ANNUAL RISK OUTLOOK 2026

Top 20 Risks of Doing Business in Türkiye

Manufacturing, Industry & Export Sector Focus

Comprehensive annual assessment · Position as of Q2 2026 (May 2026)

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How this report is organised

This report identifies and assesses the twenty most material risks facing companies that manufacture, operate or source in Türkiye and export from it, as of mid-2026. It is intended as market intelligence for partners and clients, and is balanced by a section on offsetting strengths and opportunities.

The twenty risks are grouped into four categories:

- **A. Macroeconomic & Monetary Stability (Risks 1–6)** — currency, inflation, financing, reserves.
- **B. Political, Legal & Governance (Risks 7–10)** — instability, rule of law, policy continuity, geopolitics.
- **C. Trade, Market Access & Competitiveness (Risks 11–15)** — CBAM, real exchange rate, market concentration, compliance, trade policy.
- **D. Operational, Structural & Sector-Specific (Risks 16–20)** — labour, energy, seismic, logistics, demand.

Each risk is presented with a short assessment, a 2026 snapshot of current indicators, its specific implications for manufacturers and exporters, and practical mitigation directions.

Executive summary

Türkiye remains a large, dynamic and strategically located manufacturing base, but it is also one of the higher-risk operating environments among major emerging markets. In 2026 the dominant theme is a fragile, incomplete stabilisation: inflation has fallen sharply from its 2024 peak yet remains near 32% and has recently re-accelerated, the lira continues a managed depreciation to record lows, and interest rates stay punishingly high to defend disinflation.

Layered on top of macro fragility are two fast-moving risk vectors. First, domestic politics have become more volatile, with high-profile legal cases and the prospect of early elections capable of triggering sudden currency and market stress. Second, for exporters specifically, the EU's Carbon Border Adjustment Mechanism entered full effect in January 2026, directly affecting steel, aluminium, cement and fertiliser shipments into Türkiye's largest market.

These risks are real but not one-sided. A sovereign rating recovery, a strikingly favourable new export-oriented tax regime, record export volumes, a low-carbon steel base and an advantageous geographic position all provide meaningful offsets. The practical conclusion for partners and clients is to engage Türkiye with active risk management — hedging, diversification, compliance readiness and continuity planning — rather than avoidance.

Risk at a glance

The table below summarises all twenty risks, their direction of travel through 2026 and an indicative severity rating for manufacturers and exporters. Severity reflects both likelihood and potential business impact.

#	Risk	Category	2026 trend	Severity
1	Currency depreciation & FX volatility	Macro	Elevated	HİGH
2	Persistent high inflation	Macro	Sticky / slow easing	HİGH
3	Elevated financing costs	Macro	Elevated	HİGH
4	Monetary & policy unpredictability	Macro	Uncertain	MED-HİGH
5	External financing & rollover risk	Macro	Elevated	HİGH
6	Reserve volatility & capital-flow sensitivity	Macro	Volatile	MED-HİGH
7	Domestic political instability	Political	Rising	HİGH
8	Rule of law & judicial independence	Political	Deteriorating	HİGH
9	Policy continuity / reform-reversal	Political	Watch	MED-HİGH
10	Geopolitical & reputational exposure	Political	Stable	MEDİUM
11	EU Carbon Border Mechanism (CBAM)	Trade	Rising	HİGH
12	Real FX appreciation / competitiveness	Trade	Rising	MED-HİGH
13	Export concentration & EU demand	Trade	Stable	MEDİUM
14	Rising compliance & regulatory burden	Trade	Rising	MEDİUM
15	Trade-policy & tariff exposure	Trade	Stable	MEDİUM
16	Rising labour costs	Operational	Rising	HİGH
17	Energy import dependence & price shocks	Operational	Rising	HİGH
18	Seismic & natural-disaster risk	Operational	Persistent	HİGH
19	Supply-chain & logistics disruption	Operational	Elevated	MEDİUM
20	Manufacturing demand & structural constraints	Operational	Slow easing	MED-HİGH

SEVERİTY COLOUR KEY

HİGH | MED-HİGH | MEDİUM

CATEGORY A · RİSKS 1–6

Macroeconomic & Monetary Stability

Türkiye's macro picture in 2026 is one of partial, fragile progress. Disinflation has stalled near 32%, the lira keeps making record lows under a managed-depreciation regime, and very high interest rates make capital and credit expensive. External funding needs remain large relative to reserves, leaving the economy sensitive to shifts in investor sentiment.

