

***TURKISH ECONOMY AND MACHINERY SECTOR***

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***Chief Commercial Counsellor Turkish Embassy***

# Economic Targets of 2014-2016 Medium Term Program

	2012*	2013**	2014	2015	2016
GDP (Billion \$, Current Prices)	786	823	867	928	996
GDP Per Capita (\$)	10497	10,818	11,277	11,927	12,670
Real GDP Growth	2.2	3.6	4.0	5.0	5.0
Unemployment Rate (%)	9.2	9.5	9.4	9.2	8.9
Tourism Income (Billion \$)	25.7	29.0	31.0	32.0	34.5
Current Account Balance (Billion \$)	-47.8	-58.8	-55.5	-55.0	-55.0
Current Account Balance / GDP (%)	-6.1	-7.1	-6.4	-5.9	-5.5

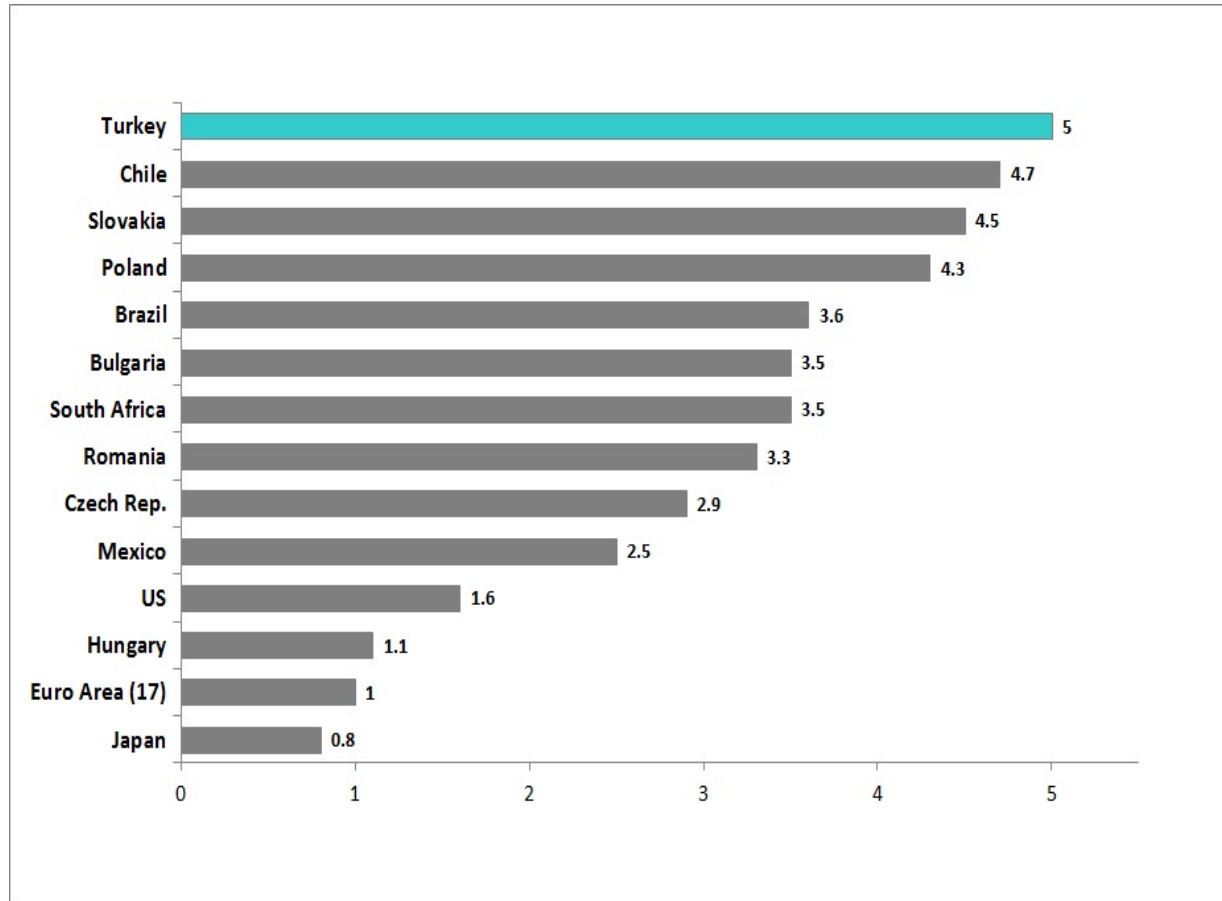
\*Actual

\*\* Forecast

(Medium Term Program, Ministry of Development – October 8, 2013)

- **Medium Term Program which covers 2014-2016 period aims to reduce the current account deficit gradually and increase the growth rate by minimizing the effects of global uncertainty.**

## Average Annual Real GDP Growth of Turkey, 2002-2012 (%)



**Turkey** is the **16th** largest economy in the world and the **6th** largest economy when compared with the EU countries, according to GDP figures (at PPP) in 2012.

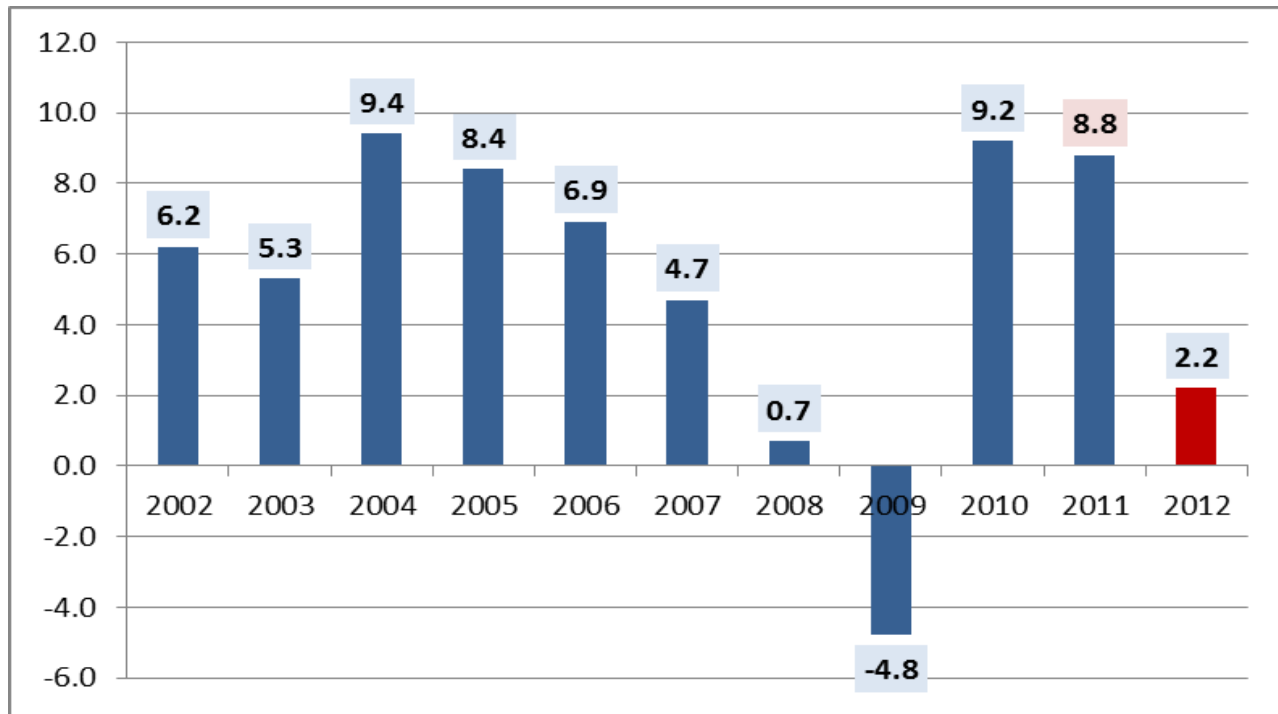
# Growth Forecasts for Selected Countries/Country Groups (%)

Growth Forecasts for Selected Countries/Country Groups (%)								
		Turkey	Euro Area	US	Brazil	Russia	India	China
IMF	2013	3.8	-0.4	1.9	2.3	1.5	4.4	7.7
	2014	3.5	1.0	2.8	2.3	2.0	5.4	7.5
	2015	4.3	1.4	3.0	2.8	2.5	6.4	7.3
OECD	2013	3.6	-0.4	1.7	2.5	1.5	3.0	7.7
	2014	3.8	1.0	2.9	2.2	2.3	4.7	8.2
	2015	4.1	1.6	3.4	2.5	2.9	5.7	7.5
WB	2013	4.3	-0.4	1.8	2.2	1.3	4.8	7.7
	2014	3.5	1.1	2.8	2.4	2.2	6.2	7.7
	2015	3.9	1.4	2.9	2.7	2.7	6.6	7.5

Source: IMF, OECD, WB

- Turkish economy performed by 9.2 % in 2010 and % 8.8 growth in 2011 which is the second highest after China in the world. In 2012, Turkish economy grew by 2.2% highest in Europe. .
- In 2013, Turkish Economy grew by 3.5%. (the highest in EU)

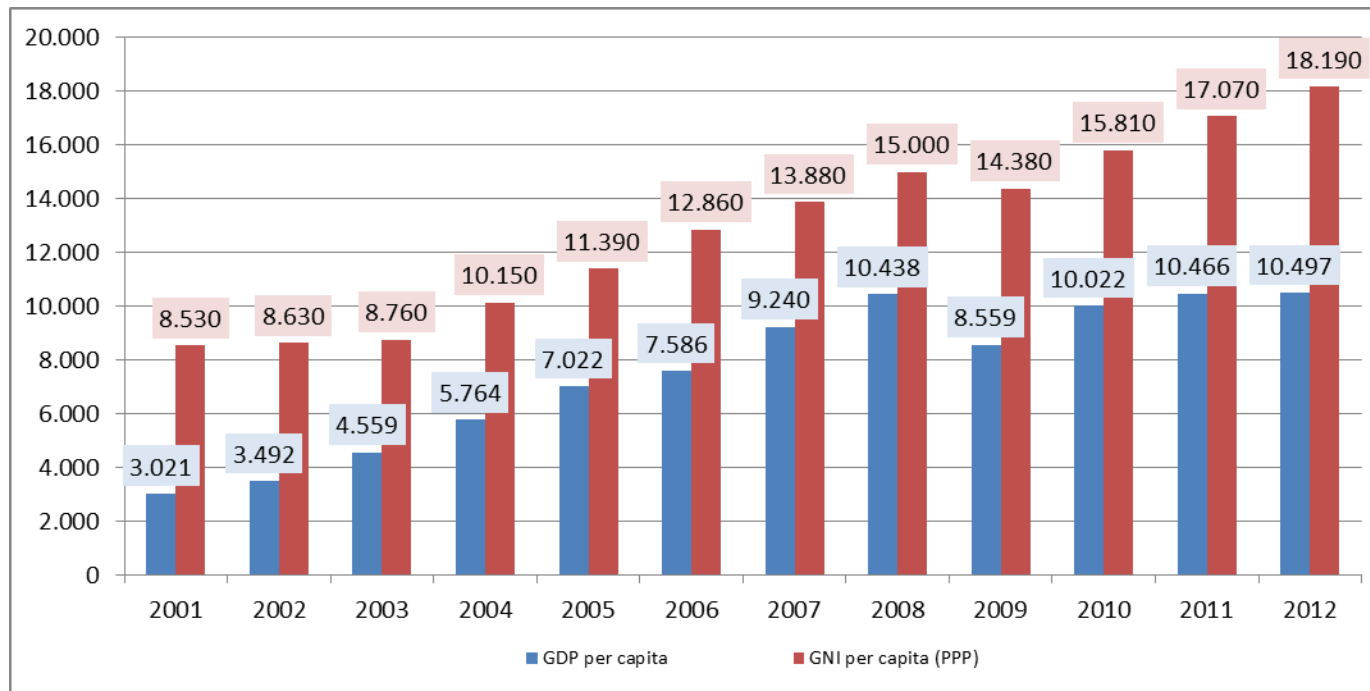
# Annual Economic Growth Rates (2002-2012)



\* Forecast, Medium Term Programme Source: TURKSTAT

- Turkey has recovered fast from the global financial crisis. It is among the least affected countries from current global economic uncertainties.
- Mean annual growth rate between 2002 and 2012 was 5.2%.
- Real GDP growth for 2012 realized as 2.2%.

