



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

▶▶ Newsletter Turkey December 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

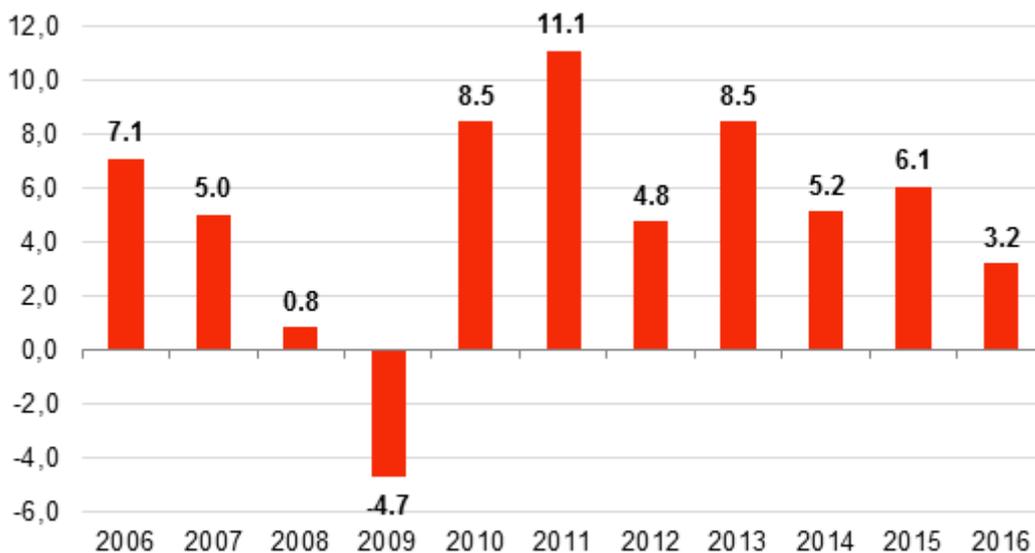
Exchange Rates	31/10/2017	30/11/2017	Change in %
TRY per Euro	4.4021	4.6747	6.19%
TRY per USD	3.7822	3.9461	4.33%

Stock Exchange Index	31/10/2017	30/11/2017	Change in %
BIST 100	110,142.60	103,984.39	-5.59%

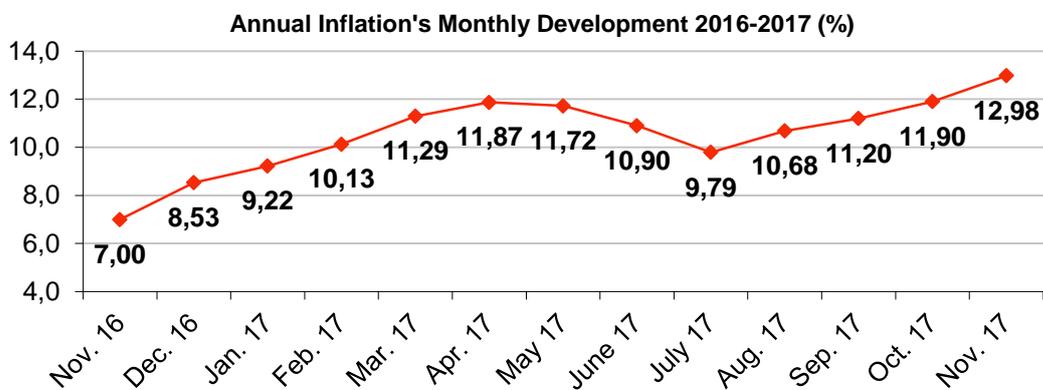
Inflation in %	Monthly inflation	Annual inflation
Domestic producer prices	2.02	17.30
Consumer prices	1.49	12.98

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	3.6	7.2	5.8	7.5	6.1
2016	4.8	4.9	-0.8	4.2	3.2
2017	5.3	5.4	11.1		



Inflation



Inflation continues to accelerate

In November 2017, consumer prices in Turkey increased by 1.49% in comparison to the previous month, and by 12.98% over the same month of the previous year (YOY). Accordingly, the increase in CPI-YOY has been in an upward trend for the last four months and reached the highest level in the last fourteen years. The highest monthly increase was registered in clothing and footwear (3.77%), and no decrease took place in the main expenditure groups. The highest annual increase was in transportation (18.56%). The domestic producer price index (D-PPI) increased by 17.30% YOY, and 2.02% monthly.

