

## ▶▶ Hello!

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

We welcome your feedback on this Newsletter or any aspect of the services we offer.

Please email your thoughts and comments to: [info@fmconsulting.info](mailto:info@fmconsulting.info)

Best regards,  
Your FMConsulting Team

## ▶▶ Economy

### Overview of Monthly Data

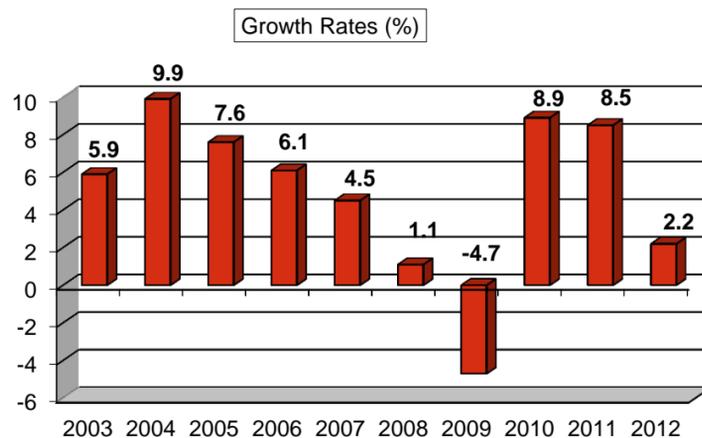
TL-Rates	29.11.2013	31.12.2013	Change in %
TL per Euro	2.7504	2.9397	6.88
TL per USD	2.0211	2.1343	5.60

Stock exchange index	75,748.30	67,801.60	-10.49
----------------------	-----------	-----------	--------

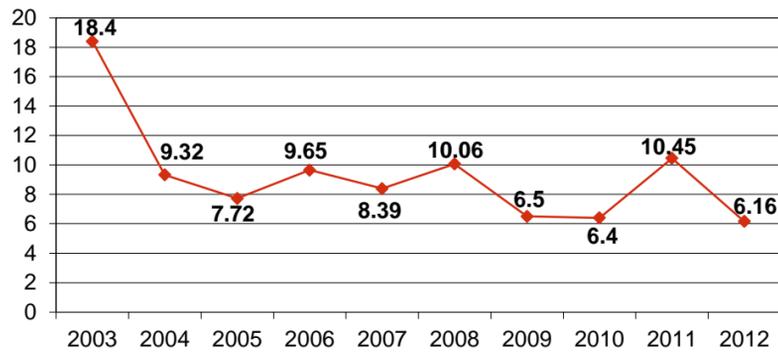
Inflation in %	Monthly inflation	Annual inflation
Producer prices	1.11	6.97
Consumer prices	0.46	7.40

### Growth Rates

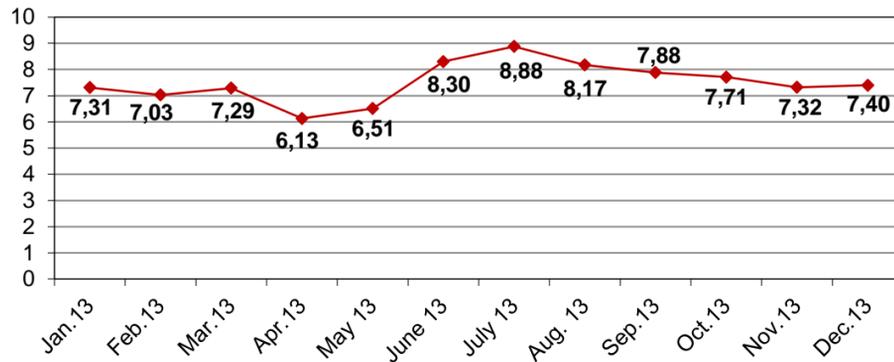
Economic Growth Rates (%)					
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
2000	4.2	5.4	7.2	7.8	6.3
2001	-3.3	-12.3	-9.1	-12.3	-9.5
2002	0.6	10.4	8.0	11.8	7.9
2003	7.4	3.6	5.6	7.2	5.9
2004	13.9	15.7	8.0	6.6	9.9
2005	7.5	4.7	8.0	10.0	7.6
2006	6.3	9.3	4.3	4.6	6.1
2007	8.1	4.1	3.3	3.6	4.5
2008	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	3.0	4.5	4.4		



