



SHOE TEXTILE

KONYA SHOE AND TEXTILE INDUSTRY

*Past,
Present,
Future*

...





1882

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KONYA CHAMBER OF COMMERCE



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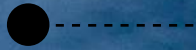
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**SECTORAL INFORMATION AND
STATISTICS**
Konya Chamber of Commerce
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1882

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KONYA TİCARET ODASI
TUTAN KONYA ULUSLARARASI
PİYAR MERKEZİ

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KONYA Ticaret Odası
MEMURİSİ KONYA
KONYA



TO KONYA MERKEZİ

5

One of the greatest advantages we have gained in the last thirty years is the fact that new production centers have been started to be established in Anatolia. From this point of view, one of the central cities that will bear the production load of Anatolia is Konya with its economic development and potential. With its companies that opened to the world, modern and scientific production and trade, universities, organized industrial zones and international exhibition center, Konya is one of the example cities of Türkiye, which has a short history of industrialization, has become a world-renowned production and trade center with moves it has made in the last fifteen years. Konya which is an exceptional city where cultural heritage inherited from its historical accumulation is brought to the present, messages of peace, brotherhood and human love are given to the world, unity and co-existence have become the philosophy of life, modesty and courtesy have ruled for centuries, enabled the city develop economically, socially and culturally with the spirit of unity formed together with its public institutions, non-governmental organizations, chambers and stock exchange. One of the biggest achievements of Konya where unemployment is below 5 percent, is rapidly increasing exports in recent years. Export of Konya which exports to 178 countries and had 03% export share and 100 million dollars of export amount in 2001, increased at the rate of 1.500% and reached 1.5 billion dollars level in fifteen years and its share in Türkiye's export exceeded 1%.



In the last fifteen years, Türkiye's average in export has increased 5 times and Konya has increased its export 15 times and has written a success story around the world. Today, Konya has potential to receive 3% share from Türkiye's export in the next decade. While Konya industry which allows production in many different sectors instead of a single sector, provides a great advantages to the city in international competition, Konya makes its presence felt in world's market by offering low-cost and better quality products in Food, Machinery, Furniture, Automotive Spare Part, Plastic, On-vehicle Equipment and Lift, Footwear-Textile and Agricultural Machinery sectors. Konya which is one of the cities of Türkiye showing high economic performance recently with historical and cultural accumulation, geographical features and entrepreneurs and which continues to rise economically by contributing to our country's objectives as a central city in its region, offers many opportunities for foreign investors and businessmen with its socio-economic advantages.

Selçuk ÖZTÜRK
Konya Chamber of Commerce
President of Board of Directors

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KONYA SHOE AND TEXTILE INDUSTRY

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Handwritten Arabic calligraphy watermark, likely a brand or studio signature, overlaid on the leather and stitching awl area.

INTRODUCTION

The period of 2019-2022 has been a challenging time for economies on a global, national, and local level due to the effects of various social and economic developments. The COVID-19 pandemic, the global rise in commodity, energy, and food prices, and the negative supply-related effects of the Russia-Ukraine war have changed all economic balances.

The pandemic caused a decrease in the mobility of the global economy while businesses developed new labor methods due to the effects of self-isolation measures, and changes were seen in global production and trade volume. During the first quarter of 2020, global industrial production reduced by 6%, accelerating the economic recession experienced in this period. In general, 2020 was a negative year in global trade, with a 7.5% recession in global trade throughout the year. The changing consumer behavior during the pandemic was experienced as a demand increase in some sectors and as a demand decrease in sales for other sectors. Large-scale financial support to businesses was provided in the USA and Japan. In the EU, on the other hand, new EU funds have been created that prioritize the environment and digitalization, as well as measures that try to reduce the social and economic effects of the pandemic. In addition to the slowdown in economic activity, the COVID 19 outbreak has also led to several problems in supply chains. Furthermore, the recession in international trade disrupted the functioning of supply chains and increased the cost of intermediate goods imports.

After the negative period of the COVID 19 pandemic, commodity prices started

to rise with a strong recovery in the global industry and trade during the second half of 2022. In the third quarter of 2022, world manufacturing output stabilized at a solid 3.6% annual growth rate, after a relatively weak 3.0% increase in the previous quarter. Industrial economies were also affected by the rise, increasing from a narrow annual increase of 2.5% in the second quarter of 2022 to 3.6% in the third quarter. At the same time, an increase of 61.2% was recorded in the metal index during the 2020-2022 period. Moreover, the low trade stocks of the retailers and the economic measures taken by the countries to revive their economies also affected rising prices. As mentioned above, supply-related delays caused by the disruption in supply chains were the reason behind high prices. The prominence of supply in certain commodities has been the factor behind the increased commodity prices in the first quarter of 2021.

The rise in global food prices was another effect of this period. The economic support and measures taken by governments against the COVID 19 pandemic, loose monetary policies, trade stocks, and export restrictions in some countries accelerated the upward trend in prices. The agricultural product index increased by over 54% from 2020 to 2022. Disruptions in production due to drought, the inability to meet the high demand from China, and the war between Russia and Ukraine, both of which are important players in agricultural products played huge parts in the continuous increase of food prices.

In the EU region, energy import prices have increased by more than 100% between 2020 and 2022. The Ukraine-Russia war and Russia's decision to cut

off gas shipments to some EU countries triggered gas and electricity prices upwards. Again, due to the effects of the Ukraine-Russia war, both commodity prices and energy prices increased significantly. Problems in supply and transportation increased the prices of commodities and made it difficult for the masses to access them. The Industrial manufacturer energy price index in the EU increased by 141% between January 2021 and July 2022 .

In TURKSTAT (Turkish Statistical Institute) data; According to the private trade system, in the January-December period of 2022, exports in Türkiye increased by 10.1% compared to the same period of the previous year and amounted to 235 billion 236 million dollars, while imports increased by 31.3% to 342 billion 213 million dollars.

Businesses in Konya were also affected by the negative effects of the pandemic but showed a quick reaction to take measures. The disruption of the supply chain has increased costs for many companies. As a precaution, many businesses have made new arrangements with suppliers. There were halts in the automotive sector. Sectors such as food, packaging, and chemistry were positively affected by the pandemic. Automotive and machinery companies located in Organized Industrial Zones (OIZ) were adversely affected by the pandemic. Transportation and logistics costs have increased in OIZs. Businesses that export based on imports experienced severe difficulties due to the shutting of customs and disruption in supply chains.

To determine the positive and negative effects of the above-mentioned developments on the businesses in Konya, mutual interviews were held with the selected businesses. 45% of these companies target both domestic and foreign markets, while 27% focus

only on the domestic market. Most of the interviewed businesses use direct marketing, wholesalers, and brokers for sales. The foreign market targets of the majority of these businesses focus on European, African, and Middle Eastern countries.

Developments such as the pandemic, war, and immigration during the last 5 years have affected some companies positively and others negatively. When it comes to negative effects, businesses stated that they were adversely affected by the COVID 19 pandemic, war, conflicts, immigration, and developments in the energy market. Against these negative developments, most of the companies delayed their investment and growth plans. Most businesses have also adopted the method of taking precautions against these crises by focusing more on foreign markets while reducing production volume. Some companies have turned to internal energy savings.

It has been observed that businesses in Konya have responded quickly to the aforementioned disruptions in the supply chain. Businesses have increased their price alternatives by diversifying their supply points. During this period, businesses were also able to have meetings with their customers frequently and renew their order plans. They have also made their raw material and auxiliary material supplies according to these plans. In addition to the raw material planning, meetings with the raw material suppliers managed to keep the raw material purchase prices within certain ranges in the said period. Furthermore, the majority of customers in the supply chain have extended their lead times for procurement. Finally, the majority of businesses in Konya organized their work-sharing in the chain by holding meetings with the stakeholders in their supply chain.

Businesses in Konya reacted very quickly to disruptions in the supply chain during the COVID 19 pandemic, and they successfully optimize their raw and auxiliary material supplies by work-sharing and re-planning with the stakeholders in the supply chain.



Past, Present And Future Of Konya Footwear Textile Sector

SHOE INDUSTRY

OVERVIEW

Shoes can be defined as a garment that is worn on the feet other than socks and includes types such as shoes, boots, and chaussures. Shoes can be classified according to gender, age, and usage areas. They can also be classified using criteria such as the way the upper leather is attached to the sole, heel height, and sole length.

These products are included in the sub-division of the manufacturing industry, leather, and leather products industry, according to their sectoral classifications. It is also possible to group them as slippers, boots (industrial, security, and military), children's shoes, men's shoes, women's shoes, and sports shoes.

In the production process of shoes, two different production methods are followed: the traditional method and the injection method.

In the traditional method, the production of shoes is carried out by cutting and sewing the upper and assembling the sole. Simple tools or machines are used in the production stages, and hydraulic presses are used for the cutting process. These

presses are specifically used to cut the upper inner lining, rib joint pliers, toe box, and sole leather.

