit to GDP ratio realized as 2.0 percent in 2018, in line with the NEP estimate. In the first eight months of 2019, budget expenditures remained on track with the targets set as per the fiscal discipline and savings framework of the NEP. Budget revenues, on the other hand, remained lower than initially projected, due to the weak course of economic activity, tax incentives, and the policies implemented to curb the external financing need that may stem from the current account deficit. Falling tax revenues were compensated by non-tax revenues. As of the first eight months of 2019, the central government budget ran a deficit of TL 68.1 billion (NEP 2019-21 estimate was TL 80.6 billion).

On account of the anticipated improvement in economic activity and projects implemented, it is expected that budget revenues gain momentum and budget expenditures continue to post figures in line with the NEP targets in the forthcoming period.

1.3. Current Political and Economic State

- Economic transformation and change process is being governed in a more coordinated way thanks to the fast and effective decision-making mechanism provided by the Presidential System.
- The problems encountered in the scope of international relations are managed effectively via diplomacy and their effects on the economy are contained.
- An election-free period of four years ahead offers a window of opportunity to enable the drastic transformation and change that is planned in the economy through structural reforms.
- The ongoing trade war between the US and China damages supply chains, weakens confidence and increases uncertainty, thus

affects global capital investments, wages, and demand significantly. These developments pose downside risks to Turkey's exports. On the other hand, Turkey's product and market diversity in exports and the delayed domestic demand will limit the effects of those risks on growth. Moreover, with the decline of country concentrations in world trade, it is expected that countries with strong physical infrastructure, human capital, and experience in doing business with external markets such as Turkey will increase their share in the world trade. Besides, it is expected that the changes in import markets of advanced countries will help attract more foreign direct investment to Turkey.

- The uncertainty related with the Brexit process leads to volatility in global financial markets and portfolio investments as well as remaining as a downside risk for the global economy, the European Union in particular. On the other hand, this process has a potential to positively affect Turkey's exports in the medium and long run via bilateral trade agreements.

- It is anticipated that advanced country expansionary monetary policies, especially in the US, will contribute positively to Turkey's economy by improving global financial conditions and risk appetite. Furthermore, as advanced countries increase public investments in order to support economic activity, Turkish construction companies operating abroad are expected to benefit from these investments.

1.4. Main Targets

- 1) Consumer inflation will be lowered to 8.5 percent by the end of 2020 and to 4.9 percent by the end of 2022.

- 2) With the economic transformation and change steps to be taken, the balance in the current account will be established permanently by the end of the Program period.

- 3) Growth is expected to be 5 percent during the program period. In 2020, growth is anticipated to be driven by deferred domestic demand without being inflationary.

- 4) During the program period, the central government budget deficit to GDP ratio will be kept below 3 percent. To this end, the implementation of the Central Government Budget will be carried out in close coordination by the Ministry of Treasury and Finance and the Strategy and Budget Office of the Presidency of the Republic of Turkey.

5) Transformation programs to increase the effectiveness of public investment, expenditure and incentives will be continued.

6) Regarding public investments, priority will be given to leading manufacturing industry sectors cited in the 11th Development Plan as well as related areas such as R&D, digitalization, human resources, logistics and energy that strengthen the human and physical infrastructure of these sectors, and to agriculture, tourism and defense industries.

7) Turkey Wealth Fund will make fixed capital investments based on private sector cooperation which will strengthen the current account balance, support development of strategic targets and financial markets.

8) With the forthcoming tax reform, taxpayers' rights will be protected more effectively, the tax declaration system will be made widespread, efficiency of tax collection will be increased, corporate tax rate will be gradually reduced, initial public offerings will be provided corporate tax deduction. Tax revenues will be increased through arrangements related to tax rates and policies, and justice of taxation will be provided.

9) Skill match in the labor market will be increased and the steps to enable flexibility will be taken on the agreement of social partners.

10) Regarding banking sector, actions will continue to be taken to improve the sector's asset quality, strengthen its financial structure and to help the sector use its funds in a way to support high quality and sustainable growth.

11) In order to reduce the vulnerability of the Turkish economy stemming from international capital flows and to provide the real sector with low-cost and long-term finance in terms of Turkish lira, a Complementary Pension System (CPS) will be established with the consensus of the social partners, and a comprehensive reform package will be introduced to deepen the capital markets.

12) The restructuring process of institutions related to economic management will continue and these institutions will be strengthened with merit and performance-oriented human resources management. Efforts to build a new financial architecture based on financial stability and safety will be continued.

13) Projects and programs related to qualified human capital and strong community target that will support and sustain

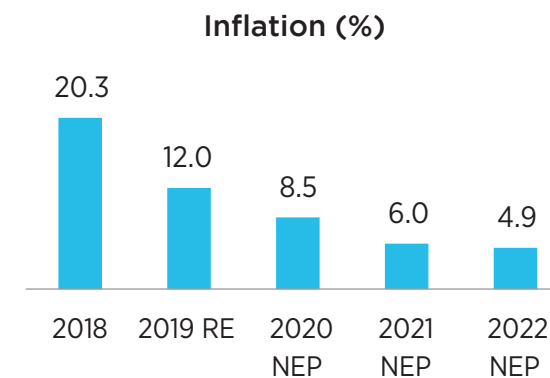
macroeconomic objectives mentioned in the NEP will continue to be implemented.

A NEP action plan, which includes the impact and cost/benefit analyses of each action identified in this program as well as an implementation schedule and performance criteria will be put into practice. The progress made under this plan will be monitored on a quarterly basis.

2. PRICE STABILITY

One of the main targets of the program is to bring inflation down to low single-digit levels permanently through the coordination of monetary and fiscal policies and structural transformation steps to increase competitiveness and efficiency in goods and services markets. By reducing inflation, predictability will be increased, uncertainty-driven risk premiums will be decreased, efficiency of the financial intermediation system and of real sector fixed capital investments will be improved, long-term Turkish lira financing sources will be expanded, and thus economic and financial stability will be strengthened.

Inflation is projected to decrease to 8.5 percent in 2020 and to 4.9 percent in 2022.



Policies and Measures:

- Some of the administered prices and wages will be adjusted by taking into account NEP inflation targets instead of past inflation. Thus, inertia effect on inflation will be limited.
- In order to reduce the exchange rate pass-through on prices of goods and services, some imported products will be localized and

purchase-guaranteed energy contracts will be based on Turkish lira according to their indigenousness rates.

- With the sliding scale tariff, the effect of the volatility in oil prices on inflation will be contained by also safeguarding the budget balance.
- Competition environment will be improved and production costs will be reduced by preparing sectoral competition reports and productivity action plans.
- The following measures will be taken to reduce food inflation:

- ▶ In order to increase food production, irrigation investments will be made and greenhouse investments are to be encouraged to prevent seasonal fluctuations in fruit-vegetable prices.

- ▶ With the Wholesale Farmers Market Law, margin between the producer and consumer prices will be optimized, vegetable-fruit trade will be commercially recorded, intermediaries will be inspected, and modernization of infrastructure in wholesale markets will be provided.

- ▶ With the Retail Law, regulations will be enforced in order to protect food suppliers and prevent food inflation.

- ▶ A web based data processing infrastructure will be established, which will facilitate comparing prices, particularly food prices in the market, thereby improving price competition. Thus, citizens will be informed about prices in local markets via mobile applications.

- ▶ In order to prevent seasonal fluctuations in food prices, the *Turkish Grain Board (TGB)* and the *Meat and Milk Board (MMB)* will provide further support to the maintenance of the balance of food prices by involving actively in the market through carrying out effective import and export activities, purchase, sale and storage transactions.

- ▶ Legislative arrangements that hinder development of cooperatives will be abolished.

- ▶ Institutionalization, scaling up and expansion of agriculture, livestock and fisheries enterprises, along with producer unions and cooperatives will be supported.

- ▶ Contractual production model in agriculture will be made widespread.

- ▶ Activities intended to increase productivity and number of animals in sheep and goat breeding will be supported.

- ▶ An *early warning system* will be established for accurate forecasting of the agricultural supply and yield.

