



Sweden
Sverige



BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN TÜRKİYE 2024

A REPORT FROM TEAM SWEDEN IN TÜRKİYE

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FOREWORD

In 2023, the export volume from Sweden to Türkiye experienced a significant growth of **17 per cent** over the previous year, reaching a record-setting total of **SEK 23.8 billion**. This growth elevated Türkiye to the position of the **15th** largest recipient of Swedish exports. Regarding imports, the volume of goods imported from Türkiye to Sweden experienced a **3.8 per cent** rise, reaching **SEK 16.6 billion**, positioning Türkiye as Sweden's **20th** largest import partner.¹ Although it is premature to pinpoint the precise drivers of this expansion, a combination of factors including, but not limited to, heightened demand in the Turkish market, and fluctuations in the currencies of both countries have played roles in shaping the trade dynamics between the two nations.

In 2023, the Turkish economy experienced pivotal policy changes with the government's attempts to combat persistent inflation and the devaluation of the Turkish Lira. Central to these adjustments was the Central Bank's decision to significantly raise interest rates in an effort to reduce and stabilise the inflation, which nevertheless hit new lows against the dollar. The country's GDP grew by **4.5 per cent**, slightly down from the previous year's **5.5 per cent** increase.² Amid these economic policy shifts, Türkiye faced the dual challenge of managing an inflation rate of **64.7 per cent** for 2023 while also addressing the lira's depreciation by more than **70 per cent** against the US dollar since the beginning of 2023.

The economic landscape was further complicated by February's devastating earthquakes affecting a considerable proportion of the population, with the estimated total economic damage reaching **\$84.1 billion**.³ This disaster, coupled with the government's attempts to navigate between promoting economic growth, and ensuring economic stability, added layers of complexity to Türkiye's fiscal management. The aggressive monetary tightening, characterised by significant interest rate hikes from a pre-election rate of **8.5 per cent** up to **50 per cent**, was a strategic move aimed at curbing inflation but raised concerns regarding its impact on the already projected modest growth rate.

Despite these challenges and economic uncertainties, **78 per cent** of Swedish firms participating in our survey reported profitability for 2023, with only **10 per cent** experiencing losses. Looking ahead, **67 per cent** of these companies anticipate an increase in turnover for 2024, although the climate for investments remains one of caution due to macroeconomic unpredictability. Investment projections for 2024 have modestly risen by **four per cent** from the previous year, with **43 per cent** of survey respondents foreseeing enhanced investment activities. The findings underscore Türkiye's potential as an attractive market for Swedish enterprises, supported by its vast population of 85 million and strategic location.⁴

This report aims to deliver an in-depth analysis of the business environment in Türkiye from the perspective of Swedish companies operating within the country. Our goal is to deepen your understanding of these companies' performance and to provide insights into the prevailing opportunities and obstacles in the Turkish market. Moreover, we trust that this document will aid in promoting ongoing trade discussions between Sweden and Türkiye.

We extend our deepest gratitude to all the companies and individuals who participated in this survey, offering their invaluable insights and information. Your contributions are vital in creating an insightful and thorough overview of the market conditions in Türkiye.



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¹ Statistics Sweden

² TurkStat (Turkish Statistical Institute), Quarterly Gross Domestic Product, Quarter IV: October-December, 2023

³ The Turkish Enterprise and Business Confederation, 2023 Kahramanmaraş Earthquake Pre-Assessment & Status Report

⁴ Turkstat (Turkish Statistical Institute), The Results of Address Based Population Registration System, 2023

EXECUTIVE SUMMARY



Coverage

49 respondents

Current Business Climate	Industry Turnover	Future Investments
<p>Neutral</p>	<p>67%</p> <p>of Swedish companies expect their industry turnover to increase in the next 12 months</p>	<p>43%</p> <p>of Swedish companies plan to increase their investments slightly or significantly in the next 12 months</p>

Globally valued success factors	Brand Sweden
<ol style="list-style-type: none"> 1. Cost efficiency 2. Product development / adaption 3. Service development / adaption 	<p>81%</p> <p>of Swedish companies consider Brand Sweden beneficial for business</p>

Local conditions with high satisfaction	Local conditions with least satisfaction
<ol style="list-style-type: none"> 1. Suppliers 2. Service providers 3. Distributors 	<ol style="list-style-type: none"> 1. Transparency/equal treatment 2. Financial system 3. Customs

Corruption	Environmental Considerations
<p>Moderate to high risk</p>	<p>61%</p> <p>of respondents believe the environment is a considerable factor in their customers' purchasing decisions</p>

ABOUT THE SURVEY

Swedish companies offer their perspective on the Turkish market through the insights provided by the Business Climate Survey

The Business Climate Survey Türkiye aims to delve deeply into the conditions of the Turkish market, going beyond standard macro-economic figures to uncover both opportunities and obstacles faced by Swedish enterprises in their specific sectors. This survey, carried out across 22 countries, allows for a comprehensive understanding of regional variances and trends over time.

The Business Climate Survey Türkiye 2024 was sent to Swedish companies in Türkiye that meet the following criteria:

- Companies originally established in Sweden which subsequently established a Turkish entity according to the Turkish Commercial Code as part of their internationalisation efforts.
- Companies originally established in Türkiye which have been acquired by a company originally established in Sweden.

The survey gathered responses from February 5 to March 7, 2024, targeting primarily business units, country managers, or sales leaders from Swedish firms. Out of **126** individuals contacted, **49** provided feedback, achieving a **39 per cent** response rate. Although the survey did not encompass all Swedish entities active in Türkiye, the 2024 Business Climate Survey reliably reflects the broader experiences of these entities within the market. We believe this report will offer invaluable insights for companies currently operating or considering entering the Turkish market, aiding them in making informed decisions and achieving success.

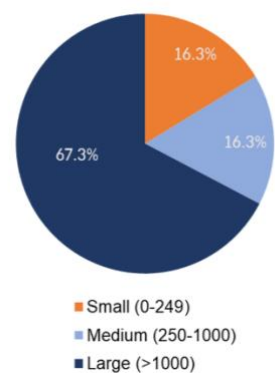
The Business Climate Survey Türkiye 2024 report is structured into four main sections:

- **Economic Outlook:** This section offers macroeconomic data and provides insight into Swedish companies' performance and expectations in the Turkish market.
- **The Market:** This section provides an overview of the market's activities and the perspectives of Swedish companies operating in it.
- **How Swedish Companies Succeed in Türkiye:** This section presents the experiences of successful Swedish companies to guide new market entrants.
- **Acting Sustainability:** This section analyses the Turkish market from a sustainability standpoint.

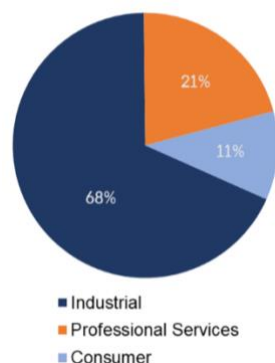
A panoramic overview of the respondent base shows that:

- **68 per cent** of the companies are large-sized (>1000 employee), medium-sized companies (250-1000) make up **16 per cent** and small companies (0-249) account for the remaining **16 per cent**.
- The industrial segment represents the largest group of companies (**68 per cent**), followed by professional services (**21 per cent**) and consumer segment (**11 per cent**).
- Most of the respondent companies are experienced and entered the Turkish market between 2002 to 2016 (**57 per cent**). Mature companies that entered the Turkish market before the year 2001 account for **33 per cent**, while newcomers that entered the market after 2017 represent **10 per cent**. There is no new Swedish company answered the survey which has entered the Turkish market in 2023.

