



# FM CONSULTING

## ▶▶ Newsletter Turkey July 2016

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  
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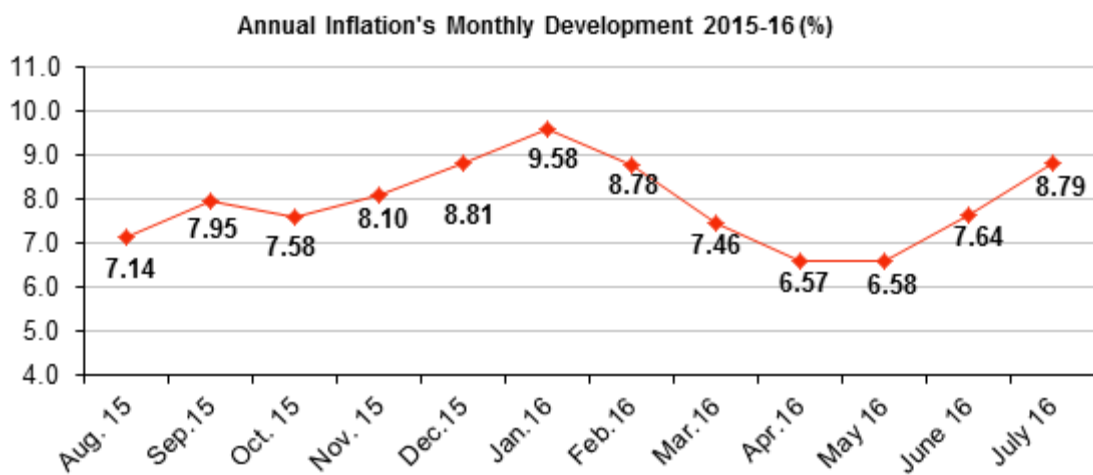
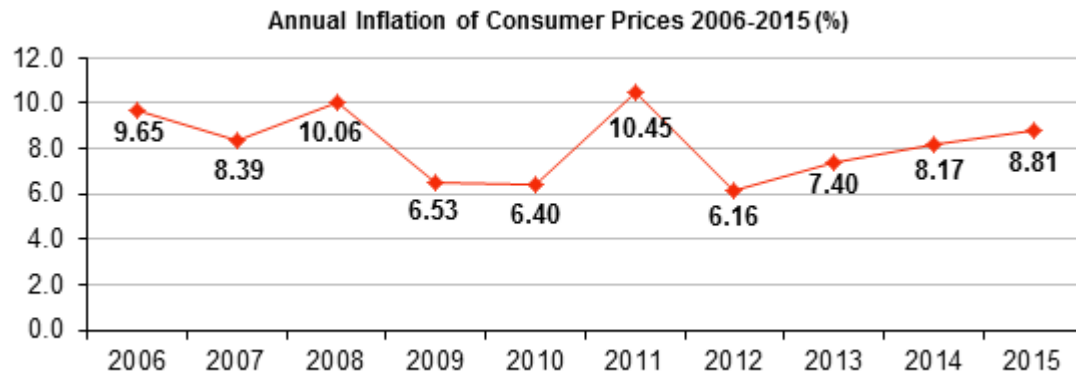
## ▶▶ Economy

### Overview of Monthly Data

Exchange Rates	30/06/2016	29/07/2016	Change in %
TRY per Euro	3.2135	3.3506	4.27
TRY per USD	2.8900	3.0180	4.43
Stock exchange index	76,817.19	75,405.53	-1.84

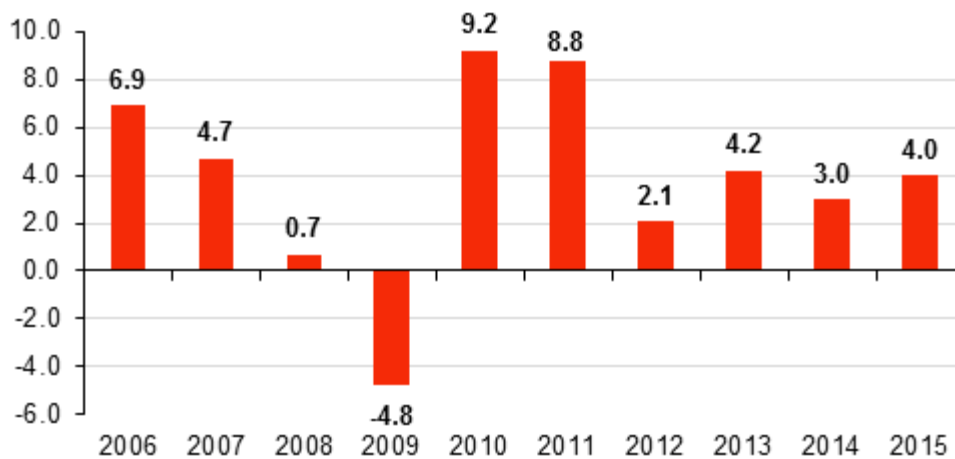
Inflation in %	Monthly inflation	Annual inflation
Domestic producer prices	0.21	3.96
Consumer prices	1.16	8.79

