



## ▶▶ Newsletter Turkey July 2018

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

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## ▶▶ Economy

### Overview of Monthly Data

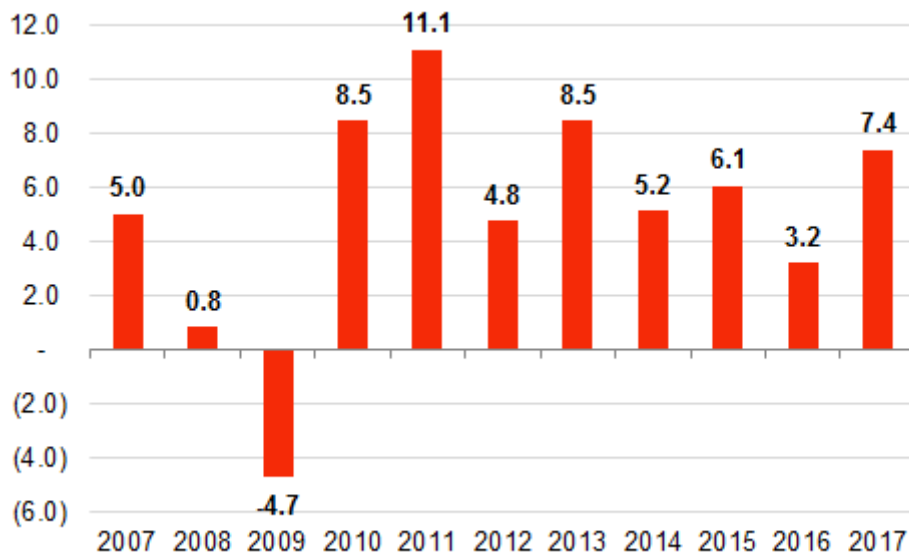
Exchange Rates	31/05/2018	29/06/2018	Change in %
TRY per Euro	5.2525	5.3188	1.26%
TRY per USD	4.4889	4.5690	1.78%

Stock Exchange Index	31/05/2018	29/06/2018	Change in %
BIST 100	100,652.27	96,520.07	-4.11%

Inflation in %	Monthly inflation	Annual inflation
Domestic producer prices	3.03	23.71
Consumer prices	2.61	15.39

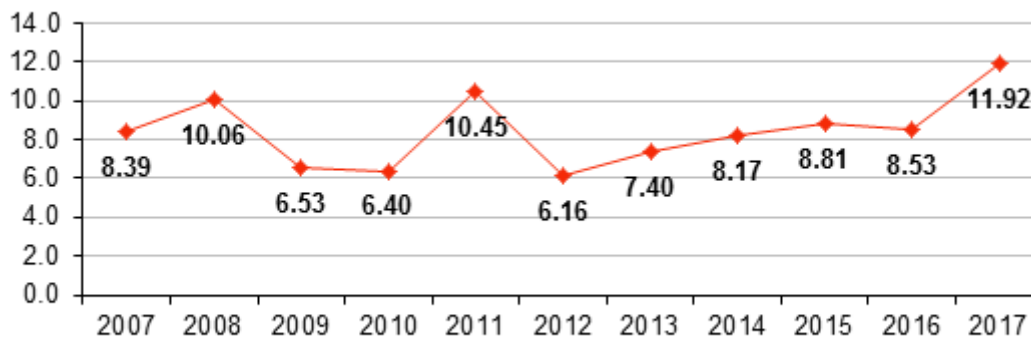
## Growth Rates

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
2013	8.5	9.8	8.9	6.9	8.5
2014	8.7	2.9	3.7	5.9	5.2
2015	3.6	7.2	5.8	7.5	6.1
2016	4.8	4.9	-0.8	4.2	3.2
2017	5.4	5.4	11.3	7.3	7.4
2018	7.4				

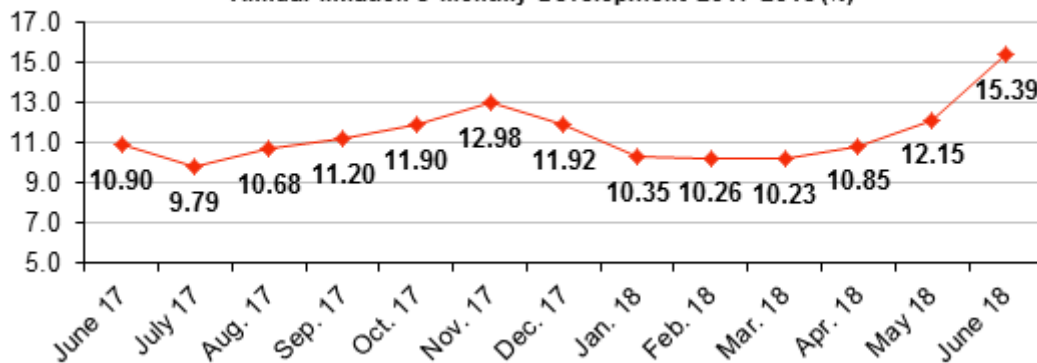


## Inflation

Annual Inflation of Consumer Prices 2007-2017 (%)



Annual Inflation's Monthly Development 2017-2018 (%)



### **Inflation continues to accelerate**

In June 2018, consumer prices in Turkey increased by 2.61% in comparison to the previous month, and by 15.39% over the same month of the previous year (YOY). Accordingly, the increase in the 2003-based CPI reached its highest level ever. The highest monthly increase was registered in food and non-alcoholic beverages (5.98%), followed by communication (4.76%). The only monthly decrease took place in clothing and footwear (-1.15%). The highest annual increase was in transportation (24.26%). The domestic producer price index (D-PPI) increased by 23.71% YOY, the highest rate since July 2003, and 3.03% monthly.