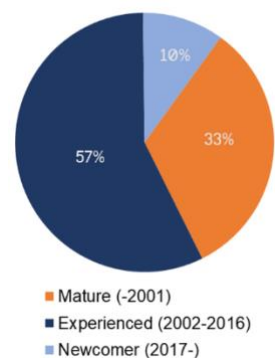
Global Number of Employees



Main Industry



Main Industry



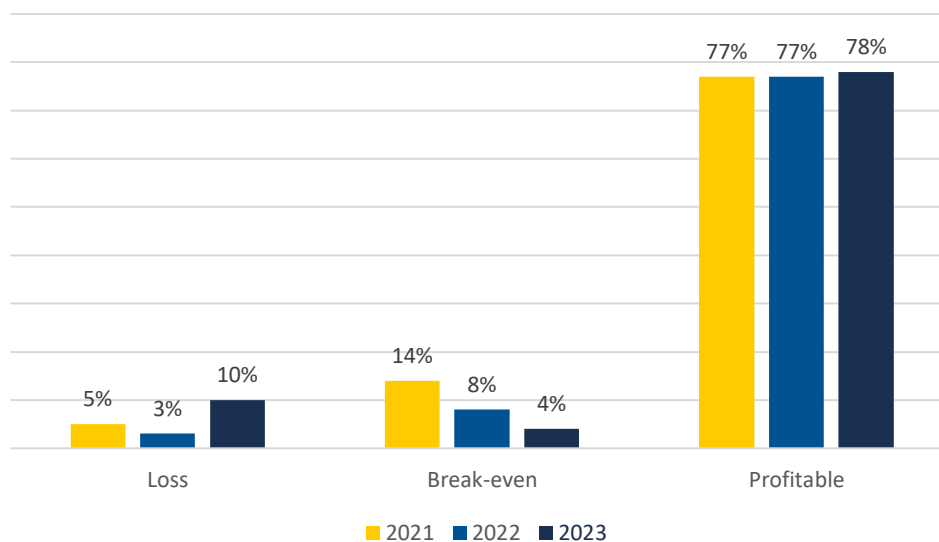
ECONOMIC OUTLOOK

New macroeconomic policy of Türkiye creates opportunities for Swedish companies

Türkiye's economy, with a GDP exceeding **\$1.1 trillion** in 2023, making it the world's **17th** largest, showcases its industrial prowess and diversified manufacturing capabilities.⁵ This economic stature is largely attributable to its deep-rooted connections with the European Union and the strategic export of manufacturing goods, with approximately **53 per cent** destined for G7 countries. Despite its industrialised status, Türkiye faces the challenges typical of an industry-based economy, such as vulnerability to balance of payments crises, which can lead to severe unemployment and inflation if not managed properly. The country's economic potential remains robust, but navigating toward a sustainable path demands careful planning and execution, especially in light of the depreciating lira.

After the May 2023 elections, Türkiye is shifting toward conventional economic policies to address inflation and stimulate its economy. The economic revival plan began with the appointment of a new economic team, including Cevdet Yılmaz as vice president and Mehmet Şimşek, a figure well-regarded by international investors, as the treasury and finance minister. Despite facing an inflation rate projected to average **66 per cent** in 2024, among the highest globally due to previous unconventional monetary policies, the government has set an ambitious target to reduce inflation to **36 per cent** by the end of the year.⁶ The administration's return to orthodox economic strategies is underscored by a significant interest rate hike since the elections, a move aimed at stabilising the economy and curbing inflation.

How would you describe your company's financial performance in Türkiye in 2023?



NOTE: The number of respondents for this question was 49. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2024.

In the face of improving market conditions, Swedish companies operating in Türkiye have demonstrated resilience, achieving profitability in 2023. This success can be attributed to their effective use of Türkiye's unique strengths, such as investments in manufacturing, research and development, acquisitions of local companies, contributions to the export sector, and initiatives to

⁵ IMF Datamapper

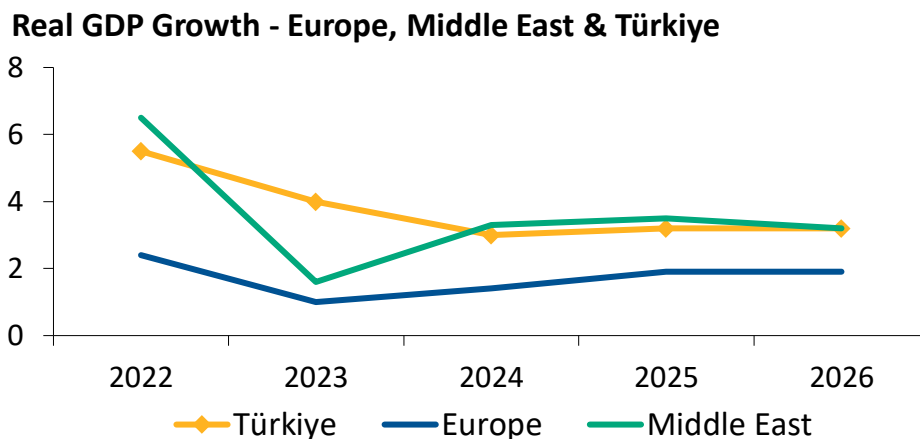
⁶ Governor Fatih Karahan's speech at the briefing on Inflation report 2024-I (Ankara). TCMB. (2024, February 8)

create jobs. Notably, **78 per cent** of these companies were profitable this year. Nonetheless, it is crucial to note that **10 per cent** reported losses, an increase compared to the last two years, which underscores the ongoing macroeconomic challenges. Swift adaptation to the changing economic environment is essential for the success of Swedish enterprises. All companies in the consumer sector enjoyed a profitable year, and **77 per cent** in the industrial sector also reported profitability.

Despite the economic slowdown, Swedish companies are optimistic about the future

The Turkish government's initiative to raise policy rates, implement tax increases, and ease certain financial regulations has been met with positive feedback from investors, as evidenced by certain actions from the Central Bank of the Republic of Türkiye (CBRT). Current macroeconomic policy is much more predictable compared to the pre-election period. The Ministry of Finance and the Central Bank are showing a mutual collaboration towards the new heterodox policies by tightening the budget and raising interest rates accordingly to fight with unprecedented inflation levels. These precautions boost the investor confidence for sure but also creates a challenging economic environment for businesses.

Projected GDP Growth in Türkiye



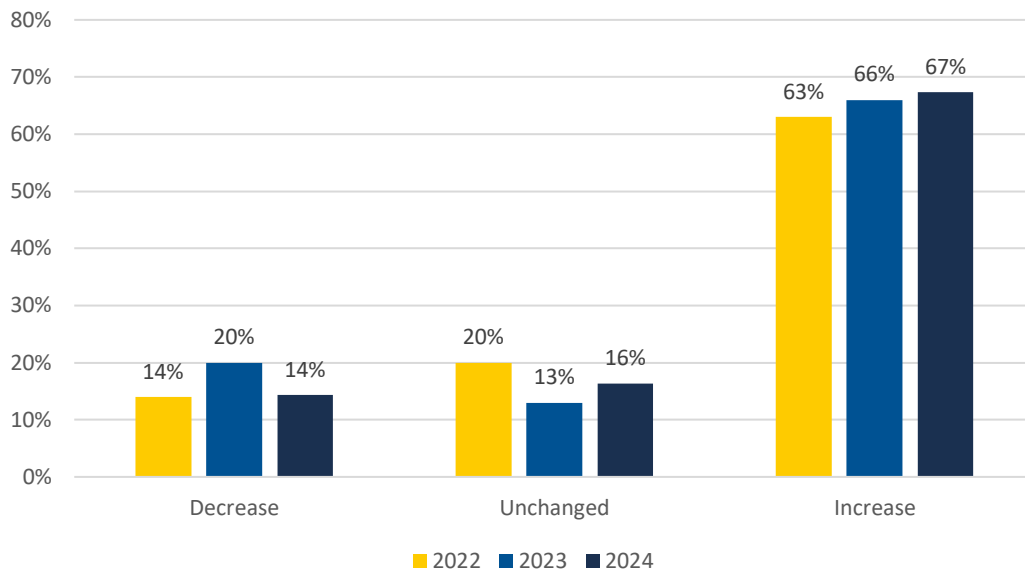
NOTE: Constant prices.
SOURCE: IMF, Real GDP growth. Last update: October 2023

