

October 2024

# Türkiye's Trajectory in Global Competitiveness

**Export and Foreign  
Direct Investments Outlook**

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# Executive Summary

International competitiveness is one of the driving forces behind economic development, particularly for emerging countries. These countries aim to secure a larger share in global markets through both trade and direct investments. In this context, enhancing competitiveness is critical for developing countries like Türkiye to achieve sustainable economic growth and long-term development goals. Our report titled “Navigating Türkiye’s Path to Global Competitiveness: An Export Overview” has been prepared to assess Türkiye’s competitiveness within the context of exports and foreign direct investments, and to outline the necessary steps to be taken in this regard.

Within the scope of our study, we present a summary Türkiye’s foreign trade and direct investment outlook, assess Türkiye’s relative competitiveness among the peer countries identified by our methodology, and highlight recent changes seen in in the last 10 years along with key actions that could enhance competitiveness.

Türkiye’s five-year average ranking in the World Competitiveness Index, which is analyzed to present a general competitiveness outlook, was 44 out of 62 countries between 2015-2019 and 50 out of 64 countries between 2020-2024.<sup>1</sup> Peer countries have also demonstrated a similar downward trend in the same period of time. Among competitiveness indicators, Türkiye experienced a decline particularly in the areas of government efficiency and business efficiency. On the other hand, cost competitiveness, the dynamism of the economy and a skilled labor force have been the main contributors to Türkiye’s competitiveness in recent years.

The European Union, the Near and Middle East, and non-EU Europe, which are the primary regions for Türkiye’s exports and direct investments, have sustained their leading positions over the past decade. The principal product groups in exports have consistently sustained their positions and their proportional shares of total exports in a stable manner. In terms of FDI, there has been a notable increase in the share of sectors in the recent period.

According to the findings of our study, Türkiye has experienced a slight decline in global competitiveness in the top ten export product groups and a slight increase in competitiveness in the top ten export markets in the last five years (2019-2023). Türkiye ranked 7<sup>th</sup> in global competitiveness among a set of 11 competitive countries, including itself. It also secured the 6<sup>th</sup> position in competitiveness within its top ten export markets and has maintained these rankings over the past decade. Türkiye’s performance in foreign direct investment (FDI) has been relatively subdued, declining from 4<sup>th</sup> to 6<sup>th</sup> place within a competitive set of 11 countries in terms of their share in global FDI.

While discussing the results on Türkiye’s competitiveness, the complex relationship between exchange rates and export performance, which has been frequently scrutinized in recent years, has also been briefly mentioned.

In this context, the findings of the study and the literature review reveal that the depreciation of the Turkish lira alone is not sufficient to increase export competitiveness and that the exchange rate-export competitiveness relationship varies depending on many factors.

Our report presents policy recommendations aimed at enhancing Türkiye’s competitiveness, with economic, political, and legal foundations considered as prerequisites. Key recommendations include strengthening commercial relationships, adapting to the green transition, and promoting clean energy investments. Additionally, it is crucial to enhance logistics, energy, and telecommunications infrastructure, and to facilitate investment and trade processes through digitalization. The steps proposed in the relevant section are designed to elevate Türkiye’s competitiveness and improve its performance in both exports and investment attractiveness. In this context, we hope that the findings and recommendations of our study will assist policymakers and private sector representatives in understanding the current situation and evaluating future opportunities.

<sup>1</sup> The set of countries covered by the World Competitiveness Index changes from year to year. While the index ranked 62 countries on average between 2014-2018, this figure has expanded to include 64 countries on average between 2019-2023.





# 1 Introduction

International competitiveness significantly contributes to the development of countries through sustainable economic growth and hence job creation. The competitiveness of countries is shaped by economic, geopolitical, demographic and other dynamics and has an impact on market share and investment attractiveness in global arena. In this context, economic and political stability, productivity, human capital, infrastructure, legal and regulatory framework, and access to global markets are among the determinants of competitiveness.

Moreover, external factors including evolving supply chain strategies, the advancement of digitalization, and the increasing emphasis on sustainability have emerged as critical determinants of competitive advantage. Therefore, examining the competitiveness of nations amidst evolving conditions is crucial for formulating effective medium and long-term strategies. In this context, nations striving to enhance their international competitiveness in the global market bear the responsibility of continuously monitoring and improving these dynamics.

In addition to global and regional developments, national policies significantly influence Türkiye's competitiveness, similar to other developing nations. Analyzing the impact of both external factors and domestic policies on competitiveness in recent years is essential for understanding the current landscape and formulating appropriate strategies, action plans, and roadmaps. In this regard, it is beneficial to evaluate Türkiye's share of global trade and international foreign direct investments by comparing the competitiveness of the Turkish economy with recent developments and similar factors in competitor countries.

In this report, we provide an overview of Türkiye's export and direct investment landscape, assess Türkiye's relative competitiveness compared to competitor countries, identify recent changes, and recommend key steps to enhance competitiveness.

## 2 Methodology

In our study “Türkiye’s Trajectory in Global Competitiveness,” we have identified a set of competitor countries to comparatively analyze Türkiye’s performance in exports and foreign direct investment (FDI) attractiveness. While the study examines Türkiye’s evolving position among countries with similar characteristics, it refrains from making conclusions about more developed markets or Türkiye’s ideal future positioning. The selection of competitor countries was based on identifying those comparable to Türkiye in terms of current status and potential, considering indicators related to economic development levels, exports, and foreign direct investment. This process involved analyzing Türkiye’s export performance over the past decade and metrics from the World Competitiveness Index rankings, with the level of development serving as the final criterion for selection.

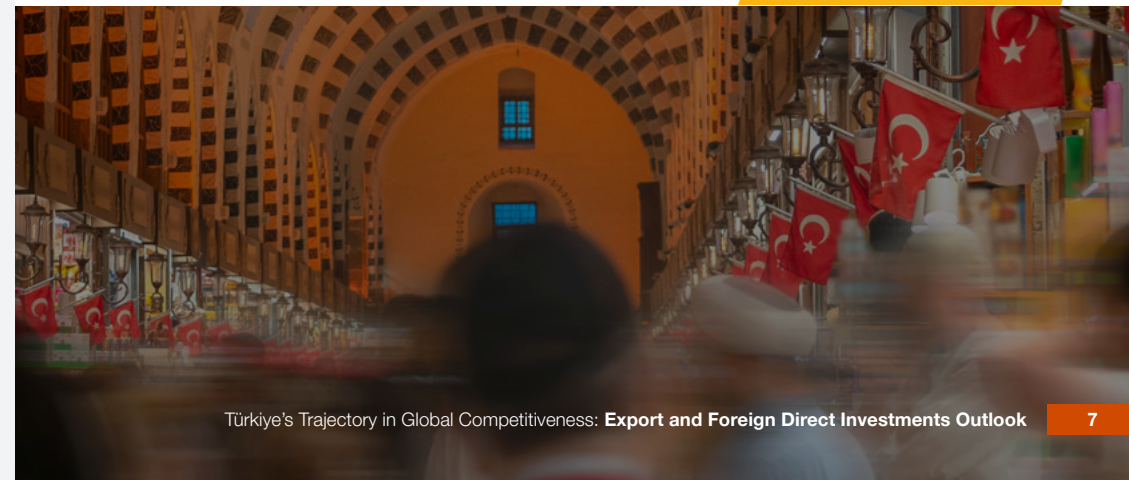
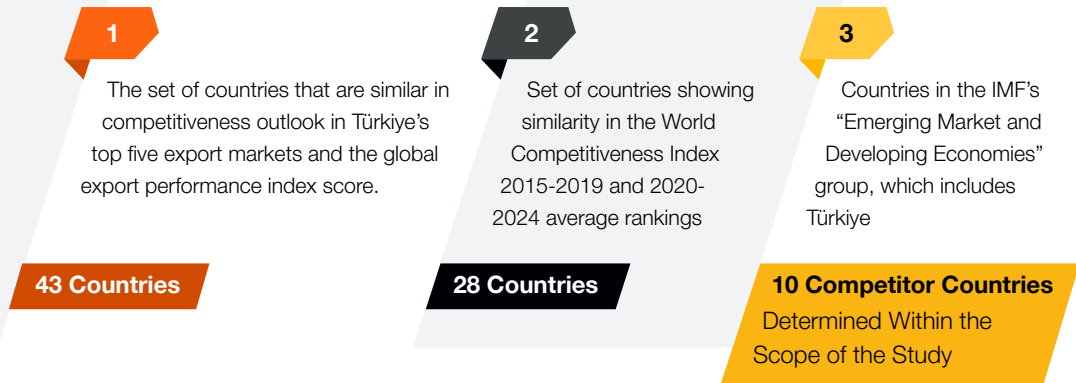
As the initial filter for country selection, a set of countries with performance similar to Türkiye was established by evaluating competitiveness within Türkiye’s top five export markets<sup>2</sup> and using an index created to measure export performance in the global market. In the second stage, countries with comparable rankings in the World Competitiveness Index for the periods 2015-2019 and 2020-2024 were considered. Finally, the countries in the intersection cluster of both sets of countries and in the IMF’s “Emerging Markets and Developing Countries”<sup>4</sup> group, which includes Türkiye, were identified as “Competitor Countries” within the scope of this report (Figure 1).

<sup>2</sup> In the ranking of the largest export markets, since the current data for Iraq in the product groups detail could not be confirmed, Spain has been added to the top five country groups instead of Iraq, taking into account the export data for 2019-2023 and the first five months of 2024.

<sup>3</sup> The indicators used in the Trade in the Global Market Index created to identify competitor countries within the scope of the research are given in Annex 1.

<sup>4</sup> IMF. (2024). World Economic Outlook Database April 2024, Country Classification.

**Figure 1** Methodology followed in selecting the competitor countries to Türkiye



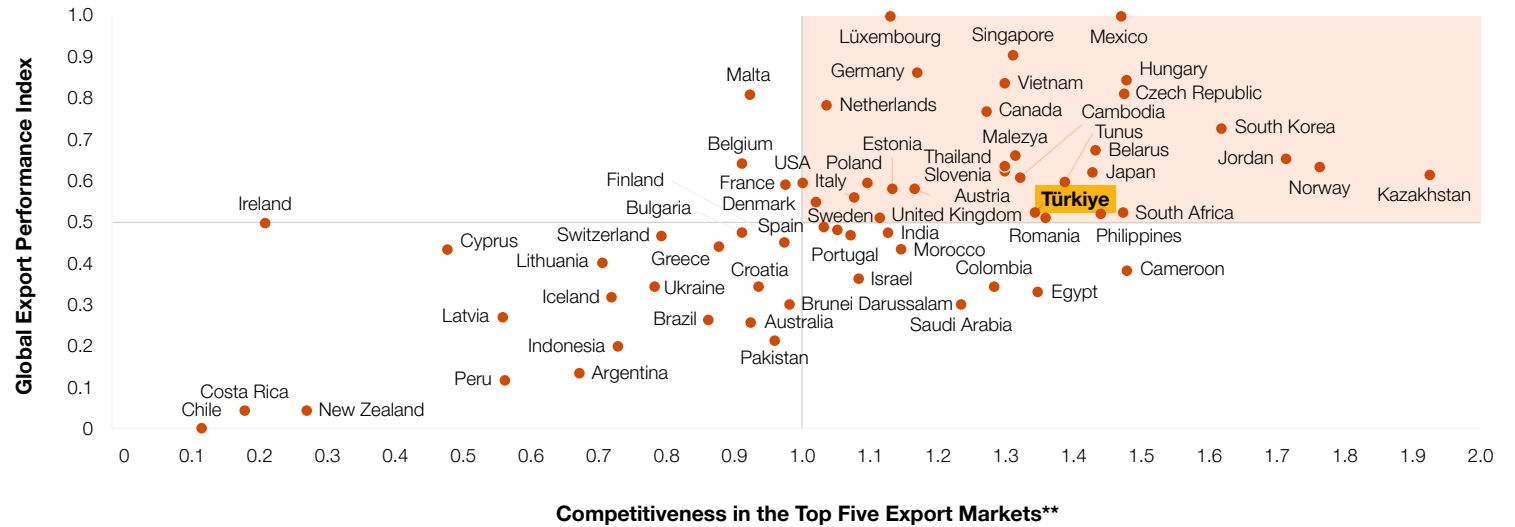




To evaluate export competitiveness, an index has been developed utilizing an extensive data set that encompasses indicators such as the export-to-GDP ratio, the share of global trade, and the foreign value-added ratio in exports for various countries. This index generates scores ranging from 0 to 1 for each country (a detailed list of the indicators employed in the index is provided in the Annex).

To identify competitors in terms of export destinations and product groups, we considered Türkiye's revealed comparative advantage in its top five export markets (the United States, the United Kingdom, Germany, Italy, and Spain<sup>5</sup>) and its top 10 export product groups between 2019 and 2023 (Table 1).<sup>6</sup> This analysis, which examines countries' scores in the global export performance index and their competitiveness in the top five export markets for the leading 10 product groups, shows that Türkiye is grouped with 43 other countries in the upper right-hand quadrant of Figure 2.

**Figure 2** Countries by global export performance index and competitiveness in the top five export markets, 2019-2023\*



\* Indicators used in the index calculation are based on the most recent available dates that show commonality.

\*\* Competitiveness in the top five export markets shows the Revealed Comparative Advantage values in the top five export markets (USA, Germany, United Kingdom, Italy and Spain) and top ten product groups (Table 1) which Türkiye exported the most between 2019 and 2023. In the ranking of the largest export market, since the current data for Iraq in the product groups detail could not be confirmed, Spain has been added to the top five country groups instead of Iraq, taking into account the export data for 2019-2023 and the first five months of 2024.

**Source:** World Bank World Development Indicators, UNCTAD Statistics, OECD Trade in Value-Added (TIVA)- Database, UN ComTrade Database; PwC Analysis

<sup>5</sup> Since the current data on Iraq in the product groups in the largest export market rankings cannot be confirmed, Spain has been added instead of Iraq in the top five country group, taking into account the export data for the first five months of 2019-2023 and 2024.

<sup>6</sup> Revealed Comparative Advantage (RCA) is an index used in the international economy to calculate the relative advantage or disadvantage of a given country's trade flows in a particular class of goods or services. The index is based on a comparison of a country's export performance in a particular product group with exports around the world. If the index is greater than 1, it can be said that the country has a comparative advantage in that product group and therefore specializes in that product group.



