



FM CONSULTING

▶▶ Newsletter Turkey February 2016

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

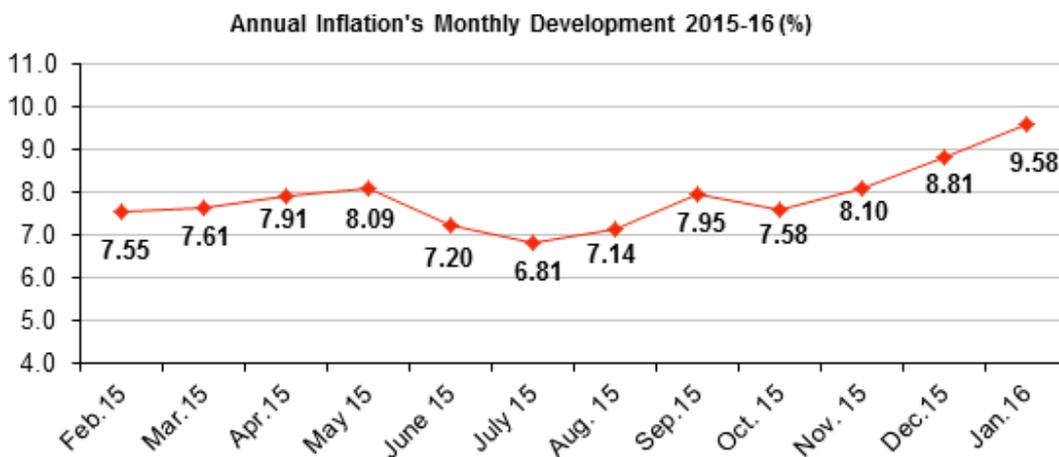
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▶▶ Economy

Overview of Monthly Data

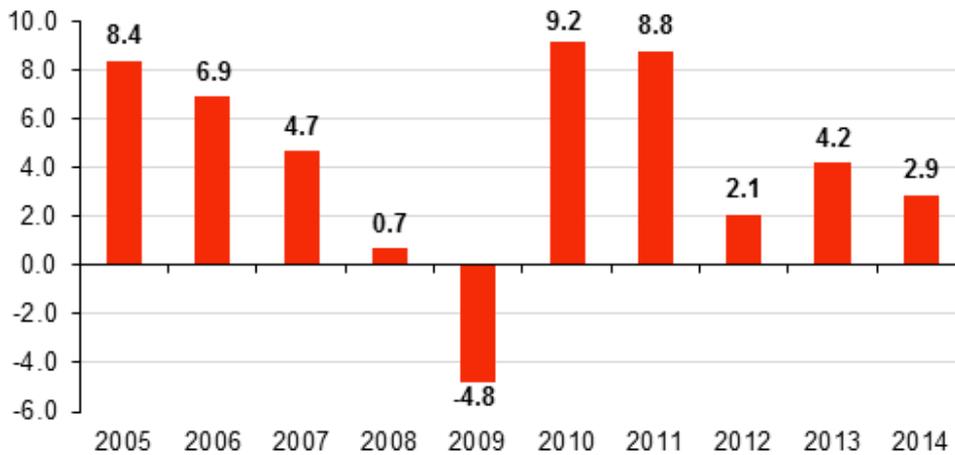
Exchange Rates	31.12.2015	29.01.2016	Change in %
TRY per Euro	3.1896	3.2292	1.24
TRY per USD	2.9233	2.9662	1.47
Stock exchange index	71,726.99	73,481.09	2.45

Inflation in %	Monthly inflation	Annual inflation
Domestic producer prices	0.55	5.94
Consumer prices	1.82	9.58



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	4.0		



Inflation continues to increase

In January, consumer prices in Turkey increased by 1.82% over the previous month, and by 9.58% over the same month previous year. The main reason of the increased inflation was that the upward trend in both food prices and exchange rates persisted. The highest monthly increase was observed in alcoholic beverages and tobacco (9.60%). The monthly index increased 4.28% for food and non-alcoholic beverages, 2.71% for miscellaneous goods and services, 2.42% for health, and 2.09% for recreation and culture. The CPI declined only for clothing and footwear by 6.71%. Having declined in the last 3 months of 2015, D-PPI showed a slight increase in the beginning of the year. The domestic producer price index (D-PPI) increased by 0.55% compared to the previous month, and by 5.94% compared to the same month of the previous year.

February 3, 2016

Turkish unemployment rate 10.5% in November

In November, 3.125 million people in Turkey aged 15 and older were out of work, 29,000 more than in the same month of 2014. The unemployment rate was 10.5% with a decrease of 0.2% compared to the same month previous year. The youth unemployment rate in the 15-24 age group amounted to 19.1%, and the labour force participation rate stood at 51.2%. Of those with employment in this period, 53.1% were employed in the services sector, 20.1% in industry, 19.3% in agriculture, and 7.5% in construction. It is difficult to reduce the unemployment rate below 10% in Turkey without reforms that will increase flexibility in the labour market, Minister Simsek said in his speech after the launch of the World Bank's World Development Report for the year 2016.