1 Currency Depreciation & FX Volatility

The Turkish lira remains on a managed but persistent downward path, trading at record lows near 45–46 per US dollar in May 2026 after losing roughly 23% of its value in 2025. Major banks project USD/TRY toward the 50–54 range by year-end 2026, implying continued one-directional depreciation rather than two-way stability.

> **2026 SNAPSHOT** USD/TRY ≈ 45–46 (May 2026); ~17–18% weaker year-on-year; Goldman Sachs sees ~54 in 12 months, HSBC raised its year-end call to 50.

What it means for manufacturers & exporters: Manufacturers reliant on imported raw materials, energy and machinery face continuous input-cost inflation, while FX-denominated debt and supplier contracts become harder to price. Exporters gain short-term price advantage but cannot rely on it, as the lira's real value is deliberately kept from depreciating in line with inflation.

Mitigation: Natural hedging (matching FX revenues and costs), forward contracts, shorter pricing validity windows, and indexed supply agreements.

2 Persistent High Inflation

Annual consumer inflation reached 32.4% in April 2026, edging up from around 31% and breaking the gradual disinflation seen since the ~75% peak of mid-2024. The Central Bank lifted its 2026 year-end forecast from 16% to roughly 24–26%, and independent measures (ENAG) place the rate materially higher near 54%.

> **2026 SNAPSHOT** CPI 32.4% (Apr 2026); CBRT 2026 forecast raised to ~24–26%; energy and food the main drivers.

What it means for manufacturers & exporters: Sustained price pressure complicates cost budgeting, supplier negotiations and multi-year quoting, and feeds directly into wage demands and machinery replacement costs.

Mitigation: Rolling cost reviews, inflation-indexed contracts, productivity programmes, and conservative margin buffers in long-dated bids.

3 Elevated Financing Costs

To anchor disinflation the Central Bank has kept policy rates highly restrictive, with the policy rate around 37% and effective funding cost near 40% in 2026. Credit is therefore expensive and selectively available, raising the cost of working capital, capital expenditure and trade finance.

> **2026 SNAPSHOT** Policy rate ~37%; overnight funding cost ~40%; cautious, slow easing cycle expected through H2 2026.

What it means for manufacturers & exporters: High borrowing costs squeeze cash-intensive manufacturers, delay expansion and modernisation, and increase the cost of receivables financing for exporters.

Mitigation: Disciplined working-capital management, supplier/buyer credit terms, export credit agency facilities, and prioritising self-funded capex.

4 Monetary & Policy Unpredictability

Interest-rate policy has proven reactive to political and external shocks: the Central Bank reversed its easing cycle and raised the policy rate to 46% in March 2025 following domestic political turmoil. The risk of either premature loosening or abrupt tightening keeps the rate path uncertain.

> **2026 SNAPSHOT** Policy reversals tied to confidence shocks; markets watch each MPC meeting closely for direction changes.

What it means for manufacturers & exporters: Sudden swings in financing conditions undermine investment planning and the reliability of cost-of-capital assumptions in project appraisals.

Mitigation: Scenario-based financial planning, flexible drawdown structures, and avoiding over-leverage in volatile windows.

5 External Financing & Rollover Risk

Türkiye relies heavily on short-term external funding. External debt maturing within twelve months has been reported around USD 222 billion, high relative to foreign-exchange reserves, while the current-account deficit and a substantial short-term component keep rollover needs elevated.

> **2026 SNAPSHOT** Short-term external debt ~USD 222bn; current-account deficit ~1.2% of GDP; reliance on portfolio inflows.

What it means for manufacturers & exporters: In a risk-off episode, tighter external liquidity can raise corporate borrowing costs, restrict trade-finance lines and slow payment cycles across the supply chain.

Mitigation: Diversified funding sources, longer debt maturities where possible, and contingency liquidity buffers.

6 Reserve Volatility & Capital-Flow Sensitivity

Foreign-exchange reserves have shown sharp, event-driven swings — falling heavily after the March 2025 political crisis and again in March 2026 at the onset of the Middle East conflict. Foreign portfolio investment dropped by around 50% between 2023 and 2024, and FDI inflows have weakened structurally.

> **2026 SNAPSHOT** Reserves intervention-dependent and volatile; FDI fell to ~USD 11.3bn in 2024 from much higher historical levels.