In identifying competitor countries in terms of exports and foreign direct investment, indices evaluating attractiveness for foreign direct investment were considered, with the World Competitiveness Index, developed by the International Institute for Management Development (IMD), serving as a key indicator. This index assesses countries based on four main parameters (economic performance, government efficiency, business efficiency, and infrastructure) and five subgroups, utilizing 336 data categories for scoring.<sup>7</sup> This comprehensive analysis includes data such as foreign direct investment (flow and stock) indicators, tax barriers, government support, productivity measures, technological infrastructure indicators, and the availability of a skilled labor force. Figure 3 illustrates the main parameters and subgroups of the World Competitiveness Index along with sample indicators used for each parameter.<sup>8</sup>

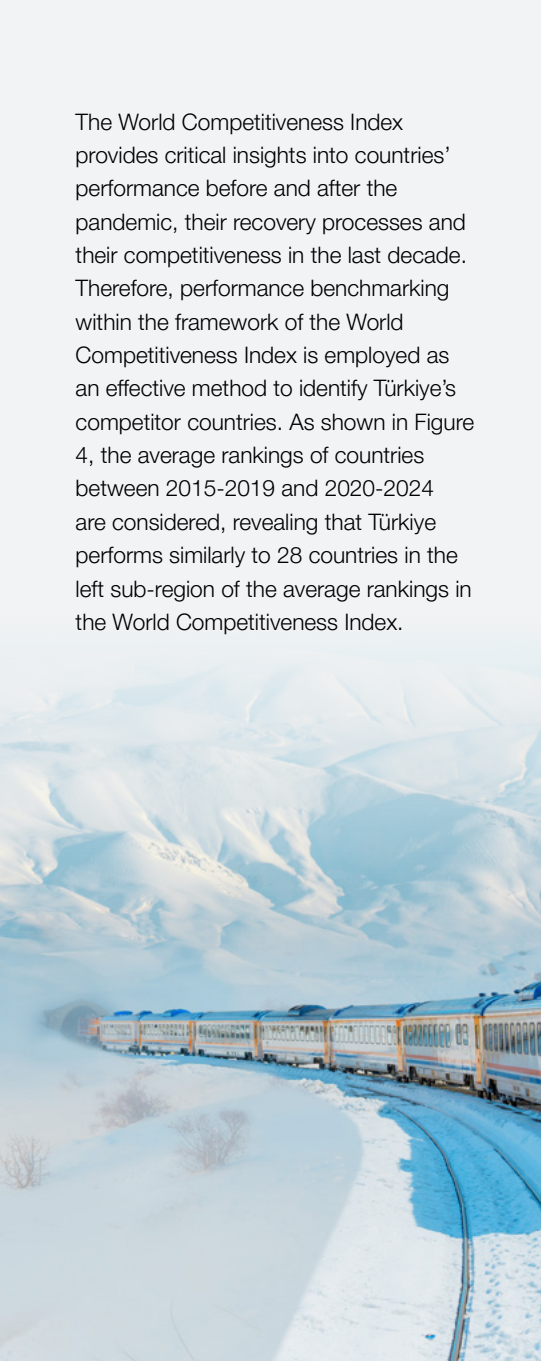
**Figure 3** Main parameters, subgroups, and sample indicators of the World Competitiveness Index



<sup>7</sup> International Institute for Management Development. (2023). IMD World Competitiveness Booklet 2024

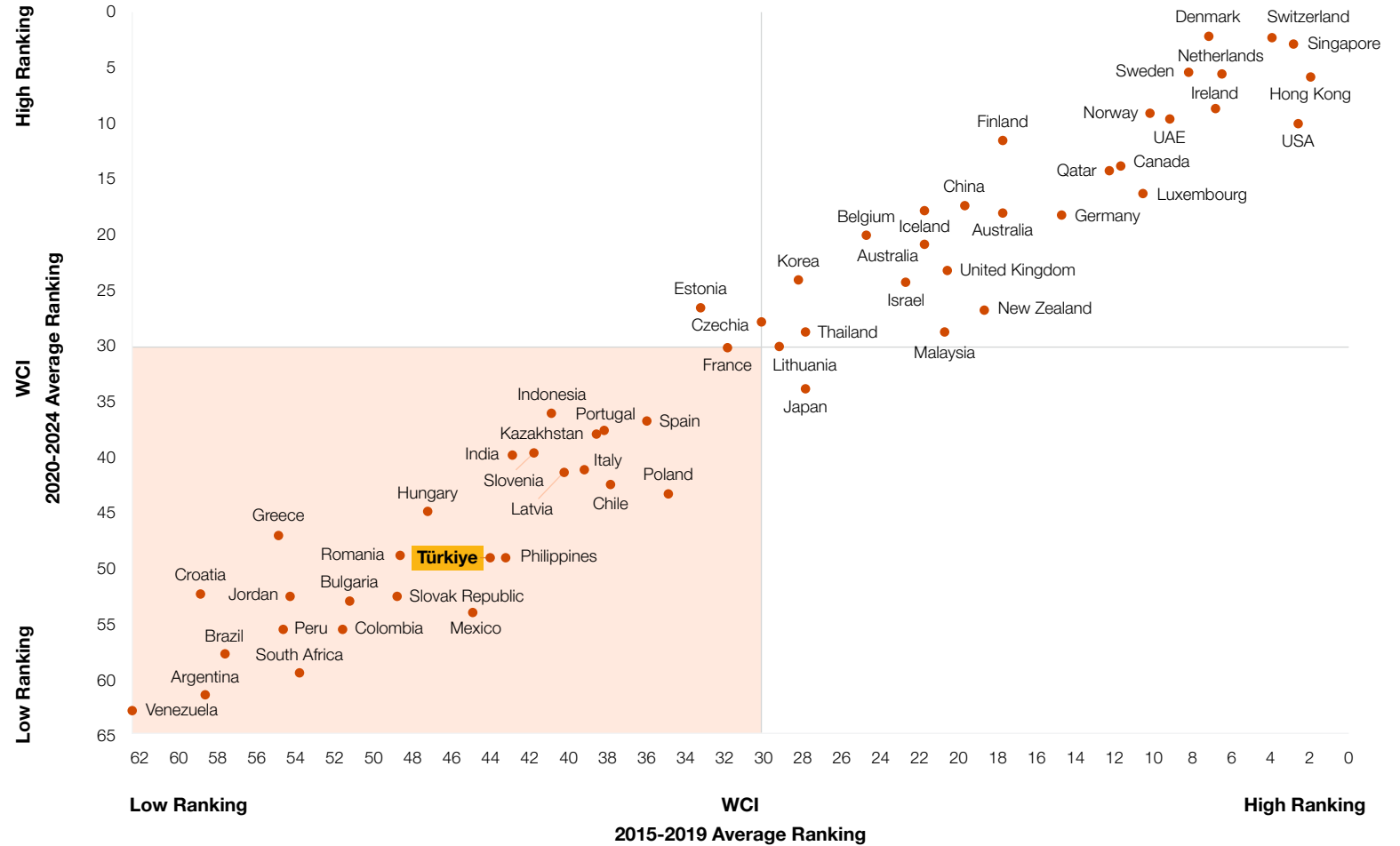
<sup>8</sup> More detailed lists of indicators and individual country performance assessments can be found in IMD's World Competitiveness Yearbook 2024.

**Source:** International Institute for Management Development. (2024), PwC Analysis



The World Competitiveness Index provides critical insights into countries' performance before and after the pandemic, their recovery processes and their competitiveness in the last decade. Therefore, performance benchmarking within the framework of the World Competitiveness Index is employed as an effective method to identify Türkiye's competitor countries. As shown in Figure 4, the average rankings of countries between 2015-2019 and 2020-2024 are considered, revealing that Türkiye performs similarly to 28 countries in the left sub-region of the average rankings in the World Competitiveness Index.

**Figure 4** Countries according to average rankings of the World Competitiveness Index (WCI) 2015-2019 and 2020-2024

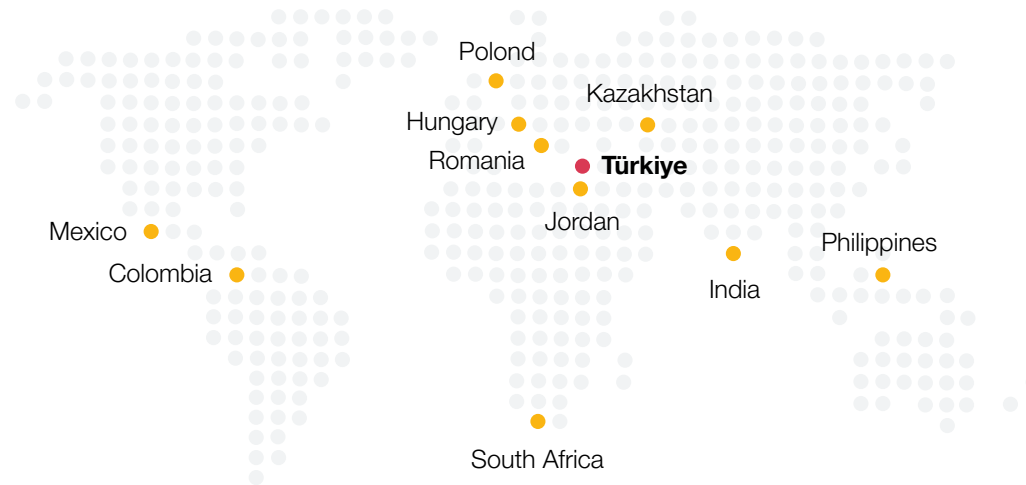


Source: International Institute for Management Development. (2019), International Institute for Management Development. (2024); PwC Analysis



The country groups including Türkiye, in terms of exports and foreign direct investment (FDI), were evaluated. Countries from the IMF's "Emerging Markets and Developing Countries" group, which encompasses Türkiye, were selected as competitors. Utilizing the applied methodology, Colombia, Hungary, India, Jordan, Kazakhstan, Mexico, the Philippines, Poland, Romania, and South Africa were identified as competitor countries for comparative analysis with Türkiye.

**Figure 5** Countries selected as competitors to Turkey within the scope of the study



Source: PwC Analysis

In assessing Türkiye's export competitiveness in the global market, the approach focuses on changes in export values, key product groups, and top export destinations between 2014-2018 and 2019-2023. Given the evolving dynamics, Türkiye's competitiveness in the top ten export product groups (listed in Table 1) on a global scale, as well as in the top ten export markets (illustrated in Figure 11), is compared with that of the specified competitor countries. Using a similar approach, changes in FDI source regions and countries, along with sectoral developments over the same periods, are analyzed. A comparative outlook is then presented, highlighting key FDI indicators relative to those of the competitor countries.



### 3

## Overall Competitiveness Outlook: Türkiye's World Competitiveness Index Performance

Indices that address competitiveness in the global arena from a holistic perspective come to the forefront in country comparisons. The World Competitiveness Index prepared by IMD has been ranking countries based on various indicators for 36 years. Within this framework, Türkiye's performance in the IMD World Competitiveness Index has been assessed. A review of the main parameters of the index over the last five years reveals that while Türkiye's economic performance ranking has improved, although there has been a downward shift in government efficiency. Since 2020, Türkiye has advanced 23 positions in economic performance. Conversely, it has experienced a decline of 12 positions in government efficiency, 16 places in business productivity, and 4 notches in infrastructure. (Figure 6).

Türkiye's improvement in economic performance was driven by its performance in the concentration of export partners (an improvement in this area indicates an increase in the diversification of Türkiye's export partners), gross fixed capital formation, tourism revenues and GDP growth.

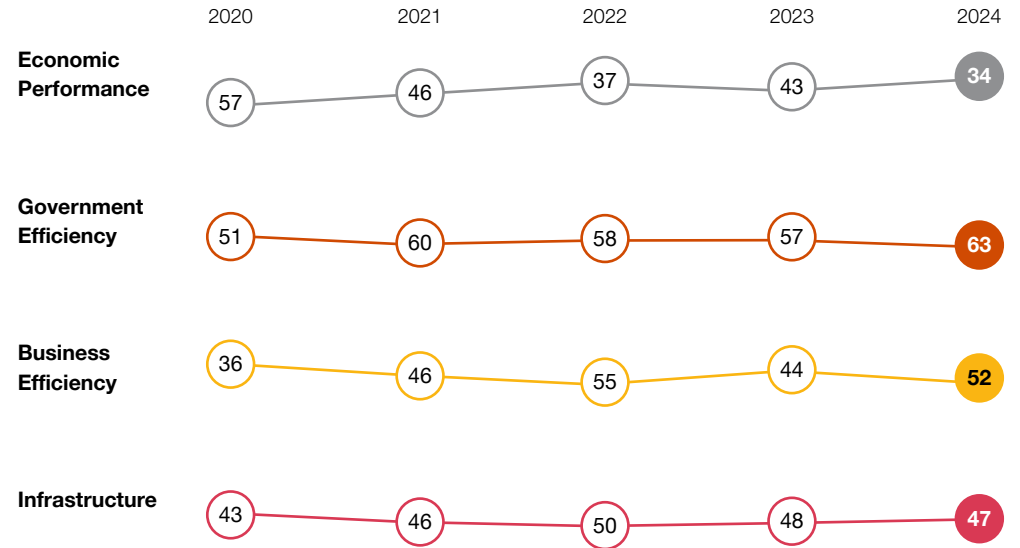
The improvement in Türkiye's economic performance ranking was attributable to increased diversification among export partners, gross fixed capital formation, tourism revenues and GDP growth. However, despite being related to economic management, the decline in indicators such as the ratio of the budget deficit to GDP, the impact of central bank policies on the economy, and factors reducing tax collection, all examined under the government efficiency parameter, has adversely affected this ranking. In addition, the CPI (consumer price index), the current account balance and the employment rate are cited as prominent weaknesses in economic performance in the overall outlook.

The sharpest decline in Türkiye's relevant sub-indices between 2020 and 2024 (down 16 notches) was observed in business efficiency. This decline is attributed to decreased employee motivation, access to financial services gender ratio, and difficulty in accessing credit. Among the indicators for the sub-index, compensation levels, entrepreneurial fear of failure, and the total early-stage entrepreneurial activity were considered as positive aspects of the country's business efficiency.<sup>9</sup>

Over the past five years (2019-2023), the lowest average ranking has been observed in the government efficiency parameter (Figure 6). Türkiye's performance in this area between 2020 and 2024 placed it among the bottom 15 countries in the overall ranking.

The primary factors contributing to this situation include the escalation of the government budget deficit relative to GDP, the economic impact of central bank policies,<sup>10</sup> various elements that hinder tax revenue collection,<sup>11</sup> and the stability of the exchange rate.<sup>12</sup>

**Figure 6** Türkiye's rankings in the main parameters of the World Competitiveness Index, 2020-2024



Source: International Institute for Management Development. (2024), PwC Analysis

<sup>9</sup> International Institute for Management Development. (2023). IMD World Competitiveness Booklet 2024

<sup>10</sup> Within the scope of the IMD World Competitiveness Index, the perceived impact of central bank policies on the economy is measured through a survey that rates the expression "Central bank policy has a positive impact on the Economy" for the countries.

<sup>11</sup> Within the scope of the IMD World Competitiveness Index, the tax avoidance indicator is measured according to a survey that rates the expression "Tax evasion is not a threat to your economy".

<sup>12</sup> International Institute for Management Development. (2024). IMD World Competitiveness Yearbook



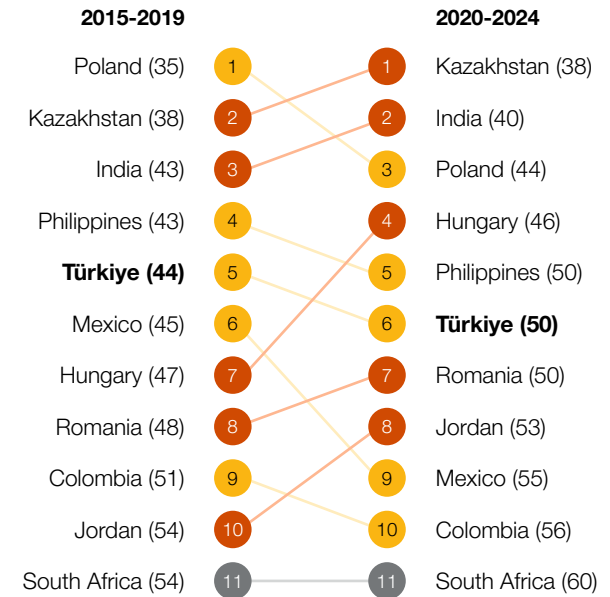
In the infrastructure parameter, Türkiye's ranking has remained relatively flat over the last five years. In this area, the highest ranking in 2024 was recorded in scientific infrastructure (37) and the lowest in technological infrastructure (56). Among the strong areas, key infrastructure indicators such as quality of air transportation and energy infrastructure were particularly prominent, while weak areas were characterized by declining quality of life and relatively low ICT service exports.<sup>13</sup>

When consolidating the changes in all these sub-parameters, Türkiye averaged a 44th place ranking in the World Competitiveness Index between 2015 and 2019. However, it dropped by six places to 50th between 2020 and 2024. Among the selected competitor countries, only Jordan, Hungary, and India have improved their overall rankings in the last five years, while Kazakhstan has maintained its average ranking. The remaining countries have experienced declines in the overall competitiveness index ranking (Figure 7). The reasons for these declines vary across countries. For instance, Türkiye and Mexico experienced the most significant drops in business efficiency and government efficiency, whereas the Philippines and Poland saw declines due to deteriorating economic performance indicators.