February 15-16, 2016

Turkey's exports below 2012 figures

Turkey's 2015 exports amounted to only USD 143.73 billion, an 8.7% decline from last year, as per data released by the Turkish Exporters' Assembly (TIM). The annual exports figure dropped to its lowest level since 2011. In December, monthly exports decreased by 12% compared to the same month previous year, to USD 11.5 billion. According to TIM, the decline in exports was due to a shrinking global trade volume, while on the other hand the country's share in global sales grew for the first time in 2015, to 0.09%.

January 5, 2016

Turkish government revises 2016-2018 medium-term economic programme

The Turkish government has increased its growth forecast for 2016 from 4% to 4.5%, and its annual inflation forecast to 7.5% from 6.5%. The government also set the target of reducing unemployment to 9.6% by the end of 2018. Mehmet Simsek, deputy prime minister in charge of the economy, underlined that the key priorities of this programme are financial discipline and stronger public finances to enable an increase in growth potential, a lower inflation, and a smaller current account deficit.

Revised MTP Targets

	2014	2015	2016	2017	2018
GDP growth	2.9	4.0	4.5	5.0	5.0
GDP (TRY bill.)	1,747	1,963	2,207	2,489	2,770
GDP per capita (\$)	10,390	9,286	9,364	10,030	10,659
CPI (%)	8.2	8.8	7.5	6.0	5.0
CAB / GDP (%)	-5.8	-4.4	-3.9	-3.7	-3.5

January 12, 2016

▶▶ Politics

Trade on Turkey-Iraq border crossing back to normal

Turkey's Habur gate with Iraq, which had been closed for 22 days due to curfews and clashes in the area, has been reopened under limited conditions, allowing only 500 vehicles to cross from

Turkey into Iraq, and only 750 vehicles to enter Turkey from Iraq. Priority was given to trucks carrying fresh produce. Before the reopening of the gate, some 13,000 trucks had piled up at the Habur gate, and some 9,500 on the Iraqi side. The loss of exports during the period of closure is estimated to be around USD 500 million. The Customs and Trade Ministry has completed 70% of the works to open four new border gates, which are expected to facilitate additional trade between the two countries worth USD 10 billion annually.

January 5-19, 2016

36 more dead refugees on Turkish beaches

Turkish Coast Guard officials have recovered the bodies of at least 36 migrants, including children and a pregnant woman, who drowned off the Aegean coast when an inflatable boat sank; 12 refugees were rescued. Officials said the migrants were of Syrian, Afghan, Iraqi, and Algerian nationalities. Turkey's Aegean provinces are prime spots for refugees trying to leave Turkey for the EU, as there are several Greek islands very close to the Turkish coast. The International Organization for Migration estimates that at least 805 refugees died in the Aegean Sea in 2015, whereas more than 847,000 succeeded to arrive in Greece by sea over the year. Harsh winter conditions do not seem to deter thousands of refugees from heading to Europe through Turkey.

January 6, 2016

Turkey a safe port for investment, says Turkish PM

Turkish Prime Minister Ahmet Davutoglu addressed potential investors at the 16th Turkey Investment Conference in London. He pointed out that Turkey has achieved 50% of the EU's economic development criteria, adding that Turkey has maintained budget discipline and the country's banking sector is very strong. Davutoglu also dwelled on the political situation in Turkey's neighbouring countries, underlining that Turkey's economic reform agenda offers the best hope for investors looking for opportunities in a problematic global economy despite the negative trends in its region.

January 19, 2016

Turkey ends terror operations in the Southeast

Turkish security forces successfully ended the operations targeting Kurdistan Workers' Party (PKK) militants in the southeastern town of Cizre, said the country's Interior Minister Efan Ala, adding that control has been established over the area. However, for 8 days following the operation, a curfew was imposed banning residents from leaving their homes and preventing observers from entering the town.

February 11-16, 2016

▶▶ Other topics

CE-marked products go under inspection at Turkish customs

Since the regulation regarding the imports of CE-marked products into Turkey was changed at the end of 2015, the rate of forwarding to inspection has increased up to 80-90%, from 5-10%. Products originating from the EU countries used to be exempt from CE inspection before the change in the regulation. The recent change was intended to prevent transit imports (imports of goods originating from countries out of the customs union through Europe). However, imports originating from EU countries have also been affected. The inspection delays imports and puts a strain on customs brokers. The Turkish Standards Institute is the only organization authorized to carry out the inspections, and since they are overstretched, it takes at least 3–4 days to get an appointment.