What it means for manufacturers & exporters: Reserve stress can trigger tighter FX access, repatriation friction for dividends and intercompany payments, and renewed lira pressure.

Mitigation: Plan repatriation timing, hold operating balances prudently, and monitor reserve and flow indicators as early-warning signals.

CATEGORY B · RİSKS 7–10

Political, Legal & Governance

Political and institutional risk has moved to the foreground in 2026. Confidence shocks have repeatedly spilled directly into currency and market volatility, while a multi-year decline in governance and rule-of-law indicators weighs on long-term commitments.

7 Domestic Political Instability

Political tension is elevated. The detention and ongoing mega-trial of Istanbul Mayor Ekrem İmamoğlu, followed by the May 2026 “absolute nullity” crisis around the main opposition party (CHP), have raised the prospect of a snap election as early as autumn 2026. Each escalation has historically translated quickly into market stress.

> **2026 SNAPSHOT** İmamoğlu trial ongoing; CHP constitutional standoff (May 2026); analysts flag possible early elections in 2026–2027.

What it means for manufacturers & exporters: Political shocks have repeatedly produced abrupt currency, bond and equity sell-offs, periodic restrictions on communications, and reputational/operational uncertainty for businesses.

Mitigation: Build political-event scenarios into planning, maintain operational continuity plans, and avoid concentrating critical decisions in volatile windows.

8 Rule of Law & Judicial Independence

Governance indicators have declined over the past decade — Türkiye’s World Bank governance ranking has fallen toward the 32nd percentile, below the median of similarly rated sovereigns. Concerns about the impartiality and predictability of enforcement weigh on long-term investor confidence.

> **2026 SNAPSHOT** Governance percentile ~32nd (World Bank, cited by Fitch); judicial-independence concerns highlighted by rating agencies.

What it means for manufacturers & exporters: Affects confidence in contract enforcement, dispute resolution, regulatory consistency and the security of long-term commitments.

Mitigation: Robust contracts with arbitration clauses (e.g., international arbitration seats), thorough local legal counsel, and careful counterparty due diligence.

9 Policy Continuity & Reform-Reversal Risk

Economic decision-making remains highly centralised and can shift quickly. While the current orthodox, disinflation-focused programme has improved sentiment, its durability is uncertain, and an electoral cycle could incentivise policy changes that weaken stabilisation.

> **2026 SNAPSHOT** Centralised policy-setting; stabilisation programme credible but politically exposed.

What it means for manufacturers & exporters: Reversal of orthodox policy would reintroduce sharper currency and inflation risk, undermining the assumptions behind multi-year investment plans.

Mitigation: Stress-test investment cases against a policy-reversal scenario; stage commitments where feasible.

10 Geopolitical & Reputational Exposure

Türkiye's assertive, transactional foreign policy periodically strains relations with Western partners while it pursues pragmatic regional cooperation. This creates intermittent reputational, banking-relationship and sanctions-adjacent compliance considerations for international firms operating from or sourcing in Türkiye.

> **2026 SNAPSHOT** Strained-but-functional Western ties; active regional diplomacy; ongoing PKK peace process reshaping the landscape.

What it means for manufacturers & exporters: Can affect correspondent-banking access, customer perception, and the compliance burden around end-use and counterparty screening.

Mitigation: Strong sanctions/export-control compliance, transparent supply-chain documentation, and banking-relationship diversification.

CATEGORY C · RİSKS 11–15

Trade, Market Access & Competitiveness

For an export-oriented manufacturing base, 2026 brings a structural shift in the terms of trade with Europe. The EU carbon border mechanism, a deliberately strong real exchange rate, rising compliance demands and market-concentration risk together reshape competitiveness — though Türkiye also holds real, defensible advantages.

11 EU Carbon Border Mechanism (CBAM)

The EU's Carbon Border Adjustment Mechanism entered its definitive phase on 1 January 2026, applying carbon costs to imports of cement, iron and steel, aluminium, fertiliser, electricity and hydrogen. With the EU absorbing roughly 40% of Turkish exports — and Türkiye supplying around 30% of the EU's imported cement and ~9% of its iron and steel — exposure is significant. Incomplete emissions data can lead EU importers to treat a supplier as a commercial risk.

> **2026 SNAPSHOT** CBAM definitive phase live since Jan 2026; quarterly emissions reporting required; costs rise year-on-year.

What it means for manufacturers & exporters: Directly affects cost competitiveness and EU market access for carbon-intensive manufacturers; adds verification and reporting obligations.