## Inflation



## 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	5.2	2.4	1.8	3.0	3.0
2015	2.5	3.7	3.9	5.7	4.0
2016	4.8				



### Turkish inflation continues to increase

In July, consumer prices in Turkey increased by 1.16% over the previous month, and by 8.79% over the same month previous year. The highest monthly increase was observed in alcoholic beverages and tobacco (7.05%). The monthly index increased 3.15% for food and non-alcoholic beverages, 1.38% for communications, 1.31% for miscellaneous goods and services and 1.22% for hotels, cafés, and restaurants. The monthly CPI only declined for clothing and footwear, by 4.14%. After having decreased in the first 4 months of 2016, the domestic producer prices have been increasing since May. The domestic producer price index (D-PPI) increased by 0.21% compared to the previous month, and by 3.96% over the same month of the previous year.

August 3, 2016

### Turkey's current account deficit narrows in May

According to the data released by the Turkish Central Bank, the country's current account deficit was down by one-third in May due to lower energy costs. The 33% year-on-year decline made the deficit shrink to USD 2.86 billion in May, from USD 4.27 billion in the same month previous year. The exports rose by 1% to USD 12.14 billion, while imports fell to USD 17.19 billion with a 3.8% decline.

July 14, 2016

### Turkish unemployment rate falls to 9.3% in April

In April, 2.824 million people in Turkey aged 15 and older were out of work, 3,000 more than in the same month of 2015. The unemployment rate was 9.3% with a 0.3 percentage point decrease compared to the same month previous year. Having peaked at 11.1% in January, the unemployment figures decreased for 3 months in a row. The youth unemployment rate in the 15-24 age bracket amounted to 16.0%, and the labour force participation rate stood at 52.0%. Of those with employment in this period, 53.6% were employed in the services sector, 19.5% in industry, 19.4% in agriculture, and 7.5% in construction.

July 15, 2016

## Politics

### **Failed coup attempt and its consequences**

A coup d'état attempted against Turkish President Recep Tayyip Erdogan and the Turkish government has been quelled with the help of the Turkish people who has been on duty for democracy on the streets since the attempt. The attempt was carried out by a fraction within the Turkish Armed Forces that operated under the name of "Peace at Home Council" and was linked to Fethullah terrorist organization (FETO).

The attempt, which started with the blockade of both of the bridges across the Bosphorus and raiding of some TV channels, had severe consequences. During the attempt, over 300 people were killed and more than 2,100 were injured. Official buildings, including the Turkish Parliament, were hit by bombs. In the aftermath, President Erdogan declared a three-month state of emergency. Mass arrests followed, with at least 6,000 detained, including at least 2,800 military personnel and 2,700 judges and prosecutors. 15,000 education staff were suspended and private institutions that are close to FETO were closed while the licenses of 21,000 teachers working at these private institutions were cancelled.

All four political parties in the Turkish parliament condemned the failed coup with a joint statement. Several international leaders, including those of the United States, NATO, and the European Union, called for "respect for the democratic institutions in Turkey and its elected officials." Turkish business leaders also have made statements against the attempt while showing support to Erdogan and the Turkish government, and affirming their trust in Turkey's democracy and economy.

July 16–30, 2016

### **Turkey and Israel reach agreement to normalize ties**

After 6 years of problematic diplomatic relations between Turkey and Israel in the wake of the deadly Mavi Marmara incident, an agreement has finally been reached to restore the relations. The two countries used to be close allies prior to before the Israeli naval raid on a Gaza-bound flotilla that killed 10 Turkish activists on May 31, 2010. Although they began to negotiate on restoring diplomatic relations by holding a secret meeting in December 2015, no progress had been achieved until now. Israeli Prime Minister Benjamin Netanyahu and Turkish Prime Minister Binali Yildirim announced that the signed deal includes a USD 20 million compensation fund for the families of the Mavi Marmara victims, the return of ambassadors, and initial talks on possible multibillion-dollar gas deals.

