



# FM CONSULTING

## ▶▶ Newsletter Turkey June 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](mailto:newsletter@fmconsulting.com)

## ▶▶ Economy

### Overview of Monthly Data

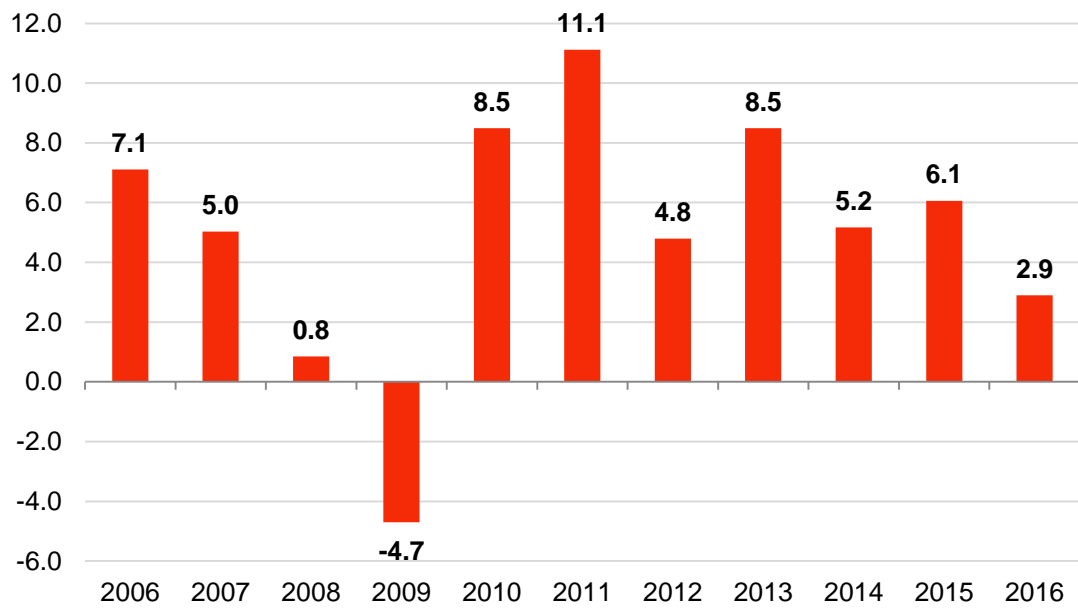
| Exchange Rates | 28/04/2017 | 31/05/2017 | Change in % |
|----------------|------------|------------|-------------|
| TRY per Euro   | 3.8814     | 3.9629     | 2.10%       |
| TRY per USD    | 3.5568     | 3.5398     | -0.48%      |

| Stock Exchange Index | 28/04/2017 | 31/05/2017 | Change in % |
|----------------------|------------|------------|-------------|
| BIST 100             | 94,655.31  | 97,541.58  | 3.05%       |

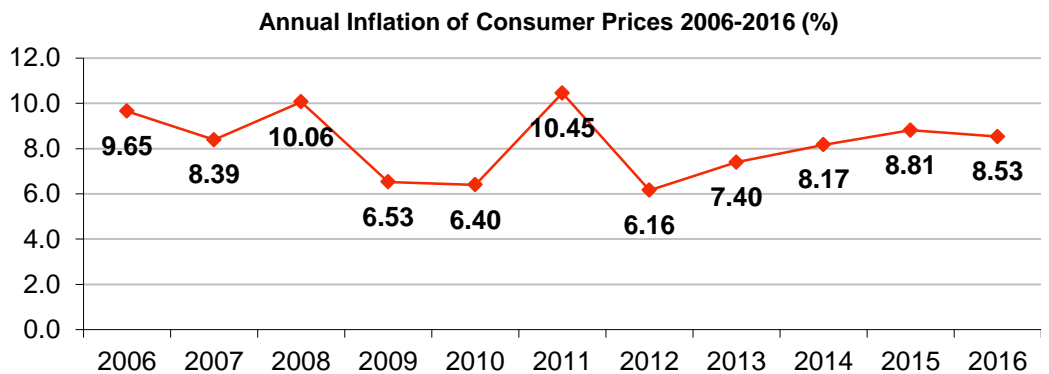
| Inflation in %           | Monthly inflation | Annual inflation |
|--------------------------|-------------------|------------------|
| Domestic producer prices | 0.52              | 15.26            |
| Consumer prices          | 0.45              | 11.72            |