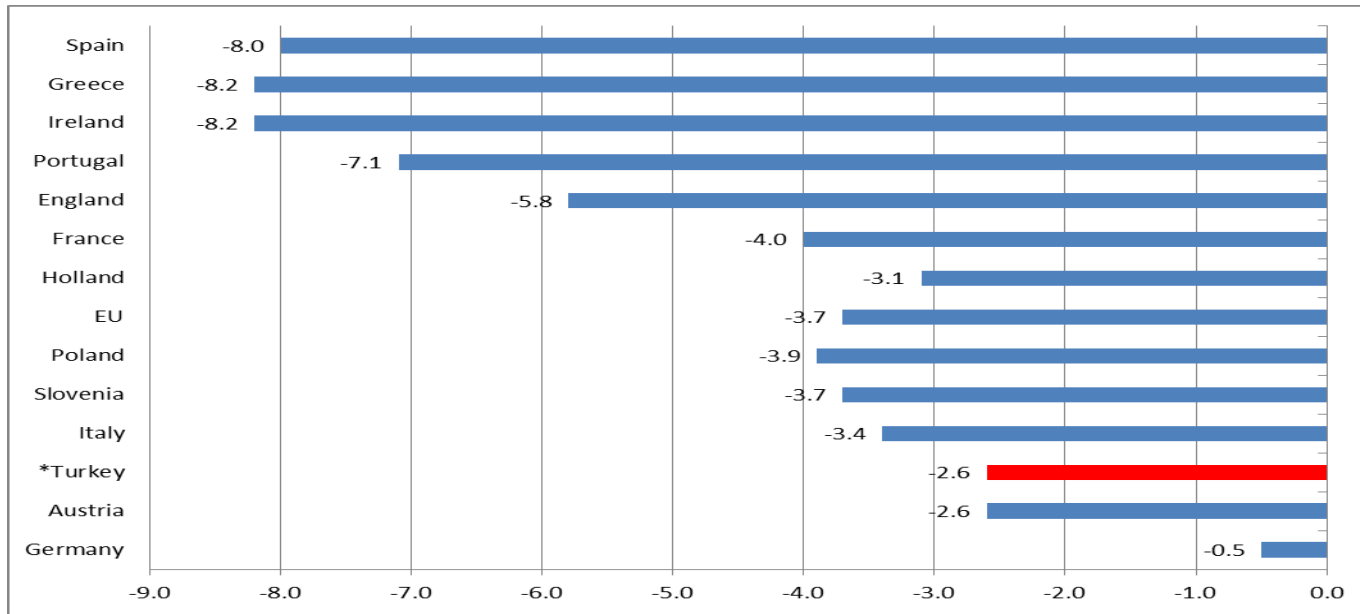
# GDP Per Capita



Source: Dollar value is from TURKSTAT, PPP GNI value from World Bank

- **Since 2002 GDP per capita has tripled from 3,492 USD to 10,497 USD. According to Purchasing Power Parity (PPP) GNI per capita surpassed 18 thousand USD.**

# EU Defined Budget Deficit/ GDP (%)

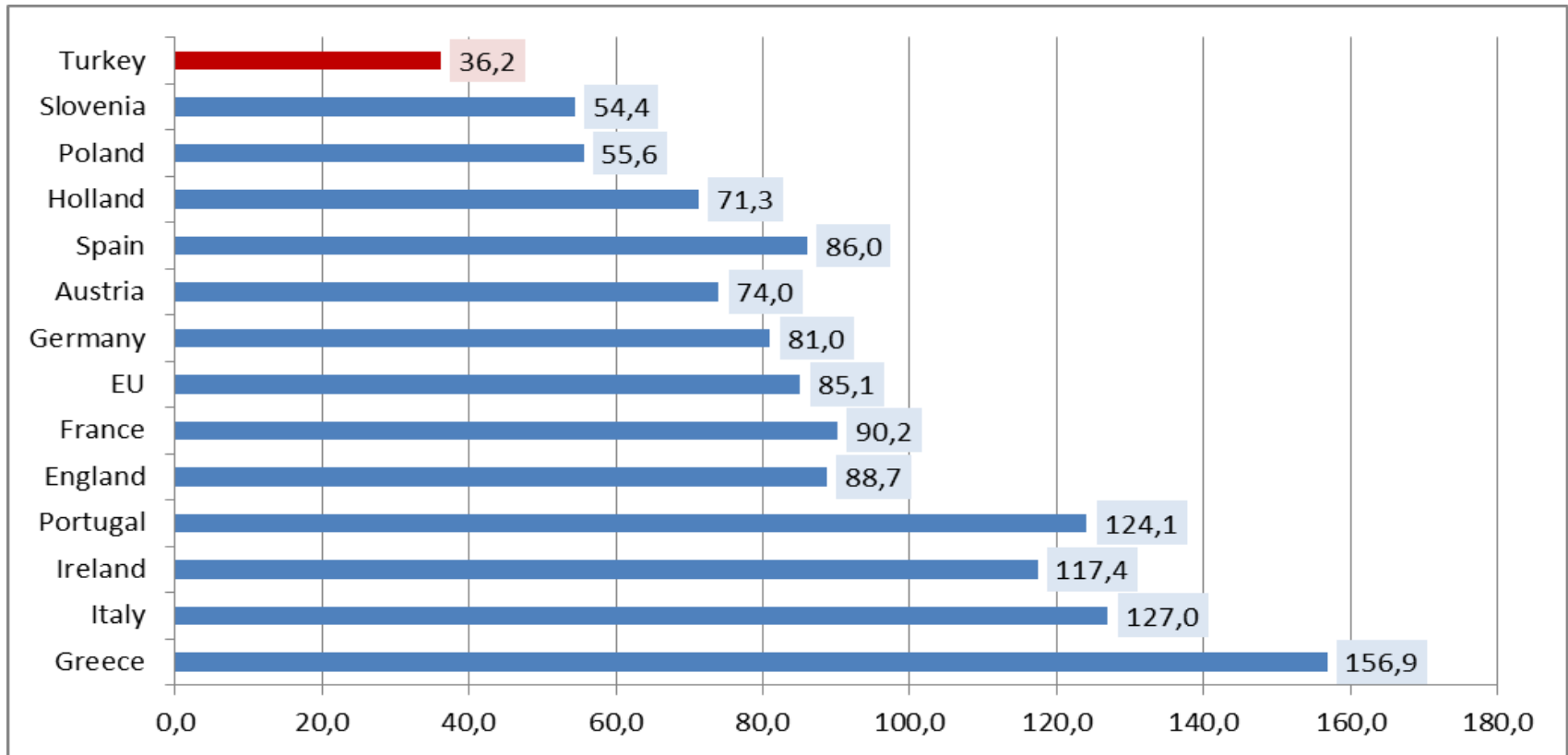


Source: Eurostat

\* 2010

- **EU defined general government budget deficit/GDP ratio was 2.6% in Turkey in 2010 and Turkey satisfied the Maastricht criteria of 3%. Turkey also outperformed 22 EU Countries.**
- **Central government budget deficit/GDP ratio was 2.0% in Turkey in 2012.**

# Government Debt / GDP (%)



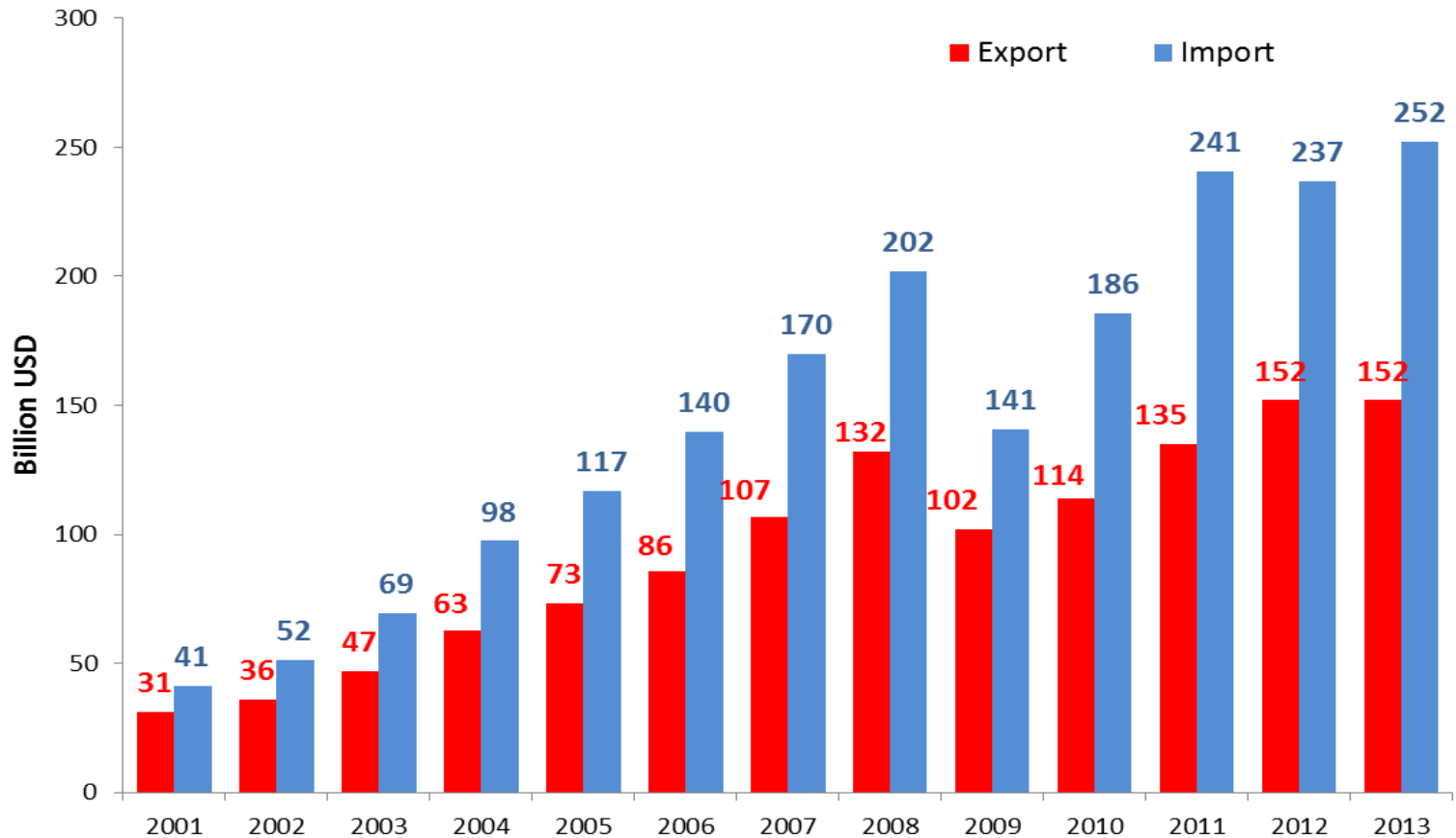
Source: Eurostat

- **Debt/GDP ratio of Turkey was 36.2% in 2012, which was below the level in 25 EU Countries and the Maastricht Criteria (60%).**
- **Debt/GDP ratio of Czech Rep. was 46.0 % in 2012 second after Turkey.**



