



# FMCONSULTING

## ▶▶ Newsletter Turkey November 2015

Please find below our latest newsletter covering economic and political developments in Turkey. Do not hesitate to forward our newsletter to interested persons.

Best regards,

FMConsulting Team

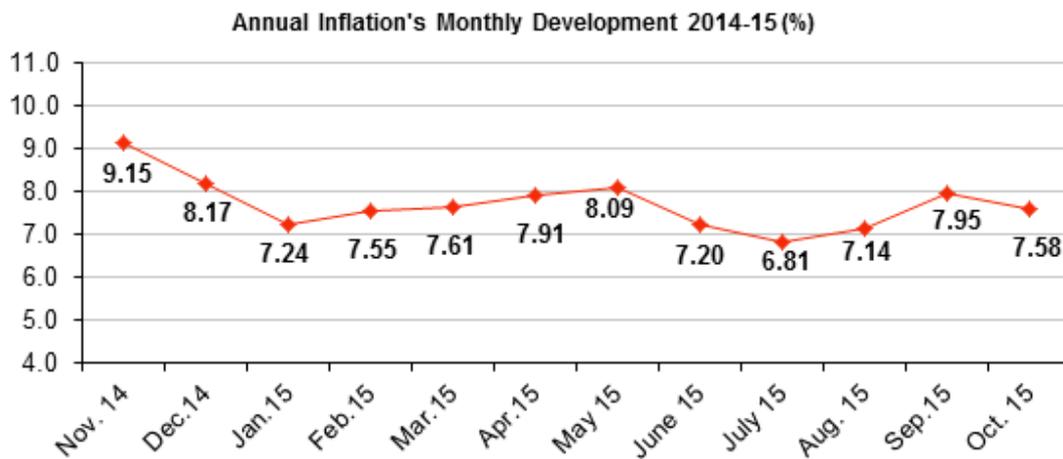
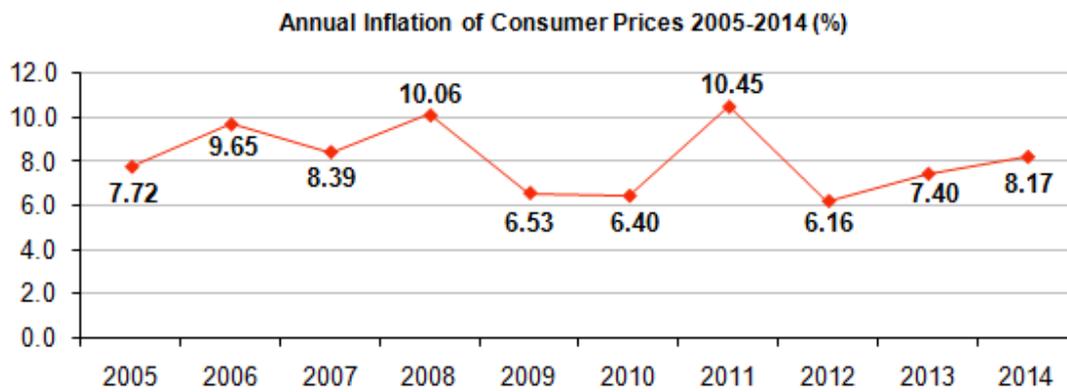
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## ▶▶ Economy

### Overview of Monthly Data

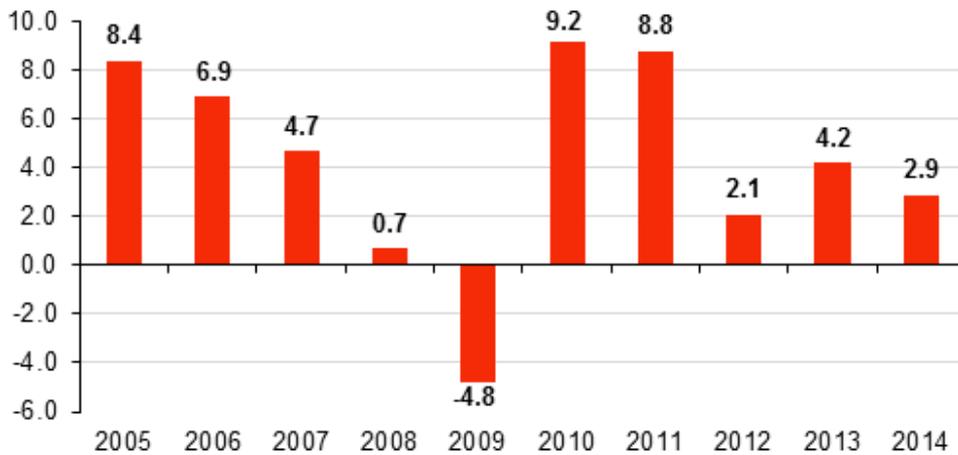
TL-Rates	30.09.2015	30.10.2015	Change in %
TL per Euro	3.4002	3.2125	-5.52
TL per USD	3.0306	2.9202	-3.64
Stock exchange index	74,205.47	79,409.00	7.01

Inflation in %	Monthly inflation	Annual inflation
Producer prices	-0.20	5.74
Consumer prices	1.55	7.58



