



▶▶ Newsletter Turkey November 2016

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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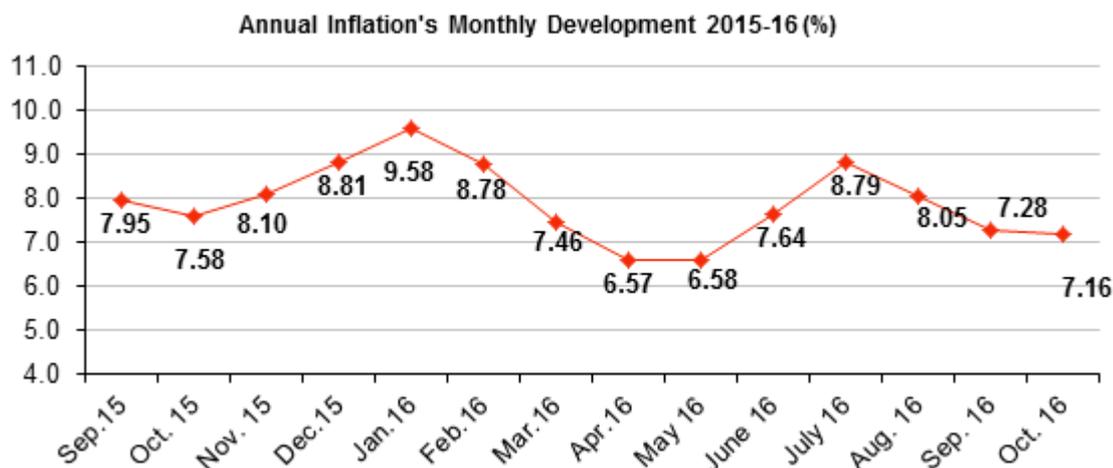
Economy

Overview of Monthly Data

Exchange Rates	30/09/2016	31/10/2016	Change in %
TRY per Euro	3.3608	3.4055	1.33%
TRY per USD	3.0058	3.1080	3.40%
Stock exchange index	76,488.38	78,536.17	2.68%

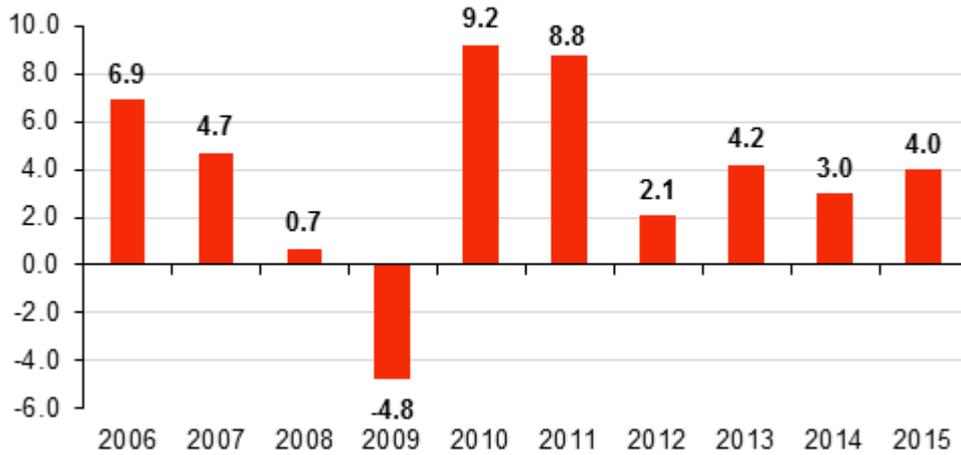
Inflation in %	Monthly inflation	Annual inflation
Domestic producer prices	0.84	2.84
Consumer prices	1.44	7.16

Inflation



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
2016	4.7	3.1			



Inflation continues to decrease

In October, consumer prices in Turkey increased by 1.44% over the previous month, and by 7.16% over the same month of the previous year (YOY). Accordingly, the increase in CPI-YOY has been in a downward trend for the last three months. The highest monthly increases were observed in clothing and footwear (10.43%), transportation (2.00%), food and non-alcoholic beverages (1.76%). The decreasing items were recreation and culture (-1.03%), housing (-0.24%), communication (-0.06%), alcoholic beverages and tobacco (-0.01%). On the other hand, the increase in the domestic producer price index (D-PPI) YOY was 2.84% in October, thus stopping its downward trend. The rate of monthly change in D-PPI was recorded as 0.84%.