# ***B- FOREIGN TRADE OUTLOOK***

# TOTAL EXPORT AND IMPORT OF TURKEY (\$)



**Turkish foreign trade on the rise...**

**Exports, which were USD 47 billion in 2003, rose to USD 152 billion by at the end of 2013.**

# Targets in Merchandise Trade

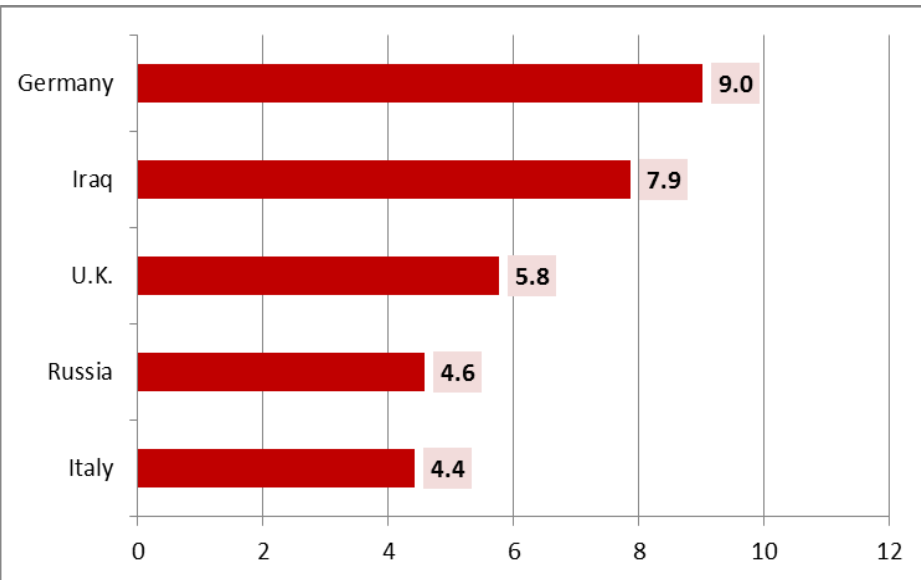
<b>(Billion \$)</b>	<b>2012*</b>	<b>2013*</b>	<b>2013**</b>	<b>2014**</b>	<b>2015**</b>	<b>2016**</b>	<b>2023***</b>
<b>Exports</b>	152.5	151.9	153.5	166.5	184	202.5	500
<b>Imports</b>	236.5	251.7	251.5	262	282	305	625
<b>Volume of trade</b>	389	403.5	405	428.5	466	507.5	1125
<b>Balance of trade</b>	-84.1	-99.8	-98	-95.5	-98	-102.5	-125
<b>Exports/Imports (%)</b>	64.5	60.3	61.0	63.5	65.2	66.4	80.0

\* Actual (Source: TURKSTAT)

\*\*Forecast: Medium Term Programme, Ministry of Development, 2014-2016)

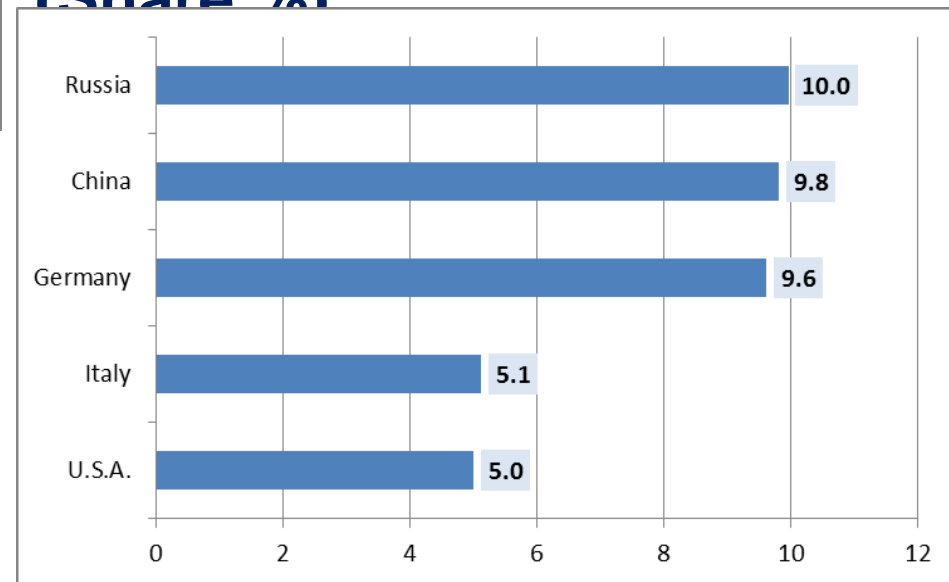
\*\*\*The Exports Strategy of Turkey For 2023

## Main Export Partners (Share,%)



Source:  
TURKSTAT

## Main Import Partners (Share %)



**BILATERAL TRADE BETWEEN TURKEY AND CZECH REPUBLIC  
(1.000 US \$ )**

	2011	2012	2013
Export	1.300.472	1.103.907	1.138.568
Import	1.356.756	1.703.953	2.209.955
Volume	2.657.228	2.807.860	3.348.526
Balance	- 56.284	- 600.146	- 1.071.387

**\*The share of Turkey in Czech Rep. total imports is % 0.07  
The share of Czech Rep. in Turkey's total import is % 0.08**

# ***C- TURKISH MACHINERY SECTOR***

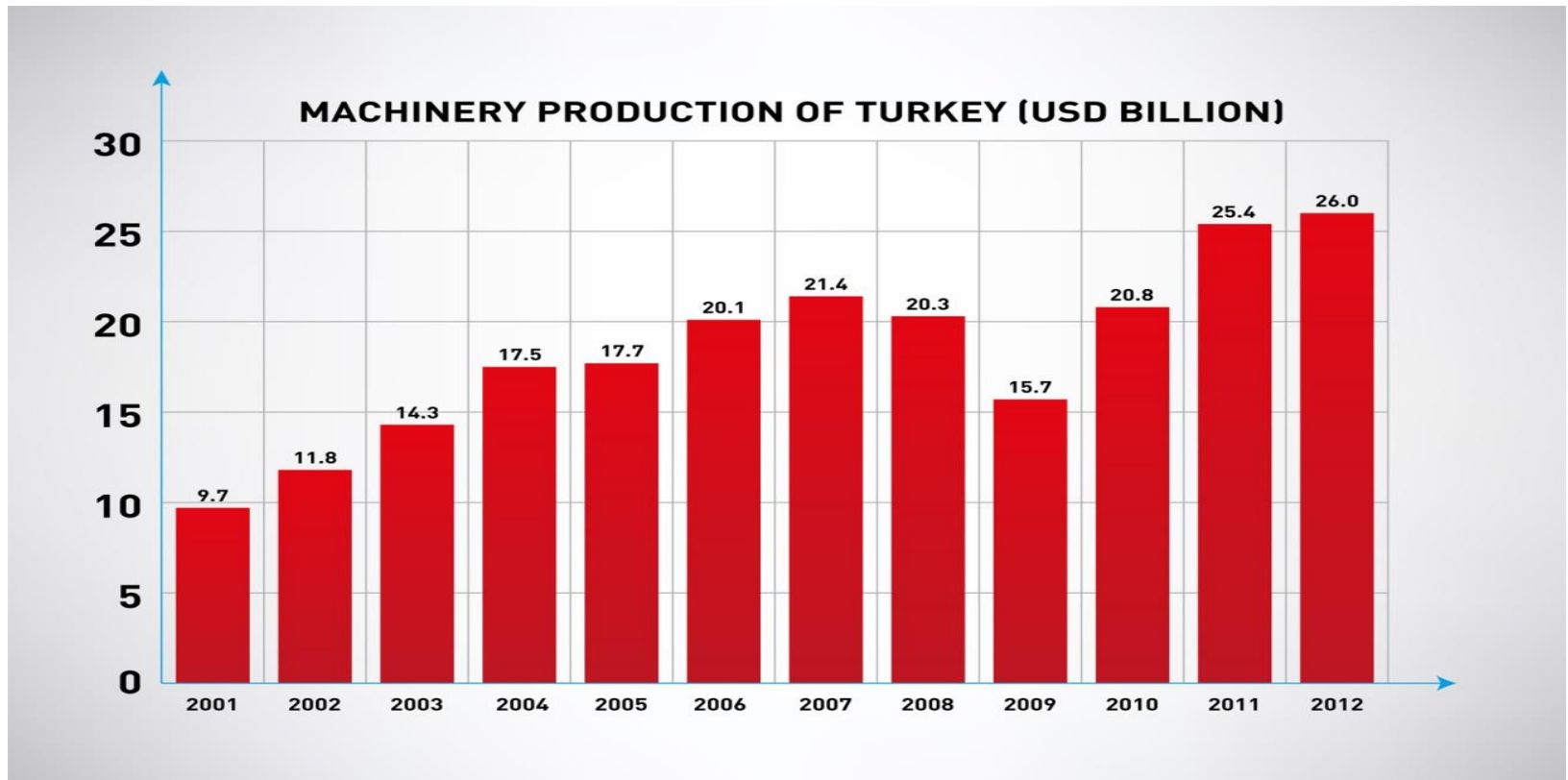
## **Rising Sector of Turkey : MACHINERY**

With its rapid development and the potential it has, the Turkish Machinery Sector is a sector increasing its share in the Turkish economy and exports.

Machinery and Accessories is the **2nd** largest sector after Vehicles (other than railway, tramway etc.) in Turkish exports.

Turkey realizes exports to more than 200 countries (including free zones).

# Production Figures in the Turkish Machinery Sector



Production in the Turkish machinery sector more than **doubled** in 10 years.

