



MEDIUM-TERM PROGRAM (2025-2027)

05 SEPTEMBER 2024



PRESIDENCY OF THE REPUBLIC OF TÜRKİYE
VICE PRESIDENCY



PRESENTATION OUTLINE

I. CHAPTER

THE MTP PREPARATION PROCESS

II. CHAPTER

ASSESSMENT OF THE MTP (2024-2026)

III. CHAPTER

ASSESSMENT OF THE MTP (2025-2027)



MEDIUM-TERM PROGRAM (2025-2027)

- The Medium Term Program (MTP) is the main policy document that includes;
 - **Macroeconomic policies and main economic indicators,**
 - **Total revenue and expenditure forecasts, budget balance and borrowing position,**
 - **and appropriation proposal ceilings of public administrative bodies**with a three-year perspective
- The MTP is a **roadmap that increases predictability** for the public and private sector.
- The MTP, which is put into effect with the **Decree of the President of the Republic, initiates the preparation process of the central government budget.**
- The MTP (2025-2027) includes the **macroeconomic policy framework and targets** as well as **priority reform areas and timetable** for a three-year period.
- **The policies and concrete measures** to be implemented in the first year of the Program will be detailed in the **2025 Presidential Annual Program.**



MTP (2025-2027) PREPARATION PROCESS



MTP (2025-2027) Preparation Process

June 25, 2024	- Initiation of Central Government Budget negotiations	Consultations and Shared Wisdom Meetings and consultation with <ul style="list-style-type: none">• Trade Unions• Professional organizations• Business representatives• Financial institutions• Agriculture sector representatives• Tradesmen representatives• Civil society organizations
July 18, 2024	- Request of policy and action proposals from public administrations - Drafting macroeconomic outlook	
July 16 – 19, 2024	- Preparation of the first draft budget by the Presidency of Strategy and Budget and the Ministry of Treasury and Finance	
August 5 – 17, 2024	- Completion of budget negotiations with public institutions	
August 19 – 27, 2024	- Reaching inter-institutional consensus on macroeconomic outlook - Establishment of the budget balance within the framework of negotiations - Completion of the MTP draft	
August 28, 2024	- Submission of the macroeconomic and fiscal targets of the draft MTP to the EKK (Economic Coordination Board) - Finalization of draft budget allocations to public administrations	
September 2, 2024	- Submitting the final MTP draft to the President	
September 5, 2024	- To be published in the Official Gazette following the President's approval	



ASSESSMENT OF THE MTP (2024-2026)



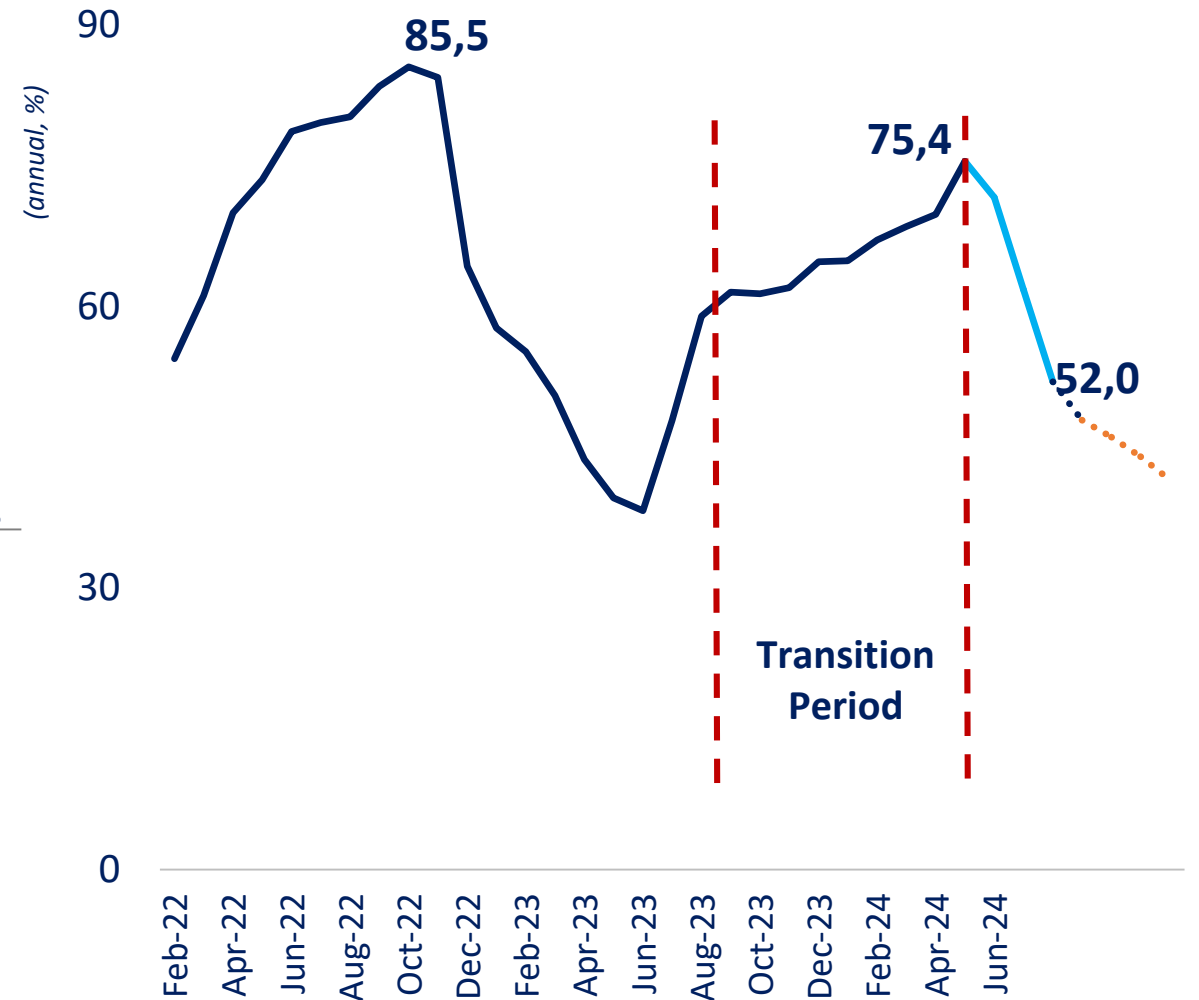
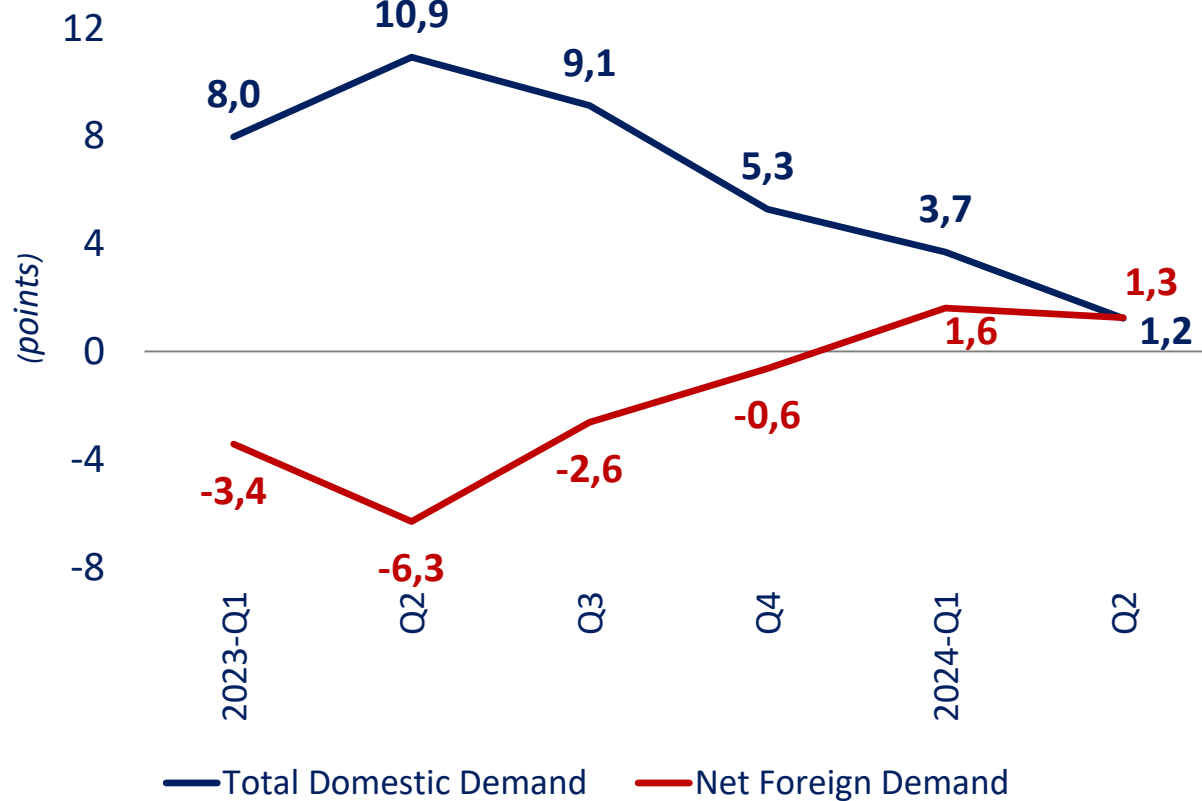
Assessment of the Last Year

- Main macroeconomic indicator **forecasts and targets have been substantially realized**, with current projections largely maintaining their validity.
- Within our projected timeline, **the disinflation process has begun** as of June 2024, with a recorded **decrease in inflation of 23.5 percentage points** since then.
- **In line with our balanced growth policy**, in the composition of growth the contribution of domestic demand has decreased and the current account deficit declining more than expected.
- Despite the balancing of economic activity, **employment growth has exceeded our targets**.
- **The outlook for the budget deficit is more positive compared to forecasts**, thanks to measures to enhance the efficiency of public spending.
- With the improvement in main macroeconomic indicators, **investors' perceptions about our country has changed in a positive direction overall**;
 - The country's **credit risk premium (CDS) has decreased**, while **credit ratings** and national **reserves** have increased.



