



▶▶ Newsletter Turkey July 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

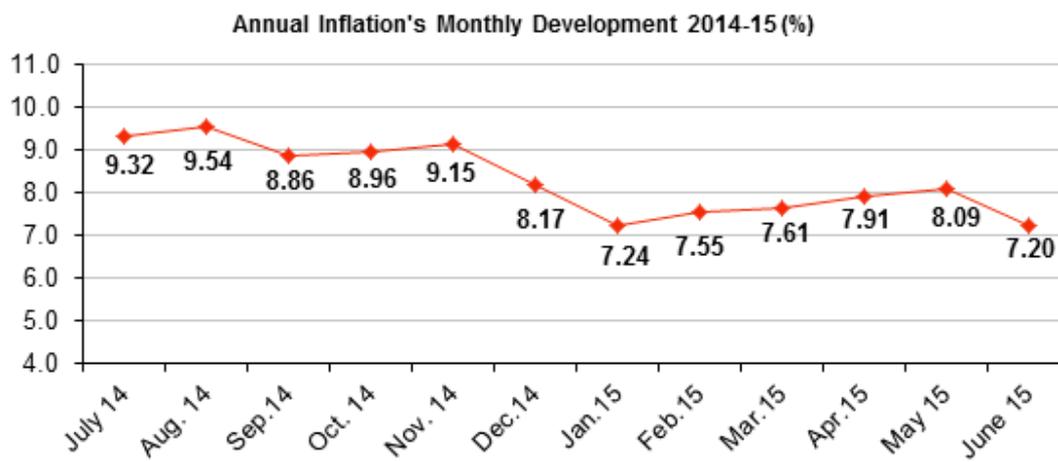
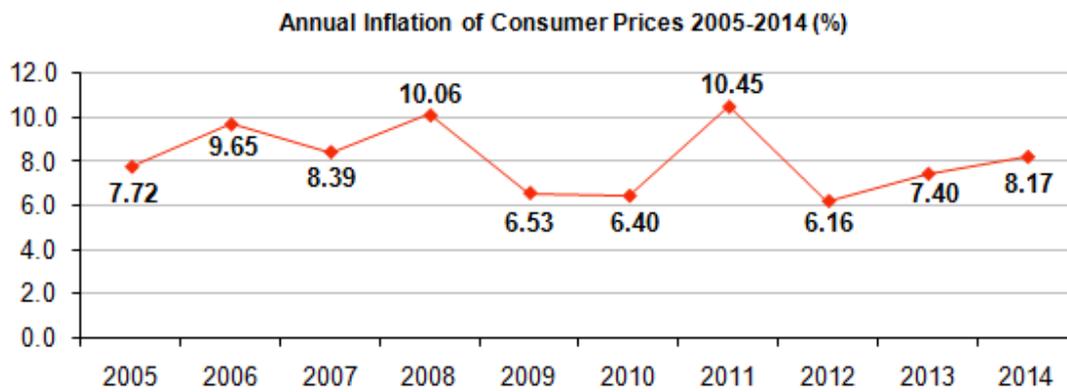
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▶▶ Economy

Overview of Monthly Data

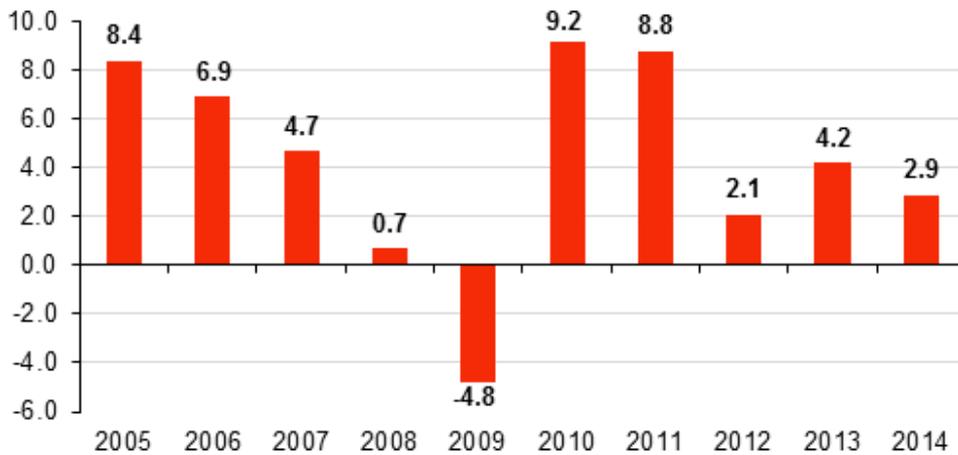
TL-Rates	29.05.2015	30.06.2015	Change in %
TL per Euro	2.9199	3.0036	2.87
TL per USD	2.6635	2.6898	0.99
Stock exchange index	82,981.10	82,249.53	-0.88