Turkey is the **sixth largest** manufacturer of machinery in Europe and is preferred by leading countries. In 2012, manufacturing in the Turkish machinery industry increased by **3 percent** and reached **USD 26,1 billion**.



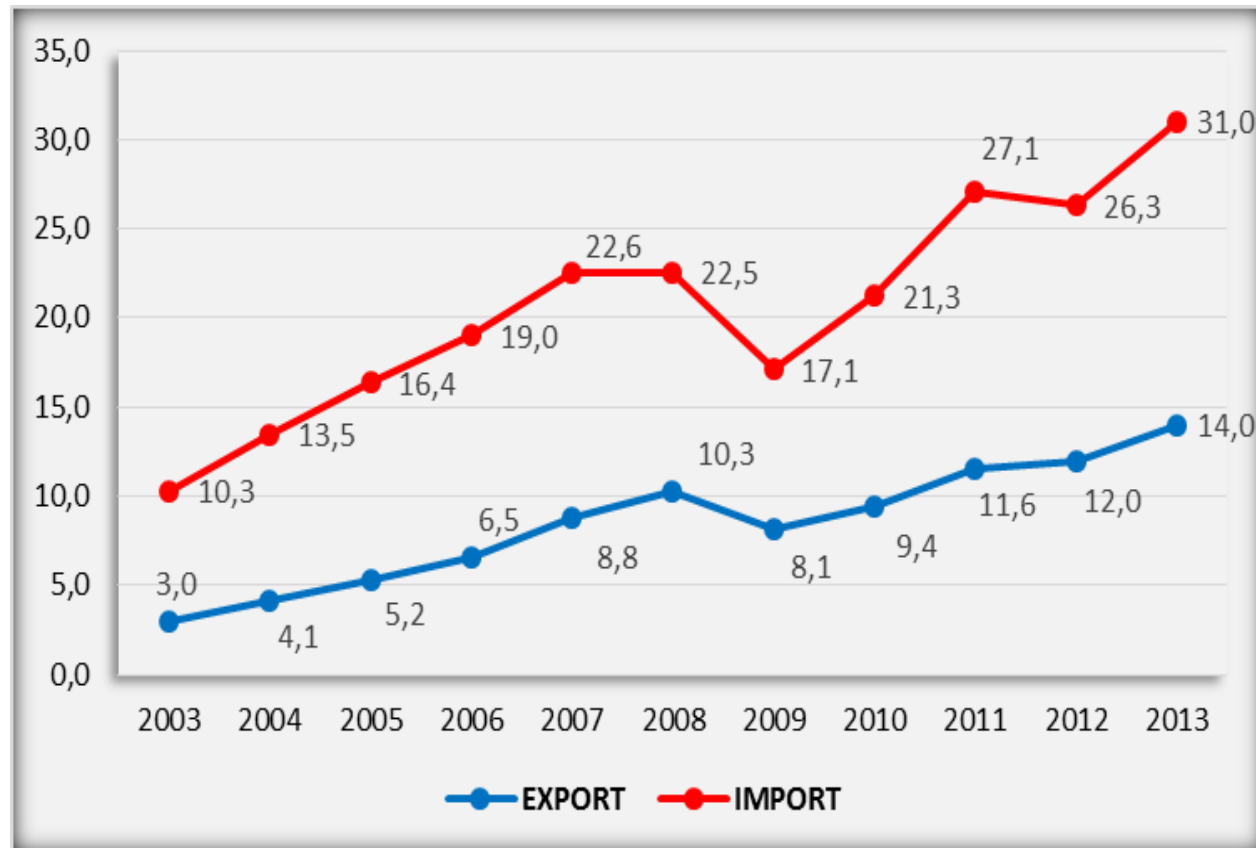
Over the last 10 years (in terms of CN Code:84);

Turkey's machinery exports, which were USD 3.0 billion in 2003, have reached USD 14 billion in 2013, through an **average annual growth of 20 percent**, which is above the annual growth rate of Turkey's overall exports in the same period (17%)

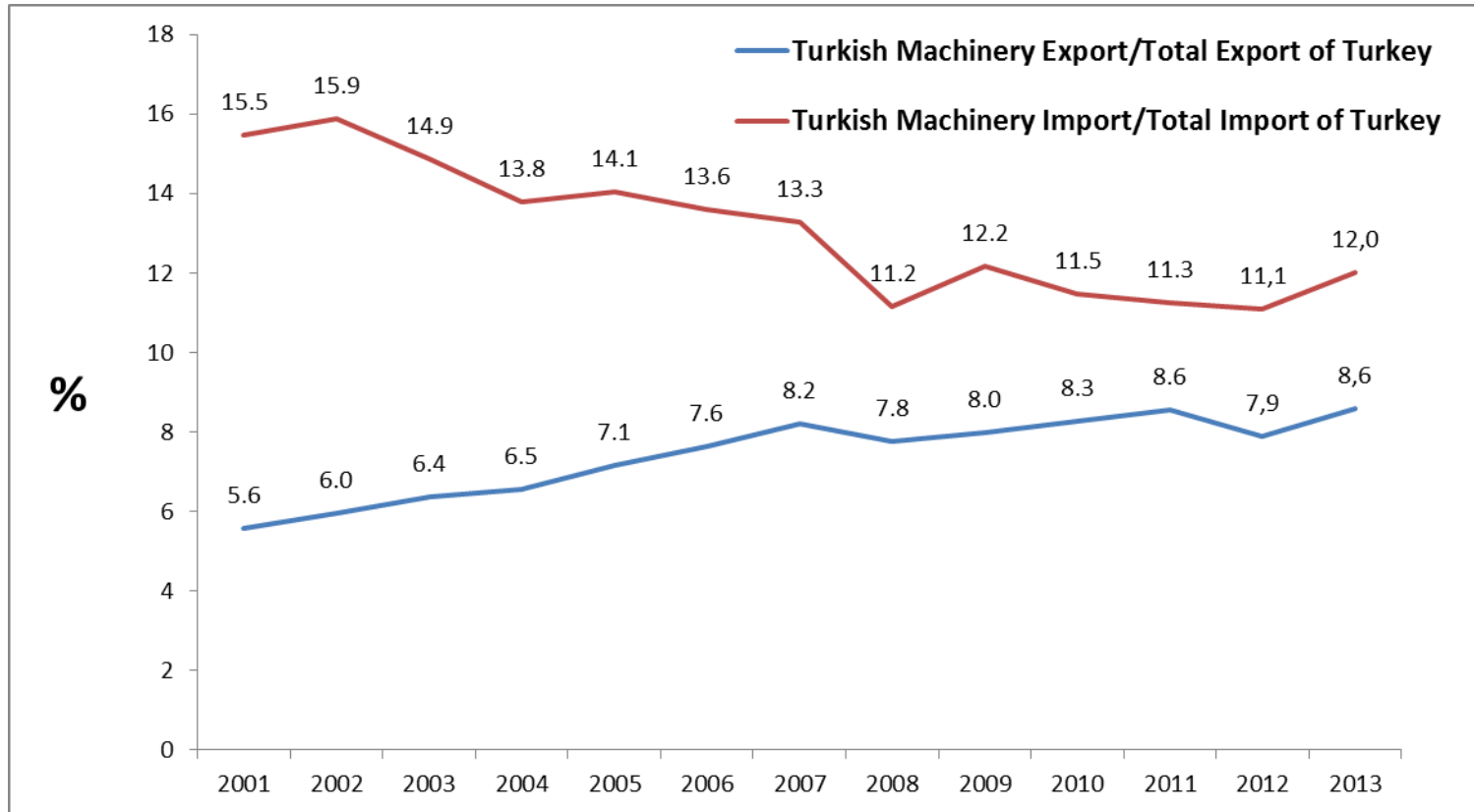
Machinery imports have reached USD 31 billion in 2013, through an **average annual growth of 15 percent**, which is below the annual growth rate of Turkey's overall imports in the same period (18%)

The ratio of exports to imports in the machinery sector has gone up from 29% to 45% in the last 10 years.

