TÜRKIYE

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Türkiye’s economy is one of the region’s most dynamically developing markets. Despite heavy state involvement in the economy, the private sector is expanding rapidly. Progress toward greater economic freedom has been slowed by institutional shortcomings. Property rights are moderately well protected, but the relatively inefficient judicial system is ineffective in combating corruption.

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ECONOMIC FREEDOM STATUS: MOSTLY UNFREE

REGIONAL RANK: 41
WORLD RANK: 104

HISTORICAL INDEX SCORE CHANGE (SINCE 1995): −1.5

RECENT FREEDOM TREND

Quick Facts

Population: 85.0 million
GDP (PPP): $2.9 trillion
11.0% growth in 2021
5-year compound annual growth 4.8%
$34,755 per capita

UNEMPLOYMENT: 13.1%
INFLATION (CPI): 19.6%
FDI INFLOW: $12.5 billion
PUBLIC DEBT: 41.8% of GDP

BACKGROUND: Türkiye is constitutionally secular, but President Recep Tayyip Erdogan’s Justice and Development Party (AKP) has pursued an Islamist agenda and eroded democracy. Erdogan further consolidated his power after 2018 elections allowed an AKP coalition with the Nationalist Action Party to retain control of the unicameral national assembly while he managed to win a second four-year term. Türkiye’s largely market and diversified economy is driven by its industrial and service sectors, but traditional agriculture still accounts for about 25 percent of employment. Relatively high economic growth followed a currency devaluation driven by artificially low interest rates that affected price stability.

2021 data unless otherwise noted. Data compiled as of September 2022
The overall rule of law is weak in Türkiye. The country’s property rights score is below the world average; its judicial effectiveness score is below the world average; and its government integrity score is below the world average.

The top individual and corporate tax rates are, respectively, 40 percent and 23 percent. The tax burden equals 23.9 percent of GDP. Three-year government spending and budget balance averages are, respectively, 33.6 percent and –4.6 percent of GDP. Public debt equals 41.8 percent of GDP.

The process for establishing private enterprises has become less time-consuming, but bureaucratic red tape and ineffective enforcement of regulations continue to discourage entrepreneurship. The informal sector is large, partly because of the labor market’s rigidity. Monetary stability remains fragile, and inflation remains high.

The trade-weighted average tariff rate is 9.4 percent, and nontariff barriers constrain trade freedom. Foreign investment is officially welcome, but restrictions remain in a number of sectors. The financial system has undergone a rapid transformation and is now more transparent and competitive.