Fitch Ratings upgraded Türkiye's Long-Term Foreign-Currency Issuer Default Rating to 'B+' from 'B' in 2024, attributing this enhancement to the country's adoption of more stringent monetary policies post-June 2023. These measures aim to mitigate macroeconomic and external vulnerabilities, evidenced by easing inflation expectations, improved external financing conditions, increased reserves, and a reduction in both FX-protected deposits and the current account deficit. With international reserves rising to USD 131 billion early in March, up from USD 99 billion in June 2023, and expected to reach USD 148 billion by end-2024, Türkiye demonstrates strengthened liquidity buffers despite temporary reserve declines due to seasonal factors and election-related uncertainties.

Türkiye's commitment to orthodox economic strategies is further supported by the central bank's monetary tightening, raising interest rates and adopting targeted financial policies to slow credit growth. Despite the projected average inflation of 58 per cent in 2024, these policies are anticipated to contribute to a reduction in inflation to 29 per cent by 2025. Additionally, Türkiye's current account deficit is expected to narrow to 2.6 per cent of GDP in 2024, reflecting tighter economic policies and subdued domestic demand. The government has managed to keep the central government budget deficit stable, with earthquake-related spending and continued efforts to

maintain fiscal discipline. Despite these positive strides, Türkiye faces challenges, including managing high external debt, ensuring political stability, and addressing governance issues, as indicated by the World Bank Governance Indicators.⁷

Compared to the development in the past 12 months, what are your expectations for the coming 12 months for your industry in Türkiye regarding turnover?



NOTE: The number of respondents for this question was 49. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2024.

Despite all these adverse conditions, Swedish enterprises are exhibiting a rather optimistic outlook towards the forthcoming year, driven mainly by the export and manufacturing-based economy model. According to the survey, which utilized the Swedish krona as the currency for analysis, **66 per cent** of the respondents have expressed confidence in witnessing an upswing in their industry turnover for the upcoming 12 months. This marks a slight increase from the corresponding figure of **63 per cent** recorded in the Business Climate Survey of 2023. The study also highlights that medium and large-sized businesses are particularly buoyant about their prospects, with **75 per cent** and **69 per cent** of them, respectively, anticipating an increase in their industry turnover as compared to the previous year.

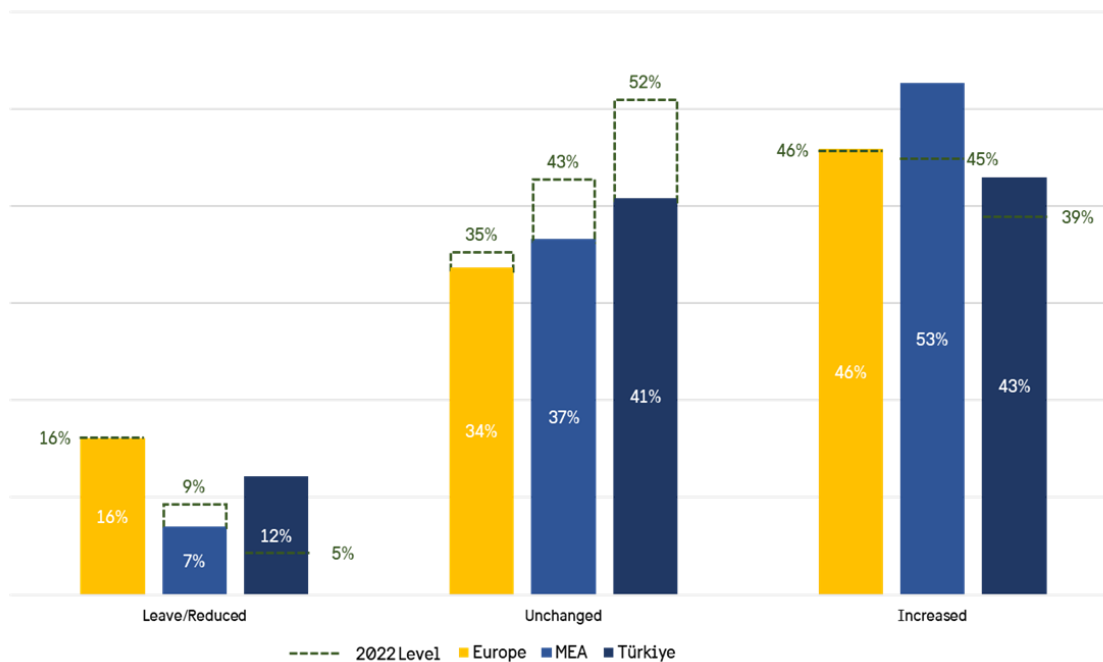
Swedish companies are cautious regarding new investments

In 2023, Türkiye experienced a total Foreign Direct Investment (FDI) inflow of **\$10.6 billion**, according to official data released on February 13, 2024. This figure is a culmination of **\$5.6 billion** in equity capital flows, **\$3.6 billion** from the sale of real estate to foreign nationals, and **\$1.9 billion** through debt instruments. However, divestments led to a reduction of **\$374 million** in overall FDI inflows, resulting in the net amount. The annual total FDI represented a **22 per cent** decrease from the previous year. Notably, FDI in 2023 accounted for **24 per cent** of the current account deficit, with cumulative FDI since 2002 surpassing **\$263 billion**.

⁷ Fitch Upgrades Türkiye to "B+"; Outlook Positive. Fitch Ratings: Credit Ratings & Analysis for Financial Markets. (2024, March 8).

The sectoral analysis of equity capital inflows highlights the wholesale and retail trade sector as the top beneficiary in 2023, receiving **\$984 million**, which represented an **18 per cent** share of total sectoral inflows. Financial and insurance activities, particularly banking investments of **\$300 million**, followed as the second most significant sector. Other important contributors included the electricity, gas, steam, and air-conditioning supply sector, and the transportation and storage sector, with nine per cent and seven per cent shares, respectively. The European Union (EU-27) remained the principal source of FDI equity inflows, contributing a **53 per cent** share. Meanwhile, inflows from Middle Eastern countries notably increased from **eight per cent to 18 per cent**, led by significant investments from the United Arab Emirates (UAE) and Qatar. The Netherlands, Germany, the UAE, Qatar, and Russia were the primary countries of origin for equity capital inflows to Türkiye in 2023.⁸

What are your company's investment plans for the coming 12 months in Türkiye, compared to the past 12 months? Investments will be...



NOTE: The number of respondents for this question was 49. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2024.

Given the current macroeconomic climate, investment expectations for 2023 have increased slightly from the previous year's Business Climate Survey. Of the respondents, **43 per cent** expect an increase in investment in 2023, while **39 per cent** of the respondents anticipated an increase in their investments in the market last year. When compared to Europe and MEA (Middle East and Africa) markets, Swedish companies in Türkiye display a relatively more neutral stance towards increasing their investments.

