

▶▶ Hello!

**FMConsulting Team wishes you a Merry Christmas
and a Happy New Year!**

Please find below our latest newsletter covering recent economic and political developments in Turkey.

We welcome your feedback on this Newsletter or any aspect of the services we offer. Please email your thoughts and comments to: info@fmconsulting.info

Best regards,
Your FMConsulting Team

▶▶ Economy

Overview of Monthly Data

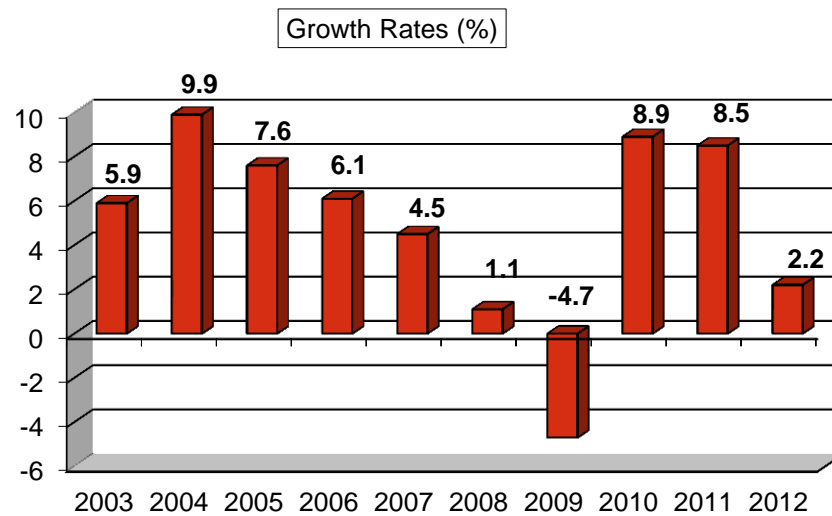
TL-Rates	31.10.2013	29.11.2013	Change in %
TL per Euro	2.7249	2.7504	0.94
TL per USD	1.9930	2.0211	1.41

Stock exchange index	77,620.40	75,748.30	-2.41
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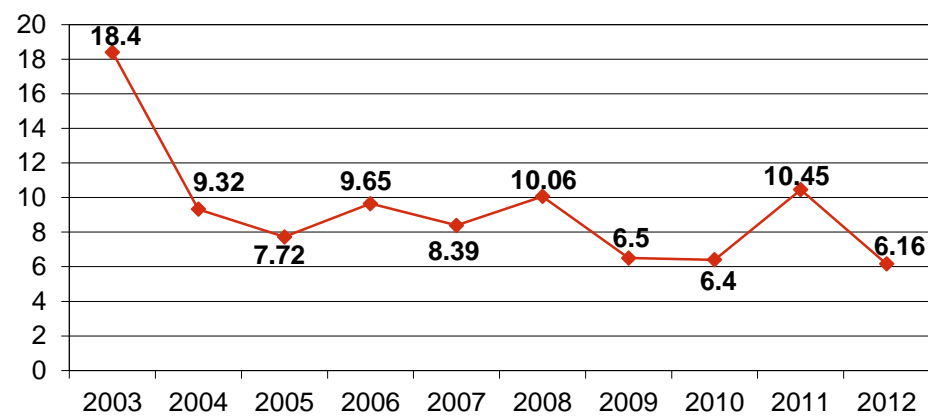
Inflation in %	Monthly inflation	Annual inflation
Producer prices	0.01	5.67
Consumer prices	0.62	7.32

