MEDIUM-TERM PROGRAM (2025-2027)
PRESENTATION BY THE
VICE PRESIDENT CEVDET YILMAZ, (5 SEPTEMBER 2024)

Dear Participants,

I greet you with respect and affection on behalf of myself, our President Mr. Recep Tayyip Erdoğan, and our delegation.

Today, we have gathered here to share with you the policy framework, objectives, and implementation tools of the Medium-Term Program, which will shape Türkiye's economy over the next three years. We will present our roadmap for growth, employment outlook, financial stability, and price stability with our program approach.

In our presentation, I will first talk about the preparation process of the MTP and share our evaluations of the past year since the last MTP. In the remaining part of the presentation, I will convey the updated macroeconomic policy framework in the new MTP, summarizing our economic and fiscal targets along with the policies and measures that will help us achieve them.

I wish the new MTP period to be beneficial for our country and our nation.

The Medium-Term Program, the main policy document prepared with a three-year perspective, is jointly prepared by the Presidency of Strategy and Budget and the Ministry of Treasury and Finance and is formalized by the President's Decision.

The purpose of this Program is to determine macroeconomic policies and address Government's macroeconomic targets, revenue and expenditure forecasts, budget balance, and borrowing position. It also includes appropriation ceilings proposed by public administrations.

The MTP outlines the macroeconomic policy framework, targets, and priority reform areas and their timelines. In this context, the policies and reforms determined to ensure economic stability and support sustainable growth will constitute the roadmap for our economy over the next three years.

As you know, with the general elections held last year, political uncertainty in our country has been eliminated, and we have entered a long, election-free period. With the economic program we implemented right after the elections, we also eliminated policy uncertainties. With this new Medium-Term Program, we will continue to implement policies that will ensure our country's stability, development, and prosperity.

The policies and specific measures to be implemented in the first year of the MTP will be detailed in the 2025 Presidential Annual Program.

MTP (2025-2027) PREPARATION PROCESS

Dear Participants,

During the preparation process of the Medium-Term Program, we held comprehensive consultation meetings with various stakeholders. In this process, we aimed to create a more inclusive and effective policy set by taking into account the views and suggestions from different actors of social and economic life.

These meetings, which we held with trade unions, professional organizations, business representatives, financial institutions, representatives of the agricultural sector, tradespeople, and non-governmental organizations, greatly contributed to our understanding of the needs and expectations of different segments of our society.

With this multifaceted and participatory process, we aim to increase ownership and applicability of the MTP not only through political commitment but also by ensuring its adoption by all segments of society.

The preparations for the MTP covering the 2025-2027 period have been planned and progressed step by step within a specific schedule.

Beginning in June, budget negotiations with public institutions began, and policy and measure proposals were collected from the relevant institutions. In July and August, various analyses and meetings were conducted on key issues such as evaluation of macroeconomic data, budget balance, and public expenditures.

Towards the end of August, the draft MTP was finalized and presented to the relevant institutions and to the Economic Coordination Board. Finally, with the approval of our President, the MTP is becoming official with its publication in the Official Gazette today.

This preparation timeline demonstrates that each step of the MTP preparation process was meticulously planned and executed on time.

ASSESSMENT OF THE MTP (2024-2026)

Now, I will proceed to the evaluation of the Medium-Term Program (MTP) (2024-2026), which we published last year.

When we evaluate the last year within the framework of the Medium-Term Program, which we put into practice in September of the previous year, we see that the forecasts and targets for key macroeconomic indicators have largely been achieved, and the current estimates remain valid. This demonstrates the effectiveness and predictability of our Program.

Firstly, the effects of the disinflation process, which we planned to align with our timeline, began in June 2024. From that date onwards, we recorded a decrease of 23,5 basis points in the inflation rate.

With the balance in the composition of growth, the current account balance has presented a positive picture, falling below our expectations. In the field of employment, despite the balancing process in economic activity, unemployment rates have shown improvements beyond our targets.

As efficiency and productivity in public spending have increased, the budget deficit has also performed more positively than our forecasts, contributing to the sustainability of public finances.

