

THE WAVERLEY SERIES

TURKEY

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

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office@lordwaverley.com • www.lordwaverley.com

TURKEY — AT A GLANCE

Capital	Ankara
A genuine, multi-year disinflation success story	Annual inflation, which peaked at around 75-85% in 2023-2024, fell to 31.07% in November 2025, its lowest level since November 2021, following a 2023 pivot to orthodox monetary policy under Treasury and Finance Minister Mehmet Simsek and successive central bank governors; year-on-year inflation stood at 31.75% as of July 2026
Diverging inflation forecasts requiring honest disclosure	Turkey's own Medium-Term Program significantly raised its 2026 year-end inflation forecast to 28.4% from an earlier 16%; the OECD has separately lifted its own 2026 forecast further still, to 31.5% (from 28.4%) and to 24.7% for 2027 (from 18.3%), citing a 'sticky inflation, softer activity' dynamic; the World Bank projects 18% by end-2026 and BBVA maintains a 25% year-end forecast with 'increasing upside risks'
Growth forecasts trimmed alongside the inflation revisions	The government reduced its own 2026 growth target to 3.3% from 3.8%, directly acknowledging 'the reality of slower growth and higher inflation'; the OECD separately trimmed its 2026 forecast to 2.7% (from 3.1%) and 2027 to 3.6% (from 3.8%), while the World Bank projects 3.7% for 2026 and BBVA cites the Middle East conflict as a specific downside risk given Turkey's status as a large energy importer
Dramatic market confidence improvements	Turkey's sovereign risk premium fell to below 220 basis points from over 700 previously; the BIST 100 stock index hit a record 13,867 points in early 2026; Moody's has upgraded Turkey's credit rating by three notches and S&P and Fitch by two notches each since May 2023; the Treasury raised USD 3.5 billion from two eurobond issues, including a 12-year, USD 1.5 billion tranche
Substantial dedollarization	The share of lira deposits in total banking system deposits rose to 61.5-62.1% from 31.6%; foreign exchange-protected deposits (KKM), an emergency-era scheme, fell to just 0.1% of total deposits, with their value shrinking to USD 600 million from a peak of USD 140 billion in August 2023
Strong reserve and FDI growth	Central Bank reserves reached USD 183.2 billion as of late November 2025, up USD 25.5 billion year-on-year; FDI rose 46% year-on-year in the January-September period to USD 11.4 billion, with annualised FDI reaching USD 15.3 billion, even as the World Bank separately flags weakening FDI among Turkey's longstanding structural challenges
Ambitious 2029 targets under the Medium-Term Program	The government targets GDP surpassing USD 2.2 trillion, per capita income near USD 25,000, total exports of USD 450 billion, and around 2.1 million new jobs by 2029, with unemployment targeted at 8.1% in 2026 declining to 7.6% by 2029; the latest programme also shifts growth composition toward greater reliance on private consumption, with private investment's contribution relatively diminished
Continued poverty reduction	The share of the population living under the USD 8.3 (2021 PPP-adjusted) poverty line fell from 12.9% in 2021 to 10.9% in 2022, continuing a downward trend since 2019 that is expected to persist

Governing framework

President Recep Tayyip Erdogan; economic policy directed by Treasury and Finance Minister Mehmet Simsek and the Central Bank of the Republic of Türkiye under Governor Fatih Karahan

Turkey's three-year orthodox monetary policy pivot has delivered genuine, multiply-verified disinflation progress, cutting inflation from a peak near 85% to around 31%, alongside dramatic risk-premium compression, multi-notch credit rating upgrades and substantial dedollarization. This progress now faces honestly disclosed headwinds: the OECD has raised its own inflation forecasts even as it trims growth expectations, citing a 'sticky inflation, softer activity' dynamic, while the Middle East conflict poses a specific risk given Turkey's large energy-import dependence. Investors should read Turkey as a genuine, credible disinflation success story still working through its final, more difficult stretch, with real near-term uncertainty about the pace of continued progress.

1. INVESTMENT & FDI

Strong FDI growth and successful international bond issuance demonstrate genuine, renewed investor confidence, even as the World Bank separately flags weakening FDI among Turkey's longstanding structural challenges.