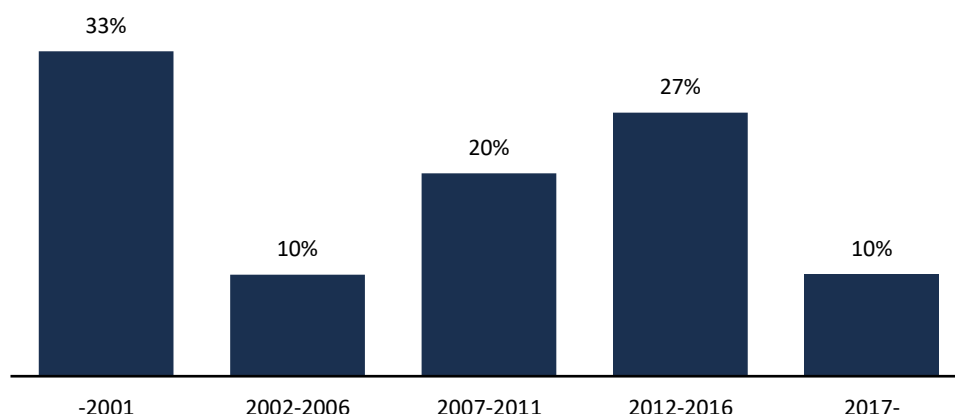
⁸ International Investors Association (YASED), 2023 Annual Report

THE MARKET

Swedish enterprises hold a notable presence in Türkiye's manufacturing and distribution industries

Türkiye's strategic geographical position and logistical strengths underscore its significance in global trade routes. The nation's competitive labour costs, adaptable manufacturing capabilities, and heightened investments in cutting-edge manufacturing technologies and the service sector render it an attractive destination for Swedish firms aiming to broaden their supply chains and enhance production capabilities. The robust presence of Team Sweden, which includes the Consulate General in Istanbul, Business Sweden, and the Swedish Chamber of Commerce in Istanbul, as well as the Swedish Embassy in Ankara, ensures that Swedish enterprises benefit from the supportive and inviting business environment in Türkiye.

In what year did your company establish operations in Türkiye?



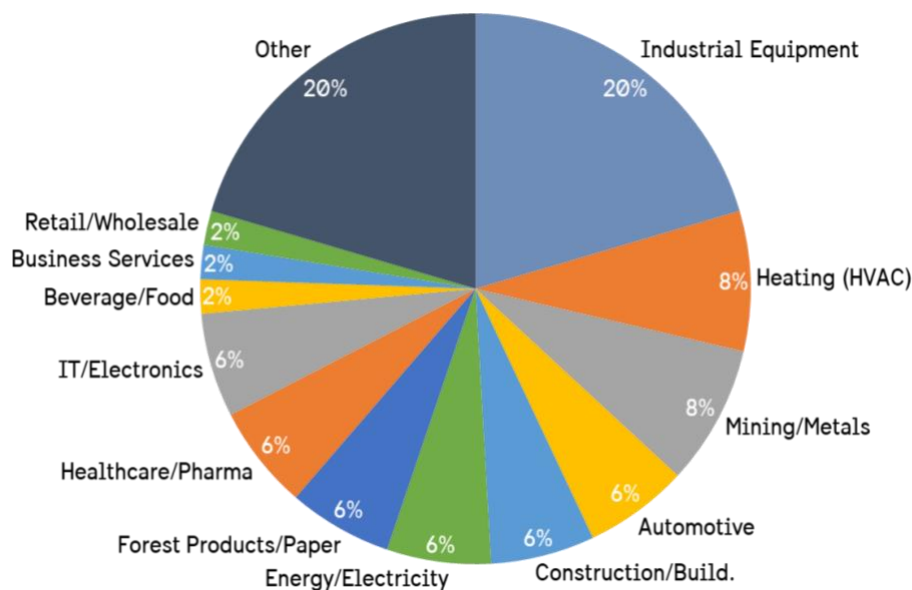
NOTE: The number of respondents for this question was 49. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2024.

Our research indicates that Swedish enterprises have firmly established their presence in the Turkish market, bolstered by strong networks and operational foundations. A significant portion of these entities has been engaged in the Turkish market for an extended duration; **33 per cent** of the surveyed companies have been operational in Türkiye for more than two decades, and **63 per cent** made their entry between 2001 and 2011. Moreover, **10 per cent** of the companies surveyed have ventured into the Turkish market post-2017, highlighting the ongoing expansion of Swedish business activities in Türkiye.

The broad spectrum of industries in Türkiye hosting Swedish companies underscores the diverse opportunities the market presents. In the 2024 Business Climate Survey, respondents were asked to identify their primary industry from among 20 distinct sectors, revealing active Swedish participation in **12** of these. Notably, the industrial equipment sector claims the largest share of Swedish involvement at **20 per cent**, with the heating, ventilation, and air-conditioning (HVAC), alongside metals and mining sectors, also featuring prominently.

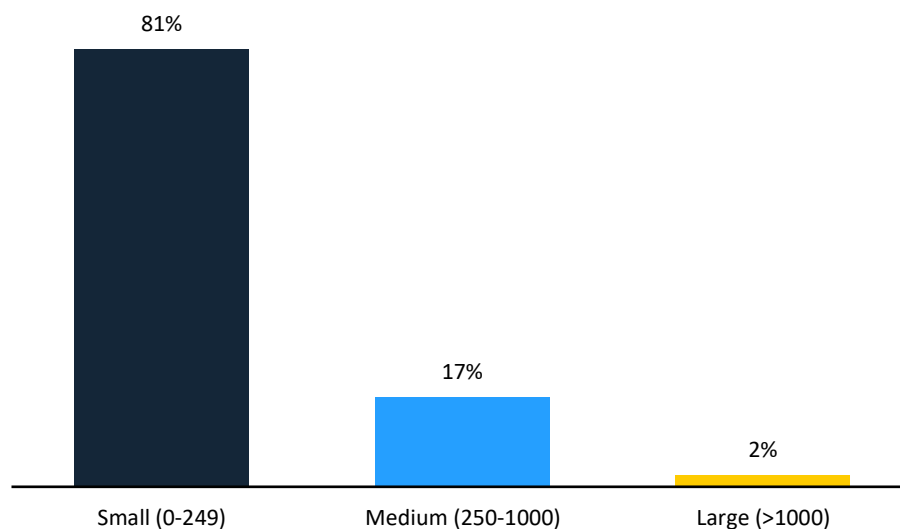
What is your company's main industry in Türkiye?



NOTE: The number of respondents for this question was 49. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2024.

Swedish firms' local number of employees in Türkiye in 2024



NOTE: The number of respondents for this question was 49. "Don't know/Not applicable" responses are included but not shown in figure.

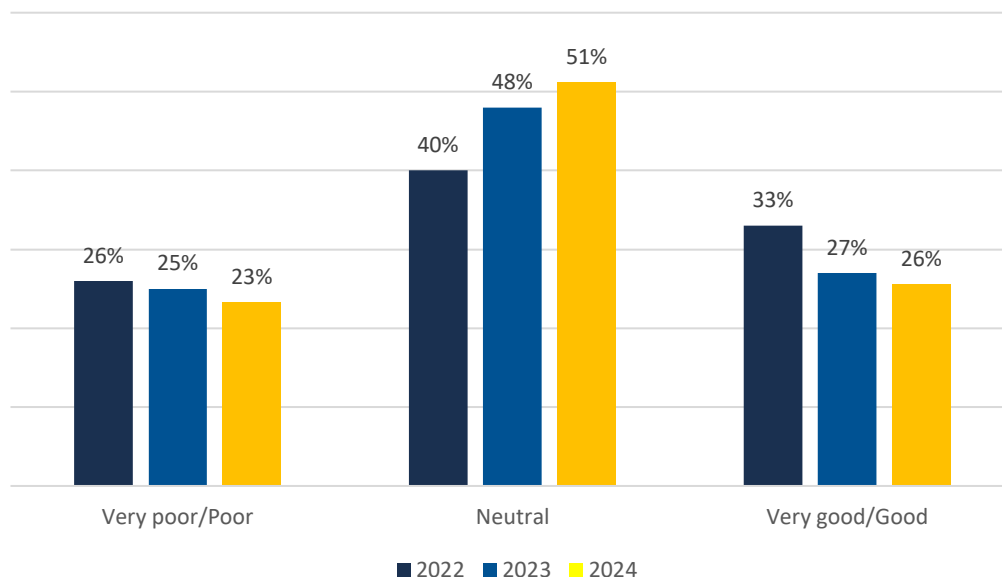
SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2024.