### Growth Rates

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
2005	8.5	7.7	7.6	9.8	8.4
2006	5.9	9.7	6.3	5.7	6.9
2007	8.1	3.8	3.2	4.2	4.7
2008	7.0	2.6	0.9	-7.0	0.7
2009	-14.7	-7.8	-2.8	5.9	-4.8
2010	12.6	10.4	5.3	9.3	9.2
2011	12.4	9.3	8.7	5.3	8.8
2012	3.1	2.7	1.5	1.3	2.1
2013	3.1	4.7	4.3	4.6	4.2
2014	5.1	2.4	1.8	2.7	2.9
2015	2.5	3.8			



### October inflation over expectations

In October, consumer prices in Turkey increased by 1.55% over the previous month whereas domestic producer prices decreased by 0.2%. The CPI increased above expectations due to an 11.43% increase in clothing and footwear. The monthly index rose 1.40% for transportation, 1.39% for furnishings and household equipment, 1.05% for miscellaneous goods and services, and 1.03% for education. The only monthly decrease was observed in alcoholic beverages and tobacco (0.01%). Despite the rise in monthly CPI, the annual CPI decreased to 7.58% in October from 7.95% in September, according to data released by the Turkish Statistical Institute (TurkStat). The domestic producer price index (D-PPI) decreased by 0.20% compared to the previous month, but increased by 5.74% compared to the same month previous year. In September, the Central Bank of Republic of Turkey had increased the end-of-year inflation forecast to 7.9%.

September 29 - November 4, 2015

### Unemployment rate in Turkey 10.1% in August

In August, 3.58 million people aged 15 and older were out of work, 114,000 more compared to the same month previous year. Thus, the unemployment rate in Turkey went up 0.3% from the month before, to 10.1%, while the employment rate dropped 0.4 %, to 46.8%. The youth unemployment rate in the 15-24 age group amounted to 18.3% with a 0.6% decrease. The labour force participation rate stood at 52.1%. Of those with employment in this period, 51% were employed in the services sector, 22.2% in agriculture, 19.3% in industry, and 7.5% in construction.

November 16, 2015

### **Turkish credit profile resistant to external shocks, says Fitch**

In its report on Turkey, international credit rating agency Fitch stated that the country's sovereign credit profile represents a mix of high exposure to the uncertainties of global financial markets and other structural weaknesses as well as strong public finances and a record of resilience to recent external shocks. In another report on banking, Fitch concluded that risks for Turkish banks are rising but financial metrics have held up well and investment grade ratings are assigned to most of the country's large lenders. "Still, the sharp fall in value of the lira increases risks for banks' asset quality, capitalisation and foreign currency liquidity positions", warned the agency.

October 22-30, 2015

### **Exports and imports both decrease in September**

In September, Turkey's exports and imports fell by 14.2% and 25.2%, respectively, compared to the same month previous year. According to the provisional data, produced with the cooperation of TurkStat and the Ministry of Customs and Trade, exports fell to USD 11.66 billion and imports fell to USD 15.40 billion. Total exports in the first 9 months of the year decreased by 9.4% compared to the same period of 2014. In September, the foreign trade deficit narrowed by 46.6% to USD 3.74 billion, and the exports/imports coverage ratio was 75.7%. Exports to the European Union (EU-28) decreased by 7.7%. In September, the top 4 receiving countries of Turkish exports were Germany, the UK, Iraq, and Italy, and the top 4 countries Turkey imported from were China, Germany, Russia, and the USA.

October 30, 2015

## **Politics**

### **Turkish President visits Japan**

Turkish President Recep Tayyip Erdogan has paid an official visit to Japan where he was received by Japanese Emperor Akihito and also met with Prime Minister Shinzo Abe. During his visit, Erdogan stated that Turkey aims to attract 1% of Japan's foreign investments which amount to at least USD 1 billion per year. He also called on Japan for closer cooperation in the field of nuclear energy. Before his departure to Tokyo, Erdogan had sent a message to Russia whose fighter planes had violated Turkish airspace on the Syrian border, saying that "If Russia is not going to build Akkuyu Nuclear Plant, others will." He also voiced his content about the third-round meetings on the Economic Cooperation Agreement between Turkey and Japan.

October 9, 2015

### **Trustee panel appointed for Koza Ipek Holding**

Upon the request of the Ankara Chief Public Prosecutor's Office, a trustee panel has been appointed for Koza Ipek Holding, a corporation that is said to be linked to the movement of anti-government Islamic scholar Fethullah Gulen. The panel includes former managers from pro-government Turkuvaz Media Group. After the panel assumed its duties, it shut down two television channels and halted the printing of Bugun and Millet dailies, all belonging to the incriminated group.

October 27-28, 2015

### **Turkey celebrates 92nd anniversary of the Republic**

The official celebrations for the 92nd anniversary of the founding of the Republic of Turkey began with a ceremony at the Anitkabir, mausoleum of the founder Mustafa Kemal Ataturk, in the capital Ankara. Headed by President Recep Tayyip Erdogan, the ceremony was attended by numerous state and military officials. Later that day, President Erdogan and First Lady Emine Erdogan hosted the first public reception to mark Republic Day, Turkey's most important national holiday, held at the Presidential Palace in Ankara. More than 800 citizens from across 81 provinces were invited. The official recognition of the Republic, which had in fact existed since April 23, 1920, took place on October 29, 1923, when the new name of the nation and its status as a republic were proclaimed by Ataturk.

