



FM CONSULTING

▶▶ Newsletter Turkey March 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

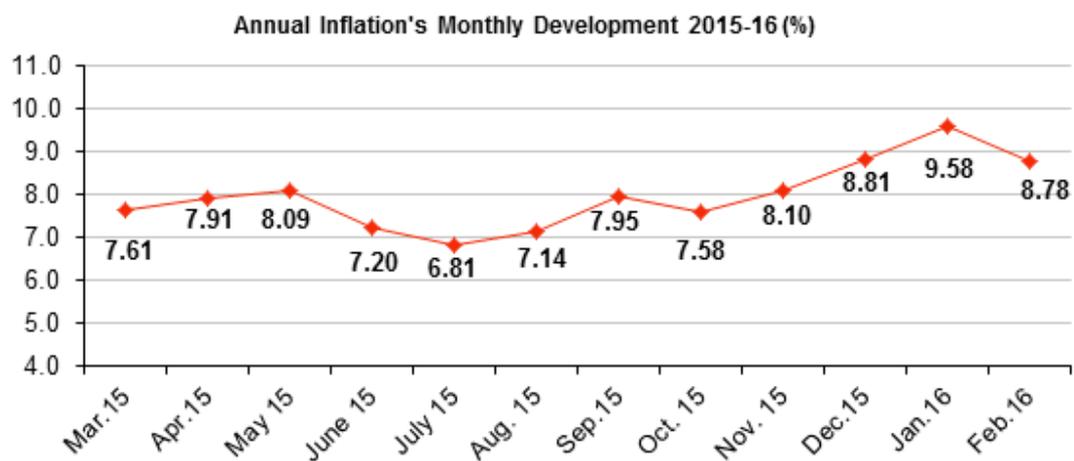
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▶▶ Economy

Overview of Monthly Data

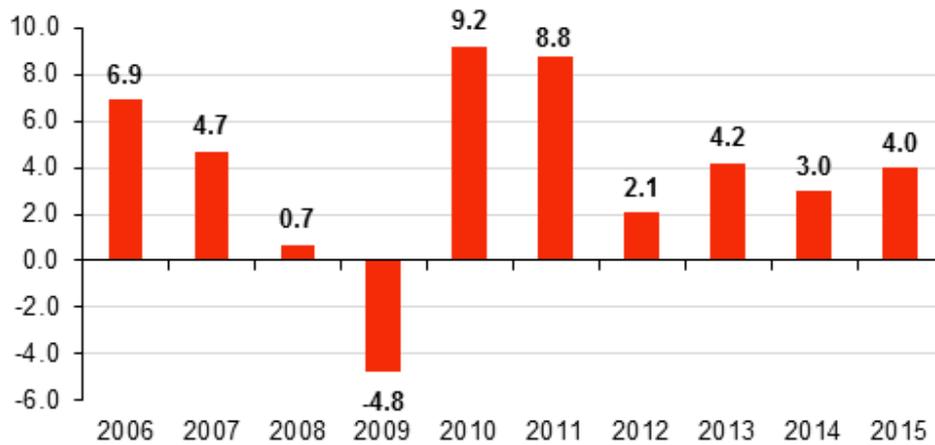
Exchange Rates	29.01.2016	29.02.2016	Change in %
TRY per Euro	3.2292	3.2364	0.22
TRY per USD	2.9662	2.9665	0.01
Stock exchange index	73,481.09	75,814.40	3.18

Inflation in %	Monthly inflation	Annual inflation
Domestic producer prices	-0.20	4.47
Consumer prices	-0.02	8.78



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



Turkey's economy soars in last quarter of 2015

Turkish economy recorded 5.7% growth in the final quarter of 2015, the largest in the last 16 quarters. Turkey's 2015 GDP reached TRY 131,289 million at constant prices with a 4.0% annual increase, which puts the country among the top four fastest-growing members of the G20. The agriculture sector was the main contributor to the GDP growth with a 7.6% increase, followed by the service sector with 4.8%, and industry with 3.3%. Despite the recent geopolitical turmoil, two general elections, and domestic terrorism the country faced during 2015, the economy experienced a stronger-than-expected growth. In the Medium-Term Economic Programme released in January, the government revised its growth target for 2016 from 3.0% to 4.0%. Furthermore, the International Monetary Fund upgraded its 2016 growth forecast for Turkey by 0.3 points to 3.2% in its "Global Prospects and Policy Challenges" report which was issued ahead of a G-20 Finance Ministers' summit. In the same report, however, the 2017 growth forecast was revised down to 3.6%, from 3.7%.

February 25 / March 31, 2016

Inflation continues to increase

In February, consumer prices in Turkey decreased by 0.02% over the previous month, resulting in an increase of 8.78% over the same month previous year. The main reason of the decreased monthly inflation was the downward trend in unprocessed food and energy prices. The CPI declined for clothing and footwear by 6.16%, for communications by 0.42%, for recreation and culture by 0.13%, and for food and non-alcoholic beverages by 0.04%. The highest monthly increase was observed in health services (1.80%). The monthly index increased 1.31% for

miscellaneous goods and services, 1.0 % for alcoholic beverages and tobacco, 0.78% for hotels, cafes and restaurants, and 0.77% for transportation. After a slight increase at the beginning of the year, the domestic producer price index (D-PPI) returned to its downward trend, falling 0.20% compared to the previous month, which amounted to an annual increase of 4.47% over the same month of the previous year.