Consistent with the findings from the previous year's surveys, a significant portion of firms (**81 per cent**) reported having a workforce of between 0-249 local employees in Türkiye. Additionally, **17 per cent** of the companies have a local staff count ranging from 250 to 1000 individuals, whereas a smaller fraction, **two per cent**, boasts a workforce exceeding 1000 employees. Beyond direct employment, Swedish enterprises play a pivotal role in generating considerable indirect and induced job opportunities within Türkiye. According to the "Swedish Value in Türkiye" report by Team Sweden in 2019, it is estimated that Swedish businesses account for approximately 61,900 direct, indirect, and induced jobs in the country.

Swedish companies in Türkiye percieve the business climate as neutral

Most Swedish companies perceive the Turkish business climate as neutral. However, compared to 2023, very good/good responses decreased by one per cent, now standing at **26 per cent**, with neutral responses increasing by three per cent to **51 per cent**. Respondents of the business climate survey have identified high inflation, macroeconomic volatility and the perception of high risk which complicates recruitment and investment as the most significant problem affecting their businesses. The feedback garnered from the survey elucidates two primary concerns regarding the workforce and talent within the market. Firstly, there is a significant challenge associated with the financial implications of employing highly qualified personnel, attributable to escalated costs encompassing wages, taxes, and social security obligations. Despite this challenge, the highly qualified workforce in Türkiye is also seen as a significant asset, suggesting a tension between the cost of talent and its value in achieving business success and sustainable growth.

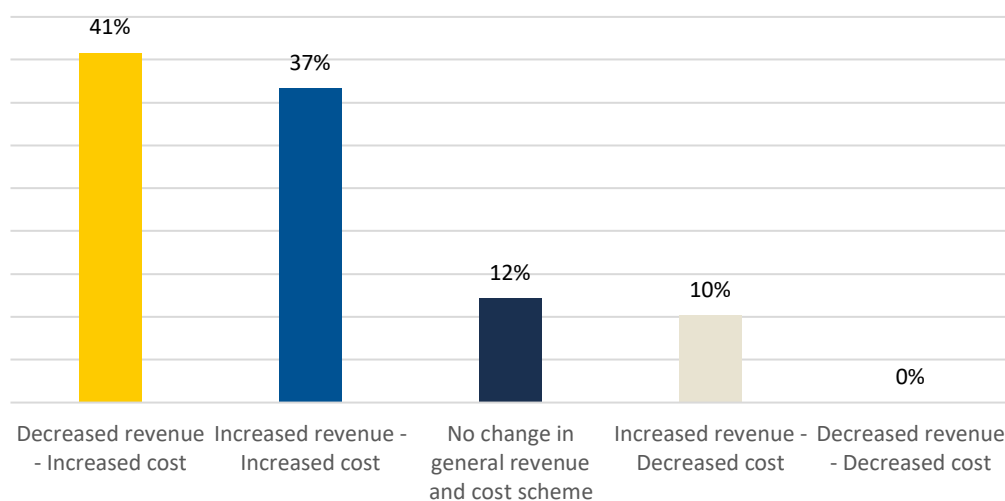
How do you perceive the current business climate in Türkiye?



NOTE: The number of respondents for this question was 43. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2023.

Against the background of the economic policies in Türkiye and the ongoing high inflation, how has your business been affected in terms of revenue and operational costs in SEK?

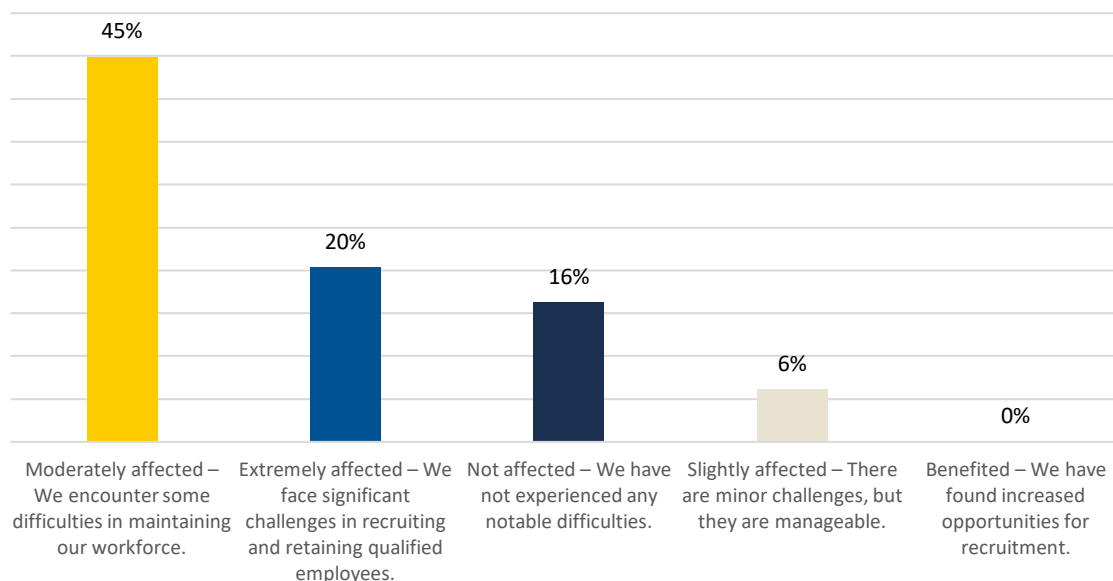


NOTE: The number of respondents for this question was 49. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2024.

Swedish companies operating in Türkiye have predominantly experienced fluctuations in their financial performance against the backdrop of Türkiye's economic policies and persistent high inflation, as indicated by our 2024 survey. A significant portion, **41 per cent**, reported decreased revenue coupled with increased operational costs, highlighting the challenging business environment. Conversely, **37 per cent** of respondents noted an increase in both revenue and costs, suggesting some companies have managed to grow despite rising expenses. A smaller fraction, **10 per cent**, enjoyed the rare combination of increased revenue and decreased costs, indicating efficient cost management or favourable market conditions for those entities. Only **12 per cent** of companies reported no change in their revenue and cost structure, reflecting a relatively stable operational stance amidst economic volatility. This mix of responses underscores the diverse impact of Türkiye's economic climate on Swedish businesses, with the majority grappling with higher costs, whether or not they managed to increase revenue.

Have you encountered difficulties regarding your company's ability to recruit and retain qualified employees over the last year?

