

# ▶▶ Hello!

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

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Best regards,  
Your FMConsulting Team

# ▶▶ Economy

## Overview of Monthly Data

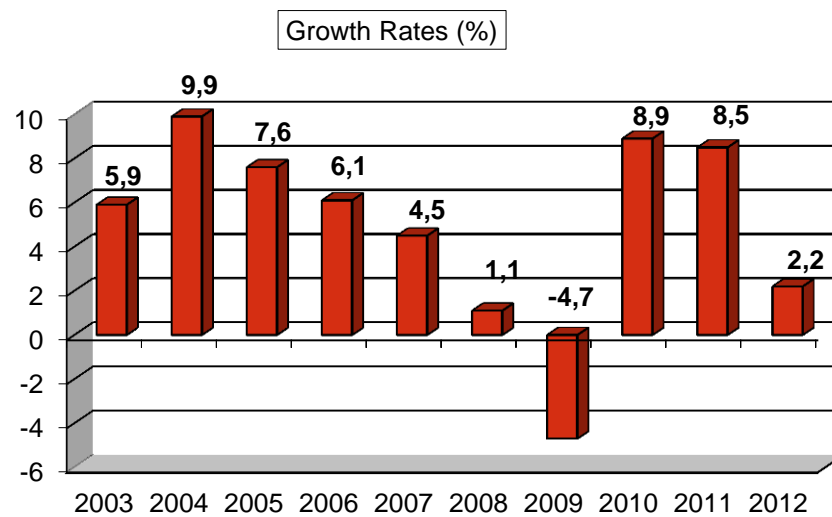
| TL-Rates    | 30.09.2013 | 31.10.2013 | Change in % |
|-------------|------------|------------|-------------|
| TL pro Euro | 2.7552     | 2.7249     | -1.10       |
| TL pro USD  | 2.0402     | 1.9930     | -2.31       |

| Stock exchange index | 74,486.60 | 77,620.40 | 4.21 |
|----------------------|-----------|-----------|------|
|----------------------|-----------|-----------|------|

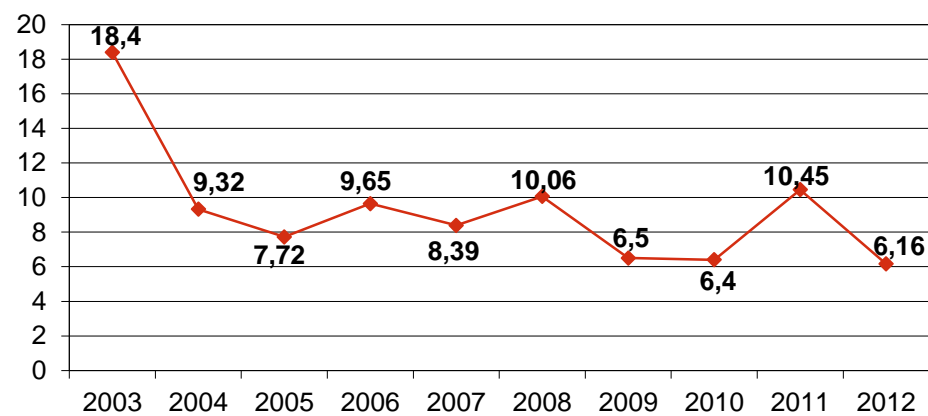
| Inflation in %  | Monthly inflation | Annual inflation |
|-----------------|-------------------|------------------|
| Producer prices | 0.69              | 6.77             |
| Consumer prices | 1.80              | 7.71             |

