



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

## ▶▶ Newsletter Turkey March 2015

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

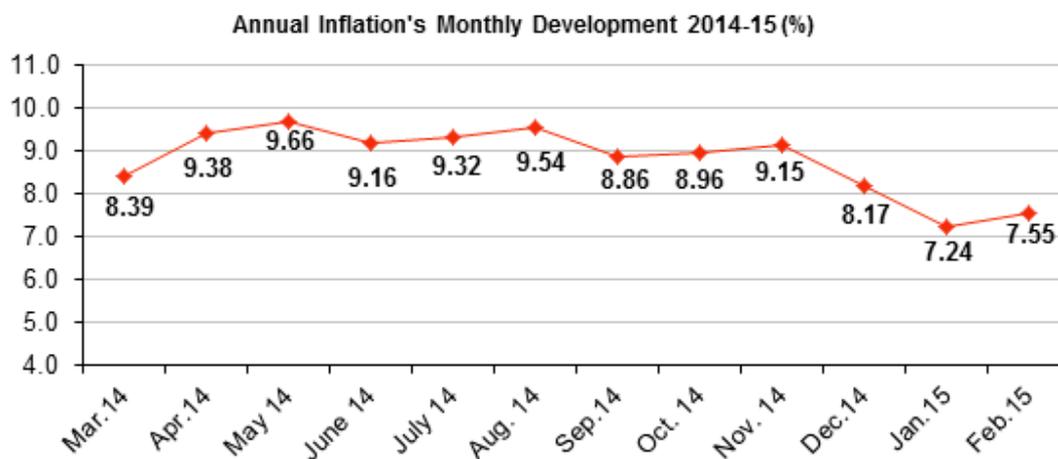
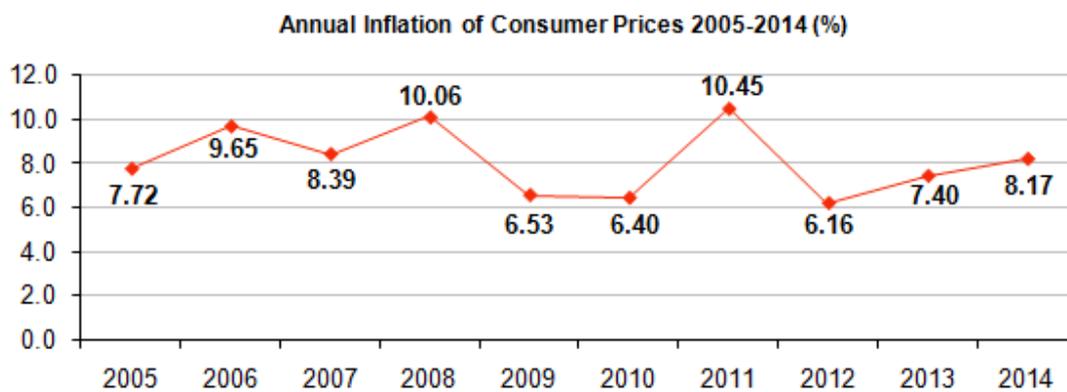
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## ▶▶ Economy

### Overview of Monthly Data

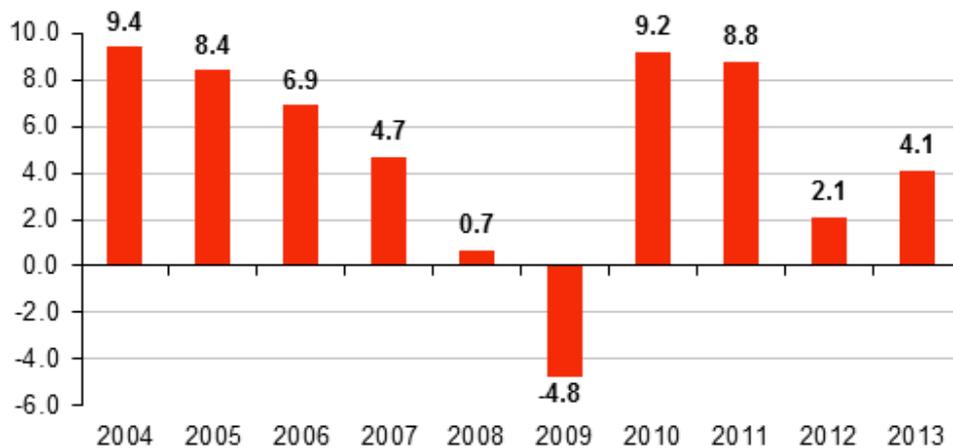
TL-Rates	30.01.2015	27.02.2015	Change in %
TL per Euro	2.7446	2.8198	2.74
TL per USD	2.4219	2.5123	3.73
Stock exchange index	88,945.80	84,147.50	-5.39

Inflation in %	Monthly inflation	Annual inflation
Producer prices	1.20	3.10
Consumer prices	0.71	7.55



### Growth Rates

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
2004	10.0	11.9	8.1	8.0	9.4
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	4.6	4.2	4.5	4.1
2014	4.8	2.2	1.7		



### February inflation over expectations

In February consumer prices in Turkey rose by 0.71% over the previous month, and by 7.55% compared to the same month previous year, according to data released by the country's Statistical Institute. The annual inflation rose from 7.24% in January, which represented a 20-month low, beating the market expectations of 7.4%. The highest monthly increase was 2.59% in food and non-alcoholic beverages, followed by transportation with 1.77%. The domestic producer price index increased by 1.20% on a monthly basis, and grew by 3.10% over the same month of the previous year.