Growth Rates

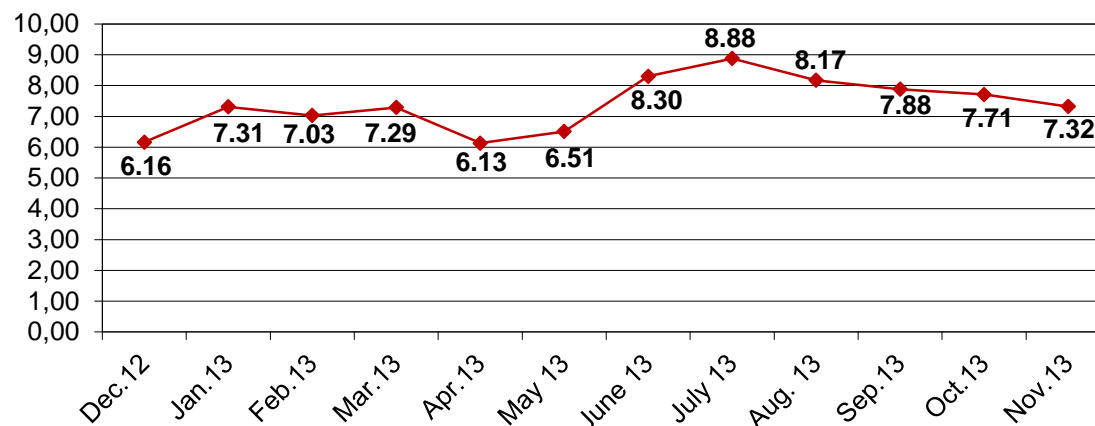
Economic Growth Rates (%)					
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
2000	4.2	5.4	7.2	7.8	6.3
2001	-3.3	-12.3	-9.1	-12.3	-9.5
2002	0.6	10.4	8.0	11.8	7.9
2003	7.4	3.6	5.6	7.2	5.9
2004	13.9	15.7	8.0	6.6	9.9
2005	7.5	4.7	8.0	10.0	7.6
2006	6.3	9.3	4.3	4.6	6.1
2007	8.1	4.1	3.3	3.6	4.5
2008	6.7	1.9	0.5	-6.2	1.1
2009	-14.5	-7.7	-2.9	6.0	-4.7
2010	12.2	10.2	5.3	9.2	9.0
2011	11.6	8.8	8.2	5.2	8.5
2012	3.4	3.0	1.6	1.4	2.2
2013	2.9	4.4			



Annual Inflation of Consumer Prices (%)



Monthly Development of Annual Inflation 2012-13 (%)



Tight monetary policy to be continued

Erdem Basci, the Governor of the Central Bank of the Republic of Turkey, has announced the revision of their inflation forecast for 2013 in accordance with market expectations. The new estimate is 6.8%, well above the government's medium-term target of 5%. Basci underlined that until the inflation level is aligned with the target, they will continue to implement the tight monetary policy which they have adopted since May. Basci also answered to critics about the 10-month cumulative inflation rate reaching 6.9% which is above the CB's revised forecast for the whole year. He emphasized that the prices of unprocessed food have followed an upwards trend in the past few months and that adjustments in these prices will allow the target of 6.8% to be realized by the end of the year. He also reminded that revaluation of the Turkish lira in the first months of the next year is more likely than devaluation as long as the Central Bank raises confidence by sticking with its cautious approach. "Even a USD/TRY exchange rate below 1.92 is possible", Basci added.

November 5-7, 2013

Record-high monthly inflation due to food prices

Turkey's monthly inflation recorded a 12-month high in October. According to the Turkish Statistics Institute (TurkStat), the inflation rate in consumer prices amounted to 1.8% month-on-month (mom) in October which resulted in 6.9% year-to-date (ytd) and 7.7% year-on-year (yoy) inflation rates. Clothing and food prices, which rose by 9.5% and 3.9% respectively, have been the main determinants of an inflation rate much higher than forecast. In October, producer prices increased 0.6% mom, 5.15% ytd and 6.23% yoy.

November 5, 2013

Real GDP per capita expected to be USD6,187

Turkey's GDP per capita for 2013 is expected to be USD10,818 but when calculated using 1998 prices and exchange rates, this figure drops to USD6,187. The Turkish GDP per capita has been on a rising trend over the last few years but the inflation and exchange rate adjusted figure does not depict such a strong picture. This ostensible increase in per capita GDP figures is due to over-valuation of the Turkish lira, which is a result of high foreign exchange supply with hot money inflow to the country.