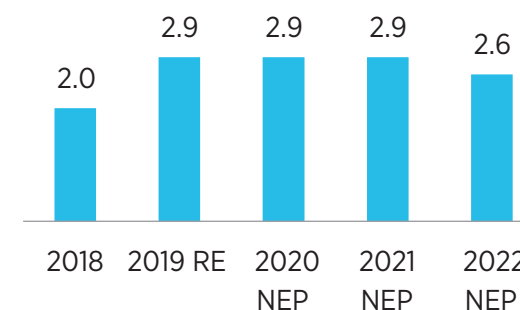
- ▶ Necessary institutional and legal infrastructure will be established to bring idle agricultural land into agricultural production.

3. PUBLIC FINANCE

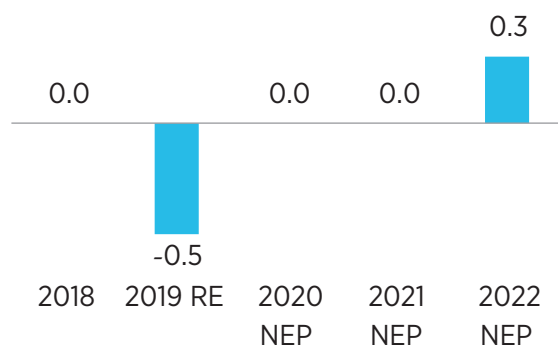
Fiscal discipline will be continued with determination during the program period. In this context, structural changes will be implemented to ensure efficient use of resources and savings in designated areas. In order to increase the revenue performance of the budget, it is aimed to increase the efficiency of tax collection with continuous and permanent sources of income and to reduce informality in the economy. Thus, public sector indebtedness will be kept at low levels.

During the program period, the budget deficit to GDP ratio is targeted to remain below 3 percent, while the primary balance to GDP ratio is targeted to be 0.3 percent at the end of the period.

**Central Government Budget Deficit
(% GDP)**

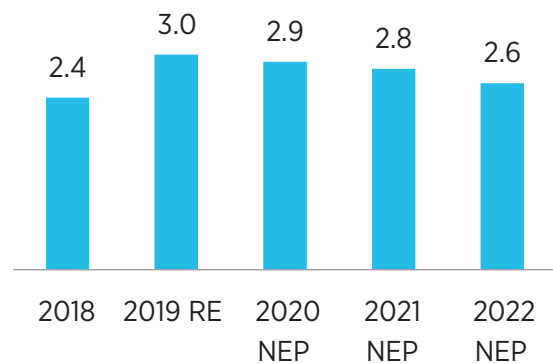


Central Government Primary Balance (% GDP)

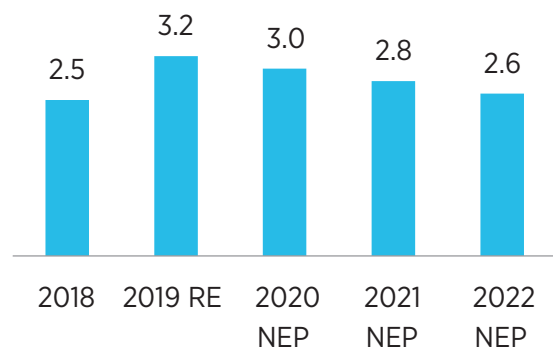


General government balance and public sector general balance are targeted to show a similar tendency.

General Government Deficit (% GDP)

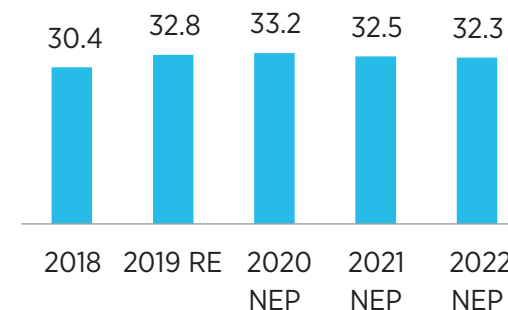


Public Sector Borrowing Requirement (% GDP)



The EU-defined general government debt stock to GDP ratio, which is expected to be 32.8 percent in 2019, is estimated to be 32.3 percent in 2022

EU Defined General Gov. Debt Stock (% GDP)



Policy and Measures

- The incentive and support system will be simplified and designed to prevent duplication and ineffective incentives/supports will be removed according to impact analyses to be made. Incentives will be harmonized with macroeconomic and budget targets.
- The tax base will be expanded and tax legislation will be simplified by gradually removing *exceptions*, *exemptions* and *reductions* that have no effectiveness in order to reinforce tax justice.
- During the program, no restructuring of tax receivables will be made.
- Sectoral specialization and electronic audit will be increased in tax examinations.
- By establishing a real estate appraisal system, the real estate inventory will be completed. Real estate taxation system will be redesigned by ensuring that land registry fees and real estate taxes are collected over their real values.
- Legislation and practices on taxation of increment value resulting from zoning changes will be strengthened.
- Regulations and practices on taxation and credit usage in second and subsequent home purchases will be reviewed with the motive of reducing the attractiveness of unproductive investments.

- No permanent expenditure will be generated in response to temporary sources of finance that are composed of one-off and conjuncture-sensitive revenues.
- A *public vehicle fleet management system* will be established that will enable to implement policies to increase efficiency and productivity in procurement, use and liquidation of public vehicles.
- State Owned Enterprises (SOEs) will be restructured to ensure that their productivity is increased and their burden on public finance is diminished.
- A framework arrangement will be made to ensure efficiency, productivity, affordability and integrity in public-private partnership (PPP) applications. In this context, PPP projects will be planned and executed by taking public liabilities and budget balances into consideration and will be used in cost-effective investments.
- A program-driven, performance-based budgeting will be adopted to facilitate monitoring the effectiveness of the use of public resources and to enhance transparency and accountability.
- Tax regulations will be revised by updating the list of luxurious and/or import-intensive products.
- In order to ensure financial sustainability and reduce the burden on public finance, policies that strengthen the actuarial balance of the social security system will be implemented by safeguarding social justice.
- In order to increase the effectiveness and efficiency of social assistance, the infrastructure for data sharing with all public institutions and organizations, particularly with local administrations will be completed.
- The procurement of medicines, medical equipment and medical devices of the Ministry of Health and university hospitals will be carried out in a centralized fashion.
- Internal audit practices and culture will be promoted in all public institutions by increasing the effectiveness of the *Public Internal Audit Coordination Board*.
- Job descriptions of the staff and positions in the public sector will be made, competencies of the employees will be determined, norm staffing study will be carried out, and reallocation of the excess norm staff will be made based on job descriptions and

competencies. A *Public Human Resources Management System* will be established to enable rewarding of the successful staff by setting up a target and competency based performance evaluation system.

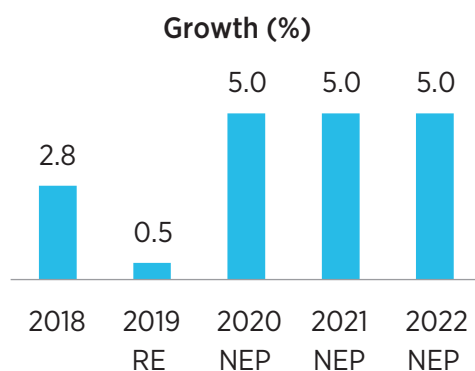
- Diversity of resources and markets in public borrowing will be increased.
- Risk-oriented audit practices based on data analysis will be expanded to reduce informal employment. Supervisory and guiding audit activities will be enhanced primarily in the sectors where informality is widespread, and the integration of the technological infrastructure will be ensured in cooperation with the related institutions.
- The central procurement structure of the *State Supply Office* will be strengthened to ensure efficient use of public resources through collective public procurement and to improve central procurement services.