Dec. 4, 2017

Turkish economy reports 11.1% growth in third quarter

In the third quarter of 2017, Turkey's GDP in the chain-linked volume index increased by 11.1% compared with the same period of the previous year. The hike in private consumption expenditures and investments, supported by the measures taken by the government, and low base effect were the main reasons of the high growth. The quarterly GDP at current prices reached TRY 827.2 bn, and USD 234.6 bn in dollar terms. Agriculture grew by 2.8%, industry by 14.8%, the services sector by 20.7%, and the

construction industry by 18.7%. The growth in consumption expenditure was 11.7% for households and 2.8% in government.

Dec. 11, 2017

10.6% unemployed in September

In September 2017, 3.4 million people in Turkey aged 15 and older were officially out of work, 104,000 less than in the same month of 2016. The unemployment rate was 10.6% with a 0.7-point decrease YOY. The youth unemployment rate in the 15-24 age bracket increased to 20.0%. The labour force participation rate rose to 53.6% in total, and to 34.5% for females. Of those with employment in this period, 53.1% were employed in the services sector, 18.8% in industry, 20.3% in agriculture, and 7.7% in construction.

Dec. 15, 2017

Foreign trade deficit soars 73.9% in October

In October 2017, Turkey's exports increased by 9.0%, while imports increased by 25.0%, YOY. With exports increasing to USD 13.9 bn and imports increasing to USD 21.3 bn, the trade deficit soared 73.9%, up to USD 7.3 bn. As in September, rising gold and energy imports were the main reason of the high increase in the trade deficit. The main partner for exports continued to be Germany (USD 1.5 bn), followed by the UK (USD 890 mn), the USA (USD 771 mn), and Italy (USD 746 mn), whereas China remained the country most of Turkey's imports came from (USD 2.1 bn), ahead of Germany (USD 2.0 bn), Russia (USD 1.8 bn), and Italy (USD 1.1 bn).

Nov. 30, 2017

Central Bank keeps policy rate stable

The Central Bank of the Republic of Turkey has kept the overnight lending rate at 9.25%, the one-week repo rate (policy rate) at 8.0%, whereas the late liquidity window lending rate has been increased from 12.25% to 12.75%. The bank reported that the economic activity maintains its strength, the domestic demand keeps improving and external demand contributes positively to exports. The high inflation and developments in cost factors create a risk on pricing behaviour; hence, the bank has decided to tighten its monetary policy.

Dec. 14, 2017

▶▶ Politics

Erdoğan denies corruption allegations

In his trial in the U.S. for violating the international sanctions against Iran by smuggling gold for oil, Iranian-Turkish businessman Reza Zarrab has testified to have bribed Zafer Çağlayan, ex-Minister of Economy. In the trial, Hakan Atilla, former Deputy General Manager of Turkish state-owned bank Halkbank, stands accused of designing a scheme to breach the sanctions, with Zarrab putting the scheme into practice. New corruption allegations have been raised by main opposition party Republican People's Party leader Kemal Kılıçdaroğlu. He presented documents said to prove that various members of Erdoğan's family have transferred millions of dollars to an offshore company on the Isle of Man, a known tax haven. Erdoğan has denied all accusations, claiming to be the victim of a political conspiracy.