In the production by injection method, the sole of the shoe is produced together with the upper part. Since this method is less costly, it is generally used in more economical shoe markets.

Even though the rate of automation has become increasingly widespread in recent years, the shoemaking industry maintains its manpower-

based quality in cutting, sewing, assembly, quality control, production planning, and material testing stages, even in the most modern of productions.

Mainly men's shoes, women's shoes, and shoes used in occupational safety are produced in Konya, which has shifted from the traditional master-apprentice relationship structure to the use of today's modern technology in the shoemaking sector. The city is an important center for Türkiye in this regard.

Chart 1: Distribution of Businesses in the Shoe Industry by Their Technology Usage

Production Technique	Industry Share
Traditional Production Technique	% 15
Semi-Mechanized Businesses	% 40 Businesses with industrial status % 30 Workshop status businesses with a low level of mechanization
Mechanized Businesses	% 15

Although the COVID-19 pandemic limited production in some countries, global shoe production increased by 8.6% in 2021 to exceed 22 billion pairs. However, production is still 2 billion pairs below the pre-pandemic level.

The pandemic did not change the geographical concentration trend of shoe manufacturing. The Asian continent currently accounts for more than 88% of the world's shoe production, which represents an increase of 0.5% compared to previous years.

Europe's share, which moved in the opposite direction of the increase, fell below 3%, just like in Africa. South America, on the other hand, slightly increased its share and determined its place as a main production location outside of Asia.

China leads by a wide margin among the world's shoe exporters. Despite this, the country has been slowly losing market share for more than a decade. Other Asian countries have also come to the fore in the shoe industry during the last ten years. Vietnam, the biggest success story in this context, currently represents roughly 10% of world exports and ranks 2nd among exporting countries.

In recent years, Türkiye has made significant progress in shoe production. Türkiye rose from 8th place in 2017 to 4th place by the end of 2021, with 3rd place now in sight. The Turkish Republic still maintains its position as one of the largest shoe-exporting countries in Europe, ahead of Germany, Belgium, Italy, and the Netherlands.

SHOE INDUSTRY IN TÜRKİYE

The globalization trend, which has made itself felt more and more in the world economy recently, has increased the importance of urban economies in the global economy. In this context, local economies have also affected the development performance of their countries, thanks to the strategies and policies they have developed in global competition by improving their physical, social, and institutional infrastructures. Within the scope of this transformation, the shoe industry has become a sector that has benefited from the change.

In Türkiye, shoe production, which used to be a craft field, gained the qualities of an industry consisting of small businesses after the 1950s. The shoe industry continued without changing its industrial structure throughout the 1960s. The liberalization of trade in the 1980s Türkiye triggered the development of the industry by facilitating access to both the inputs required in production and the production machinery. With the increase of machinery in the sector, 15% of the sector completed its industrialization. In this context, the machinery park investments made by the private sector, which can be considered quite high, enabled the shoe industry to take serious steps toward industrialization.

By the 1990s, with the opening of the Russian market to free trade, the shoe industry in Türkiye had shown serious growth and became an important production sector for the Turkish economy. Today, the Turkish shoe and footwear industry, with its 30,000 businesses and approximately 300,000 employees, has input-output relationships with 35 different industries. The contribution of the sector to the Turkish economy is worth 7.9 billion USD annually.

According to the data obtained from the Turkish Shoe Manufacturers Association (TASD), while 75% of the 30,000 businesses in the sector continue production under SME status, 25% are in the industrial class. In addition, approximately 300,000 people are employed in the sector, of which 20,000 are in industrialized businesses, and the remaining 280,000 are working all over the nation.





The notable products in the shoe industry that are considered important for Konya are given below.

Graph 1: Waterproof Shoes, Boots, etc. With Rubber or Plastic Soles and Uppers (Excluding those with Protective Metal Toes)

Source: TURKSTAT



The production of waterproof shoes and boots has maintained its level of 7 million pairs since 2016, thanks to the domestic market and especially the export to nearby countries.

Graph 2: Shoes, Boots, etc. With Rubber or Plastic Soles and Uppers (Excluding Waterproof Shoes or Sports Shoes)

Source: TURKSTAT



Shoes and boots with rubber or plastic soles and uppers continue to grow while maintaining a production level of 100 million pairs. Stable production is still taking place, exceeding the level of 110 million.

Graph 3: Shoes, Boots, etc. With Leather Uppers (Excluding Sports Shoes, Shoes with Protective Metal Toes, and Various Special Shoes)

Source: TURKSTAT



In the face of an increasing demand for shoes and boots with leather uppers, a production increase of more than 35% has been achieved in the last 6 years and has reached the level of 100 million pairs per year.

Graph 4: Shoes, Boots, Slippers, etc. With Uppers Made from Textile Material (Excluding Sports Shoes)

Source: TURKSTAT



Products such as shoes and boots with textile uppers are developing by maintaining a production level of 110 million pairs per year.



FOREIGN TRADE STRUCTURE OF THE SECTOR

The Russian Federation, Iraq, Germany, Spain, and Romania were among the primary shoe export markets of Türkiye in 2021. In 2021, exports to these five countries amounted to 341.2 million USD.

In 2022, the amount of exports from Türkiye in Chapter 64 products has increased compared to previous years. Compared to 2021, exports in 2022 increased by approximately 21%.

Even though there is diversification in export markets on a country-by-country basis, it is observed that shoe exports of Türkiye are mainly made to neighboring and surrounding countries. The shoe

industry in Türkiye has great supply potential to compete with European manufacturers such as Spain and Portugal. In order to compete with these European shoemakers, the products of the domestic companies in the sector must be effectively promoted. Turkish shoe companies continue their search for new markets and try to increase their share in the markets in which they already exist. To achieve this goal of finding new markets and creating export opportunities, especially to Western European countries, branding, the production of new models, and the development of innovation-based production systems should be supported.



Chart 2: Foreign Trade Data of Türkiye on the Basis of Chapter 64 According to the General Trade System

Source: TURKSTAT, 2022

Chapter 64 Footwear, gaiters and the like; parts of such articles	Export (\$)	Import (\$)
2019	958.237.938	539.194.953
2020	829.418.182	498.033.231
2021	1.081.828.872	587.849.383
2022	1.310.741.795	962.050.949



Industrialized enterprises in the sector have teeth...

WHY KONYA?

The shoe industry in Konya has a rich history. In this sector, which requires a certain specialization at the production stage, the fact that the manufacturers in this field are in a geographical cluster brings various infrastructure and cooperation advantages for the city.

In addition to the production of important parts such as "shoe soles" within the structure of the sector in Konya, production is also carried out for other cities such as İstanbul and Ankara or for well-known brands located abroad.





In Konya, 13,953 people graduated from institutions that provide education in the fields of Vocational and Technical Secondary Education at the end of the 2020-2021 academic year. Of this number, 6,780 are male, and the ratio of students graduating in this field in Türkiye is 2.7% (National Education Statistics-Formal Education, 2022). The abundance of vocational high schools and the presence of many universities and technical education faculties in the city are just a few of the positive factors in meeting the qualified employees that the sector needs. Besides, there are numerous vocational courses located in Konya.

One of the most important advantages that puts Konya one step ahead in the shoe industry is logistics. Konya stands out for being the province where Türkiye's first logistics center project was built. In addition, intersections connected by new and double highways, high-speed train systems, international airports, and railways connecting Western Anatolia to Southeastern Anatolia can also be considered serious benefits in this regard. Furthermore, the construction of a new high-speed railway project, which will facilitate transportation and freight transport between Mersin Port and Konya, also shows itself as an important breakthrough in logistics for the city.



Konya, thanks to its current structure and potential export capacity, is the rising and shining star of Türkiye. Increasing export figures through industry and natural resource management is an important indicator of this.

Chart 3: Konya - Annual Exports in All Chapters and Distribution to Selected Countries (Thousand USD)

Source: TURKSTAT, 2022.

Countries	2019	2020	2021	2022
Iraq	264.506	240.752	244.984	291.519
Germany	135.129	145.931	214.509	242.428
Russian Federation	59.216	84.703	118.344	228.787
USA	73.803	181.959	304.236	188.891
Italy	80.913	63.888	93.189	114.684
Poland	46.070	50.782	83.212	103.522
Israel	57.649	51.248	78.210	87.209
Romania	30.390	34.488	67.277	87.113
Egypt	40.368	51.390	83.562	85.497
Algeria	57.649	46.430	51.559	84.613
Netherlands	26.287	34.801	53.633	77.580
Uzbekistan	35.311	41.072	93.921	74.329
United Kingdom	40.368	45.148	67.066	74.059
UAE	27.170	30.728	50.817	68.101
Iran	52.370	49.734	56.524	61.129
Konya Total	1.991.692	2.157.553	3.003.842	3.277.252

The annual export figures of Konya have increased noticeably, especially in 2020-2021, which is the period of the COVID-19 pandemic. Exports to countries on different continents of the world also highlight the continuous development of the economy and the increase in its international quality. Among the countries that Konya exported the most in 2022 were Iraq, Germany, the Russian Federation, and the USA. While the USA was the most exported country in 2021, the highest export was made to Iraq in 2022.