4. GROWTH AND EMPLOYMENT

- This Program has been prepared with an innovative, production and efficiency-oriented and inclusive growth approach that considers macroeconomic balances. During the program period, steps will be taken to improve the quality of growth, improve business and investment environment, and increase the efficiency of labor and resources in order to enhance resilience of the economy and ensure sustainability of growth.
- During the program period, growth is targeted to be around 5 percent, close to its potential. The strong recovery in growth is expected to be driven by deferred consumption and investments, improvement in financial conditions, diminished financial volatility and uncertainties, continued inflation gains, and recovery in consumer and investor confidence. Due to the weak outlook in economic activity in 2018 and 2019, the realization of GDP below the potential will contribute to the rapid convergence of the economy to its potential without deteriorating the balanced outlook during the program period.
- In 2020, the main determinant of growth will be domestic demand. Private consumption is expected to be the highest contributor to growth with the support of the deferred demand and, credit and confidence channel. Besides, investments are expected to increase strongly with the improvement in financial conditions, recovery in investor confidence and increased

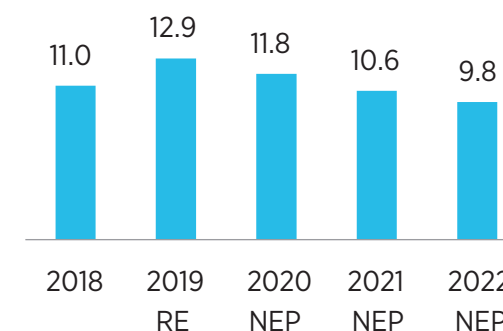
predictability. The contribution of net exports is expected to weaken with the increase in import demand due to the rise in domestic demand despite the strong outlook of exports.

- In terms of production, on the back of the widespread recovery in domestic demand, the ongoing upward trend in tourism revenues, the maintenance of export strength and the efficiency-oriented policies implemented in the recent period, the industrial sector is expected to grow by 6 percent, which is above the GDP growth rate, and to contribute to the growth by 1.2 points in 2020. During the program period, this contribution is expected to continue increasingly. The positive outlook in exports and tourism will also have an upward impact on production growth rates in related services sectors. In 2020, the services sector is expected to grow by 5.2 percent and become the driving force of growth. In this period, it is expected that the agricultural sector will make a positive contribution to growth above its long-term average while the construction sector will make a limited contribution to the growth.



- The recovery in economic activity is expected to improve the labor force participation and employment rates.
- During the program period, employment is expected to increase by an average of 1 million 80 thousand annually, and unemployment rate is expected to decline gradually to 9.8 percent in 2022.

Unemployment Rate (%)



Policies and Measures Regarding Growth:

- Firms, which contribute to the reduction of the current account deficit, and have value-added and technological production, will be encouraged through the IVME financing package and similar instruments.
- Credit Guarantee Fund will provide guarantee to firms that are having difficulty in access to finance due to insufficient collateral, with a sector-oriented approach based on the fair risk sharing principle.
- Turkey Wealth Fund will take part in the fixed capital investments based on private sector cooperation in the fields of energy production through petrochemical, mining and domestic resources.
- Manufacturing of high value added and technology products will be supported by the Development Fund established within the Development and Investment Bank of Turkey.
- Project-Based Incentives supporting R&D, innovation, technological transformation, and the production of high value-added products will continue to be subsidized by prioritizing chemistry, pharmaceuticals- medical devices, machinery- electrical equipment, automotive, electronics and rail systems vehicles sectors that were determined as primary sectors in the 11th Development Plan.
- Production, employment, technological competencies and needs will be identified via sectoral analyzes to be conducted by Development Agencies on a regional scale. Regional development support programs will be developed and clusters will be supported in the light of these findings.

- The “Industrialization Executive Committee” will be formed under the chairmanship of the President with the participation of the top executives of the relevant institutions in order to make important decisions on the development of domestic production and technological capabilities.

- Within the scope of the judicial reform that will be introduced in the upcoming period, the right to a fair trial will be more effectively protected and the predictability of the duration of trials will be increased.

Policies and Measures Regarding Productivity:

- The *Technology-oriented Industry Action Program* will be implemented to support investments in medium-high and high technology products in order to increase our country’s capacity of value-added production in industry.
- In order to benefit from economies of scale, steps will be taken to eliminate the factors hindering the growth of firms. The average company size and the competitiveness of small firms will be increased.
- Mechanisms will be developed to support strategic mergers that increase the competitiveness and efficiency of SMEs operating in sectors with intense global competition.
- Training and consultancy services will be provided to SMEs for branding, institutionalization, productivity growth and access to international markets; projects will be implemented to help SMEs to complete their digital transformation and develop innovative business models.
- Effective mechanisms will be introduced for the financing of R&D and innovation. In this context, long-term financing facilities with favorable conditions will be provided for innovative industrial and technology firms, and alternative financing methods and financial instruments will be developed.
- *Industrial innovation networks* will be supported that will provide the basis for the commercialization of targeted technology-based products in the focus sectors.
- *The Institute for Big Data and Artificial Intelligence* will be established in order to implement the practices that will help getting economic benefit from big data sources.
- The use of technology in agricultural sector will be expanded

in order to increase productivity in agriculture.

- Energy input costs will be reduced within the framework of the National Energy Efficiency Action Plan.

Policies and Measures Regarding Employment:

- Flexible work arrangements, which already have the legal foundation but are poorly practiced, will become operational.
- Impact evaluation of employment incentives will be conducted and redesigned according to needs.
- The content of vocational and technical education as well as lifelong learning and active labor force programs will be planned in a way to provide the labor force with the skills demanded in the labor market and to meet the need for qualified human resources of the real sector, focal sectors in particular.
- In order to meet the need for qualified labor force in the digital economy, courses and programs will be organized to train the workforce in new professions that emerge from the requirements of the developing industry.
- Innovative school-sector cooperation models will be established in line with the needs of the industry and the goals of digital transformation.
- Financial support will be provided for the near-completion construction projects, thus the employment losses stemming from stagnation in the construction sector will be reduced.
- Employment in agriculture will be increased by supporting irrigation and greenhouse investments in agriculture and implementing timely pricing and purchasing policies.
- Surge in individual consumption, favorable credit conditions, stock and revision investments will increase employment in industry, services, and tourism sectors.
- Regulations will be introduced to facilitate women’s participation in labor market and increase female employment. In this regard, flexible work arrangements will be improved, women’s co-operatives will be strengthened, child-care services and vocational training programs that are tailored to the needs of women will be implemented.
- The program aims to reduce youth unemployment, to ensure the

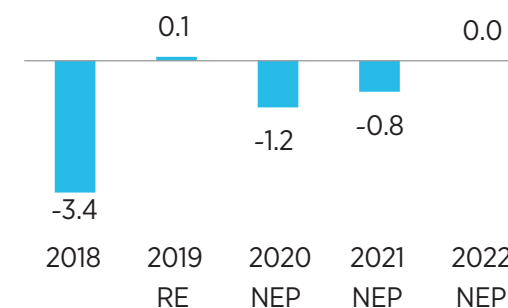
participation of young people in the labor force and to increase employment opportunities by encouraging young people to participate in skills-based vocational training programs.

- Distance education programs will be developed in order to help people with disabilities to get professions.
- Individuals, who are currently receiving social assistance but are actually able to work, will be integrated into the labor market by implementing active labor market programs.
- In the medium term, structural unemployment will be tackled with by implementing competency-based selection, placement and career-oriented programs and guidance for newly emerged occupations, vocational training programs will be provided for middle-aged group, and entrepreneurship and vocational training programs will be provided for women and youth.

5. CURRENT ACCOUNT BALANCE

- This program aims to increase exports of high value-added products, reduce dependence on imports through localization and increase tourism revenues significantly. Thus, a permanent improvement in the current account balance will be achieved, the need for external financing will be reduced, and a balanced and sustainable growth trend will be maintained.
- With the expected change in demand composition as a result of the economic recovery in 2020, the current account balance is expected to post a deficit that will keep the external financing need at a reasonable level. The decline in the country's risk premiums, together with the decline in inflation in this period will be the main determinant of external financing by creating a favorable environment for "good quality" capital flows.
- The ratio of current account balance to GDP is estimated to be -1.2 percent, -0.8 percent and 0 percent, respectively, throughout the program period.

Current Account Balance/GDP (%)



Policies and Measures Regarding Foreign Trade:

- The export incentive system will be restructured to achieve a more efficient and effective structure.
- Within the scope of the Export Master Plan, a 360-degree approach will be adopted from production to marketing, from design to branding, and supports will be provided for all exporting companies, particularly for those companies exporting to target countries and in target sectors, and financing opportunities will be developed through Eximbank.
- The number of companies benefiting from incentives particularly for export readiness, institutional capacity building, marketing and promotion, as well as supports for high value added production will be increased. The amount of supports and the share of SMEs in these supports will be enhanced as well.
- In order to reduce the current account deficit, technology and R&D investments will be supported by promoting domestic production in primary areas.
- Increasing our exports to Africa will be handled with a holistic approach based on business, diplomacy and financing pillars for the target countries and sectors by identifying the product and product groups in which our country has a high competitive power.
- Strengthened support mechanisms will be established through the target country and target sector approach in exports. Thus, market and product diversification will be achieved and high value added export growth will be attained.
- A holistic approach in logistics of foreign trade will be adopted and the Customs Clearance-Authorized Buyer Applications will be introduced for producer exporters.