June 28, 2016

### **Turkish-Russian relations on the road back to normalization**

Following Turkey's recent letter of apology to the Kremlin for the downing of a Russian warplane last November, Russian President Putin phoned Turkish President Erdogan, saying that he has instructed the Russian government to commence talks with Turkey in order to resume trade and economic cooperation. The normalization process started with

tourism, as Russia lifted its restrictive measures regarding travel of Russian citizens to Turkey. The final aim is to restore mutually advantageous bilateral cooperation also in other areas such as trade and economy.

June 30, 2016

### **EU to open new membership chapter with Turkey**

The process of Turkey's accession to the European Union is accelerated by the opening of a new chapter on financial and budgetary provisions as promised in return for its cooperation on stopping the flow of refugees from Syria. Turkey's ambassador to the EU, Selim Yenel, underlined that this new chapter is a significant one as it is usually opened when a candidate nears membership. The chapter includes rules about the financial resources necessary for the funding of the EU budget. The twelfth meeting of the Accession Conference with Turkey at ministerial level was held in Brussels.

July 1, 2016

## Other Topics

### **Delinquent taxpayers to be exposed on the web as of September**

The Turkish Ministry of Finance has announced that starting from September 1, 2016, delinquent taxpayers will be listed on the internet. All natural and legal persons carrying a tax debt of TRY 250,000 or more will be on the list. Any debts that were due by December 31, 2015, and have not been paid by June 30, 2016, are to be included in the list.

June 22, 2016

### **World's 4th-longest suspension bridge opens to traffic in Turkey**

The world's-fourth longest and Europe's second-longest suspension bridge has been opened to traffic with a ceremony attended by high state officials led by President Erdogan and Prime Minister Yildirim. The 2,682-meter long, quake-resistant Osmangazi Bridge across the Gulf of Izmit is the largest section of the Gebze-Orhangazi-İzmir Highway Project, which is to be finalized in 2018. Completed within a 39-month period, the bridge is named after Osman Gazi, the founder and first sultan of the Ottoman Empire.

July 1, 2016

### **Turkish Arcelik acquires Dawlance of Pakistan**

Turkish household appliances giant Arcelik has bought the Karachi-based number-one household appliances company Dawlance for USD 258 million. The Pakistani company, with total sales of USD 221 million and an EBITDA (Earnings Before Interest Taxes Depreciation and Amortization) of USD 45 million in 2015, has 3 manufacturing facilities and around nearly 2000 stores in the country. Following the acquisition of this company, the total global staff of Turkey-based international company Arcelik increased to 30,000, and the number of its worldwide production facilities reached 18.

July 1, 2016

## **New law on international workforce**

The Turkish parliament has passed a new law on the international workforce aiming at easier work permit application and processing for qualified foreign workers and investors. According to the new law, work permit procedures will be simplified and centralized in a single body called the General Directorate of International Workforce under the Ministry of Labour and Social Security in order to eliminate the complex bureaucracy. From now on, work permit applications can be made in person to this body in Turkey, as well as to the embassies or consulates general of the Republic of Turkey abroad. Applications can also be filed through an authorized intermediary. The Turquoise Card, which is to be granted to qualified foreign nationals, will provide the opportunity for permanent employment to the holder, and the right of residence to his/her spouse and dependent children. Short-term foreign workers and interns will also receive a permit to work in Turkey.

July 29, 2016

## **Other Headlines**

- Turkish Airlines have been chosen as “Europe’s Best Airline” for the 6th consecutive year in the 2016 World Airlines Awards awarded by Skytrax, the most respected global airline passenger survey organisation in the industry. July 13, 2016
- Giant forklift manufacturer US-based Hyster wants to accelerate growth and investments in Turkey with its partner TSM Global through a series of marketing activities. With a growing structure, the TSM Global family plans to reach a higher level in customer satisfaction with Hyster. July 14, 2016
- Zeynep Akkaya, Director General of Schreder Lighting, has stated that her company will start contract manufacturing without establishing a facility in Turkey in order to be able to participate in the LED lighting transformation project. June 16, 2016.
- Turkish companies have won 13 awards in the Worldstar 2016 Competition organized by the World Packaging Organization, in which 293 products from 35 countries participated. June 6, 2016.

## About us

**FOREIGN MARKET CONSULTING Ltd. Sti.** is a German-Turkish consulting company located in Istanbul. Our wide range of services give 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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