

Location Spotlight – Turkey

July 2023 : Complimentary Abstract / Table of Contents



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This report provides perspectives on key aspects of the global sourcing market in Turkey

Location Spotlight – Turkey

Turkey | at a glance



Leveraged by both service providers and GBS organizations for global delivery services, particularly for IT-ADM and voice-based BP services, considering the large entry-level talent pool available

KEY FACTOIDS

- 1,069,000-1,073,000 annual tertiary graduates
- Annual operating cost per employee: 75-85% savings over Dallas, 40-50% savings over South Africa

Current overview	Key drivers	Key challenges
<ul style="list-style-type: none"> Majorly leveraged for IT-ADM and contact center service delivery catering to the European and the Middle Eastern markets, with evidence of growth seen across the ER&D function Sizable entry-level and employed talent pool driven by the presence of multiple colleges/universities and key players operating in the IT-BP domain Turkey exhibits moderate scalability (50-100 FTEs) for IT and BP functions Evidence of multilingual talent capabilities across Arabic, English, German, Dutch, and French languages 	<ul style="list-style-type: none"> Cost arbitrage opportunities across multiple locations compared to onshore geographies, majorly driven by lower cost of operations and currency depreciation Time zone, geographical proximity, cultural compatibility, and legal and political framework alignment with European and other APAC countries Offers multiple flight connections to leading business destinations across the world along with tax incentives for services exports (e.g., software, call center, and engineering) 	<ul style="list-style-type: none"> High rate of inflation and a depreciating currency Low public confidence in the government due to corruption and bribery Compared with other EMEA countries, Turkey's government incentives specific to the global sourcing market are limited Concerns around scalability potential for complex services with limited ICT investment and maturity Weak domestic demand and depleting foreign reserves posing a risk of deficit

KEY PLAYERS: armelison, CEREBRUM, CONDUENT, Delivery Hero, Microsoft, PROMETION, SAMSUNG, TELUS

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Location Spotlight – Turkey

Turkey | risk profile (page 1 of 2)

Some concerns around economic slowdown, high inflation, and volatile geopolitical environment

Parameter	Everest Group rating	Comments
Geopolitical	Least favorable	<ul style="list-style-type: none"> Turkey has been experiencing political instability, with allegations of corruption and inefficiency against the current government The geopolitical priorities of Turkey and some of its Western allies have started to diverge in the last few years. There has also been a long-standing maritime dispute with Greece over the East Aegean islands, which occasionally resurfaces, causing diplomatic tensions Turkey ranks 101st among 180 countries in the Corruption Perception Index 2022; its score (from a total of 100) has fallen from 41 in 2018 to 36 in 2022, indicating worsening corruption levels Turkey ranks 103rd among 167 countries in the Democracy Index 2022, compiled by the Economist Intelligence Unit; its rank has been stable when compared with 2021, with the country following a hybrid regime of circumscribed democracy
Macroeconomic	Favorable, some concerns	<ul style="list-style-type: none"> Turkey's GDP growth has been declining in the recent years and is expected to grow by a modest ~2-3% in the coming years. Economic activity is dampened by high commodity prices due to the ongoing Russia-Ukraine war, tightening monetary conditions, and higher inflation and unemployment rates <ul style="list-style-type: none"> The economy experienced a decline in growth rate (growing by 5.6% in 2022 versus 11.4% in 2021) due to declining momentum in exports, investment, and manufacturing activity The Turkish lira (TRY) lost 30% of its value in 2022 despite interventions by the central bank Growth is expected to get a boost in late 2023 driven by expansionary fiscal policies, minimum wage increase, and extensive reconstruction efforts in the earthquake zone; however, uncertainty remains around post-election economic performance, investor confidence, and external risks (such as high global inflation levels)
Infrastructure	Favorable, some concerns	<ul style="list-style-type: none"> Turkey has moderate infrastructure quality. It is ranked 52nd out of 141 countries in the International Institute for Management Development (IMD) World Competitiveness Index 2022 and 50th for its infrastructure quality Major cities have a well connected and developed public transport infrastructure with a highly developed coastal and maritime infrastructure <ul style="list-style-type: none"> The country has 54 airports and 37 of them are international airports with well-developed infrastructural facilities While the national rail system is still under-developed, ~5,100 miles of motorway are expected to be ready by 2053

Source: Everest Group (2023); EIU; Transparency International; OECD; OPEC; World Bank; WEF; investment agencies; interviews with market participants

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