Balancing in Growth, Transition to Disinflation Process

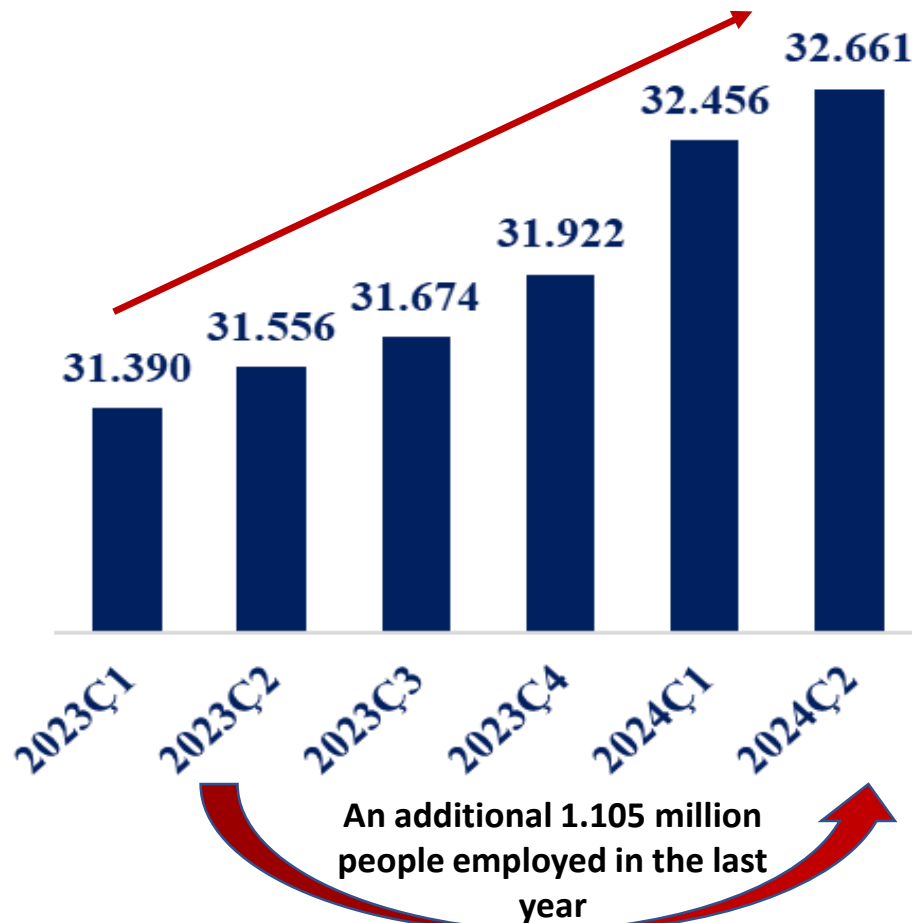
The balancing process, where the contribution of domestic demand to growth decreases while the contribution of foreign demand increases.



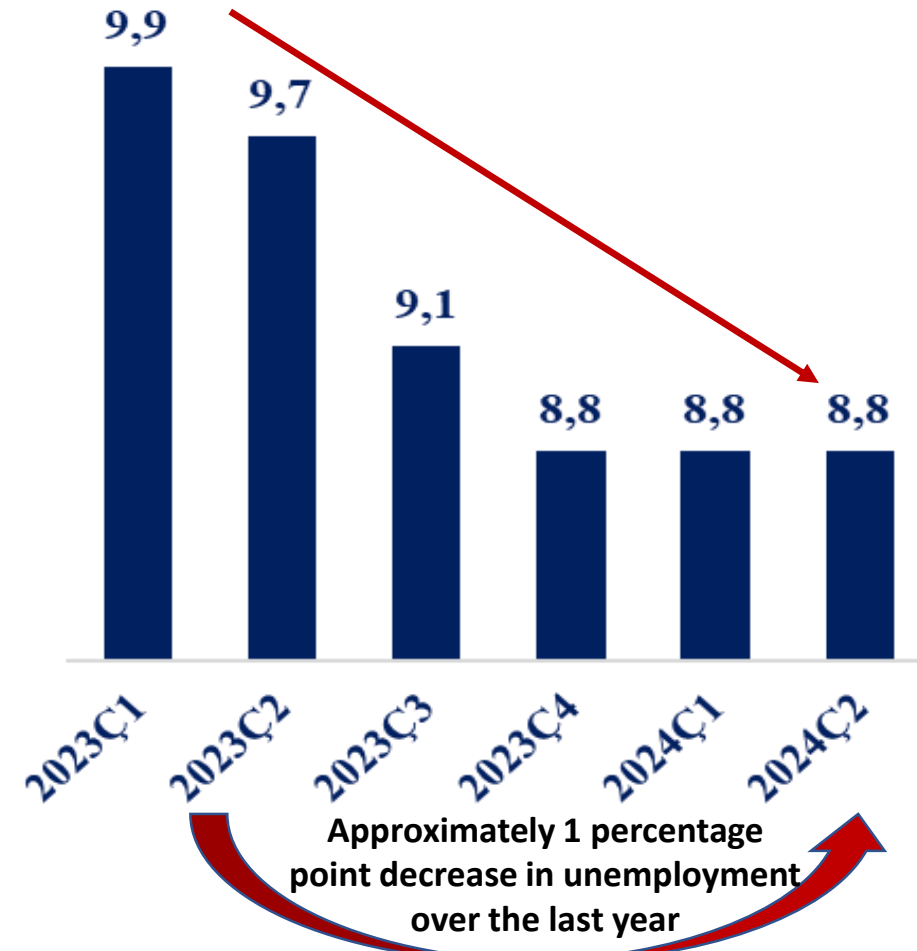


While Employment Increases, Unemployment Declines

Employment (SAAR, thousand people)

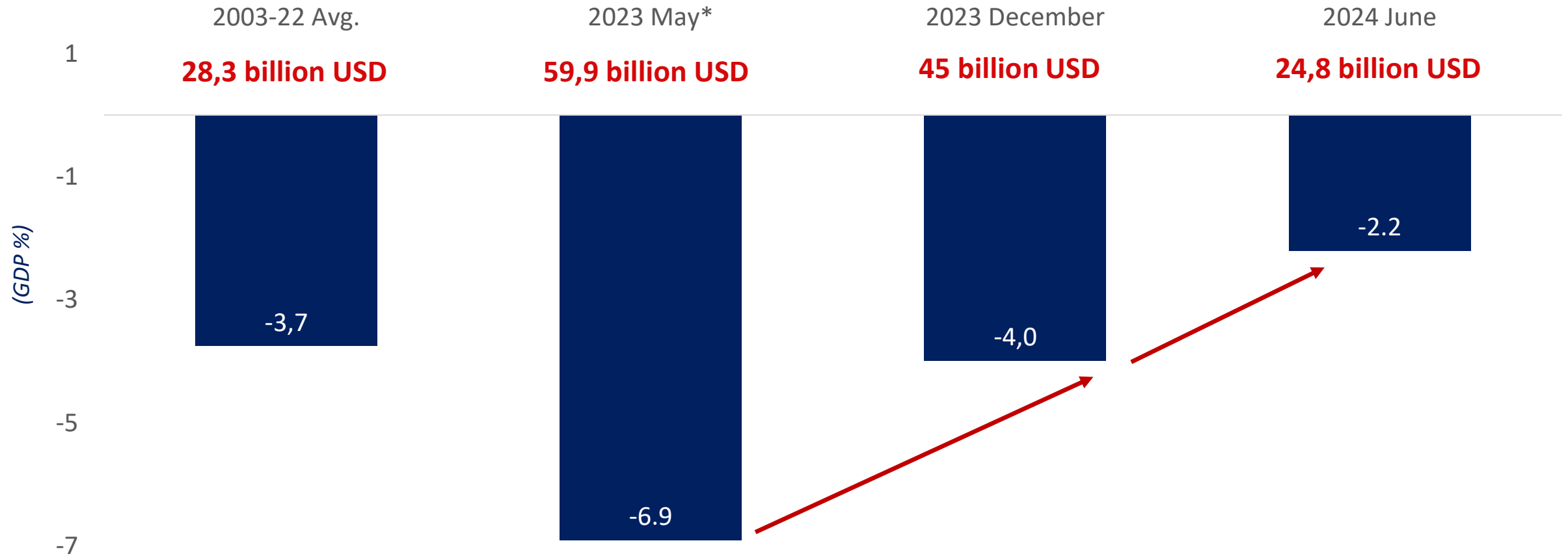


Unemployment Rate (SAAR, percentage)





Current Account Deficit Falling Below Long-Term Averages

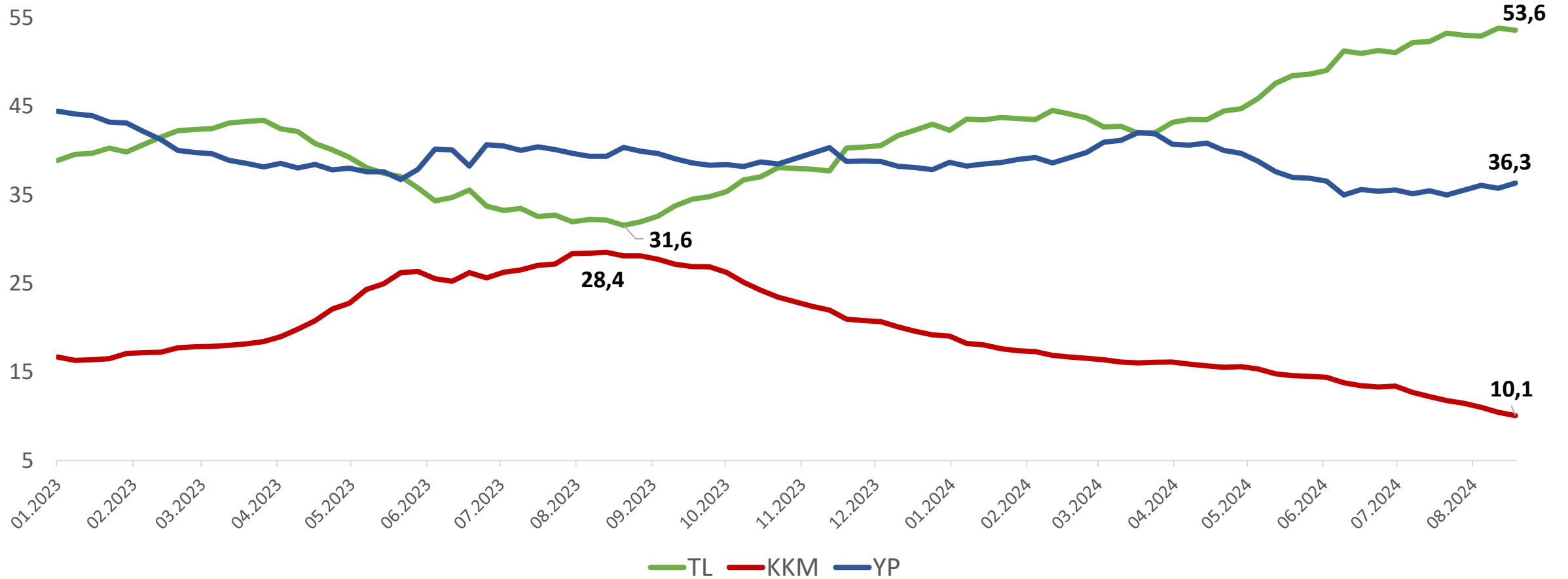


(*) Annualized current account deficit as a percentage of GDP estimate for the MTP (2023-2025)