January 5, 2016

M&A activity in Turkey increases against all odds

According to Deloitte's 2015 Mergers & Acquisitions (M&A) report, the Turkish M&A market recorded a total volume of some USD 16.4 billion through 245 transactions. Despite political uncertainty and a weakened growth pace, the Turkish market was still attractive to foreigners. The total deal volume generated by foreign investors increased by 44% compared to the previous year, reaching 70% of the total M&A volume activity during the year. Unlike in previous years, the privatization activity remained very low with few deals and only a small portion of the total deal size, whereas the private sector deal volume was the highest in the last three years.

January 7, 2016

New reform package to boost R&D in Turkey

The Turkish government has announced a new incentive package to boost investment in innovation and to increase the production of higher value-added goods in the country. The reform package aims to increase the share of R&D activities in the GDP from 1% to 3%. The package also aims for stronger university-industry cooperation, and a higher number of technology companies. With the package, the number of R&D employees for a company to benefit from the incentives was reduced to 15 from 30. Moreover, for the employees working in R&D centres the portion of the salaries corresponding to the minimum wage will be financed by the government for the next two years. 50% of the cost of the machinery and equipment to be employed in R&D activities will be granted by the state, and R&D companies will be exempt from income tax, stoppage tax, and stamp tax.

January 15, 2016

Turkey and Georgia to intensify trade relations

A Georgian delegation headed by the Minister of Finance, Nodar Khaduri, has met with a Turkish delegation headed by the Minister of Customs and Trade, Bulent Tufenkci, to sign the Protocol on Electronic Data Exchange in the Framework of the eTIR Pilot Project. This project aims to lower the logistics costs while accelerating trade proceedings between the Turkish and Georgian customs authorities. The delegations also discussed issues including the operating hours of the Cildir/Aktas border check-point, enhancing the trade volume between two countries, maintaining cooperation in the Silk Road Project, organizing a trilateral meeting between Turkey, Georgia, and Azerbaijan, and intensifying cooperation in the field of anti-smuggling.

January 26, 2016

Turk Telekom adopts unified brand, drops Avea and TNet

Turkey's landline telephony provider has consolidated its various business lines under a single brand, merging its mobile operator brand Avea and the ISP and TV provider brand TNet under the Turk Telekom brand with a new logo. "We aim to strengthen our multi-play offer by delivering all our products and services under single 'Turk Telekom' brand from our integrated sales channels to serve the evolving telecommunication needs in Turkey in the most effective way," the company statement said. CEO Rami Aslan stated that other telco giants like AT&T and Deutsche Telekom also started such brand integration but some were not able to complete this, adding that Turk Telekom has done it in 2 years. Turk Telekom, the formerly state-owned Turkish telecommunications company, had been separated from the Turkish postal service (PTT) in 1995, and privatized to Oger Telecom in November 2005.

January 27, 2016

Turkey's population reaches 78.7 million

Turkey's population has grown by 1.45 million people to 78,741,053 as of Dec. 31, 2015, according to the Address-Based Population Registration System (ADNKS) of the Turkish Statistics Institute (TurkStat). From 2014 to 2015, the annual population growth rate increased from 13.3 to 13.4 per thousand, and the median age of the population rose from 30.7 to 31. Currently 50.2% of the population is male and 49.8% female. Istanbul being the most populated city in Turkey with more than 14.6 million people (18.6% of the total population) is also the most densely populated, with 2,821 people per square kilometre.

January 29, 2016

Turkish Airlines signs long-term agreement with Boeing

Turkey's national air carrier Turkish Airlines (THY) and U.S.-based aviation giant Boeing have signed a long-term collaboration agreement aiming to strengthen the airline's market leadership as well as the aviation and space technology capabilities of Turkey. In the agreement, several potential new areas of co-operation were identified, including the expansion of Boeing's already significant investments with Turkish industry. The agreement was signed by THY Chairman, Ilker Ayci, and Boeing's CEO, Ray Conner.

January 29, 2016

Other headlines

- While the size of the global air cargo sector has diminished by 1%, the Turkish air cargo sector has increased by 13%, said the vice president of Turkish Cargo. In 2016, Turkish Cargo will enter the courier business in cooperation with the Turkish postal service, PTT.
January 11, 2016
- Provided that reforms are carried out, growth will accelerate and Turkey will be able to attract USD 20–30 billion in foreign investments, Deputy Prime Minister Simsek said at a meeting of the Independent Industrialists' and Businessmen's Association (MUSIAD).
January 13, 2016
- The e-TIR Pilot Project between Turkey and Iran has been presented to public with a joint press conference. The aim of the project is to develop the exchange of customs-to-business electronic data. February 5, 2016

▶▶ 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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