- The current free trade agreements will be reviewed, targets for reducing the current account deficit will be set and monitored, and new free trade agreements supporting macroeconomic objectives will be made.
- Industrial and technology zones with an effective governance model will be established in which high-tech products will be produced and large-scale domestic and foreign investments will take place.
- First steps will be taken for investments in Ceyhan Petrochemical Industrial Zone.
- Customs information systems will be strengthened with an end-to-end perspective, including big data analysis and advanced analytical competencies in order to facilitate international trade, accelerate customs procedures, and prevent smuggling and the loss of income from smuggling.
- Within the framework of the *Belt and Road Initiative*, bilateral commercial and economic relations will be further enhanced with China.
- Efforts towards updating the Customs Union with European Union will be completed.
- Exploration of oil and natural gas resources, particularly in the seas, will be accelerated.
- Mineral exploration and drilling activities will be continued and the reserves will be put on the market with new business models and financing mechanisms based on public-private cooperation.
- Mines, especially boron, will be processed and turned into high value-added products and presented to international markets.
- The share of renewable energy (solar, wind, biomass) and domestic coal resources in electricity generation will be increased and domestic production of energy technologies will be supported by Renewable Energy Resource Areas model.

Policies and Measures Regarding Tourism:

- The objective of the *2023 Tourism Strategy* is to extend the tourism season and increase the amount of expenditure per person.

- The *Tourism Publicity and Development Agency* will support publicity, marketing and other activities towards enhancing service quality in the industry as well as tourism investments in line with the priorities of the sector.

- Within the framework of a sustainable tourism approach, *new Cultural and Tourism Conservation and Development Areas* which enable different types of tourism and holistic planning will be allocated.

- Projects will be implemented for the improvement of health tourism.

- Taking into account the results of the Turkey Perception and Market Research to be conducted, focused and customized marketing and promotion strategies will be developed for qualified travelers.

- The culture and art industries will be strengthened and Turkey will become an important filmmaking country and exporter of series/movies.

- The number of direct scheduled flights will be increased from selected cities with high tourist capacity abroad to our touristic regions with high accommodation capacity

6. FINANCIAL STABILITY

- Throughout the program period, the primary objectives will be strengthening financial stability, reducing dollarization, increasing savings and hence reducing vulnerabilities stemming from external financing, increasing resource allocation and pricing efficiency through reforms to fill information gaps in financial markets, and strengthening the capital markets pillar of the financial system.

- By July 2019, the capital adequacy ratio of the banking sector was 18.2 percent, while the sector's NPL ratio was 4.6 percent.

- The asset quality assessments carried out by the Banking Regulation and Supervision Agency revealed that an additional loan amounting to TL 46 billion mainly extended to the construction and energy sectors, have been identified and should be transferred to follow-up accounts. By transferring this amount to the related accounts until the end of 2019, it is

estimated that the sector's NPL ratio will increase up to 6.3 percent, while the capital adequacy ratio will decrease to 17.7 percent.

- With a prudent approach, the minimum capital adequacy ratio, which is 8 percent as per Basel III, is applied as 12 percent in our country. The ratio calculated as a result of asset quality assessment is well above both levels. This shows that banks have very strong capital buffers.
- The foreign currency liquidity buffers that banks can use against external financial shocks are at a level that can easily meet the foreign debt due within one year.
- In conclusion, the strong capital and liquidity structure of the banking sector is sufficient to support credit growth in line with the economic growth projections of 2020. Thereby, decreasing funding and loan costs are expected to stimulate credit demand and support credit growth and economic activity.
- In the second quarter of 2019, the ratio of total financial debt of the real sector to GDP was 63 percent and 60 percent of this debt was in FX. Thanks to the coordinated policy measures taken by public authorities and increased awareness of risk management, the real sector FX open position, one of the prominent indicators in this context, continued to decrease in 2019 and was recorded as USD 184.3 billion in June. Real sector firms do not have open position risk within 1 year term and their short-term foreign currency assets are above their foreign currency liabilities. Recently, the improvement in the foreign trade balance and the rise in foreign exchange revenues driven by positive contribution of tourism sector support the decline in the open position of the real sector.
- On the back of the contribution of macro prudential policies for consumer credit cards and consumer loans, the ratio of household debt to GDP continued to be well below those of peer and developed countries. Moreover, the restriction on the use of foreign currency loans and foreign currency-indexed loans by individuals limits the exchange rate risk.

Policies and Measures

- Alternative TL financial products will be developed and served as an alternative to foreign currency to reduce dollarization as well as to promote price stability and financial stability.
- In order to make the banking sector work more efficiently;

- Within the framework of the Financial Restructuring Law enacted in July 2019, the debts of firms experiencing financial stress but appear to be able to generate value added and contribute to employment will be restructured. Firms, which are evaluated to be able to repay their debts will be excluded from the scope of financial restructuring and thus resources will be transferred to more efficient areas.

- In order to speed up the liquidation processes and minimize the costs, necessary amendments will be made to the enforcement-bankruptcy regulation.

- Measures will be taken to strengthen the financial structure of the banks, if required.

- Steps will be taken to strengthen the capital market pillar of the financial system:

- New resources for capital markets will be created through increasing savings:

- ▶ *Complementary Pension System (CPS)* is to be completed with the agreement of all parties.

- ▶ The participation in the financial system and savings is to be encouraged in early ages by opening an account for every new born child through the application of *Money Box Account of Citizen's* opened in banks or participation financial companies.

- ▶ The newly established Turk Reinsurance will allow the real sector to have access to affordable insurance facilities in areas with insurance difficulty by employing the *Turk Reinsurance Pool*.

- In order to reinforce the legal and institutional infrastructure for the development of capital markets:

- ▶ Necessary amendments will be made to the Capital Market Law to strengthen the efficiency of capital markets.

- ▶ The Insurance Regulation and Supervision Agency (IRSA) will be established.

- ▶ By introducing crowd funding, an alternative investment channel for investors and a new financing channel for entrepreneurs will be created.

- ▶ In the stock market, the shares will be grouped in order to

facilitate share selection for investors.

- ▶ A national Credit Rating Agency will be established in order to measure the risks independently and objectively, provide a comparable risk-return relationship for investors and hence enable them use their resources more productively, activate banks' credit allocation and monitor activities more efficiently, and strengthen the link between risk and pricing for the capital market investors.
- Steps will be taken to increase market and product diversity in capital markets:
 - ▶ The issuance of Turkish Lira Overnight Reference Rate (TLREF) based loans and bonds will be expanded and this will form the basis for TL interest swap agreements, thus enabling banks to manage their medium and long-term TL interest risks without using their FX liquidity.
 - ▶ International investors will be given the opportunity to trade on omnibus accounts at Borsa Istanbul.
 - ▶ A foreign exchange market will be established within Borsa Istanbul and additional measures will be taken to reduce dollarization.
- Measures will be taken to improve the quality of financial and corporate governance in the real sector.
- Arrangements will be introduced regarding new business model/window system in order to make the participation finance companies more widespread. .
- Supervision of payment systems will be carried out by of the CBRT and necessary arrangements will be made to increase its efficiency.
- *Istanbul Finance Center (IFC)* will become effective in 2021.
- A comprehensive strategy document and action plan will be prepared to boost financial technologies (Fintech) in our country and these studies will be conducted in a cooperative manner.

7. ACTIONS AND PROJECTS

Actions and projects aligned with the policies and measures mentioned in this program will be implemented within a defined timeline and these will serve the main objectives of the NEP and help bolster individual and social development in the long term. These actions and projects are listed in the following tables.