- **In terms of Production Capacity, Konya follows Istanbul and İzmir**



SHOE INDUSTRY IN KONYA

It is possible to consider Konya's shoemaking industry as semi-mechanized. In addition to this, the production of various shoe production machines is also carried out in Konya. While the soles used in production are completely supplied from within the city, the supply of leather and consumables is met from outside of Konya and partially from abroad. Due to ever-changing fashion and cost reasons, the shoe upper material is imported in its finished form.

In Konya, which follows İstanbul and İzmir in terms of shoe production capacity, there is an industrial site named AYKENT, where shoe manufacturers, material providers, wholesalers, and various sub-sector businesses operating in the shoemaking industry come together.

Based on TOBB records, the number of companies operating in the shoe manufacturing sector in Konya, their employment, and production capacities are given in Chart 4.



Chart 4: Shoe Industry in Konya

Source: TOBB Database, 2022

Production Code	Production	Registered Manufacturer	Number of Employees	Production Capacity (Pairs)
15.20.11	Waterproof Shoes, Boots, etc. With Rubber or Plastic Soles and Uppers (Excluding those with Protective Metal Toes)	2	143	*
15.20.12	Shoes, Boots, etc. With Rubber or Plastic Soles and Uppers (Excluding Waterproof Shoes or Sports Shoes)	3	95	*
15.20.13	Shoes, Boots, etc. With Leather Uppers (Excluding Sports Shoes, Shoes with Protective Metal Toes, and Various Special Shoes)	74	989	10.779.394
15.20.14	Shoes, Boots, Slippers, etc. With Uppers Made From Textile Material (Excluding Sports Shoes)	2	12	*
15.20.21	Sports shoes for tennis, basketball, gymnastics, training, etc.	2	93	*
15.02.31	Shoes, boots, etc. (those with protective metal toes)	74	8	*
15.20.40	Parts of leather shoes; removable insole, heel cushion, and similar products; short and long leggings and parts thereof	1	156	5.038.830
	Total Amount	101	1.488	

* Production capacity information is not given if the number of registered producers is 3 or less.

There are approximately 101 businesses manufacturing shoemaking products in Konya. 1,488 people work in these businesses. On the other hand, 74 companies operating in "Shoes, Boots, etc. With Leather Uppers (Excluding Sports Shoes, Shoes with Protective Metal Toes, and Various Special Shoes)" are the locomotives of the industry, with a total production capacity of 10,779,394 pairs of shoes and 989 employees.



FOREIGN TRADE IN KONYA SHOE INDUSTRY

When the foreign trade of the Konya shoe sector is examined, it is revealed that exports have increased over the years and have caught up with imports over time.

Chart 5: Foreign Trade Data of Konya on the Basis of Chapter 64 According to the General Trade System

Source: TURKSTAT, 2022

Chapter 64 Footwear, gaiters and the like; parts of such articles	Konya's Export (\$)	Konya's Import (\$)
2019	22.185.751	16.321
2020	23.180.389	267.135
2021	25.865.514	326.492
2022	30.265.112	463.142

The development of shoe product exports from Konya in the last four years is given in the table below. Although its exports have been increasing over the years, the share of the shoe and footwear industry in total exports has not changed from 1%

Chart 6: Development of Konya's Shoe Exports (Thousand USD)

Source: TURKSTAT, 2022

	2019	2020	2021	2022
Konya (Chapter 64)	22.186	23.180	25.866	30.265
Konya (Total)	1.991.692	2.167.552	3.003.842	3.277.252
Share (%)	%1	%1	%1	%1







INVESTMENT INCENTIVE PRACTICES IN THE SHOE INDUSTRY

The investment incentive systems implemented in Türkiye are as follows;

• **General Incentive Practices:**

Investments above the minimum fixed investment amount and capacities are supported within the scope of General Incentive Practices, regardless of region. Subjects excluded from the incentives or subjects that do not meet the conditions sought for incentives are not included in these. The minimum investment amount required for Konya in General Incentive Practices is 3,000,000 TL.

• **Regional Incentive Practices:**

Within the Regional Incentive Practices, the sectors qualified for support in each province are determined by considering the potentials and economic scales of the said provinces, and the level of support varies according to the development levels of the regions these provinces are located in. The minimum investment amount in Regional Incentive Practices for Konya, which is located in Enterprise Region Number 2, is 1,000,000 TL.

• **Incentive of Priority Investments:**

In line with the needs of Türkiye, the investments to be made in the determined areas have been classified as priority investments. In addition, even if these investments are made in the 1st, 2nd, 3rd, and 4th Enterprise Regions, the supports

applied in the 5th Region are also provided to the priority investments.

• **Large-Scale Investments Incentive:**

Agricultural machinery industry covered in this report is among the sectors determined as large-scale investments and therefore able to benefit from this incentive. The minimum fixed investment amount is 50 million TL.

• **Incentive of Strategic Investments:**

Investments in the domestic production of intermediate goods or products with high import dependency are supported within the scope of strategic investment incentive practices.

The investment criteria for support within the scope of this incentive are as follows;

- 50 million TL minimum fixed investment amount,
- The total domestic production capacity of the product in question is less than the import,
- Minimum 40% of the added value provided by the investment (this condition is not required for refinery and petrochemical investments),
- The total import value of the product in question is at least 50 million USD as of last year.

The Regional Incentive System implemented in Türkiye is summarized in the chart below:

Chart 7: Regional Incentive System Implemented in Türkiye

Source: MEVKA Investment Incentive System Guide, Turkish Ministry of Industry and Technology, 2022.

INCENTIVES & SUPPORTS			REGIONS					
			1	2	3	4	5	6
VAT Exemption			Yes	Yes	Yes	Yes	Yes	Yes
Customs Duty Exemption			Yes	Yes	Yes	Yes	Yes	Yes
Investment Space Allocation			Yes	Yes	Yes	Yes	Yes	Yes
Interest or Dividend Support			No	No	TL:3 points Forex:1 point	TL:4 points Forex:1 point	TL:5 points Forex:2 points	TL:7 Forex:2 points
Income Tax Withhold Support			No	No	No	No	No	10 years
Employee's National Insurance Contribution Support			No	No	No	No	No	10 years
Tax Relief	Investment Contribution Rate (%)	Outside OIZ	15	20	25	30	40	50
		Inside OIZ	20	25	30	40	50	55
	Discount Rate (%)	Outside OIZ	50	55	60	70	80	90
		Inside OIZ	55	60	70	89	90	95
Employer's National Insurance Contribution Support	Support Length (year)	Outside OIZ	2	3	5	6	7	10
		Inside OIZ	3	5	6	7	10	12
	Investment Contribution Rate (%)*	Outside OIZ	10	15	20	25	35	No Limit
		Inside OIZ	15	20	25	35	No Limit	No Limit

Note: Within the scope of investment incentive certificates issued for the manufacturing industry (US-97 Code: 15-37), the legislation to be considered for investment expenditures to be made between 1/1/2017 and 31/12/2022 is as follows: Within the scope of regional and strategic incentive practices, the investment contribution rates to which tax reduction support will be applied are calculated by adding 15 points to the investment contribution rate of each region. In addition, corporate tax or income tax deduction is applied as 100% in all regions and without any action on the incentive certificate.

The delivery of goods and services related to the construction works within the scope of the certificate of the taxpayers holding the investment incentive certificate for the manufacturing and tourism industries are exempt from VAT until 31/12/2025.

* At the application stage for the issuance of an incentive certificate, if requested, Employer's National Insurance Contribution Support rates are increased by half of the investment contribution rates in parallel with the tax deduction, provided that tax deduction is not utilized. The table regarding this is given below:

The exceptions regarding the investments to be made in Konya are as follows:

1- If the investment is in the OIZ, or made by an investor with at least five real or legal persons operating in the same sector as a partner, and if it is an investment that will ensure integration in the area of joint activity, the said investment benefits from the support of **Region 3** for a tax deduction and employer's national insurance contribution support.

2- Within the scope of the district-based incentive system and regional incentive practices, the investments to be made in Konya's Ahırlı, Altınekin, Bozkır, Çeltik, Derbent, Derebucak, Doğanhisar, Emirgazi, Güneysinder, Hadim, Halkapınar, Hüyük, Kadınhanı, Kulu, Sarayönü, Taşkent, Tuzlukçu, Yalılıyük, and Yunak districts will benefit from the support of the 3rd Region. Investments to be made in the organized industrial zones of the mentioned districts will benefit from the support of the 4th Region.