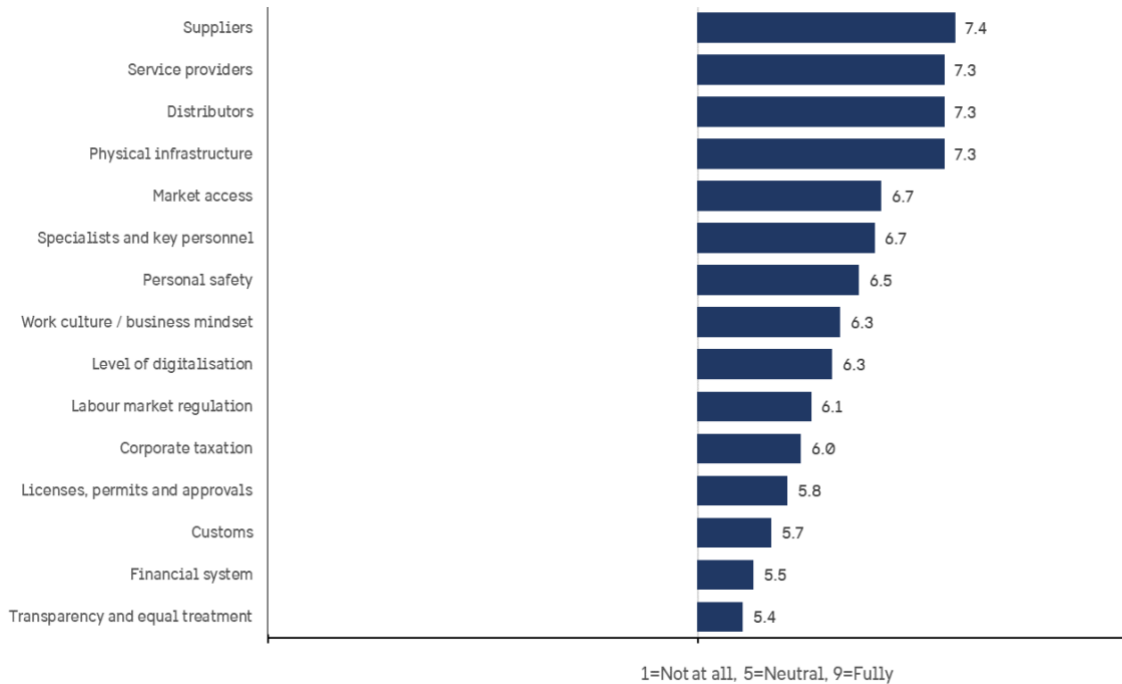


NOTE: The number of respondents for this question was 49. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2024.

The 2024 survey of Swedish companies in Türkiye reveals that the majority have faced challenges in recruiting and retaining qualified employees over the last year due to the economic environment. Specifically, **20 per cent** of the respondents indicate they are extremely affected, facing significant obstacles in maintaining a skilled workforce. A larger group, **45 per cent**, reports being moderately affected, encountering some difficulties but implying a level of manageability in these challenges. Only a small fraction, **six per cent**, finds the challenges minor and manageable, while **16 per cent** have not experienced any notable difficulties, suggesting a degree of resilience or unique strategies in workforce management. Interestingly, no companies reported benefiting from the situation in terms of recruitment opportunities.

How well do the following conditions meet the needs of your company in Türkiye

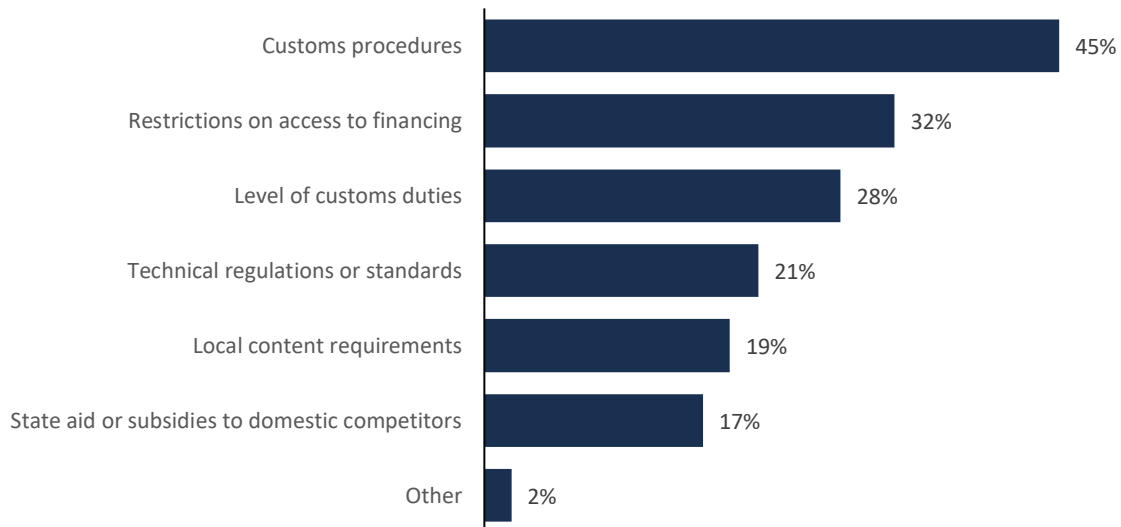


NOTE: The number of respondents for this question was 49.
SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2024.

Consistent with the findings from last year's survey, Swedish firms were invited to assess specific market conditions in terms of their satisfaction levels. This year has seen a marginal enhancement in overall satisfaction with market conditions, accompanied by a shift in the rankings of these conditions. Suppliers have ascended to the forefront, succeeded by service providers, distributors, and physical infrastructure in terms of satisfaction. Conversely, areas such as transparency/equal treatment, the financial system, and customs practices received the lowest satisfaction ratings, suggesting a need for Türkiye to implement improvements in these domains to bolster its business environment.

Customs procedures continue to be the biggest challenge in operations four years in a row

Has your company in the past year encountered trade barriers in Türkiye with a noticeably negative impact on operations in any of the following areas?



NOTE: The number of respondents for this question was 47.

SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2024.

Customs procedures and associated duties remain a significant obstacle for companies active in Türkiye. The complex regulatory landscape, characterised by diverse customs taxes and non-uniform clearance processes, frequently results in operational inefficiencies and delays. Furthermore, stringent documentation mandates and compliance standards further complicate the facilitation of business transactions within Turkish customs.

HOW SWEDISH COMPANIES SUCCEED IN TÜRKİYE

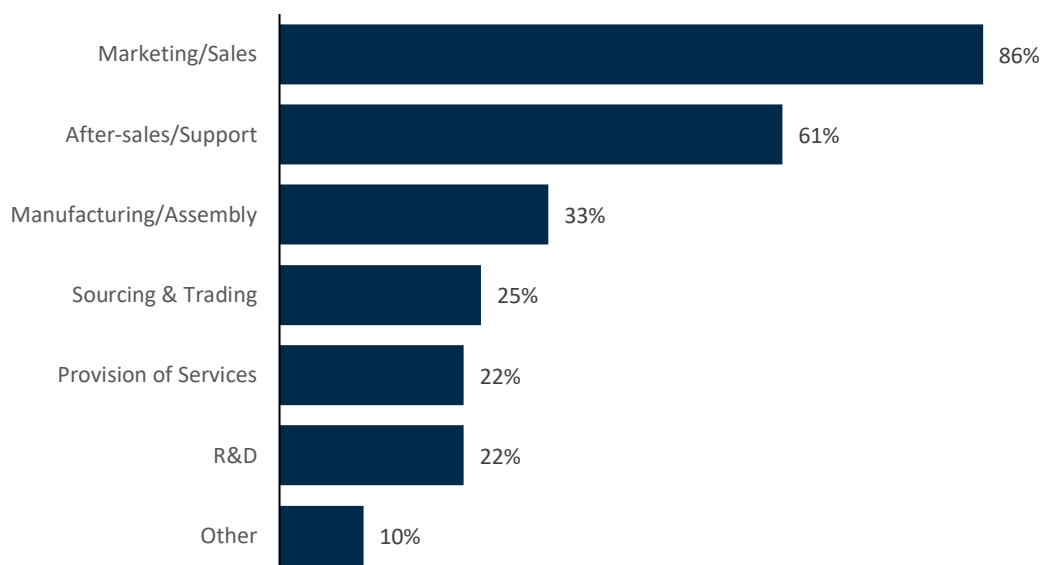
Ability to adapt to ever-changing market conditions still plays a key role in the Turkish market

In recent years, it has become evident that entities with strong financial health and the agility to navigate the dynamic macroeconomic environment have solidified their market presence. Conversely, firms that have been less prompt in adapting to changes have encountered considerable challenges within the Turkish market. Despite significant shifts in macroeconomic policies following the 2023 elections, the imperative of resilience remains unchanged, highlighting its critical importance for market survival. The depreciating Turkish Lira has particularly benefitted export-oriented Swedish companies, continuing a trend observed in prior years.