<sup>13</sup> (Ibid.)

Evaluating the ranking within the set of competitor countries, it is observed that Kazakhstan and India have moved ahead of Poland, which led in the previous five-year period, to claim the top two positions for the 2020-2024 period. Another eye-catching advancement was made by Hungary, which moved its ranking from seven to four in the second five-year period. Conversely, Türkiye's ranking among competitor countries has declined by one notch, from fifth to sixth place (Figure 7).

**Figure 7** World Competitiveness Index average rankings of Türkiye and competitor countries, 2015-2019 and 2020-2024



Countries are ranked in order by year. The numbers in parentheses indicate the ranking of the countries in the overall list. Yellow indicators indicate a decline in the ranking within the country set, gray indicators indicate that the ranking within the country set is maintained, and orange indicators indicate an increase in the ranking.

The set of countries covered by the World Competitiveness Index changes from year to year. While the index ranked 62 countries on average between 2014-2018, this figure has expanded to include 64 countries on average between 2019-2023.

**Source:** International Institute for Management Development. (2019), International Institute for Management Development. (2024); PwC Analysis

The performance of Türkiye's competitors in the main parameters of the World Competitiveness Index is crucial for analyzing Türkiye's relative performance. In this context, the changes in the rankings of competitor countries and Türkiye across the four main parameters are illustrated in Figure 8. A general trend observed among competitor countries is a significant decline in rankings compared to the pre-pandemic period.

Specifically, in the area of economic performance, Hungary, along with Türkiye, was the only country able to improve its average ranking, whereas all other countries saw declines. Additionally, Türkiye experienced the largest decline in government efficiency among the competitor countries (Figure 8).

In terms of government efficiency, Hungary, India, and Romania, which were ranked behind Türkiye in the pre-pandemic five-year average, moved ahead of Türkiye in the five years following the pandemic (Figure 8). To improve Türkiye's competitiveness in this parameter, enhancing the effectiveness of central bank policies, increasing tax collection, and ensuring exchange rate stability could be pivotal factors.

In business efficiency, Türkiye, which held an average position among competitor countries before the pandemic, has maintained its relative position despite falling six places, in line with the overall downward trend. Notably, Jordan, which had a similar ranking to Türkiye between 2015 and 2019, moved three places ahead of Türkiye in the 2020-2024 period (Figure 8).

In terms of infrastructure, Türkiye outperformed the average of its competitor group in 2015-2019. In the 2020-2024 period, it surpassed Kazakhstan and Romania, ranking second behind the leader-country, Poland (Figure 8).

**Figure 8** Average rankings of Türkiye and competitor countries in the main parameters of the World Competitiveness Index, 2015-2019 and 2020-2024

**Economic Performance**

Country	2015-2019	2020-2024	Change
Hungary	33	18	15 ↑
<b>Türkiye</b>	<b>44</b>	<b>43</b>	1 ↑
Poland	25	26	-1 ↓
Jordan	60	63	-3 ↓
Colombia	47	50	-3 ↓
Romania	44	48	-4 ↓
Kazakhstan	46	50	-4 ↓
South Africa	56	61	-5 ↓
Mexico	27	34	-7 ↓
Philippines	37	47	-10 ↓
India	19	31	-12 ↓

**Government Efficiency**

Country	2015-2019	2020-2024	Change
Hungary	51	43	8 ↑
Jordan	42	40	2 ↑
India	48	46	2 ↑
Romania	48	47	1 ↑
Kazakhstan	23	23	↔
Colombia	55	59	-4 ↓
Philippines	39	47	-8 ↓
Mexico	49	59	-10 ↓
Poland	40	51	-11 ↓
South Africa	46	58	-12 ↓
<b>Türkiye</b>	<b>43</b>	<b>58</b>	-15 ↓

**Business Efficiency**

Country	2015-2019	2020-2024	Change
Jordan	42	39	3 ↑
India	30	28	2 ↑
Hungary	57	56	2 ↑
Kazakhstan	32	31	1 ↑
Romania	51	52	1 ↑
Colombia	48	54	-1 ↓
<b>Türkiye</b>	<b>41</b>	<b>47</b>	-6 ↓
South Africa	46	61	-6 ↓
Philippines	30	38	-8 ↓
Poland	35	49	-9 ↓
Mexico	43	49	-14 ↓

**Infrastructure**

Country	2015-2019	2020-2024	Change
India	57	50	7 ↑
Colombia	56	55	1 ↑
Hungary	39	39	↔
<b>Türkiye</b>	<b>47</b>	<b>47</b>	↔
Jordan	54	55	-1 ↓
Philippines	57	59	-2 ↓
Romania	46	49	-3 ↓
South Africa	56	61	-5 ↓
Mexico	54	59	-5 ↓
Kazakhstan	43	48	-5 ↓
Poland	34	39	-5 ↓

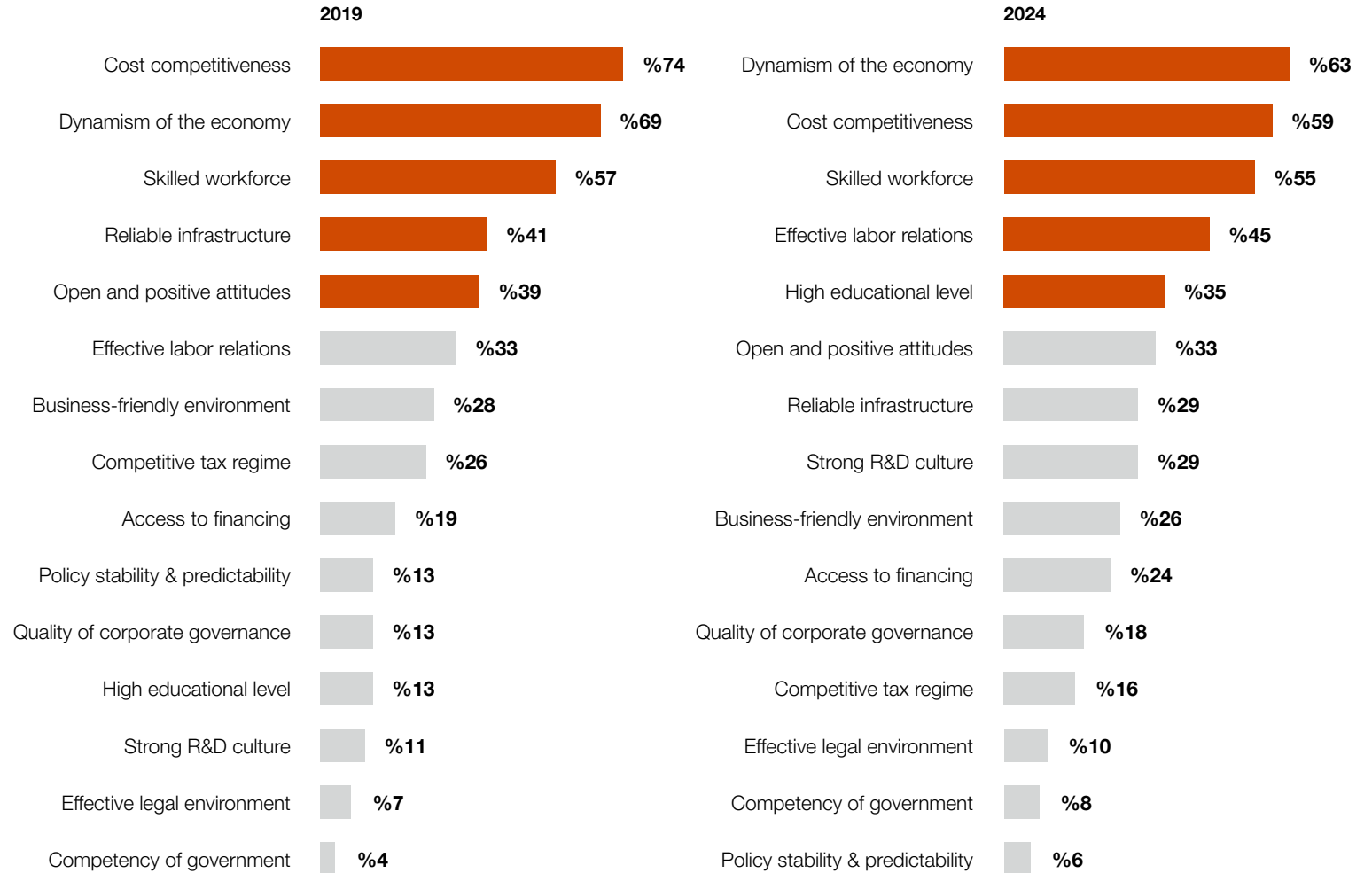
Source: International Institute for Management Development. (2019), International Institute for Management Development. (2024); PwC Analysis



According to the results of the survey conducted during the development of the index, the top five most attractive areas for Türkiye's competitiveness in 2024 are "dynamism of the economy", "cost competitiveness", "skilled workforce", "effective labor relations" and "high educational level". Although higher education level indicators have recently improved due to the increasing number of universities and graduates, it is important to assess the transformation of education level into qualified labor force in this area. The dynamism of the economy, cost competitiveness, and skilled workforce remain the top three strengths when compared to the 2019 results. These aspects of Türkiye's economy position the country advantageously for attracting foreign direct investment and promoting services exports. In 2019 and 2024, the competency of government, quality of corporate governance and an effective legal environment continue to be among the least effective factors in attractiveness (Figure 9).

In summary, the analysis conducted within the scope of the World Competitiveness Index reveals that all countries, except Jordan, Hungary, Kazakhstan and India, experienced a decline in their overall average rankings. However, to better understand the structural advantages that significantly contribute to Türkiye's competitiveness, a more detailed analysis of export competitiveness and foreign direct investment in the global market, along with a comparative analysis of the country's performance against its competitors, is necessary to turn these advantages into opportunities.

**Figure 9** Key attractiveness indicators according to the World Competitiveness Index study, 2019 and 2024



Source: International Institute for Management Development. (2019), International Institute for Management Development. (2024); PwC Analysis

## 4 Overview of Türkiye's Global Trade and Export Performance

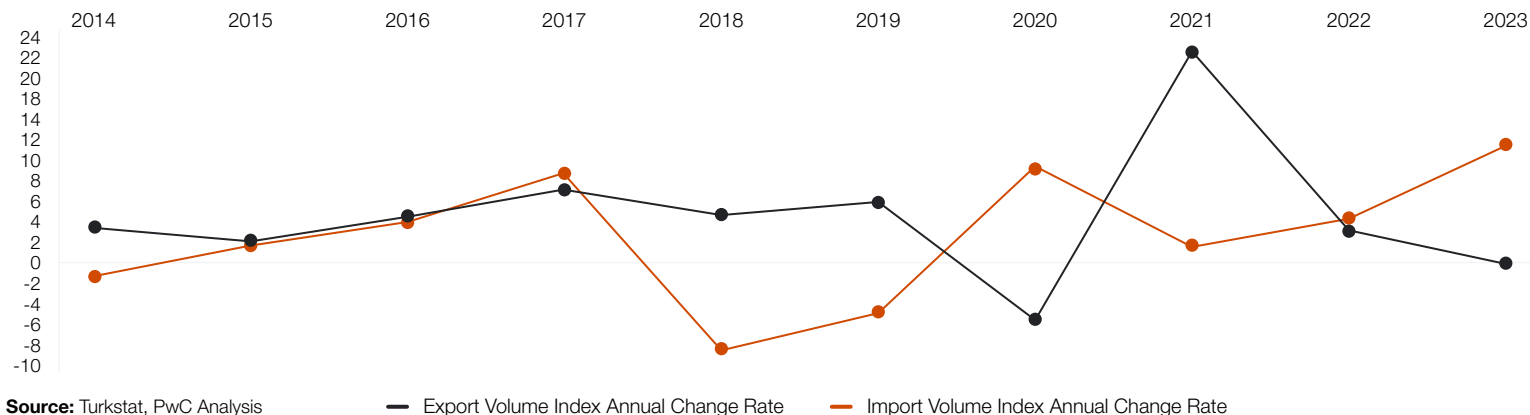
Thanks to its strategic location, robust manufacturing capabilities, and skilled workforce, Türkiye holds an advantageous position in the export of goods and services. Exports, which amounted to 166 billion US dollars in 2014, surged to 255 billion US dollars by 2023, while imports increased to 362 billion US dollars during the same period. Türkiye successfully raised its share in global trade to over 1% in 2023, maintaining an average export-to-import ratio of 75% between 2014 and 2023.

To more effectively evaluate global trade data, it is critical to consider the volume index in addition to the trade value, as this provides a clearer understanding of the real changes in trade. Over the past 10 years, the annual changes in Türkiye's export and import volume indices have shown a volatile pattern. Although the volume of imports decreased in 2021 due to factors such as the pandemic, the Russia-Ukraine war, and the depreciation of the Turkish lira, it was observed that the rate of increase accelerated in 2022 and 2023 (Figure 10).

In 2021, a substantial increase in export volume was observed, attributable to the base effect from the 2020 pandemic, the pronounced depreciation of the Turkish lira, and strategic modifications in the supply chain, such as near-shoring. However, the rate of export volume growth diminished in 2022 and 2023.