3- In case the investment is among the priority investments, it benefits from the support of the 5th Region.

4- According to the OECD definition of technology intensity level, investments in the production of products in the **medium-high** technology industry class benefit from regional supports applied in the **4th Region**. The minimum fixed investment required for these investments is 3 million TL for Konya.

The contents of the investment support practices for Konya are as follows:

VAT Exemption: Within the scope of the incentive certificate, this is applied in the form of non-payment of value-added tax for investment goods, machinery, and equipment to be procured domestically and internationally.

Customs-Duty Exemption: Within the scope of the incentive certificate, this is applied in the form of non-payment of customs duty for investment goods machinery and equipment to be procured internationally.

Tax Relief: The contribution rate of income or corporate tax to investments is between 20% and 40%. The discount rate is between 55% and 80%.

Employer's National Insurance Contribution Support: The support period is between 3 to 7 years and the investment contribution rate is between 15% and 35%.

Investment Space Allocation: For investments with incentive certificates, investment space is allocated within the framework of the procedures and principles determined by the Ministry of Finance.

VAT Return: The VAT collected for the building-construction expenditures made for strategic investments with a fixed investment amount of more than 500 million Turkish Liras is refunded.

Chart 8: Konya Investment Support System

Source: MEVKA Investment Incentive System Guide, Turkish Ministry of Industry and Technology, 2022.

SUPPORT ELEMENT		REGIONAL		ÖNCELİKLİ
		Outside OIZ	Inside OIZ	
VAT Exemption		Yes	Yes	Yes
Customs-Duty Exemption		Yes	Yes	Yes
Interest and Dividend Support		No	No	TL: 5 Points Forex: 2 Points
Investment Space Allocation		Yes	Yes	Yes
Tax Relief	Investment Contribution Rate (%)	20	25	40
	Discount rate (%)	55	60	80
Employer's National Insurance Contribution Support	Support Length (Year)	3	5	7
	Investment Contribution Rate (%)	15	20	35

Note: Within the scope of investment incentive certificates issued for the manufacturing industry (US-97 Code: 15-37), the legislation to be considered for investment expenditures to be made between 1/1/2017 and 31/12/2022 is as follows: Within the scope of regional and strategic incentive practices, the investment contribution rates to which tax reduction support will be applied are calculated by adding 15 points to the investment contribution rate of each region. In addition, corporate tax or income tax deduction is applied as 100% in all regions and without any action on the incentive certificate.

The delivery of goods and services related to the construction works within the scope of the certificate of the taxpayers holding the investment incentive certificate for the manufacturing and tourism industries are exempt from VAT until 31/12/2025.



*Footwear
sector
has a long
history
in Konya...*

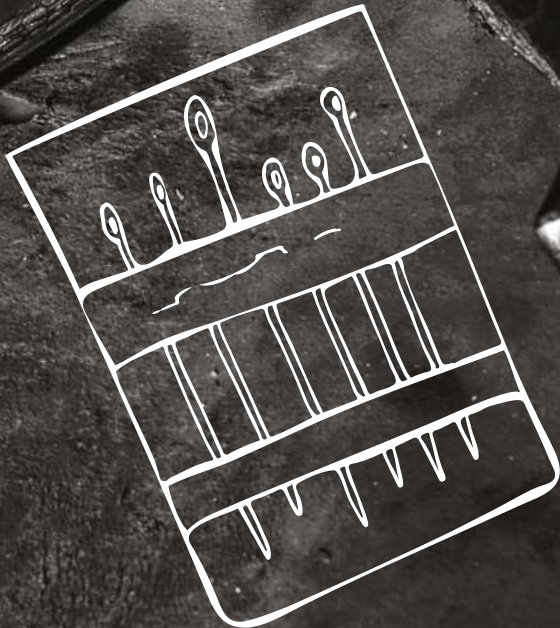


Chart 9: Sectors Eligible for Regional Incentives and Minimum Fixed Investment Amounts in Konya *

Source: MEVKA Investment Incentive System Guide, Turkish Ministry of Industry and Technology, 2022.

Sector Code	US-97 Code	Sectors Eligible for Incentives	Region 2 Minimum Fixed Investment Amount
1	0121	Integrated livestock investments, including investments in integrated breeding stock (excluding investments that do not comply with the minimum capacity requirements specified in the footnotes)	3 Million TL
2	0500.0.04	Aquaculture (including fish fry and fish egg production)	3 Million TL
3	15	Food and beverage products manufacturing (excluding investment matters specified in footnote 5)	3 Million TL
4	17	Textile products manufacturing (excluding yarn and weaving investments that do not meet the conditions specified in footnote 8)	10 Million TL for a brand new investment in textile finishing **
			3 Million TL for modernization variety short fiber spinning and other fiber spinning investments
5	18	Manufacture of apparel	3 Million TL
8	1912 or 1920	Suitcase, handbag, leathercraft, shoes, etc. manufacture	3 Million TL
9	20	Manufacture of wood and cork products (except furniture), manufacture of straw mats and similar knitted materials	3 Million TL
10	21	Manufacture of paper and paper products	10 Million TL
11	24	Manufacture of chemicals and chemical products ***	3 Million TL
24	2695.1	Production of concrete products for construction purposes	3 Million TL
27	2720, 273, 2710.8.02	Base metal industry other than iron and steel, metal casting industry	3 Million TL
28	28	Metalware	3 Million TL
30	29	Machinery and equipment manufacturing ***	3 Million TL
32	30	Manufacture of office, accounting, and data processing machines	3 Million TL
33	31	Manufacture of electrical machinery and equipment ***	3 Million TL
34	32	Manufacture of radio, television, communication equipment, and devices	3 Milyon TL

35	33	Manufacture of medical instruments, precision, and optical instruments ****	3 Million TL
36	34	Motor land vehicles and sub-industry *****	3 Million TL
38	3591 and 3592	Motorcycle and bicycle production ***	3 Million TL
39	361, 3692, 3693, 3694, 3699.3.0205, 3699.3.18	Manufacture of furniture (except products manufactured using only metal and plastic), manufacture of musical instruments, manufacture of sports equipment, manufacture of games and toys, manufacture of pencils, manufacture of baby carriages, pushchairs and their parts and components	3 Million TL
41	5510.1.01,	Hotels	Over 3 Stars
	5510.2.01,		
	5510.3.02,		
	5510.5.02,		
	4.05.5510		
42	1.03.5510	Student Dormitory	100 students
43	6302.0.01	Cold storage services	1.000 m ²
44	6302.0.03	Licensed warehousing ****	3 Million TL
45	80 (809 excluding)	Educational services (including preschool education services, excluding adult education and other educational activities) ****	3 Million TL
46	8511.0.01-05,	Hospital Investment	Hospital: 3 Million TL
	8511.0.99,		
	8531.0.01-03		
	8511.0.01-05,	Nursing home	Nursing home: 100 people
	8511.0.99,		
	8531.0.01-03		
48	37	Waste recycling and disposal facilities	3 Million TL
49	4020.0.01	Coal gas production (syngas)	50 Million TL
50		Green housing	20 decares

*Based on Karar Ek-2 (Decision Addendum-2)

** 10 Million TL for brand new investment in textile finishing, 5 Million TL for expansion investment, and 3 Million TL for other investment types.

*** Medium-High Technology investment subjects and investments to be made in Konya will benefit from the support of the 4th region.

*** Priority investments, therefore, these investments to be made in Konya will benefit from the support of the 5th region.

***** Investments of a minimum amount of 300 million TL in the main industry of motor vehicles, engine investments of a minimum amount of 75 million TL, and investments in engine components, drivelines/parts, and automotive electronics with a minimum amount of 20 million TL are the priority investment subjects, therefore, these investments to be made in Konya will benefit from the support of the 5th region.





Investments in leather tanning are supported exclusively in organized industrial zones. With the exception of the Sixth Region, only the investments in the field of modernization of yarn (excluding wool yarn, smart and multifunctional technical textiles) can benefit from regional support. In addition, weaving investments of a minimum of 2 million TL in cities classified in the 1st and 2nd regions, excluding Istanbul, can benefit from the support of the region in which they are classified. For the 3rd, 4th, and 5th regions, the minimum amount is 1 million TL in this regard. In the 6th region, the minimum amount is 500 thousand TL. Investments below the mentioned amounts can only benefit from general incentive practices. This ruling is also applied to incentive certificates without completion visas and incentive certificates issued based on previous decisions.

For the brand-new investments to be made in the provinces classified in the 5th region, among the integrated

investments covering all three fields of investments of yarn, weaving, and finishing, only the investments that provide each of the minimum amounts specified in Addendum-2A and Addendum-4 separately can benefit from regional investment incentives, provided that the yarn and weaving capacities does not exceed the finishing capacities. In addition, yarn investments integrated with investments in turning hemp, flax, jute, and similar shell fibers into fibers can also benefit from regional investment incentives, except for investments in Istanbul.