Looking ahead, amidst evolving local and global market conditions, Swedish companies stand to gain from engaging with Türkiye in several key areas:

- **Sourcing:** Due to its geographical closeness to the EU and its Customs Union agreement with the EU, Türkiye presents attractive manufacturing capabilities at competitive costs for Swedish entities.
- **Manufacturing:** Türkiye's strategic location, coupled with government incentives, relatively low labour costs, and skilled workforce, renders it an ideal site for manufacturing and research and development activities.
- **Becoming technology suppliers to Turkish exporters:** With their effective, high-quality, and competitive offerings, Swedish companies have the opportunity to supply technology to Turkish sectors characterized by substantial export volumes.

Operations Of Swedish Firms in the Market



NOTE: The number of respondents for this question was 49. "Don't know/Not applicable" responses are included but not shown in figure.

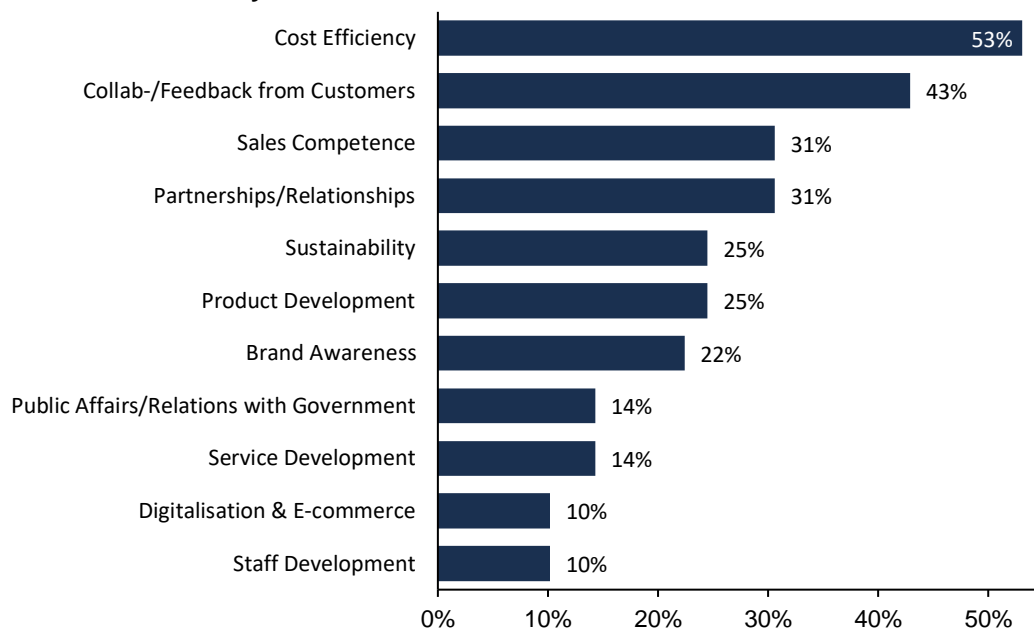
SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2024.

The findings from the survey reveal that a predominant focus among Swedish firms active in the Turkish market is on marketing and sales efforts, which represent **86 per cent** of their business activities. Additionally, **61 per cent** of these companies have developed after-sales and support services, and **33 per cent** engage in manufacturing or assembly operations within Türkiye. This underscores their strategic investment in local capabilities to bolster competitiveness and ensure adequate market supply. A smaller proportion, **25 per cent**, of Swedish entities participate in sourcing and trading activities in Türkiye, and a mere **22 per cent** are involved in research and development (R&D) initiatives. However, there is potential for an increase in R&D activities by Swedish companies in the coming years, contingent upon the maintenance of a favourable business climate.

Maintaining cost efficiency, along with fostering customer collaboration, is essential for preserving competitive advantage in Türkiye

To obtain a more comprehensive understanding of the performance of Swedish companies within the Turkish market, survey respondents were asked to assess the importance of different elements that impact their competitive edge. The survey findings underscore that cost efficiency is the foremost factor contributing to the competitiveness of Swedish enterprises in Türkiye. Other critical factors include customer collaboration/feedback, sales competence, and the strength of partnerships and relationships. While brand awareness was highly ranked in previous surveys, collaboration/feedback from customers have risen significantly to claim the second spot, having jumped three places from last year's results. Conversely, brand awareness has experienced a decline, falling five ranks from its second position in the previous year's survey.

To date, which of the following areas have been important in maintaining competitiveness in Türkiye?



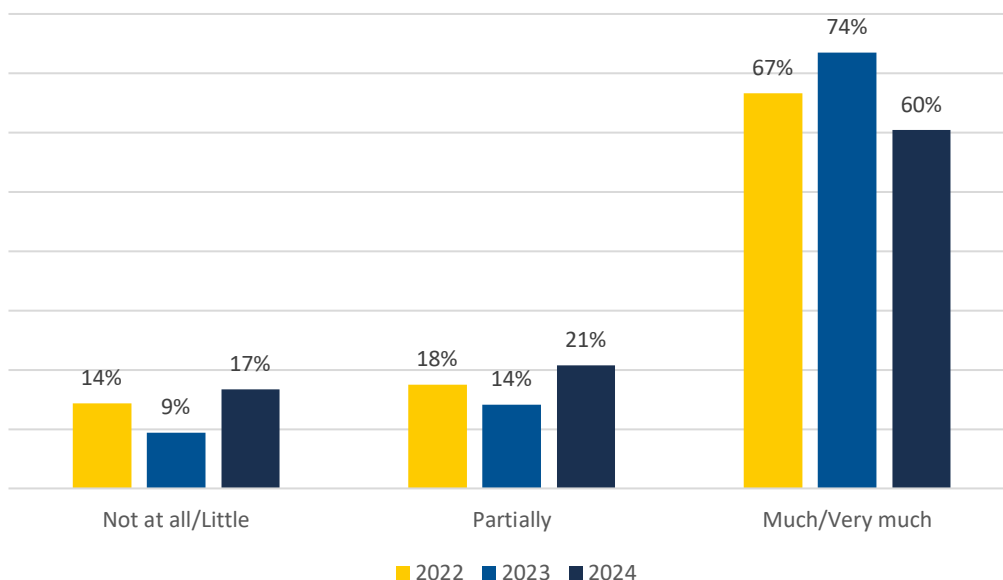
NOTE: The number of respondents for this question was 49. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2024.