Furthermore, these favorable developments in macroeconomic indicators have positively affected investors' views of our country, with credit ratings and national reserves increasing while the country's risk premium has decreased.

The numerical results, which we will also present in the following slides, clearly show the effectiveness of the policies implemented under the MTP (2024-2026) and their positive effects on the economy. Our Program has been working successfully.

Despite global and regional challenges throughout 2023, the Turkish economy demonstrated stable growth. Despite the earthquake disaster and adverse global developments, our economy grew by 5.1%, continuing a 14-year streak of uninterrupted growth.

In the first half of 2024, Gross Domestic Product (GDP) growth was realized at 3.8%, showing that our economy continues to grow on a solid foundation. The contribution of domestic demand to growth has decreased significantly compared to 2023, while net exports of goods and services have made a positive contribution to growth.

In the field of inflation, the transition period has been completed, and the disinflation phase has begun. As of August 2024, the cumulative CPI growth rate has fallen to 52% compared to the same period of the previous year. This indicates that the disinflation process has started to take effect. We expect this trend to continue into September and beyond.

In the past year, employment has continued to grow strongly, while unemployment rates have significantly declined. In the second quarter of 2023, employment was at 31.556 million, reaching 32.661 million in the second quarter of 2024. Over the past year, an additional 1.105 million employment opportunities have been created. This increase indicates that employment opportunities have expanded in different sectors of the economy and labor force participation has been supported.

On the other hand, looking at unemployment rates, we see that the rate was 9.7% in the second quarter of 2023, which fell to 8.8% in the second quarter of this year. This decline in unemployment is a result of the increase in employment and the general strengthening of the economy.

The increase in employment and the decrease in unemployment demonstrate the effectiveness of the economic policies being implemented. We aim for these positive trends in increasing employment and reducing unemployment to continue in the new MTP period.

Between 2003-2022, the ratio of our current account deficit to GDP was, on average, -3.7%. As of May 2023, the current account deficit rose to -6.9% relative to GDP, reflecting the effects of external trade imbalances and global economic conditions during the first half of 2023. As of December 2023, the ratio of the current account deficit to GDP had dropped to -4.0%, reflecting improvements achieved in the external trade balance as a result of measures taken and economic reforms implemented during the second half of the year. Finally, as of June 2024, the current account deficit further declined to -2.2% of GDP. This shows that Türkiye's need for external financing has decreased and that improvements in the trade balance have continued.

The decline in the current account deficit shows that our economy's resilience to external shocks has increased and that we are moving toward a sustainable external trade balance. Falling below long-term averages in the current account deficit is an important development that strengthens Türkiye's macroeconomic stability. This positive picture will be further reinforced with the actions taken during the new MTP period.

Confidence in the Turkish Lira has significantly increased, and the share of TL deposits in total deposits has risen substantially. In January 2023, the share of TL deposits in total deposits was around 38.9%. Throughout the year, this ratio rose strongly, reaching 53.6% in August 2024. This increase shows that confidence in the TL has increased and that residents are more inclined to keep their savings in the local currency.

Meanwhile, looking at KKM (FX-protected) deposits, the share, which had approached 30% in mid-year, decreased to 10.1% in August 2024. The balance of KKM, which peaked at approximately 3.4 trillion TL, has since decreased to 1.6 trillion TL. In the same period, the share of foreign currency deposits fell from 44.4% in January 2023 to 36.3% in August 2024.

These trends demonstrate the success of economic policies and actions taken to ensure financial stability. Especially the strengthening of the TL and the increase in confidence in the national currency are important developments in combating inflation and ensuring macroeconomic stability. We expect these positive trends in the Turkish economy to continue in the future.

We see that our gross international reserves increased from $98.5 billion on May 26, 2023, to $150.4 billion on August 23, 2024. This represents a $52 billion increase in our reserves, an important development for enhancing the resilience of our economy to external shocks.

The risk premium fell from 703 basis points in May 2023 to 283 basis points as of September 3, 2024. This decline indicates increased confidence in Türkiye in international markets and a significant reduction in risk perception. We aim to enhance this development, which facilitates access to external financing and reduces its cost.

