



▶▶ Newsletter Turkey July 2017

Please find below our latest newsletter covering economic and political developments in Turkey. If you would like to see our previous newsletters since 2006, [please click here](#). Do not hesitate to [forward](#) our newsletter to interested persons.

Best regards,

FMConsulting Team

newsletter@fmconsulting.com

▶▶ Economy

Overview of Monthly Data

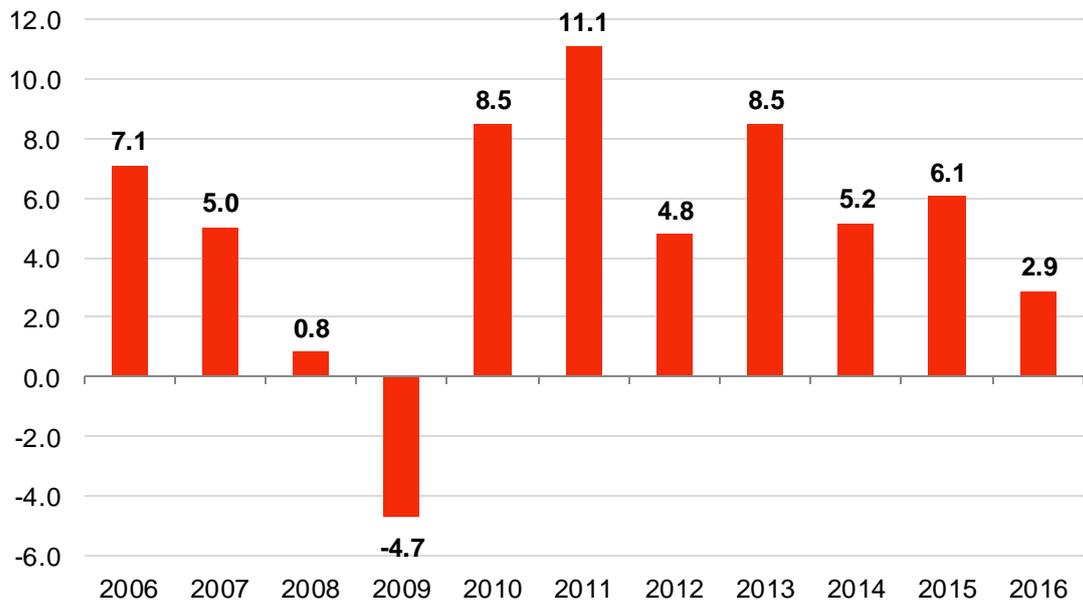
Exchange Rates	31/05/2017	30/06/2017	Change in %
TRY per Euro	3.9629	4.0198	1.44%
TRY per USD	3.5398	3.5232	-0.47%

Stock Exchange Index	31/05/2017	30/06/2017	Change in %
BIST 100	97,541.58	100,440.39	2.97%

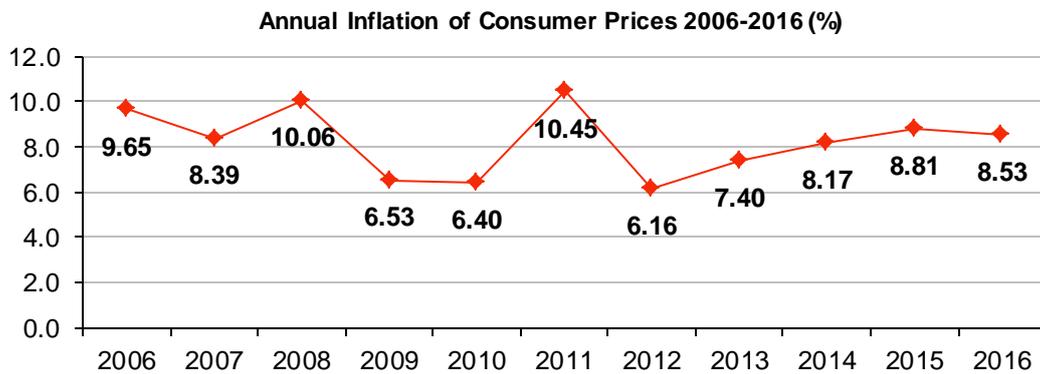
Inflation in %	Monthly inflation	Annual inflation
Domestic producer prices	0.07	14.87
Consumer prices	-0.27	10.90