According to the data obtained from the Ministry of Industry and Technology, there is a possibility to realize a fixed investment of 78 million TL thanks to the 5 incentive certificates issued for the shoemaking industry between 2019-2022 in Konya. These incentive certificates can also pave the way for new investments that will employ a total of 87 people.

Chart 10: Incentive Certificate in Türkiye and Konya Province – Shoemaking Investments

Source: Ministry of Industry and Technology-2022

Years		Certificate (Quantity)	Fixed Investment (Million TL)	Employment (People)
2019	Konya	-	-	-
	Türkiye	29	839	1,638
	Konya/Türkiye	0%	0%	0%
2020	Konya	1	3	20
	Türkiye	51	817	1,927
	Konya/Türkiye	2%	0%	1%
2021	Konya	2	52	50
	Türkiye	77	1.036	3,023
	Konya/Türkiye	3%	5%	2%
2022	Konya	2	23	17
	Türkiye	91	1.389	4.193
	Konya/Türkiye	2%	2%	0,004%

REASONS TO INVEST IN KONYA

Most of the businesses producing in the Konya shoe sector are small businesses, while some of them are medium-sized. The small scale of these businesses gives them the flexibility to meet different and specialized demands.

Businesses in Konya produce for various brands apart from their operations. This situation pushes the companies to catch up with certain production standards, while at the same time increasing overall production quality.

The sub-industry also has vital importance in meeting the need for raw materials and auxiliary materials in shoe production. Sole production, which is one of the more important sub-sectors of the industry, is a key area where Konya stands out from the rest.

Shoe manufacturers in the city are able to meet their sole needs from within Konya. Moreover, the investment incentive certificates received for expanding investments in sole production also enable the quality of the sole sub-industry to increase.

In addition to its increasing shoe export trend, successful market diversification is another promising sign for Konya's shoe industry. The city of Konya exports its products through the ports of Istanbul and Mersin, this allows Konya access to other major importing markets such as the Russian Federation, Peru, Mexico, Saudi Arabia, and Israel in Türkiye's proximity and creates important advantages for Konya in terms of sector development.







Past, Present And Future Of Konya Textile Sector

TEXTILE INDUSTRY

OVERVIEW

“Textile” refers to woven and knitted fabric. It can be defined as a manufacturing sector that includes everything that can be worn, some decoration products, and all kinds of accessories.

The textile sector provides the most employment and exports in Türkiye. With the ready-made clothing sub-sector, it continues production all over the country.

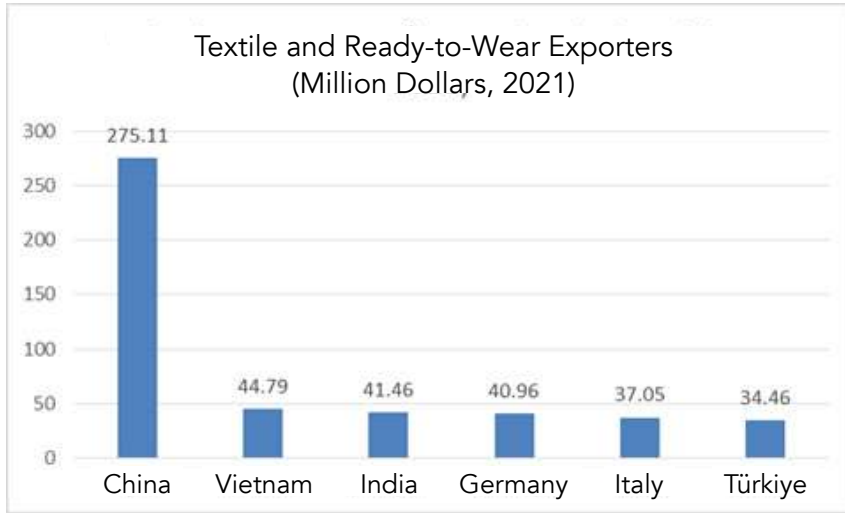
Türkiye ranks 4th in the country-based rankings with its 4.25% share of world textile exports in 2021. It is the 6th largest exporter with a 3.7% share of world ready-made clothing exports.

In Konya, which has a rich history and experience in the textile and ready-made clothing sector, nearly 500 SME companies operate within the industry, 80% of which are focused on women’s clothing and 20% on children’s and men’s clothing.

The textile sector has played an important role in the advancement of developing countries throughout the industrialization era. In addition to the high share of the sector in exports and the added value created in the production process, the industry has also increased the economic development and welfare of the countries.

Graph 1: Türkiye's Textile and Ready-to-Wear Exports

Source: Trade Center (ITC), TradeMap.



The reasons, such as the fact that the textile sector is one of the main products of consumption in all countries and that new investors can enter this market with low capital, have secured the textile and ready-made clothing sectors an important place in world trade during every period of the industrialization process.

After growing 2.9% on a unit basis in 2018, world trade in goods decreased by 0.1% in 2019 due to trade wars and slowing economic growth. World trade volume, on a value basis, decreased by 2.9% in 2019 compared to the previous year and regressed to 38.1 trillion

USD. In this period, global exports were calculated to be at a level of 18.9 trillion US dollars. In the same period, it was determined that imports were at a level of 19.2 trillion US dollars. According to the World Trade Organization report dated October 2020, it was observed that the sharpest contraction in goods trade occurred in Europe (21%) and North America (20%), while this rate decreased to 7% in the Asian region.

In 2021, Türkiye's ready-to-wear, textile, and raw material exports constituted approximately 20% of the country's total exports, with 34.46 billion USD. Compared to 2020, exports in this area increased by approximately 7 billion USD.

The sector started to show signs of recovery as the negative expectations caused by COVID-19 in March 2020 decreased towards the end of the summer of 2020. It is considered that the key factor behind this quick recovery was the companies in Konya and all over Türkiye's ability to have the necessary production flexibility to turn to the health textile sub-sector during the pandemic.

According to the data obtained from the TURKSTAT databases, the export figures of Türkiye in textile and clothing manufacturing within the scope of foreign trade statistics of the general trade system are given in Chart 1 and Chart 2.

Chart 1: Turkish Textile Products Foreign Trade Data Based on ISIC REV 4 (2 digits)

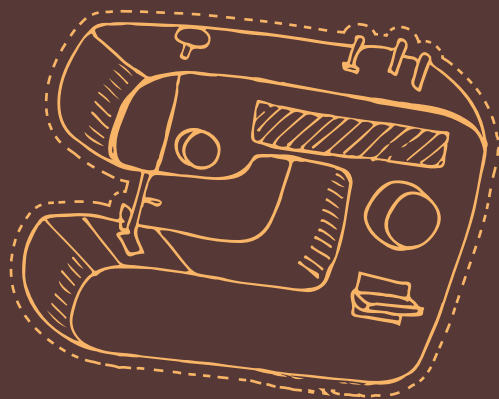
Source: TURKSTAT, 2022

13- Manufacturing of Textile Products	Export (\$)	Import (\$)
2019	11.505.824.147	4.609.579.207
2020	11.485.382.288	4.009.330.789
2021	14.802.578.106	4.690.665.575
2022	14.240.120.652	6.031.596.876

Chart 2: Turkish Clothing Products Foreign Trade Data Based on ISIC REV 4 (2 digits)

Source: TURKSTAT, 2022

14- Manufacturing of Clothing	Export (\$)	Import (\$)
2019	11.505.824.147	4.609.579.207
2020	11.485.382.288	4.009.330.789
2021	14.802.578.106	4.690.665.575
2022	14.240.120.652	6.031.596.876



WHY KONYA?

The abolition of the quotas and taxes applied to Turkish textile products in the EU as a result of the Customs Union Agreement enabled an increase in exports in Konya's textile and ready-made clothing sector. While businesses in Konya accelerated the company mergers and production structure changes to resist the global crisis that emerged in the textile and ready-made clothing industry in the 2008s and the COVID-19 pandemic in 2020, many companies continued to move forward with equity capital during the same period. After successfully surviving these periods, the increase in outsourcing activities for other companies for export purposes led to the emergence of new sales channels for local manufacturers.

*Focus is on
**knitwear
and wom-
en's
textile
products in
textile***

...