The increase in reserves, the decline in the risk premium, and the increase in TL deposits are concrete indicators that economic policies are moving in the right direction and that there is a positive atmosphere in the markets.

The budget balance is of great importance in ensuring the sustainability of public finances and economic stability. Between 2003-2023, the budget deficit averaged 2.6% of GDP. For 2023, we initially forecasted a budget deficit of 3.5%, but due to the earthquake disaster and its adverse effects on the economy, we revised our forecast in September to 6.4%. During this period, the earthquake, adjustments to retirement eligibility conditions, and wage increases for public employees led to increased public spending, resulting in a deterioration of the budget balance.

Despite all these, thanks to the measures taken and the fiscal policies implemented, the budget deficit fell to 5.2% as of December 2023. Of this amount, 3.6% directly resulted from the impact of the earthquake. However, since these expenditures were of a temporary nature, they did not affect the structural balance. Furthermore, a significant portion of the earthquake-related expenditures was of an investment nature.

During the Medium-Term Program (MTP) covering the 2024-2026 period, measures for priority reform areas planned for different quarters are illustrated in the timeline. As seen, reform actions outlined under the Program framework are distributed across different quarters with varying intensity.

In the first quarter of 2024, 26 reform measures were planned, of which 20 were successfully completed. This shows that significant progress was made at the start of the Program and that the majority of the planned measures were implemented on schedule.

In the second quarter, 8 measures were planned, of which 2 were completed. Work continued on the remaining measures, reflecting the dynamic nature of the reform process and the flexibility in implementation processes. It is also important to note that there are 2 continuous measures.

In total, 36 measures were planned in the first half of 2024, of which 24 were successfully completed. This demonstrates that the reform process largely met its targets and that significant steps were taken under the MTP.

The implementation of various regulations, such as the Climate Law, the Public Procurement Law, and the SOE Governance Law, which have been completed, will be carried out in accordance with the timeline set out in the reform program.

MACRO POLICY FRAMEWORK

Dear Participants,

Now we will examine the macroeconomic policy framework and main objectives set for the next three years within the Medium-Term Program (MTP) (2025-2027).

The primary objective of the 2025-2027 Program is to gradually reduce inflation to single-digit levels, increase our growth potential in harmony with the disinflation process, enhance productivity-based investment, employment, production, and exports through structural reforms, and distribute income more equitably across all segments of our society through increased prosperity.

To achieve these goals, strong coordination between monetary, fiscal, and income policies will be ensured, and combating inflation will be treated as a priority area.

With this new MTP period, we are setting out the steps and priorities to achieve the sustainable growth and stability goals of our economy.

In this context, enhancing human capital, increasing fixed capital investments, and raising total factor productivity will be prioritized in the sources of growth. Thus, we will increase the competitiveness of our economy and place it on a sustainable growth trajectory in the long term.

A key strategy is also to increase productivity-based investment, employment, production, and exports through structural reforms. These reforms aim to strengthen the fundamental structure of our economy and create a more efficient environment for production and trade. In the medium to long term, it is projected that these reforms will contribute to transitioning from the upper-middle income group to the high-income group.

In addition to addressing the aftermath of the earthquake and creating more resilient cities, we also aim to increase social welfare by ensuring fair distribution of income across all segments of society. Achieving economic growth that offers equal opportunities for everyone and spreads across all segments of society is one of our main goals.

Finally, maximizing the demographic window of opportunity and incorporating women and young people into the economy are key goals. This holds great potential for long-term economic growth.

This new MTP period encompasses important steps to strengthen Türkiye's economic structure and achieve sustainable development goals. The strategies and objectives of this Program will raise the standard of living in our country and increase our competitiveness on the global stage.

At this point, I will share with you the priority reform areas we have identified for the new MTP period. Various reforms are envisaged to achieve sustainable growth and development objectives for our economy during the new MTP period.

First, we have the goal of "Ensuring Macroeconomic and Financial Stability on a Permanent Basis." This reform area includes reducing inflation to single digits permanently, disciplining public finances, and ensuring financial stability. Creating a solid macroeconomic foundation is essential for making our economy more resilient to external shocks.