ENVIRONMENT AND URBANISM	Ministry in Charge	Planned Completion Date	Economic Stabilization	Healthy and Sustainable Growth	Fairer Allocation	Qualified Workforce and Strong Society
Local production in the construction sector will be supported by import substitution policies.	Ministry of Environment and Urbanization	June 2020	✓	✓		
The Zero Waste Project will become widespread.	Ministry of Environment and Urbanization	December 2021		✓	✓	✓
City centers will be renovated through urban transformation projects by preserving their historical and traditional identities.	Ministry of Environment and Urbanization	December 2021				✓
Energy saving and environment -friendly energy practices will be promoted in public buildings, industry and street lighting through investments in energy efficiency.	Ministry of Energy and Natural Resources	December 2021	✓	✓		

EDUCATION	Ministry in Charge	Planned Completion Date	Economic Stabilization	Healthy and Sustainable Growth	Fairer Allocation	Qualified Workforce and Strong Society
An effective vocational guidance system will be established to provide preference and talent oriented education for students to gain skills.	Ministry of National Education	December 2020			✓	✓
A school-centered approach will be adopted to reduce the discrepancies among students, schools, and regions with respect to financial resources, instructor qualifications and supervisory competencies to sustain equality in education. Besides, school administrations will be enhanced, an education quality index will be established, inexperienced instructors will be supported, and positive discrimination will be applied to disadvantaged schools	Ministry of National Education	December 2021		✓	✓	✓
Gifted students will be identified and their developments will be monitored and supported that these students can create value both for themselves and for Turkey in the short, middle, and long term.	Ministry of National Education	December 2022		✓		✓
Data-driven management will be adopted in education.	Ministry of National Education	December 2021			✓	✓
In order to attain the international standards in learning outcomes; assessment and evaluation capacity will be strengthened, a need-based and layered structure in foreign language education will be formed, early childhood education prioritizing 5-year olds will be expanded and interest, talent and personality-oriented education methods will be conducted.	Ministry of National Education	December 2022				✓
The capacity of vocational education institutions will be improved in line with economic targets. Thematic vocational schools will be expanded according to sectors' needs and labor quality will be enhanced through measurement and certification.	Ministry of National Education	December 2022		✓	✓	✓

FINANCIAL SYSTEM	Ministry in Charge	Planned Completion Date	Economic Stabilization	Healthy and Sustainable Growth	Fairer Allocation	Qualified Workforce and Strong Society
Housing Savings Fund System will be established within the Turkey Real Estate Participation Bank to encourage long-term savings and facilitate buying houses at lower costs.	Ministry of Environment and Urbanization	June 2021		✓	✓	
Producers will be financed through banks to reduce food inflation. The produce will be sold under contract farming.	Ministry of Treasury and Finance	September 2020	✓	✓	✓	
The Foreign Currency-Based Private Pension Fund will be introduced for non-resident Turkish citizens in order to reduce the systemic risk accumulation in the financial system and increase the financial depth and product variety. The Pension Funds will be traded on Turkey Electronic Funds Trading Platform.	Ministry of Treasury and Finance	December 2020	✓	✓		
Electronic Cheques and Bills System will be established. Cheques and bills will be traded electronically.	Ministry of Trade	December 2020		✓		
Equity of Eximbank will be strengthened further and the number of the branches will increase to bolster exports. Eximbank will continue to support exporters, firms engaged in foreign currency earning activities and foreign contractors by enhancing and diversifying their cash loan, export credit insurance and guarantee facilities.	Ministry of Trade	June 2020	✓	✓		

YOUTH AND SOCIETY	Ministry in Charge	Planned Completion Date	Economic Stabilization	Healthy and Sustainable Growth	Fairer Allocation	Qualified Workforce and Strong Society
The Integrated Social Assistance Information System and the Family Information System will be integrated and social aid beneficiaries will have easier access to other public services such as social service, employment, education, health etc. by the adoption of Social Help (+).	Ministry of Family, Labour and Social Services	December 2020		✓	✓	✓
Home care, day care and short-term care services will be enhanced for the disabled and the elderly in need of long-term assistance in their homes. An increase in similar services provided by local governments will be encouraged.	Ministry of Family, Labour and Social Services	December 2020			✓	✓
Try&Do Technology Workshops will be established to train the youth, the dynamo of the National Technology Movement, with a high level of technological literacy. Youth centers will provide education in the fields of algorithm, programming, web and mobile application development, robotics, and electronics for more than 20 thousand young people each year.	Ministry of Youth and Sports	December 2020		✓		✓
Educational services projects will be carried out in coordination with parents to protect youth from crime and abuse.	Ministry of Youth and Sports	December 2020		✓	✓	✓
Alternative projects and awareness-raising activities will be carried out to protect the mental and physical health of the youth by targeting violence and negative habits like drug, internet, and social media addiction.	Ministry of Youth and Sports	December 2020		✓	✓	✓

BUSINESS AND INVESTMENT ENVIRONMENT	Ministry in Charge	Planned Completion Date	Economic Stabilization	Healthy and Sustainable Growth	Fairer Allocation	Qualified Workforce and Strong Society
Specialized jurisdictions will be made available in fields such as finance, energy, environment and reconstruction and vocational specialization will be expanded.	Ministry of Justice	December 2022		✓	✓	✓
The notary system will be reformed and expanded to cover non-contentious jurisdiction.	Ministry of Justice	December 2020		✓	✓	✓
By expanding e-notice, the judicial procedures will be accelerated, resulting in increased savings and enhanced environmental sustainability.	Ministry of Justice	December 2020		✓	✓	✓
An electronic infrastructure covering all service modules will be developed to have construction permits, power installations, project kick-offs etc. signed electronically between public institutions and municipalities.	Ministry of Interior	March 2020	✓	✓		
Capacities of the investment support offices under development agencies will be expanded to provide investment consultancy through a single one-stop point.	Ministry of Industry and Technology	December 2020		✓	✓	
The Investment Office (TIO) will be authorized as a one stop office preparing sectoral investment road maps for permit, approval and licensing processes. A Central Investment Information System will be established within the TIO to accelerate investment processes by allowing related institutions to enter data for their permit and approval procedures.	Ministry of Industry and Technology	December 2021		✓	✓	

BUSINESS AND INVESTMENT ENVIRONMENT	Ministry in Charge	Planned Completion Date	Economic Stabilization	Healthy and Sustainable Growth	Fairer Allocation	Qualified Workforce and Strong Society
Access to finance will be strengthened for industries . The SME's collateral burden will be lightened. An industry-oriented Credit Guarantee Fund will be developed. Funding for industrial projects will be diversified by allowing them to be financed by pension funds and participation banking instruments.	Ministry of Industry and Technology	December 2022	✓	✓		
A <i>Foreign Direct Investment Action Plan</i> will be developed to increase foreign direct investment inflows into Turkey. Policies to increase sector and country diversification in foreign investment will be adopted.	Ministry of Industry and Technology	December 2022	✓	✓		
The competitiveness of merchants and craftsmen will be strengthened by reducing input costs through mass purchases.	Ministry of Trade	December 2020		✓	✓	
The processes of establishing, operating and closing-down businesses will be performed through a "Single Point of Contact" to make them easier, shorter and cost-efficient.	Ministry of Trade	July 2020		✓		
A "Smart Export Platform" that provides comprehensive and up-to-date data will be established to help exporters closely track global commercial data to obtain useful information about state subsidies, potential products and markets, and importing countries' policies.	Ministry of Trade	October 2020	✓	✓		
New legislation consisting of policies and strategies regarding logistics centers will be prepared to regulate the establishment and management of such centers.	Ministry of Transport and Infrastructure	March 2020		✓	✓	
The Turkey Logistics Master Plan will be implemented.	Ministry of Transport and Infrastructure	March 2020		✓	✓	

LABOR MARKET	Ministry in Charge	Planned Completion Date	Economic Stabilization	Healthy and Sustainable Growth	Fairer Allocation	Qualified Workforce and Strong Society
People excluded from the labor force due to disabilities and disadvantages will rejoin the labor force through the <i>Occupational Rehabilitation Practice</i> to help them integrate into society and minimize the risk of social exclusion.	Ministry of Family, Labour and Social Services	December 2022		✓	✓	✓
The skills inventory of the labor force will be taken by the Turkish Employment Agency within the context of the Skills Inventory Project to facilitate efficient job - matching.	Ministry of Family, Labour and Social Services	December 2022		✓		✓
Occupational health and safety precautions will be taken throughout the stages of planning and designing. Data collected from various institutions will be transferred into a single database and data collected from various businesses will be utilized to prevent occupational accidents and illnesses.	Ministry of Family, Labour and Social Services	December 2020			✓	✓