**Figure 10** Annual changes of export and import volume index, 2014-2023

Import and Export Volume Index Changes, Seasonally and Calendar Adjusted %

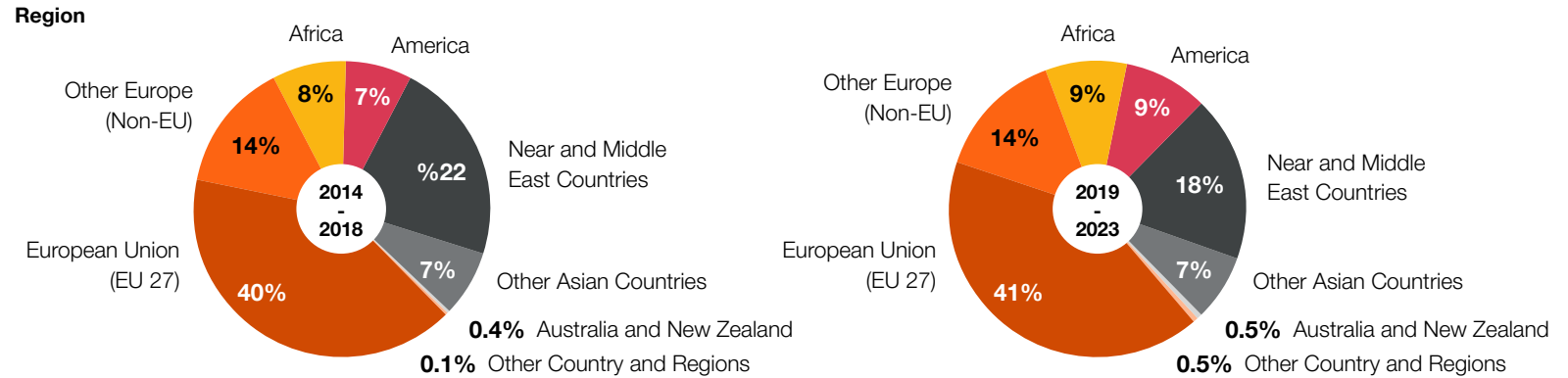


## Prominent Regions and Countries in Goods Exports

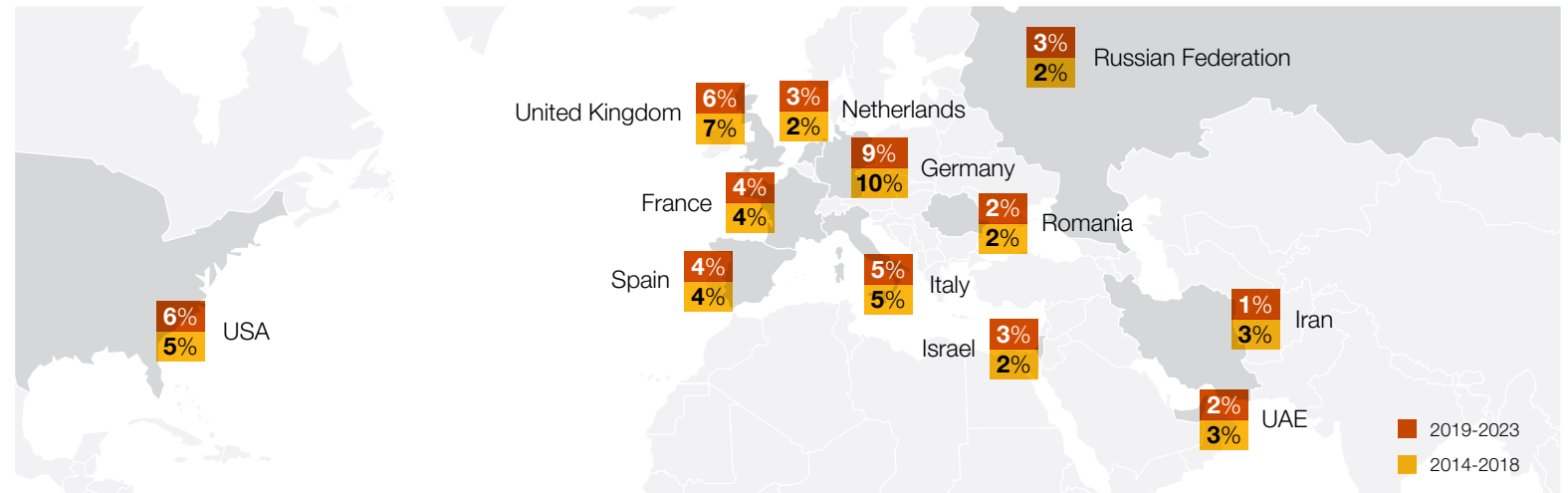
There is no material change in the regional distribution of Türkiye's exports between 2014-2018 and 2019-2023. Europe continues to be Türkiye's top export region with a share of 55%.

The US, Germany, the United Kingdom and Italy maintained their positions in the top five export markets between 2014 and 2023. In the same period, France and Spain have ranked fifth and sixth with similar export values. Between 2019 and 2023, Israel and Romania emerged as top ten export markets for Türkiye, while the UAE and Iran lost their positions among the top ten export markets (Figure 11). The predominance of developed countries among Türkiye's export destinations underscores the strength of its export capacity but also heightens competitive pressure.

**Figure 11** Prominent regions and countries in exports, 2014-2018 and 2019-2023



### Top ten countries\*



\* In the ranking of the largest export markets, since the current data for Iraq in the product groups detail could not be confirmed, instead of Iraq, the Russian Federation and Romania, which ranked 11th in the relevant years, were added to the list of the top 10 export markets. Top 10 Export Markets between 2014-2018: Germany, UK, Italy, USA, France, Spain, UAE, Iran, Netherlands and Russian Federation. Top 10 Export Markets for 2019-2023: Germany, USA, UK, Italy, France, Spain, Russian Federation, Netherlands, Israel and Romania.

Source: Turkstat, PwC Analysis





## Prominent Product Groups in Goods Exports

It is observed that the top 10 most exported product groups remained unchanged between 2014-2018 and 2019-2023. This indicates that Türkiye has a strong competitiveness in certain sectors. The fact that high value-added products such as “motor vehicles”, “boilers, machinery and mechanical devices” and “electrical machinery and devices” are among the top ranks in exports demonstrates that Türkiye’s technological and industrial capacity in these sectors is at a competitive level in the global market. Over the past five years, the product groups that augmented their share in Türkiye’s total exports included motor vehicles, mineral fuels, mineral oils and products derived from their distillation, as well as boilers, machinery, and mechanical devices. Conversely, the shares of knitted and non-knitted clothing, as well as precious or semi-precious stones, experienced a modest diminution.

**Table 1** Türkiye’s top ten exported product groups and their shares in total exports, 2014-2018 and 2019-2024

Product Group*	2014-2018 Share in Total Exports (%)	2019-2023 Share in Total Exports (%)	2014-2018 and 2019-2023 Change (% points)
Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	14%	12%	2 ↑
Boilers, machines, mechanical devices	9%	10%	1 ↑
Precious or semi-precious stones	6%	6%	↔
Electrical machines and devices	6%	5%	-1 ↓
Knitted clothing and accessories	6%	5%	-1 ↓
Iron and steel	5%	5%	↔
Non-knitted clothing and accessories	4%	4%	↔
Plastics and articles thereof	4%	4%	↔
Iron or steel articles	4%	3%	-1 ↓
Mineral fuels, mineral oils and products obtained from their distillation	3%	5%	2 ↑

\* Analysis by product groups is based on the HS2 level of the Harmonized Commodity Description and Code System (HS 2022) product classification. Product groups are ranked according to their share in total exports in 2014-2018.

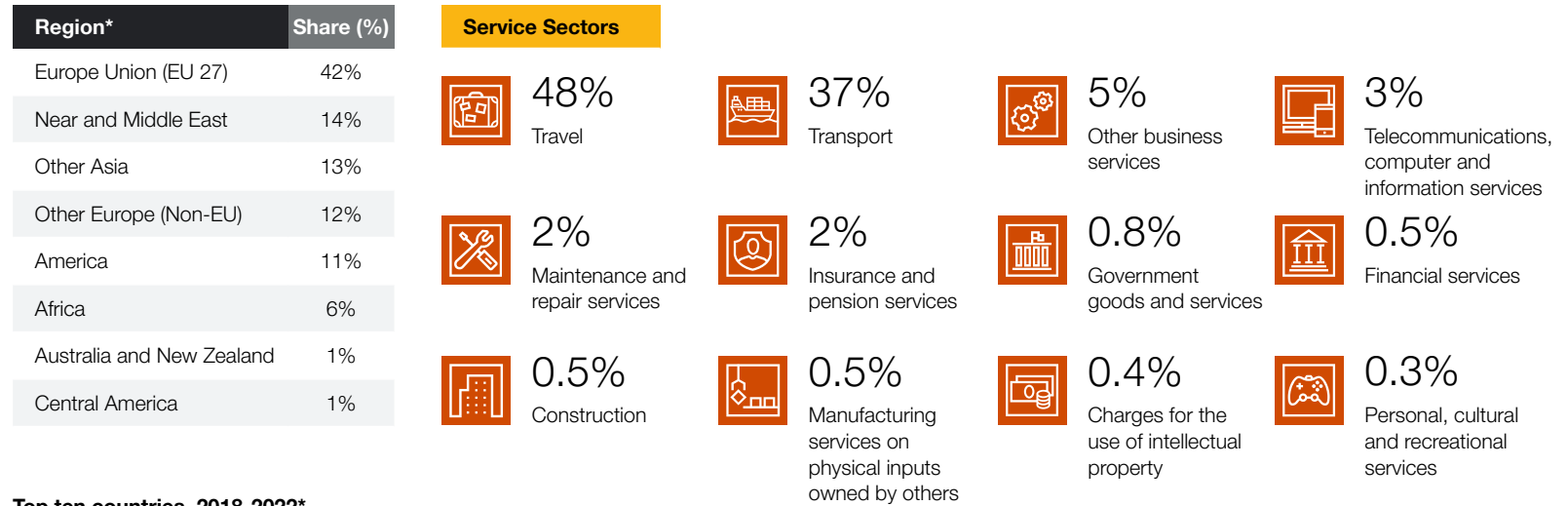
**Source:** UN Comtrade Database (2024), PwC Analysis

## Prominent Regions, Countries and Sectors in Service Exports

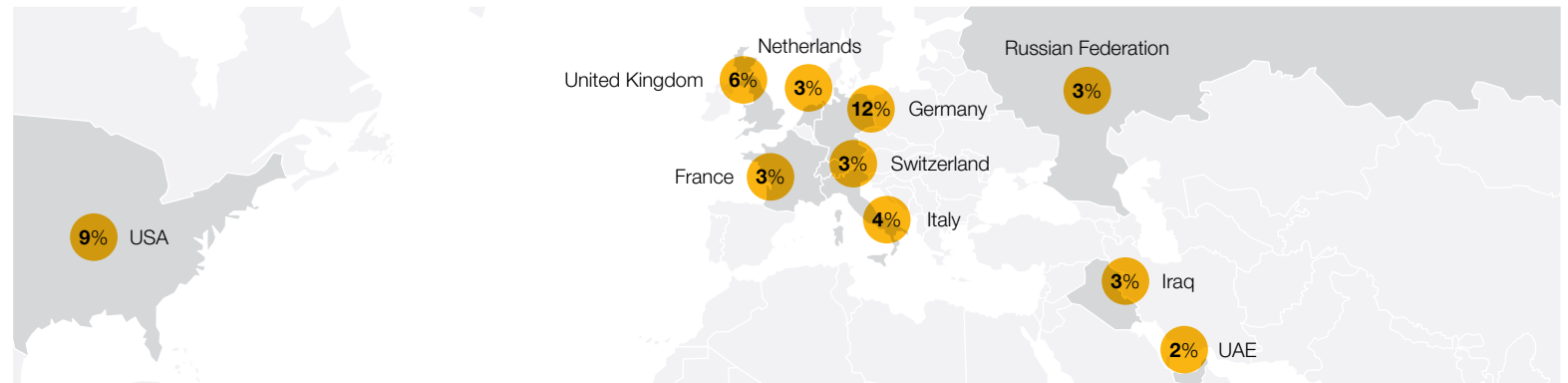
In countries like Türkiye, where the services sector constitutes a significant portion of economic activity, it is crucial to consider exports of services alongside exports of goods. Based on the most recent released data, Türkiye's exports of services surged by 42% between 2018 and 2022, reaching 90 billion US dollars.<sup>14</sup> The top export sectors during this period were "Travel", "Transportation" and "Telecommunications, computer and information services" (Figure 12).

Among other regions, Europe stands out with a 54% share in total service exports. Germany, the United States, the United Kingdom, the Russian Federation and France are the largest exporters of services from Türkiye. The overlap of partners in exports of goods and services indicates that Türkiye's overall competitiveness in international trade is based on strong and long-standing economic relations.

**Figure 12** Prominent regions, countries, sectors in Türkiye's service exports and their shares in total service exports, 2018-2022



**Top ten countries, 2018-2022\***



\* Country and region breakdown is calculated using Turkstat International Trade in Services Statistics, 2022 database and does not include the "Travel" sub-sector. In order to reveal the main partners in services exports, regions and countries are presented together with the services sectors distribution table obtained from the CBRT Balance of Payments database for the same date range (2018-2022).

**Source:** CBRT, Turkstat; PwC Analysis

<sup>14</sup> CBRT. (2024). Balance of Payments Statistics

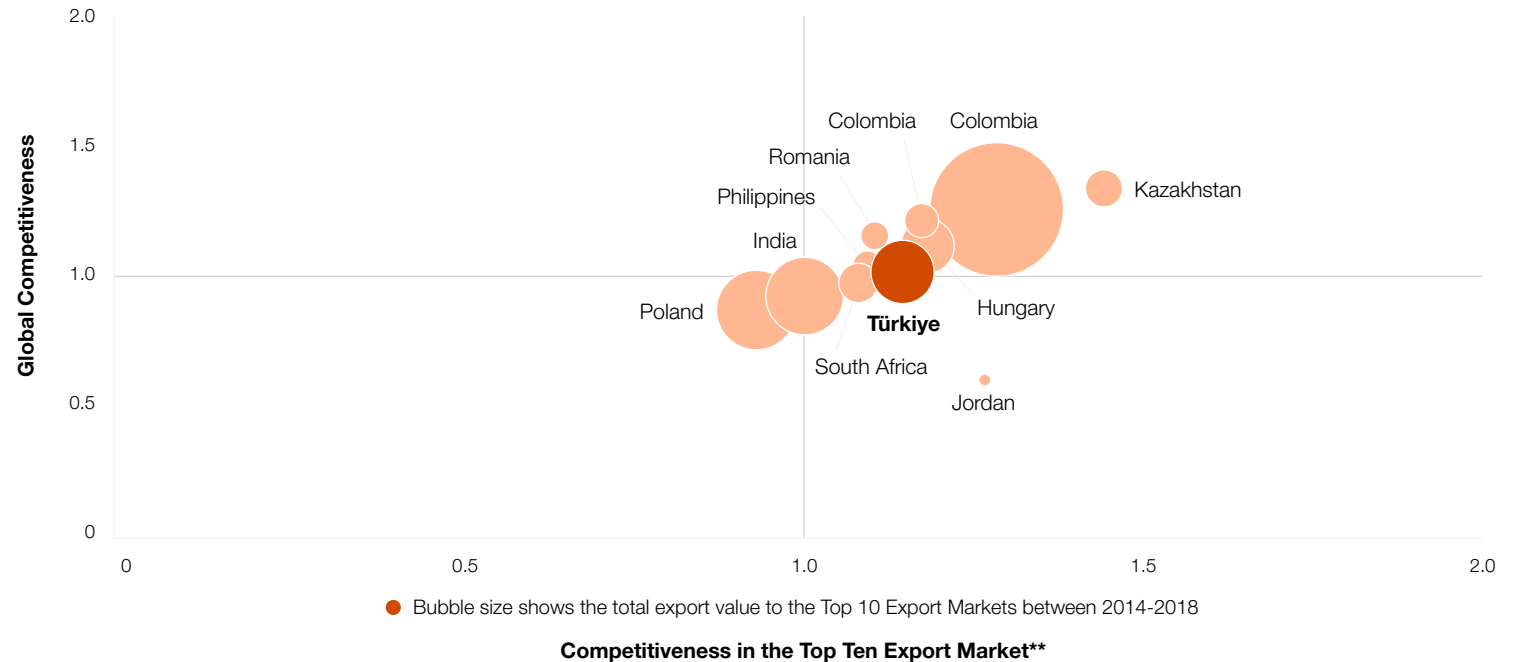
## 5 Comparative Export Outlook with Competitor Countries

To efficiently analyze Türkiye's export competitiveness, it is essential to focus on the most exported product groups. Since Türkiye's top ten export product groups have remained unchanged over the last decade (Table 1), the competitiveness of Türkiye and its competitor countries are compared in the following two scopes, based on Türkiye's top ten export product groups over the last decade:

- **Global Competitiveness:** Türkiye's global level of Revealed Comparative Advantage (RCA) in the top ten product groups that Türkiye has exported the most in the last ten years<sup>15</sup>
- **Competitiveness in the Top 10 Export Markets:** Revealed Comparative Advantage in exports to the ten leading export markets<sup>16</sup> (Figure 11) between 2014-2018 and 2019-2023

Accordingly, Figure 13 for 2014-2018 and Figure 14 for 2019-2023 present the competitiveness of Türkiye and competitor countries in the top ten export markets and their competitiveness on a global scale based on their overall export capacity in the top ten product groups that are important for Türkiye. Figure 13 shows the competitiveness levels of Türkiye's top ten exported product groups (Table 1) over the last decade.