Mitigation: Türkiye's Climate Law No. 7552 establishes a domestic ETS (pilot 2026–2027) and a mirror mechanism (SKDM) allowing carbon costs to be internalised and deducted; Türkiye's ~70% electric-arc-furnace steel base is a genuine low-carbon advantage. Early emissions accounting and decarbonisation investment are key.

12 Real Exchange-Rate Appreciation Eroding Competitiveness

The disinflation strategy relies on keeping the lira from depreciating as fast as inflation, producing real appreciation. This steadily erodes the price competitiveness of Turkish exports even as the nominal exchange rate hits record highs.

> **2026 SNAPSHOT** Export performance under pressure from a strong real exchange rate and softer external demand (Allianz).

What it means for manufacturers & exporters: Squeezes exporter margins and market share, particularly against lower-cost emerging-market competitors.

Mitigation: Move up the value chain, compete on quality/lead-time/reliability rather than price, and improve productivity to offset real-cost gains.

13 Export-Market Concentration & EU Demand Softness

Heavy dependence on the European Union exposes exporters to softening European demand and to any cooling of EU engagement linked to governance concerns. Concentration magnifies the impact of a downturn in a single bloc.

> **2026 SNAPSHOT** EU ≈ 40% of exports; European demand described as soft into 2026.

What it means for manufacturers & exporters: A European slowdown or trade friction has an outsized effect on order books and capacity utilisation.

Mitigation: Diversify into Middle East, Africa, Central Asia and Gulf markets; leverage Türkiye's Middle Corridor position.

14 Rising Compliance & Regulatory Burden

Beyond CBAM, the regulatory load is increasing: the Turkish ETS pilot (2026–2027), expanding digital-tax infrastructure (e-invoicing and electronic records), and increasingly data-driven, targeted tax audits. Foreign-owned companies are especially exposed if compliance is mishandled.

> **2026 SNAPSHOT** Turkish ETS pilot launching; digital-tax systems mandatory; audits increasingly automated and cross-checked.

What it means for manufacturers & exporters: Incorrect system implementation can trigger significant fines even when taxes are paid correctly, plus operational disruption.

Mitigation: Engage experienced local tax/legal advisors, invest in compliant e-systems, and run regular internal compliance reviews.

15 Trade-Policy & Tariff Exposure

As a Customs Union member without a seat in the EU's external trade negotiations, Türkiye can be exposed to terms it does not set, while global protectionism and anti-dumping actions add uncertainty for industrial exporters.

> **2026 SNAPSHOT** Customs Union asymmetries; rising global trade-defence measures and border carbon policies proliferating.

What it means for manufacturers & exporters: Market-access terms can shift without Turkish input, and individual products may face investigations or duties.

Mitigation: Monitor trade-defence cases, maintain origin/compliance documentation, and diversify destination markets.

CATEGORY D · RİSKS 16–20

Operational, Structural & Sector-Specific

On the ground, manufacturers face sharply higher labour and energy costs, significant seismic exposure concentrated in the industrial heartland, logistics disruption from regional conflict, and soft industrial demand. These operational risks bear directly on cost, continuity and capacity.

16 Rising Labour Costs

The 2026 minimum wage rose 27% to ₺28,075 net (₺33,030 gross), with total employer cost around ₺40,200 per worker. Because the minimum wage anchors broader private-sector pay, this lifts the whole wage structure, and manufacturing surveys show input costs rising at their fastest pace in nearly two years.

> **2026 SNAPSHOT** Minimum wage +27% (₺28,075 net); affects ~7–9.5 million workers; PMI input-cost inflation at a ~2-year high.

What it means for manufacturers & exporters: Higher unit labour costs compress margins for labour-intensive manufacturers and feed into output prices.

Mitigation: Automation and productivity investment, workforce planning, and value-added repositioning to absorb wage growth.

17 Energy Import Dependence & Price Shocks

Türkiye is a net energy importer, leaving production costs highly sensitive to global price shocks. The Middle East conflict and disruption around the Strait of Hormuz pushed energy prices sharply higher in 2026 — energy rose about 12% month-on-month in April alone, a leading driver of inflation.

> **2026 SNAPSHOT** Net energy importer; energy +~12% m/m (Apr 2026); oil-price and supply-route risk elevated by regional conflict.

What it means for manufacturers & exporters: Volatile and rising energy costs directly hit energy-intensive production (steel, cement, glass, ceramics, chemicals) and overall competitiveness.