PUBLIC ORDER AND SECURITY	Ministry in Charge	Planned Completion Date	Economic Stabilization	Healthy and Sustainable Growth	Fairer Allocation	Qualified Workforce and Strong Society
Projects that facilitate the effective use of information technologies will be put in to practice to predict and prevent instances that may threaten public order and security.	Ministry of Interior	December 2022				✓
A National Voluntary Repatriation Mechanism and an Irregular Migration Strategy Document will be formed to enhance the efficiency of immigration management.	Ministry of Interior	December 2021			✓	✓
Risk management will be applied by giving priority to preventive and protective security services, and risk management and analysis mechanisms will be formed to fight against organized crimes.	Ministry of Interior	December 2022				✓
Critical asset inventories will be taken to minimize the impact of disasters and emergencies on economic activity.	Ministry of Interior	December 2022		✓		✓
A National Cyber Security Strategy and Action Plan will be implemented.	Ministry of Transport and Infrastructure	December 2020			✓	✓

PUBLIC FINANCE	Ministry in Charge	Planned Completion Date	Economic Stabilization	Healthy and Sustainable Growth	Fairer Allocation	Qualified Workforce and Strong Society
Idle public social facilities and lodgings will be included in the privatization program. A company will be established to manage social facilities effectively and single-handedly. Disadvantaged groups will benefit from designated social facilities.	Ministry of Treasury and Finance	December 2022	✓		✓	✓
A <i>Government Aid Information System</i> that offers comprehensive analyses and holistic and high-quality data will be introduced to ensure the effectiveness of incentives and subsidies.	Ministry of Treasury and Finance	December 2020	✓	✓	✓	
Tasks and transactions will be digitalized to decrease the public's financial burden and increase the efficient use of public resources. The decision support mechanism will be strengthened by the integration of information systems.	Ministry of Treasury and Finance	December 2022		✓		
A Joint Collection Platform will be established to collect public revenues.	Ministry of Treasury and Finance	December 2020	✓		✓	
Electronic document integration between institutions will help shrink the informal economy. Administrative and technical regulations will be put in place to combat counterfeiting.	Ministry of Treasury and Finance	December 2021	✓		✓	
To speed up the transition into the formal economy, trade credits will be classified and accounting records will be aligned with such classifications. The Risk Center and Credit Bureau of the Banks Association of Turkey will share the records with the Revenue Administration.	Ministry of Treasury and Finance	December 2021	✓		✓	
Voluntary tax compliance will be increased by enabling the <i>Taxpayer Services Center</i> , providing all services electronically through the <i>Interactive Tax Office</i> project and keeping tax records of small-scale taxpayers electronically.	Ministry of Treasury and Finance	December 2020	✓		✓	

HEALTH	Ministry in Charge	Planned Completion Date	Economic Stabilization	Healthy and Sustainable Growth	Fairer Allocation	Qualified Workforce and Strong Society
Transformational and personalized medical practices will be implemented to develop unique and value-added products that are effective in preventing cancer, chronic and rare diseases by early diagnosis and treatment.	Ministry of Health	December 2022	✓	✓	✓	✓
Projects protecting public health and consumer rights by ensuring hygienic food production and consumption will be implemented to ensure national food safety.	Ministry of Health	December 2020		✓		✓
Primary healthcare services will be strengthened and their efficiency will be increased.	Ministry of Health	December 2021	✓			✓
Clinical quality, citizen satisfaction, and operational effectiveness and efficiency will be systematically monitored and become a part of the incentive mechanism for health workers in public hospitals. Citizen satisfaction survey results will be incorporated into the performance evaluation of institutions and health workers.	Ministry of Health	December 2021				✓
Current programs will become widespread and additional regulations will be made to advance the development of healthy eating habits among the society in coordination with stakeholders regarding the fight against obesity.	Ministry of Health	December 2021				✓
Projects will be conducted to optimize the use of medications and to reduce medication costs by carrying out awareness, monitoring and evaluation activities.	Ministry of Health	December 2021	✓			✓

AGRICULTURE	Ministry in Charge	Planned Completion Date	Economic Stabilization	Healthy and Sustainable Growth	Fairer Allocation	Qualified Workforce and Strong Society
The sustainable structure of forests will be preserved, their economic, ecological and socio-cultural added value will be increased, and a "Master Plan of Industrial Plantation" will be announced to increase the amount and variety of valuable wood.	Ministry of Agriculture and Forestry	December 2020	✓	✓	✓	
New production areas for aquaculture will be determined by taking environmental factors into consideration and made ready for investment with pre-approval.	Ministry of Agriculture and Forestry	December 2020	✓	✓	✓	
The product range and volume of export in the aquaculture industry will be increased by conducting studies regarding target markets in collaboration with the sector.	Ministry of Agriculture and Forestry	December 2020	✓	✓		
Agricultural production and productivity will be increased with the New Agricultural Subsidy Model.	Ministry of Agriculture and Forestry	January 2020	✓	✓	✓	
Seed imports will be reduced and productivity will be increased through heightened domestic and national seed production capacity and use of certified seeds. Hence, food safety and reliability will be ensured in the production and consumption chain.	Ministry of Agriculture and Forestry	December 2022	✓	✓		✓
The production and productivity of cattle, ovine and poultry sectors will be increased to secure meat supply and price stability, and to reduce import dependency.	Ministry of Agriculture and Forestry	December 2022	✓		✓	

TOURISM	Ministry in Charge	Planned Completion Date	Economic Stabilization	Healthy and Sustainable Growth	Fairer Allocation	Qualified Workforce and Strong Society
To promote accessible tourism, transport infrastructure will be improved, a protocol will be signed between the Ministry of Culture and Tourism and the Ministry of Transport and Infrastructure, the capacities of Gazipasa and Antalya Airports will be expanded, and Sabiha Gokcen Airport will gain an additional runway.	Ministry of Culture and Tourism	December 2021	✓	✓		
The number of staff speaking rare languages will be increased to provide a qualified workforce for tourism. In tourism vocational high schools English and Russian classes will be mandatory while German, Chinese, Arabic and French classes will be elective, and hotel internships will be done during certain periods each year.	Ministry of Culture and Tourism	December 2020	✓	✓		✓
Cooperation protocols will be signed with universities, especially in the field of gastronomy, to provide a qualified workforce for tourism.	Ministry of Culture and Tourism	December 2020	✓	✓		✓
New tourism destinations will be introduced and alternative tourism areas such as gastronomy, health, festivals, culture, ecotourism, faith, education, sports and cycling will be enriched to have tourism activities across the country and in all seasons.	Ministry of Culture and Tourism	April 2020	✓	✓		
Additional tourism plans for the Far East market, including China, India, Japan and South Korea, will be implemented.	Ministry of Culture and Tourism	December 2020	✓	✓		

DOMESTIC AND INNOVATIVE PRODUCTION	Ministry in Charge	Planned Completion Date	Economic Stabilization	Healthy and Sustainable Growth	Fairer Allocation	Qualified Workforce and Strong Society
Under the National Smart Cities Strategy and Action Plan, a healthy, comprehensive and sustainable smart cities ecosystem will be established. Technological infrastructure, effective data security policies and a competitive environment will be provided to help develop domestic and national technologies.	Ministry of Environment and Urbanization	June 2021			✓	✓
Strategically important pharmaceuticals, vaccines, medical devices and diagnostic kits will be developed and produced to increase our global competitiveness and decrease our external dependence. Clinical research potential of public hospitals will be enhanced to facilitate production of biotechnological/biosimilar drugs.	Ministry of Health	June 2021	✓	✓		✓
Digital Transformation Centers will be established within the organized industrial zones, industrial districts and technology development zones to contribute to the digital transformation of the manufacturing industry.	Ministry of Industry and Technology	December 2022	✓	✓		
Industrial and technology development zones will be established by taking into consideration the priority sectors and development areas. The number, capacity, kindergarten and transportation facilities as well as cooperation and integration of these zones will be increased to address current and future needs.	Ministry of Industry and Technology	December 2022		✓		✓
In the establishment of industrial and technology development zones, priority will be given to sectoral and thematic fields and accordingly, incentives for these zones will be diversified.	Ministry of Industry and Technology	December 2022	✓			
Within the framework of the <i>Technology - Oriented Industry Action Program</i> , investment, R&D and product development incentives will be provided for priority products in focal sectors such as chemicals, pharmaceuticals, machinery, semiconductors, electronics-electronics, defense, marine vessels, motor vehicles, rail systems, and aerospace.	Ministry of Industry and Technology	June 2020	✓	✓		