Increasing Confidence in the Turkish Lira

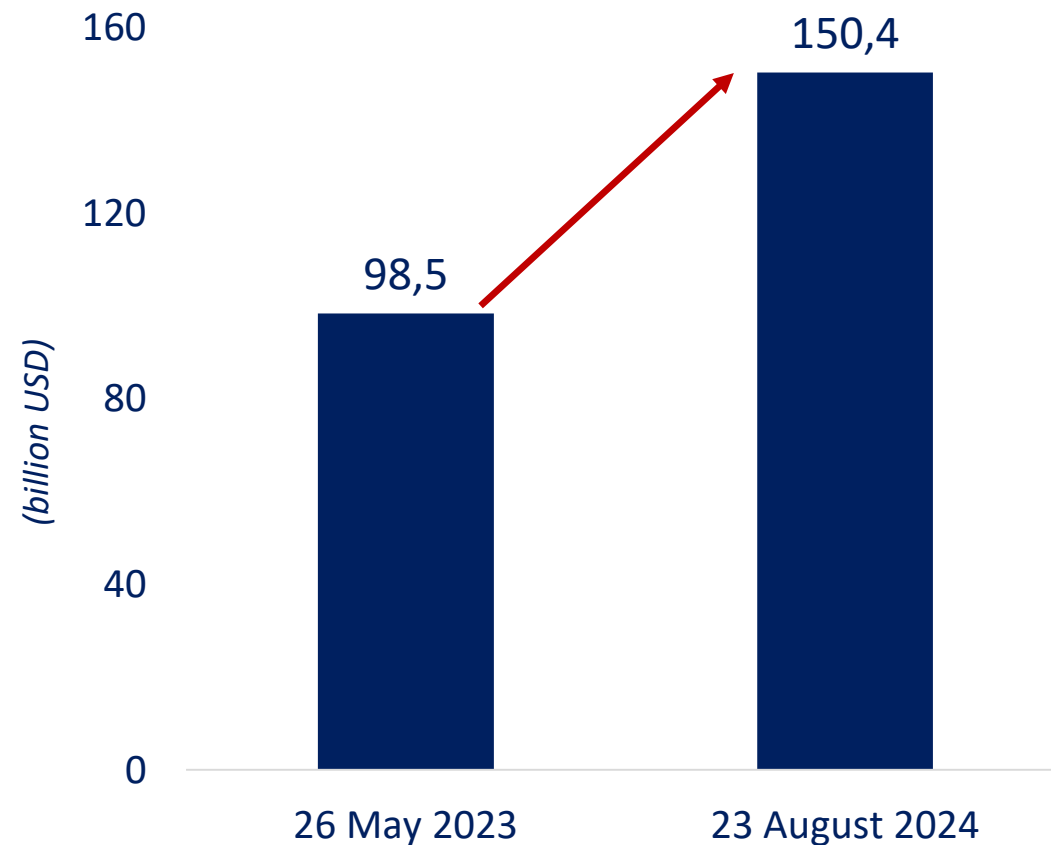
Distribution of Deposits (%)



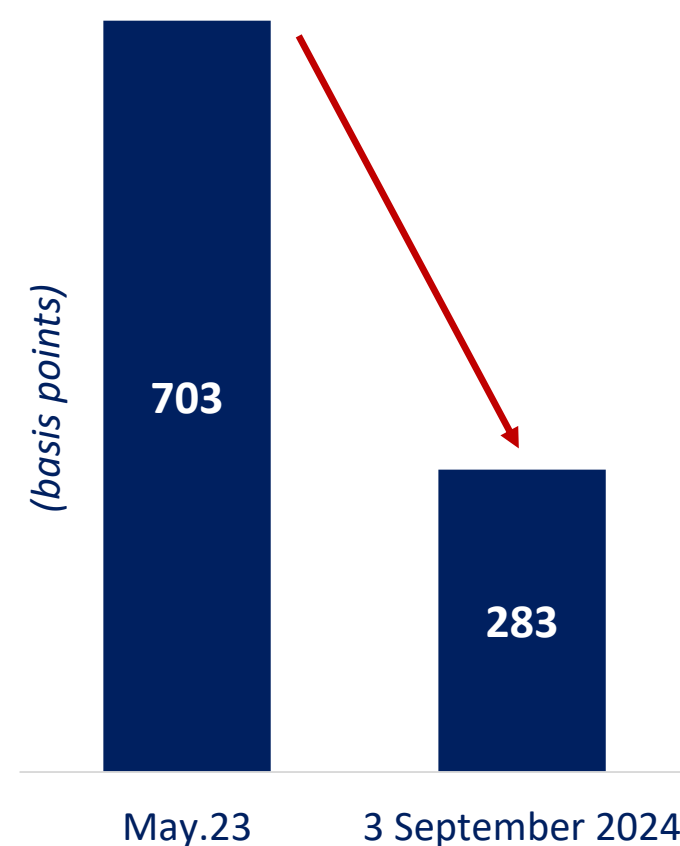


Strong Increase in Reserves, Rapid Decline in Risk Premium

Gross International Reserves



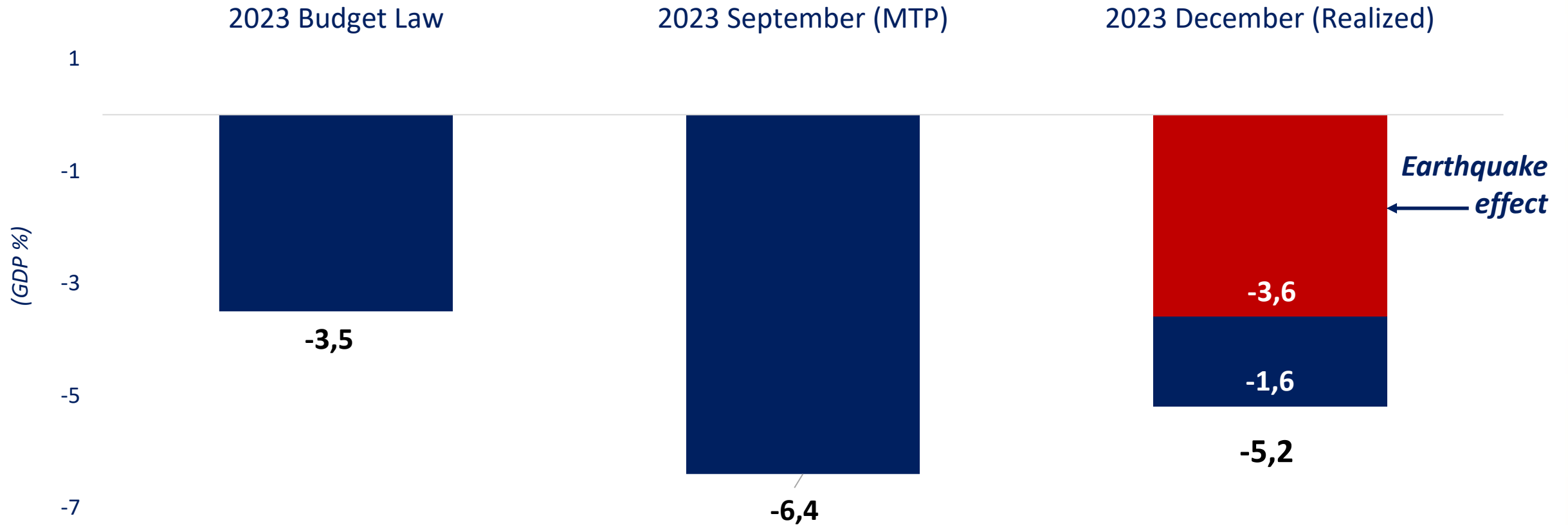
Risk Premium





Post-Earthquake High Budget Deficit Expectations Are At More Reasonable Levels Now Due to Taken Measures

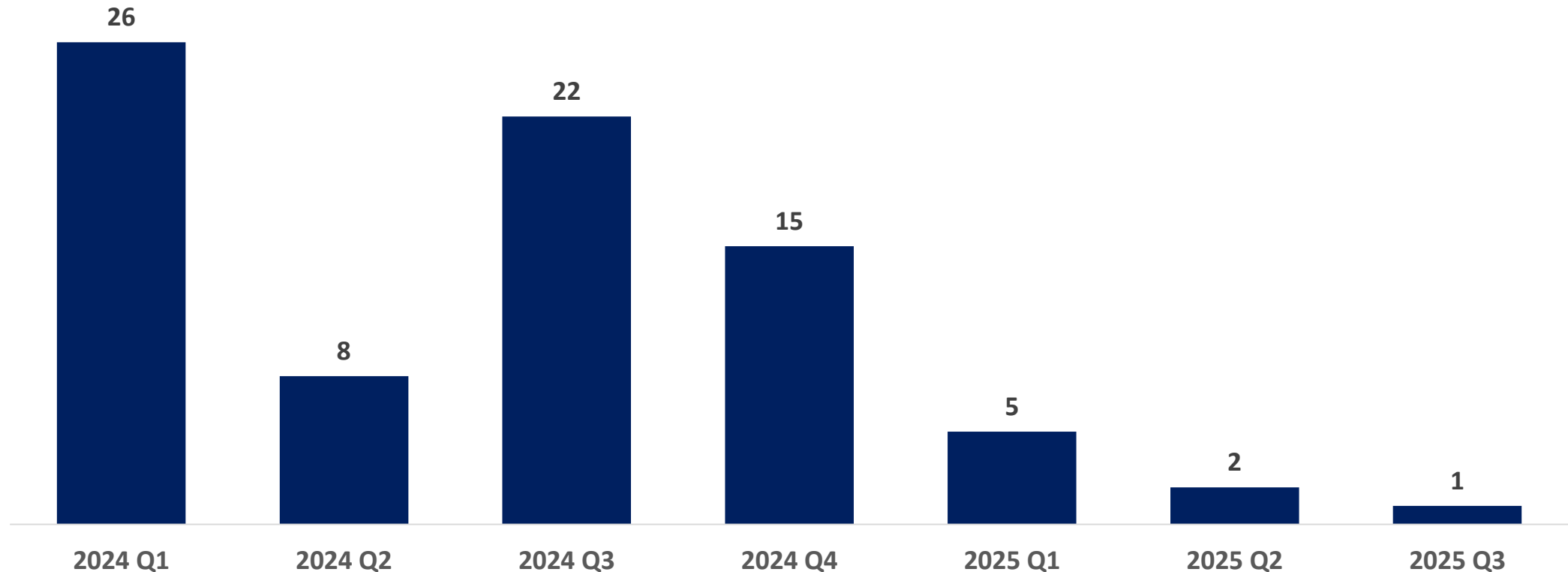
Budget Balance





Priority Reform Measures of the MTP (2024-2026)