Nov. 30 - Dec. 2, 2017

Reaction to Trump: OIC recognizes East Jerusalem as Palestinian capital

At the extraordinary Islamic Summit Conference convened in Istanbul by Turkey as the current holder of the presidency, the OIC (Organisation of Islamic Cooperation) has condemned the decision of the U.S. administration to recognize Jerusalem as capital of the State of Israel, in turn recognizing East Jerusalem as the capital of the State of Palestine. On this occasion, Turkish President Erdoğan lashed out at Israel, accusing it of being a "terrorist state".

Dec. 14, 2017

▶▶ Other Topics

In the third quarter of 2017, the number of tourists visiting Turkey has increased by 38.1% to 16.7 million, with the country's tourism revenues increasing by 37.6% to USD 11.4 bn. This high increase indicates that the tourism industry is gradually overcoming the drastic negative effect which the coup attempt of July 15, 2016 had last year. The per capita expenditure of the tourists, on the other hand, decreased to USD 684 in the same quarter, marginally down from USD 686 in 2016. Nov. 1, 2017

President Erdoğan has announced a consortium of domestic manufacturers that is to develop and produce a "national automobile". The participants in the consortium are commercial and armoured vehicle manufacturer BMC, commercial vehicle manufacturer

Anadolu Isuzu, electronics manufacturer Vestel, telecommunications giant Turkcell, and commercial vehicle and automotive component manufacturer Kiraça Holding. The government has declared its full support for the project. The first prototype of the electric car is planned to be ready in 2019, with the first commercial sale scheduled for 2021. Nov. 3, 2017

German chemicals giant Merck has come to the table with Turkish Vimar Gıda to acquire Vilsan Veteriner İlaçları (Vilsan), a manufacturer active in the field of animal healthcare. Vilsan's products include pharmaceuticals for bovine, ovine and horse breeding, poultry farming, as well as pets and aquaculture. Vimar Gıda had acquired Vilsan for TRY 30 mn in 2014. If the Turkish Competition Authority approves the transaction, the parties will proceed with the transfer of shares. Nov. 7, 2017

American game company Zynga has acquired some operations of Turkish Peak Games for USD 100 mn. Within the scope of this agreement, Peak Games' studio, which develops cards and certain games, shall be transferred to Zynga, which will establish its own office in Turkey. 99% of Peak Games' revenues are generated abroad, mainly in the USA. Nov. 9, 2017

Borçelik, the partnership of Luxembourg-based ArcelorMittal and Turkish Borusan Holding, has focused on R&D projects to produce imported products in Turkey. Accordingly, four product items, as well as two process technologies which had been provided by import sources so far, are planned to be produced domestically. The company has already started manufacturing two imported products domestically last year. Seven of the R&D projects are supported by the Scientific and Technological Research Council of Turkey (TÜBİTAK). Nov. 10, 2017

Airbus and Türksat A.Ş. have signed an agreement regarding the Türksat 5A and 5B satellites. The satellites shall be built by Airbus in its own facilities, with Turkish contribution. Besides, it has been decided that the satellites shall be launched by Airbus' subcontractor SpaceX, which is owned by Elon Musk. The first satellite is set to be put into orbit in 2020, and the second one in 2021. Nov. 10, 2017

Dubai-headquartered Abraaj Group has acquired KFC Turkey with its 104 restaurants from American Yum! Brands. KFC has been operating in Turkey since 1989. The Abraaj Group already has several investments in Turkey, including integrated logistics firm Netlog Logistics, commercial bank Fibabanka, e-commerce company Hepsiburada, and dairy products manufacturer Yörsan. Nov. 16, 2017

The Spanish BlueBay Hotels chain has acquired the five-star hotel Çelik Palas located in the Turkish city of Bursa. One section of the hotel shall be renamed “Atatürk Palace by Blue Diamond”, and the other “BlueBay Grand Çelik Palace”. Jamal Satli, the owner of BlueBay, stated that they took this step in line with their 2017-2020 strategic plan. The acquisition will add 164 rooms and suites to the group’s total capacity. Nov. 27, 2017

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▶▶ Contact

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