Nov. 3, 2016

10.7% unemployed in July

In July, 3.324 million people in Turkey aged 15 and older were out of work, 354,000 more than in the same month of 2015. The unemployment rate was 10.7% with a 0.9 point increase YOY. The youth unemployment rate in the 15-24 age bracket amounted to 19.8%. The labour force participation rate stood at 52.7%, but only 33.0% for females. Of those with employment in this period, 52.9% were employed in the services sector, 20.7% in agriculture, 19.0% in industry, and 7.4% in construction.

Oct. 17, 2016

Foreign trade deficit increases by 14.1% in September

In September, Turkey's exports and imports decreased by 5.6% and 0.7%, respectively, YOY. With exports decreasing to USD 10,935 mn and imports to USD 15,296 mn, the trade deficit soared by 14.1%, up to USD 4,362 mn. The main partner for exports was Germany (USD 1,137 mn), followed by the UK (USD 784 mn), Italy (USD 653 mn), and Iraq (USD 575 mn), whereas the top country Turkey's imports came from was China (USD 2,221 mn), followed by Germany (USD 1,668 mn), Russia (USD 1,047 mn), and Italy (USD 699 mn).

Oct. 31, 2016

Prime minister announces 2017-2019 Medium Term Programme

According to the new programme, the GDP growth forecast is 3.2% for 2016 and 4.4% for 2017. The government plans to increase public expenditures to support the growth. Accordingly, the rate of budget deficit/GDP is expected to increase up to 1.9% in 2017. In 2016, the export and import volumes are expected to reach USD 143.1 bn and USD 198.0 bn, respectively. The forecast for 2016 year end CPI-YOY has been revised as 7.5%.

Oct. 5, 2016

Central Bank keeps interest rates stable

The Central Bank of the Republic of Turkey has kept the overnight lending rate at 8.25%, and the one-week repo rate (policy rate) at 7.5%. The bank stated that the acceleration in the economic activity has decreased while on the other hand, the increase in the EU's demand is supporting Turkish exports and the domestic demand is expected to increase from the last quarter on. The rise in exchange rates limits the decrease in inflation, requiring a cautious monetary policy.

Oct. 20, 2016

Deadline of tax amnesty extended

The deadline for applications to benefit from the restructuring of tax receivables has been extended to Nov. 25. Turkish Finance Minister Naci Agbal reported that there have been 4.6 million applications so far, and that the volume of restructured receivables has reached TRY 40.5 bn.

Oct. 25, 2016

Politics

Erdogan: Turkey is not after neighbouring territories

Turkish President Recep Tayyip Erdogan stated that Turkey is not after the territories of Syria and Iraq but rather aiming at protecting its own borders. Turkey is determined to participate in the military operation to rid the city of Mosul from its IS occupiers but faces strong opposition from the Iraqi government which is concerned about a Turkish military presence in Northern Iraq.

Oct. 12-24, 2016

Co-leaders and MPs of the pro-Kurdish party arrested

Selahattin Demirtas and Figen Yuksekdag, the co-leaders of the pro-Kurdish HDP (Peoples' Democracy Party), and five other MPs have been arrested as part of a terrorism investigation. Federica Mogherini, High Representative of the EU for Foreign Affairs and Security Policy, expressed extreme concern about the arrests and convened an EU ambassadors' meeting in Ankara. The HDP is the third largest party in the Turkish parliament with 59 seats.

Nov. 4, 2016

Terrorism charges against major opposition newspaper

17 executives and columnists of the opposition newspaper Cumhuriyet have been detained on charges of aiding and abetting terrorist organizations FETO (Fethullah Terror Organisation) and PKK (Kurdistan Workers' Party), and nine of them have been arrested. An arrest warrant for the ex-editor-in-chief Can Dundar, who is in Germany to avoid judicial prosecution, was also issued. Kemal Kilicdaroglu, the leader of the main opposition party CHP, visited the newspaper's Ankara office, stating that the government is exercising pressure on the independent media. Martin Schulz, President of the European Parliament, called this course of action the crossing of another red line.