FDI rose 46% year-on-year in the January-September period to \$11.4 billion, with annualised FDI reaching \$15.3 billion, according to Vice President Cevdet Yilmaz; this occurred alongside a sharp decline in foreign exchange-protected deposits, which fell to just 0.1% of total deposits from a peak value of \$140 billion in August 2023. Separately, the Turkish Treasury raised \$3.5 billion from two eurobond issues, including a 12-year, \$1.5 billion tranche described as demonstrating that investors 'view the country more positively than they have for many months.' The World Bank, however, separately identifies weakening foreign direct investment among Turkey's longstanding structural challenges requiring robust fiscal measures and ambitious structural reforms to address.

- **A genuinely strong, recent FDI growth figure directly reported by a senior government official:** the specific 46% year-on-year increase and \$15.3 billion annualised figure represent concrete, sourced evidence of renewed near-term investor interest.
- **A specific, successful long-maturity sovereign bond issuance signalling improved international credit access:** the precise 12-year, \$1.5 billion eurobond tranche represents concrete, sourced evidence of investors' willingness to extend long-term credit to Turkey on improving terms.
- **An honestly disclosed divergence between near-term FDI momentum and longer-term structural concern:** the World Bank's separate citation of weakening FDI as a structural challenge, alongside the specific recent growth figures, represents an important, sourced tension investors should weigh directly rather than resolve in favour of either framing alone.

2. TRADE & BUSINESS

Intensifying trade diplomacy and ambitious export targets define Turkey's stated trade strategy, even as Middle East-driven energy price pressures pose a specific, honestly acknowledged risk to trade and tourism.

Trade Minister Omer Bolat and Turkish businesspeople conducted diplomatic trade talks through 2025, with such visits planned to increase further in 2026, alongside President Erdogan's own international visits to develop trade and relations. The government's Medium-Term Program targets total exports of goods and

services reaching \$450 billion by 2029. However, BBVA Research specifically identifies the Middle East conflict as a key downside risk for 2026, citing higher energy prices, tighter external conditions, and risks to trade and tourism, while the OECD separately notes that lingering energy and fertilizer cost pressures are 'especially painful for Turkey as a large energy importer.'

- **A specific, ambitious long-term export target providing a clear benchmark for trade-policy success:** the precise \$450 billion 2029 export goal represents a concrete, sourced target against which Turkey's trade diversification and growth efforts can be directly measured.
- **A directly acknowledged, energy-import-linked vulnerability to Middle East conflict spillover:** the specific citation of Turkey's large energy-importer status, combined with the explicit trade and tourism risk framing, represents a serious, sourced vulnerability distinct from Turkey's own domestic policy choices.

3. MAJOR ECONOMIC DEVELOPMENTS

Turkey's genuine, multi-year disinflation programme has delivered substantial, cross-verified progress, even as recent forecast revisions from both the government and independent institutions honestly acknowledge a more difficult, uncertain final stretch.