November 12, 2013

Moody's forecast: Turkish economy is the 5th fastest-growing

International credit rating agency Moody's Investors Service has finally given up its long-standing resistance to raising Turkey's rating. In its Global Macro Outlook report published recently, Moody's predicted that the Turkish economy's growth rate for 2013 will rank 5th among the 20 fastest-growing economies in the world. According to the report, Turkey's economy is estimated to grow at a rate of 3-4% in 2013, and 3.5-4.5% in 2014. The top four countries in the 2013 ranking are China, Indonesia, India, and Saudi Arabia. Moody's estimates are in line with those of the Medium Term Programme announced in October by the Ministry of Development of the Republic of Turkey.

November 14, 2013

OECD raises Turkey's growth forecast for 2013

The Organization for Economic Cooperation and Development (OECD) has updated its growth forecasts for Turkey in its biannual OECD report on the economic outlook. According to the report released in October, the forecast on Turkish GDP growth in 2013 was revised up to 3.6% from 3.1%, its former forecast in the May report. On the other hand, the 2014 growth forecast was lowered from 4.6% to 3.8%. "Growth strengthened in the first half of the year, driven by a surge in public infrastructure and robust private consumption. Since May, international capital market turbulence has pushed interest rates

up and the exchange rate down. Financing and credit conditions nonetheless remain supportive and export growth should increase as global demand recovers," the report said.
November 19, 2013

Central Bank keeps interest rates constant

The Monetary Policy Committee of the Central Bank of the Republic of Turkey has decided to keep the short-term interest rates constant at current levels, and has signalled its intention of tightening the monetary policy. The Committee suspended the three-month repo tenders in order to decrease the volatility of the interbank rates. The CB stated that this way the overnight rates will be close to the corridor's ceiling of 7.75.
November 20, 2013

Politics

Female deputies with headscarves in Turkish Grand National Assembly

Four female deputies from the ruling Justice and Development Party (AKP) attended the Parliament session on 31 October wearing Islamic-style headscarves. After a law that opened the way for freedom of headscarves for officials was passed in September, this move had been expected. There were no hostilities towards the four deputies during the session, in contrast to the protests when former deputy Merve Kavakci first attended Parliament with a headscarf in 1999. This is one of the biggest signs of the huge shift from strong secular tradition, which has taken place in Turkey in recent years.
November 1, 2013

Republican People's Party welcomes return of Sisli Mayor Sarigul

Sisli Mayor Mustafa Sarigul, one of Istanbul's most popular district mayors, has returned to the main opposition Republican People's Party (CHP) just before the parties announced their candidates for the key municipal elections in March 2014. Sarigul's return to the party is expected to increase its chance of winning the Istanbul metropolitan mayoralty, the most important and competitive seat in next year's election. Sarigul had been expelled from the party for defying then-party leader Deniz Baykal, and for him to rejoin the party had required the removal of the disciplinary action. After his expulsion, Sarigul had founded the Movement for Change in Turkey (TDH) in 2008, reportedly has more than 670,000 volunteers. Some believe that Sarigul's candidacy may be a strong challenge to the Justice and Development Party (AKP) incumbent, Kadir Topbas.
November 1, 2013

PM Erdogan says government is successful by taking risky steps

Turkish Prime Minister Erdogan says his government will continue to take risks like they took when implementing the so-called "solution process" (Turkish: çözüm süreci), known in the media as the "Turkish-Kurd peace process". He underlined that not just one part of society but society as a whole will benefit from the process, stating that by taking risks and carrying out reforms, the government managed to boost the economy, lowered the interest rates from 63% to one-digit numbers, and even gave loans to the IMF. "We will continue taking risks inside and outside of the country. If we acted otherwise, the Turkish economy would not have tripled," Erdoğan added.
November 21, 2013