Mitigation: Energy-efficiency programmes, on-site/renewable generation, hedging where available, and long-term supply agreements.

18 Seismic & Natural-Disaster Risk

Türkiye sits across major active fault systems. The February 2023 earthquakes caused catastrophic human and economic losses, and seismologists continue to flag a high-probability major event affecting the Istanbul–Marmara industrial heartland — the country's manufacturing and logistics core.

> **2026 SNAPSHOT** High seismic hazard along the North Anatolian Fault; Istanbul/Marmara concentration of industrial assets.

What it means for manufacturers & exporters: Threatens physical assets, workforce safety, business continuity and supply-chain nodes; raises insurance costs.

Mitigation: Seismic-resilient facilities, robust business-continuity and disaster-recovery plans, geographic redundancy, and adequate catastrophe insurance.

19 Supply-Chain & Logistics Disruption

Regional conflict, Strait of Hormuz tensions and shifting freight routes create lead-time and availability risks for inputs and shipments. The same disruption, however, has increased interest in Türkiye as an alternative transit corridor for energy and goods to Europe.

> **2026 SNAPSHOT** Hormuz disruption and conflict-driven re-routing; Türkiye positioning as a Middle Corridor transit hub.

What it means for manufacturers & exporters: Longer lead times, freight-cost volatility and input shortages can interrupt production schedules and delivery commitments.

Mitigation: Multi-sourcing, safety stock for critical inputs, flexible logistics partners, and route diversification.

20 Manufacturing Demand Weakness & Structural Constraints

Industrial activity has been soft: the Istanbul Chamber of Industry manufacturing PMI stood at 49.3 in February 2026 (still in contraction), with output declining for 23 consecutive months and employment falling. Structural issues — skills gaps, emigration of qualified talent, and informal-sector competition — constrain longer-term capacity.

> **2026 SNAPSHOT** PMI 49.3 (Feb 2026), sub-50 contraction; output down 23 months; persistent skills and talent-retention pressures.

What it means for manufacturers & exporters: Weak demand and structural constraints limit capacity utilisation, pricing power and the pace of modernisation.

Mitigation: Diversify demand across export markets, invest in workforce development and retention, and pursue efficiency gains.

Balancing factors & opportunities

A credible risk report must weigh the offsets. Several developments materially improve the case for operating in and sourcing from Türkiye in 2026, and in some areas turn risk into competitive advantage.

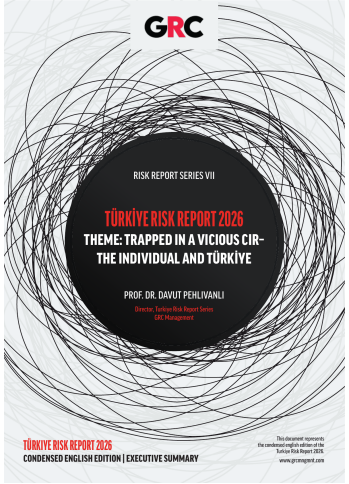
Balancing factor	Detail
Sovereign rating recovery	Moody's upgraded Türkiye to B1 in 2025 (three notches below investment grade), citing solid public finances and low public debt; the orthodox programme has improved sentiment.
Major exporter tax reform	The April 2026 "Powerhouse for Investment" package cuts corporate tax for manufacturer-exporters to 9% (vs. the standard 25%) and to 14% for regular exporters, with further incentives via the Istanbul Finance Centre.
Record export performance	Total goods-and-services exports reached roughly USD 393 billion by late 2025, exceeding the official target.
Low-carbon steel advantage	With ~70% of steel produced via electric arc furnaces, Türkiye has a structurally lower carbon footprint than coal-based competitors — a real edge under CBAM.
Disinflation trajectory	Headline inflation has fallen from a ~75% peak (mid-2024) to the low-30s%, with growth holding around 3–3.8%.
Strategic location	Customs Union access and the Middle Corridor position Türkiye as a manufacturing and transit hub bridging Europe, Asia and the Middle East.

Outlook for 2026

The central scenario is continued fragile stabilisation: inflation drifting lower but staying well above target, a lira on a controlled depreciation path, high-but-gradually-easing interest rates, and growth around 3–3.8%. The biggest swing factors are political — an early-election scenario or a confidence shock could quickly re-tighten financial conditions — and external, chiefly energy prices tied to the Middle East conflict.