**Figure 13** Competitiveness of Türkiye and competitor countries at global level and top 10 export market level, 2014-2018



\* Top Ten Export Markets between 2014-2018: Germany, the United Kingdom, Italy, the United States, France, Spain, the UAE, Iran, the Netherlands and the Russian Federation

Source: UN Comtrade Database (2024), PwC Analysis

<sup>15</sup> Revealed Comparative Advantage (RCA) is an index used in international economics to calculate the relative advantage or disadvantage of a country in the trade flows of a particular good or service category. The index is based on comparing a country's export performance in a specific product group with global exports. If the index is greater than 1, it indicates that the country has a comparative advantage in that product group and can be considered specialized in it.

<sup>16</sup> In the ranking of the largest export markets, since the current data for Iraq in the product groups detail could not be confirmed, instead of Iraq, the Russian Federation and Romania, which ranked 11th in the relevant years, were added to the list of the top 10 export markets. Top 10 Export Markets between 2014-2018: Germany, UK, Italy, USA, France, Spain, UAE, Iran, Netherlands and Russian Federation. Top 10 Export Markets for 2019-2023: Germany, USA, UK, Italy, France, Spain, Russian Federation, Netherlands, Israel and Romania.



According to the competitiveness analysis, Kazakhstan demonstrated the highest competitiveness both globally and within the top ten export markets during the 2014-2018 period. Competitiveness indicators rely on the concentration of a country's exported product groups and export partners within its total exports. As such, the product group "Mineral fuels, mineral oils, and products from their distillation" played a crucial role in Kazakhstan's leading position, comprising 88% of the country's exports between 2014 and 2018.<sup>17</sup>

Mexico is the leader in the total value of exports to the top ten export markets between 2014-2018 and also stands out in competitiveness indicators. This is mainly due to Mexico's effective penetration of the US market. Between 2014 and 2018, Mexico accounted for 16% of total US imports, ranking second only to China, which held a 22% share.<sup>18</sup> In the same ten product groups when USA is excluded from the export markets, Mexico fell from first to seventh place among the eleven competitor countries. These findings suggest that Mexico's leadership in export value and its high competitiveness performance in the ten product groups reflect the advantage of being able to penetrate large markets such as the United States, thereby gaining access to wider markets, including EU countries.

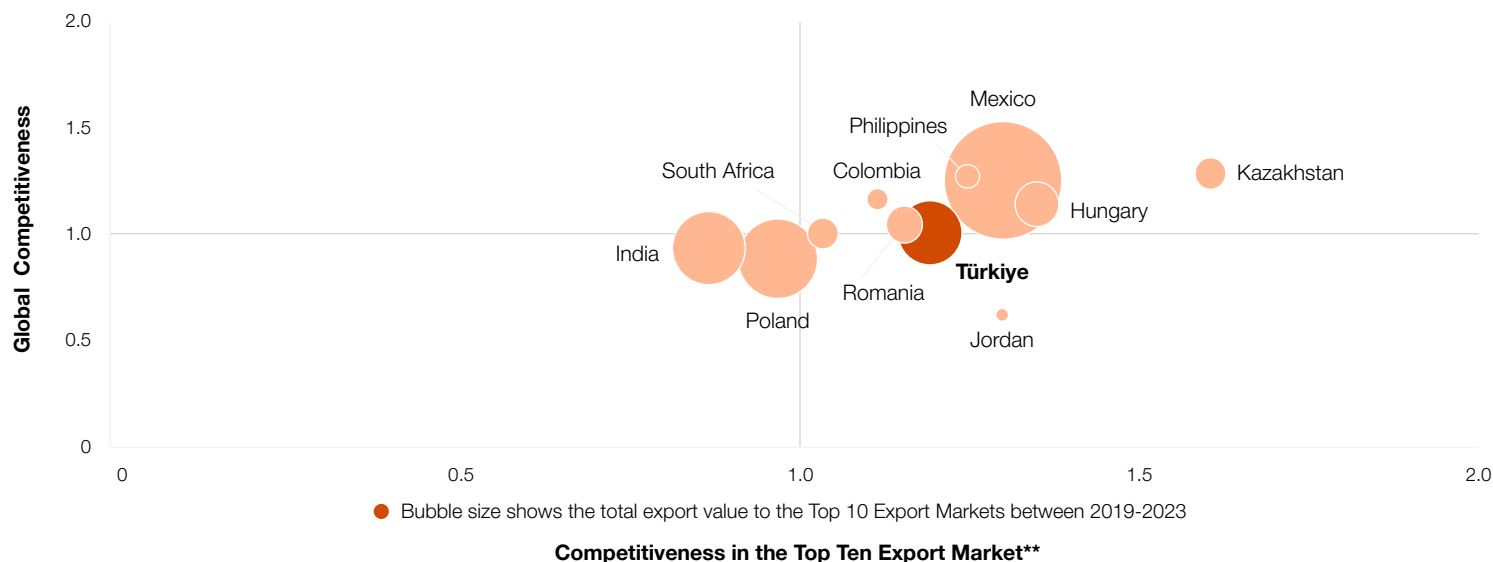
<sup>17</sup> UN Comtrade.Database (2024). Trade Data

<sup>18</sup> (Ibid.)

From 2014 to 2018, Türkiye was positioned seventh among competitor countries in terms of global competitiveness and sixth in competitiveness within the top ten export markets. During this period, Türkiye also ranked fourth in the total export value to the top ten largest export markets among competitive countries. Figure 14 provides an overview of the competitiveness levels of Türkiye's top ten export product groups (Table 1) over the past decade.



**Figure 14 Competitiveness of Türkiye and competitor countries at global level and top ten export market level, 2019-2023**



Competitiveness indicators are calculated with the Revealed Comparative Advantage (RCA) value. This value is an index used in the international economy to calculate the relative advantage or disadvantage of a given country's trade flows in a particular class of goods or services. The index is based on a comparison of a country's export performance in a particular product group with exports in the world. If the index is greater than 1, it can be said that the country has a comparative advantage in that product group and therefore specializes in that product group.

\* Top 10 Export Markets for 2019-2023: Germany, the United States, the United Kingdom, Italy, France, Spain, the Russian Federation, the Netherlands, Israel and Romania

**Source:** UN Comtrade Database (2024), PwC Analysis



Examining the global competitiveness indicators for the past five years (2019-2023), the set of competitor countries for the top ten product groups has remained stable, with the Philippines leading in global competitiveness, while Mexico and Colombia have experienced declines (Figure 15). In terms of Revealed Comparative Advantage, Türkiye maintained its ranking among competitor countries, recording a slight decline in global competitiveness (2%) and a minor increase in competitiveness in the top ten export markets (1%) across the ten product groups analyzed between 2019 and 2023. This suggests that Türkiye's performance among competitors remained stable between 2014-2018 (Figure 15).

Since Türkiye's top ten export markets changed between the 2014-2018 and 2019-2023 periods, it is not possible to perform a time-based comparison of competitiveness in the top ten export markets. However, Türkiye maintained its position relative to competitor countries, ranking sixth out of eleven countries in both periods (Figure 15).

It is also crucial to evaluate the evolving market size at the global level and the shifting market shares of competitor countries both globally and within the top ten export markets. In this context, the global market size for the top ten product groups increased by a nominal 14% between 2014-2018 and 2019-2023. In contrast, the combined share of competitors and Türkiye in this market increased from only 9% to 10%.

**Figure 15** Competitiveness rankings of Türkiye and competitor countries in the 10 product groups that Türkiye exports the most, globally and in 10 export markets, 2014-2018 and 2019-2023



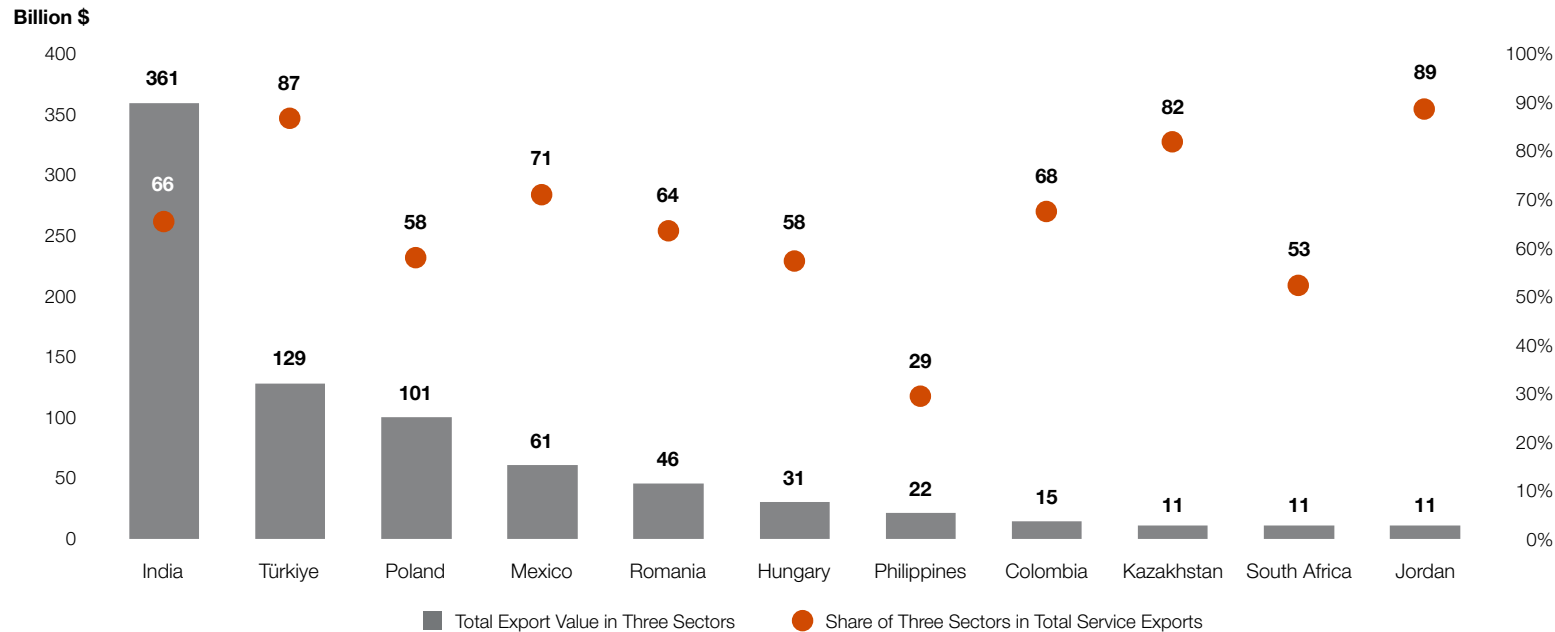
\* Türkiye's top ten export markets varied between 2014-2018 and 2019-2023 (Figure 11), so two different sets of countries were used in the competitiveness assessment for the two-year periods. The competitiveness rankings in the top ten export markets are provided to showcase a comparative view of Türkiye's performance in the leading export markets compared to competitor countries.

Countries are ranked in order by year. Yellow indicators indicate a decline in the ranking within the country set, gray indicators indicate that the ranking within the country set is maintained, and orange indicators indicate an increase in the ranking.

Source: UN Comtrade Database (2024), PwC Analysis



**Figure 16** Comparative outlook with competitor countries in the top three subsectors of service exports, 2021-2022



\* UN Comtrade Database service exports data do not match with the CBRT data, but they are included to provide a comparative view with the competitor countries and Türkiye. Due to data constraints, the year range is set as 2021-2022, which allows us to cover all competitor countries.

**Source:** UN Comtrade Database (2024), PwC Analysis

<sup>19</sup> World Bank. (2020). Global Investment Competitiveness Report 2019/2020: Rebuilding Investor Confidence in Times of Uncertainty

Looking at services exports, the three main sectors that account for 87% of Türkiye’s total services exports between 2021 and 2022 are “Travel”, “Transportation” and “Telecommunications and information services”. In these sectors, Türkiye ranks second in export value, trailing only India. Among competitor countries, the share of these three sectors—Travel, Transportation, and Telecommunications and Information Services—in total services exports exceeds 50% in all countries except the Philippines. Türkiye holds the second position in this area with an 87% share, just behind Jordan, which has an 89% share (Figure 16).

Strong export competitiveness places countries in an advantageous position in global markets and enhances their attractiveness for foreign direct investment. Foreign investors typically evaluate both domestic and foreign demand capacity when making capital investment decisions. This consideration makes countries with robust export performance appealing investment destinations.<sup>19</sup> In this context, high export competitiveness serves as a catalyst, amplifying a country’s appeal to foreign investors.



## Exchange rate changes and implications for export competitiveness

In developing countries, the impact of exchange rate depreciation on exports is often debated. However, the effects of exchange rate fluctuations can vary based on firm size, industry, and specific export markets. The experiences of Brazil, China, and Türkiye demonstrate that exchange rate depreciation alone is insufficient to enhance export performance.

In Brazil, the depreciation of the Real until 2022 partially boosted agricultural exports but did not lead to the expected increase in overall export performance. This was limited by higher import and production costs. While large-scale agribusinesses are more resilient to exchange rate fluctuations, small and medium-sized enterprises (SMEs) are more affected by changes in exchange rates. SMEs' limited financial resources and marketing power reduce their international competitiveness.<sup>20</sup>

Similarly, in China, the value of the Yuan fell due to the trade war with the US, but this did not bring the expected increase in export competitiveness. China has had to implement subsidies and support policies to maintain its competitiveness despite the depreciation of its currency.<sup>21</sup> While China's large-scale manufacturing facilities are better able to respond to exchange rate fluctuations, firms in high-tech sectors are more vulnerable to these fluctuations.

In the case of Türkiye, the CBRT's 2022 report highlights that although the depreciation of the lira may boost export volumes in the short term, the long-term negative effects, such as inflationary pressures and higher import costs, may adversely impact export performance.<sup>22</sup> This insight is corroborated by our competitiveness analysis.



Türkiye ranks first among competitors with an 82% depreciation of the Turkish lira between 2019 and 2023, while South Africa and Hungary experienced a 21% and 19% depreciation, respectively. However, this is not reflected in their export volumes and competitiveness levels.

Factors influencing export performance encompass production costs, global demand, trade policies, and economic stability. Consequently, addressing these structural issues to enhance competitiveness is regarded as a more sustainable policy approach.

<sup>20</sup> Valdes, C., Hjort, K., & Seeley, R. (2020). Brazil's Agricultural Competitiveness: Recent Growth and Future Impacts under Currency Depreciation and Changing Macroeconomic Conditions. USDA Economic Research Service.

<sup>21</sup> Braml, M., & Steininger, M. (2019). Giving away wealth? Trade effects of the yuan devaluation. CESifo Forum, 20(4), 1-8. <https://www.cesifo.org/DocDL/CESifo-Forum-2019-4-braml-steininger-yuan-devaluation-december.pdf>

<sup>22</sup> Merkez Bankası. (2022). Inflation Report 2022-I. [https://www.CBRT.gov.tr/wps/wcm/connect/7b0c81d5-755c-4058-a2d2-90689b1ab0fa/Infilaion%2BReport%2B2022\\_i.pdf?CACHEID=ROOTWORKSPACE-7b0c81d5-755c-4058-a2d2-90689b1ab0fa-nYlKsKL&MOD=AJPERES](https://www.CBRT.gov.tr/wps/wcm/connect/7b0c81d5-755c-4058-a2d2-90689b1ab0fa/Infilaion%2BReport%2B2022_i.pdf?CACHEID=ROOTWORKSPACE-7b0c81d5-755c-4058-a2d2-90689b1ab0fa-nYlKsKL&MOD=AJPERES)

## 6 Competitiveness Outlook in Foreign Direct Investment

Foreign direct investment (FDI) is seen as an important catalyst for the development and welfare of countries by contributing to the transfer of technology and knowledge and the enhancement of competencies, as well as the positive economic effects it creates through capital inflows. While indicators such as demographic dynamism, economic and political stability are prerequisites for FDI appetite, the potential attractiveness of countries may vary according to global trends, sectoral expectations and geopolitical conditions as well.