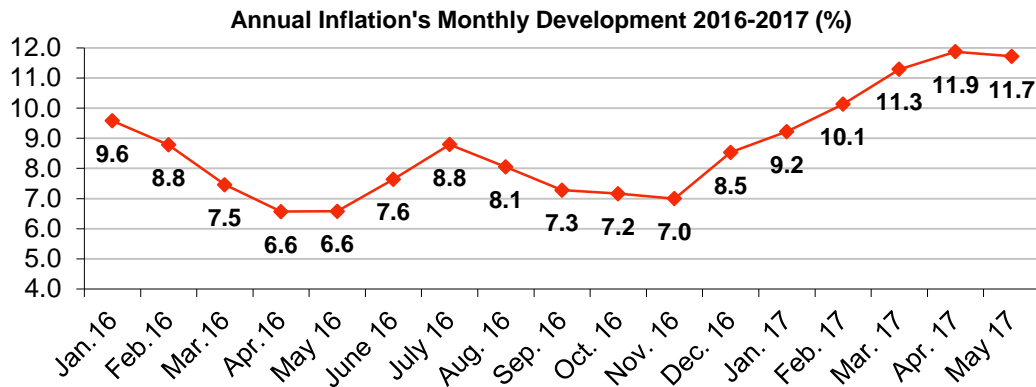
## Growth Rates

|      | 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 decelerates in May**

In May 2017, consumer prices in Turkey increased by 0.45% over the previous month, and by 11.72% over the same month of the previous year (YOY). Accordingly, the increase in CPI-YOY stopped its upward trend of the previous five months. The highest monthly increases were observed in clothing and footwear (5.97%), and recreation and culture (2.42%). Slight decreases were observed in miscellaneous goods and services (-0.91%), transportation (-0.73%), and food and non-alcoholic beverages (-0.55%). The highest annual increase was in alcoholic beverages and tobacco (21.69%). The domestic producer price index (D-PPI) increased by 15.26% YOY, and 0.52% monthly.

June 5, 2017

### **Turkish economy grows above expectations**

In the first quarter of 2017, Turkey's GDP in the chain-linked volume index increased by 5.0% compared with the same period of the previous year. The incentives and supports for industry, domestic consumption, employment and exports were the main driving forces behind the growth rate. The quarterly GDP at current prices reached TRY 641.6 bn, whereas it decreased to USD 173.8 bn in dollar terms. Agriculture grew by 3.2%, industry by 5.3%, the services sector by 5.2%, and the construction industry by 3.7%. The growth in consumption expenditure was 5.1% for households and 9.4% in government.

June 12, 2017

### **11.7% unemployed in March**

In March 2017, 3.6 million people in Turkey aged 15 and older were out of work, 619,000 more than in the same month of 2016. The unemployment rate was 11.7% with a 1.6-point increase YOY. The youth unemployment rate in the 15-24 age bracket increased to 21.4%. The labour force participation rate rose to 52.2% in total, and to 32.9% for females. Of those with employment in this period, 54.8% were employed in the services sector, 19.4% in industry, 18.5% in agriculture, and 7.3% in construction.

June 15, 2017

### **Foreign trade deficit increases by 16.7% in April**

In April 2017, Turkey's exports increased by 7.4% and imports increased by 9.9%, YOY. With exports increasing to USD 12.8 bn and imports increasing to USD 17.8 bn, the trade deficit increased by 16.7%, up to USD 4.9 bn. The main partner for exports was Germany (USD 1.1 bn), followed by the UAE (USD 1.0 bn), Iraq (USD 857 mn), and the UK (USD 737 mn), whereas the top country Turkey's imports came from was China (USD 1.6 bn), followed by Germany (USD 1.6 bn), Russia (USD 1.5 bn), and the USA (USD 980 mn).

May 31, 2017

### **Central Bank keeps policy rate stable**

The Central Bank of the Republic of Turkey has kept the overnight lending rate at 9.25%, the one-week repo rate (policy rate) at 8.0% and the late liquidity window lending rate at 12.25%. The bank stated that there has been a gradual recovery in the economic activity and the domestic demand. Besides, the demand from the EU countries continues to support Turkish exports. Thanks to the government supports and incentives provided recently, the recovery in the economic activity is expected to continue. Due to the significant rise in the inflation, which creates a risk on pricing behaviours, the bank decided to strengthen the monetary tightening.

June 15, 2017

### **FDI increases slightly**

Foreign direct investments in Turkey reached USD 2.8 bn in the first quarter of 2017 with a 1.9% increase compared to the same quarter of 2016. 77% of the cash capital inflows came from EU countries. Out of 1,337 new company foundations with foreign capital, 830 originated in the Middle East.

May 24, 2017

## **Politics**

### **President Erdoğan returns as party leader**

Following the amendment of the constitution by the referendum held on April 16, which paved the way for party membership of the Turkish president, current office-holder Recep Tayyip Erdoğan again became a member of the Justice and Development Party (AKP) on May 2, and, as expected, was re-elected leader of his party after a hiatus of almost three years.

