



▶▶ Newsletter Turkey April 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

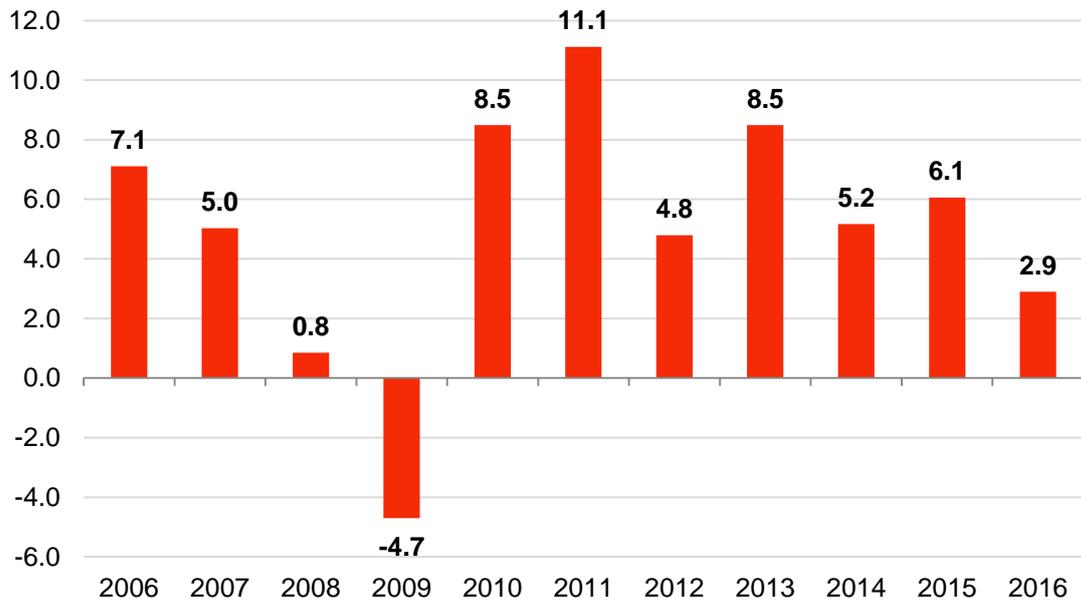
Exchange Rates	28/02/2017	31/03/2017	Change in %
TRY per Euro	3.8291	3.8921	1.65%
TRY per USD	3.6143	3.6427	0.79%

Stock Exchange Index	28/02/2017	31/03/2017	Change in %
BIST 100	87,478.33	88,947.40	1.68%

Inflation in %	Monthly inflation	Annual inflation
Domestic producer prices	1.04	16.09
Consumer prices	1.02	11.29

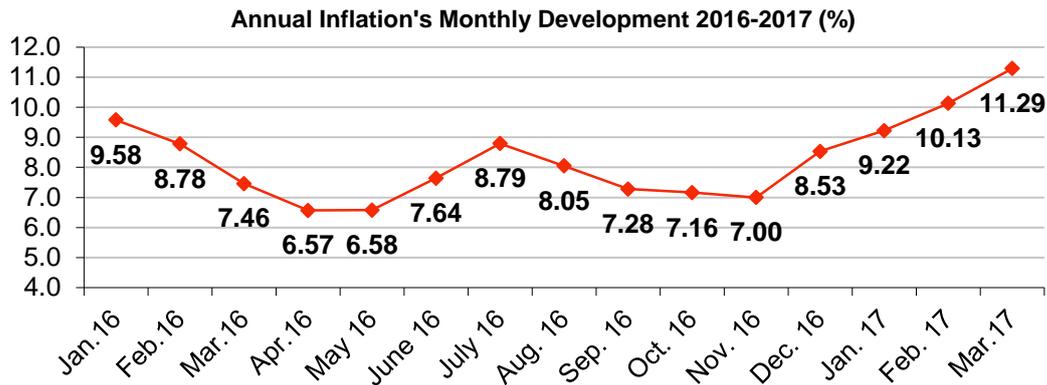
Growth Rates

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
2011	11.7	11.5	11.6	9.9	11.1
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



Inflation





Inflation continues to increase

In March, consumer prices in Turkey increased by 1.02% over the previous month, and by 11.29% 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. The highest monthly increases were observed in clothing and footwear (1.99%), and food and non-alcoholic beverages (1.93%). There was no decreasing item among product groups. The highest annual increase was in alcoholic beverages and tobacco (21.71%). The domestic producer price index (D-PPI) increased by 16.09% YOY and 1.04% monthly.