DOMESTIC AND INNOVATIVE PRODUCTION	Ministry in Charge	Planned Completion Date	Economic Stabilization	Healthy and Sustainable Growth	Fairer Allocation	Qualified Workforce and Strong Society
Technology greenhouses and specialized free zones will be established to increase exports of R&D intensive, medium-high-tech and high -tech, and high value - added products.	Ministry of Trade	November 2020	✓	✓		
Work will be conducted on <i>Domestic and National 5G and Beyond</i> .	Ministry of Transport and Infrastructure	December 2021		✓	✓	✓
In line with the progress in railway passenger and freight transport, electrical mainline locomotive, railroad vehicles and diesel engine s will be designed and produced domestically and nationally.	Ministry of Transport and Infrastructure	December 2022		✓	✓	
A special -purpose company that will be subject to private law will be founded to coordinate the manufacturing of vehicles, products and critical components in railway systems under a national brand and using domestic resources.	Ministry of Transport and Infrastructure	December 2022		✓	✓	

8. ANNEX TABLES

ANNEX TABLE 1: MAIN MACROECONOMIC INDICATORS	2018	2019 (RE)	2020 (P)	2021 (P)	2022 (P)
GROWTH					
GDP (Billion TL, Current Prices)	3,724	4,269	4,872	5,484	6,070
GDP (Billion Dollars, Current Prices)	789	749	812	856	900
Per Capita Income (GDP, USD)	9,693	9,093	9,738	10,144	10,534
GDP Growth (%) ⁽¹⁾	2.8	0.5	5.0	5.0	5.0
Total Consumption (%) ⁽¹⁾	1.2	0.9	4.6	3.1	3.3
Public (%) ⁽³⁾	5.4	4.3	3.0	2.4	2.5
Private (%) ⁽³⁾	0.6	0.3	4.9	3.2	3.5
Total Fixed Capital Investment (%) ⁽¹⁾	-0.6	-10.0	9.3	9.0	8.1
Public (%) ⁽³⁾	0.9	-28.7	-14.0	2.9	4.9
Private (%) ⁽³⁾	-0.8	-7.0	12.1	9.5	8.3
Total Domestic Savings / GDP (%)	26.2	27.0	27.0	28.5	30.6
Public (%)	1.7	-0.4	-1.0	-0.8	-0.6
Private (%)	24.4	27.4	28.0	29.4	31.2
Total Savings-Investment Gap / GDP (%) ⁽²⁾	-3.4	0.2	-1.1	-0.7	0.1
Public (%)	-2.7	-3.7	-3.7	-3.5	-3.4
Private (%)	-0.7	4.0	2.7	2.8	3.4
Total Final Domestic Demand (%) ⁽¹⁾	0.7	-2.2	5.8	4.6	4.6
Contribution of Net Exports to Growth (%)	3.6	2.8	-0.6	0.4	0.5
EMPLOYMENT					
Population (Mid-Year, Thousand People)	81,407	82,377	83,393	84,405	85,410
Labor Force Participation Rate (%)	53.2	52.8	53.4	54.0	54.5
Employment (Thousand People)	28,738	28,275	29,327	30,493	31,514
Employment Rate (%)	47.4	46.0	47.1	48.3	49.1
Unemployment Rate (%)	11.0	12.9	11.8	10.6	9.8
FOREIGN TRADE					
Exports (GTS-defined, fob) (Billion Dollars) ⁽⁴⁾	176.9	181.4	190.0	202.0	213.0
Imports (GTS-defined, cif) (Billion Dollars) ⁽⁴⁾	231.2	207.8	231.5	247.0	260.0
Crude Oil Price - Brent (Dollar/Barrel)	71.5	63.5	60.0	61.8	62.3
Energy Imports (Billion Dollars)	43.0	41.0	42.5	43.3	45.7
Foreign Trade Balance (GTS-defined, Billion Dollars) ⁽⁴⁾	-54.3	-26.4	-41.5	-45.0	-47.0
Foreign Trade Volume / GDP (%) ⁽⁴⁾	51.7	52.0	51.9	52.4	52.6
CURRENT ACCOUNT BALANCE					
Travel Revenues (Billion Dollars)	25.2	29.0	34.3	40.1	46.5
Current Account Balance (Billion Dollars)	-27.0	1.0	-9.6	-7.0	0.0
Current Account Balance / GDP (%)	-3.4	0.1	-1.2	-0.8	0.0
Current Account Balance excl. Gold/ GDP (%)	-2.3	1.0	-0.5	-0.1	0.7
INFLATION					
GDP Deflator (%)	16.4	14.1	8.7	7.2	5.4
CPI (Year-End, % Change)	20.3	12.0	8.5	6.0	4.9

RE: Realization estimate **P:** Program (1) Chain-linked volume index percentage change (2) The difference between the total savings-investment gap and the current account deficit arises from the use of export and import-weighted exchange rates in national income calculations. (3) Consumption and investment data in the public and private distinction are the calculations of the Presidency of Strategy and Budget. (4) It shows the foreign trade statistics consistent with the General Trade System (GTS) published by the TurkStat. According to the GTS, goods entering and leaving customs areas and free zones are also recorded in foreign trade data. Foreign trade data used in the balance of payments statistics, including Free Zones, is compatible with the GTS. As of 2019, the warehouse trade data has been included in the Balance of Payments statistics.

ANNEX TABLE 2:
CENTRAL GOVERNMENT BUDGET

	2018	2019 (RE)	2020 (P)	2021 (P)	2022 (P)
	(Billion TL)				
Expenditures	830.8	992.4	1,095.5	1,196.9	1,295.4
Primary Expenditures	756.8	889.3	956.5	1,037.4	1,119.0
Interest Expenditures	74.0	103.1	138.9	159.5	176.4
Revenues	758.0	867.4	956.6	1,039.3	1,135.3
General Budget Tax Revenues	621.5	667.6	784.6	874.5	963.1
Other Revenues	136.5	199.8	172.0	164.8	172.1
Budget Balance	-72.8	-125.0	-138.9	-157.6	-160.1
Primary Balance	1.1	-21.9	0.1	1.9	16.3
Program-Defined Expenditures	756.8	889.3	956.5	1,037.4	1,119.0
Program-Defined Revenues	700.3	763.2	891.0	994.0	1,094.0
Program-Defined Balance	-56.5	-126.1	-65.5	-43.4	-25.0
	(Percent of GDP, %)				
Expenditures	22.3	23.2	22.5	21.8	21.3
Primary Expenditures	20.3	20.8	19.6	18.9	18.4
Interest Expenditures	2.0	2.4	2.9	2.9	2.9
Revenues	20.4	20.3	19.6	19.0	18.7
General Budget Tax Revenues	16.7	15.6	16.1	15.9	15.9
Other Revenues	3.7	4.7	3.5	3.0	2.8
Budget Balance	-2.0	-2.9	-2.9	-2.9	-2.6
Primary Balance	0.0	-0.5	0.0	0.0	0.3
Program-Defined Expenditures	20.3	20.8	19.6	18.9	18.4
Program-Defined Revenues	18.8	17.9	18.3	18.1	18.0
Program-Defined Balance	-1.5	-3.0	-1.3	-0.8	-0.4

(1) Excluding interest payments and revenues, privatization revenues, dividends from public banks and some specific revenues and expenditures.