"Implementing Public Finance Reforms" involves increasing efficiency in public spending, ensuring budget discipline, and managing public debt at sustainable levels. These reforms will enhance the sustainability of public finances and support long-term economic stability.

Another priority area is "Developing R&D and Innovation Capacity," which aims to increase the capacity of our economy to innovate and promote high-value-added production. Supporting R&D investments and innovative projects will enhance Türkiye's competitiveness and accelerate the transition to a technology-oriented growth model.

The "Technological Transformation for Green and Digital Economy Transition" is also among our priorities. This area involves expanding environment-friendly production methods and digitalization in line with sustainable development goals, which will increase both environmental sustainability and economic efficiency.

With the reforms "Strengthening Human Capital and Activating the Labor Market", we aim to enhance the quality of the workforce and increase employment rates. By investing in education and skill development programs, we aim to prepare our workforce for future needs.

"Continuing to Improve the Business and Investment Environment" is another important area. Increasing the ease of doing business, maintaining investor-friendly policies, and reducing bureaucracy will enhance the competitiveness of our economy.

Finally, "Reducing the Informal Economy" is a critical reform area. By combating the informal economy, we aim to prevent unfair competition, expand the tax base, ensure tax justice, and increase public revenues.

These key policy areas will bring about the necessary structural changes to help Türkiye achieve its sustainable growth and development goals and ensure the long-term stability of our economy.

GLOBAL OUTLOOK

Dear Participants,

Now, I will share with you current data on the global economy and projections for how Türkiye positions itself in this context.

Looking at the global GDP projections, the world economy grew by 3.3% in 2023 and slowed slightly to 3.2% in 2024. Between 2025-2027, global growth is expected to remain steady between 3.1% and 3.3%. This indicates that global economic activity will progress on a stable growth trajectory, particularly influenced by slowdowns in developed countries.

Growth rates in the Eurozone and the US are expected to be at lower levels. Growth in the Eurozone is expected to rise from 0.5% to 1.3%, while in the US, it is expected to decline from 2.5% to 2.1% (from 2023 to 2027).

For developing economies excluding China and India, growth rates are expected to increase from 3.5% in 2023 to 3.9% in 2027. These countries will continue to serve as engines of global growth.

Finally, looking at global trade volume expectations, a limited increase of 0.3% is observed in 2023, rising to 3.0% in 2024, and stabilizing between 3.3% and 3.5% in subsequent years. This increase shows that global trade is recovering and getting back on the growth path.

Türkiye's export performance is influenced by global growth dynamics, particularly by the economic growth rates of our main trade partners, such as the European Union (EU) and the Middle East and North Africa (MENA) region. These two regions account for over 60% of our exports.

The growth rate of the EU, which was 0.6% in 2023, is expected to rise to 1.2% in 2024 and 1.8% in 2025. For the MENA region, the growth rate, which was 1.8% in 2023, is expected to increase to 2.2% in 2024 and 4.0% in 2025. These growth forecasts indicate that external demand conditions will be more supportive for Türkiye, positively impacting Türkiye's trade balance and overall economic growth.

Expectations of a decline in interest rates in the US and the EU suggest that global financial conditions will begin to improve, positively impacting developing economies like Türkiye.

Since the beginning of 2020, particularly with the onset of the pandemic, there has been significant volatility in global commodity prices. In 2021 and 2022, due to economic recovery and supply-demand imbalances, substantial increases in commodity prices were observed. However, as of 2023, there has been a stabilization in these prices. Forecasts for 2024 and 2025 indicate that commodity prices will follow a more moderate trend, with fewer extreme fluctuations expected. General commodity prices are expected to stabilize, and base metal prices are expected to moderately decline. Food and energy prices are also expected to remain balanced. This expected improvement and moderate trend offer significant advantages for the Turkish economy as an importer.

In conclusion, the moderate trend in global commodity prices expected during the 2025-2027 MTP period presents a favorable picture for input costs in industry, Türkiye's trade balance, inflation control, and overall economic stability.

MEDIUM-TERM PROGRAM TARGETS

Dear Participants,

Now, I will talk about the new Medium-Term Program's objectives.