Swedish brand sustains its strong presence in the Turkish market mainly due to their superior quality and sustainability

The historical and commercial ties between Sweden and Türkiye, dating back to the 17th and 18th centuries, have played a pivotal role in the establishment and success of the "Swedish brand" within the Turkish marketplace. The high quality and sustainability of Swedish offerings are well-recognised attributes in Türkiye. Despite the recently somewhat strained bilateral political relations the "Swedish brand" has maintained its strong recognition and resilience. Team Sweden's efforts in Türkiye have been instrumental in reinforcing the "Swedish brand," leveraging the longstanding friendship between the two nations. A significant **81 per cent** of survey respondents have reported a positive influence of the "Swedish brand" on their business operations, with **60 per cent** noting a moderate to significant impact, and **33 per cent** citing a high to very high level of positive effect.

To what extent would you estimate that the "Swedish brand" contributes to your business in Türkiye?



NOTE: The number of respondents for this question was 48. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2024.

ACTING SUSTAINABLY

Public awareness is increasing at a rapid pace, which is further accelerated by the implementation of the Green Reconciliation Action Plan

Swedish companies operating in Türkiye observe a growing emphasis on sustainability, driven by consumer awareness and sector-specific advancements, yet hindered by inadequate regulatory support and a lack of comprehensive environmental practices. While there's a positive shift towards sustainability in some sectors and a budding interest in electric vehicles, the broader Turkish market struggles with sustainability integration, particularly among companies not consumer-facing. The Turkish government's Green Reconciliation Action Plan, aligning with the EU Green Deal, represents a strategic commitment to enhance sustainability and competitiveness. This plan aims to transition Türkiye towards a more sustainable economy by setting actionable goals and fostering innovation across industries, indicating a crucial step towards addressing environmental challenges and achieving sustainable development.⁹

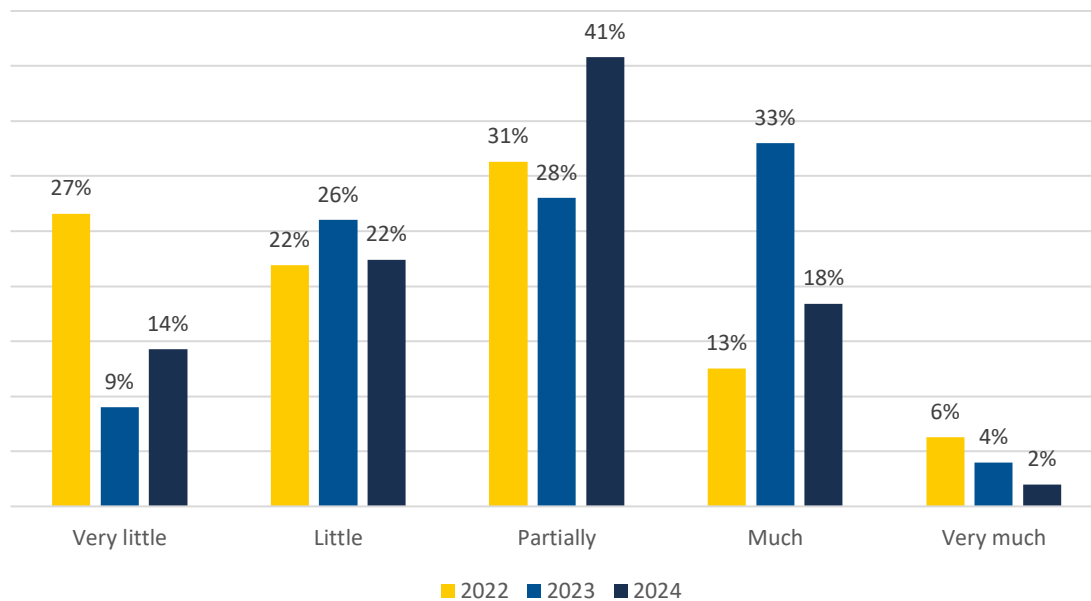
Swedish companies operating in the Turkish market perceive a notable gap in sustainability practices and awareness, particularly among end customers and within the regulatory framework. The responses suggest that sustainability is not yet a decisive factor for Turkish customers, thereby slowing the adoption of sustainable practices among local suppliers. This lack of pressure from end consumers means that sustainability initiatives are primarily driven by joint venture companies and exporters with an international focus, who are more attuned to the global sustainability agenda. Despite these challenges, there is a positive outlook in specific sectors such as mining, where sustainability is associated with increased productivity and efficiency. Additionally, the anticipation surrounding domestic electric vehicles highlights a growing trend towards electrification and sustainable transportation, signaling enhanced government support and public interest towards sustainability.

However, Swedish companies also identify significant hurdles in advancing sustainability within the Turkish market, including difficulties in sourcing sustainably approved suppliers and a regulatory environment that falls short of supporting sustainable packaging and broader environmental practices. The overarching challenges of infrastructure, particularly in green energy supply and the automotive tax system's support for electrification, alongside the pressing need for improved water conservation and renewable energy sources, underscore the complexity of transitioning to a sustainable economy. Swedish companies suggest that overcoming these barriers requires not only a shift in consumer attitudes but also concerted efforts to prioritise sustainability, through incentives for renewable energy, stricter environmental regulations, and a comprehensive approach to address water and energy challenges.

According to the survey results, **61 per cent** of the respondents reported that environmental considerations are a factor in their customers' purchasing decisions in Türkiye to varying degrees – a slight decrease from last year's response of 65 per cent. Among the companies, **20 per cent** stated that environmental factors are highly significant to their customers – decreased by 17 per cent compared to 2023, while **37 per cent** indicated that it has a low impact. Swedish companies leverage sustainability as a competitive advantage in the market and are perceived as environmentally friendly in most of the industries in Türkiye.

⁹ Türkiye Ministry of Trade, Green Reconciliation Action Plan

To what extent do customers in Türkiye consider environmental aspects of a product or service in their purchasing decision?

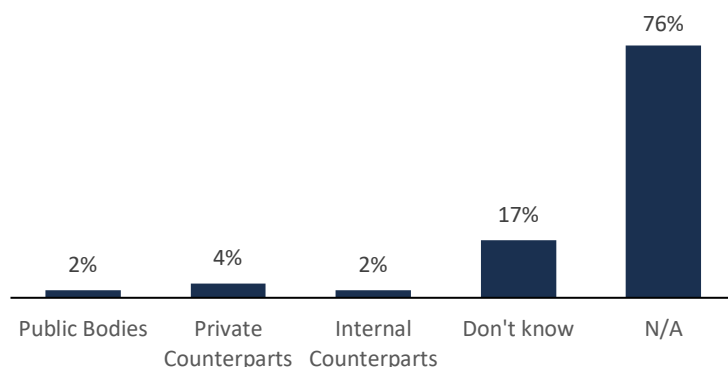


NOTE: The number of respondents for this question was 49. "Don't know/Not applicable" responses are included but not shown in figure.
 SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2024.

Corruption remains a challenge in Türkiye

According to the Corruption Perceptions Index, corruption continues to pose a considerable obstacle in Türkiye. The nation's score has decreased by two points from 2022, settling at 34 out of a possible 100, and placing it at **115th** out of 180 countries, marking its lowest position to date. A vast majority of Swedish firms either expressed uncertainty or lacked a definitive stance regarding their direct experience with corruption issues, including bribery or fraud. There have been no reports of human rights violations or labour rights abuses within the supply chains, or amongst partners, collaborators, and clients of these companies.

Has your company in Türkiye been exposed to corruption such as, but not limited to, attempts of bribery or fraud in contacts with any of the following areas?



NOTE: The number of respondents for this question was 64.
 SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2023.



Sweden
Sverige



Consulate General of Sweden
Istanbul



İsveç
Ticaret Merkezi
Derneği
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