



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

▶▶ Newsletter Turkey February 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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We are pleased to inform you about our new seminar:

Successful Business Strategies in Volatile Markets - Turkey, Russia, and Ukraine

in collaboration with [Russia Consulting](#)

on **27th March Friday** in **Frankfurt**.

The seminar is open for registration now, please [email us](#) until **23rd March**.

There is limited space so we appreciate your timely application.

(The seminar language will be **German**.)

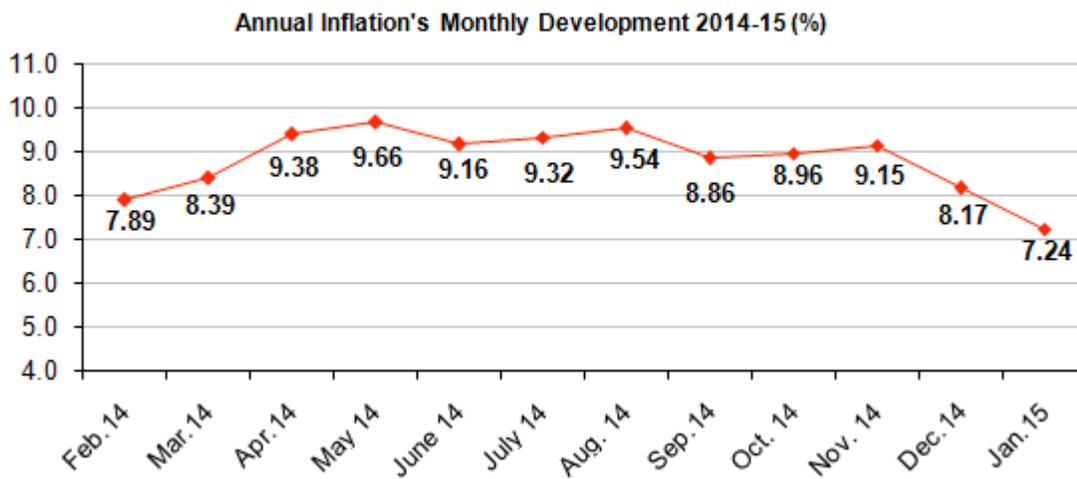
▶▶ Economy

Overview of Monthly Data

TL-Rates	31.12.2014	30.01.2015	Change in %
TL per Euro	2.8323	2.7446	-3.10
TL per USD	2.3311	2.4219	3.90

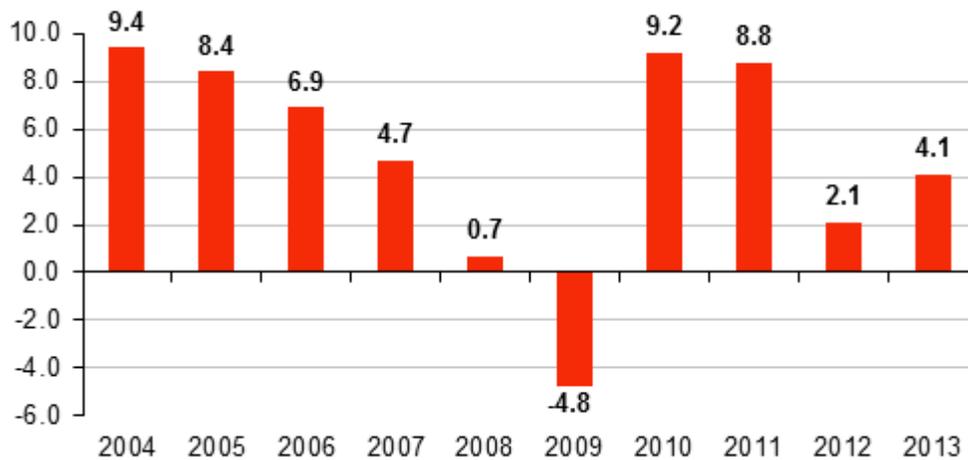
Stock exchange index	85,721.13	88,945.80	3.76
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Inflation in %	Monthly inflation	Annual inflation
Producer prices	0.33	3.28
Consumer prices	1.10	7.24



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		



CPI: 20-month low, but still over expectations

In January, consumer prices in Turkey rose by 1.10% over the previous month, and by 7.24% compared to the same month previous year, according to data released by the country's Statistical Institute (TurkStat). This annual inflation represented a 20-month low, though it was still higher than both market expectations and the forecasts of the Turkish Central Bank. The highest monthly increase was 4.19% in alcoholic beverages and tobacco, followed by food and non-alcoholic beverages with a 3.52% increase. The domestic producer price index increased by 0.33% on a monthly basis, and grew by 3.28% over the same month previous year.