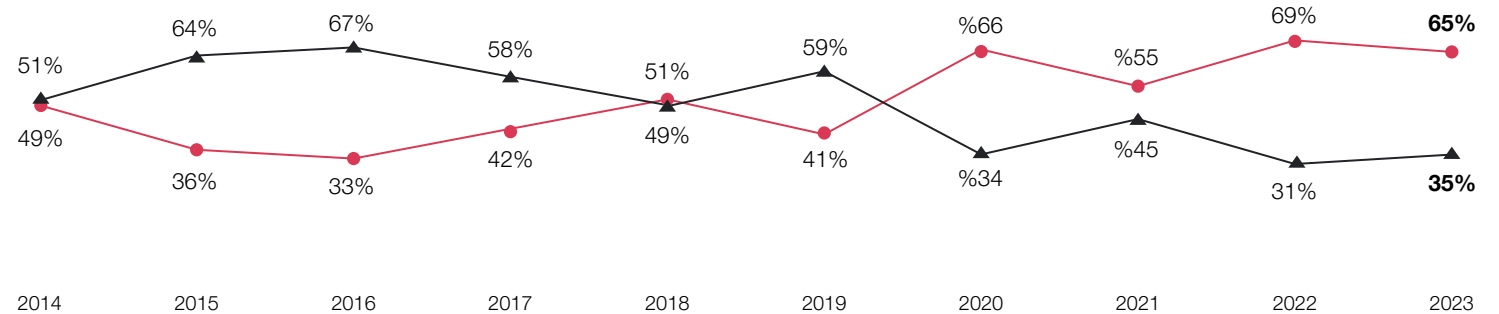
In the last decade, the average annual level of global FDI declined by 16% compared to the previous decade, averaging around \$1.5 trillion between 2014 and 2023.<sup>23</sup>

According to the World Investment Report, developing countries have increased their share of global FDI in the last decade, but showed a limited decline in 2023. In 2023, global foreign direct investments declined slightly by 2% year-on-year to \$1.3 trillion.<sup>24</sup> One reason for this may be that multinational companies operating in the manufacturing sector tend to invest in their headquarters rather than seeking new markets.<sup>25</sup>

In the 10-year period covering 2014-2023, Türkiye received an average of \$12.4 billion in FDI, including real estate.<sup>26</sup> Türkiye's share of global FDI, which was recorded as 0.9% in 2014, was recorded as 0.8% in 2023.<sup>27</sup> Compared with the steady increase in Türkiye's share of global trade (from 0.9% of global exports in 2014 to 1.8% in 2023)<sup>28</sup> in the last 10 years, foreign direct investments have been more stagnant.

This is mainly due to global economic uncertainties, heightened geopolitical tensions, fluctuations in investor confidence and macroeconomic challenges associated with Türkiye's unconventional policies. However, the slower pace of FDI relative to export earnings is not unique to Türkiye, as these investments typically require larger capital, longer-term planning and compliance with local regulatory frameworks.

**Figure 17** Distribution of global FDI by developed and developing countries, 2014-2023 (%)



Source: UNCTAD, World Investment Report 2024

— Developing Countries — Developed Countries

<sup>23</sup> UNCTAD. (2024). FDI Data Explorer. <https://unctad.org/publication/world-investment-report-2024>

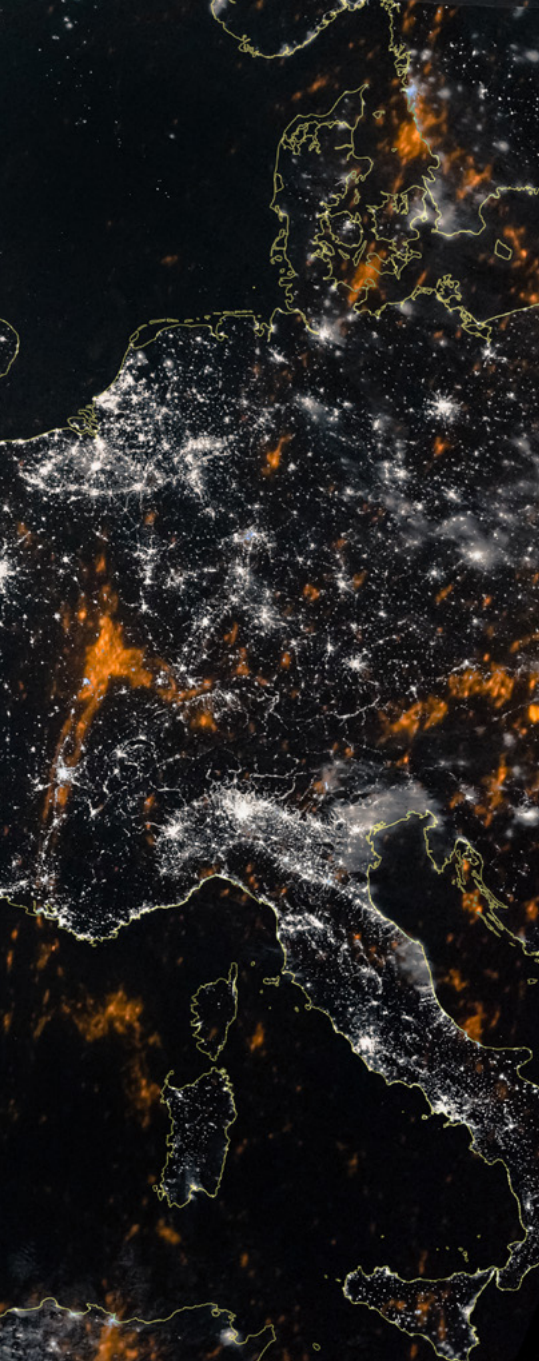
<sup>24</sup> UNCTAD. (2024). World Investment Report 2024

<sup>25</sup> (Ibid.)

<sup>26</sup> CBRT. (2024). Foreign Direct Investment Inflows (Net Liability Formation)

<sup>27</sup> UNCTAD Statistics. (2024). Foreign direct investment: Inward and outward flows and stock, annual

<sup>28</sup> UNCTAD Statistics. (2024). Merchandise: Total trade and share, annual



## Prominent Regions and Source Countries for Foreign Direct Investment

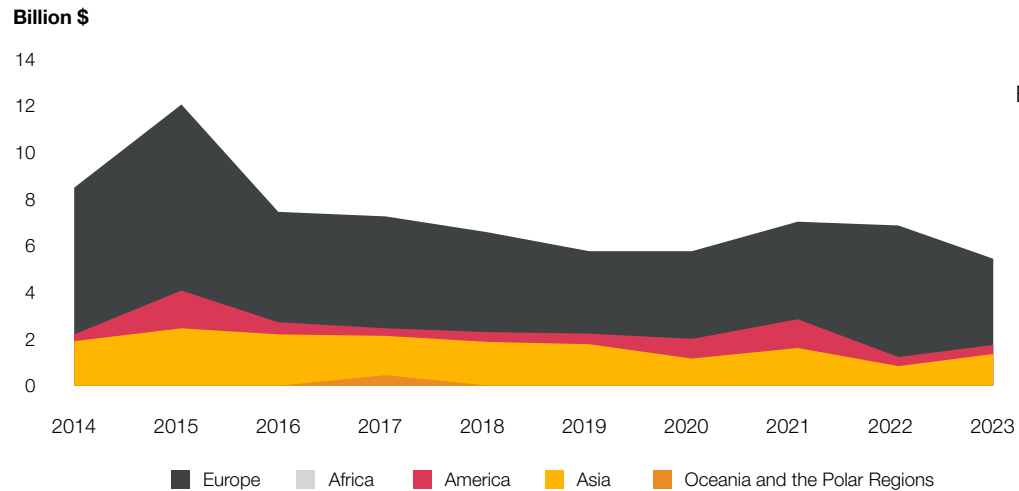
The diversity of source countries that stand out in FDI inflows to Türkiye and their sectoral preferences carry signals regarding Türkiye's sectoral structure, competitiveness and economic development trajectory.

The regional distribution of Türkiye's FDI sources between 2014-2018 and 2019-2023 has not altered significantly in the last decade.

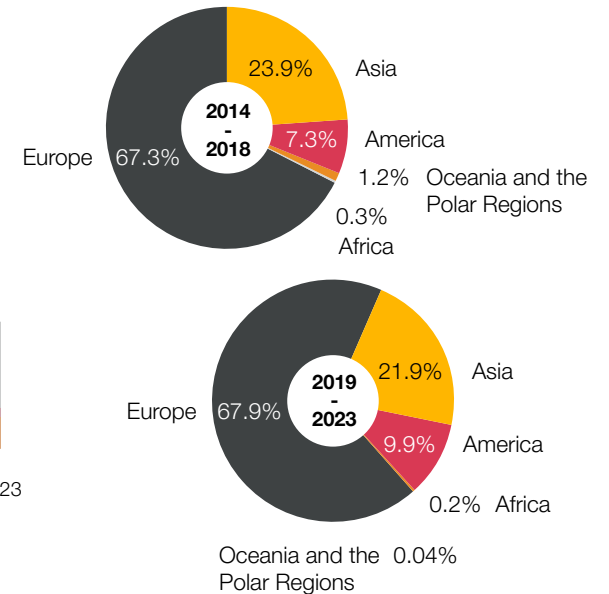
In this context, Europe maintained its leadership among source countries with a share of 67% in total FDI inflows, while Asia ranked second with a share of over 20%. The share of the Americas, on the other hand, increased by two percentage points between 2019 and 2023 compared to the previous five-year period, approaching 10%. Africa and Oceania and the Polar Regions continue to be the two regions with the lowest shares in the last decade (Figure 18).

While the overall regional distribution of FDI aligns with the regional distribution of Türkiye's exports, distinct insights may arise from specific product group and country-related analyses. Therefore, strategies should be supported by detailed analyses of individual product groups and products.

**Figure 18** Regional distribution of FDI inflows to Türkiye, 2014-2023



Source: CBRT, PwC Analysis





Countries that are among Türkiye's largest export partners (the United Kingdom, the United States, Spain, Germany) have also stood out as sources of FDI in the last decade. The overlap between the FDI source countries and leading export partners points to the holistic nature of Türkiye's existing global relationships (Figure 19). In this context, it can be concluded that Türkiye's export potential serves as an attractive factor for FDI firms, leading to further growth in exports as investments surge.

The fact that the top five FDI source countries account for 50% of total investments in both 5-year periods, 2014-2018 and 2019-2023, indicates that Türkiye continues to be a favorable investment destination for European companies, while also pointing to the potential for Türkiye to diversify its source countries. While the majority of the countries in the top ten are European Union member states, the fact that the United States, Germany, Spain and the Russian Federation, which have made the largest FDI investments in Türkiye, are among the top twenty largest investor countries of 2023<sup>29</sup> at the global level also reveals that Türkiye is competitive for major market players in terms of investment destination.

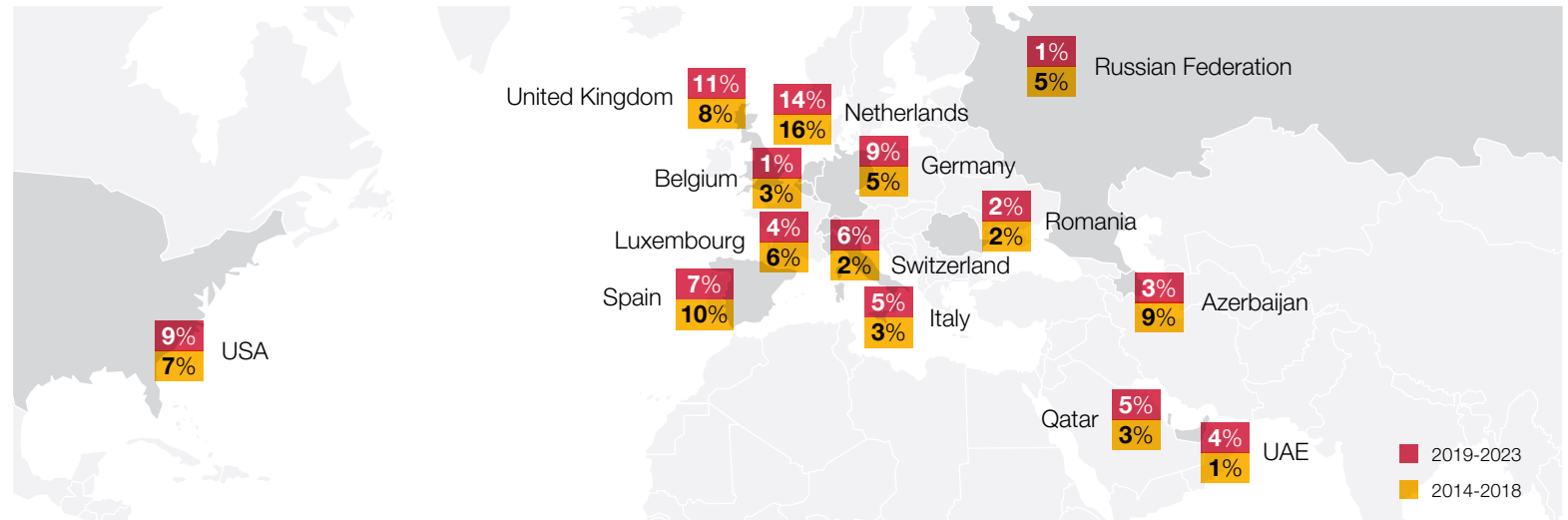
<sup>29</sup> UNCTAD Statistics. (2024). Foreign direct investment: Inward and outward flows and stock, annual

<sup>30</sup> World Bank World Development Indicators. (2024). Foreign direct investment, net outflows (BoP, current US\$)

The share of FDI from developing countries in total FDI inflows to Türkiye is comparatively low. The share of Brazil, Saudi Arabia and India, which stand out with their investments in 2023, in Türkiye's total FDI inflows in the same year remains below 1%.<sup>30</sup> Targeting emerging FDI source countries like them in the sectors in which they invest could improve Türkiye's FDI competitiveness and increase its already broad geographical coverage further.



**Figure 19** Top ten countries\* in FDI inflows to Türkiye and their share in total FDI, 2014-2018 and 2019-2024



\*Top 10 countries in FDI flows to Türkiye between 2014-2018: Netherlands, Spain, Azerbaijan, United Kingdom, United States, Luxembourg, Russian Federation, Germany, Italy, Belgium. Top 10 countries in FDI flows to Türkiye between 2019-2023: Netherlands, United Kingdom, USA, Germany, Spain, Switzerland, Qatar, Italy, UAE, Luxembourg.