## Growth Rates

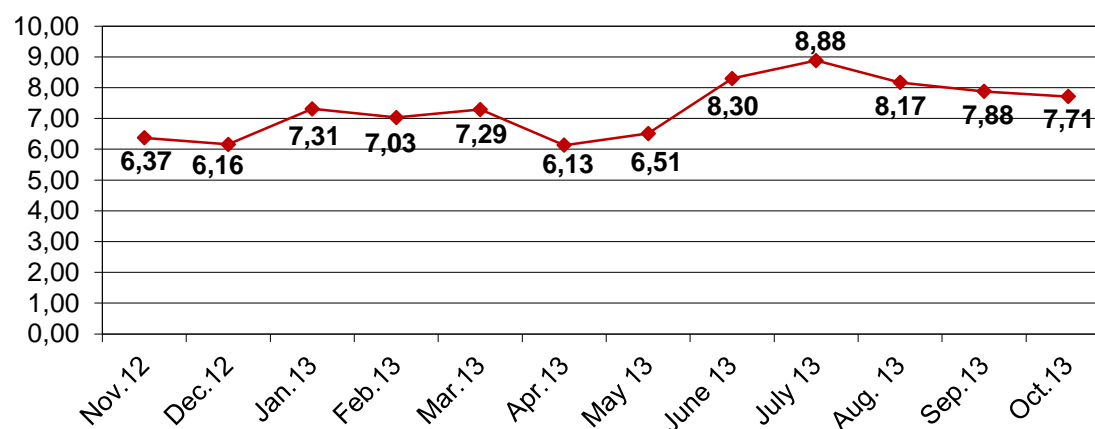
| Economic Growth Rates (%) |             |             |             |             |        |
|---------------------------|-------------|-------------|-------------|-------------|--------|
|                           | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Annual |
| 2000                      | 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 (%)



Annual Inflation's Monthly Development 2012-13 (%)



#### Turkey exported \$12.5 billion in September

Turkey's exports increased 11.1% in September compared to a year ago, reaching US\$12.5 billion according to the Turkish Exporters' Assembly (TIM). Exports grew by 0.6% in the last 9 months, to US\$111 billion, and by 3.3% in the last 12 months, to US\$151.5 billion. TIM Chairman Mehmet Buyukeksi stated that automotive is the leading sector in terms of earnings from exports whereas the ship and yacht industry recorded the highest increase (695%) in foreign sales. As to target markets, the increase in the EU's share among Turkish exports continued, with a 12% rise. Turkish exports to the Commonwealth of Independent States (CIS) and the Middle East also climbed by 12% and 7%, respectively.

October 2, 2013

#### Turkey's inflation above expectations

According to the Turkish Statistical Institute (TurkStat), prices increased above expectations in September. Monthly inflation in September amounted to 0.77% in consumer prices and 0.88% in producer prices. High costs of education were effective in increased consumer price index (CPI) whereas seasonal price decreases in clothing and footwear had the opposite effect. Despite the high monthly indices, annual inflation in September declined to 7.88% from 8.17% in consumer prices and to 6.23% from 6.38% in producer prices.

October 4, 2013

#### Turkey aims for growth with domestic savings

Turkish Deputy Prime Minister Ali Babacan announced the Medium-Term Economic Program (OVP) for 2014-2016 in which there is a downward revision of the growth rate and an upward revision of the inflation rate for 2013. Babacan revealed his government's expectations on growth rates as 3.6% at the end of 2013 and 4% in 2014, and as 5% in 2015 and 2016, with a year-end inflation target of 6.8% in 2013, 5.3% in 2014 and 5% in 2015 and 2016. Emphasizing that their first aim is to decrease the current account deficit in three years, Babacan pointed out that domestic savings have been 12.6%, the lowest level of all times. He stated that in the forthcoming term, their basic priorities are lower inflation, strong positioning in fiscal policy, retaining the upwards trend in growth and employment and decreasing current account deficit. He also added that they will continue to stick to strict fiscal discipline and reduce the unemployment rate gradually as part of the program. He underlined that increasing domestic savings, allocating available resources to more productive areas and boosting economic efficiency was essential in this context.

October 9, 2013

#### IMF's 2013 growth projections: 3.8% for Turkey, 2.9% for global economy

In an update of its World Economic Outlook (WEO) report, the International Monetary Fund (IMF) revised growth rate projections for Turkey up to 3.8% from 3.4% for 2013 and down to 3.5% from 3.7% for 2014, while lowering global economic growth forecasts for both years (2.9% in 2013 and 3.6% in 2014). Inflation and unemployment forecasts for Turkey remained unchanged, with a 6.6% and 5.3% inflation rate and a 9.4% and 9.5% unemployment rate for 2013 and 2014, respectively. Mark Lewis, senior IMF representative in Turkey, said during the presentation of the updated report that a tougher second half was ahead of the nation. Turkey's growth, having performed strongly in the first half of the year thanks to public investments, is likely to weaken over the rest of the year before regaining its momentum in 2014 and preserving it in 2015 as well, Lewis stated. Underlining that the important thing about growth's quality is making it dependent on foreign rather than domestic demand, Lewis dubbed the change in Turkey's growth rate as "stabilization" instead of a "slow down" compared to previous years.