Annual Inflation of Consumer Prices (%)



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



#### Record-high Turkish exports in November

The Turkish Exporters' Assembly (TIM) has announced that Turkey's exports reached USD13.8 billion in November, increasing by 8.8% over the same month of the previous year. According to data published by TIM, this is the highest monthly export volume Turkey has achieved in its history. Despite this record monthly figure, the 11 months' total exports decreased to USD138.3 billion, 0.3% less than in the same period of last year. The automotive sector was leading in exports with a volume of USD2.77 billion, followed by the ready-wear sector, and the chemicals sector. As to target markets, the increase in Turkish exports to the EU continued with a 9% rise, while exports to the Far East, the Middle East, the Commonwealth of Independent States, and Africa also climbed by 21%, 14%, 6%, and 4%, respectively. TIM Chairman Mehmet Buyukeksi pointed out that the continual increase in Turkish exports to the EU is a sign of increased demand in the region, which is promising for Turkish exporters.

December 3, 2013

#### November inflation below expectations

According to the Turkish Statistical Institute (TurkStat), monthly inflation increased by 0.01% in consumer prices, and 0.62% in producer prices in November. Annual inflation declined to 7.32% in consumer prices, and 5.67% in producer prices. At the beginning of 2013, the anticipated consumer price index (CPI) was 5.3%, and then was revised up to 6.8% in the government's medium-term programme (MTP) published in October. For this anticipation for 2013 to be realised, the monthly CPI for December will have to be -0.5%.

December 4, 2013

#### Turkish economy growth beats expectations also in third quarter: 4.4%

According to third quarter figures released by TurkStat, the Turkish economy registered 4.4% growth compared to the same quarter of the previous year, reaching TRY33,033 million at constant prices or USD211,252 million at current prices. Growth has been continuing uninterruptedly for 16 quarters. The growth rate of the first and second quarters were revised up by 0.1 points each to 3.0% and 4.5%, respectively. The growth rate of GDP with production approach in the first nine months of the year amounted to 4.0%. The main contributor to the third-quarter growth was private consumption which increased by 5.1%. Only 2.5% growth will suffice in the fourth quarter in order to attain the 3.6% growth forecast in the MTP.

December 11, 2013

#### 9.9% unemployment in September

By the end of the third quarter of 2013, Turkey's unemployment rate stood at 9.9%, with a 0.8% increase over the same month of the previous year, and a 0.1% increase over August 2013. The number of unemployed reached 2.83 million, increasing by 292,000. However, the employment figures rose from 25.6 million a year ago to 26.3 million this September. Economy Minister Zafer Caglayan underlined that although Turkey's unemployment rate is lower than that of EU countries, it is still too high, adding that the government aims at pulling it down to a level of 5-6%.

December 17, 2013

### **Central bank prepares to sell foreign exchange reserves**

Erdem Basci, the Governor of the Central Bank of the Republic of Turkey, has stated that although no specified targets have been set for exchange rates, precautions are being taken against extreme volatility. During his speech in which he explained the Bank's 2014 money and foreign exchange policies, he revealed that the CB will be selling at least USD6 billion by the end of January. Basci added that the markets are being affected by the internal developments of last week rather than the statement of the Fed. He also pointed to the growth rate of consumer credit loans and stated that the CB aims to gradually reduce this rate to 15% from its current level of close to 30%.