July 3, 2018

### **9.6% unemployed in April**

In April 2018, 3 million 86 thousand people in Turkey aged 15 and older were officially out of work, 201,000 less than in the same month of 2017. The unemployment rate was 9.6% with a 0.9-point decrease YOY. The youth unemployment rate in the 15-24 age bracket decreased to 16.9%. The labour force participation rate rose to 53.0% in total, and to 34.0% for females. Of those with employment in this period, 54.8% were employed in the services sector, 19.5% in industry, 18.3% in agriculture, and 7.4% in construction.

July 16, 2018

### **Foreign trade deficit rises 5.7% in May**

In May 2018, Turkey's exports increased by 5.3%, while imports increased by 5.5%, YOY. With exports increasing to USD 14.3 bn and imports increasing to USD 22.7 bn, the trade deficit rose by 5.7%, up to USD 7.8 bn. In May, the main partner for exports continued to be Germany (USD 1.4 bn), trailed by Italy (USD 885 mn), the UK (USD 858 mn), and Spain (USD 759 mn). China was the country where the most imports to Turkey came from (USD 2.1 bn), followed by Germany (USD 2.0 bn), Russia (USD 1.7 bn), and the UK (USD 1.4 bn).

June 29, 2018

## **Politics**

### **Presidential system era begins in Turkey**

Recep Tayyip Erdoğan, Turkey's head of state and leader of ruling Justice and Development Party (AKP), has become the first president in the new system where the president is also the head of government with extended powers. Erdoğan had won the presidential elections held on June 24 with 52.59% of the votes, while his closest rival, Muharrem İnce of the Republican People's Party (CHP), managed to receive 30.64%. Following the swearing-in ceremony, Erdoğan announced his new cabinet, in which the

number of ministers has been cut to 16, two of which are women. Erdoğan's son-in-law Berat Albayrak, formerly Minister of Energy and Natural Resources, was appointed Treasury and Finance Minister, taking a leading role in the economic policy. Mevlüt Çavuşoğlu kept his position as Minister of Foreign Affairs, whereas four-star general Hulusi Akar, Chief of the General Staff, is the new Minister of National Defence, which makes him the first active military officer in the history of Turkey to serve in a civilian government.

July 10, 2018

## Other Topics

**TANAP (The Trans-Anatolian Natural Gas Pipeline), which is to transport Azerbaijani natural gas to Europe via Turkey, has been inaugurated with an official ceremony at the compressor station close to the city of Eskişehir, with the presidents of Turkey, Azerbaijan, Ukraine, Serbia and the Turkish Republic of Northern Cyprus in attendance.** The total project cost of the 1,850 km line has been put at USD 8 bn. Out of the pipeline's annual capacity of 16 billion cubic meter, 6 billion cubic meters shall be supplied to Turkey, and 10 billion cubic meters to Europe. June 13, 2018

**The Mount Ovit Tunnel between the provinces of Rize and Erzurum, currently the world's 6th longest highway tunnel at 14.346 m long, has been commissioned in an official ceremony with the participation of Turkish President Erdoğan.** The tunnel, construction of which had begun in May of 2012, is intended to facilitate road transport between the Black Sea and Eastern Anatolia regions of Turkey. It replaces the Mount Ovit pass at 2,640 m above sea level which is frequently impassable between November and May due to snowfall and risk of avalanches. June 14, 2018

**Pietro Fiorentini S.p.A., one of Italy's oldest energy equipment manufacturers, has acquired Turkish company Gemsat A.Ş.** Being located in the city of Bursa, Gemsat manufactures natural gas equipment both for the domestic and the export market. Pietro Fiorentini has already been represented in the Turkish market with its own office for 27 years. June 20, 2018

**Global logistics companies have increased their activities in Turkey through new investments.** By virtue of Turkey's advantageous location between Europe and Asia, the increasing shift of manufacturing activities towards Eastern Europe, and China's Belt and Road Initiative –aka the "New Silk Road", multiple logistics companies have chosen Turkey as a hub in recent months. British TGP has established its Istanbul office in March, and P&O Ferrymasters SRL, headquartered in Romania, in June.

Besides that, Hong Kong-based Kerry Logistics has launched a new combined rail & road transportation line between China and Turkey, with an investment of 50 trucks. Furthermore, German logistics giant DHL is contemplating the possibility of establishing seven new logistics centres in the eastern provinces of Anatolia within one year given the increasing economic activity in Eastern Anatolia. June 21-27, 2018

**Number of Chinese companies in Turkey has reached 1,000.** The presence of Chinese companies in the Turkish market has particularly increased following the entry of the two leading Chinese banks, Bank of China and ICBC. The logistics industry, where Turkey is an important link in the Belt and Road Initiative, is one of the main sectors in which Chinese companies are interested. Tourism, shopping mall and port investments also attract their attention. June 29, 2018

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## ▶▶ About us

**FMConsulting** is a German - Turkish consulting company. Our wide range of services give our clients the option of having a single local service partner in Turkey.

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