October 9-22, 2013

### **Debates on new regulations on consumer credits and credit cards**

Following Deputy Prime Minister Ali Babacan's announcement regarding the government's economic outlook for the mid-term and the planned regulations on credit cards and consumer loans, Turkish banking watchdog BDDK introduced strict measures to restrain debt-financed consumption, curb consumer loan growth, increase domestic savings, and reduce the current account deficit. The new regulations, which bring about lower credit card limits and a smaller number of instalments, spurred a debate among businesspeople. Some industry and commerce representatives believe that the regulations will negatively affect consumption, and thus economic growth. Some underline that cheques are no longer accepted as a safe payment system and therefore credit cards are more commonly used in commercial transactions.

October 14, 2013

### **Turkey raises gold reserves in September**

According to data from the International Monetary Fund (IMF), Turkey is among the countries that boosted their gold holdings in September. The Central Bank of Turkey (CBT) raised its gold holdings by 2.9 tonnes to 490,261 tonnes in September, extending its gold buying trend to a third consecutive quarter. Turkey has the world's 11th-largest gold reserve. Turkey's increases have been bigger this year as CBT allowed commercial lenders to hold a portion of their Turkish Lira reserves in gold. Investors are closely monitoring any possible shift in central banks attitudes toward gold since those moves affect gold prices.

October 26, 2013

### **Turkish economy has grown 55-fold in 90 years**

The 90th anniversary of the Republic of Turkey was celebrated across the country. In these 90 years, the Turkish population increased 5 times whereas the gross domestic product (GDP) calculated in Turkish Liras increased 55-fold. Income per capita increased from US\$89 to US\$10,818, exports from US\$51 million to US\$153,500 million, and imports from US\$87 million to US\$251,500 million.

October 29, 2013

## Politics

### **President Gul addresses the Parliament**

On the occasion of the commencement of the new legislative year of the Turkish Grand National Assembly (TBMM), President Abdullah Gul delivered an opening speech. Underlining the importance of democracy and warning the Assembly against polarization of the society, President Gul said: "Polarization in political debates in our country sometimes extends beyond politics, which may upset identities and beliefs and cause sensitivities." In his speech, he defined the TBMM as the home of liberty, stability and democracy as well as the ultimate guarantor of Turkey's independence and future. Welcoming the reform package unveiled by the Justice and Development Party (AKP) government, Gul said, "I welcome the new steps announced by the Prime Minister yesterday which will in my opinion solve important issues in our country." First Lady Hayrunnisa Gul was present at the Assembly for the first time.

October 1, 2013

### **Supreme Court of Appeals renders verdict in Sledgehammer case**

The Criminal Chamber of the Supreme Court of Appeals delivered its decision on the Sledgehammer ("Balyoz" in Turkish) case, in which suspects were put on trial for plotting a coup. The Supreme Court of Appeals affirmed a lower court ruling confirming that some Turkish military officers had planned a coup to bring down the Islamist-based ruling party. The Supreme Court upheld the prison sentences for 237 military officers and decision of acquittal for 36 suspects whereas it reversed the prison sentences of 88 defendants. From the beginning of the case, there were discussions in society on whether there was really a coup attempt, whether the proofs were fabricated, and whether there was enough evidence against all the accused.

October 9, 2013

## Other topics

### **New regulation on unlicensed electric production doubles upper limit**

With new regulations on unlicensed electrical energy production, everyone in Turkey will be able to produce their own electrical energy in certain amounts and sell the surplus. According to this regulation, every person or legal entity that is an electricity subscriber may establish electricity manufacturing plants without license. However, this is mainly intended for universities, building complexes, and malls. The regulation increases the upper limit of energy which can be produced from alternative resources like sun and wind from 500 kilowatts to 1 megawatt. The regulation aims at contributing to the economy by providing energy for consumers and reducing energy losses.

October 2, 2013

### **Turkish ship-breaking sector plays for 2<sup>nd</sup> place in world**

Having broken a record in capacity utilization in 2012 after 36 years, the Turkish shipyard sector seems to close 2013 with a higher number of demolished ships. With 21 licensed shipyards and an annual capacity of 1 million tonnes, Turkey is in 5<sup>th</sup> place in ship scrapping. It is expected that after the EU enforcement of conformity with environment, health and safety rules, Turkey will climb to second place, with China as its only competitor, leaving behind current rivals India, Pakistan, and Bangladesh. Sector's contribution to the Turkish economy is estimated to be US\$10 billion.