Konya's textile and ready-to-wear sector, where production is still carried out in various product groups, grew more in 2022 in the production of clothing compared to previous years. The types of products manufactured in this sector are as follows:

Chart 3: Konya Province Textile Product Types

	MEN'S WEAR	WOMEN'S WEAR	KIDS and BABY WEAR
WINTER WEAR	Tops; Jackets, Coats, Sweaters, Jerseys, Vests, Shirts, etc. Bottom Clothing; Sports-Classic Trousers, Tracksuits, Pajamas, etc.	Tops; Jackets, Coats, Overcoats, Blouses, Shirts, Vests, etc. Bottom Clothing; Pants, Tracksuit, etc.	Tops; Coats, Sweaters, Jerseys, Vests, Shirts, etc. Bottom Clothing; Sports -Classic Trousers etc.
SEASONAL WEAR	Tops; Suits, Coats, Raincoats, Shirts, Sweatshirts, Vests, etc. Bottom Clothing; Sports-Classic Trousers etc.	Tops; Suits, Topcoats, Coats, Raincoats, Shirts, Blouses, Sweatshirts, Cardigans, etc. Bottom Clothing; Sports -Classic Trousers, Skirts, etc.	
SUMMER WEAR	Tops; T-Shirts, Shirts, etc. Bottom Clothing; Pants, Shorts, etc.	Tops; T-Shirts, Shirts Etc. Bottom Clothing; Trousers, Shorts, Skirts, etc.	Tops; T-Shirts, Shirts Etc. Bottom Clothing; Pants, Short, Skirt, etc.
UNDERWEAR	Underpants, Undershirts, Underwear, etc.	Underwear, Nightgown, Undershirts, Pajamas, etc.	Underwear, Singlet, Pajamas, etc.
OTHER	Socks, Hats, Gloves, Scarf, Handkerchiefs, Tie, etc.	Scarves, Headscarves, Hats, Gloves, Socks, etc.	
MANUFACTURED BUT UNCATEGORIZED TEXTILE PRODUCTS	Work Wear Evening Dress, Special Evening Wear Home Textiles (Blankets, Curtains)		

Chart 4: Konya Annual Exports in All Chapters and Distribution to Selected Countries (Thousand USD)

Source: TURKSTAT, 2022.

Countries	2019	2020	2021	2022
Iraq	264.506	240.752	244.984	291.519
Germany	135.129	145.931	214.509	242.428
Russian Federation	59.216	84.703	118.344	228.787
USA	73.803	181.959	304.236	188.891
Italy	80.913	63.888	93.189	114.684
Poland	46.070	50.782	83.212	103.522
Israel	57.649	51.248	78.210	87.209
Romania	30.390	34.488	67.277	87.113
Egypt	40.368	51.390	83.562	85.497
Algeria	57.649	46.430	51.559	84.613
Netherlands	26.287	34.801	53.633	77.580
Uzbekistan	35.311	41.072	93.921	74.329
United Kingdom	40.368	45.148	67.066	74.059
UAE	27.170	30.728	50.817	68.101
Iran	52.370	49.734	56.524	61.129
Konya Total	1.991.692	2.157.553	3.003.842	3.277.252

The annual export figures of Konya have increased noticeably, especially in 2020-2021, which is the period of the COVID-19 pandemic. Exports to countries on different continents of the world also highlight the continuous development of the economy and the increase in its international quality. Among the countries that Konya exported the most in 2022 were Iraq, Germany, the Russian Federation, and the USA. While the USA was the most exported country in 2021, the highest export was made to Iraq in 2022.



PRODUCTION GROUPS BY SUB-SECTOR

Men's Shirt Production

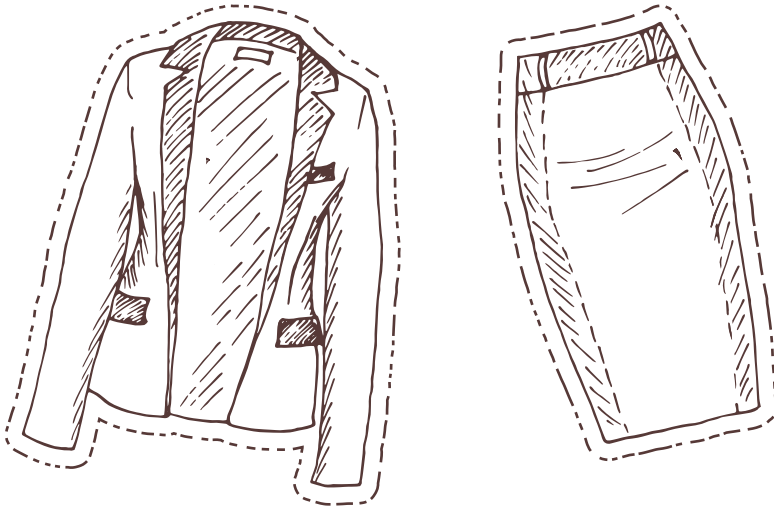
8 businesses are operating in the production of men's shirts in Konya and employment is provided to 1,125 people. All businesses in the sector produce cotton shirts, with the exception of a single company that only produces hand-knit, knitwear, and crochet shirts. The number of employees reveals that the companies operating in the sub-sector are medium-sized.

Chart 5: Konya Men's Shirt Manufacturer Profile

Source: TOBB Database, 2022

Production Method	Number of Businesses	Number of Employees	Capacity (Number)	Employee/Business	Capacity/Business
Men's and boys' shirts (hand-knit, knitwear, or crocheted)	1	18*	18*
Men's or boys' shirts, made of textile fabric (except hand-knit, knitwear, or crocheted)	7	1.107	123.515	158,14	17.645
Total	8	1.125	...		

**Note: According to the Article on Confidential Data of the Turkish Statistical Law No. 5429: (*1) If the number of statistical units is less than three, the data in the relevant cell is considered confidential and no information is given. (*2) If the information of any unit constitutes more than 80% of the total information in that cell even though the number of statistical units is three or more, the data in the relevant cell is considered confidential and no information is given. (*3) If the information of the two units constitutes more than 90%, the data in the relevant cell is considered confidential and no information is given.*



Women's Shirt Production

In Konya, 10 companies operate in the production of women's shirts, blouses, or shirts-blouses. The fact that an average of 127 people work per company indicates that the businesses are medium-sized.

Chart 6: Konya Women's Shirt Manufacturer Profile

Source: TOBB Database, 2022

Production Method	Number of Businesses	Number of Employees	Capacity (Number)	Employee/Business	Capacity/Business
Women's or girls' blouses, shirts, or shirt-blouses (hand-knit, knitwear, or crocheted)	2	23	*	11,50	*
Women's or girls' blouses, shirts, or shirt-blouses (excluding hand-knit, knitwear, or crocheted)	8	1.248	362.600	156	60.433
Total	10	1.271			

**Note: According to the Article on Confidential Data of the Turkish Statistical Law No. 5429: (*1) If the number of statistical units is less than three, the data in the relevant cell is considered confidential and no information is given. (*2) If the information of any unit constitutes more than 80% of the total information in that cell even though the number of statistical units is three or more, the data in the relevant cell is considered confidential and no information is given. (*3) If the information of the two units constitutes more than 90%, the data in the relevant cell is considered confidential and no information is given.*





Men's Outerwear Production

In Konya, it is observed that men's outerwear production is concentrated in certain areas. Businesses that produce suits, combined suits, jackets, blazers, trousers, gardener-type overalls, riding briefs, and shorts out of man-made and synthetic fibers cover 40% of the total companies. Other companies operate in different areas.

Chart 7: Konya Men's Outerwear Manufacturer Profile

Source: TOBB Database, 2022

Production Method	Number of Businesses	Number of Employees	Capacity (Number)	Employee/Business	Capacity/Business
Overcoat, coat, cape, cloak, anorak, windbreaker, etc. (hand-knit knitwear crochet)	4	1.062	116.330	265,50	29.083
Suit, combined suit, jacket, blazer, trousers, gardener-type overalls, riding briefs, shorts (knitwear, hand-knit crochet)	4	1.047	112.170	261,75	28.043
Overcoat, coat, cape, cloak, anorak, windbreaker, etc. (except hand-knit knitwear crochet)	9	322	79.386	35,78	8.821
Suit, combined suit, jacket, blazer, trousers, gardener-type overalls, riding briefs, shorts (except knitwear, hand-knit crochet)	8	1.331	494.652	166,38	81.832
Jackets, blazers, of textile fabric (except knitwear, hand-knit, crochet)	2	213	*	106,50	*
Trousers, gardener-type overalls, riding briefs, shorts, of textile fabric (except hand-knit, knitwear, crocheted)	2	199	*	99,50	*
Total	29	4.170			

*Note: According to the Article on Confidential Data of the Turkish Statistical Law No. 5429: (*1) If the number of statistical units is less than three, the data in the relevant cell is considered confidential and no information is given. (*2) If the information of any unit constitutes more than 80% of the total information in that cell even though the number of statistical units is three or more, the data in the relevant cell is considered confidential and no information is given. (*3) If the information of the two units constitutes more than 90%, the data in the relevant cell is considered confidential and no information is given.

Women's Outerwear Production

In Konya, the production capacity of dresses and skirts made of textile fabrics is over 1.2 million, considering the number of businesses, this area includes more than 50% of the total employment of the local sector. There are 11 companies involved in this production. An average of 168 people are employed in these companies. These medium-sized businesses have important functions for Konya in terms of both employment and production.