April 3, 2017

2.9% economic growth in 2016

In the fourth quarter of 2016, Turkey's GDP grew above expectations by 3.5% compared with the same period of the previous year. Accordingly, the annual growth in 2016 was announced as 2.9%. This is the weakest growth performance of the Turkish economy since 2009, when the economy had contracted by -4.7% due to the global crisis. The GDP at current prices reached TRY 2,590.5 bn, whereas it decreased by -0.5% to USD 856.8 bn in dollar terms due to the depreciation of the Turkish Lira. Accordingly, the GDP per capita fell to USD 10,807. The growing sectors in 2016 were industry with 4.5% and construction with 7.2%, while the contracting sectors were agriculture with -4.1% and services with -0.8%. By expenditure approach, the highest growth in the last quarter was observed in private consumption expenditures with 5.7%, and the highest growth in 2016 as a whole was in public spending with 7.3%.

March 31, 2017

13.0% unemployed in January 2017

In January, 3.985 million people in Turkey aged 15 and older were out of work, 695,000 more than in the same month of 2016. The unemployment rate was 13.0% with a 1.9-point increase YOY. The youth unemployment rate in the 15-24 age bracket increased to 24.5%.

The labour force participation rate rose to 51.5% in total and to 32.0% for females. Of those with employment in this period, 55.4% were employed in the services sector, 19.8% in industry, 18.3% in agriculture, and 6.5% in construction.

April 17, 2017

Foreign trade deficit increases by 15.0% in February

In February, Turkey's exports decreased by 1.9% and imports increased by 1.6%, YOY. With exports decreasing to USD 12.1 bn and imports increasing to USD 15.8 bn, the trade deficit increased by 15.0%, up to USD 3.7 bn. The main partner for exports was Germany (USD 1.1 bn), followed by the UAE (USD 938 mn), Iraq (USD 725 mn) and the UK (USD 702 mn), whereas the top country Turkey's imports came from was China (USD 1.6 bn), followed by Germany (USD 1.4 bn), Russia (USD 1.3 bn) and France (USD 767 mn).

March 31, 2017

Central Bank keeps policy rate stable

The Central Bank of the Republic of Turkey has kept the overnight lending rate at 9.25% and the one-week repo rate (policy rate) at 8.0%, whereas the late liquidity window lending rate has been increased from 11.0% to 11.75%. The bank stated that there has been a gradual recovery in the economic activity and the demand from the EU countries continues to support Turkish exports. Even though the domestic demand displays a weaker course, thanks to the government supports and incentives provided recently, the recovery in the economic activity is expected to continue. Due to the significant rise in the inflation, the bank decided to strengthen the monetary tightening.

March 16, 2017

Moody's downgrades Turkey's outlook to negative

Moody's has revised the outlook of the Turkish economy to negative because of "continuing erosion of institutional strength, weaker growth outlook, heightened pressures on Turkey's public and external accounts; and in consequence, the increased risk of a credit shock".

March 18, 2017

Politics

EU Enlargement Commissioner criticizes Turkey's policies

Johannes Hahn, Commissioner for European Neighbourhood Policy and Enlargement Negotiations, has stated that Turkey's EU membership is increasingly becoming unrealistic and that the EU may soon stop accession talks. Hahn criticized Turkish President Recep Tayyip Erdoğan's authoritarian attitude and the plans to transform Turkey's political system into a presidential model.

March 21, 2017

Narrow vote for constitutional amendment package

According to the preliminary results of the referendum held on Sunday, 51.4% of the electorate have voted in favour of the constitutional amendments, which are designed to transform Turkey's political system into a presidential model. The new model eliminates the institution of Prime Minister, vastly limits the rights of Parliament, and grants extensive powers to the President. Even though most of the changes shall come into force only in November 2019, party membership of the president, restructuring of the board of judges and prosecutors, as well as the abolishment of the military jurisdiction are to be executed soon.

April 17, 2017

Other Topics

The Social Security Institution has issued a circular describing the details on the government support for hiring unemployed persons. According to the support, in case of hiring a new employee who has been unemployed for the last three months, the state will provide a premium support of up to TRY 773 per month from the beginning of the employment until Dec. 31, 2017. March 1, 2017

Procter & Gamble (P&G) has opened its new factory in Gebze with an investment of TRY 250 mn in its 30th anniversary in the Turkish market. P&G aims to increase domestic production in the country through this investment which is targeted to produce 90% of Prima brand diapers and Orkid brand feminine hygiene products. P&G's global chief executive David Taylor stated that some high-tech production methods have also been brought to Turkey as part of the investment. March 1, 2017