Source: CBRT, PwC Analysis

## Prominent Sectors in Foreign Direct Investments

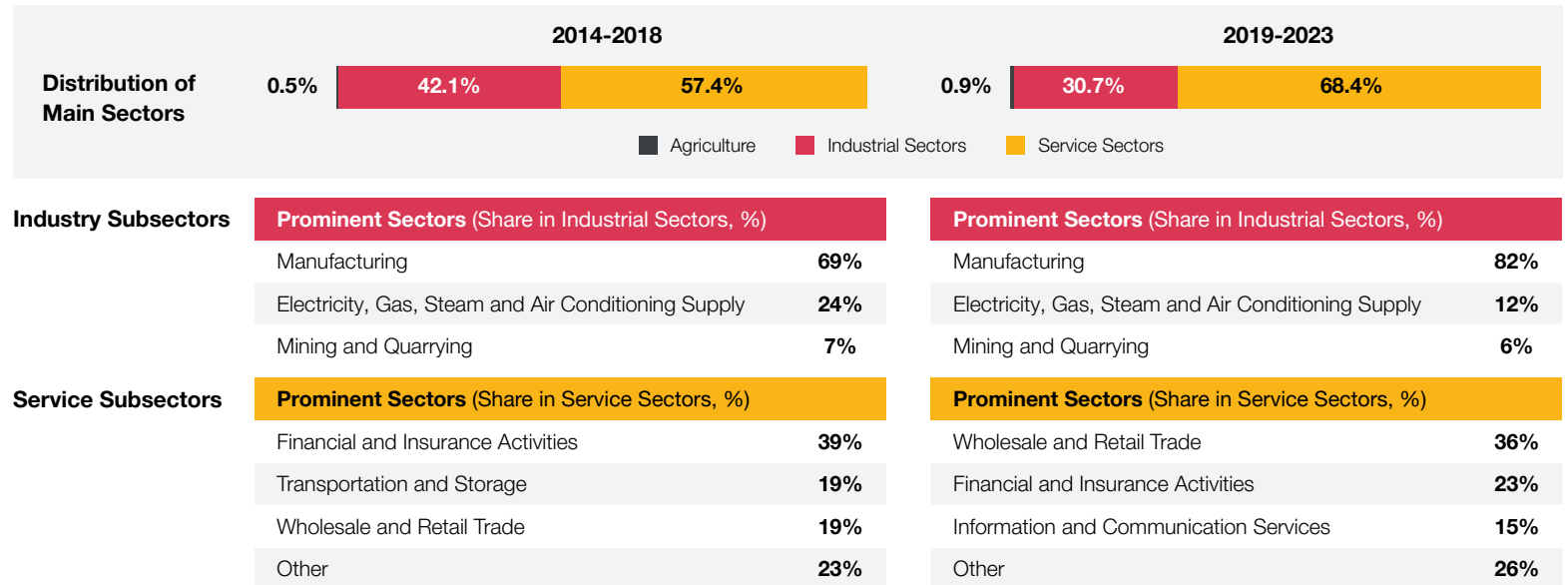


While total FDI including the real estate was around USD 70 billion between 2014-2018, this figure declined to USD 54 billion between 2019-2023.<sup>31</sup> Looking at the sectoral breakdown of FDI, the services sector stands out with a 68% share and has increased its share in total FDI by 11 percentage points in the last five years (2019-2023) (Figure 20).

On the other hand, between 2014-2018 and 2019-2023, FDI inflows to the industrial sectors declined and its share in total FDI fell from 42% to 31%.<sup>32</sup>

Over the past decade, the primary sectors for foreign direct investment (FDI) in industrial fields have maintained their relative rankings. However, within service subsectors, “finance and insurance activities” have shifted from the leading position to second rank, while “wholesale and retail trade” has moved up from third to first.

**Figure 20** Prominent sectors in FDI inflows to Türkiye, 2014-2018 and 2019-2023



Source: CBRT, PwC Analysis

<sup>31</sup> CBRT. (2024). Türkiye FDI Inflow Sectoral Breakdown

<sup>32</sup> (Ibid.)

The manufacturing sector continues to hold the largest share of foreign direct investment (FDI) within industrial sectors, with its share rising from 69% during 2014-2018 to 82% in the period 2019-2023 (Figure 20). During 2014-2018, the manufacturing of food, beverage, and tobacco products (23%), coke and refined petroleum products (17%), and computers, electrical, electronic, and optical products (13%) collectively accounted for 53% of total manufacturing FDI. In the 2019-2023 period, the top three sectors were the manufacture of chemicals, chemical products, and basic pharmaceutical products and materials (20%), computers, electronic-electrical, and optical equipment (15%), and food, beverage, and tobacco products (15%), comprising 50% of total manufacturing FDI.

Notable changes include the manufacture of chemicals, chemical products, and basic pharmaceutical products and materials, which saw an increase in its share of manufacturing FDI from 13% to 20%, and the manufacture of transport equipment, which rose from 4% to 11% in the same period. Conversely, the manufacture of food products, beverages, and tobacco products, coke, refined petroleum products and nuclear fuel, and textiles and textile products experienced the highest declines compared to the 2014-2018 period (Table 2).

**Table 2** Shares of manufacturing sub-sectors in Türkiye's total manufacturing FDI, 2014-2018 and 2019-2023

Sector	2014-2018 Share in Manufacturing FDI (%)	2019-2023 Share in Manufacturing FDI (%)	Change between 2014-2018 and 2019-2023 (% points)
Manufacture of Food Products, Beverages and Tobacco	23%	15%	-8 ↓
Manufacture of Coke, Refined Petroleum Products and Nuclear Fuel	17%	12%	-5 ↓
Manufacture of Computers, Electronic-Electrical and Optical Equipment	13%	15%	2 ↑
Manufacture of Chemicals, Chemical Products, Basic Pharmaceutical Products and Materials	13%	20%	7 ↑
Manufacture of Basic Metals and Fabricated Metal Products	9%	7%	-2 ↓
Manufacture of Textiles and Textile Products	6%	1%	-5 ↓
Manufacture of Other Non-Metallic Mineral Products	5%	1%	-4 ↓
Manufacture of Rubber and Plastic Products	4%	6%	1 ↑
Manufacture of Transport Equipment	4%	11%	7 ↑
Manufacture of Pulp, Paper and Paper Products and Publishing and Printing	3%	3%	-0.28 ↓
Furniture Manufacturing and Other Manufacturing Industries Not Elsewhere Classified	2%	6%	4 ↑
Manufacture of Machinery and Equipment Not Elsewhere Classified	1%	4%	3 ↑
Manufacture of Leather and Leather Products	0.11%	0%	-0.11 ↓
Manufacture of Wood and Wood Products	0.01%	0.03%	0.02 ↑

Sub-sectors are ranked according to their share in total manufacturing FDI in 2014-2018.

Source: CBRT, PwC Analysis



In addition to examining the manufacturing sub-sectors, it is crucial to analyze the distribution of foreign direct investment (FDI) within the services sector, which accounts for 58% of total employment in Türkiye.<sup>33</sup> This analysis would provide a more comprehensive view of Türkiye's overall investment profile and highlight its potential. In Türkiye, FDI in the services sector significantly contributes to the country's global trade integration in areas such as tourism, health tourism, and financial services. Furthermore, it accelerates digital transformation by promoting technology transfer and innovation, and enhances the capacity of local firms.

The largest increase in FDI inflows in service subsectors between 2014-2018 and 2019-2023 was observed in "Wholesale and retail trade" with 17 percentage points, followed by "Information and communication services" with an increase of 10 percentage points. The increase in the "Wholesale and retail trade" sector reflects Türkiye's potential to become a regional trade center thanks to its strong domestic market dynamics and strategic location. The 10 percentage point increase in the "Information and communication" sector between 2014-2018 and 2019-2023 indicates that Türkiye has made significant progress in the digital transformation process. In the same period, the two sectors that decreased their shares in services investments the most were "Finance and insurance activities" and "Transportation and storage".

**Table 3** Shares of service sub-sectors in Turkey's total services FDI, 2014-2018 and 2019-2023

Sector	2014-2018 Share in FDI in Services (%)	2019-2023 Share in FDI in Services (%)	Change between 2014-2018 and 2019-2023 (% points)
Financial and Insurance Activities	39%	23%	-16 ↓
Transportation and Storage	19%	9%	-11 ↓
Wholesale and Retail Trade	19%	36%	17 ↑
Construction	6%	3%	-3 ↓
Information and Communication Services	5%	15%	10 ↑
Real Estate Activities	3%	3%	↔
Human Health and Social Work Activities	3%	3%	↔
Accommodation and Food Service Activities	3%	3%	1 ↑
Professional, Scientific and Technical Activities	1%	1%	↔
Other Service Activities	1%	2%	2 ↑
Administrative and Support Service Activities	1%	1%	1 ↑
Arts, Entertainment and Recreation	0.3%	0.2%	-0.1 ↓
Education	0.1%	0.1%	↔

Sub-sectors are ranked according to their share in total service FDI in 2014-2018.

**Source:** CBRT, PwC Analysis

<sup>33</sup> Turkstat. (2024). Workforce Statistics, 2023

# Foreign Direct Investment Outlook Compared to Competitor Countries

A comparative assessment of Türkiye's foreign direct investment (FDI) performance against competitor nations—including Colombia, Hungary, India, Jordan, Kazakhstan, Mexico, the Philippines, Poland, Romania, and South Africa—would provide valuable insights. Utilizing data from publicly available sources and central banks, Türkiye's FDI indicators are compared with those of competitor countries for the periods 2014-2018 and 2019-2023. The analysis reveals that India consistently maintained its leadership in FDI inflows during both periods. Notably, Poland and South Africa exhibited significant nominal growth in average annual FDI over the past five years. Due to data limitations, the top three sources of FDI were compiled from various sources for the most recent and available date ranges, showing that the United States ranks among the top three investor countries in Türkiye and most competitor nations. Excluding Türkiye, the Netherlands, Germany, and the United States emerge as prominent source countries for FDI.

**Table 4** Key FDI indicators in Türkiye and competitor countries at a glance, 2014-2018 and 2019-2023

Country	Total FDI, Billion USD		Average FDI/ GDP Rate		Annual Average FDI nominal growth rate	Top 3 FDI Sources*
	2014-2018	2019-2023	2014-2018	2019-2023	(2014-2018 and 2019-2023)	
India	205	237	2%	2%	11%	Singapore, Mauritius, USA
Mexico	166	167	3%	2%	0.1%	USA, Canada, Argentina
Poland	70	118	3%	3%	69%	Netherlands, Germany, Luxembourg
<b>Türkiye</b>	<b>70</b>	<b>54</b>	<b>2%</b>	<b>1%</b>	<b>-20%</b>	<b>Netherlands, United Kingdom, USA</b>
Colombia	67	66	4%	4%	-2%	USA, Spain, Panama
Philippines	40	40	2%	2%	-2%	Singapore, Japan, USA
Hungary	38	34	6%	4%	-2%	Luxembourg, Switzerland, Canada
Kazakhstan	30	20	3%	2%	-27%	USA, Netherlands, Russian Federation
Romania	24	37	2%	3%	53%	Germany, Austria, France
South Africa	17	63	1%	3%	238%	United Kingdom, Netherlands, Belgium
Jordan	8	4	4%	2%	-44%	UAE, Bahrain, Saudi Arabia

Countries are ranked according to Total FDI.

\*The first three FDI source countries are compiled from different sources at the most recent date intervals.

**Source:** UNCTAD Foreign direct investment: Inward and outward flows and stock, annual; World Bank World Development Indicators GDP (current US\$), OECD FDI flows by counterpart area, BMD4, CBRT, National Bank of Kazakhstan, Central Bank of the Philippines, National Bank of Romania, Lloyds Bank, Statista, Invest in India, The Hindu, ITC Investment Map; PwC Analysis



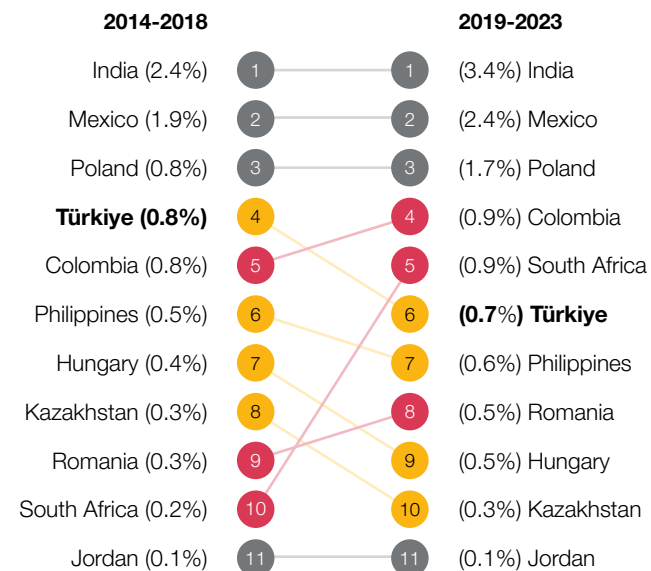
An analysis of total FDI inflows in 2019-2023 and 2014-2018 shows that India has outpaced its rivals with investments exceeding USD 200 billion. This leadership was driven by a large and rapidly growing domestic market and competitive labor costs. Türkiye, which ranked 4<sup>th</sup> among 11 competitor countries in the 2014-2018 period, dropped to 6<sup>th</sup> place in the 2019-2023 period, falling behind Colombia and South Africa in the last five years (Figure 21). The average annual value of FDI attracted by countries between 2014-2018 and 2019-2023 exhibits significant variation. Notably, South Africa, Poland, and Romania have distinguished themselves with increases in their average annual FDI inflows over the past five years. In contrast, Türkiye's average annual FDI inflows have experienced a nominal decline of 20%.

Beyond nominal investment figures, the FDI/GDP ratio provides insight into the scale of foreign investment relative to the economic size of each country. Hungary, Poland, and Colombia have consistently stood out in this ratio across both periods.

Colombia's success in attracting FDI can be attributed to its investment incentives and natural resources, whereas Poland and Hungary have benefited from the substantial long-term EU funds relative to their GDP. In terms of the FDI/GDP ratio, Türkiye ranked tenth out of 11 countries during 2014-2018 and fell to the last position in 2019-2023. Despite having GDPs comparable to that of Türkiye, both Mexico and Poland outperformed Türkiye in FDI/GDP ratios during both periods.

Although Türkiye's comparative analysis with selected competitor countries indicates a recent decline in FDI competitiveness, addressing the underlying reasons of this drop could help unlock the country's substantial potential, which is influenced by a multitude of factors. Reviewing use cases from emerging markets in recent years can inspire countries to unlock their FDI potential. In this regard, we had a look at success stories of Egypt and India, which have implemented policies to streamline investment processes.

**Figure 21** Ranking among competitor countries by FDI amount and global FDI share, 2014-2018 and 2019-2023



Countries are ranked according to the total value of FDI received in 2014-2018 and 2019-2023. Values in parentheses indicate countries' share of global FDI in the given time period. Yellow indicators indicate a decline in the ranking within the country set, gray indicators indicate that the ranking within the country set is maintained, and pink indicators indicate an increase in the ranking.

**Source:** UNCTAD Foreign direct investment: Inward and outward flows and stock, annual, PwC Analysis





## Standing out with centralization of investor services and renewable energy initiatives: Egypt

Egypt has more than doubled its FDI inflows in the last 10 years,<sup>34</sup> demonstrating a remarkable success in attracting foreign direct investment. Attracted by its strategic location, developed market size, young population, low labor costs and critical trade routes such as the Suez Canal, investor appetite for Egypt has recently soared. Centralization of investment services and strategic breakthroughs in the field of clean energy Sourcing stand out as two important factors in the recent upsurge in FDI inflows to Egypt.

The presence of a centralized and multifunctional institution, such as the General Authority for Investment and Free Zones, has played a crucial role in streamlining investment processes and facilitating ease of investment for investors. Through this institution, Egypt has implemented a single approval system that encompasses various licenses and permits related to investment activities, thereby simplifying and streamlining investment procedures.

The Investment and Free Zones Authority is not limited to being a regulatory investment authority, but is also positioned as an investment promotion agency with research and market intelligence tools, promotional bodies to improve the investment climate and position Egypt as a leading economy worldwide.<sup>35</sup> The Agency is also a comprehensive service center for Egypt's investment procedures, sharing with investors the investment opportunities available in different sectors and regions of Egypt in order to inform investors about potential investment opportunities.

Opportunities in various sectors such as renewable energy, construction, tourism and information technology have increased Egypt's attractiveness for international investors. Egypt has also made remarkable progress in sectoral diversity, attracting investments not only from automotive companies but also from pharmaceutical and electronics manufacturers.<sup>36</sup> In 2023, the African continent, which stood out with its clean energy investments, received more than USD 10 billion in total project financing for wind and solar energy generation, with the largest projects in Egypt, South Africa and Zimbabwe.<sup>37</sup>

<sup>34</sup> UNCTAD Statistics, (2024). Foreign direct investment: Inward and outward flows and stock, annual

<sup>35</sup> OECD (2020), OECD Investment Policy Reviews: Egypt 2020, OECD Investment Policy Reviews, OECD Publishing, Paris, <https://dx.doi.org/10.1787/9f9c589a-en>.