Inflation in %	Monthly inflation	Annual inflation
Producer prices	0.25	6.73
Consumer prices	-0.51	7.20



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	4.9	2.3	1.9	2.6	2.9
2015	2.3				



Inflation forecasts raised

In June, consumer prices in Turkey decreased by 0.51% over the previous month, and increased by 7.20% compared to the same month previous year, according to data released by the country's Statistical Institute (TurkStat). The highest monthly increase was 2.64% in recreation and culture, followed by hotels, cafes and restaurants with a 1.09% increase, and miscellaneous goods and services with a 0.79% increase. The highest decrease observed was 2.79% in food and non-alcoholic beverages, while the indices for clothing and footwear declined by 1.32%, and for furnishings and household equipment by 0.09%. The domestic producer price index increased by 0.25% on a monthly basis, and by 6.73% over the same month previous year. A Reuters survey of 17 economists forecasts an average annual increase of 7.7% for 2015, far above the Turkish Central Bank's updated estimate of 6.8%.

June 26 & July 3, 2015

Growth of Turkish economy in Q1 2015 beats expectations: 2.3%

The Turkish economy grew by 2.3% in the first quarter of the year, compared to the same period of the previous year, exceeding expectations by around 1.6%. The GDP reached TRY 30,089 million at constant prices. According to data released by Turkstat, the services sector, with a growth of 4.1% at constant prices, has been the main contributor to the GDP growth, followed by the agriculture sector by 2.7%, while value added of the manufacturing industry remained unchanged over the same period. GDP calculation by expenditure approach shows that the household final consumption expenditure grew by 4.5%, the government final consumption expenditure by 2.5%, and imports of goods and services by 4.1%, while the net value added of exports fell by 0.3% at constant prices.

June 11, 2015

Turkey's exports decline 19% in May 2015

Turkey's exports in May 2015 were USD 10.82 billion, 19% lower than in the same month previous year, according to an announcement from the Turkish Exporters' Assembly (TIM). The fall in the first 5 months of the year amounted to 8.3% compared to the same period of 2014. The problems related to the euro-dollar parity still continue, stated TIM president Mehmet Buyukeksi, adding that last month's strikes in the automotive sector also negatively affected Turkish exports. The top 5 countries Turkish exports went to in May were Germany, the UK, Iraq, Italy, and the USA. In the first 5 months, the Turkish exports to Iraq dropped by 27%, to Russia and Ukraine by 37%, and to Libya by 40%.

June 2, 2015

Unemployment rate in Turkey drops 1% in April

The unemployment rate in Turkey fell to 9.6% in April from 10.6% in March 2015, the lowest figure since June 2014. In April, 2.82 million people aged 15 and older were out of work, 242,000 more compared to the same month previous year, whereas 26.64 million were employed. The youth unemployment rate in the 15-24 age group amounted to 17% with a 1.5% increase. The employment rate was 46.2% with a 0.1% increase, and the labour force participation rate stood at 51.1%. Of those with employment in this period, 52.1% were employed in services, 20.7% in agriculture, 20.0% in industry, and 7.2% in construction.

July 15, 2015

Politics

Thousands flee from Syria to Turkey

Thousands of people have poured from Syria into Turkey, fleeing the aerial bombardment by the United States and Arab allies as well as the pressure from Kurdish groups. Those who have relatives in Turkey were sent to stay with them, while others who have no place to stay were located in camps of the Disaster and Emergency Management Authority (AFAD). Officials also reported that some ISIL militants were arrested while trying to illegally break through. During his meeting with Anne Brasseur, President of the Parliamentary Assembly of the Council of Europe (PACE), Turkish Foreign Affairs Minister Mevlut Cavusoglu stated that the USD 300 million in international aid Turkey received amounted to nothing, and underlined that this burden has to be shared internationally.