Filli Boya Capatect Thermal Insulation Systems owned by Betek Boya, which leading German paint manufacturer Caparol is a partner of, has chosen the city of Balıkesir for its 3rd factory investment in Turkey. The factory will be 70,000 sqm with an investment of TRY 120 mn and is planned to start its operations by 2019. The investment will provide employment for 200 people. March 1, 2017

German axle producer SAF-Holland is about to start production in Turkey with its factory in Düzce which is to become a hub exporting to 3 continents. With EUR 15 mn having been invested in the factory, it is aimed to provide 150 new jobs. March 2, 2017

Swedish Atlas Copco has acquired its distributor and service provider Orcan. Atlas Copco entered the Turkish market in 2012 with its acquisition of Ekomak, and in the following year acquired Dost Kompresör. Nico Delvaux, President of Atlas Copco's compressor technique business, commented on the third acquisition in Turkey that Orcan will help them to increase productivity for more customers in the country. March 6, 2017

Dutch Vitol Group acquires Petrol Ofisi from Austrian OMV for EUR 1.37 bn. Ian Taylor, Vitol's President & CEO, stated that they look forward to capitalise on Turkey's strong economic performance and growing demand for energy products. With Turkey's largest retail network of over 1,700 petrol stations and the largest fuel storage with a capacity of 1 million cubic meters, Petrol Ofisi is the market leader in fuel products and distribution. Its total sales volume was 10.7 million tons in 2016. March 6, 2017

Valentino's Qatari owner is increasing its share in Turkish retailer Boyner. 12% of Boyner's share have been sold to Qatari Investment fund Mayhoola Fof Investment LLC for TRY 173.1 mn. This purchase of Mayhoola has increased its share to 42.7% from 30.7%. With its 400 retail stores nationwide, Boyner is one of the largest non-food and non-electronics retailer of Turkey. March 10, 2017

FAB Partners LP, an asset management company established by the Qatari royal family and Japanese Softbank, has acquired 34% of the Turkish Global Yatırım for TRY 245 mn. With this capital inflow, Global Yatırım plans to accelerate its investments in infrastructure and energy projects worldwide, particularly in the port business. March 15, 2017

Kühne + Nagel International has announced the acquisition of the logistics company Zet Farma, one of the most important Turkish pharma logistics companies having major

clients like Abdi İbrahim and Mustafa Nevzat. The company, which was founded in 1992, has 400 employees and operates 56,000 sqm at four pharma-grade warehouses in the greater Istanbul area. March 16, 2017

The Ministry of Economy has introduced a new support for e-trade, in order to encourage the export activities of local SMEs. Accordingly, 80% of the membership costs shall be covered by the state in case 250 companies come together and apply for mass membership in one of the three e-trade portals determined by the ministry, which are alibaba.com, Kompas and Turkishexport. March 16, 2017

South Korean SK Group partners with Turkish Unit International for the construction of five gas-fired power plants with 5,000 MW in Iran. The South Korean group is taking over a 30% share from Unit International, which focuses on projects in Iran worth EUR 3.4 bn, while the value of this strategic partnership of the two companies is around EUR 1 bn. March 20, 2017

German cement maker HeidelbergCement will hold off from making investments in Turkey for the moment given political uncertainty in the country. The chief executive Bernd Scheifele stated that while there may be opportunities for deals in Turkey at reasonable prices, given the political uncertainty there was a risk that any such deals might not be the bargains they seemed. HeidelbergCement's joint venture with Sabancı Holding in Turkey, Akçansa, is the country's leading cement and ready-mixed concrete manufacturer. March 20, 2017

Turkey's biggest solar energy plant will be built by a consortium of South Korean Hanwha Corp and Turkish Kalyon which won the tender worth at least USD 1.3 bn by their best bid of 6.99 U.S. cents per kWh. Through this solar power project in Karapınar (province of Konya), 1.7 bn kWh electricity will be generated each year, and a production plant with a capacity of minimum 500 MW of photovoltaic modules will be built. March 21, 2017

Citigroup has assigned Turkey General Manager Serra Akçaoğlu to manage 60 countries in Europe, the Middle East and Africa, where it provides corporate banking. Through this, Istanbul becomes the regional management base for Citigroup for the first time, and Akçaoğlu becomes the first woman and Turkish general manager within Citigroup to earn this position. March 27, 2017

Suma Chakrabarti, President of the European Bank for Reconstruction and Development (EBRD), has stated that in 2017, Turkey would again be the bank's top investment destination. He reported that in 2016, the bank has invested EUR 1.9 bn in 43 projects in Turkey. The bank has recently established a partnership with Turkish building contractor Nef for a USD 120 mn venture, with the aim to invest in residence and student housing development projects. March 27, 2017

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