



F M C O N S U L T I N G

## ▶▶ Newsletter Turkey August 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

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# ▶▶ Economy

## Overview of Monthly Data

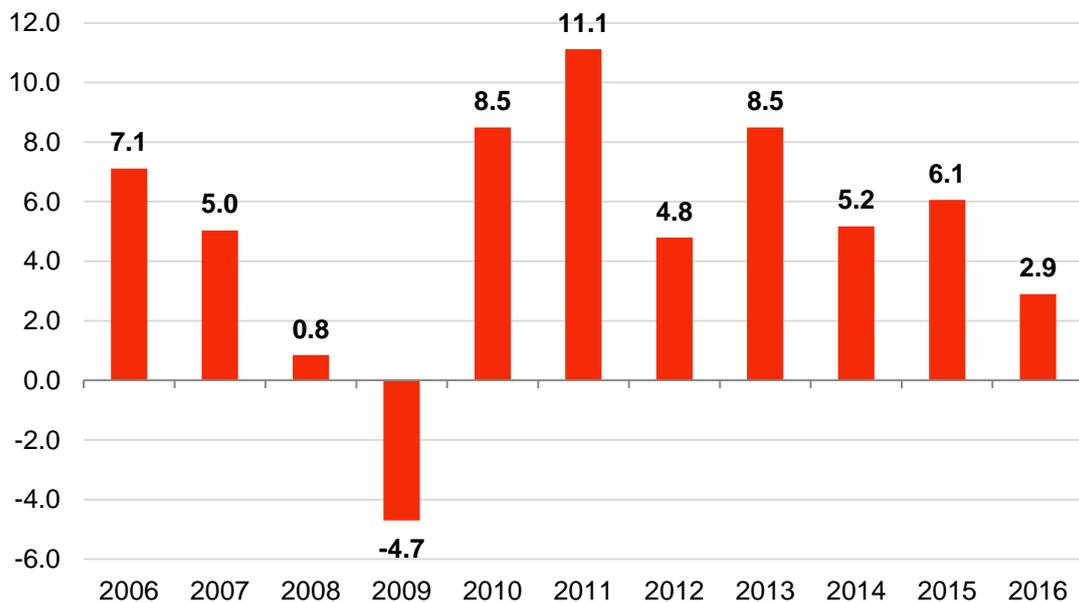
Exchange Rates	30/06/2017	31/07/2017	Change in %
TRY per Euro	4.0198	4.1399	2.99%
TRY per USD	3.5232	3.5290	0.16%

Stock Exchange Index	30/06/2017	31/07/2017	Change in %
BIST 100	100,440.39	107,531.44	7.06%

Inflation in %	Monthly inflation	Annual inflation
Domestic producer prices	0.72	15.45
Consumer prices	0.15	9.79

## 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 continues to decelerate

In July 2017, consumer prices in Turkey increased by 0.15% in comparison to the previous month, and by 9.79% over the same month of the previous year (YOY). Accordingly, the increase in CPI-YOY continued its downward trend and fell again to a single-digit level. The highest monthly increases were registered in hotels, cafes and restaurants (1.75%), recreation and culture (1.36%), and transportation (1.13%). Monthly decreases took place in clothing and footwear (-3.51%), and food and non-alcoholic beverages (-0.71%). The highest annual increase was observed in transportation (15.24%). The domestic producer price index (D-PPI), on the other hand, accelerated compared to June, increasing by 0.72%, and 15.45% YOY.

Aug. 3, 2017

### 10.2% unemployed in May

In May 2017, 3.2 million people in Turkey aged 15 and older were officially out of work, 330,000 more than in the same month of 2016. The unemployment rate was 10.2% with a 0.8-point increase YOY. The youth unemployment rate in the 15-24 age bracket increased

to 19.8%. The labour force participation rate rose to 53.0% in total, and to 33.9% for females. Of those with employment in this period, 54.0% were employed in the services sector, 18.9% in industry, 19.6% in agriculture, and 7.5% in construction.

Aug. 15, 2017

### **Foreign trade deficit decreases by 9.1% in June**

In June 2017, Turkey's exports increased by 2.3%, while imports decreased by 1.5%, YOY. With exports increasing to USD 13.2 bn and imports decreasing to USD 19.2 bn, the trade deficit narrowed by 9.1%, down to USD 6.0 bn. The main partner for exports continued to be Germany (USD 1.3 bn), followed by the UAE (USD 896 mn), the USA (USD 886 mn), and the UK (USD 808 mn), whereas the country most of Turkey's imports came from remained China (USD 1.9 bn), ahead of Germany (USD 1.6 bn), Russia (USD 1.4 bn), and the USA (USD 1.0 bn).