March 3, 2015

### January exports decline due to winter effect and lower euro-dollar parity

According to the data released by the Turkish Exporters' Assembly (TIM), Turkey's exports dropped by 9.8% to USD 10.8 billion in January compared to the same month previous year. Mehmet Buyukeksi, chairman of TIM, explained this sharp fall with lost work days caused by extreme weather conditions in conjunction with the low euro-dollar parity. In particular, the decline in exports to the EU was caused by the parity. On the other hand, Ridvan Mertoz, chairman of the Istanbul Minerals and Metals Exporters' Associations, and Murat Akyuz, chairman of the Istanbul Chemical and Chemicals Products Exporters' Associations, underlined that besides the euro-dollar parity effect, the unrest in the neighbouring countries is another major cause of the fall in exports. The biggest 4 export markets have witnessed decreased export volumes – Germany by 12%, Iraq by 16%, the UK by 1%, and Italy by 3% – whereas exports to the U.S., the 5th biggest export market, increased by 3% in January 2015 over the same month of the previous year.

February 3, 2015

### **European Commission raises its 2015 GDP growth forecast for Turkey to 3.7%**

In the Turkey chapter of its Winter Economic Forecast, the European Commission has raised its GDP growth forecast for Turkey to 3.7% in 2015 and 4.0% in 2016, from 3.3% and 3.7% in the Autumn 2014 report, respectively. The Commission stated that the fall in oil prices is an advantage in terms of growth, inflation and the current account. According to the report, inflation will drop significantly, the higher purchasing power of consumers will support GDP growth, and lower prices of imported energy will narrow the current account deficit.

February 6, 2015

### **Turkey's current account deficit narrowed by 29% in 2014**

The Turkish Central Bank has stated that Turkey's current account deficit (CAD) for 2014 amounted to USD 45.8 billion, some USD 19 billion less than in 2013. Since declining oil prices have cut the value of imports sharply, the USD 16.3 billion decrease in the foreign trade deficit has been the biggest contributor to this 29% fall in CAD, followed by the USD 25.3 million net service surplus.

February 11, 2015

### **Direct investments from Turkey has increased faster than FDI into Turkey**

While direct investments made abroad by Turkish residents have increased by 30% on average in the last 5 years, foreign direct investments in Turkey have only grown by 8.5%. Only in 2013 has there been a decrease in the investments abroad due to the global crisis. Most of the investments made abroad have been affected as brand takeovers. In 2014, the highest investments made abroad by Turkish residents were to Azerbaijan, followed by the Netherlands and the UK.

February 13, 2015

### **Unemployment record high in November**

With a monthly increase of 3%, the unemployment rate in Turkey hit 10.7% in November, highest in the last four years. According to the data released by TurkStat, it was the fourth month in a row to record double-digit unemployment figure. At 19.9%, the youth unemployment rate (15-24 age bracket) remained high. On the other hand, the number of employed persons aged 15 years and older was 25 million 874 thousand persons in November 2014, and the employment rate stood at 45.1%.

February 17, 2015

### **New regulations on special consumption tax**

Finance Minister Mehmet Simsek has announced that a 4-phase regulation will be implemented regarding the special consumption tax (OTV) to overcome its confusing structure. The minister explained that the first phase will start with the fuel oil sector, followed by changes in automotive, alcoholic beverages, tobacco and other products subject to OTV, underlining that the rates will remain unchanged but the confusion will be eliminated with the new regulation. He pointed out that the reimbursement periods will be shortened and problems faced by taxpayers will be solved.

February 23, 2015

### **Central Bank cuts interest rates as inflation eases**

At its monetary policy meeting, the Turkish Central Bank (CBRT) cut the one-week repo rate, the policy interest rate, by 25 basis points to 7.50%, although the Bank was not expected to make a change at this meeting. In addition, the Bank cut the upper band of the interest corridor by 50 basis points, and the lower band by 25 basis points. The Bank stated that future monetary policies will be shaped by the developments in the inflation rate, underlining that for the fall in inflation rate to be sustainable, a precautionary approach in monetary policy is required.