Chart 8: Konya Women's Outerwear Manufacturer Profile

Source: TOBB Database, 2022

Production Method	Number of Businesses	Number of Employees	Capacity (Number)	Employee/Business	Capacity/Business
Coat, raincoat, overcoat, cape, cloak, anorak windbreaker, etc. made of textile fabrics, (except hand-knit, knitwear, crochet)	2	12	*	6,00	*
Suits, combined suits, made of textile fabrics, (except hand-knit, knitwear, crochet)	4	301	109.700	75,25	27.425
Jackets and blazers, made of textile fabrics, (except hand-knit, knitwear, and crochet)	3	117	*	39,00	*
Dresses, skirts, trouser skirts, made of textile fabrics, (except hand-knit, knitwear, crochet)	11	1.853	1.228.294	168,45	111.663
Trousers, gardener's overalls, riding briefs, trouser shorts, made of textile fabric, (except hand-knit, knitwear, crochet)	4	1.150	308.280	287,50	77.070
Total	22	3.433			

*Note: According to the Article on Confidential Data of the Turkish Statistical Law No. 5429: (*1) If the number of statistical units is less than three, the data in the relevant cell is considered confidential and no information is given. (*2) If the information of any unit constitutes more than 80% of the total information in that cell even though the number of statistical units is three or more, the data in the relevant cell is considered confidential and no information is given. (*3) If the information of the two units constitutes more than 90%, the data in the relevant cell is considered confidential and no information is given.



Men's Work Wear

In Konya, where the manufacturing industry and the service sector are very active, 16 different businesses with a total of 1,273 employees produce men's suits, jackets, blazers, trousers, gardener-type work overalls, riding pants, and shorts for industrial and professional purposes.

Chart 9: Konya Men's Work Wear Manufacturer Profile

Source: TOBB Database, 2022

Production Method	Number of Businesses	Number of Employees	Capacity (Number)	Employee/Business	Capacity/Business
Men's suits, jackets, and blazers (industrial and professional)	6	104	75.909	17,33	12.652
Men's trousers, gardener-type work overalls, riding pants, briefs, and shorts	10	1.169	133.521	116,90	11.351
Total	16	1.273			





FOREIGN TRADE IN KONYA TEXTILE INDUSTRY

The share of exports from Konya's textile, ready-to-wear, and home textile products sectors during the 2019-2022 period compared to the city's total exports is given in Chart 10. Accordingly, the sector's share of 0.7% in Konya province's total exports was maintained during this period.

Chart 10: Development of Textile, Ready-to-Wear & Home Textile Products Export from Konya (Thousand USD)

Source: TURKSTAT, 2022

	2019	2020	2021	2022
Konya (Textile, Ready-to-Wear & Home Textile Products Export)	16.321	17.280	23.665	25.817
Konya (Total Exports)	1.991.692	2.167.552	3.003.842	3.277.252
Share (%)	%0,7	%0,7	%0,7	%0,7

Chart 11: Konya - Export Data of Textile Materials and Goods Obtained from These Materials by Chapters and Years

Source: TURKSTAT, 2022

Textile Materials and Goods Obtained from These Materials (Textile, Ready-to-Wear & Home Textile)	2019 Export (\$)	2020 Export (\$)	2021 Export (\$)	2022 Export (\$)
Chapter 50 Silk	4.351	19.705	-	9.438
Chapter 51 Wool, fine or coarse animal hair; horsehair yarn and woven fabric	1.585.537	1.964.556	2.996.693	3.429.924
Chapter 52 Cotton	175.598	131.503	173.891	55.990
Chapter 53 Other vegetable textile fibers; paper yarn and woven fabric of paper yarn	1.843	107	140	15
Chapter 54 Man-made filaments	558.419	779.551	1.077.002	1.202.420
Chapter 55 Man-made staple fibers	65.577	188.694	537.936	318.378
Chapter 56 Wadding, felt and nonwovens; special yarns, twine, cordage, ropes and cables and articles thereof	178.418	328.194	425.488	710.531
Chapter 57 Carpets and other textile floor coverings	3.052.620	2.562.649	3.203.064	2.279.560
Chapter 58 Special woven fabrics; tufted textile fabrics; lace, tapestries; trimmings; embroidery	110.607	92.212	94.124	135.555
Chapter 59 Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use	53.914	134.305	95.259	93.086
Chapter 60 Knitted or crocheted fabrics	48.525	58.401	112.751	32.590
Chapter 61 Articles of apparel and clothing accessories, knitted or crocheted	5.407.116	5.035.525	7.871.232	7.923.734
Chapter 62 Articles of apparel and clothing accessories, not knitted or crocheted	1.246.511	1.425.133	1.807.067	2.746.499
Chapter 63 Other made up textile articles; sets; worn clothing and worn textile articles; rags	3.832.548	4.559.273	5.271.128	6.879.560





Production
in Konya
textile
sector
is intense

...





INVESTMENT INCENTIVE PRACTICES IN THE TEXTILE INDUSTRY

The investment incentive systems implemented in Türkiye are as follows;

- **General Incentive Practices:**

Investments above the minimum fixed investment amount and capacities are supported within the scope of General Incentive Practices, regardless of region. Subjects excluded from the incentives or subjects that do not meet the conditions sought for incentives are not included in these. The minimum investment amount required for Konya in General Incentive Practices is 3,000,000 TL.

- **Regional Incentive Practices:**

Within the Regional Incentive Practices, the sectors qualified for support in each province are determined by considering the potentials and economic scales of the said provinces, and the level of support varies according to the development levels of the regions these provinces are located in. The minimum investment amount in Regional Incentive Practices for Konya, which is located in Investment Region Number 2, is 1,000,000 TL.

- **Incentive of Priority Investments:**

In line with the needs of Türkiye, the investments to be made in the determined areas have been classified as priority investments. In addition, even if these investments are made in the 1st, 2nd, 3rd, and 4th Investment Regions, the supports applied in the 5th Region are also provided to the priority investments.

- **Large-Scale Investments**

Incentive: Agricultural machinery industry covered in this report is among the sectors determined as large-scale investments and therefore able to benefit from this incentive. The minimum fixed investment amount is 50 million TL.

- **Incentive of Strategic Investments:**

Investments in the domestic production of intermediate goods or products with high import dependency are supported within the scope of strategic investment incentive practices.

The Regional Incentive System implemented in Türkiye is summarized in the chart below:

Chart 12: Regional Incentive System Implemented in Türkiye

Source: MEVKA Investment Incentive System Guide, Turkish Ministry of Industry and Technology, 2022.

INCENTIVES & SUPPORTS			REGIONS					
			1	2	3	4	5	6
VAT Exemption			Yes	Yes	Yes	Yes	Yes	Yes
Customs Duty Exemption			Yes	Yes	Yes	Yes	Yes	Yes
Investment Space Allocation			Yes	Yes	Yes	Yes	Yes	Yes
Interest or Dividend Support			No	No	TL:3 Points Forex:1 Point	TL:4 Points Forex:1 Point	TL:5 Points Forex:2 Point	TL:7 Points Forex:2 Point
Income Tax Withhold Support			No	No	No	No	No	10 years
Employee's National Insurance Contribution Support			No	No	No	No	No	10 years
Tax Relief	Investment Contribution Rate (%)	Outside OIZ	15	20	25	30	40	50
		Inside OIZ	20	25	30	40	50	55
	Discount Rate (%)	Outside OIZ	50	55	60	70	80	90
		Inside OIZ	55	60	70	89	90	95
Employer's National Insurance Contribution Support	Support Length (year)	Outside OIZ	2	3	5	6	7	10
		Inside OIZ	3	5	6	7	10	12
	Investment Contribution Rate (%)*	Outside OIZ	10	15	20	25	35	No Limit
		Inside OIZ	15	20	25	35	No Limit	No Limit

Note: Within the scope of investment incentive certificates issued for the manufacturing industry (US-97 Code: 15-37), the legislation to be considered for investment expenditures to be made between 1/1/2017 and 31/12/2022 is as follows: Within the scope of regional and strategic incentive practices, the investment contribution rates to which tax reduction support will be applied are calculated by adding 15 points to the investment contribution rate of each region. In addition, corporate tax or income tax deduction is applied as 100% in all regions and without any action on the incentive certificate.

The delivery of goods and services related to the construction works within the scope of the certificate of the taxpayers holding the investment incentive certificate for the manufacturing and tourism industries are exempt from VAT until 31/12/2025.

* At the application stage for the issuance of an incentive certificate, if requested, Employer's National Insurance Contribution Support rates are increased by half of the investment contribution rates in parallel with the tax deduction, provided that tax deduction is not utilized. The table regarding this is given below:

The exceptions regarding the investments to be made in Konya are as follows:

1- If the investment is in the OIZ, or made by an investor with at least five real or legal persons operating in the same sector as a partner, and if it is an investment that will ensure integration in the area of joint activity, the said investment benefits from the support of **Region 3** for a tax deduction and employer's national insurance contribution support.