Other topics

Panasonic to purchase Turkish wiring devices leader Viko

Japanese multinational electronics corporation Panasonic has announced that it signed an agreement to purchase 90% of the shares in Turkish company Viko, Turkey's leading wiring devices manufacturer. Panasonic wants to benefit from the strategic location of Turkey and aims at expanding its business not only in Turkey but also in Russia, Central Asia, the Middle East, Africa and Europe through this partnership with Viko. The purchase price, which is subject to change after the closure of the deal by the end of Q1 2014, is stated to be USD460 million. Viko produces electrical wiring equipment including switches, sockets, circuit breakers and other devices.
November 1, 2013

Top 3 sectors of the incentive system

In the 15 months of the new incentive system, energy, chemicals and mining were the 3 sectors which got the most incentives for investments. Between July 2012 and September 2013, the incentives speeded up investments in general, but the mentioned three sectors received TRY19.6 billion (EUR7.1 billion), TRY9 billion (EUR3.3 billion), TRY8.2 billion (EUR3 billion), respectively. A total of 6,104 investment incentive certificates were issued and TRY99.6 billion (EUR36.2 billion) were given as incentives. These investments are expected to create 225,000 new jobs.
November 5, 2013

Survey says 65.7% of Turkish women wear headscarves

According to the "Turkey Values Survey" carried out by Gezici Research in October, 65.7% of the women participating in the survey answered "yes" to the question "Do you wear a headscarf?" 58% of these women say that they wear it due to their religious beliefs whereas the rest 42% wear headscarves because their families want them to. An interesting result revealed by the survey is that the percentage of respondents who think

there is a “headscarf” issue in Turkey fell to 23.3% this year from 56% 2 years ago.
November 8, 2013

Turkish OYAK Holding buys Austrian Chemson Group

Turkish Army Pension Fund OYAK Holding has made a statement about their acquisition of all the shares of Chemson Group, the Austrian polymer additives producer, without giving details about the deal. The Chemson Group has production facilities in the UK, the USA, Brazil, China, and Australia, and sales offices in Germany, the Netherlands, and Singapore. The OYAK Holding employs over 35,000 people with its more than 30 companies in the automotive, iron and steel, cement and energy sectors.
November 12, 2013

Turkey's giants Koc and Sabanci groups announce profits for Q3

Turkey's leading conglomerates Koc Holding and Sabanci Holding have announced profits for Q3. Koç Holding's consolidated sales revenues amounted to TRY48 billion (EUR17.45 billion), resulting in net profits of TRY2.2 billion (EUR800 million). Holding CEO Turgay Durak commented: “Despite volatile market conditions, we have increased our investments 58% in 9 months compared to the same period of the previous year. We strongly believe in the long-term potential of Turkey”. Sabanci Holding's consolidated income reached TRY17.7 billion (EUR6.4 billion) over the first 9 months of the year with an increase of 15% compared to the same period of 2012. Sabanci announced TRY1.57 billion (EUR571 million) net profits, marking a 31% increase. Sabanci CEO Zafer Kurtul stated that they will continue their investments in accordance with their profitable growth target. Many other companies in the country, including Turkcell, Vodafone, Ziraat Bankasi, and Kuveyt Turk Bankasi, have posted profits for the first 9 months of the year.
November 12, 2013

Turkey's tobacco exports boom

Turkey is expected to export tobacco worth more than USD1 billion this year, marking an 18.3% increase over last year's exports of around USD850 million, according to the Turkish Exporters' Association. After end of the public monopoly on tobacco products through the privatization of the sector in 2008, tobacco production in the country had fallen rapidly. However, the oriental type of tobacco grown on Turkish soils has been popular internationally, which resulted in doubled crops in the last 2 years.
November 19, 2013