October 29, 2015

### **AK party wins back majority in general election**

In the 25th general election in the history of the Republic of Turkey to elect 550 members to the Grand National Assembly, the ruling Justice and Development Party (AKP) reversed the June election results with a stronger-than-expected performance. With 49.5% of the vote and 317 seats, the party won a parliamentary majority, while centre-left Republican People's Party (CHP) retained its main opposition status with 134 seats and 25.4% of the votes. The pro-Kurdish left-wing Peoples' Democratic Party (HDP) won 59 seats with 10.7%, and far-right Nationalist Action Party (MHP) won 41 seats with 11.9% of the votes. Prime Minister Ahmet Davutoglu called the result a victory for democracy.

November 2, 2015

### **G-20 Summit takes place in Antalya**

The 2015 G-20 Summit was held in the province of Antalya on the Mediterranean Sea, the most visited tourist destination in Turkey. It was the 10th annual meeting of the governors of the G-20,

which represents 90% of the world economy, 80% of world trade and 2/3 of the world population. Inclusiveness, implementation and investment for growth are the three 'I's of the Turkish G20 presidency, and these themes were at the heart of discussions of group meetings and the G20 summit itself. Turkey officially took over the presidency of the G-20 from Australia on 1 December 2014, and China as the next chair will be hosting the summit in 2016.

November 15-16, 2015

### **Turkey shoots down Russian military jet over Syrian border**

Turkish fighter jets have shot down a Russian military aircraft in its airspace close to the border with Syria. Turkish military officials made a statement that the plane was hit after being warned against violating Turkish airspace, but Russia claimed that their planes were carrying out an operation against ISIL and did not threaten Turkey. In response to Russia's claims that the plane did not enter Turkish airspace, an excerpt from Turkish military audio recordings that documents repeated warnings to the Russian jet was released. NATO, of which Turkey is a member, declared that it was "monitoring the situation closely".

November 25, 2015

## Other topics

### **Rolls Royce and TUBITAK to establish Technology Centre in Turkey**

Rolls-Royce (RR) will be the first industrial lead and founder member of Turkey's Advanced Manufacturing Technology Centre (AMTC) which is to become the forge for Turkey's long-awaited "national automobile". Fikri Isik, Turkey's Minister of Science, Industry & Technology, stated that the centre will be leading the development of advanced core industrial capabilities around its national projects. "The areas of RR are aeronautical, shipping, and defence. Some of the projects co-developed with TUBITAK (the country's scientific research institute) will turn out to provide investment and production opportunities for local companies", he added.

October 6, 2015

### **Northern Cyprus to adopt Euro**

Technical preparations for the adoption of the Euro instead of the Turkish Lira have started in the Turkish Republic of Northern Cyprus. This is a preparatory step in case some form of reunification of the divided island is agreed, and will be accompanied by preparations for the customs union with the EU. On paper, the Republic of Cyprus as a de facto non-existing unitary state has been part of the EU since 2004. Currently, the Euro is already in circulation in the northern part of the island, and deemed a legal tender, whereas wage payments are still made in Turkish Lira.

October 14, 2015

## **Turkish mobile operators get their certificates for 4.5G**

Turkey's three existing mobile operators, Turkcell, Vodafone, and Avea, have received their authorization certifications for 4.5G (dubbed IMT-advanced certificates) after making their first payment in line with the contract in a ceremony with the attendance of President Erdogan. A sum of EUR 2 billion out of a total of more than EUR 3.9 billion has already been paid to the Treasury by the companies which won the August 26 tender held by the Information and Communication Technologies Authority (BTK). In the tender, Turkcell bid around EUR 1.9 billion for 8 packages and Avea offered EUR 1.1 billion for 5 packages, while Vodafone's bid was EUR 918 million for 5 packages. While Vodafone made its total payment in cash, the other two companies preferred 3 equal instalments in 18 months. The 4.5G technology is scheduled to be launched in April 2016.

October 28, 2015

## **Other headlines**

- Turkish manufacturer Durmazlar will produce cars of the Munich metro for Siemens. October 2, 2015
- Global chemicals giant DuPont has turned its face to Turkey regarding innovative solutions for sustainable agriculture. October 6, 2015
- Hugo Boss, one of the world's leading luxury brands, has signalled a new factory investment in Turkey where they already carry out 15% of their production. October 15, 2015
- Major Turkish battery manufacturer Inci Aku has become Inci GS Yuasa following completion of the procedures for the partnership with the Japanese company. November 20, 2015

## ▶▶ About us

**FOREIGN MARKET CONSULTING Ltd. Sti.** is a German-Turkish consulting company located in Istanbul. Our wide range of services gives our clients the option of having a single local service partner in Turkey. If you need further information, please do not hesitate to contact Mr. Peter Heidinger.

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