2- Within the scope of the district-based incentive system and regional incentive practices, the investments to be made in Konya's Ahırlı, Altınekin, Bozkır, Çeltik, Derbent, Derebucak, Doğanhisar, Emirgazi, Güneysinder, Hadim, Halkapınar, Hüyük, Kadınhanı, Kulu, Sarayönü, Taşkent, Tuzlukçu, Yalılıyük, and Yunak districts will benefit from the support of the 3rd Region. Investments to be made in the organized industrial zones of the mentioned districts will benefit from the support of the 4th Region.

3- In case the investment is among the priority investments, it benefits from the support of the 5th Region.

4- According to the OECD definition of technology intensity level, investments in the production of products in the **medium-high** technology industry class benefit from regional supports applied in the **4th Region**. The minimum fixed investment required for these investments is 3 million TL for Konya.

Konya is located in the 2nd Region among the investment regions. The contents of the investment support practices for Konya are as follows:

VAT Exemption: Within the scope of the incentive certificate, this is applied in the form of non-payment of value-added tax for investment goods, machinery and equipment to be procured domestically and internationally.

Customs-Duty Exemption: Within the scope of the incentive certificate, this is applied in the form of non-payment of customs duty for investment goods machinery and equipment to be procured internationally.

Tax Relief: The contribution rate of income or corporate tax to investments is between 20% and 40%. The discount rate is between 55% and 80%.

Employer's National Insurance Contribution Support: The support period is between 3 to 7 years and the investment contribution rate is between 15% and 35%.

Investment Space Allocation: For investments with incentive certificates, investment space is allocated within the framework of the procedures and principles determined by the Ministry of Finance.

VAT Return: The VAT collected for the building-construction expenditures made for strategic investments with a fixed investment amount of more than 500 million Turkish Liras is refunded.

Chart 13: Konya Investment Support System

Source: MEVKA Investment Incentive System Guide, Turkish Ministry of Industry and Technology, 2022.

SUPPORT ELEMENT		REGIONAL		PRIORITY
		Outside OIZ	Inside OIZ	
VAT Exemption		Yes	Yes	Yes
Customs-Duty Exemption		Yes	Yes	Yes
Interest and Dividend Support		No	No	TL: 5 Points Forex: 2 Points
Investment Space Allocation		Yes	Yes	Yes
Tax Relief	Investment Contribution Rate (%)	20	25	40
	Discount rate (%)	55	60	80
Employer's National Insurance Contribution Support:	Support Length (Year)	3	5	7
	Investment Contribution Rate (%)	15	20	35

Note: Within the scope of investment incentive certificates issued for the manufacturing industry (US-97 Code: 15-37), the legislation to be considered for investment expenditures to be made between 1/1/2017 and 31/12/2022 is as follows: Within the scope of regional and strategic incentive practices, the investment contribution rates to which tax reduction support will be applied are calculated by adding 15 points to the investment contribution rate of each region. In addition, corporate tax or income tax deduction is applied as 100% in all regions and without any action on the incentive certificate.

The delivery of goods and services related to the construction works within the scope of the certificate of the taxpayers holding the investment incentive certificate for the manufacturing and tourism industries are exempt from VAT until 31/12/2025.

In Konya, 10 investment incentive certificates were provided in the 2019-2022 period. As a result, a total nominal investment of 158 million TL and 547 jobs are expected.

Chart 14: Incentive Certificate in Türkiye and Konya Province – Textile Investments

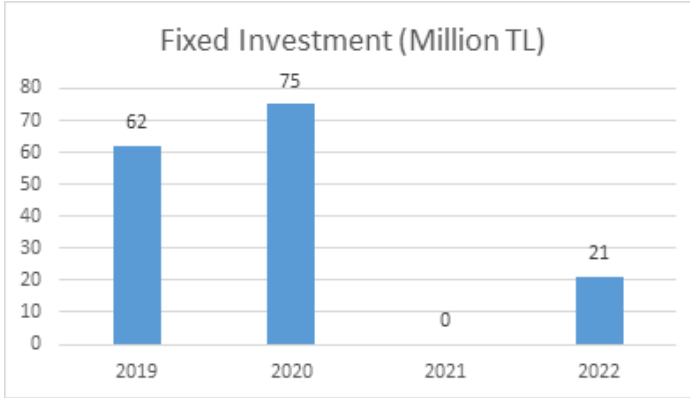
Source: Ministry of Industry and Technology-2022

Years		Certificate (Quantity)	Fixed Investment (Million TL)	Employment (People)
2019	Konya	3	62	420
	Türkiye	441	8,920	53,048
	Konya/Türkiye	0%	0%	0%
2020	Konya	3	75	57
	Türkiye	680	14,049	72,677
	Konya/Türkiye	0%	0%	0%
2021	Konya	0	0	0
	Türkiye	2,061	11,254	153,420
	Konya/Türkiye	0%	0%	0%
2022	Konya	4	21	70
	Türkiye	584	6,747	67,852
	Konya/Türkiye	0%	0%	0%

The course of fixed investments in ready-to-wear clothing products in Konya is given below:

Graph 2: Fixed Capital Amounts in Incentives

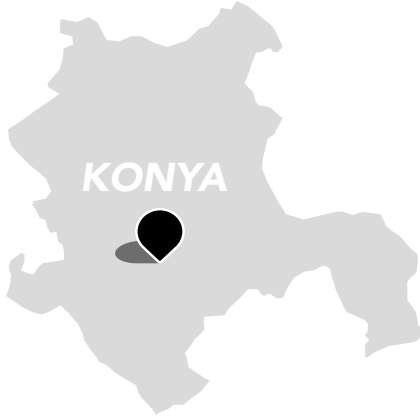
Source: Ministry of Industry and Technology-2022



Analyzing the 2019-2022 period in Konya, it is determined that the investments that increased until the beginning of 2021 came to a halt during the same year, and started to recover again in 2022.



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REASONS TO INVEST IN KONYA

The history of the textile industry in Konya strengthens its position with each passing year. The fact that regions with relatively low competition, such as the Middle East and Latin America, are potential markets for Konya plays an important role in this development. In addition, the wide possibilities of obtaining raw materials with high-quality fiber for production and the proximity of Konya to export ports such as Istanbul and Mersin draw attention to the city as an attraction center.

Moreover, the fact that the majority of medium-sized businesses support the industrialization of the sector is another notable feature of Konya. Furthermore, Konya has made a name for itself in the textile industry thanks to its cheaper labor costs, which create competitiveness compared to Western countries.

With the expansion of both domestic and foreign market opportunities by large textile companies, the business volumes of subcontractors located in Konya are expanding in the same direction. Konya's proximity to important textile cities such as Istanbul and Denizli also provides an advantage in terms of contract manufacturing.

Konya and Logistics Potential

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Konya, which has been an important trade and accommodation center throughout history due to its geographical location, is connected to other provinces by roads extending from the city center to the north, northwest, northeast, west, east, and south.

The city is connected to Ankara and the other provinces in the northwest by the Konya-Afyonkarahisar, Eskişehir-Bursa-Istanbul, and Konya-Ankara highways. In addition, the city extends to Nevşehir and other northeastern provinces via the Konya-Aksaray Road. Also, thanks to the Konya-Beyşehir Road extending to the west, Konya can connect with the province of Izmir via the Isparta-Denizli-Aydın route. Furthermore, the Konya-Karaman Road in the south provides transportation to Mersin and Adana.

Moreover, the road connecting to the Ankara-Adana highway via Ereğli provides transportation to both Adana and southeast provinces and the Black Sea provinces via Kayseri. Konya-Seydişehir Road, on the other hand, connects Konya and Central

Anatolia Region to the southern coasts from the shortest distance.

The length of the railway passing through the borders of Konya, which has 6.6% of the 12.000 km total railway network throughout Türkiye, is approximately 800 km.

Railway transportation from Konya is provided by the High-Speed Train (Konya-Ankara/Konya-Eskişehir/Konya-Istanbul), Toros Express (Istanbul-Konya-Gaziantep), Central Anatolian Blue Train (Ereğli-Konya-Istanbul) and Meram Express (Istanbul-Konya) lines. It takes 1.5 hours to reach Ankara and Eskişehir and 4 hours to reach Istanbul by high-speed train.

Konya has a military-civil airport, and air transportation in the city is increasing in importance day by day. The airport, which is open to international traffic as an entry point, is 20 kilometers from the city center. While there are regular flights to Istanbul and Izmir every day, direct flights to various points in Europe during the summer months are also available.



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KONYA TİCARET ODASI
KONYA CHAMBER OF COMMERCE



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KONYA TİCARET ODASI
KONYA CHAMBER OF COMMERCE