<sup>36</sup> UNCTAD. (2024). World Investment Report

<sup>37</sup> UNCTAD. (2024). Africa: Foreign investment in clean energy boosts sustainability momentum



## Turning Digitalization into an FDI Opportunity in the Service Sector: India

India has attracted significant FDI in Information and Communication Technologies (ICT) over the last decade, positioning digital transformation as a critical driver of its economic development. With the ICT sector accounting for 13% of its total GDP, India has successfully channeled investments from global companies into its fast-growing local digital ecosystem and has become a local/regional hub for many, especially in e-commerce.<sup>38</sup> Despite a decline in total FDI in recent years, India ranked among the top twenty FDI recipient countries in 2023 and maintained its global position, especially with the services it offers in the field of ICT.

With the Digital India program launched in 2015, India has taken important policy steps in three areas (Development of secure digital infrastructure, Provision of public services in digital environment and Development of digital literacy). Digital India, a \$20 billion program, has contributed to the development of digital skills in the country and accelerated sectoral development.<sup>39</sup> Sector-specific initiatives such as “Digital India”, which aims to transform India into a digitally empowered society and knowledge economy, have boosted FDI in the ICT sector, taking advantage of India’s large domestic market and growing economy.

The country’s success in attracting FDI, particularly in digital sectors, can be attributed to its investments in strengthening ICT skills and its adoption of open FDI policies. With its large-scale digital skills development centers (Skill India Digital Hub), India is raising the country’s sectoral attractiveness by training competent individuals in areas such as artificial intelligence, cyber security, and data analytics.<sup>40</sup> In the country’s digitalization process, practices to facilitate foreign direct investments in ICT have also been implemented.

For example, India allows FDI in the ICT sector without requiring lengthy approval procedures;<sup>41</sup> offers attractive tax incentives such as tax benefits for units in Special Economic Zones and tax deductions for R&D expenditures.<sup>42</sup>

India’s large pool of skilled and cost-competitive ICT experts and its investments in developing robust digital infrastructure and improving the ease of doing business through various reforms have contributed to making the country an attractive destination for ICT investments.

<sup>38</sup> Invest in India (2023) ICT Technology: Its Role and Impact at WIC - Invest India <https://www.investindia.gov.in/team-india-blogs/ict-technology-its-role-and-impact-wic>.

<sup>39</sup> Department of Electronics and Information Technology, Government of India. Digital India A programme to transform India into a digitally empowered society and knowledge economy. [https://www.meity.gov.in/sites/upload\\_files/dit/files/Digital%20India.pdf](https://www.meity.gov.in/sites/upload_files/dit/files/Digital%20India.pdf)

<sup>40</sup> India Ministry of Skill Development and Entrepreneurship. (2024). Skill India <https://www.skillindia.gov.in/>

<sup>41</sup> Kumar et al. (2022). FDI in Information and Communication Technology (ICT) in India <https://www.abacademies.org/articles/fdi-in-information-and-communication-technology-ict-in-india-13122.html>

<sup>42</sup> Invest in India (2023) ICT Technology: Its Role and Impact at WIC - Invest India <https://www.investindia.gov.in/team-india-blogs/ict-technology-its-role-and-impact-wic>.



## Export Competitiveness

With the analyses conducted within the scope of our report, Türkiye's performance in the World Competitiveness Index (in main parameters) and the changing competitiveness situation in the product groups and export markets that stand out in exports are evaluated in comparison with the competitor countries. The countries selected as competitors are intended to be countries that perform similar to Türkiye in terms of socioeconomic status, overall export capacity and presence in the relevant export markets. In this context, our report aimed to lay out the change in Türkiye's relative position in the set of competitor countries over the last 10 years (by comparing two five-year periods).

According to the World Competitiveness Index, which is fed by a comprehensive data set, Türkiye ranked 44th on average among 62 countries between 2015 and 2019, but dropped to 50th on average among 64 countries between 2020 and 2024.<sup>43</sup> Türkiye's competitor countries also recorded a decline in the overall index ranking, with Türkiye falling from 5th place in 2015-2019 to 6th place in 2020-2024 in the set of 11 competitor countries.

In the index parameters (average ranking from 2015-2019 and 2020-2024), Türkiye exhibited its most pronounced declines in Government Efficiency, falling by 15 positions, and Business Efficiency, decreasing by 6 positions. On the other hand, Türkiye advanced by one position in Economic Performance and maintained its average ranking in Infrastructure.

The primary factors bolstering Türkiye's competitiveness are "Cost Competitiveness," "Economic Dynamism," and "Skilled Labor Force," which have consistently ranked among the top three since 2019.

Among the primary country groups in Türkiye's exports, the European Union, the Near and Middle East, and non-EU Europe have consistently remained in the top three over the past decade, despite a decline in their share of total exports. This indicates Türkiye's steady performance in these markets and the maintenance of long-term trade relationships. Similarly, the leading product groups in Türkiye's merchandise exports have maintained their positions and shares in the top ten between 2014 and 2023.

Türkiye's competitiveness is assessed in comparison with competitor countries in terms of the ten product groups that Türkiye exported the most in the last decade (Table 1). In terms of Revealed Comparative Advantage, Türkiye experienced a slight decline in global competitiveness in the 10 analyzed product groups between 2019 and 2023, decreasing by 2% compared to 2014-2018 period. Conversely, there was a minor increase of 1% in competitiveness within the top 10 export markets. Additionally, Türkiye maintained its 2014-2018 ranking among competitor countries, placing seventh in global competitiveness out of eleven countries and sixth in competitiveness within the top ten export markets for the period 2019-2023. Overall, Türkiye has steadily maintained its level of competitiveness on a global scale and in the top ten export markets, as well as its position among competitor countries, over the past decade.

<sup>43</sup> The set of countries covered by the World Competitiveness Index changes from year to year. While the index ranked 62 countries on average between 2014-2018, this figure has expanded to include 64 countries on average between 2019-2023.



## FDI Competitiveness

Europe has maintained its leadership in FDI inflows to Türkiye with a share of 68% in Türkiye's total FDI inflows over the last decade. The source countries from which Türkiye received the most investment have remained largely consistent between 2014-2018 and 2019-2023. Notably, EU member states and the United States hold a significant share of these investments.

A sectoral analysis of FDI inflows to Türkiye reveals that the services sector experienced a notable increase of 11 percentage points in its share of total FDI over the past five years (2019-2023). While the manufacturing sector continues to hold the largest share of FDI within industrial sectors, this share rose significantly from 69% during 2014-2018 to 82% in 2019-2023. Within the manufacturing sub-sectors over the last five years, "Manufacturing of chemicals, chemical products, and basic pharmaceutical products and materials" and "Manufacturing of transportation equipment" have particularly stood out by increasing their shares in manufacturing investments.

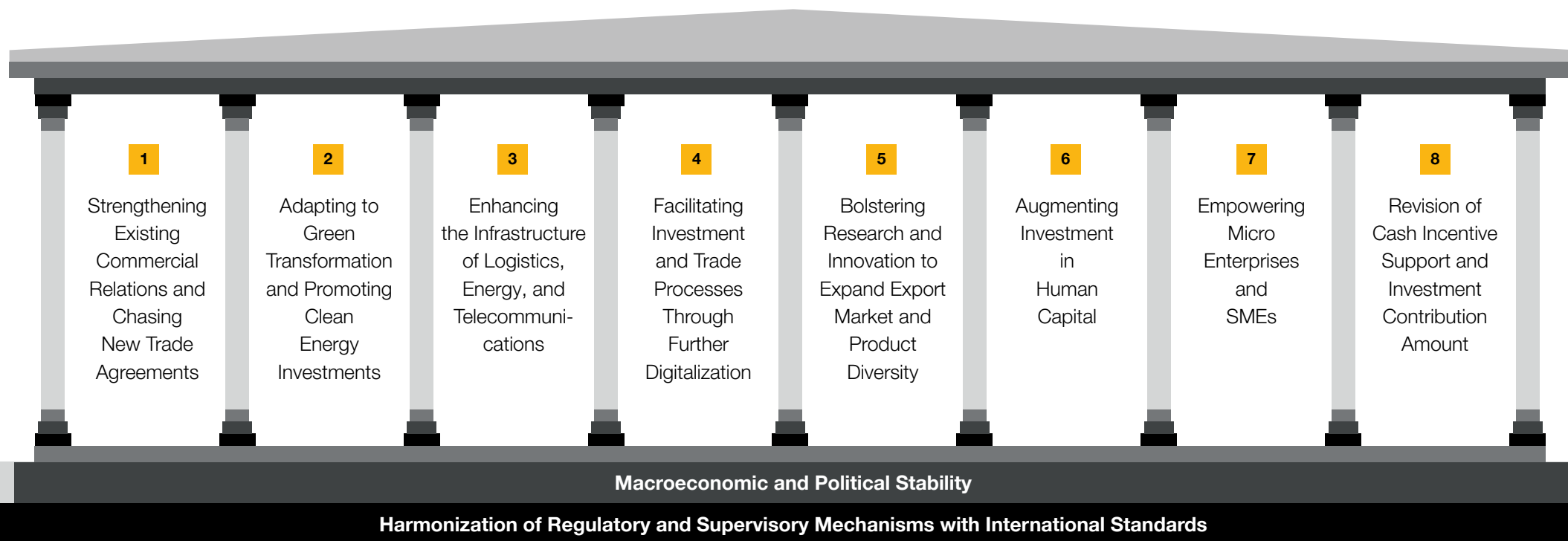
Among the service sub-sectors, the "Wholesale and retail trade" and "Information and communication" sub-sectors showed a noteworthy development. Among manufacturing sub-sectors, "Manufacture of food products, beverage and tobacco", "Manufacture of coke, refined petroleum products and nuclear fuel" and "Manufacture of textile and textile products" were the sectors whose shares in total manufacturing investments decreased the most, while among services sub-sectors, "Finance and insurance activities" and "Transportation and storage" lost their shares in total services investments the most.

A comparative analysis of Türkiye's FDI performance with its competitor countries reveals that Türkiye's competitiveness among competitor countries has declined slightly in the last decade. The average annual FDI received by Türkiye decreased by 20% in nominal terms between 2014-2018 and 2019-2023. While Türkiye ranked 4th among 11 countries in total FDI in the previous period (2014-2018), it dropped to 6th place in 2019-2023.



## 8 Key Steps to Support Türkiye's Export and FDI Competitiveness

Steps to enhance Türkiye's export competitiveness and attractiveness for FDI should be strategically planned, considering the country's current potential and prevailing global trends. It is essential to recognize that the rule of law, enhancement of the investment climate, and political and macroeconomic stability are fundamental prerequisites for fostering investor confidence and interest. In the final section of our study, we present policy measures that contribute to improving countries' competitiveness indicators from a general perspective. In formulating these steps, we have drawn upon the analyses and best practices examined in our report, as well as international practices that bolster competitiveness in trade and foreign direct investments. Assuming the prerequisites of "Macroeconomic and Political Stability" and "Harmonization of Regulatory and Supervisory Mechanisms with International Standards" are met, we propose the following policies as initial steps to increase Türkiye's competitiveness.



## **1 Strengthening Existing Commercial Relations and Chasing New Trade Agreements**

Considering that more than half of Türkiye's exports are with the EU, we believe that updating the Customs Union will contribute positively to both exports and investment. In addition, in order to increase trade destinations and develop investor country resources, trade agreements in line with a win-win strategy for both parties should be negotiated and opportunities for regional cooperation should be evaluated.

## **2 Adapting to Green Transformation and Promoting Clean Energy Investments**

Considering the Carbon Border Adjustment Mechanism (CBAM), the importance of investing in green energy, sustainable production and environmentally friendly technologies is increasing. Türkiye's rich renewable energy resources, especially solar energy, offer a great opportunity for foreign investors. Offering incentive programs for companies willing to invest directly in this field and adapting to green financing models can increase investments.

## **3 Enhancing the Infrastructure of Logistics, Energy, and Telecommunications**

Strengthening logistics, energy and telecommunications infrastructure will enable Türkiye to further capitalize on its geographical advantage. More concrete examples include: ensuring energy supply security through renewable energy and storage investments and increasing the potential for digital transformation and e-commerce by expanding 5G and fiber optic networks. In line with current public statements, investments in ports, railways and highways should be designed in an integrated manner to increase competitiveness in trade.

## **4 Facilitating Investment and Trade Processes Through Further Digitalization**

Centralization of investment processes through digitalization will make the investor journey an easier process through digital channels. Accelerating customs procedures further through digital platforms will make a significant contribution to export competitiveness by reducing the cost and duration of trade.

## **5 Bolstering Research and Innovation to Expand Export Market and Product Diversity**

By encouraging innovation, the development of high value-added, technology-intensive products that can both substitute imported products and increase exports should be supported. In this context, more effective use of export support elements for medium and high technology products and the introduction of new support elements on a sectoral basis will also provide momentum. Market development strategies should be prepared by conducting market research, competition and benchmarking analyses in order to promote the product groups that are currently traded in countries with a significant share in Turkey's exports to new markets.

## **6 Augmenting Investment in Human Capital**

Vocational training programs, especially in technology and engineering, should be intensified to improve the qualifications of the young and dynamic workforce. Stronger links between universities and industry should be established and special training programs should be implemented to meet the needs of foreign investors. To support export competitiveness, the workforce should be equipped with skills appropriate for modern industries.

## **7 Empowering Micro Enterprises and SMEs**

To help small and medium-sized enterprises (SMEs) enter international markets (compliance with international trade standards, digitalization, access to finance), capacity building programs and steps to facilitate their access to finance should be designed. In addition, more support/incentives can be provided to expand micro-exports, facilitate the expansion of small producers abroad, and support new micro-exporters, especially young entrepreneurs, women producers and small-scale enterprises, and facilitate operational procedures.

## **8 Revision of Cash Incentive Support and Investment Contribution Amount**

In addition to the tax incentives generally offered in Türkiye, investors interested in high value-added and strategic projects have expectations for increased cash incentives. The HIT 30 support program announced by the Ministry of Industry and Technology covers more than 30 priority investment areas and includes various cash support elements such as grants, payment of personnel salaries and energy costs. Increasing the upper limits of these supports according to the investment amount may provide a more favorable investment environment for investors. Moreover, regulations in the investment incentive system that allow the investment contribution amount to be used for other tax burdens depending on the sector of the firms can be considered as steps to support investors and make the investment environment more attractive.

# Annex

## Annex 1 Indicators used in the index created to measure export performance in the global market.

Indicator	Data Resource	Motivation to Use in the Analysis
Export/GDP ratio	World Bank World Development Indicators, Exports of goods and services (% of GDP)	To evaluate indicators related to the basic export performance and overall export capacity of countries.
Average annual value of goods exports over the last five years	UNCTAD Statistics, International Merchandise Trade	
Average annual value of services exports over the last five years	UNCTAD Statistics, International Trade in Services	
Average global trade share over the last five years	UNCTAD Statistics, Merchandise: Total Trade and Share	
Average total export value to the top five countries where Türkiye exports the most over the last five years	UN ComTrade Database, Trade Data	To consider competitiveness and export capacity specific to Türkiye's top ten exported product groups and top export destinations.
Average total export value to the top five countries where Türkiye exports the most, and for the top 10 exported product groups over the last five years		
Share of countries exporting to the top five countries in Türkiye's top 10 exported product groups within the total imports of those five countries		
Average foreign value-added rate in total exports between 2016-2020 (or the most recent data range available)	OECD Trade in Value-Added (TiVA)- Database	To take into account an indicator related to the presence of imported inputs within exports when assessing the export capacities of countries.



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2024-0206