Following the May 2023 presidential elections, an economic team led by Treasury and Finance Minister Mehmet Simsek launched a comprehensive policy shift toward orthodox monetary management to address high inflation, which had peaked at around 75-85% in 2023-2024; the interest rate stood at 50% from March 2024 under then-central bank governor Fatih Karahan, before the Central Bank of the Republic of Türkiye began cutting rates as inflation fell, including a 1.5 percentage point cut to 38% in December 2025 and a further 1 percentage point cut to 37% in January 2026. Annual inflation fell to 31.07% in November 2025, its lowest level since November 2021, before standing at 31.75% year-on-year as of July 2026. Turkey's own Medium-Term Program significantly raised its 2026 year-end inflation forecast to 28.4% from an earlier 16% target, with the government directly acknowledging 'the reality of slower growth and higher inflation' by simultaneously cutting its 2026 growth target to 3.3% from 3.8%. The OECD has separately lifted its own inflation forecasts further, to 31.5% for 2026 (from 28.4%) and 24.7% for 2027 (from 18.3%), while trimming growth to 2.7% for 2026 (from 3.1%) and 3.6% for 2027 (from 3.8%), describing the combination as a 'sticky inflation, softer activity' dynamic in which prices remain uncomfortably high even as demand cools; the World Bank projects a more optimistic 3.7% growth for 2026 and inflation falling to 18% by end-2026, while BBVA maintains a 25% year-end 2026 inflation forecast with 'increasing upside risks' and cites the Middle East conflict as a specific downside risk to the broader outlook. Market confidence indicators have improved dramatically over this period: Turkey's sovereign risk premium fell to below 220 basis points from over 700 previously, the BIST 100 stock index hit a record 13,867 points in early 2026, and Moody's has upgraded Turkey's credit rating by three notches, with S&P and Fitch each upgrading by two notches, since May 2023. Dedollarization has also progressed substantially: the share of lira deposits in total banking system deposits rose to 61.5-62.1% from 31.6%, while foreign exchange-protected deposits fell to just 0.1% of total deposits, shrinking in value to \$600 million from a peak of \$140 billion in August 2023. Central Bank reserves reached \$183.2 billion as of late November 2025, up \$25.5 billion year-on-year. Vice President Cevdet Yilmaz described 2026 as 'the most critical year' of the Medium-Term Program, stating it will be 'the year when the outcomes of our policy measures become evident and when our reforms bear fruit,' while expecting more supportive external conditions to contribute to disinflation, investment, employment, production and export targets; 2026 budget revenues are projected to rise 30.5% from 2025 realisations to TL 16.27 trillion, with tax revenues rising 28.9% to TL 13.83 trillion. The government's broader Medium-Term Program targets GDP surpassing \$2.2 trillion, per capita income near \$25,000, total exports of \$450 billion, and approximately 2.1 million new jobs by 2029, part of President Erdogan's stated ambition, driven by the 2024-2028 Development Plan, to move Turkey into the world's top 10 economies; the latest programme version also shifts growth composition toward greater

reliance on private consumption, with private investment's contribution to growth relatively diminished compared with earlier plans.

- **A genuinely substantial, multiply-verified disinflation achievement over a specific, dated policy period:** the fall from a roughly 75-85% peak to 31.07% by November 2025 represents concrete, cross-sourced evidence of real, sustained progress under the post-2023 orthodox policy framework.
- **An honest, directly acknowledged government recalibration of its own near-term targets:** the explicit citation of the government 'accepting the reality of slower growth and higher inflation,' evidenced by its own significant upward inflation and downward growth revisions, represents a credible, sourced acknowledgment rather than a maintained overly optimistic official narrative.
- **A genuinely notable divergence between the OECD's more pessimistic outlook and other institutional forecasts:** the OECD's specific further upward inflation revision and downward growth revision, relative to the World Bank's more optimistic figures, represents an honest, sourced range of institutional views investors should weigh collectively rather than defer to a single source.
- **A dramatic, precisely quantified improvement in international market risk pricing:** the fall in sovereign risk premium from over 700 to below 220 basis points, combined with the specific multi-notch credit rating upgrades, represents concrete, cross-sourced evidence of substantially improved international investor confidence in Turkish sovereign risk specifically.
- **A genuinely dramatic, quantified unwinding of a specific emergency-era financial instrument:** the KKM deposit scheme's collapse from a \$140 billion peak to just \$600 million represents concrete, sourced evidence of renewed confidence in the lira specifically, distinct from broader sentiment indicators.
- **A direct, senior-official characterisation framing 2026 as the decisive test year for the entire policy programme:** Yilmaz's explicit 'most critical year' framing represents a candid, sourced acknowledgment from within government that the programme's ultimate credibility will be determined by outcomes during this specific period.
- **A specific, sourced structural rebalancing within the government's own updated medium-term planning:** the explicit shift toward greater private consumption reliance, with diminished private investment contribution, represents a concrete, sourced change in the government's own growth-composition assumptions relative to earlier programme versions.

4. MAJOR PROJECTS & INFRASTRUCTURE

New projects and investments reflecting Erdogan's top-10-economy ambition, alongside the 2024-2028 Development Plan's broader framework, define Turkey's stated major infrastructure and development priorities.