February 3, 2015

Turkey's 2014 exports reach all-time high

According to the figures released by the Turkish Exporters' Assembly (TIM), Turkey's exports increased 4% in 2014, reaching USD 157.6 billion, a record in its history. The same data revealed that exports in December rose 1.1% year-on-year, to USD 13.14 billion. The annual exports figure remained below the government's target of USD 160.5 billion. However, TIM chairman Mehmet Buyukeksi underlined that shrinkage risks faced by Europe, Turkey's core market, as well as internal tensions in the neighbouring countries have contributed a negative 4 points to annual export growth. Buyukeksi also pointed out the volatile exchange rates for the coming period, warning Turkish exporters to hedge their risks.

January 2, 2015

Inflation will drop to 6%, says Deputy PM Babacan

Deputy Prime Minister Ali Babacan has claimed that Turkey's inflation rate will decrease to 6% as soon as in March or April, provided that there is no new wave of fluctuations in the exchange rates. At a speech before the Extended Board Meeting of the Independent Industrialists' and Businessmen's Association (MUSIAD), he pointed out that the negative impacts of high forex and food prices due to the drought have subsided.

January 8, 2015

Budget targets will be achieved, says Finance Minister

According to Finance Minister Simsek, inflation is currently developing favourably. Simsek said that under the assumption that all other factors remaining the same, if oil prices remain stable in the USD 50–60 bracket, inflation could even fall below 5%. He pointed out that the ratio of budget deficit to GDP is 0.8% in Turkey, whereas the average deficit/GDP ratio of developing countries is 2.1%.

January 13, 2015

Central Bank cuts rates on government's demand

The Central Bank of Turkey (CBT) has cut its benchmark interest rate by 50 base points in response to the government's demand for lower interest rates. The bank's monetary policy council lowered the one-week repo interest rate from 8.25% to 7.75%, while the interest rate corridor remained unchanged between 7.50% and 11.25%. The USD exchange rate, which had fallen lately, has started increasing after the news of the rate cut started spreading, hitting an all-time high over 2.50 TRY on February 11th.

January 21 & February 11, 2015

E-invoice and e-ledger applications in the pipeline

Turkish Finance Minister Mehmet Simsek has announced a new regulation requiring all companies holding a mineral oil license as well as all companies with a turnover over TRY 10 million, regardless of their area of activity, to switch to electronic invoices and electronic ledgers from January 1, 2016. The minister said that these applications will help the Turkish economy save TRY 2 billion.

January 27, 2015

Politics

Turkish parliament votes against trial of 4 ex-ministers

The Turkish parliament has voted on the report of the parliamentary investigation commission gathered to investigate corruption allegations against 4 Turkish ex-ministers. The commission's majority ruling that there is no ground to send them to the Supreme Criminal Court for trial was upheld by the General Assembly, with 264 against 242 votes. Former Industry Minister Zafer Caglayan, former Interior Minister Muammer Guler, former EU Minister Egemen Bagis, and former Environment Minister Erdogan Bayraktar were probed by the commission in connection with the corruption and graft investigation that had been launched on Dec. 17, 2013.

January 5, 2015

Azerbaijani President visits Turkey

Azerbaijan's President Ilham Aliyev paid a visit to Turkey, meeting with President Recep T. Erdogan in Ankara. At a joint press conference the two presidents co-chaired, Erdogan stated that the trade volume between the two countries has reached USD 5 billion but the aim is to increase this figure to USD 15 billion by the year 2023. He also said that Turkey and Azerbaijan will boost their strategic importance through the Trans Anatolian Natural Gas Pipeline (TANAP). The Turkish President also pointed out that the Baku-Tbilisi-Kars railway line is expected to become operative by the end of 2015.

January 29, 2015

Last group of Preferential Transformation Programme revealed

Employment and flexible work are the major issues of the last group of the Preferential Transformation Programme revealed by Turkish PM Ahmet Davutoglu. The programme involves the establishment of a severance pay fund, flexible working models are to be popularised, the labour force participation rate of women is to be increased to 34.9%, and the share of female

employment to 31%. Also, the relation between vocational training and the labour force is to be strengthened. The “Turquoise Card” system, which will ease the employment of foreign qualified labour, will be established. The programme also aims at cutting the ratio of informal to formal economy down to 21.5%.