(2) Including Guilds' Savings Fund

RE: Realization estimate

P: Program

ANNEX TABLE 3:
PUBLIC SECTOR GENERAL BALANCE ⁽¹⁾

	2018	2019 (RE)	2020 (P)	2021 (P)	2022 (P)
	(Billion TL)				
Public Sector General Balance (PSGB)	-91.8	-138.7	-147.7	-151.9	-159.4
General Government	-88.7	-129.3	-140.8	-153.5	-160.0
Central Government Budget	-72.8	-125.0	-138.9	-157.6	-160.1
Local Governments	-21.8	-2.7	-6.1	-10.4	-12.9
Extra Budgetary Funds	-4.8	-2.5	-2.9	-3.1	-2.4
Unemployment Insurance Fund	10.9	2.0	8.5	19.0	16.8
Social Security Institutions	-21.3	-25.7	-30.0	-35.4	-38.9
General Health Insurance	22.7	25.7	30.0	35.4	38.9
Revolving Funds	-1.6	-1.1	-1.4	-1.4	-1.3
SEEs	-3.2	-9.4	-6.9	1.7	0.6
Public Sector Primary Balance	-10.6	-24.2	3.8	20.4	30.1
PSGB Exc. Interest Exp. and Priv. Rev.	-16.8	-30.2	-6.2	10.4	20.1
	(Percent of GDP, %)				
Public Sector General Balance (PSGB)	-2.5	-3.2	-3.0	-2.8	-2.6
General Government	-2.4	-3.0	-2.9	-2.8	-2.6
Central Government Budget	-2.0	-2.9	-2.9	-2.9	-2.6
Local Governments	-0.6	-0.1	-0.1	-0.2	-0.2
Extra Budgetary Funds	-0.1	-0.1	-0.1	-0.1	0.0
Unemployment Insurance Fund	0.3	0.0	0.2	0.3	0.3
Social Security Institutions	-0.6	-0.6	-0.6	-0.6	-0.6
General Health Insurance	0.6	0.6	0.6	0.6	0.6
Revolving Funds	0.0	0.0	0.0	0.0	0.0
SEEs	-0.1	-0.2	-0.1	0.0	0.0
Public Sector Primary Balance	-0.3	-0.6	0.1	0.4	0.5
PSGB Exc. Interest Exp. and Priv. Rev.	-0.5	-0.7	-0.1	0.2	0.3

(1) Public sector covers institutions and organizations under the central government budget, local governments, social security institutions, the Unemployment Insurance Fund (including Guilds' Savings Fund), SEEs, revolving funds, extra budgetary funds and general health insurance scheme.

RE: Realization estimate

P: Program

ANNEX TABLE 4:
PROGRAM-DEFINED PUBLIC
SECTOR GENERAL BALANCE ⁽¹⁾

	2018	2019 (RE)	2020 (P)	2021 (P)	2022 (P)
	(Billion TL)				
Public Sector	-89.2	-151.4	-81.4	-42.5	-28.1
General Government	-86.1	-143.6	-76.7	-45.6	-29.7
Central Government Budget	-56.5	-126.1	-65.5	-43.4	-25.0
Local Governments	-18.8	1.7	-1.1	-5.1	-7.5
Extra Budgetary Funds	-5.4	-2.5	-2.9	-3.1	-2.4
Unemployment Insurance Fund ⁽²⁾	-4.2	-14.7	-4.8	8.5	7.8
Social Security Institutions	-21.3	-25.7	-30.0	-35.4	-38.9
General Health Insurance	22.7	25.7	30.0	35.4	38.9
Revolving Funds	-2.5	-2.1	-2.4	-2.4	-2.5
SEEs	-3.2	-7.8	-4.7	3.1	1.6
	(Percent of GDP, %)				
Public Sector	-2.4	-3.5	-1.7	-0.8	-0.5
General Government	-2.3	-3.4	-1.6	-0.8	-0.5
Central Government Budget	-1.5	-3.0	-1.3	-0.8	-0.4
Local Governments	-0.5	0.0	0.0	-0.1	-0.1
Extra Budgetary Funds	-0.1	-0.1	-0.1	-0.1	0.0
Unemployment Insurance Fund ⁽²⁾	-0.1	-0.3	-0.1	0.2	0.1
Social Security Institutions	-0.6	-0.6	-0.6	-0.6	-0.6
General Health Insurance	0.6	0.6	0.6	0.6	0.6
Revolving Funds	-0.1	0.0	0.0	0.0	0.0
SEEs	-0.1	-0.2	-0.1	0.1	0.0

⁽¹⁾ Excluding interest payments and revenues, privatization revenues, dividends from public banks and some specific revenues and expenditures.

⁽²⁾ Including Guilds' Savings Fund

RE: Realization estimate

P: Program

ANNEX TABLE 5:
OTHER INDICATORS OF PUBLIC BALANCE

	2018	2019 (RE)	2020 (P)	2021 (P)	2022 (P)
	(Percent of GDP, %)				
Public Disposable Income	12.4	10.6	9.7	9.5	9.5
Public Consumption	-10.7	-11.0	-10.7	-10.3	-10.1
Public Savings	1.7	-0.4	-1.0	-0.8	-0.6
Public Investment	-4.4	-3.4	-2.8	-2.7	-2.8
Public Saving-Investment Gap	-2.7	-3.7	-3.7	-3.5	-3.4
Public Sector Privatization Revenues	0.2	0.1	0.2	0.2	0.2
Tax Burden (Including Social Security Premiums) ⁽¹⁾	24.2	23.1	23.6	23.3	23.0
Tax Burden (Excluding Social Security Premiums) ⁽¹⁾	17.1	16.0	16.5	16.4	16.3
EU-Defined General Government Debt Stock	30.4	32.8	33.2	32.5	32.3

⁽¹⁾ Excluding rebates

RE: Realization estimate

P: Program

ANNEX TABLE 6:

GENERAL GOVERNMENT BALANCE⁽¹⁾

	2018	2019 (RE)	2020 (P)	2021 (P)	2022 (P)
	(Billion TL)				
Revenues	1,238.5	1,423.1	1,576.6	1,716.7	1,865.7
Taxes	632.7	681.1	800.6	891.9	982.0
Non-Tax Revenues	83.9	75.8	76.8	88.2	95.9
Factor Incomes	177.0	264.9	245.3	237.2	247.8
Social Funds	338.7	395.3	444.0	489.4	530.1
Privatization Revenues	6.2	6.0	10.0	10.0	10.0
Expenditures	1,327.2	1,552.4	1,717.4	1,870.2	2,025.7
Primary Expenditures	1,247.9	1,441.5	1,569.6	1,700.9	1,838.7
Current Expenditures	594.5	710.8	779.5	834.8	899.8
Capital Expenditures	141.6	113.3	104.9	116.3	129.5
Transfer Expenditures	511.8	617.4	685.2	749.8	809.4
Stock Revaluation Fund	0.0	0.0	0.0	0.0	0.0
Interest Expenditures	79.3	110.9	147.8	169.3	187.0
General Government Balance	-88.7	-129.3	-140.8	-153.5	-160.0
Primary Balance	-9.4	-18.4	7.0	15.8	27.1
Balance Excl. Privatization Revenues	-94.9	-135.3	-150.8	-163.5	-170.0
Balance Excl. Priv. Rev. and Int. Exp.	-15.6	-24.4	-3.0	5.8	17.1
	(Percent of GDP, %)				
Revenues	33.3	33.3	32.4	31.3	30.7
Taxes	17.0	16.0	16.4	16.3	16.2
Non-Tax Revenue	2.3	1.8	1.6	1.6	1.6
Factor Incomes	4.8	6.2	5.0	4.3	4.1
Social Funds	9.1	9.3	9.1	8.9	8.7
Privatization Revenues	0.2	0.1	0.2	0.2	0.2
Expenditures	35.6	36.4	35.2	34.1	33.4
Primary Expenditures	33.5	33.8	32.2	31.0	30.3
Current Expenditures	16.0	16.6	16.0	15.2	14.8
Capital Expenditures	3.8	2.7	2.2	2.1	2.1
Transfer Expenditures	13.7	14.5	14.1	13.7	13.3
Stock Revaluation Fund	0.0	0.0	0.0	0.0	0.0
Interest Expenditures	2.1	2.6	3.0	3.1	3.1
General Government Balance	-2.4	-3.0	-2.9	-2.8	-2.6
Primary Balance	-0.3	-0.4	0.1	0.3	0.4
Balance Excl. Privatization Revenues	-2.5	-3.2	-3.1	-3.0	-2.8
Balance Excl. Priv. Rev. and Int. Exp.	-0.4	-0.6	-0.1	0.1	0.3