## Machinery Foreign Trade of Turkey (Billion \$)

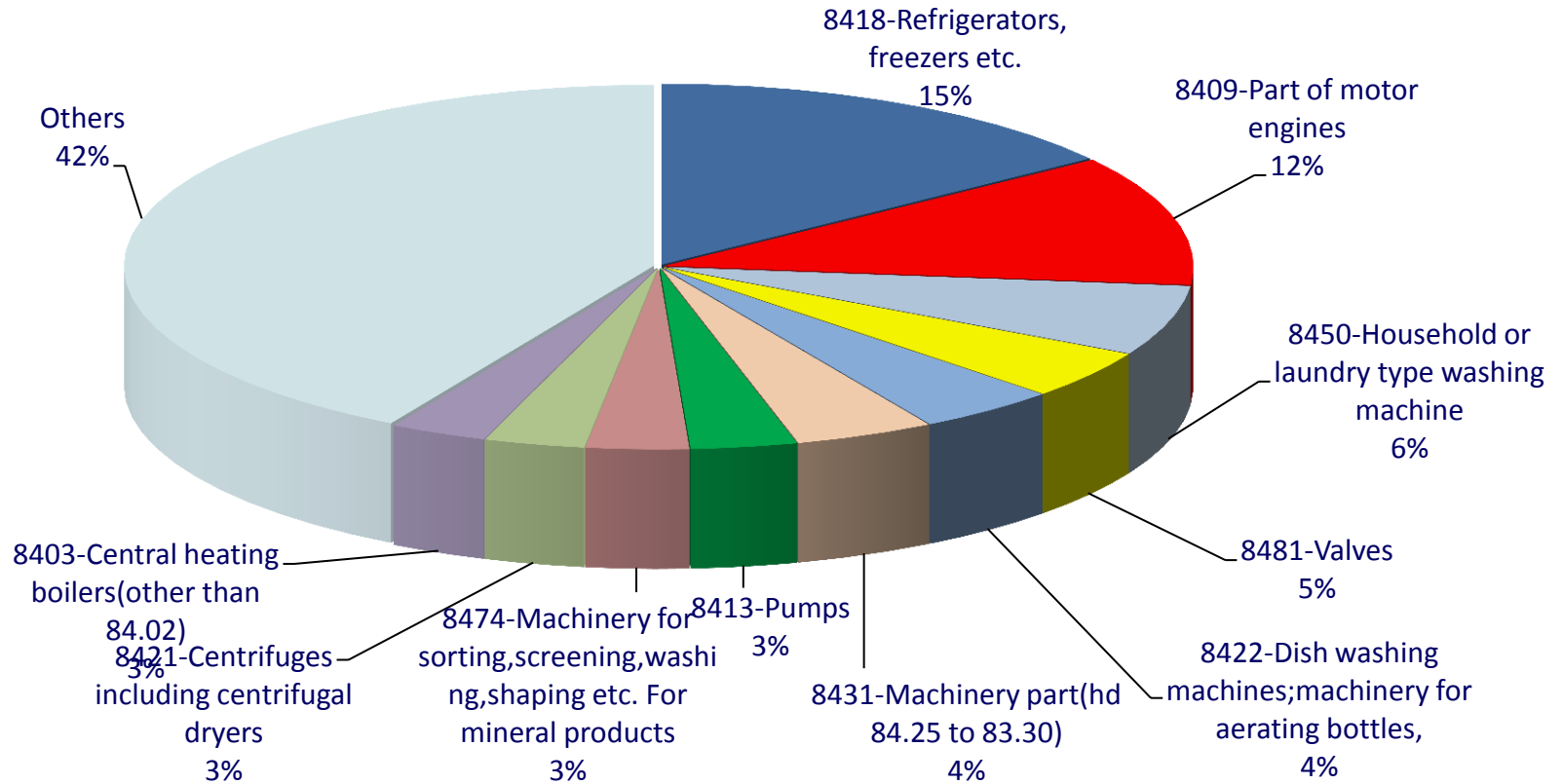


# Share of Machinery Sector in Total Export and Import of Turkey



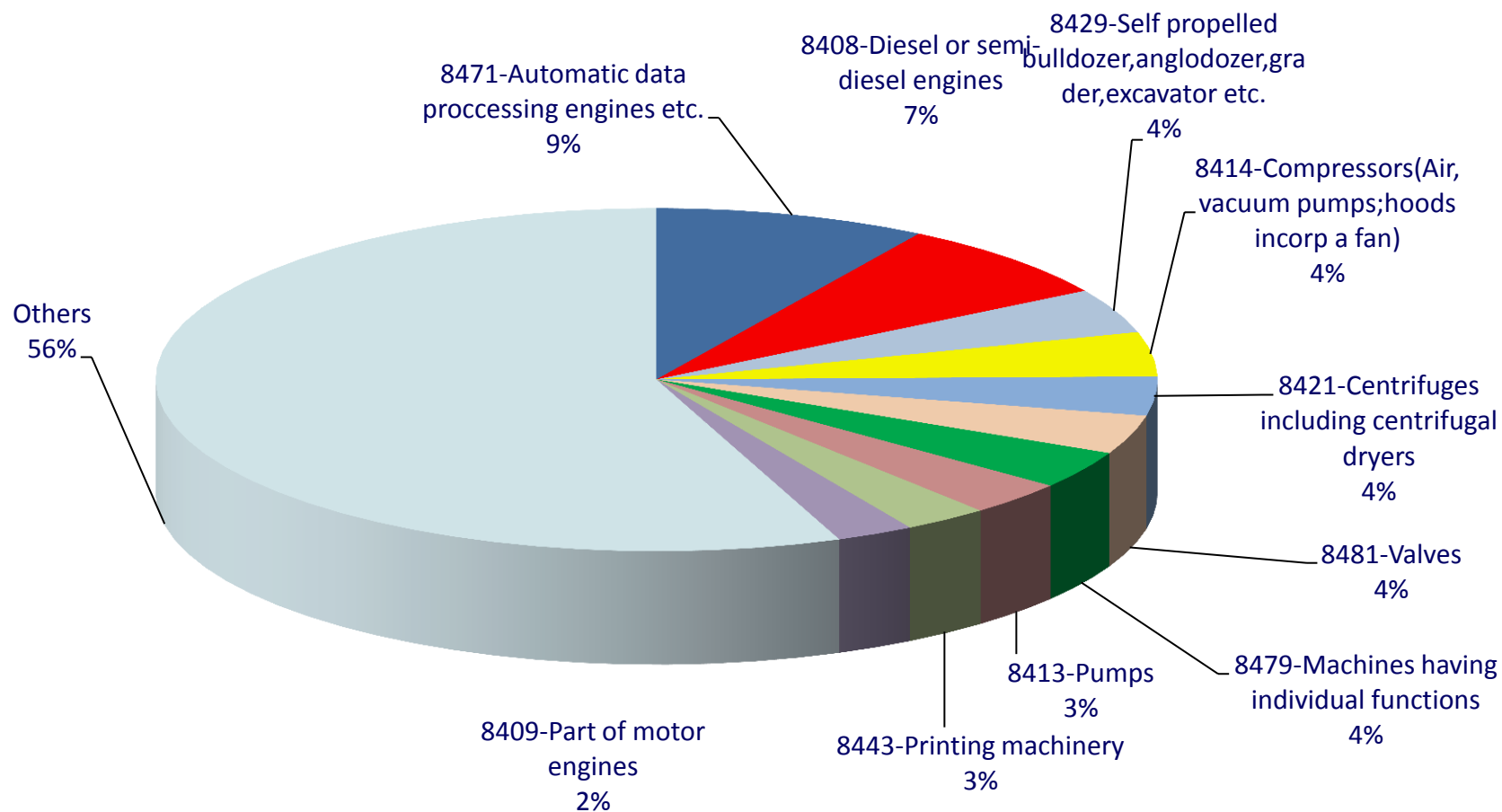
*During the last decade, share of machinery sector in total export of Turkey **increased** and reached **%9** in 2013, while the share in the imports decreased.*

# Main Product Groups in Machinery Export of Turkey (2013)



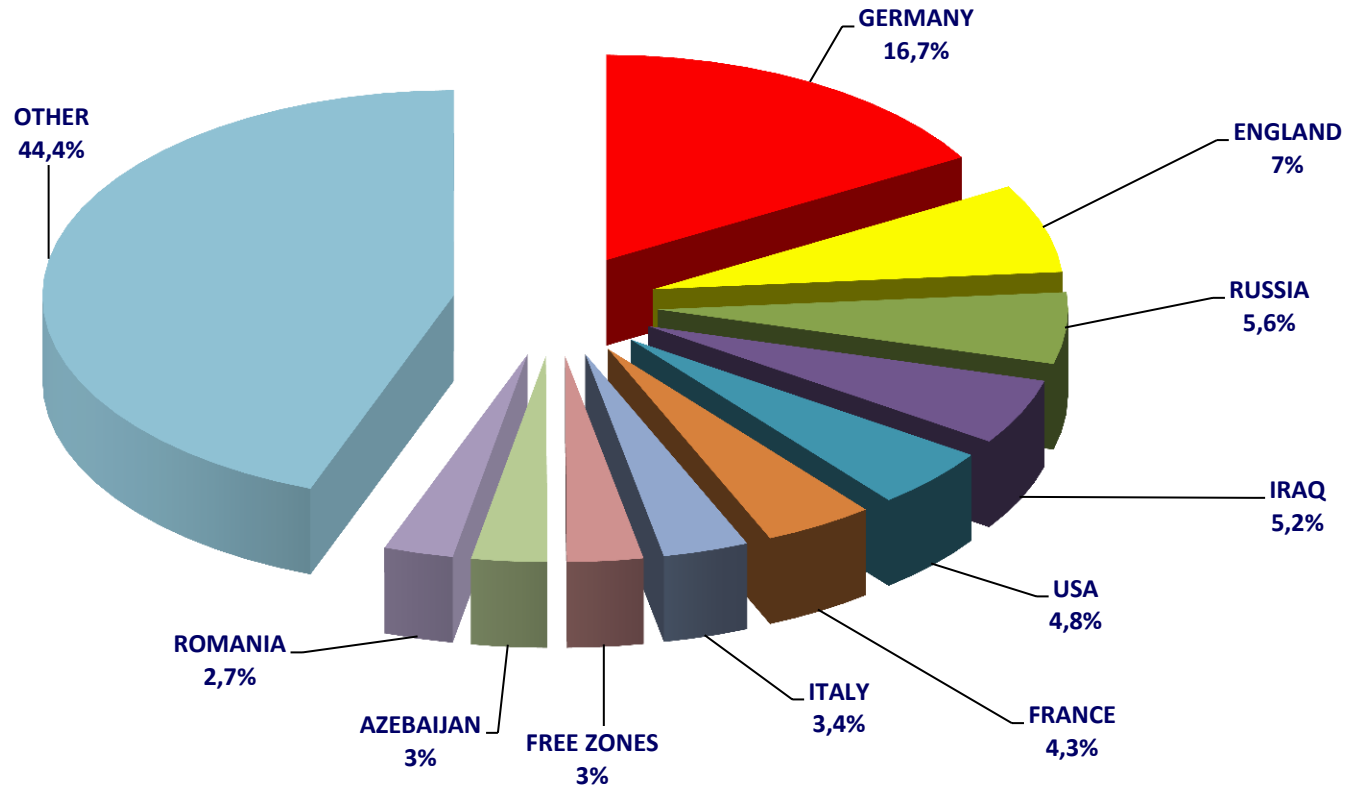
**Other** contains heavily; air vacuum pumps, , transmission shafts, cranks, gearing, diesel or semi diesel engines, machine tools, air conditioning machines, turbo-jets, turbo-propellers, moulding boxes for metal foundry machine tools, textile washing-cleaning-ironing machinery dryers, heating-cooking machines, self-propelled bulldozer, angledozer, grader, excavator, etc

## Main Product Groups in Machinery Import of Turkey (2013)



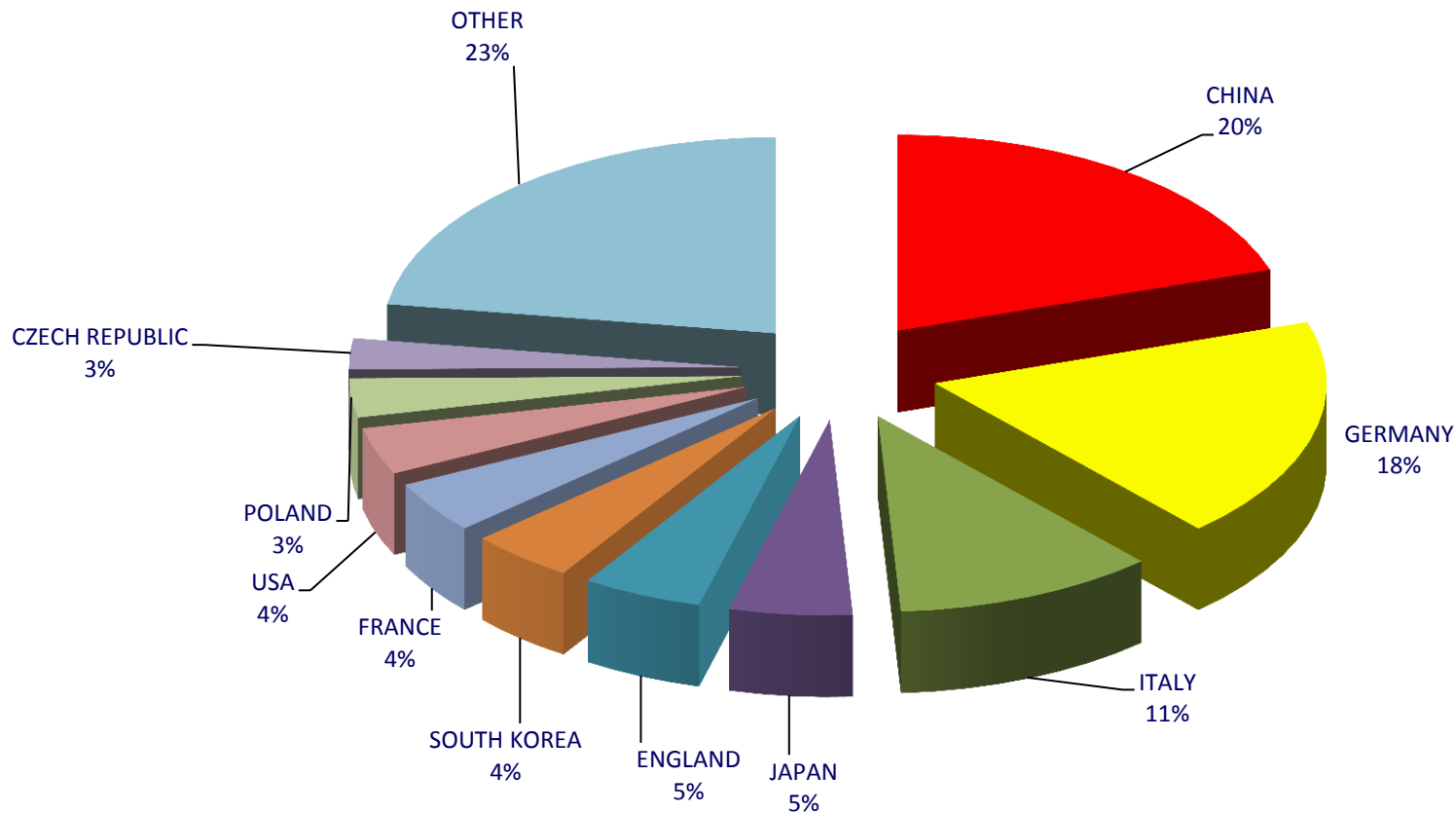
**Other** contains heavily; steam or vapour generating boilers, air conditioning machines, engines, heating-cooking machines, dish washing machines, transmission shafts, lifting/handling/loading machines, turbo jets, turbo-propellers, textile preparing machines, refrigerators, freezers.

