

Impact of the Middle East Conflict on the Turkish Economy

Supply Chain Disruptions, Raw Material Shortages & Strategic Options

1. Situation Overview

The U.S.–Israeli military operation against Iran (28 Feb 2026) has triggered a systemic economic shock. The de facto closure of the Strait of Hormuz—carrying ~20% of global oil, 25% of LNG, and 15% of aluminum—has created cascading disruptions. Turkey, importing ~90% of its energy and maintaining deep Gulf trade links, is among the most exposed emerging markets. An estimated \$25–30B in capital has left Turkey in one month, while the CBRT has spent over \$50B in FX interventions to stabilize the lira.

2. Key Impacts

Area	Impact
Energy & Inflation	Soaring import costs widen the current account deficit. Annual inflation at 31.5%; CBRT's 16% target now unrealistic. Energy shocks alone may add 2.5–3pp to inflation.
Aluminum Supply	Gulf smelters (Alba, Qatalum) declared force majeure. LME prices past \$3,500/ton (+12%). Turkish automotive, construction, and packaging sectors face severe input cost pressure and potential shortages.
Fertilizer Crisis	Gulf states supply 15–25% of Turkey's nitrogen fertilizers (TEPAV). Global urea prices up ~60%. Wheat, corn, and sunflower crops face rising costs ahead of spring planting. No strategic fertilizer reserves exist.
Capital & FX	\$25–30B capital outflow since Feb 28. Hot money exit accelerating. CBRT gold sales and swap operations under pressure. USD/TRY forecast at 52 by year-end with downside risk.
Trade & Tourism	Gulf exports down 39%. Disrupted shipping routes raise costs for petrochemicals, plastics, and sulphur. Tourism revenues—a key FX source—at risk from regional instability.

3. Suggested Options & Workarounds

Strategy	Action	Expected Benefit
Diversify Aluminum	Shift procurement to India, Norway, Canada. Maximize recycled scrap usage.	Recycled aluminum can offset 20–30% of shortfall; reduce Gulf dependency.
Secure Fertilizer	Emergency imports from Russia, Morocco, Egypt. Pre-purchase for autumn.	Protect crop yields; stabilize farmer input costs before planting window closes.
Hedge Energy	Lock forward contracts for oil/gas. Accelerate renewables (~50% of electricity already).	Buffer against further price spikes; reduce structural import dependency.
Optimize Capital	Renegotiate payment terms; activate credit lines; build critical input stockpiles.	Maintain operations amid price volatility and supply uncertainty.
Redirect Exports	Pivot Gulf-bound trade toward EU, Central Asia, Africa. Leverage defense exports.	Offset the 39% Gulf export drop with diversified revenue channels.
Scenario Planning	Build 3-tier contingency: short war / prolonged / regional escalation.	Enable faster response to rapidly evolving conditions.