December 25, 2013

## Politics

### **Kyrgyz President hosts Turkish businessmen in Bishkek**

Kyrgyz President Almazbek Atambayev hosted a delegation of Turkish businessmen led by the Chairman of the Turkish Union of Chambers and Commodity Exchanges (TOBB) and the Foreign Economic Relations Board, Rifat Hisarciklioglu, who were in the country to attend the Turkish-Kyrgyz Business Forum. During his speech, the President said: "We must not forget our past, otherwise we will lose our future. We are all Turks, and I hope we will build the Turkish union in the future." He also stated that he is not sure whether the European Union will accept Turkey's membership or not. Referring to a conversation he had with Russian president Putin, he suggested establishing a union reaching from Ankara to Russia, and from Astana to Ankara. Hisarciklioglu praised Kyrgyzstan for its efforts towards democracy, free market transition, and integration into the global economy, assuring Turkey's support in the process."

December 4, 2013

### **A chance to lift visas for Turkish nationals travelling to the EU**

Turkey and the European Union have launched a dialogue on visa liberalisation, and signed the Readmission Agreement in Ankara. Under the agreement, Turkey will be obliged to take back, within 3 years, any illegal migrants from third countries who have reached EU territory having transited from Turkey. If during those 3 years Turkey fulfils all its obligations, there will be a referendum on the lifting of visa requirements for Turkish nationals travelling to the Schengen countries. By entering into this agreement, the EU has also made certain commitments: Until the visas are lifted, EU will ease the visa process for Turkish nationals by lowering the fees for visa applications, supplying visas valid for longer periods and multiple entries, and processing visa applications within 15 days at most.

December 17, 2013

### **At least 50 detained in corruption probe**

In three separate investigations on "money laundering", "bribery", and "gold smuggling", at least 50 people were detained in Ankara and Istanbul. Among the detainees are sons of government members as well as officials and prominent businessmen. The detentions were made on accusations of giving, facilitating or receiving bribes for state projects and construction permits for protected areas. In the centre of the operation is Iranian-Azeri businessman Reza Zarrab, who is accused of illegal money transfers to Iran via Halkbank, a state-owned bank, as well as paying bribes to government members and bank executives to aid him.

This corruption operation has sent shock waves throughout the country which led to a 5.2% fall of the stock market and sent exchange rates soaring. The main opposition party as well as one of the three ministers who resigned called for the prime minister's resignation. Prime Minister Erdogan, speaking in Konya where he was attending an opening ceremony, stated that during 11 years in power the Justice and Development Party (AKP) has always worked for the common good, and that they will continue to serve the public. "The 21st century will be Turkey's century, and there will always be people trying to stop or slow down this process", Erdogan added. A spokesperson for AKP said all must be done to shed light on the truth. In the social media, there were many comments about the reason of these operations being a conflict between the AKP and the "Service" movement, the Islamic community led by Fethullah Gulen.

One week into the probe, Deputy Prime Minister Ali Babacan issued a statement regarding the financial loss caused by the operations, stating that the total value of the public companies has dropped by USD20 billion.

December 18-23, 2013

### **Prime minister replaces most members of cabinet**

On the night of 25<sup>th</sup> December, Prime Minister Erdogan announced changes in the Cabinet. After his meeting with President Gul, Erdogan reassigned 10 portfolios, underlining that some of these changes was due to the requests from the ministers themselves after the recent developments whereas some other ministers had to leave their posts because of their candidature for mayoralty in the March elections. The rest of the changes were at his discretion with the approval of the President, Erdogan stated.

December 26, 2013

# ▶▶ Other topics

## Trade relations with Iran take positive turn

The agreement between the USA and Iran that led to Iran scaling down its nuclear programme and in return the United States relaxing the embargo against Iran has begun to show positive effects on Turkish-Iranian trade relations. Iran has ceased to apply double transit fees to Turkish carriers, which is expected to increase transportation to Iran by 40%. Furthermore, Iranian companies have been able to repay their loans following the revaluation of the Rial against the USD. It is reported that orders from Iran have surged in many sectors.