In 2023, the Gross Domestic Product growth rate was realized at 5.1%. This growth rate reflects the effects of the post-pandemic recovery and the resilience of the Turkish economy. However, mitigating high inflation risks and achieving balance require a more moderate and sustainable growth process.

In this context, the growth rate is expected to be 3.5% in 2024, partly due to rising geopolitical tensions in our region. Compared to the previous MTP, there is a 0.5% downward revision.

By 2025, the growth rate is targeted to recover and reach 4.0%. In this period, growth is expected to accelerate again with the impact of economic reforms and structural adjustments. In 2026 and 2027, growth rates are planned to reach 4.5% and 5.0%, respectively. These targets are intended to enable the economy to reach its potential growth capacity and achieve a stable growth trend in the long term.

This growth path is designed to ensure sustainable economic development without generating inflationary pressure, in line with the disinflation process. Although fighting against inflation may have temporary effects on growth in the short term, the two goals are compatible in the medium and long term.

Achieving balanced and stable growth in an environment where inflation is falling will increase Türkiye's competitiveness in both domestic and global markets make economic prosperity sustainable.

The new MTP period aims to contribute to achieving our country's economic goals with a balanced growth strategy. In this direction, we will continue to fight against inflation and support economic growth by optimizing growth rates.

While our GDP at current prices was 26.5 trillion TL in 2023, it is expected to reach to 44.2 trillion TL in 2024. In dollar terms, our GDP is projected to be $1.331 trillion by the end of 2024, with per capita income reaching $15,551. By 2027, GDP is expected to reach 83.1 trillion TL. In dollar terms, GDP is targeted to rise from $1.1 trillion in 2023 to $1.8 trillion in 2027.

Per capita income, which was $13,243 in 2023, is projected to reach $20,420 by the end of 2027. These indicators show that our economy will continue its growth trend and that the level of prosperity will increase.

During the term of our governments, increasing prosperity has always been one of our most important priorities and in the last two decades, from 2002 to 2023, our GDP has increased from $238 billion to $1.13 trillion. During this period, our citizens' purchasing power has also significantly improved, with per capita GDP rising from $9,279 to $42,997 in terms of purchasing power parity (PPP).

Our country has become the 17th largest economy in nominal dollar terms and the 11th largest in PPP terms.

In 2023, the unemployment rate was realized at 9.4%. This rate reflects the impact of the post-pandemic recovery process and global economic uncertainties on the labor market. For 2024, the unemployment rate is expected to fall to 9.3%, well below the previous year's forecast of 10.3%. This decline indicates that the recovery in the economy is continuing and there is a partial improvement in the labor market.

In 2025, the unemployment rate is projected to be 9.6%. This increase is considered as a part of the economy's rebalancing process. However, in 2026 and 2027, unemployment rates are expected to decline to 9.2% and 8.8%, respectively. This downward trend reflects the positive effects of economic growth and structural reforms on the labor market.

During the MTP period, a total of 2.3 million additional jobs are targeted to be created. This goal will ensure a gradual reduction in unemployment while increasing the growth potential of the economy. These positive developments in the labor market will make significant contributions to Türkiye's social and economic development.

In conclusion, the unemployment projections in the Program demonstrate Türkiye's determination to achieve structural transformations in the labor market and reduce unemployment rates.

The labor force participation rate is expected to rise from 53.3% in 2023 to 56% by the end of 2027. This increase indicates that labor force participation in the economy is strengthening and that employment creation capacity is increasing.

From an employment rate perspective, the employment rate, which was 48.3% in 2023, is expected to rise to 51.1% in 2027. This increase shows that more people will participate in the labor market and be employed. The unemployment rate is also expected to gradually decline from 9.4% in 2023 to 8.8% in 2027. This decrease indicates that the labor market will improve further and the economy's capacity to create employment will increase.

During the terms of our government, between 2005, when the new employment series began, and 2023, a total of 12.2 million jobs were created, raising the employment level from 19.4 million to 31.6 million. During the same period, our population increased by 17.6 million, with approximately 70% of the increased population finding employment.