## Machinery Export of Turkey by Country (2013)



Turkey exported USD 88 million worth of machinery to Czech Republic in 2013.

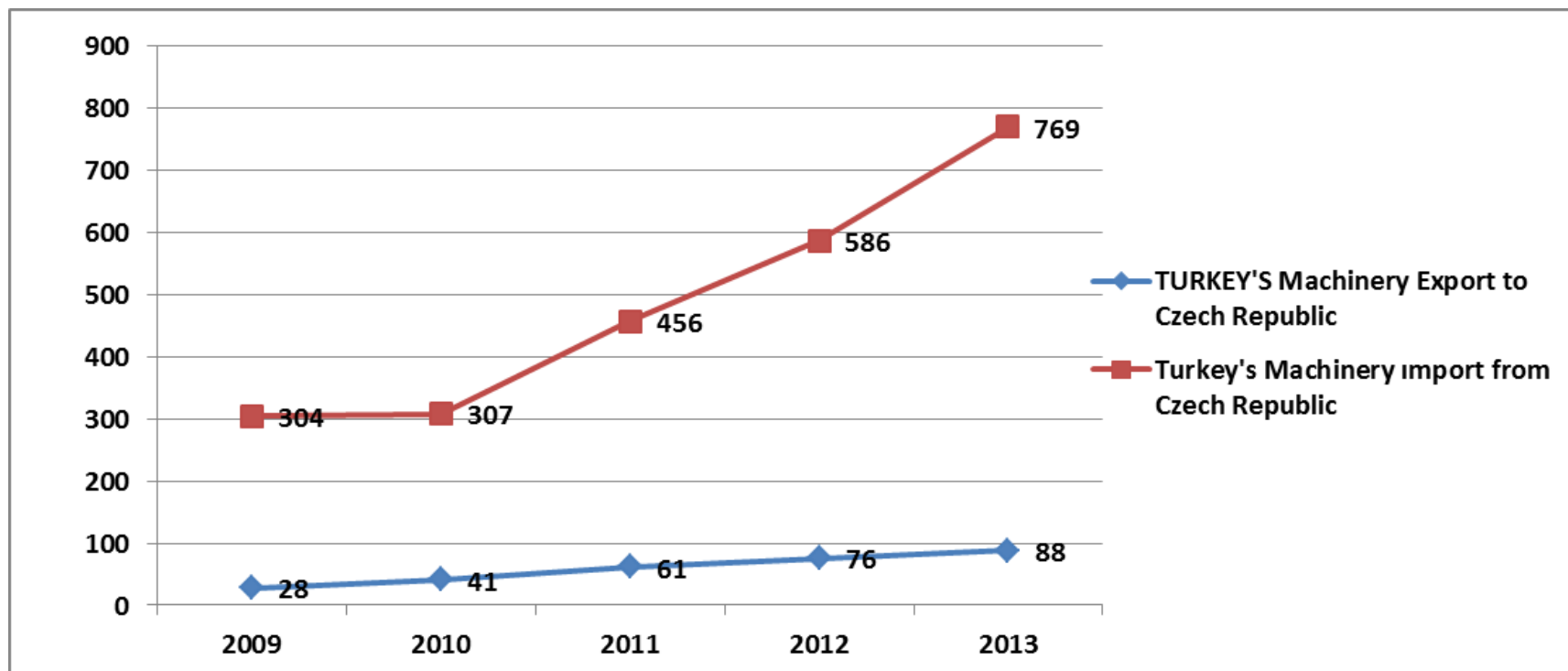
## Machinery Import of Turkey by Country (2013)



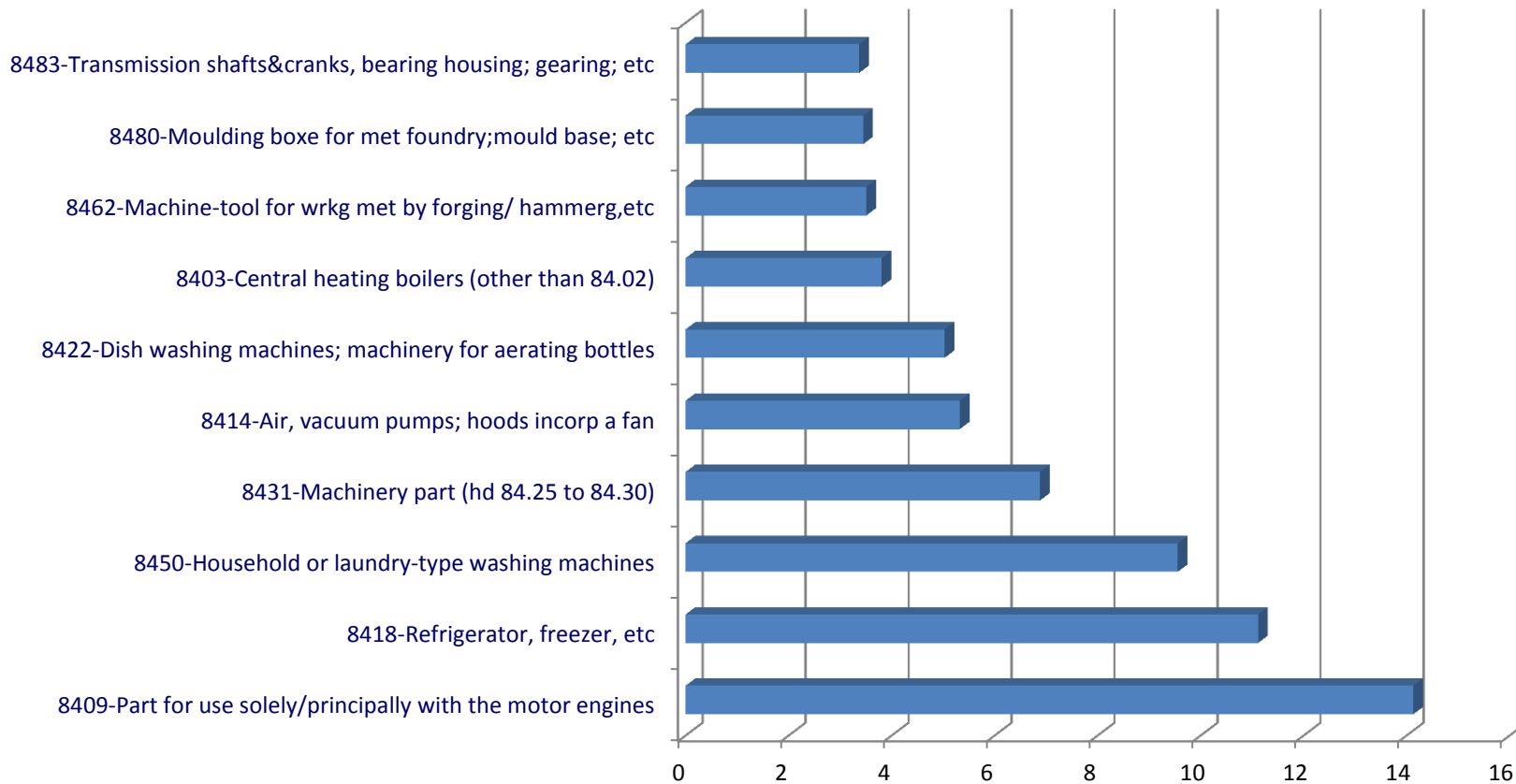
**Turkey** imported USD 767 million worth of machinery from Czech Republic in 2013.

Czech Republic is the 10 th country in Turkey's machinery import with 2,5 % share (**According to HS Code: 84**).