March 3, 2016

Turkey's unemployment rate again double-digit in 2015

In 2015, 3.057 million people in Turkey aged 15 and older were out of work, 204,000 more than in 2014. The annual unemployment rate was 10.3%, an increase of 0.4% compared to the previous year. The youth unemployment rate in the 15-24 age group amounted to 18.5%, and the labour force participation rate stood at 51.3%. Of those with employment in 2015, 52.2% were employed in the services sector, 27.2% in industry, 20.6% in agriculture, and 7.5% in construction.

March 23, 2016

One third increase of FDI into Turkey in 2015

Foreign direct investments entering Turkey have increased by 32% compared to the previous year, amounting to USD 16.58 billion. According to data from the Central Bank of Republic of Turkey, in most of the months the net investment into the country was over USD 1 billion. The service industry has been the sector attracting the most investments, with Spain being the leading country from where the investments came from, followed by the USA and Luxembourg.

February 12, 2016

Politics

Turkish journalists released from prison after 92 days

Turkey's Constitutional Court has ruled that the fundamental rights of two Turkish journalists, the editor-in-chief of Cumhuriyet newspaper, Can Dunder, and its Ankara bureau chief, Erdem Gul, have been violated, ordering their release after three months in jail. The decision was approved with a majority of 12 votes against 3 dissenting votes. The court ruled that Dunder's and Gul's pre-trial detention was in violation of their "rights to personal liberty and security" as well as the "freedom of expression and freedom of the press". The two journalists had been under arrest since November over a report alleging that the Turkish government tried to ship arms to an Islamist

group in Syria. They are still set to stand trial on the allegations of espionage and high treason, with prosecutors demanding multiple life terms.

February 26, 2016

Turkish President visits Latin America

Turkish President Recep Tayyip Erdogan paid an official visit to Chilean President Michele Bachelet as the first stop of his Latin American tour. During the first visit of a Turkish president in 21 years, Erdogan underlined that Chile is the only country in South America that Turkey has a Free Trade Agreement (FTA) with. To strengthen bilateral trade and economic relations, the two countries also signed a treaty for more cooperation between their government and agencies. Later on in his tour, Erdogan also became the first Turkish president ever to visit Peru and Ecuador.

February 2, 2016

Turkey suffers 3 major terrorist attacks in last 2 months

In recent months, more horrible terror attacks have happened in Turkey. On February 17, a car bomb attack that targeted military personnel buses in the heart of the country's capital Ankara killed 28 people and wounded dozens more. On March 13, an explosion in the Kizilay district of Ankara, a key transport hub and commercial area, left 32 children, women and men dead and over 100 injured. A breakaway faction of the banned Kurdistan Workers' Party (PKK) calling themselves "Kurdistan Freedom Falcons" (TAK) has claimed responsibility for both of the Ankara bombings. And on March 19, a suicide bombing in front of the district governor's office in Istanbul's Beyoglu district caused 6 deaths and 36 injuries. While there were no claims of responsibility in this event, the investigations showed that the bomber had links with ISIL.

February 17 / March 13 & 19, 2016

EU and Turkey agree on refugees

Turkish Prime Minister Ahmet Davutoglu met with European Union (EU) Leaders at a summit in Brussels dedicated to the migration crisis, resulting in the signing of a deal that is intended to stop the flow of refugees to the continent. The EU agreed to make political and financial concessions to Turkey in return, and has already begun disbursing the previously agreed sum of EUR 3 billion for refugee facilities in Turkey and other concrete projects. Under the agreement, Turkey commits to taking back all refugees who have entered Greece illegally across the sea. In exchange for readmitting refugees, Turkey expects EU to grant Turkish citizens the right to travel to the Schengen zone without a visa by the end of June 2016, as well as progress towards EU membership.

March 18, 2016

Iranian businessman living in Turkey arrested in the United States

Reza Zarrab, a 33-year-old Iranian-Turkish gold trader, has been arrested by US officials while on holiday in Florida with his family. The arrest was made on the US prosecutor's indictment that charged him with money laundering and violating sanctions against doing business on Iran's behalf. Zarrab had been accused of bribing senior ministers from Turkey's ruling party AKP, and arrested in December 2013, but later charges were dropped and the proceedings were stopped. He was awarded a prize for "Exporter of the Year" by the Turkish government in last June. Zarrab is said to have close ties with billionaire businessman Babak Zanjani who has recently been sentenced to death for corruption by an Iranian court.