The primary goal of the Program is to ensure price stability. In 2023, due to multiple adverse factors, such as global supply chain problems, volatility in energy prices, and domestic demand conditions, the inflation rate was recorded at 64.8%. With the implementation of tight monetary and fiscal policies, the inflation rate is expected to fall to 41.5% in 2024, representing significant progress in the fight against inflation.

By 2025, the inflation rate is targeted to decline further, reaching 17.5%. During this period, balancing the economy and consistently implementing monetary policies will play a critical role in bringing inflation to single-digit levels. In 2026, inflation is expected to fall to

9.7%, achieving single-digit levels, and further decrease to 7.0% by 2027.

These projections indicate that while transitioning to a sustainable growth environment, Turkish economy will take a determined stance in the fight against inflation. Successfully managing the disinflation process will contribute to our country's goals of maintaining economic stability and improving the standard of living.

Decreasing inflation to single-digit levels will not only ensure price stability but also support economic growth by improving the investment environment in the long term. In the coming period, we will continue to work towards these goals with a comprehensive strategy that includes monetary, fiscal, and structural reforms, and in cooperation with all economic actors.

In 2023, the ratio of the current account deficit to GDP was recorded at 4.0%. However, by the end of 2024, this ratio is expected to fall to 1.7%. This significant decline which is lower than our estimate of 3.1% is a result of the transformation that has begun in Türkiye's economic structure and strategic changes in its foreign trade policy.

In 2025, the current account deficit is projected to be 2.0% of GDP. In this period, increased export diversification and decreases in energy costs will contribute to improving the current account deficit. By 2026 and 2027, the current account deficit is expected to decline further to 1.6% and 1.3% of GDP, respectively. This reflects that Türkiye's capacity to manage its foreign trade deficit in a sustainable manner will increase.

These projections is a result of the steps and structural reforms taken by Türkiye to improve its current account balance. Particularly with the new industrial policy targeting high-value-added production, reducing import dependency in critical sectors such as energy, and optimizing foreign trade play a critical role in reducing the current account deficit to a sustainable level.

In conclusion, these goals reflect Türkiye's determination to strengthen its economic structure and ensure balance in foreign trade. All necessary measures will continue to be taken to advance the sustainable growth path of our economy and enhance its resilience to external shocks.

Having considering foreign trade data, in 2023, our exports reached $255.6 billion, while imports were recorded at $362 billion. In 2024, exports are expected to rise to $264 billion, while imports are projected to decrease to $345 billion. During the Program period, exports are expected to gradually increase, reaching $319.6 billion by the end of 2027, while imports are expected to rise to $417.5 billion. This data show that our trade deficit will gradually narrow, and our economy's export-oriented growth strategy will be strengthened.

In terms of the current account, tourism revenues were recorded at $55.9 billion in 2023 and are expected to increase to $74.1 billion by 2027. In 2023, the current account deficit was recorded at $45 billion. This deficit is expected to decrease to $22 billion in 2024 and fall to $22.6 billion in 2027. As a percentage of GDP, the current account deficit is projected to decline from 4.0% in 2023 to 1.3% in 2027. Thanks to the improvement in the current account balance, our economy's need for external financing will reduce.

Despite continued expenditures related to the earthquake, steps taken to strengthen fiscal discipline have led to a rapid recovery in budget balances. The budget deficit for 2024 is expected to be well below the 6.4 percent target set in the budget, reaching 4.9 percent of GDP.

The budget deficit for 2025 is targeted to be 3.1 percent of GDP. During the MTP period, the budget deficit is projected to gradually decline, falling to 2.5 percent of GDP in 2027. The budget deficit for 2024 is expected to be 503 billion TL below the budgeted estimate, amounting to 2 trillion 149 billion TL. This development was primarily driven by increased revenues and limited expenditure growth due to the measures taken. In 2025, the budget deficit is targeted to be 1 trillion 931 billion TL, with a primary surplus of 19 billion TL. The budget deficit is expected to remain at 4.9 percent of GDP this year, reflecting a disciplined approach to public spending. In 2025, the budget deficit is targeted to decline to 3.1 percent of GDP, with a focus on strengthening savings-oriented spending.