Rapid expansion of Turkey's transportation infrastructure

The Turkish state wants to invest some EUR30.5 billion by the year 2023 in order to meet the deficits in the country's transport infrastructure; another EUR200 billion will be contributed by private investors. Several large-scale projects are already in progress, the main focus being on the principal transport hub, Istanbul. Just recently the new railroad tunnel under the Bosphorus, the centrepiece of an “Iron Silk Road”, was opened; also construction has begun on the third bridge between Europe and Asia, the largest so far with an estimated price tag of EUR3.5 billion. Complex projects are being designed and implemented with almost incredible speed: Istanbul's third international airport – by far Europe's biggest – is scheduled to be completed as early as 2017. But the infrastructure is being massively expanded also in Anatolia: 15,000 new kilometres, 7,000 km of which are high-speed tracks, will be added to the railway system currently approx. 11,000 km in length. In addition to the upgrading of numerous trunk roads, 472 km of new motorways are under construction or in the planning stage. This presents huge opportunities for international service contractors, whose know-how is in great demand in Turkey.
November 20, 2013

Retail Days held in Istanbul

The Retail Days, consisting of International Istanbul Retail Conference and Istanbul Retail Fair hosted expert speakers from Turkey and many other countries who presented the latest trends, new models, and the most recent dimensions of the retail world. The Turkish retail sector is a USD295 billion industry with 620,000 employees. Addressing the attendants of the 13th Retail Days, Finansbank CEO Omer Aras stated that the new regulations on credit cards will negatively affect the sector. Pointing out that the 28% of the total sector turnover come from sales by instalments, he predicted that the Turkish retail sector will shrink in 2014. He also said that the policymakers aim at limiting consumption next year, and thus want the banks not to give loans to consumers but to the SMEs instead.
November 21, 2013

Lufthansa to end code-sharing with Turkish Airlines

Lufthansa has announced that it will terminate its codeshare agreement with Turkish Airlines (THY) by March 2014, stating that the agreement is no longer profitable for it. On the other side, Turkish Airlines expressed its disapproval of what it called Lufthansa's unilateral decision and its hope for the German airline to reconsider. A Lufthansa spokesman said that there is no longer a necessity for code-sharing due to expanded flight networks of the two airlines. He added that the number of passengers using shared flights has decreased substantially. Passenger with tickets to code-shared flights will be rebooked onto alternative flights free of cost, the spokesman said. Lufthansa is among the 5 founding members of Star Alliance (1997). Turkish Airlines is a long-standing Lufthansa partner and has been a fellow member of the Star Alliance network since 2008.
November 27, 2013

Istanbul Municipality to invest TRY8.5 billion in 2014

Istanbul Major Kadir Topbas said that his municipality foresees an investment amount of TRY8.5 billion (EUR3.1 billion) in 2014, adding that the Municipality's total investments in the last 10 years has reached TRY60 billion (EUR21.8 billion). Underlining that a big

portion of their investments goes to transportation solutions, Topbas said that "Istanbul will have the second largest network of metro lines in the world after New York City by the end of 2019". He also stated that the municipality is working on bringing the world's most modern and technologically advanced metro systems to the city.

November 27, 2013

Turkish online shopping burst

The credit card expenditures for online shopping increased by 103.2% in Turkey in the last five years, with the amount of online shopping expected to triple in the next five years, according to the report E-commerce in Turkey of the Istanbul Chamber of Tax and Financial Advisors (ISMAMO). The ISMAMO also estimates that 5 million people in Turkey will have shopped on the internet by the end of 2013 with a total value of TRY31 billion (EUR11.3 billion). Underlining that the number of "digital consumers" is increasing at a fast pace, the report states that among Turkey's 75.6 million population, 4,687,000 of those over 15 years of age use the internet on a regular basis.

December 01, 2013

Other Headlines

- Brisa, a joint venture between Turkish Sabanci Holding and Japanese Bridgestone, is planning a USD300 million investment to open its second plant by 2018 to raise its tyre production by 30%. November 20, 2013
- Turkey World Trade Bridge, the international business summit organized by the Confederation of Businessmen and Industrialists of Turkey (TUSKON) in Istanbul, hosted around 25,000 business meetings. November 25, 2013
- Bank of Tokyo-Mitsubishi UFJ opens for business in Turkey. November 28, 2013
- Consumer Confidence Index recorded as 90.4, increasing by 4.3 points. November 29, 2013

We are

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