Distribution of Reform Actions by Completion Periods

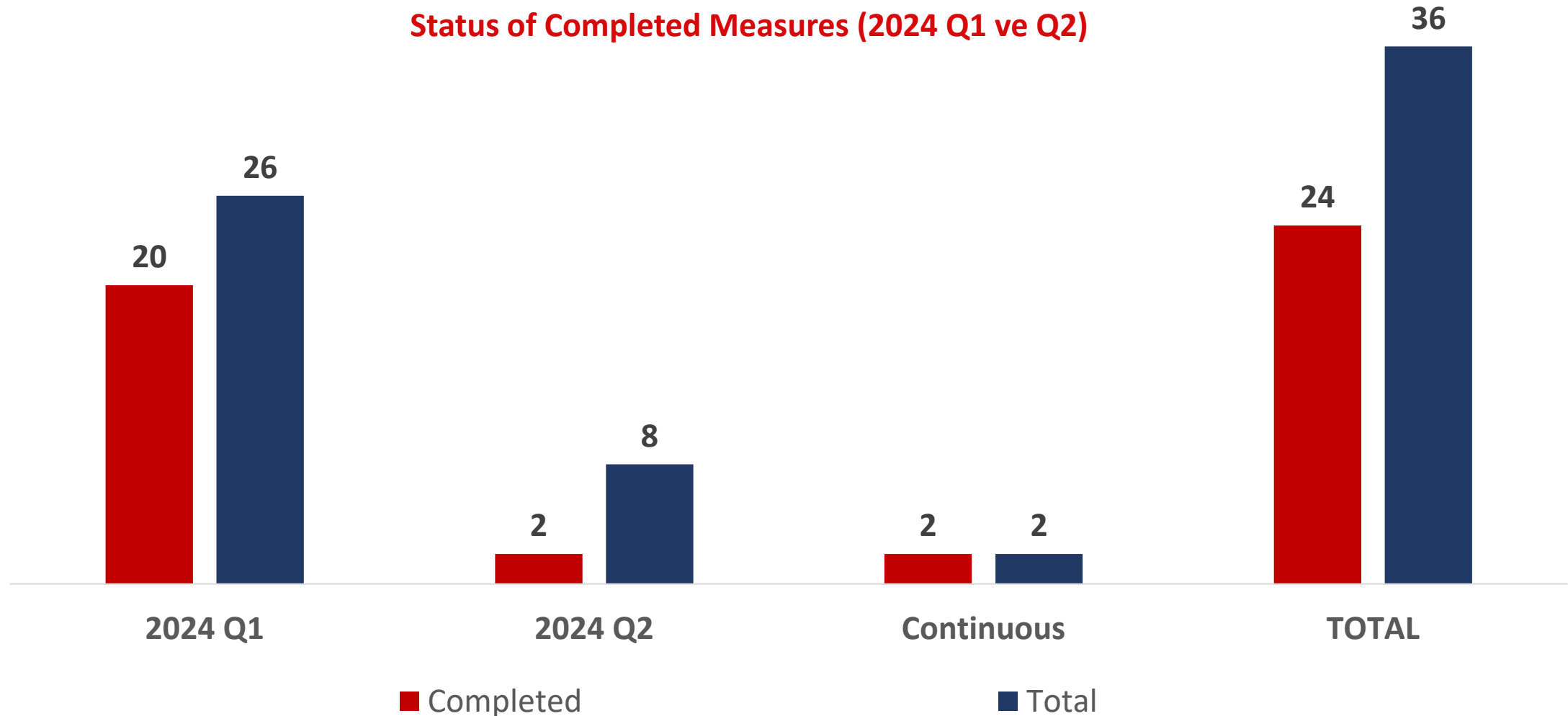


Note: In addition to the 79 actions in the graph, there are 2 continuous actions without a specified year.



Progress in Reform Actions as of the First Two Quarters of the Year

Status of Completed Measures (2024 Q1 ve Q2)





CHAPTER III

MEDIUM-TERM PROGRAM

(2025-2027)



MACRO POLICY FRAMEWORK

Macroeconomic Policy Framework and Main Objectives

- ✓ Reducing inflation rate to single-digit levels gradually
 - ✓ Increasing growth potential without creating inflationary pressure
 - ❑ Strengthening human capital
 - ❑ Increasing fixed capital investments
 - ❑ Increasing total factor productivity
 - ✓ Increasing productivity-oriented investment, employment, production, and exports by leveraging structural reforms
 - ✓ Reconstruction and recovery efforts following the earthquake
 - ✓ Transition from the upper-middle-income group to the high-income group
 - ✓ Equitable distribution of income across all segments of society
- «Strong coordination between monetary, fiscal and income policies»
- «Utilizing the demographic window of opportunity to the maximum extent»





Main Policy Areas Supporting the Macroeconomic Framework

**Ensuring Permanent
Macroeconomic and
Financial Stability**

**Implementing
Public Finance
Reforms**

**Enhancing R&D
and Innovation
Capacity**

**Achieving Technological
Transformation
Towards Green and Digital
Economy**

**Strengthening
Human Capital**

**Activating the
Labor Market**

**Continuing to Improve
the Business and
Investment Environment**

**Reducing
Informality in the
Economy**



GLOBAL OUTLOOK



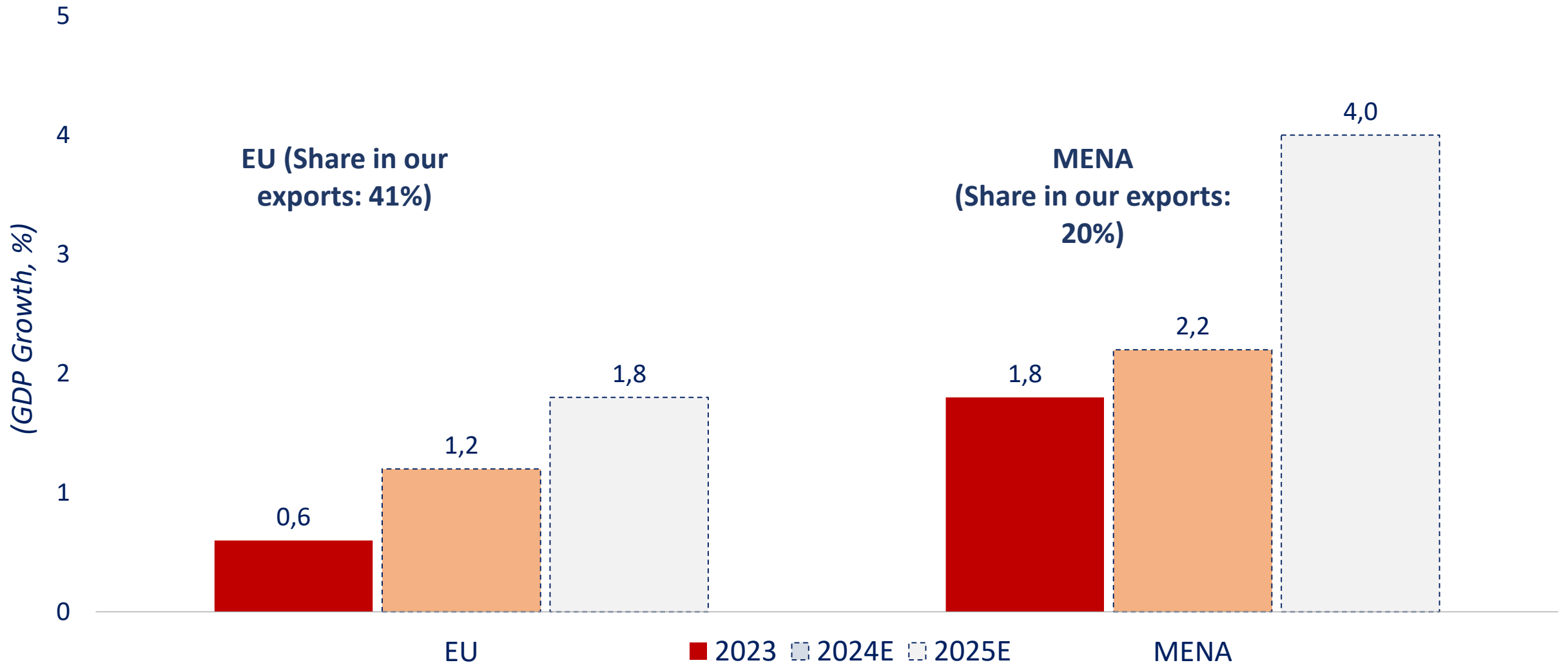
While Global GDP Remains Steady, Fast Recovery Among Trade Partners

	2023	2024	2025	2026	2027
GLOBAL OUTPUT	3,3	3,2	3,3	3,2	3,1
Advanced Economies	1,7	1,7	1,8	1,8	1,7
Euro Area	0,5	0,9	1,5	1,4	1,3
United States	2,5	2,6	1,9	2,0	2,1
Developing Economies	4,4	4,3	4,3	4,1	4,0
Developing Economies excluding China and India	3,5	3,8	3,9	3,6	3,9
GLOBAL TRADE VOLUME	0,3	3,0	3,3	3,5	3,4