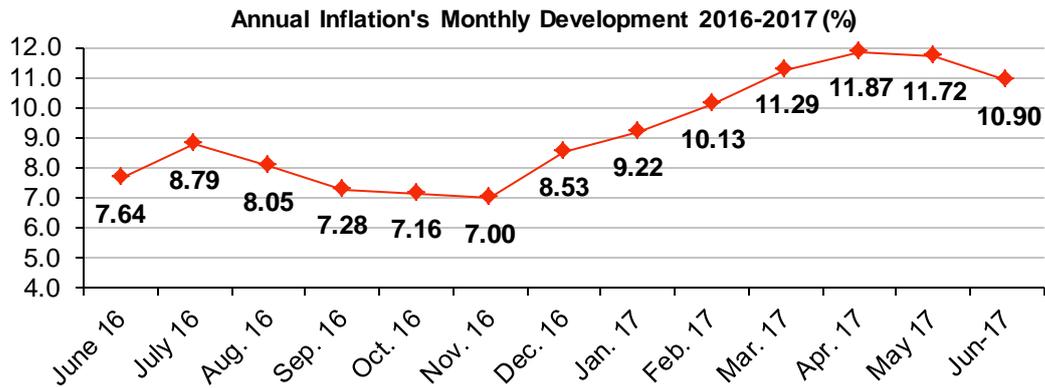
Growth Rates

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
2012	6.8	5.0	3.6	4.2	4.8
2013	8.5	9.8	8.9	6.9	8.5
2014	8.7	2.9	3.7	5.9	5.2
2015	3.5	7.2	5.9	7.4	6.1
2016	4.5	5.3	-1.3	3.5	2.9
2017	5.0				



Inflation





Inflation continues to decelerate

In June 2017, consumer prices in Turkey decreased by 0.27% over the previous month, and increased by 10.90% over the same month of the previous year (YOY). Accordingly, the increase in CPI-YOY continued its downward trend. The highest monthly increases were observed in education (1.05%), and hotels, cafes and restaurants (1.03%). The highest monthly decreases were observed in clothing and footwear (-1.25%), and food and non-alcoholic beverages (-1.06%). The highest annual increase was in alcoholic beverages and tobacco (21.70%). The domestic producer price index (D-PPI) also slowed down, and increased by 14.87% YOY, and 0.07% monthly.

July 3, 2017

10.5% unemployed in April

In April 2017, 3.3 million people in Turkey aged 15 and older were out of work, 463,000 more than in the same month of 2016. The unemployment rate was 10.5% with a 1.2-point increase YOY. The youth unemployment rate in the 15-24 age bracket increased to 19.8%. The labour force participation rate rose to 52.7% in total, and to 33.4% for females. Of those with employment in this period, 54.3% were employed in the services sector, 19.1% in industry, 18.9% in agriculture, and 7.8% in construction.

July 17, 2017

Foreign trade deficit increases by 43.3% in May

In May 2017, Turkey's exports increased by 12.5% and imports increased by 21.7%, YOY. With exports increasing to USD 13.6 bn and imports increasing to USD 20.9 bn, the trade deficit increased by 43.3%, up to USD 7.3 bn. The main partner for exports was Germany (USD 1.2 bn), followed by the UAE (USD 1.0 bn), the USA (USD 858 mn), and Iraq (USD 831 mn), whereas the top country Turkey's imports came from was China (USD 1.9 bn), followed by Germany (USD 1.8 bn), Russia (USD 1.5 bn), and the USA (USD 1.2 bn).

June 30, 2017

Politics

Turkish government rejects European Parliament vote on progress report

With an overwhelming majority of 477 over 64 votes with 97 abstentions, the European Parliament has voted to adopt the annual progress report drafted by Kati Piri in her capacity as Turkey rapporteur. The report recommends a freeze to EU accession talks with Turkey, pointing out the recent political developments in the country that led to regression in human rights, freedom of the press, and democracy. The Turkish government announced that it does not accept this report, calling it far from objective and politically motivated, and underlining its non-bindingness for the European Union membership negotiations.