March 22, 2016

▶▶ Other topics

P&G to invest USD 80 million in Turkey

Global giant Procter & Gamble (P&G) has decided to invest an additional USD 80 million in its plant in Turkey to both renew its technological infrastructure and increase capacity. One third of the company's total European turnover comes from Turkey; according to Tankut Turnaoglu, Chairman of the Board of Directors of P&G Turkey and Caucasus, the Turkish consumer likes high-quality products, making it paramount for the company's products to be tested in the country. P&G is present in Turkey for the last 23 years, with a physical investment of currently USD 550 million.

February 3, 2016

Turkey accelerates its wind power installations

With 956 MW of new wind power plant installations in 2015, Turkey has climbed to 5th place in the list published by the European Wind Energy Association (EWEA). In the ranking of total installed wind power capacity, which is headed by Germany with 44,946 MW, it retained its 10th place with 4,694 MW. The biggest 3 investors in Turkey have been Polat Enerji (551 MW), Demirer Enerji (368 MW), and Borusan EnBW (318 MW).

February 11, 2016

Turkish company acquires German aircraft manufacturer

One of Turkey's leading automotive supply companies, BPlas, which had acquired German aircraft company Aquila, plans to start production in Bursa within 6 months. As the CEO of the company, Mr. Celal Gokcen, stated, they did not have any intention of investing in the aircraft industry until the major of Bursa encouraged them to. The company has also invested in the manufacturing site near Berlin to increase its production capacity.

February 12, 2016

Toyota to manufacture first hybrid car of Turkey

Japanese automotive giant Toyota has announced that it will manufacture its new C segment model in Turkey. It will be the first hybrid and first crossover to be manufactured in Turkey. The company plans to invest USD 450 million in its plant in Sakarya, which will increase the production capacity from 150,000 to 280,000 units a year and create 1,000 additional jobs. The car, which is to be exported to 53 countries, will be presented at the Geneva motor show in March, and is expected to come off the production line by the end of the year.

February 12, 2016

New CEO of Turkish industrial giant appointed

Omer Koc has been appointed as the new Chairman of the Board of Directors and new CEO of Koc Holding, the position vacated by the untimely death of his elder brother Mustafa Koc in January. The stock prices of Koc Holding, Turkey's largest conglomerate, jumped by 2.61% following the statement by the company. Omer Koc, born in 1962, holds an undergraduate degree in Ancient Greek as well as an MBA degree, both from Columbia University, New York.

February 23, 2016

Russian Gazprom cuts Turkey's LNG supply by 10%

Following cancellation of a 10.25% discount granted by Russian gas supplier Gazprom to private Turkish companies, the companies have ceased to pay their bills. Because of the price dispute, Gazprom has cut its natural gas deliveries to the private Turkish companies. As per an agreement signed in 2013, those companies import 10 billion m³ of natural gas annually. After the cut, they did not ask for additional gas from other suppliers. Turkey's demand is 50 billion m³ annually, of which 30 billion m³ are being supplied by Russia. In addition, Turkey buys natural gas from Iran and Azerbaijan, and LNG from Algeria and Nigeria.

February 26, 2016

New Bosphorus bridge links Europe and Asia for third time

Construction of Istanbul's 3rd bridge across the Bosphorus, the Yavuz Sultan Selim Bridge, which had only begun on May 29, 2013, has brought together the Asian and European parts of the city for the third time: The last 9-metre segment of the USD 3-billion project has been put into place. Currently there are two bridges across the Bosphorus, popularly known as the 1st and the 2nd bridge: the Bosphorus Bridge (opened in 1973) and the Fatih Sultan Mehmet Bridge (completed in 1988). The new 3rd bridge, which will have eight road lanes plus two rail tracks and will be almost 60 metres wide when completed, is expected to be put into service in August of this year.

March 8, 2016

Other Headlines

- Isbank, one of Turkey's leading banks, has posted a net profit of TRY 3.08 billion (approx. EUR 958 million) in 2015. February 2, 2016
- India's motorcycle giant Hero has declared 2016 as the breakthrough year in Turkey. The company has recently put 7 new models on the market and is planning to establish a manufacturing plant in Turkey in collaboration with its Turkish distributor Sosyal Group. February 16, 2016
- Turkish power generators manufacturer Teksan has exhibited its hybrid power system, the first and only of its kind in Turkey and one of few examples in the world, at the Middle East Electricity Exhibition in Dubai. The system employs solar and wind energy. March 4, 2016
- According to data released by the Turkish Information and Communication Technologies Authority, the number of broadband internet subscribers in Turkey increased by 18% over the previous year in 2015 to reach 48.6 million. March 16, 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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▶▶ Contact

FOREIGN MARKET CONSULTING Ltd. Sti.

Peter J. Heidinger

Partner, CEO

Buyukdere Mahallesi Cayirbasi Cad.

Dede Yusuf Sok. No: 11

TR-34453 Sariyer - Istanbul

Tel: +90-212-3638 052

Fax:+90-212-3638 056

www.fmconsulting.com

info@fmconsulting.com

Contact

English: +90-212-3638 055

German: +90-212-3638 052

Turkish: +90-212-3638 050