January 29, 2015

▶▶ Other topics

Warehousing companies under heavy obligations

Turkish warehousing companies are facing a heavy burden imposed by a new regulation effective as of 2 December 2014, which increased the minimum warranty amount from TRY 300,000 to TRY 10 million, and the minimum area requirement from 3,000 to 5,000 square metres. Over 100 big warehouse companies have signed a letter concerning the problem, to be sent to the President, the Prime Minister, and the Ministry of Customs and Trade. Also, 20 companies are preparing to file a law suit for annulment of the regulation. The warehousing companies are facing another difficulty due to the obligation of a camera system brought by the regulation.

January 5, 2015

15% price advantage for local products in public bids

The Public Procurement Law article providing a price advantage of 15% in favour of bidders supplying domestic products in tenders will be effective starting from 2015. A list of 2,139 goods identified by the Ministry of Science, Industry and Technology as mid-tech and high-tech industrial products has been issued by the public procurement agency. This is a concrete step towards the government's goal of supporting local production in high technology. Examples of the listed goods are solar panels, computers, cell phones, alarm systems, TV sets, printers, and x-ray units.

January 6, 2015

Noble Globetrotter II passes through Bosphorus to start drilling in Black Sea

The private drilling ship Noble Globetrotter II has passed through the Bosphorus strait en route to the Black Sea, where it will conduct deep-sea exploration for a joint venture of Shell and Turkish Petroleum (TPAO). Globetrotter will drill down to 2,000 metres under the sea, with exploration costs estimated at USD 300 million. During a ceremony in Istanbul, held at Ciragan Palace on the banks of the Bosphorus, Turkish Energy Minister Taner Yildiz said: “We want to get a return for the USD 300 million investment that will be spent on this project. We have initiated the work because we believe there is oil there.” If the drilling is successful, it can help decrease Turkey's oil imports.

January 7, 2015

Amendment bill to the Building Code introduced

A bill amending the Turkish Building Code (Law No. 3194) and its related sub-legislation has been brought before parliament. According to the draft law, the investments which are specified by the Investment Support and Promotion Agency of Turkey (ISPAT) as high technology and high value-added will be under the warranty that their construction plans may not be altered for 10 years. Provided the draft law comes into force, changes will be permissible only when the necessity occurs, and will be subject to permission by the Agency.

January 20, 2015

4 of 10 fastest-growing metropolitan areas are in Turkey

4 Turkish cities, Izmir, Istanbul, Bursa, and Ankara, are among the 10 fastest-growing metropolitan areas listed by the Brookings Institution's Global Metro Monitor. The fastest-growing metropolitan areas, as measured by the Brookings Institution's economic performance index that combines employment and GDP per capita growth, are concentrated in China (5 cities), Turkey (4 cities), and the Middle East (1 city).

January 26, 2015

Population of Turkey reaches 77,695,904 by end of 2014

In 2014, the population residing in Turkey grew by 1,028,040 people (1.33%) compared to the previous year, according to the address-based population study of TurkStat. Of this population, 50.2% were males, and 49.8% were females. The most populated province was Istanbul with 18.5% of the total population (over 14 million people), followed by Ankara with 6.6% (some 5 million), Izmir with 5.3% (some 4 million), Bursa with 3.6% (almost 2.8 million) and Antalya with 2.9% (over 2 million), respectively. The study also found that the median age in Turkey has increased from 30.4 to 30.7 years.

January 29, 2015

Other Headlines

- Anadolu Holding has signed an agreement to buy half of BC Partners' stake in Migros. BC Partners used to own 80.5% of Migros. January 2, 2015
- Toyota Turkey has reached their 2014 targets, exporting 85% of the 131,000 automobiles they produced. January 5, 2015
- Turkish Tosyalı Holding and Japanese Toyo Kohan held the ground-breaking ceremony for a new flat steel production facility in the southern province of Mersin. The total investment will amount to USD 500 million. January 5, 2015

- BIM is the sole Turkish retailer listed among the World's Top 250 Retail Companies in Deloitte's report "Global Powers of Retailing 2015". BIM climbed 16 places to 151st place on the list. January 14, 2015
- Domestic cellular phone production in Turkey increased 208% in 2014 compared to the previous year. January 27, 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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