Looking at the budget revenue and expenditure path, we can see that the ratio of expenditures to national income is adjusted downward, while revenues are adjusted upward. A nearly 2-point reduction in spending as a percentage of GDP clearly demonstrates the supportive role of fiscal policy in combating inflation.

One of the greatest achievements of our governments has been the establishment of fiscal discipline. We continue to maintain and strengthen fiscal discipline as an anchor that enhances stability and confidence in the economy. Between 2003-2023, the budget deficit as a percentage of GDP averaged 2.6 percent. In 2002, the same indicator was over 10 percent.

Although there were periods when the budget deficit increased rapidly due to cyclical reasons, establishing and maintaining fiscal discipline has always been one of our fundamental priorities during our governments. At the end of the Program period, the budget deficit as a percentage of GDP is targeted to fall below the long-term average to 2.5 percent.

Due to the impact of fiscal tightening, the EU-defined general government debt stock continues to decline. At the end of the Program period, the debt stock is expected to decline to 24.8 percent of GDP.

Türkiye's public debt as a percentage of GDP was 29.8 percent in 2023, down 2.2 percentage points from the previous year. This ratio is quite low compared to the developing country average of 69.5 percent and the developed country average of 108.2 percent.

Türkiye also has low risk in household indebtedness compared to developing country averages. In 2023, household debt as a percentage of GDP in Türkiye remained flat at 11 percent, while the weighted average for developing countries was 49.1 percent, and for advanced economies, it was 71.8 percent.

Türkiye's real sector debt-to-GDP ratio decreased by 6.8 percentage points compared to 2022, falling to 48.5 percent by the end of 2023, remaining below the average for similar countries. The average for developing countries excluding China was 62 percent at the end of 2023.

MACROECONOMIC INDICATORS AND POLICY TOOLS

Now, I will tell you about macroeconomic indicators and policy instruments.

In this part of my presentation, I will briefly talk about our implementation tools related to our priority reform areas.

Under the growth heading, transformation and innovation in various sectors are among our priorities. We aim to transform the industry into a high-value-added production structure by achieving sectoral transformation. This transformation will enhance the competitiveness of our industry and facilitate access to foreign markets.

Strengthening the R&D and innovation ecosystem is also an essential part of our growth approach. Increasing R&D investments, supporting innovative projects, and establishing a technology-oriented ecosystem will enhance our economy's capacity for innovation. Accelerating the green transformation is also crucial in terms of adopting environmentally friendly production methods and achieving sustainable development goals.

It is aimed to adapt our economy to the needs of the digital age by supporting the transition to digital transformation, developing digital infrastructure and increasing digital skills.

It is planned to increase the qualifications of our workforce by strengthening human capital via making investments in education and talent development.

Other important factors supporting growth include the activation of public infrastructure investments and increasing productivity and production in agriculture. In this context, the increase in Organized Industrial Zones (OIZ) and Small Industrial Estates (SIE), connecting industrial production areas to ports and major trade routes through railway links, increasing energy investments, and efficiently utilizing local energy sources such as Black Sea natural gas and Gabar oil are highlighted as public investment priorities during the Program period.

On the employment side, new forms of work and sectoral transformations are emerging. These aim to help the labor market adapt to changing conditions and achieve a more flexible and efficient structure. Providing employment for those facing difficulties in labor market participation aims to achieve inclusive growth.

Aligning human capital with skill demands is a critical step in equipping our workforce with the skills required by the market and developing qualified labor for the economy. Finally, reducing voluntary unemployment requires more active labor market policies to reduce unemployment rates and increase employment.

These macroeconomic indicators and implementation tools will enable our economy to achieve its growth and employment targets during the 2025-2027 MTP period, playing a significant role in sustainable development.

First of all, when we look at the steps planned in the field of financial stability, simplifying financial regulations is important to ensure that financial markets continue to operate robustly and stably. This step will enhance the transparency and reliability of the financial system, allowing market participants to better manage risks.

The selective credit policy aims to control credit growth and reduce financial risks, while developing capital markets aims to create a deeper and more liquid financial structure. In addition, measures such as developing participation finance and financial technologies will support a more inclusive and innovative financial system. In this context, increasing savings is also a critical element of economic stability, aiming to increase domestic savings rates to provide sustainable resources for economic growth.