June 16, 2015

Turkey's former President Demirel dies at age 90

A state funeral and three days of mourning have been declared for Turkey's ninth President Suleyman Demirel, who died of heart failure at the age of 90. Demirel, who was one of Turkey's most prominent centre-right political figures, dominated Turkish politics for much of the past half-century. Having served seven terms as prime minister between 1965 and 1993, and as president from 1993 to 2000, he escaped an assassination attempt and suffered two military coups. The funeral prayer for Demirel was performed in Kocatepe Mosque, Ankara, and another ceremony took place in the ex-president's home town in the province of Isparta, where he was buried.

June 18, 2015

Turkey's National Security Council meeting on developments in Syria

Turkey's National Security Council (MGK), chaired by President R. T. Erdogan, discussed recent developments in northern Syria at its June meeting in Ankara. A statement was issued after a 4-hour meeting, saying that the MGK members had assessed the events taking place in Syria, considered the possible threats, and discussed additional security measures along the border. The Council also expressed its concern about attempts to change the demography in the region as well as terrorist attacks targeting the civilians of the region. Also the statement underlined that Turkey's struggle against any illegal entities including the so-called "parallel structure" will continue. The MGK, founded after the 1960 coup, plays a decision-making role on major issues for the country. It consists of the President, the prime minister and ministers, top military commanders, the head of the National Intelligence Agency (MIT), and other senior bureaucrats.

June 30, 2015

President Erdogan assigns PM Davutoglu to form the new government

Turkish President Recep Tayyip Erdogan has assigned the acting Prime Minister and leader of the Justice and Development party (AKP) Ahmet Davutoglu to form the next government, over a month after the 7 June elections. Since none of the parties gained a majority, a coalition has become inevitable. If a coalition government is not formed within 45 days, Erdogan has the right to call snap new elections. According to the last election results, AKP lost its overall majority for the first time since coming to power in 2002, holding 258 seats in the 550-seat parliament. The Republican People's Party (CHP) has 132 seats, and the Nationalist Movement Party (MHP) and pro-Kurdish People's Democratic Party (HDP) have both 80 seats. After Davutoglu's first round of meetings with all three opposition parties in the first week, only CHP showed interest in forming a coalition with AKP while insisting on several conditions. On the other hand, officials from MHP refused to enter a coalition with the AKP. "An alliance in a coalition with HDP does not seem to be on the

agenda," Davutoglu told after the meeting with HDP leaders. All parties have demanded a diminished role for the president as a precondition for any coalition deal.

July 9, 10, 16, 2015

Turkey hits both ISIL and PKK camps

Following heightened assaults on Turkish soil, the Turkish air force has attacked positions of both the Islamic State of Iraq and the Levant (ISIL) in northern Syria and the Kurdistan Workers Party (PKK) in northern Iraq. Turkish troops have been sitting on the Syrian border for two years as ISIL militants were threatening the safety of the region, but avoided fighting until recently. "If need be, Turkey's operations will continue until the terror organizations' command centres, all locations where they plan attacks against Turkey, and all warehouses storing arms to be used against Turkey are destroyed," Turkish PM Davutoglu said. Turkey, as a member of NATO, has already pledged support to its allies in the fight against ISIL.

July 24, 2015

Other topics

Islamic Bank Asya completely transferred to Turkish state fund

Turkey's Banking Regulation and Supervision Agency (BDDK) has decided to completely turn over the Islamic lender Bank Asya to the Savings Deposit Insurance Fund (TMSF). The BDDK had ruled on Feb. 3 for management control of 63 percent of the privileged shares held by A-type shareholders be transferred to TMSF. The Turkish stock exchange, Borsa Istanbul (BİST), in a statement to the Public Disclosure Platform (KAP) stated that the shareholders of Bank Asya still own the bank. BIST regulators lifted the ban on the trading of Bank Asya's shares one day after it was halted. The bank's shares had lost 9.21% in value on the same day.