July 7, 2017

March for Justice culminates in mass rally in Istanbul on July 9

Having started in Ankara on June 15, the "March for Justice" led by main opposition party Republican People's Party leader Kemal Kılıçdaroğlu (68), who was joined by thousands of supporters along the way, arrived in Istanbul after having walked 432 km in 25 days. At the meeting venue in Maltepe, hundreds of thousands of citizens –the organizers claim 1.6 million– rallied peacefully under the slogan of "Rights, Law, Justice." In his keynote speech, Mr. Kılıçdaroğlu summed up the demands to restore the rule of law and the independence of the judiciary, and to end injustice in the country, calling on the government to release political prisoners and to rehabilitate public servants and academics falsely accused of supporting terrorism and last year's coup attempt.

July 10, 2017

Government stages remembrance events on anniversary of coup attempt

In remembrance of the attempted coup, in which nearly 250 people died and 2,196 were wounded, a national holiday called "Day of Democracy and National Unity" has been declared. Turkish president Recep Tayyip Erdoğan unveiled a memorial at the Bosphorus Bridge, which has been renamed the Bridge of the Martyrs of July 15. Speaking to a big crowd, he praised those who had confronted the putschists "without guns, but with their flag and their faith," and once again demanded the death penalty for coup plotters. He then moved to Ankara to speak to his supporters in parliament, which had been bombed by warplanes a year ago. In contrast, opposition leader Kılıçdaroğlu said: "This parliament, which withstood bombs, has been rendered obsolete and its authority removed. Instead of rapid normalisation, a permanent state of emergency has been implemented."

July 16, 2017

State of emergency extended by another three months

The majority of the Turkish parliament has granted the government's request to extend the state of emergency for another three months as from July 19, 2017. Accordingly, the duration of this extraordinary measure, which had been declared following the coup attempt as from July 21, 2016 to facilitate the fight against terrorism, will exceed one year.

July 17, 2017

Other Topics

İnci-Yuasa partnership opens R&D centre

Manisa-based Turkish battery producer İnci Akü, a 50:50 partnership with Japanese GS Yuasa since late 2015, is fully on target with its plans to invest TRY 250 mn within a 5-year period. As İnci GS Yuasa Managing Director Cihan Elbirlik said, 50 percent of the investment will go into developing technology. In line with this vision, the company just commissioned a new R&D Centre with 45 personnel to advance high-tech innovative solutions.

June 6-19, 2017

Reform package adopted to boost industrial production

The Turkish government has issued a new law to remove bureaucratic obstacles, to relieve the tax burden on industrial enterprises, to improve the investment climate, and to create new industrial areas for domestic and foreign investors. Among other things, the requirement to acquire municipal approval for work on weekends was removed, the real estate tax on buildings in Organized Industrial Zones (OSB) was lifted, investments in OSBs and other special zones were exempted from stamp duties and fees, a new pre-registration system was introduced, technical colleges are to be established in each of the country-wide 302 OSBs, and the definition of industrial enterprise was extended to IT and software-developing companies.

June 19-20, 2017

Legal reforms to benefit Turkish R&D

Elaborating on the new production reform package, Ziya Altunyaldız (AKP), head of the parliament's Industry and Trade Commission, stated that it has completely changed Turkey's production ecosystem. The target, he said, is to increase the share of the manufacturing industry within the country's GDP from currently 16.7% to around 25% by 2023. He pointed out that various programmes and regulations have been put into place that secure TRY 230 of government support for each TRY 100 invested in the R&D and

design of high added-value products to enable a high profit margin for innovative technology and to raise the high-tech share in Turkey's exports from currently 3.7% to OECD levels.

June 28, 2017

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▶▶ Contact

If you need further information, please do not hesitate to contact Mr. Peter Heidinger who is the Partner, CEO.

FOREIGN MARKET CONSULTING Ltd. Sti.

Buyukdere Mahallesi Cayirbasi Cad.

Dede Yusuf Sok. No: 11

TR-34453 Sariyer - Istanbul

Tel: +90-212-3638 052

Fax:+90-212-3638 056

www.fmconsulting.com

info@fmconsulting.com

Contact

English: +90-212-3638 055

German: +90-212-3638 052

Turkish: +90-212-3638 050