May 22, 2017

### **Kılıçdaroğlu leads march to protest MP's imprisonment**

Kemal Kılıçdaroğlu, the leader of Turkey's main opposition party CHP, has launched a march from Ankara to Istanbul to protest the imprisonment of Enis Berberoğlu, a CHP MP and former newspaper editor, who was sentenced to 25 years in prison for leaking a video of government trucks said to contain a secret arms shipment to a faction in the Syrian Civil War. The "Justice March", which is scheduled to last 23 days, is attended by various government opponents, holding placards demanding "Justice".

June 15, 2017

## **Other Topics**

### **Nestlé is planning to make TRY 550 mn further investments in Turkey until 2020.**

Nestlé Turkey has already made TRY 500 mn investments in the last eight years for capacity extension, as well as for innovation and renovation works. Nestlé Professional, the out-of-home consumption business line of Nestlé, has achieved 17.3% growth in 2016, despite the contraction of the Turkish tourism industry. The Swiss food company is active in Turkey with more than 800 products in 12 different categories and almost 50 brands.

May 2, 2017

### **Two giants of electronic appliances, Turkish Arçelik and South Korean LG Electronics, have agreed to build Turkey's first production line for the manufacture of VRF commercial air conditioning systems.**

James Lee, Vice President of LG Electronics Air-Conditioning Solutions, stated that they have extended the 17-year-old partnership with Arçelik up to 2023, which will strengthen the relationship between South Korea and Turkey. A revenue volume of USD 200 mn is expected through this joint project. The two partners have allocated a TRY 200 mn investment budget for commercial air conditioners and new technologies. May 4, 2017

### **Unilever has commissioned its second production facility in Konya with an investment of EUR 350 mn.**

Both home and personal care products will be manufactured in this facility, which is the largest investment in the FMCG sector in Turkey for the last 10 years. Unilever has been active in Turkey with eight plants and more than 5,000 employees. Together with the new facility, the domestic production capacity of the company in home and personal care products will reach 750,000 tons. Paul Polman, CEO of Unilever, stated that Unilever has been operating in Turkey for 100 years, and has made investments of EUR 600 mn over the past decade. Polman also expressed his belief that

Turkey, having managed to surmount the negative effects of the 2001 crisis, will certainly overcome today's economic difficulties successfully. May 5-7, 2017

**Turkish Kale Group and British Rolls-Royce Holdings agree on JV for developing and manufacturing aircraft engines.** Chris Cholerton, Rolls-Royce's President of Defence, stated that his company will play an important role in Turkey's ambitions to establish a world-competitive defence and aerospace industry. The IPR of the engines shall be owned by Turkey. 350 Turkish engineers shall work in this project and receive their training in the UK. The first engine is planned to be ready to fly in 2023, and mass production is set to begin in 2030 at the latest, following completion of the certification processes. May 9, 2017

**Egepen, a subsidiary of Belgian Deceuninck, has commissioned its new PVC door and window profile plant in Izmir, following a EUR 50 mn investment.** By way of this facility, Egepen targets to double its production volume to 100,000 tons and to increase its exports to EUR 33 mn in 2017, up from EUR 20 mn in 2016. May 10, 2017

**Turkish chocolate manufacturer Şölen has established a new plant in Gaziantep, implementing Industry 4.0 principles through an investment of TRY 600 mn.** With a daily production capacity of 800 tons, the plant will be exporting its products to more than 100 countries. Dr. Abdelmalek Nasraoui, R&D Director of Schubert Group, the German supplier of the machinery, stated that the plant is one of the three most advanced confectionery plants in Europe. May 15, 2017

**The Law No. 7020 came into force on May 27, introducing a new amnesty for public receivables regarding the period before March 31, 2017,** including taxes, customs duties, social security premiums, and certain administrative fines. Accordingly, for tax receivables that have not been paid in time, the tax loss penalty will be waived if the taxpayer pays the principal plus interest calculated according to the Producer Price Index. It is possible to pay the required amounts in 6, 9, 12 or 18 equal instalments every two months. In order to benefit from the tax amnesty, taxpayers must apply to the relevant tax office by June 30, 2017. May 27, 2017

[Recommend to a friend](#)

---

## ▶▶ 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.

### Our Services:

[Market Research](#)

[Market Visit](#)

[Recruitment](#)

[Employee Leasing](#)

[Company Formation](#)

[Location Search](#)

[Financial Services](#)

[Business Partner Search](#)

[Supplier Search](#)

[Management Consulting](#)

[Support for Consulates and Chambers of Commerce](#)

[Seminars](#)

## ▶▶ 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](http://www.fmconsulting.com)

[info@fmconsulting.com](mailto:info@fmconsulting.com)

### **Contact**

English: +90-212-3638 055

German: +90-212-3638 052

Turkish: +90-212-3638 050