Source: International Monetary Fund, World Economic Outlook, July 2024 Update

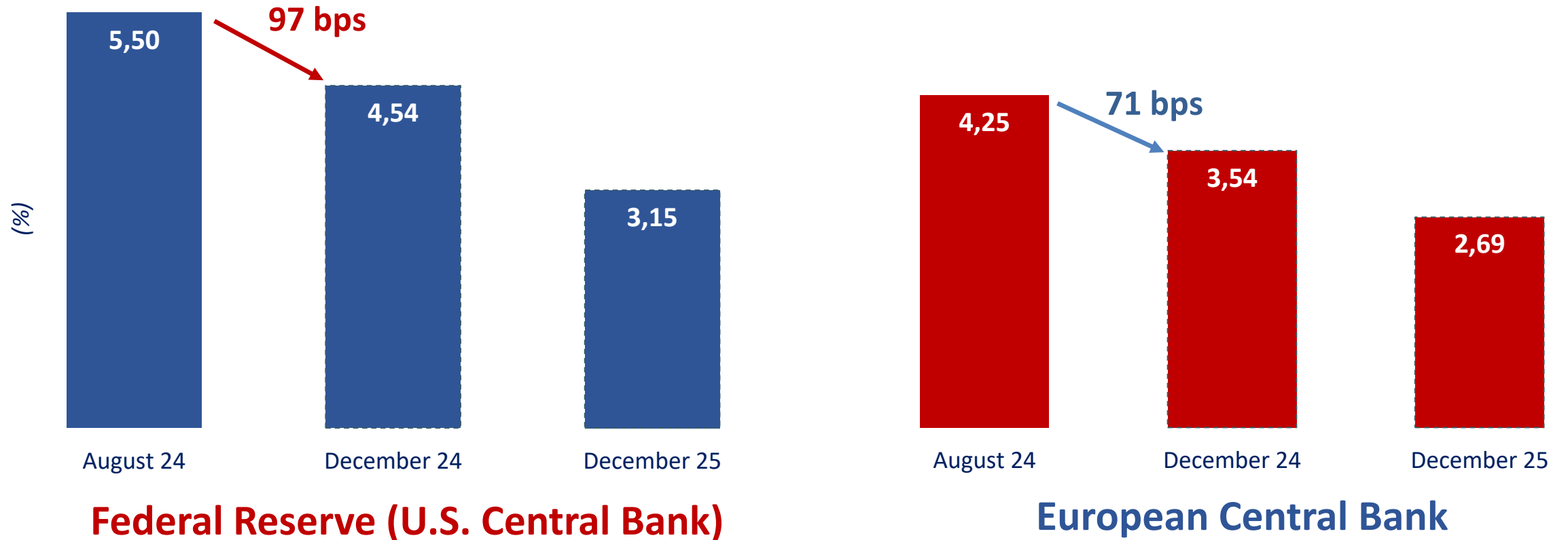


More Supportive External Demand



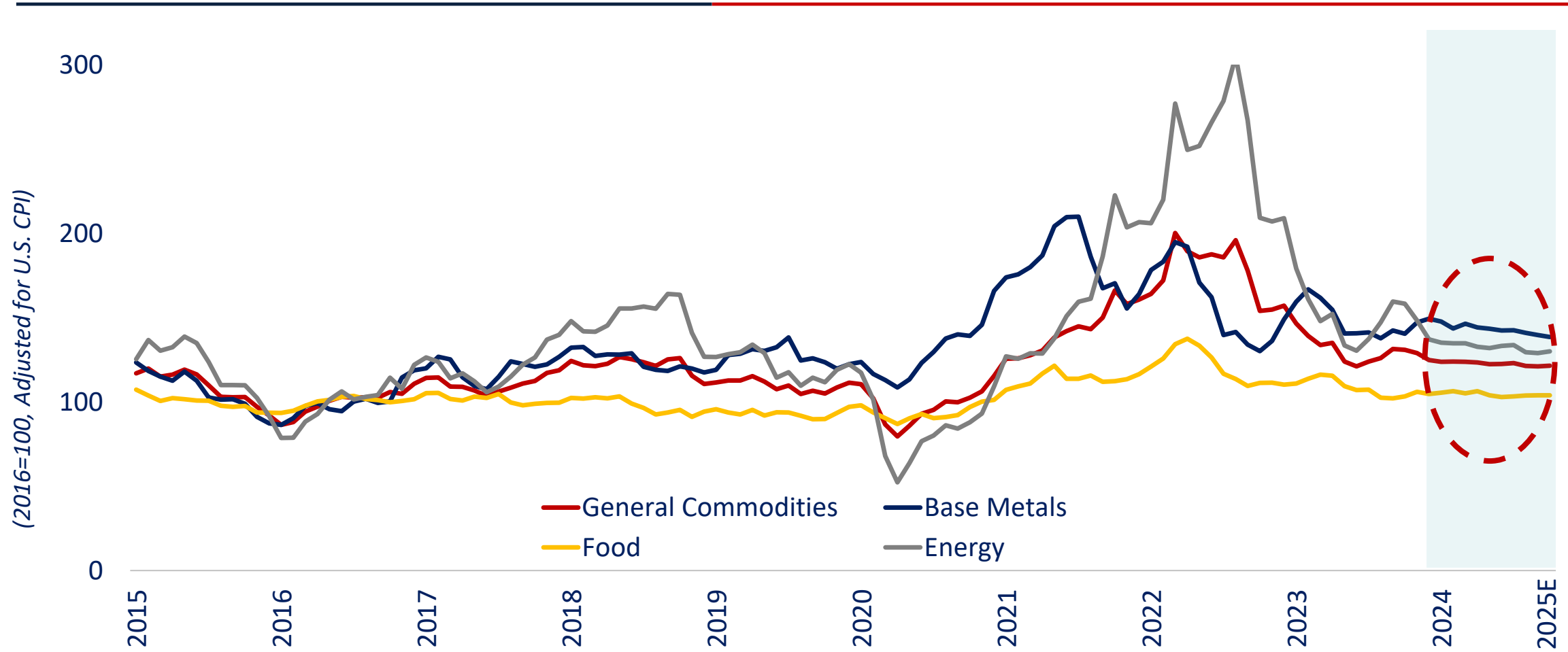


Expectation of Improvement in Global Financial Conditions





Moderate Global Commodity Prices

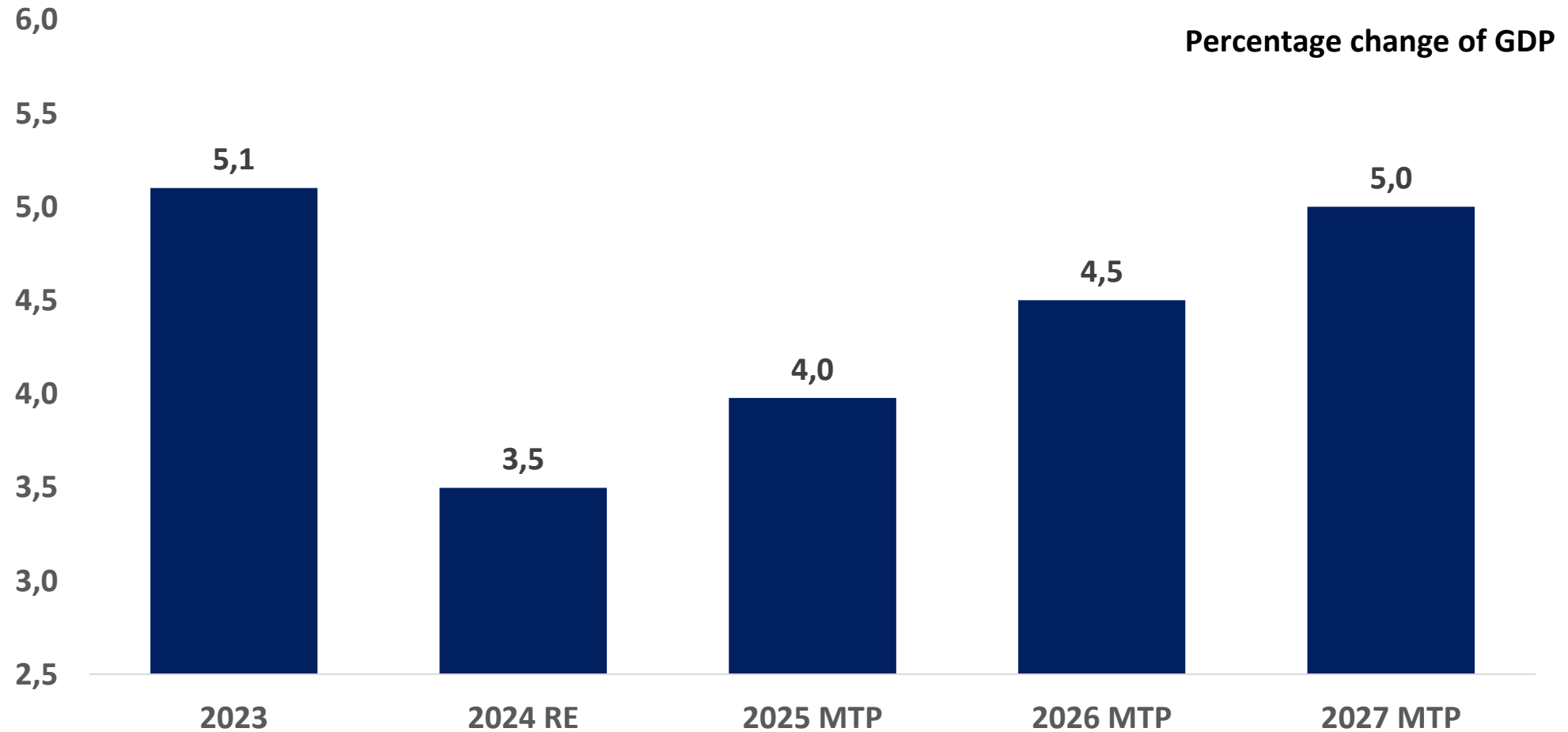




MEDIUM-TERM PROGRAM TARGETS



Growth Path Consistent with the Disinflation Process



RE: Realization Estimate



Growth Path Consistent with the Disinflation Process

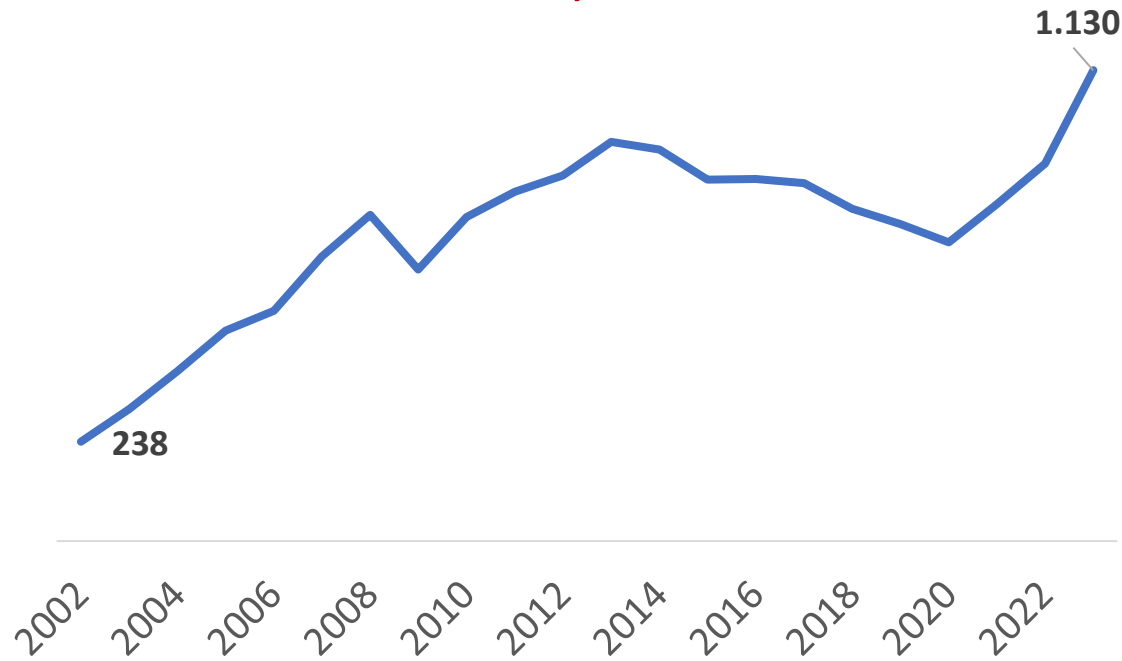
	2023	2024 ⁽¹⁾	2025 ⁽²⁾	2026 ⁽²⁾	2027 ⁽²⁾
GROWTH					
GDP (Billion TL, Current Prices)	26.546	44.218	61.540	72.915	83.132