## Machinery Trade between Czech Republic & Turkey, CN Code: 84 (million \$)

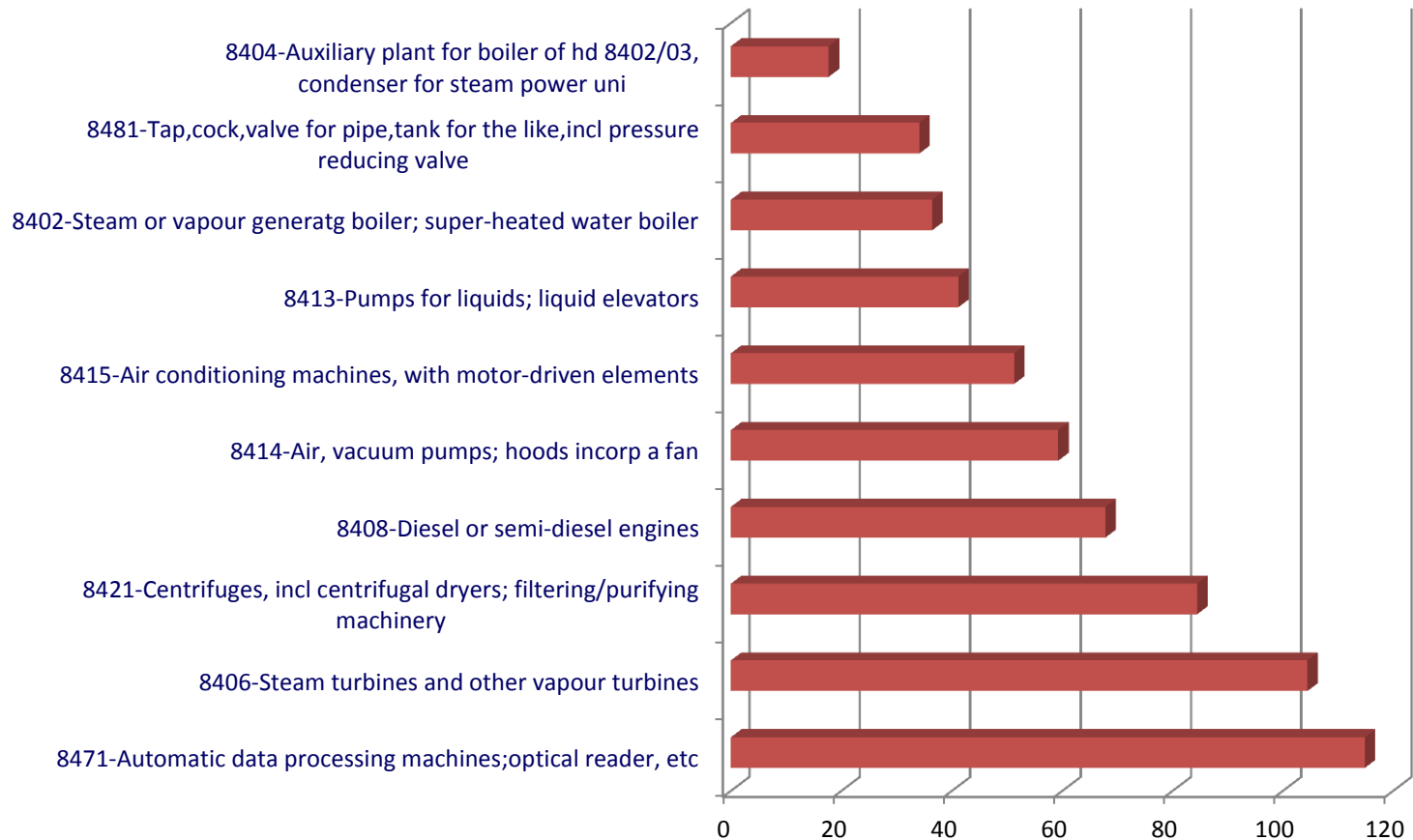


# Top 10 Products in Turkey's Machinery Exports to Czech Republic (2013, Million USD) (CN Code: 84)

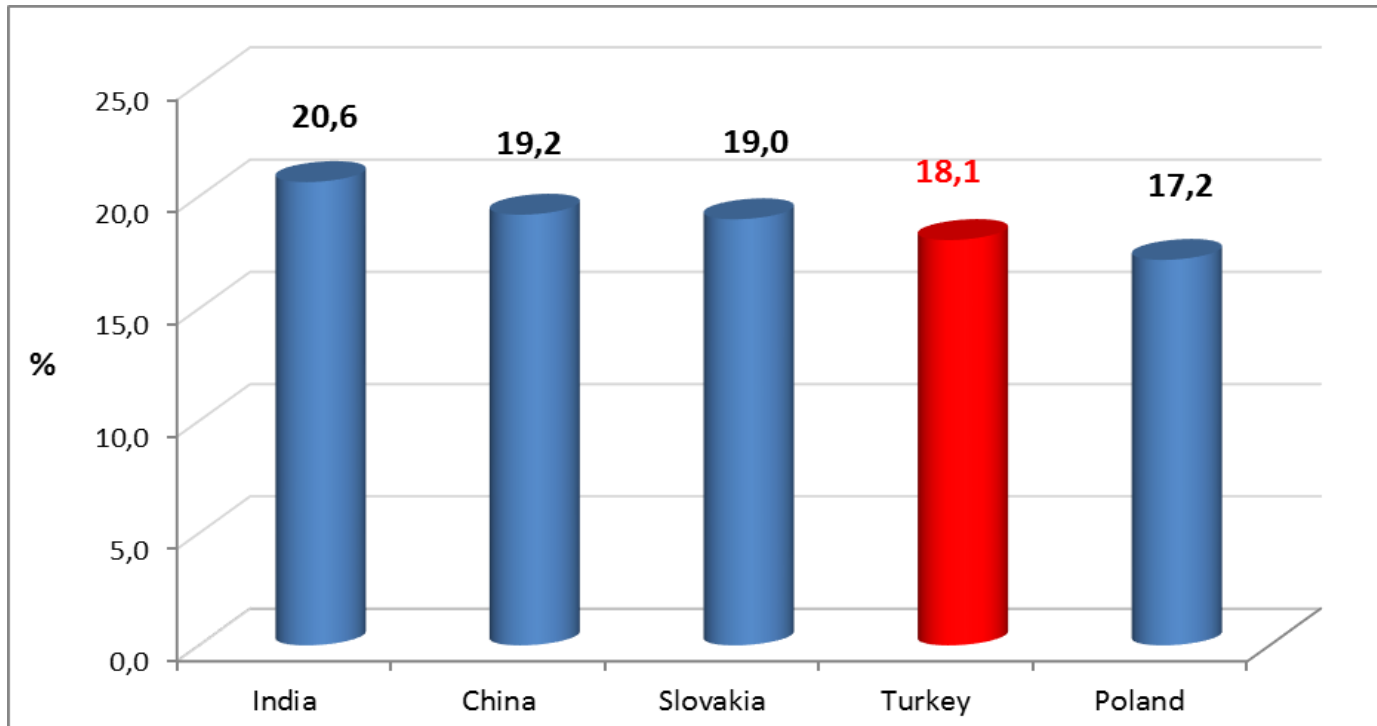




## Top 10 Products in Turkey's Machinery Imports from Czech Republic (2013, Million USD) (CN Code: 84)



## Countries Recording the Fastest Growth Rates in World Machinery Exports (2003-2012)



Among the top 30 countries in world machinery exports, Turkey ranks **4<sup>th</sup>** in Average Annual Growth Rates of Machinery Exports from 2003 to 2012.

## TURKISH MACHINERY INDUSTRY

<b>ADVANTAGES</b>	<b>NEED TO BE DEVELOPED</b>
Developed engineering skills and quick adaptation to new technologies	Special financing models for the sector should be developed
Quality awareness	The production of high value-added systems should be supported
Specialized, highly educated and skilled middle and senior managers	SMEs should be directed to act together
Young workforce	The number of qualified firms and quality production should be increased and these companies supported privately
Sufficient facilities (like industrial zones) and sufficient infrastructure	Main and sub-industry cooperation should be increased
Advanced sub-industry	R & D activities and investments for the development of the technological infrastructure should be increased
High level of organization of the sector	Promotional activities for brand building should be increased
Rapid adaptation to international manufacturing standards	Cooperation in areas with inadequate production should be increased, investments to these areas should be encouraged
Domestic supply of raw materials	University-Industry collaboration should be developed
Flexible structure of SMEs (Most of the active companies in the Machine Manufacturing Industry in Turkey are SMEs)	Employment of qualified technical personnel should be increased

## **Turkish machinery sector attaches great importance to R&D activities!..**

**28%**

In Turkey, the machinery and manufacturing industry ranked first in R&D project applications between 1995 and 2012. (TÜBİTAK-TEYDEB, [www.tubitak.gov.tr](http://www.tubitak.gov.tr))

**Doubled**

In Turkey, the ratio of R&D expenditure to GNP keeps increasing...

Over the last ten years, the share of R&D expenditure in GNP has doubled and reached almost 1%.

## TURKEY IS THE 23rd GLOBAL FDI RECIPIENT

### FOREIGN DIRECT INVESTMENT (FDI) INFLOW TO TURKEY

	2005	2006	2007	2008	2009	2010	2011	2012
FDI Total (net), million USD	10.031	20.185	22.046	19.504	8.411	9.038	16.047	13.018
Machinery, million USD	13	54	48	226	220	64	78	32
<i>Machinery/Total FDI, %</i>	<i>0,1</i>	<i>0,3</i>	<i>0,2</i>	<i>1,2</i>	<i>2,6</i>	<i>0,7</i>	<i>0,5</i>	<i>0,2</i>

78 percent of FDI inflows to Turkey is coming from European Countries.

In Turkey, number of companies with foreign capital is over 36 thousand as of December, 2013. **50 of these companies are from Czech Republic.**

## Turkish Machinery Sector's Export Target

- To be among the top 5 machinery exporting countries in the world by carrying out **USD 100 billion** machinery exports in Turkey's total exports which are targeted to reach USD 500 billion *by 2023*
- To increase the share of machinery in Turkey's total exports from 9% to **20 %**.

**Turkey should be considered with its neighbours and trading partners!..Not alone...**

By virtue of its *strategic location*, Turkey has strong *economic and trade relations with many of the countries.*

Turkey's construction and contracting companies are active today in construction and infrastructure projects of all kinds both in Turkey and abroad.

## **The Turkish machinery sector is ready to cooperate...**

In reaching the 2023 target, we seek to cooperate with partner countries in various areas.

Considering our relations in the past, European countries are among the primary targets for us.

Our desire is to make joint investments, production and marketing organizations; brand purchases; cooperation in technical training, R&D activities; bilateral distribution agreements between two countries' companies.

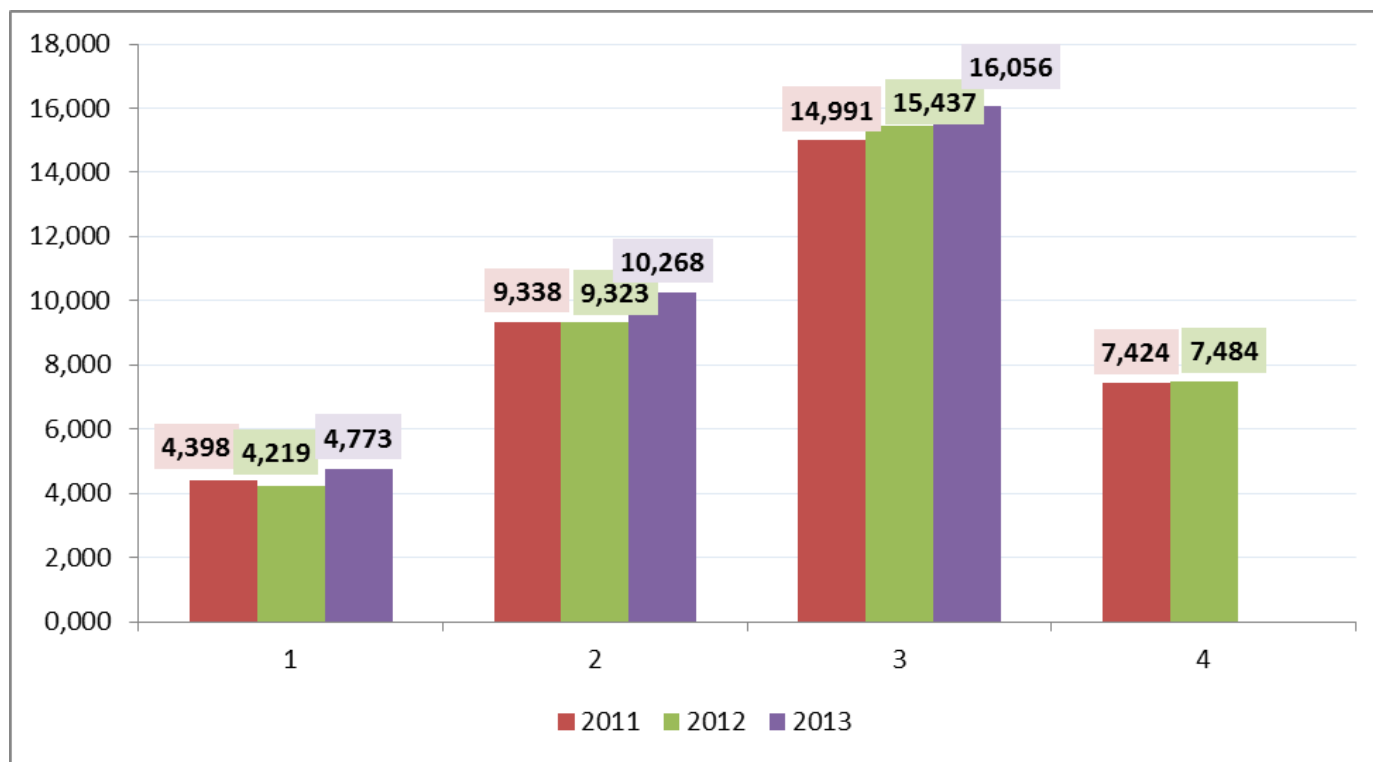
Our mission is to create a machinery industry with higher technology and the Turkish machinery sector is open to cooperation towards integration with European Countries like Czech Republic.