July 31, 2017

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

The Central Bank of the Republic of Turkey has left 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 reported an ongoing recovery in the economic activity and the domestic demand, stating that the demand from the EU countries continues to support Turkish exports. Due to the high level of inflation, which creates a risk on pricing behaviours, the bank has decided to maintain its tight monetary policy.

July 27, 2017

## **Politics**

### **Political tensions between Turkey and Germany escalate**

Following the detention of 10 human rights activists, among them the German Peter Steudtner, at an Amnesty International workshop in Büyükada/Istanbul due to alleged support of an armed terrorist organization, the German Ministry of Foreign Affairs has warned its citizens planning to travel to Turkey. It was also stated that the German government can no longer provide any guarantee for the safety of German investments in Turkey. On the other hand, Turkish Prime Minister Binali Yıldırım held a meeting with 19 large-scale German companies representing a total investment volume of EUR 20 bn in Turkey, assuring them that there is no on-going investigation against German companies in Turkey, but also demanding that the Berlin should be more consistent in its attitude towards terrorist organizations. Nevertheless, the German government has asked the EU

to suspend the negotiations on the revision of the Customs Union with Turkey. Another request by the German government was to examine the possibilities of stopping the financial support provided to Turkey within the scope of the EU membership negotiations when necessary. Günther Oettinger, the EU Commissioner for Budget and Human Resources, stated that due to the political developments in Turkey it is very unlikely that the EU would pay out this financial support of EUR 4.3 bn, which was planned until 2020. July 20- Aug. 8, 2017

## ▶▶ Other Topics

**German textile manufacturer Hugo Boss plans to transform its ready-wear plant in the Turkish city of Izmir according to Industry 4.0 principles.** The cornerstones of this new system are digitalization, automation, robotics, and eventually artificial intelligence. Hugo Boss employs 3,800 people in Izmir, where it manufactures 900,000 suits, 2 million shirts and 550,000 pieces of womenswear annually. July 5, 2017

**Brazilian cement giant Votorantim Cimentos invests EUR 140 mn for capacity extension of its Sivas plant.** Being the largest investment of Votorantim outside the American continent, the plant has reached a capacity of 1.6 million tons, up from 400,000 tons. Walter Dissinger, CEO of Votorantim Cimentos, stated that Turkey has a big potential thanks to the increase in infrastructure spending, the growth of the construction industry, and rising exports. July 6, 2017

**Chinese Phono Solar plans to establish a solar panel plant with its Turkish partner Smart Energy in Gebze.** The first stage of the plant with 400 MW capacity shall take up production as soon as August, and the capacity is scheduled to reach 1.2 GW finally. The destination of the sales shall be both the domestic market and Europe. July 13, 2017

**Japanese Sojitz Corporation has established a partnership with Turkish Rönesans Holding to build and operate an integrated health campus in Istanbul with an investment volume of USD 1.8 bn.** As one of the largest integrated health projects in the world, the campus shall include a general hospital, a cardiovascular hospital, an oncology hospital, a women's hospital, a children's hospital, and a neurology and orthopaedics hospital. The joint venture has signed a 25-year contract with Turkey's Ministry of Health to operate the campus. Construction is to start in September, and the facilities are scheduled

to come into operation in 2020. July 17-21, 2017

**Saudi Arabian Fawaz Alhokair Group has acquired a 10% stake in Turkish bakery products chain Simit Sarayı for USD 100 mn.** Simit Sarayı plans to reach 408 stores in 21 countries by the end of 2017, serving 500,000 customers per day. Fawaz A. Alhokair, Chairman of Fawaz Alhokair Group, one of Saudi Arabia's leading retail and real estate companies, stated that they have already witnessed the operational and financial performance of Simit Sarayı in the Middle East region, and believe that this partnership will move the company to a much better position. The Fawaz Alhokair Group targets to open 250 new Simit Sarayı stores in the next four years under their franchise agreement. July 19-23, 2017

**Japanese Ajinomoto, one of the world's largest sauce manufacturers, has acquired the Turkish vinegar, sauce and pickle manufacturer Kükre Gıda completely.** Ajinomoto had already acquired a 50% stake in 2013 for TRY 60 mn. Kükre Gıda manufactures 50,000 tons of products annually in three plants under the Kemal Kükre brand, and exports sauces to more than 30 countries. July 25, 2017

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## ▶▶ Contact

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