Moving on to strategies for ensuring price stability, the policy mix suitable for the disinflation process stands out as an important step. In order to control inflation and reduce it to single-digit levels, appropriate monetary and fiscal policies must be implemented in coordination. The administered and directed price policy aims to protect the purchasing power of households by keeping price increases under control.

In addition, supply-side policies aim to increase production capacities and diversify goods and services offered to the market. This will play a significant role in reducing inflationary pressures by alleviating demand pressures.

As shown by these two slides, the 2025-2027 MTP period adopts a comprehensive and multidimensional approach to achieve economic growth, employment, financial stability, and price stability targets. Each strategy and implementation tool is carefully designed to ensure that our economy progresses along the path of sustainable development.

Now, I would like to talk about policy instruments in two other important areas of our economy.

First, looking at the actions to be taken under the balance of payments heading, the product and market diversification strategy is of great importance to improve our external trade balance. Active trade diplomacy is a critical element in strengthening our international trade relations and exploring new market opportunities.

In addition, facilitating trade and financing exports will contribute to increasing foreign trade volume by making export processes more efficient and providing financial support to our exporters. Reducing import dependency, especially in strategic sectors, aims to promote domestic production and reduce the current account deficit. Additionally, developing service exports and supporting green and digital transformation in exports will increase our competitiveness in the service sector and ensure the adoption of sustainable export strategies.

Regarding the business and investment environment, our goal here is to make Türkiye more attractive for both domestic and foreign investors. Improving business and investment processes is possible by reducing bureaucratic barriers and accelerating investment processes. In addition, improving the regulatory framework, along with a well-functioning justice system, will encourage investments by ensuring that businesses operate in a more predictable and stable environment.

Establishing competitive new investments and increasing green, digital, and supply chain-focused investments are essential for helping our economy adapt to future trends and global competition conditions. These investments will support both environmental sustainability and economic growth.

Finally, I will talk about the policy instruments we will implement in the field of public finance to achieve our sustainable economic growth and fiscal discipline targets.

Under the public finance heading, a series of reforms are envisaged to strengthen the fiscal structure of the state and increase the efficiency of public spending. Our first priority is to achieve efficiency in spending, which means using public resources more effectively and minimizing unnecessary expenditures. An efficient spending policy will play a critical role in controlling the budget deficit and ensuring fiscal discipline.

Financing a disaster-resilient structure aims to create a more prepared and resilient fiscal structure against natural disasters and unexpected crises, allowing our country to respond quickly and effectively in the post-disaster recovery process.

Ensuring fairness and efficiency in taxation aims to apply tax policies more fairly and effectively. In this context, expanding the tax base and combating informality will contribute to increasing public revenues and ensuring fiscal sustainability. Combating informality and efficiency in audits are also vital steps to achieve this goal; it is aimed to minimize informal activities in the economy and conduct audits more effectively.

The State-Owned Enterprises (SOE) governance reform aims to make public enterprises more efficient and competitive, while ensuring the fiscal sustainability of the social security system aims to reduce the burden of social security spending on the budget in the long term and ensure the system functions healthily.

These comprehensive reforms and policies aim to establish a disciplined, effective, and sustainable structure in the field of public finance during the 2025-2027 MTP period. Achieving fiscal discipline is of great importance for maintaining economic stability and supporting sustainable growth, and these steps will contribute significantly to reaching our country's development goals.

Dear Participants,

I am concluding my presentation here. With the policies and reforms to be implemented during the new MTP period, we aim for our economy to achieve sustainable development and become stronger and more resilient.

The steps to be taken in line with the goals set in the Program will increase Türkiye's economic stability and social welfare, creating a more equitable and inclusive growth model.

In this regard, I wish that the 2025-2027 MTP will be beneficial to our country. I sincerely believe that we will take determined steps to achieve our economic development and social welfare goals in cooperation with all stakeholders and achieve significant successes during this period. Together, under the strong leadership of our President, we will continue to work for a stronger and more prosperous Türkiye with team spirit and coordination.

Thank you.