December 2, 2013

## Turkey's biggest challenge is external vulnerabilities

International credit rating institution Moody's has held its 7th Annual Turkey Credit Risk Conference in Istanbul following its latest report on Turkey's credit profile and the effects of the US Federal Reserve's (Fed) quantitative easing (QE) tapering programme on the country. Moody's Vice President and Senior Credit Officer Sarah Carlson stated that Turkey's economic potential is high but the biggest challenge to the country is external vulnerabilities. She also added that Fed's tapering is likely to have a limited impact on Turkey's economy that has sufficient buffers to withstand medium-term challenges. The Moody's analyst said a range of tools introduced since 2009 have strengthened Turkey against volatility in capital flows. Referring to the protests that arose at the beginning of last summer, Carlson said "The protests haven't changed our thoughts about Turkey.", adding that they consider the domestic political risk as representing a material risk in Turkey but already being embedded in the current rating.

December 4, 2013

## New credit opportunity for SMEs

In order to meet the financial needs of SMEs, the Turkish Credit Guarantee Fund (KGF) has signed a Co-finance Credit Programme Protocol with fifteen banks. According to the protocol, those companies whose projects are approved for grants from the Small and Medium Industry Development Agency (KOSGEB) can obtain convenient credits from the partner banks for the part of the financing that must be raised by the companies themselves. Starting from January 1st, 2014, the monthly interest rate for those credits has been defined as 1.09% regardless of its maturity date, and these interest rates are to be re-defined every 4 months.

December 9, 2013

## Manufacturing industry sales boom following VAT cut to financial leasing

A change in the law that regulates the VAT rates has become effective from December 1. The VAT rate on financial leasing was cut to 1% from 18%, showing immediate positive results with nearly 500 machines sold during the fairs in Bursa. The list of leased assets was also updated through the new regulation, with many assets including weaving and textile machinery, packaging machinery, forklifts, and concrete pumps having been added to the items subject to 1% VAT in case of ownership by financial leasing. The machine manufacturers believe that due to this new regulation which decreased the VAT rates of many items, investments will accelerate in 2014, with an estimated growth rate of 7% for the Turkish machinery sector in 2014.

December 13, 2013

## Insurance sector is the most profitable in Borsa Istanbul

As of the third quarter of 2013, net profits of insurance companies listed in Turkey's stock exchange market Borsa Istanbul have increased almost 755%. Insurance was also the sector that recorded the highest increase in sales (1,188%) during the first 9 months of the year. Total net profits of all companies listed in Borsa Istanbul increased 11.6% over the same period of last year. Despite the fact that the rise in operating profits was around 15%, the foreign exchange loss has pulled down the rate of increase in net profits.

Sectors	Increase in Profits (%)	Sectors	Increase in Sales (%)
Insurance	754.7	Insurance	1,188.0
Textiles	-	Intermediary institutions	98.6
Tourism	176.8	Real estate invest. trusts	71.7
Food & beverages	176.4	Food & beverages	47.8
Cement	52.2	Textiles	40.6
Intermediary institutions	33.2	Transportation	40.2
Iron & steel	31.9	Venture funds	30.7
Pharma & health	27.7	Cement	27.4
Real estate invest. trusts	22.5	Iron & steel	26.7
Automotive	19.0	Retail & food	25.8
<b>Total</b>	<b>11.6</b>	<b>Total</b>	<b>19.5</b>

December 16, 2013

### **IMF warning for Turkey: Economic imbalance may slow down growth**

The International Monetary Fund (IMF) has released its Staff Report for the 2013 Article IV Consultation, which contains a stern warning to Turkey. The report says that "Economic activity has accelerated, in part thanks to pro-cyclical macroeconomic policies. With domestic demand stronger, the current account deficit is widening again from a high level, and inflation remains well above target." It underlines that Turkey remains vulnerable to a sudden slowdown or stop in capital inflows, and that failure to address its imbalances could lead to 'systemic distress,' slowing the country's growth. The report also highlights that Turkey's monetary policy remains too loose given the inflation target despite higher interest rates, suggesting that the economic policy should clearly target a lower inflation.