For manufacturers and exporters, the defining 2026 transition is CBAM. Firms that move early on emissions accounting and decarbonisation — and that take advantage of the new export-focused tax incentives and Türkiye's low-carbon steel base — can convert a regulatory threat into market-share gains in Europe. The recommended posture is engaged risk management: hedge currency and input exposure, diversify markets and suppliers, invest in compliance and continuity, and stage major commitments against clearly defined political and policy scenarios.

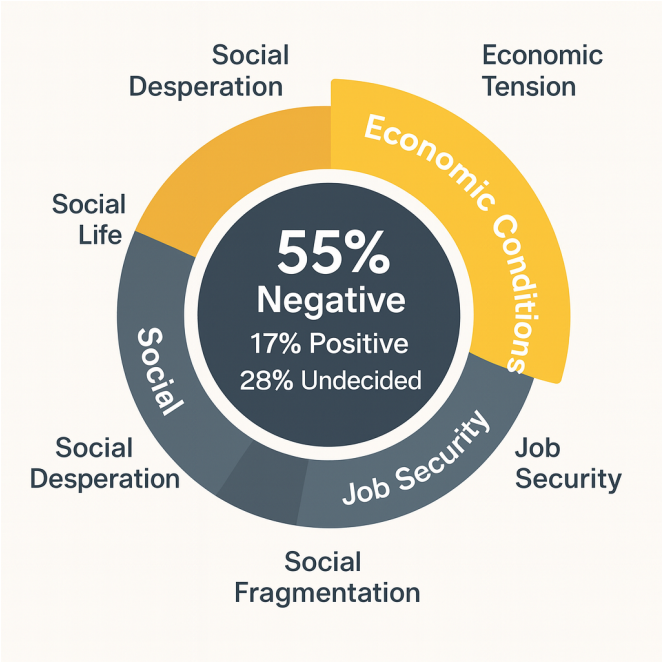
Related publication — Türkiye Risk Report 2026



This manufacturing-focused outlook is complemented by GRC Management's flagship annual country study, the **Türkiye Risk Report 2026** (7th edition · Series VII). Survey-based, it reads the country's risk environment through its societal dimension; the 2026 theme is "Trapped in a Vicious Circle: The Individual and Türkiye." Where this report maps the macro and trade risks of manufacturing in Türkiye, the country study adds the social and institutional backdrop those risks unfold against.

What it adds to the picture

- Eight of the top ten national risks are now societal — a decisive shift from economic to social fragility.
- 55% of respondents hold a negative outlook on the future; only 17% are positive.
- 74% do not trust public institutions; 91% perceive economic or political uncertainty as high.
- The top-ranked national risk for 2026 is media echo chambers and misinformation.



The Vicious Cycle: Türkiye's Satisfaction Trap. Source: Türkiye Risk Report 2026.

READ THE FULL REPORT

Türkiye Risk Report 2026 — condensed English edition. **grcmngmnt.com**

Key sources

This assessment draws on official statistics, central-bank and government publications, rating-agency and credit-insurer analysis, and reputable financial media current as of May 2026:

- Central Bank of the Republic of Türkiye (CBRT) — inflation reports and policy statements, 2026
- Turkish Statistical Institute (TurkStat) — CPI and trade data, 2026
- S&P Global / Istanbul Chamber of Industry — Türkiye Manufacturing PMI, 2026
- Moody's, Fitch — sovereign rating actions and commentary, 2025–2026
- Allianz / Allianz Trade — Türkiye country risk report, 2026
- Credendo — Türkiye country risk assessment, 2026
- European Commission — Carbon Border Adjustment Mechanism (CBAM) framework, 2026
- Republic of Türkiye — Climate Law No. 7552 (ETS / SKDM), 2025
- Türkiye Ministry of Labour and Social Security — 2026 minimum wage decision
- Türkiye Ministry of Treasury and Finance — "Powerhouse for Investment" reform package, April 2026
- International press and analysis: Daily Sabah, Türkiye Today, Hurriyet Daily News, Reuters/bne IntelliNews, Trading Economics

Important notice

> *This document is provided for general information and market-intelligence purposes only. It does not constitute investment, legal, tax or accounting advice, and should not be relied upon as the sole basis for any business decision. Figures and forecasts reflect publicly available information as of May 2026 and are subject to change; economic and political conditions in Türkiye can shift rapidly. Readers should obtain independent professional advice tailored to their specific circumstances before acting.*