# *D) SERVICES*

- **Tourism**: Besides increasing the number of tourist arrivals, creating a structure that improves service quality, targets high-income groups by diversifying marketing channels, preserves natural capital and sustainability, and stimulates those types of tourism where Turkey has comparative advantages
- **Construction, Engineering-Architecture, Technical Consultancy and Contracting Services**: Establishing a structure that fits Turkey's economic and social needs, that is compatible with high technology and international rules, that is sensitive to environment, that creates high value added, high foreign exchange inflow and high employment, that grants high service quality, and that relies on qualified human and physical capital.
- **Commercial Services**: Increasing productivity and commercial trade volume in a competitive way, and to encourage technology and innovation.

# Tourism Statistics (Quarterly)



*Tourists visited (Thousand), Source: TURKSTAT*

- **Turkey ranks as the 6th in the world and the 4th in Europe among the most favourite tourism destinations.**
- **Turkey's tourism income increased 4 times during last 10 years rising from 7 Billion US Dollars in 2003 to 29 Billion US Dollars in 2013.**

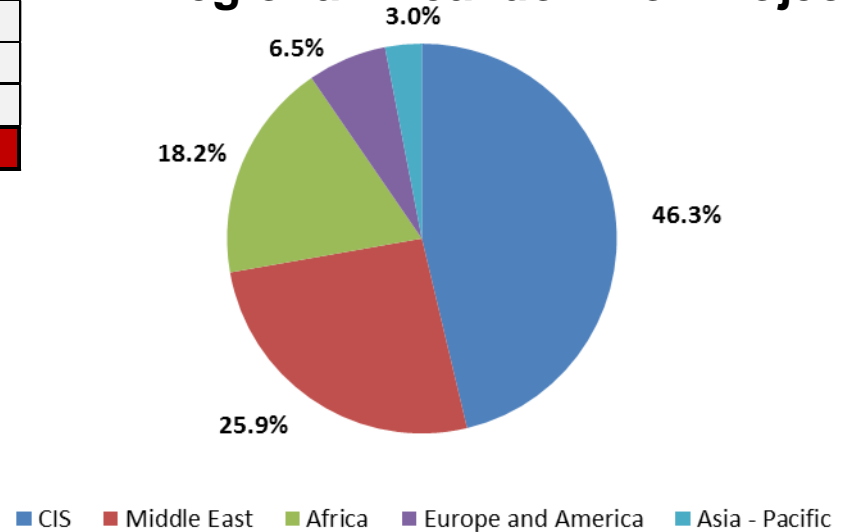
# Contracting Services Abroad

Years	Projects	Countries	Project Volume (Million \$)	Cum. Project Volume (Million \$)	Avr. Project Volume (Million \$)
1971-2001	2006	69	43,252	43,252	22
2002	132	32	2,571	45,823	19
2003	270	36	4,490	50,313	17
2004	429	39	11,367	61,680	26
2005	408	34	12,375	74,055	30
2006	515	36	24,059	98,114	47
2007	570	45	25,260	123,374	44
2008	620	40	24,827	148,201	40
2009	474	45	21,667	169,868	46
2010	583	48	23,067	192,935	40
2011	505	50	20,489	213,424	41
2012	485	49	29,434	242,858	61
2013	377	44	31,519	274,379	84
2014	14	9	2017	276,396	144

Last updated on February 2014

**Contributions to the overall economic performance:**  
**Creating foreign exchange inflow, exports, employment, technology transfer; adding to the machinery stock, facilitating internationalization**

**Regional Breakdown of Projects(%)**



- **38 out of the world's top 250 contracting companies are Turkish.**
- **Turkey ranks as the 2nd country (following China) in terms of the number of top contracting companies.**

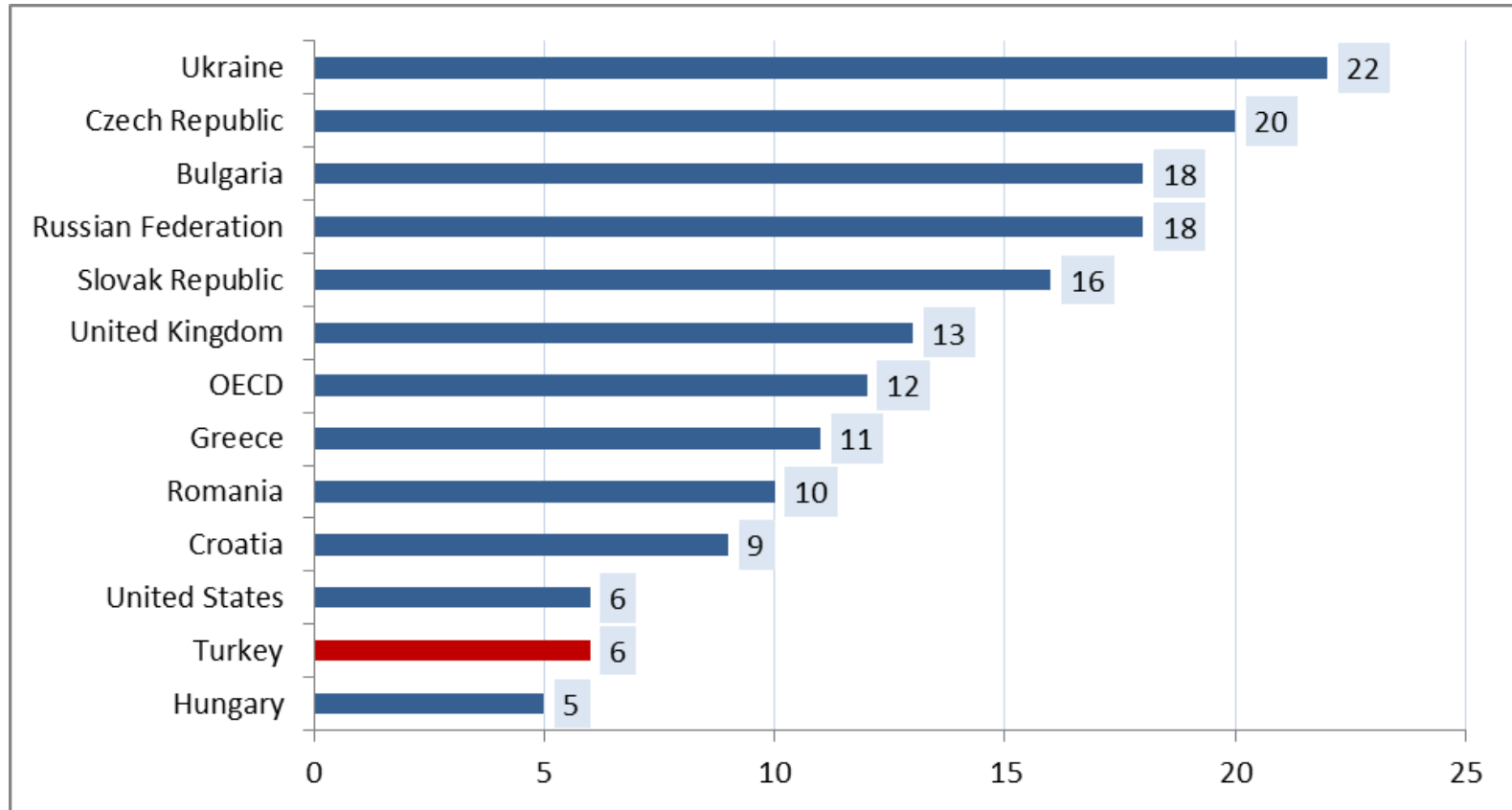
# ***E- INVESTMENTS, FOREIGN CAPITAL and INCENTIVES***

# Investment Climate in Turkey

## 10 REASONS TO INVEST IN TURKEY

1- SOUND ECONOMIC PERFORMANCE	6- CENTRAL LOCATION
2- YOUNG and DYNAMIC POPULATION	7- ENERGY CORRIDOR and TERMINAL of EUROPE
3- QUALIFIED and COMPETITIVE LABOR FORCE	8- LOW TAX RATES and INCENTIVE FACILITIES
4- LIBERAL and INNOVATIVE INVESTMENT CLIMATE	9- CUSTOMS UNION with EU and OPEN ECONOMY
5- INFRASTRUCTURE	10- DOMESTIC MARKET

# Time Required to Start a Business



Source: Invest In Turkey

- **The required time to start a business is 6 days in Turkey.**

## **The current investment incentive system of Turkey is structured in four sub systems:**

- General Investment Incentive System
- Regional Investment Incentive System
- Investment Incentive System for Big Scale Projects
- Encouraging the Strategic Investments



# **The Prominent Czech Companies which are doing business and cooperation with Turkish Companies in Turkey**

- CEZ
- Pro Energy
- CKD
- Vitkovice
- Zentiva

# **Vitkovice is the biggest machinery and power energy Company doing business in Turkey**

- Vitkovice won a tender last year to construct energy power station in Yunus Emre (In Central Anatolian Region)
- The total value of the project is about 400 Million EURO.
- Apart from this project Vitkovice company is providing technical apparatus and machinery for the some of other energy companies in Turkey

# Turkish Czech Companies Cooperation in Third Countries

- Ronesans and PSG Cooperation won a tender in North of Iraq constructing power station for 1000 MGW.
- The total value of the project is 1 Billion US Dollar
- Secon project of the coopreation is building a business center in Petersburg (Russia)
- The total value of the project is 100 Million US Dollar.

- **THANK YOU VERY MUCH FOR YOUR  
ATTENTION**