



PRESS RELEASE

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According to PwC's "Turkey in 2041: Looking to the future" report: Turkey's per capita national income will more than double over the next 30 years

PwC sheds light on Turkey's next 30 years in a special report prepared to mark the 30th anniversary of its presence in Turkey. According to the "Turkey in 2041: Looking to the future" report, GDP per capita in Turkey will exceed USD35,000 over the next 30 years.

PwC Turkey has released its "**Turkey in 2041: Looking to the future**" report prepared exclusively to mark its 30th anniversary and to shed light on the next 30 years of the Turkish economy.

Created by the PwC Macroeconomics team led by PwC UK Chief Economist John Hawksworth, the report was announced today to the public at a press conference held in Istanbul. According to the projection developed by PwC using its long-term economic growth model, Turkey's GDP per capita (in terms of PPP, constant 2009 USD) will more than double by 2041 compared to its current level and exceed USD35,000. The growth means Turkey will significantly narrow the income gap between it and developed countries like the United States over the next 30 years.

Presenting a vision of the Turkish economy in 30 years' time, "Turkey in 2041" highlights five industries with the potential to become "regional centres of excellence": Food & Beverage Processing, Agricultural R&D and Services, Alternative Energy, Automobile Production, and Tourism.

Announced together by John Hawksworth and PwC Turkey Territory Senior Partner Cansen Bařaran-Symes, the report underlines Turkey's potential to be a major beneficiary of the shift in global economic power. In her opening speech at the press conference, Bařaran-Symes said PwC had learned a lot during its 30 years in Turkey. "For our 30th anniversary, we wanted to take an outside, independent look at the Turkish economy and highlight the opportunities ahead by outlining in this study what the next 30 years may bring. As the Turkish business world transforms its potential into reality, we will strive to create value for our clients through our full range of services including independent auditing, risk assurance services, full tax certification and tax advisory, mergers & acquisitions and management consultancy."

PwC UK Chief Economist John Hawksworth said of the report: "Turkey has seen a remarkable turnaround in its economic fortunes over the past decade, and we see this strong performance continuing over the next three decades, pushing Turkey up to 12th in the global GDP league table by 2040. This reflects Turkey's dynamic relatively youthful labour force and strategic location at the cross-roads between Europe and Asia and fully justifies our decision in 2006 to include Turkey in our 'E7' grouping of the top emerging markets to look out for over the period to 2050 together with China, India, Brazil, Russia, Indonesia and Mexico.

Turkey has many areas of potential industrial strength, but in this report we highlight five sectors where we see Turkey as having a particular sustainable comparative advantage at present: food and beverage processing, agricultural R&D, alternative energy, automobile production and tourism. But in a fast changing world, economies need to be flexible to succeed, so the key will be investing in the infrastructure, institutions and skills needed to adjust to evolving economic events over future decades, rather than to put all your eggs in any particular industrial basket."

Other highlights from the report

Key structural reforms

In the section entitled "Turning challenges into opportunities" the report emphasises the importance of structural reforms to boost Turkey's global competitiveness. Improving transport infrastructure, legal framework, and tax collection efficiency are cited as priorities for fostering sustainable growth over the longer-term.

To sustain long-term economic growth and development, Turkey can draw from its growing skilled labour force and favourable climate, as well as geographical location at the crossroads of a number of wealthy regions. In the meantime, success of the Turkish economy over the next 30 years will depend on Turkey's ability to develop an international competitive advantage, to attract foreign direct investment, and to develop industries into "international centres of excellence" that can help the country export goods and expertise to its region and beyond.

Food & Beverage Processing

Turkey currently acts as a regional hub for the production, processing and export of foodstuffs to large European and Middle Eastern markets. Its agricultural diversity and amenable climate allow it to produce a sustainable supply chain of raw inputs for its processing industry, facilitating its status as a large net exporter of food and beverages.

Over the next thirty years Turkey's food and beverage market has the potential to continue to expand as it is well positioned to meet rising demand, both domestically and internationally. Growing populations, rising incomes, urbanisation and the increased coverage of organised retail should present particular opportunities in the processed, packaged and frozen food sectors as consumer tastes shift toward convenience products and supermarkets proliferate.

Agricultural R&D and services

Turkey's development of a competitive food and beverage industry has been accompanied by its first steps into establishing an agricultural R&D foothold in the region. This is an opportunity for R&D to improve the efficiency of the agriculture sector.

Over the next thirty years, there is opportunity for foreign R&D-intensive companies to enter the Turkish market and for local companies to emerge, benefiting from Turkey's increasingly educated population and from the favourable policy initiatives to foster innovation. A centre of excellence could be strengthened by the arrival of foreign high-technology firms. The establishment of a centre of excellence in agricultural R&D will help improve productivity in the local agricultural sector, providing a potential boost to other related centres of excellence such as food and beverage processing. Once the industry is more established, regions such as the Middle East and Africa could become fertile grounds for exports of R&D and related services for the agriculture industry. Africa in particular, with its vast stock of under-farmed fertile land, could become an attractive export market for this industry.

Alternative energy

Turkey's hot climate and natural waterways allows a third of its installed capacity to be made up from renewable sources. It is particularly strong in hydroelectric and solar technologies and is expected to use these renewable sources to service a large part of the rising domestic demand for energy. There will be plenty of opportunities for growth; around half of the nation's potential hydroelectric capacity has yet to be constructed. And whilst Turkey had the second highest solar hot water installed capacity in the world after China in 2009, its high radiation levels make it more suited than most European countries for large-scale generation in the future.

Automobile production

Turkey currently acts as a major regional centre for the manufacture and assembly of automobiles, producing over 1 million vehicles in 2010 and forecast to produce 1.4 million vehicles by 2017.

Turkey is particularly specialised in the manufacture of light-commercial vehicles (LCVs). This has been fuelled by their advantageous tax treatment at home, which has boosted domestic consumption, and by the requirement for more labour-intensive techniques in the production of these models, where Turkey can offer lower wages relative to developed European economies. LCVs now make up half of total automobile production in Turkey, up from a quarter in 2000. There is the potential for this segment to grow and become a key centre of excellence for Turkey over the next thirty years, as more foreign carmakers partner with Turkish companies to benefit from existing production knowledge and a more competitive labour market, as well as establishing their own independent operations.

Along with LCVs, the sector as a whole is looking forward to strong growth and is expected to become a fundamental centre of excellence for the Turkish economy.

Tourism

Turkey's aesthetically pleasing coastline, hot climate, historical, cultural and natural attractions make it a popular holiday hotspot. Last year it was the 7th most popular destination in the world, attracting 27 million visitors to its shores and cities. The fact that Turkey's tourism sector is well diversified allows it to appeal to a broad range of travellers and goes some way to shielding the country against the sector's volatility. In 2009 the global tourism industry contracted by 3.5% yet arrivals in Turkey grew by nearly 3%.

Over the next thirty years, Turkey is well positioned to tap into a growing travel-hungry middle class in emerging markets. Currently, a larger proportion of visitors to Turkey come from emerging markets than can be found in established destinations in some developed countries. Approximately 43% of Turkey's overseas visitors come from emerging economies whilst this segment accounts for less than 22% of visitors in the US and less than 10% in Italy.

About PwC: PwC firms provide industry-focused assurance, tax and advisory services to enhance value for their clients. More than 169,000 people in 158 countries in firms across the PwC network share their thinking, experience and solutions to develop fresh perspectives and practical advice. PwC, operating in Turkey since 1981, consists of 5 offices; in Istanbul (2), in Ankara, in Bursa and in İzmir, with 1,250 professional staff.

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