February 24, 2015

## **Politics**

### **G20 Finance Ministers and Central Bank Governors meeting held in Istanbul**

The first meeting of the G20 Finance Ministers and Central Bank Governors under the Turkish Presidency was hosted in Istanbul. Finance Ministers and Central Bank Governors of the G20 members and other invited countries, as well as the senior representatives of the relevant international organizations attended the meeting. The economic risks induced by rising inequality, low demand and stagnant growth was discussed during the meeting in which G20 Ministers and Governors exchanged views on the challenges of global economy. The main conclusions of the meeting were shared with the public by the G20 Ministers and Central Bank Governors with the Istanbul Communiqué issued following the meeting.

February 11, 2015

### **Turkish armed forces in Syria**

Turkish armed forces made two missions inside Syria, one in the province of Aleppo at the tomb of Suleyman Shah, the grandfather of the founder of the Ottoman Empire, and a simultaneous one near the Turkish border, to take control of the area to be the new place for the tomb. Hundreds of

Turkish troops, backed by tanks, planes and drones, made an operation to extract some 40 army personnel from the tomb that had been besieged by Islamic State of Iraq and the Levant (ISIL) militants for months. The operation was a military success, with no clashes reported, but one soldier was killed in an accident during the mission. On the other hand, the opposition parties declared the operation to signify the collapse of Turkey's Syria policy.

February 23, 2015

## ▶▶ Other topics

### **Turkish state fund seizes Bank Asya, the participation bank founded by Gulen**

Turkey's state-run Savings Deposits Insurance Fund (TMSF) has seized 63% of control over Bank Asya, an Islamic lender affiliated with the U.S.-based Islamic scholar Fethullah Gulen and his "Service" movement. Turkey's banking watchdog, the Banking Regulation and Supervision Agency (BDDK), stated that the bank violated the requirement to maintain a transparent and open partnership structure and an organizational scheme which will not prevent its effective auditing. TMSF has taken over the management following this statement.

February 5, 2013

### **Turkish Yildiz Entegre invest in 4 countries**

Turkish forestry products manufacturer Yildiz Entegre is to simultaneously build factories in Russia, Bulgaria, Croatia and Romania with an investment of EUR 125 million each. After the investments are completed, the company will reach a production capacity that will take it from 8th to 6th biggest in the world.

February 9, 2015

### **Turkey ranks 11th among the world's largest energy importers**

According to a report by the Energy Commission of the Chamber of Mechanical Engineers, UCTEA, Turkey is among the countries most dependent on foreign supply of energy. The report reveals that Turkey ranks 11th in the list of net energy imports of countries in the world. The solution to the problem is to invest in renewable local sources instead of foreign-dependent ones, says the report.

February 9, 2015

### **Turkish automobile sector announces targets for 2015**

Toyota Turkey's Marketing and Sales CEO, Ali Haydar Bozkurt, has stated that the Turkish automobile market is expected to grow between 5%-10% in 2015, and that their 2015 sales target is 41,000-42,000 vehicles. He added that they will also put a focus on second-hand automobile sales, for which they have made new investments and built new teams. Ford Otosan, which announced 2015 as their automobile year, has introduced the new Mondeo after having launched the new Focus last November. Also, Ozgur Yuceturk, the company's Assistant General Manager for Marketing, Sales and After Sales, declared that 25 Mustangs have already been sold in Turkey before the official launch date in July 2015. Ford Otosan has a quota of only 35 units of Mustang, Ford's iconic sports car model.

February 16, 2015

### **Praktiker Turkey receives over 250 franchisee applications**

The German DIY chain Praktiker, which had withdrawn from the Turkish market in 2013 and then re-entered, opening its first store in the end of last year, will open 3 more stores in the 1st quarter of 2015. After leaving the Turkish market, the brand royalty was taken over by Dutch Practical Retail, and restructuring has started since then. The new objective is to grow with a franchise system, and the company has so far received more than 250 applications from all around the country and signed 4 franchise agreements already. Their target is to reach 30 stores by the end of 2015.

February 20, 2015

### **M&A transactions of Turkish investors have increased, foreign ones decreased**

According to 2014 Mergers-Acquisitions Overview Report published by the Turkish Competition Authority (RK), foreign investors have invested in Turkish companies in 56 separate transactions. Luxembourg-based investors are in the first place among foreign investors in terms of transactions. In acquisition transactions where Turkish companies were acquired, foreign investors made an investment of approximately 10 billion TL, the RK stated. Transactions by which Turkish investors bought from foreigners have increased by 243%, whereas Turkish buying from Turkish has increased by 100%. On the other hand, foreigners buying from Turkish have decreased by 40% whereas foreigners buying from foreigners have decreased 95%.

February 26, 2015

## Other Headlines

- Turkish-French supermarket chain CarrefourSa has acquired 26 of the 52 stores of Ismar, a local chain. February 3, 2015
- Turkish men's ready wear brand Suvari, which has 140 stores, is planning to boost its sales abroad. The company's target is to reach 1000 stores by 2023, 700 of which abroad. February 19, 2015
- Turkish Helvacizade group has initiated the construction of its production plant ZadeVital, which will have the highest soft capsule production capacity in Europe, in the province of Konya. February 19, 2015

## ▶▶ 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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