GDP (Billion USD, Current Prices)	1.130	1.331	1.465	1.642	1.774
Per Capita Income (GDP, USD)	13.243	15.551	17.028	18.990	20.420
GDP Growth (%)	5,1	3,5	4,0	4.5	5.0

⁽¹⁾ Realization Estimate ⁽²⁾ Program

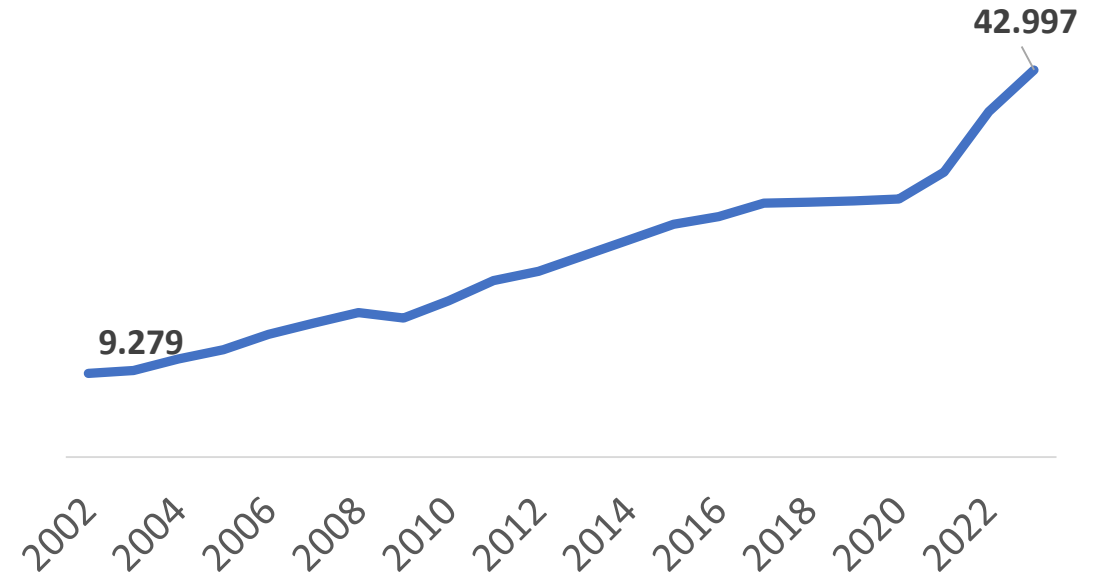


Long-Term Trend of National Income (2002-2023)

Current GDP, Billion USD

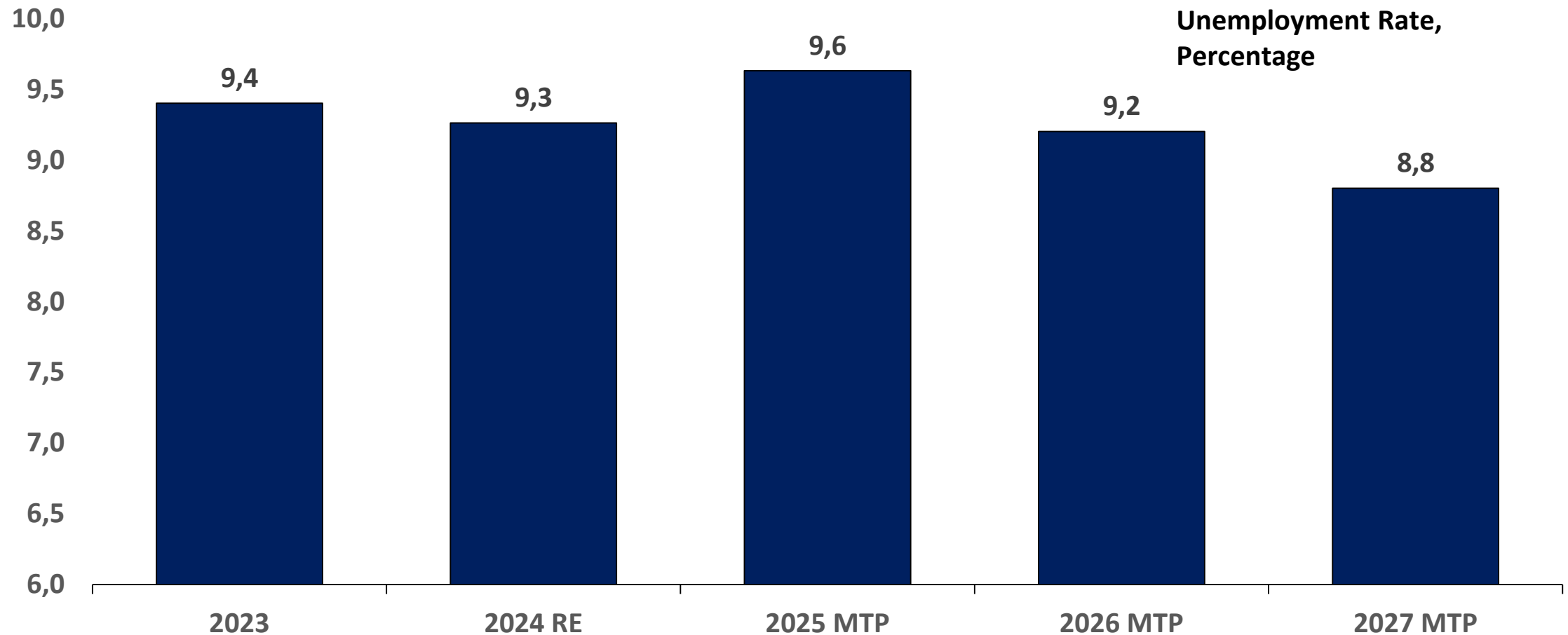


Per Capita National Income, in terms of PPP





Decrease in Unemployment with 2.3 Million Additional Employment During the MTP Period



RE: Realization Estimate



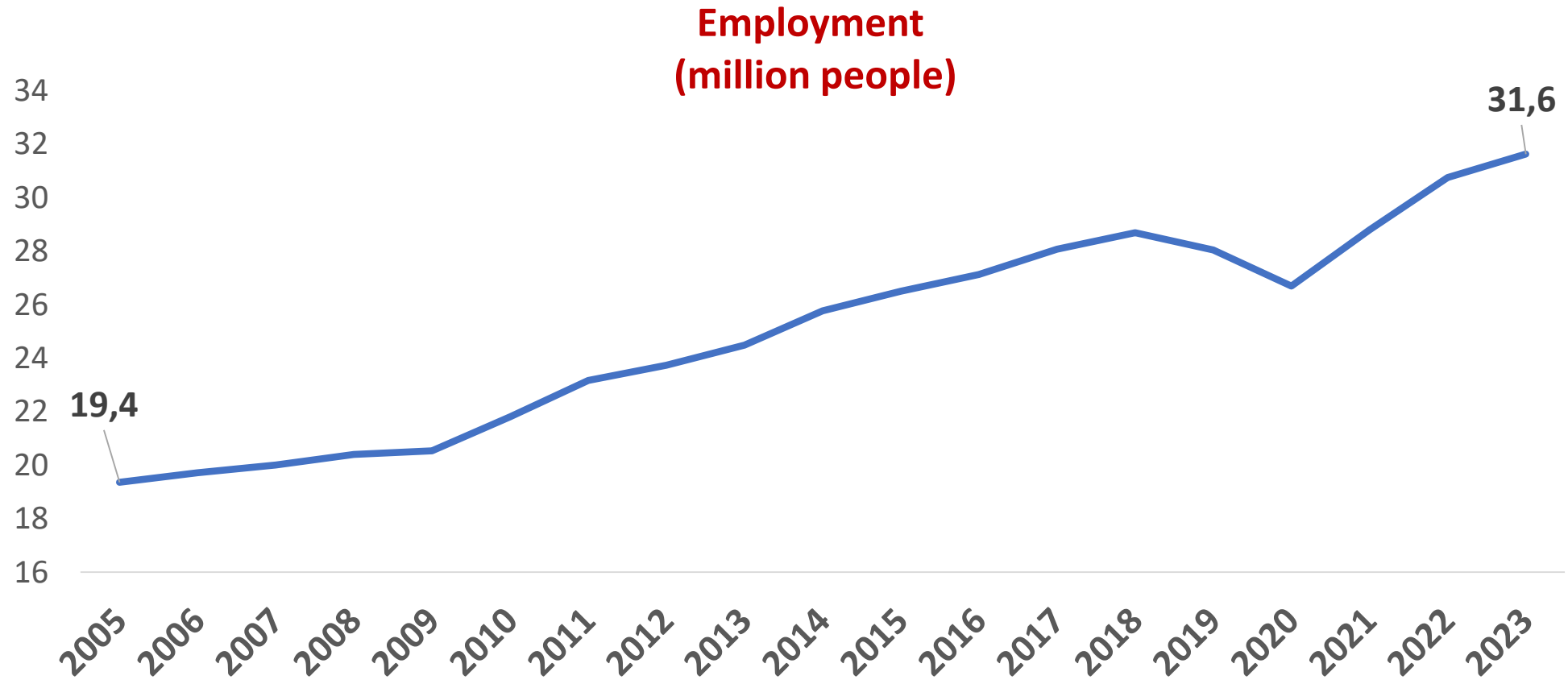
Decrease in Unemployment with 2.3 Million Additional Employment During the MTP Period