Nov. 5, 2016

Other Topics

Turkish-American trade volume to double in the next five years

U.S. ambassador John Bass stated that the trade volume between the United States and Turkey has doubled in the last 10 years, reaching USD 18 bn, and the future is even more promising. Hence, he expects the volume to double in the next five years. Bass said that American companies are looking for new opportunities to develop their businesses in Turkey, make investments in R&D centres, or build partnerships with Turkish companies for third markets.

Oct. 10, 2016

Turkey and Russia develop ties in energy and trade

Turkey and Russia have signed an agreement for the "Turkish Stream" project and to lift the limitations on Turkish citrus fruit exports to Russia. "Turkish Stream" is a project to convey Russian natural gas both to Turkey and through Turkey to Europe, with a total capacity of 63 billion cubic meters per year. It is expected to be put in operation by the end of 2019. A discount on the natural gas price for Turkey was also agreed during negotiations.

Oct. 11, 2016

Saudi Arabian oil giant signs MoU with 18 Turkish contractors

Saudi Arabian state-owned oil company Aramco has signed a memorandum of understanding with 18 Turkish contractors. This will pave the way for Turkish companies to participate in the future tenders of Aramco, which is aiming at an investment volume of USD 300 bn in the next ten years.

Oct. 12, 2016

Israeli energy minister visits Turkey

The first visit by an Israeli minister to Turkey following Israel's military operation against Turkish Gaza fleet ships in 2010, which caused a severe diplomatic crisis between two countries, occurred. Both countries' ministers for energy have agreed to work on a possible pipeline project to convey Israeli

natural gas through Turkey to Europe.

Oct. 14, 2016

Penalties for violation of personal data protection are in force

The penalties have become applicable as the time span allowed by the Law on the Protection of Personal Data No. 6698, which is in line with the EU norms, has expired as of Oct. 7. Companies using personal data without permission now face imprisonment up to 4.5 years or a TRY 1 mn fine. It is expected that banks, hospitals and telecom operators will intensely seek to obtain signatures of their clients for permission in the forthcoming period.

Oct. 25, 2016

Kansai Paint acquires 50% of Polisan

Japanese Kansai Paint, one of the top ten paint manufacturers in the world, has acquired 50% of Polisan, a leading Turkish manufacturer of decorative paints, for USD 113.5 mn. This is the second investment of Kansai Paint in Turkey, which has already been active in automotive and industrial paints segments through the partnership of Kansai Altan. Hiroshi Ishino, Kansai Paint's President, stated that Polisan will be an excellent partner for their growth strategy in East Europe. It was also announced that, with an investment of EUR 35 mn, Polisan will have a new facility in operation by the end of 2017.

Oct. 31, 2016

Other Headlines

- Turkish textile and ready wear exports reached USD 20.3 bn in Jan.-Sep. 2016, growing 1.6% YOY. The EU's share was 54% in textile exports and 71% in ready wear. Oct. 2016
- Turkish Eczacıbaşı VitrA Istanbul Women's Volleyball Team became world champion in FIVB Women's Club World Championship and VakıfBank came in third. This was the fourth gold medal of Turkish women's volleyball teams since 2010. Oct. 24, 2016
- Nurettin Özdebir, Chairman of the Ankara Chamber of Industry, stated that the three nuclear plant projects in Turkey with a total investment volume of USD 60 bn may create an opportunity of USD 21 bn for Turkish suppliers. Oct. 25, 2016
- Berat Albayrak, Minister of Energy and Natural Resources, announced that the first gas shall be injected into the natural gas storage facility located under the Tuz Gölü (Salt Lake) in Central Anatolia in January 2017. Oct. 27, 2016
- Turkey went up 16 ranks in the Global Innovation Index in 2016, where it ranks 42nd. Oct. 31, 2016

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