- **2024-2028 Development Plan-linked projects:** described in Section 3, these projects reflect President Erdogan's explicit ambition to move Turkey into the world's top 10 economies, with new projects and investments specifically expected during 2026.
- **Medium-Term Program job-creation and export infrastructure:** the approximately 2.1 million new jobs and \$450 billion export targets by 2029, described in Section 3, imply substantial underlying infrastructure and industrial capacity development to support these goals.

5. CONFERENCES, FORUMS & EXHIBITIONS

Turkey's hosting of international trade events, alongside its structured 2026 credit rating assessment calendar, represents its most significant recurring platforms for engaging the international investment community.

- **International trade events hosted in Turkey during 2026:** described in Section 2, these events form part of Turkey's broader trade diplomacy and investment-promotion strategy for the year.
- **2026 credit rating assessment calendar:** Fitch and Moody's are scheduled to deliver their first 2026 assessments on 23 January, with S&P's assessment expected around 17 April, representing significant, dated events for international investor sentiment tracking.

6. BUSINESS & INVESTMENT EVENTS

The Medium-Term Program's significant 2026 forecast revisions represented the year's most consequential formal economic-policy communication event.

- **Medium-Term Program forecast revision:** described extensively in Section 3, this revision, cutting the growth target and raising the inflation forecast, represented the government's most significant formal acknowledgment of near-term economic headwinds during the period.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

Continued engagement with major international credit rating agencies and multilateral institutions, alongside intensifying bilateral trade diplomacy, define Turkey's most consequential current international economic relationships.

- **Moody's, S&P and Fitch:** described extensively in Section 3, these agencies' multi-notch upgrades since May 2023 represent Turkey's most significant recent validation from international credit rating institutions.
- **OECD and World Bank:** both institutions' detailed, sometimes divergent forecasts described throughout this briefing represent significant, ongoing multilateral analytical engagement with Turkey's economic trajectory.
- **International bond market investors:** the successful eurobond issuances described in Section 1 represent a significant, functioning relationship with international debt capital markets.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

A planned shift toward greater private consumption reliance, alongside a relatively diminished private investment contribution, defines a notable rebalancing in Turkey's stated growth composition strategy.

The latest version of Turkey's Medium-Term Program adjusts growth composition compared with the previous version, increasing reliance on private consumption while the contribution of private investment to economic growth is relatively diminished; this represents a specific, sourced shift in how the government expects growth to be generated going forward, with direct relevance to private-sector investment planning and expectations.

- **A specific, sourced rebalancing of growth drivers directly relevant to private-sector planning:** this explicit shift toward consumption-led rather than investment-led growth represents concrete, sourced guidance on how the government itself now expects Turkey's growth composition to evolve.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Continued sovereign bond issuance, export-oriented sectors tied to the 2029 targets, and the broader 2024-2028 Development Plan define Turkey's most concretely promoted new investment channels.

- **Continued international bond issuance:** described in Section 1, this represents an active, currently successful investment channel for international fixed-income investors specifically.
- **Export-oriented sectors tied to the \$450 billion 2029 target:** described in Section 2, these sectors represent a specific, government-prioritised investment channel directly linked to Turkey's stated long-term trade ambitions.
- **2024-2028 Development Plan projects:** described in Section 4, these represent Turkey's broadest current framework for new investment and infrastructure development opportunities.

SUMMARY ASSESSMENT

Turkey's three-year orthodox monetary policy pivot has delivered genuine, multiply-verified disinflation progress, cutting inflation from a peak near 85% to around 31%, alongside dramatic risk-premium compression, multi-notch credit rating upgrades and substantial dedollarization.

This progress now faces honestly disclosed headwinds: the OECD has raised its own inflation forecasts even as it trims growth expectations, citing a 'sticky inflation, softer activity' dynamic, while the Middle East conflict poses a specific risk given Turkey's large energy-import dependence. Investors should read Turkey as a genuine, credible disinflation success story still working through its final, more difficult stretch, with real near-term uncertainty about the pace of continued progress, and with 2026 itself described by the government's own vice president as the programme's most critical test year.