	2023	2024 ⁽¹⁾	2025 ⁽²⁾	2026 ⁽²⁾	2027 ⁽²⁾
EMPLOYMENT					
Population (Mid-Year, Thousand)	85.326	85.592	86.026	86.447	86.856
Labor Force Participation Rate (%)	53,3	54,5	55,0	55,5	56,0
Employment Level (Thousand)	31.632	32.668	33.200	34.098	34.941
Employment Rate (%)	48,3	49,4	49,7	50,4	51,1
Unemployment Rate (%)	9,4	9,3	9,6	9,2	8,8

⁽¹⁾ Realization Estimate ⁽²⁾ Program

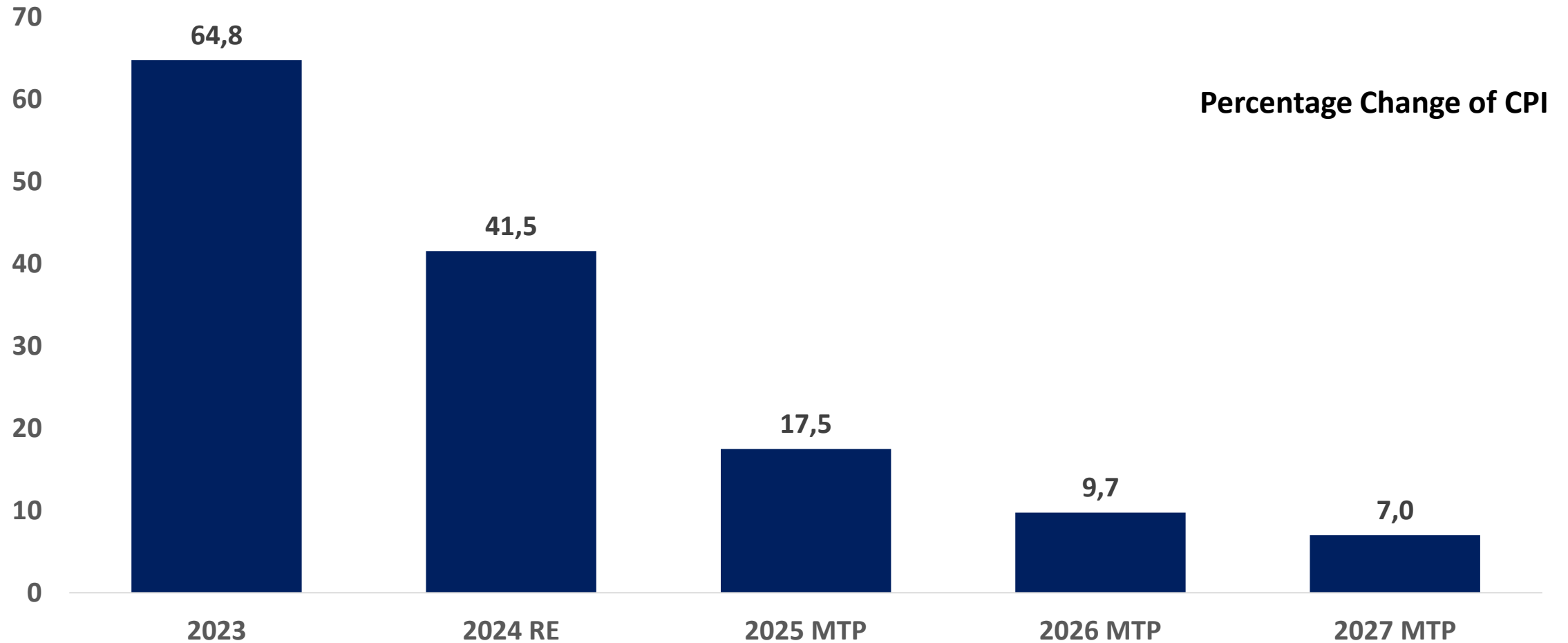


Long-Term Employment Trend (2005-2023)





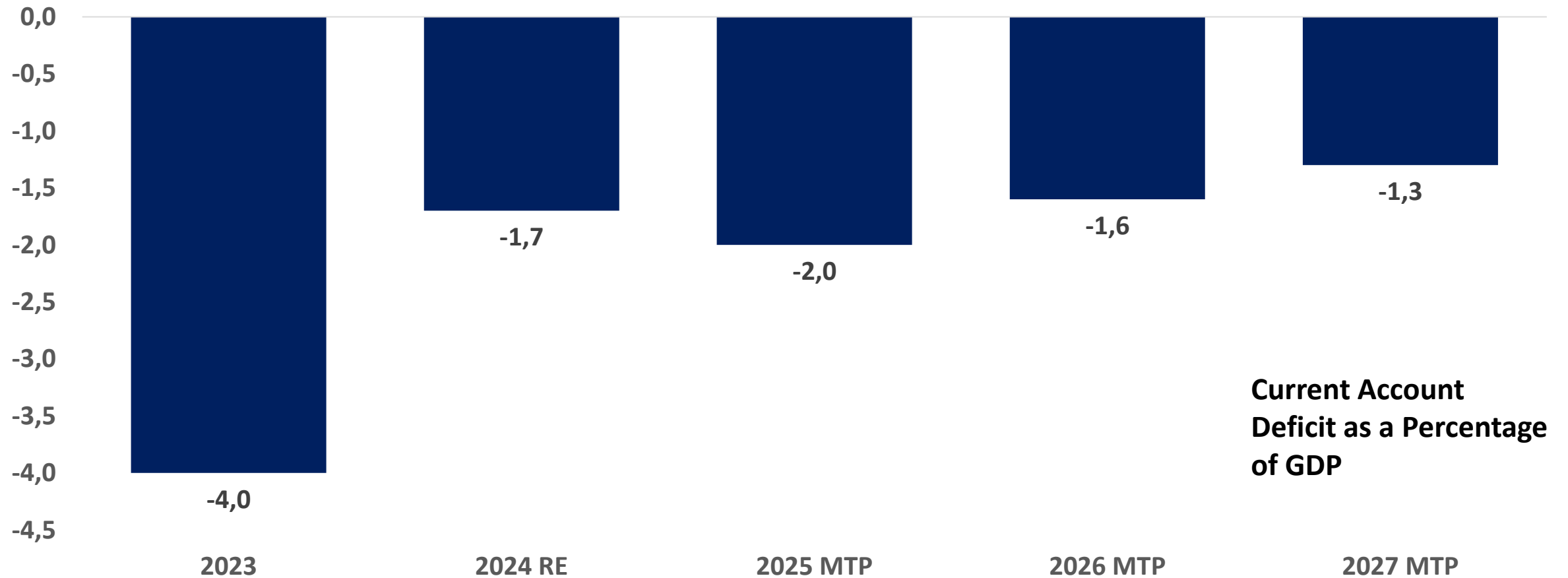
Single-Digit Inflation Rate at the End of the Disinflation Process



RE: Realization Estimate



Current Account Deficit Below Long-Term Averages with Structural Transformation in the Economy



**Current Account
Deficit as a Percentage
of GDP**

RE: Realization Estimate



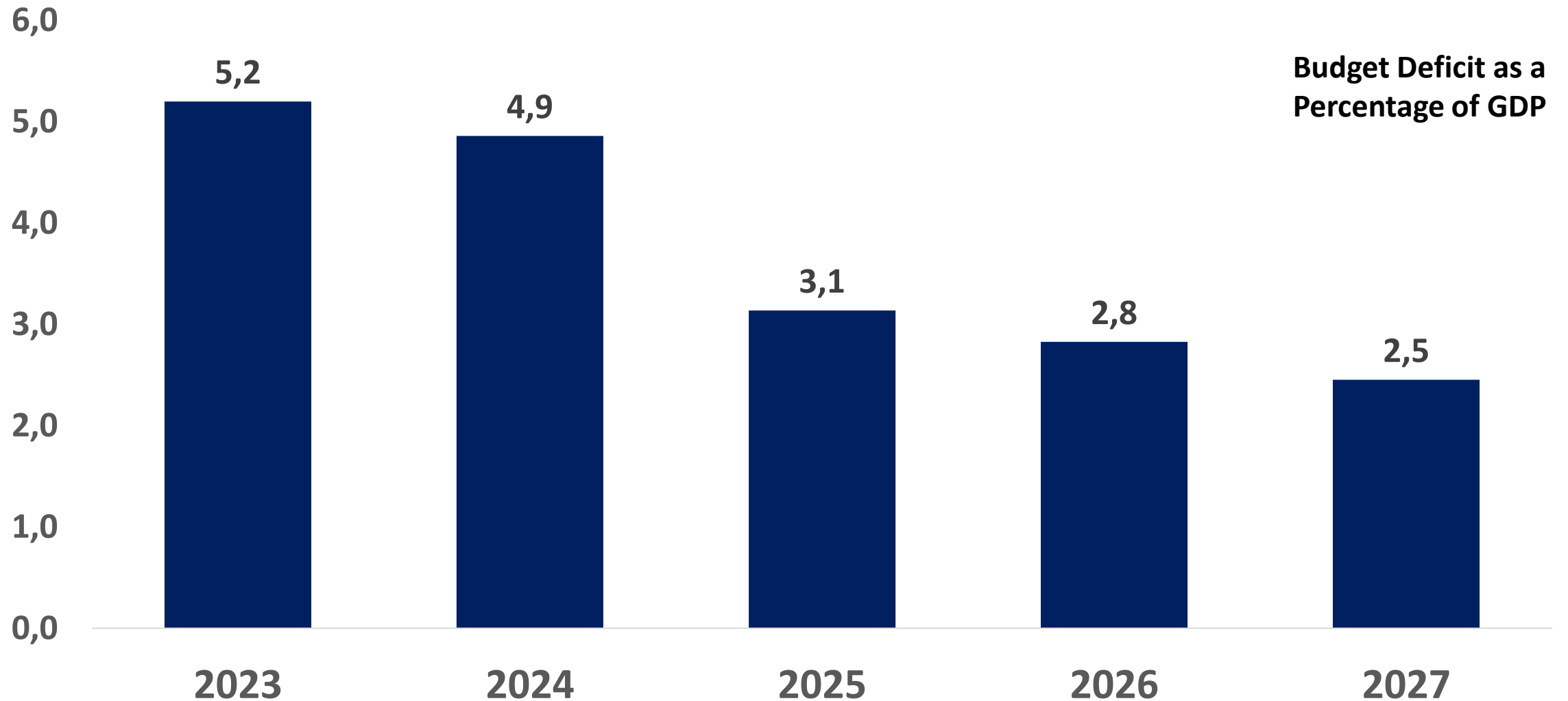
Current Account Deficit Below Long-Term Averages with Structural Transformation in the Economy