October 3, 2013

### **Light commercial vehicle sales shrink while luxury segment booms**

According to data issued by Turkey's Automotive Distributors Association (ODD), in the first 9 months of 2013, sales of luxury automobiles reached a record-breaking level and already exceeded the total 2012 amount by 4%. On the other hand, the light commercial vehicle (LCV) market shrank by 11.3% from January to September compared to the same period of the previous year. The share of LCVs dropped from 40% to 22% of the total automobile market. In contrast, the luxury segment reached a share of 10%. Combined sales of passenger cars and light commercial vehicles between January and September of 2013 were 586,345, a 10.48% increase over the same period of the previous year.

October 7, 2013

### **South African Metair to buy leading Turkish battery maker Mutlu**

South African Metair Investments announced that it plans to increase its presence in Europe through the acquisition of 100% of shares in Mutlu Holding as well as 45% of its subsidiary Mutlu Plastik. Mutlu Holding owns 75% of Mutlu Aku, while the remaining 25% are publicly traded on the Istanbul Stock Exchange (BIST). According to Turkish law, the acquisition will trigger a mandatory offer to minority shareholders. On news of the sale, shares of Mutlu Aku gained 10.7% while Metair Investments climbed 5.9%. Mutlu Aku, established in 1945 and operating from its facilities in Tuzla, had a turnover of TL 438 billion in 2012. It is Turkey's leading battery manufacturer with a 40% market share. Mutlu Plastik produces the battery caps and casings used by the group.

October 11, 2013

### **Employment agency publishes Labour Market Research (IPA) findings**

In the first half of 2013, the Turkish Employment Organization (ISKUR) did detailed research on the labour market in Turkey by conducting IPA studies in all provinces across the country. ISKUR representatives personally visited every company employing at least 10 staff in every province except seven, where they used a sampling method. The workplace information form was completed for 87,719 out of the 100,852 workplaces visited by ISKUR. According to the findings of the research, 29% of the companies have openings. The results also indicate that there are 258,082 job vacancies in Turkey, bringing the job vacancy rate to 4.4%. ISKUR, a government agency that acts as match-maker between employers and prospective employees, has broadened its activities from being merely a job-finding service to also helping disadvantaged groups such as women and the disabled into the job market as well as counselling young people in their choice of profession.

October 10-25, 2013

### **Revision to incentive system is under way**

Deputy Prime Minister Ali Babacan stated that Turkey's investment incentive system will be revised by the end of the year. He advised businesspeople who intend to make an investment to start their incentive applications as soon as possible, stressing that the sectors that are in the scope of the scheme may change after the revision. Babacan said that his government will analyse the areas in which the current scheme has been successful and those, in which it failed during its 1.5 years in place, and revise accordingly.

October 28, 2013

### **Turkish trucks again carry to Syria**

With destroyed production infrastructure and increasing needs in Syria, Turkish exports to this country started climbing again after hitting the bottom when the civil unrest started. According to Turkish Exporters' Assembly (TIM) data, in September Turkish exports to Syria increased by 140% compared to the same month of 2012. The number of trucks that exited for Syria in the first half of the year has increased by 296% compared to the same period last year. The Syrian buyers contact the Turkish producers and pay in advance, and then the goods are delivered at the border without the trucks going further into the country.

October 28, 2013

### **Turkey opens first underwater tunnel**

Marmaray, Turkey's first underwater rail tunnel, was opened on the 90th anniversary of the foundation of the Republic of Turkey. The inauguration ceremony was attended by President Abdullah Gul, Prime Minister Recep Tayyip Erdogan, Parliament Speaker Cemil Cicek, Transport Minister Binali Yildirim, and a number of foreign statesmen. In his speech, President Gul said Marmaray was one of a few projects of its kind in the world, and he referred to the stable and secure atmosphere in Turkey as a crucial condition for the implementation of such projects. The 76.3 km long Marmaray project took 9 years to complete and cost a total of US\$5.5 billion. Linking two continents, it is unique in the world.

October 29, 2013

## ▶▶ We are

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