June 1&2, 2015

HSBC to exit Turkish market after 25 years

International banking giant HSBC is to sell off its Turkey operation after 25 years. The world's 3rd largest and Turkey's 12th largest bank, HSBC wasn't able to reach its targets for commercial credits and personal banking in the Turkish market and has declared a net loss of TRY 55.9 million (EUR 18.6 mn) in fiscal 2014. HSBC is in talks to sell its operations in Turkey to Bahrain's Arab Banking Corporation (ABC), but there have been non-binding proposals also from other international banks including the French lender BNP Paribas, and ING of the Netherlands, and interest from Chinese ICBC.

June 10, 2015

Turkey's first chip factory

Ermaksan have succeeded in producing of microchips after 7 years of secret research and development work. The company collaborated with 6 local universities (METU, ITU, Cumhuriyet, Bilkent, Gazi and Uludag) and Virginia Commonwealth from the USA and invested a total of EUR 30 million. The Company's CEO Ahmet Ozkayan stated that they will start serial production by the end of the year, and that their production capacity is enough to meet Turkey's microchip demand. The microchips that Ermaksan will produce can be used in a wide range of applications from detectors and lighting to multilayer solar batteries.

June 11, 2015

Import tariffs on furniture increased 50%

With the intention to prevent the inflow of cheap Chinese furniture, the Turkish government has decided to increase tariffs on furniture and carpets by up to 50%. Importers including chains like IKEA, Crate and Barrel, Koctas (B&Q), Migros, and Carrefour held an emergency meeting where they decided to protest the raise. Swedish IKEA has already cancelled more than 550 import items. The tariff hikes do not include regions with which Turkey has a customs union and free trade agreements, such as the European Union, South Korea, and Israel. Meanwhile, Davut Dogan, a furniture sector representative from the Union of Chambers and Commodity Exchanges of Turkey, welcomed the government's protection policy, stating that about 35,000 furniture makers in Turkey suffer because of the cheap Chinese furniture.

June 12, 2015

Turkey's Top 500 Industrial Enterprises

According to the report Turkey's Top 500 Industrial Enterprises - 2014 released by the Istanbul Chamber of Commerce (ISO), energy giant TUPRAS tops the list, followed by two automotive manufacturers, Ford Otosan and Oyak Renault, home appliances producer Arcelik, and power generation company EUAS. TUPRAS, which has been holding the top place since 2005, earned TRY 37.5 billion (USD 13.8 billion) of turnover in 2014. The total of the 500 companies' 2014 operating margins decreased by 16.4% to USD 11.02 billion compared to the previous year, although their net sales increased by 3.9% to USD 174 billion. 52.5% of the real operating income of the top 500 firms was spent on financing.

June 17, 2015

Other Headlines

- Japanese Mitsubishi Corp. has invested USD 80.5 million in the Turkish energy company Calik Enerji Sanayi ve Ticaret AS, stating that they may increase their current 10% share in the company in the future. June 4, 2015
- An agreement for a record-high credit of USD 5 billion was reached by 8 Turkish banks and Deutsche Bank to finance the Istanbul-Izmir highway project. The highway, when completed, will cut the driving time between the two cities to 3.5 hours. June 6, 2015
- 81,542 motor vehicles were sold in Turkey in May, an increase of 40.3% compared to May 2014, according to data released by Turkey's Automotive Distributors Association. In the first 5 months of the year, combined sales reached 346,392 units with an increase of 52.8%. June 7, 2015
- Turkish Airlines was ranked the world's no. 4 airline and received 4 prizes in the 2015 World Airline Awards by Skytrax, the world's largest airline and airport ranking authority: Best Airline in Europe, Best Airline in Southern Europe, Best Business Class Airline Lounge, and Best Business Class Lounge Dining. June 16, 2015
- Strong expectations that investments in solar energy will grow fast in Turkey have resulted in early preparations for the Solarex Istanbul Fair 2016. June 18, 2015
- The volume of e-commerce in Turkey increased 35% in 2014 to reach USD 7 billion, which represents 1.6% of the total retail business in the country, says the Informatics Industry Association (TUBISAD). June 25, 2015
- The Turkish construction sector has shrunk 3.5% in the first quarter of 2015, according to a report by the Association of Turkish Construction Material Producers (IMSAD). June 25, 2015
- White goods sales in Turkey have increased by 11.4% to 2,625,428 units in the first 5 months of 2015 compared to the same period of the previous year. June 29, 2015

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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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