	2023	2024 ⁽¹⁾	2025 ⁽²⁾	2026 ⁽²⁾	2027 ⁽²⁾
FOREIGN TRADE					
Exports (GTS definition, fob) (Billion USD)	255,6	264,0	279,6	296,1	319,6
Imports (GTS definition, cif) (Billion USD)	362,0	345,0	369,0	390,6	417,5
CURRENT ACCOUNT					
Tourism Revenues (Billion USD)	55,9	59,6	63,6	68,7	74,1
Travel Revenues (Billion USD)	49,5	53,0	56,1	61,5	66,4
Current Account Balance (Billion USD)	-45,0	-22,0	-28,6	-25,6	-22,6
Current Account Balance / GDP (%)	-4,0	-1,7	-2,0	-1,6	-1,3

(1) Realization Estimate (2) Program



Rapid Fiscal Consolidation in the Post-Earthquake Period





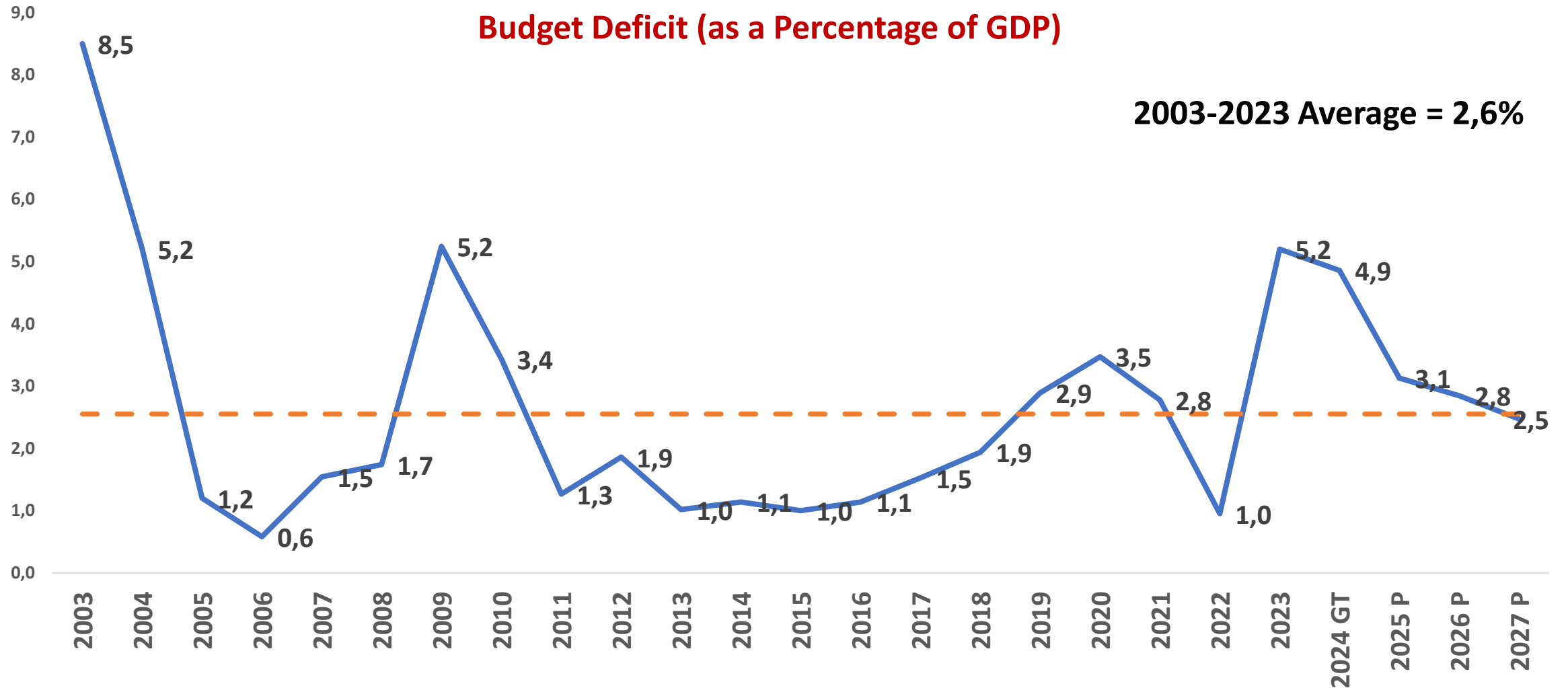
Rapid Fiscal Consolidation in the Post-Earthquake Period

	(Billion TL)			% of GDP		
	2024 P	2024 RE	2025 P	2024 P	2024 RE	2025 P
Central Government Budget Expenditures	11.089,0	11.213,1	14.731,0	26,9	25,4	23,9
Central Government Budget Revenues	8.437,1	9.064,7	12.800,3	20,5	20,5	20,8
Budget Balance	-2.651,9	-2.148,5	-1.930,7	-6,4	-4,9	-3,1

RE: Realization Estimate P: Program

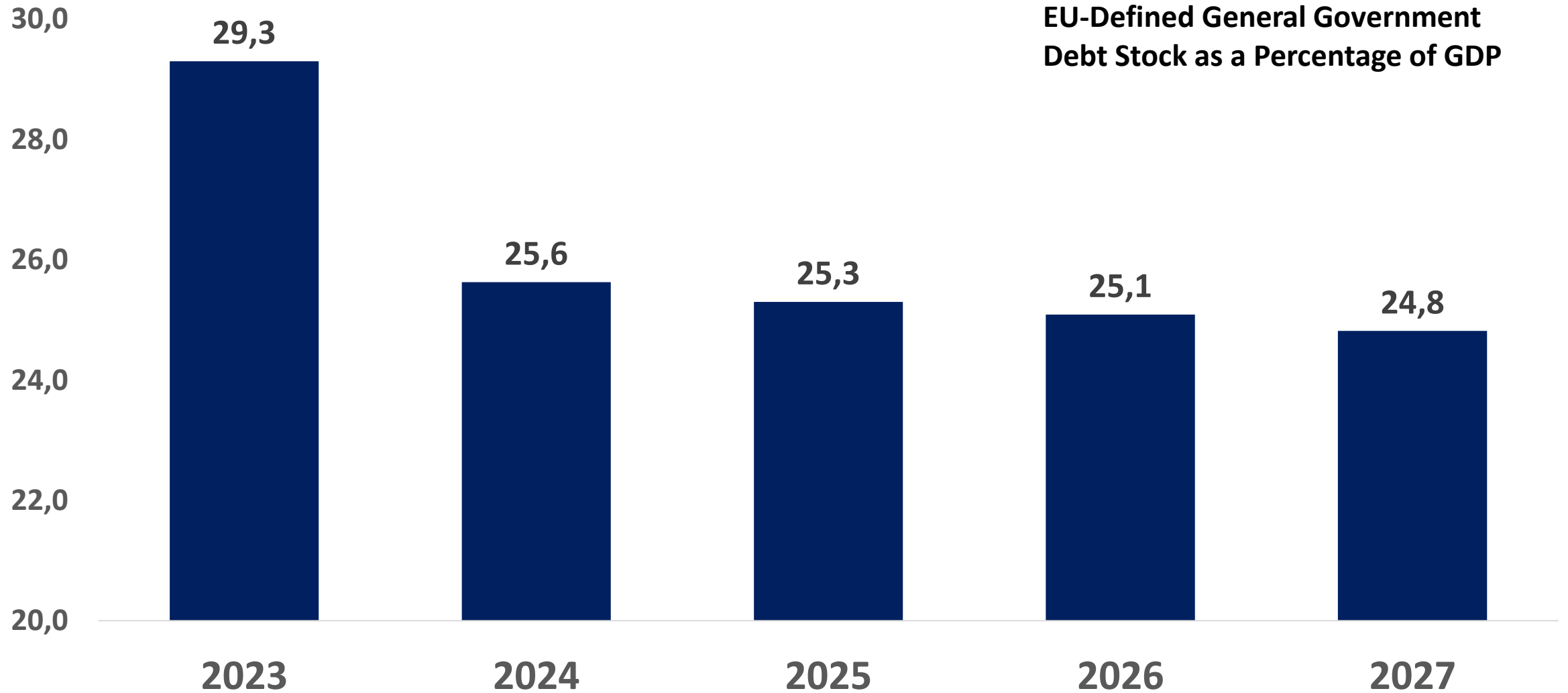


Long-Term Trend of Budget Deficit (2003-2023)





Decreasing Debt Stock





MACROECONOMIC INDICATORS AND POLICY TOOLS



MACROECONOMIC INDICATORS AND POLICY TOOLS - I

GROWTH

- Structural transformation in industry
- R&D and innovation ecosystem
- Accelerating green transformation
- Supporting digital transformation
- Strengthening human capital
- Activating public infrastructure investments
- Increasing productivity and production in agriculture

EMPLOYMENT

- Modern work patterns and sectoral transformations
- Employment of groups struggling with workforce participation
- Human Capital and Skill Alignment
- Reducing voluntary unemployment



MACROECONOMIC INDICATORS AND POLICY TOOLS - II

FINANCIAL STABILITY

- Simplification of financial regulations
 - Selective credit policy
 - Development of capital markets
 - Development of Participation Finance
 - Enhancement of financial technologies
 - Increasing savings
- Policy mix appropriate for the disinflation process
 - Coordination of monetary, fiscal, and income policies
 - Administered prices
 - Supply-side policies

PRICE STABILITY



MACROECONOMIC INDICATORS AND POLICY TOOLS - III

BALANCE OF PAYMENTS

- Product and market diversification
- Effective trade diplomacy
- Trade facilitation
- Export financing
- Reducing import dependency
- Developing services exports
- Green and digital transformation in exports

BUSINESS AND INVESTMENT ENVIRONMENT

- Improving business and investment processes
- Improving the regulatory framework
- Well-functioning justice system
- Facilitation of competitive new investments
- Increasing green, digital and supply chain-focused investments



MACROECONOMIC INDICATORS AND POLICY TOOLS - IV

PUBLIC FINANCE

Efficiency in expenditures

Financing a disaster-resilient structure

Fairness and efficiency in taxation

Combating informality and efficiency in audits

SOE governance reform

Fiscal sustainability of the social security system



THANK YOU