December 23, 2013

### **Automobile sales booming**

Automobile sales in Turkey during the first 11 months of the year have increased by 18.53% over the same period of the previous year, reaching 563,456 units. There are three main reasons for this increase: The principal reason is the banking authority's (BDDK) decision to impose limits on the volume and number of car loan instalments, which will be effective from February 1<sup>st</sup>, 2014. Consumers who wanted to benefit from long-term instalments have preponed their purchasing decisions to 2013. Also, the expectation that the rise in the foreign exchange rate would be reflected in the prices in the new year prompted consumers to rush for cars with lower prices. The end-of-year campaigns of the automotive companies in order to melt down their 2013 stocks were also instrumental in the higher sales volume.

December 23, 2013

### **Occupational health and safety legislation**

The articles of Turkey's OHS Act 2012 (No. 6331) that oblige moderate and very high hazard workplaces with less than 50 employees to employ an Occupational Health and Safety (OHS) specialist and a workplace doctor enter into force from January 1, 2014. However, the number of specialists and doctors eligible to work under this regulation is insufficient. Almost all areas of the manufacturing industry are categorised as moderate and very high hazard workplaces. Instead of employing specialists and doctors, this obligation can be outsourced to companies called "joint health and safety units", but the number of such firms is yet inadequate.

December 25, 2013

### **Other Headlines**

- Nouriel Roubini, Chairman and Co-Founder of Roubini Global Economics, warned about housing bubbles in Turkish metropolises as well as in other developing countries. December 3, 2013
- Minister of Energy and Natural Resources Taner Yildiz stated that in order to overcome the problems regarding exports of Iraqi petroleum through Turkey, a committee between Iraq, Northern Iraq and Turkey will be established. December 3, 2013
- Following the approval of the law of reciprocity, the rate of foreigners buying real estate has increased from 2% to 6.5%, half of which are from the Middle East and the Turkic Republics. December 13, 2013
- Locally manufactured trains will be on rails by 2018 and will result in savings of USD2.5 billion, Transport Minister Binali Yildirim said. December 18, 2013
- The U.S. Ambassador to Turkey, Francis Ricciardone, met with main opposition Republican People's Party (CHP) leader Kemal Kilicdaroglu over a lunch held at the Embassy residence in order to exchange views on the CHP leader's recent visit to Washington, D.C. December 20, 2013



**FOREIGN MARKET CONSULTING Ltd. Sti.** is a German-Turkish consulting company. We specialize in providing competent consultancy services for foreign companies towards opening up to Turkish market, lastingly consolidating the market position and concluding strategic alliances between foreign and Turkish companies. If you need further information, please do not hesitate to contact Mr. Peter Heidinger.

#### **Our Services:**

- Market Research
- Business Partner Search
- Outsourcing Projects
- Company Foundation
- Recruitment Projects
- Employee Leasing
- Marketing Activities
- Sales Support
- Office Services
- Management
- Financial Services

**Foreign Market Consulting Ltd. Sti.** does not give any guarantee with respect to the correctness of individual figures and statements.

# ▶▶ Contact

**FOREIGN MARKET CONSULTING Ltd. Sti.**  
Peter J. Heidinger  
Partner, CEO

Büyükdere Mahallesi Cayirbasi Cad.  
Dede Yusuf Sok. No:11  
TR-34453 Sariyer-Istanbul  
Tel: +90-212-36 38 052  
Fax:+90-212-36 38 056  
[www.fmconsulting.info](http://www.fmconsulting.info)  
[info@fmconsulting.info](mailto:info@fmconsulting.info)

## Contact

**English:** +90-212-36 38 055  
**German:** +90-212-36 38 052  
**Turkish:** +90-212-36 38 050

# ▶▶ Newsletter

If you know anyone else who would be interested in receiving this free service, please send their email address to [newsletter@fmconsulting.info](mailto:newsletter@fmconsulting.info) and we'll add them to our distribution list. Alternatively, please feel free to forward this newsletter to them directly.