



▶▶ Newsletter Turkey September 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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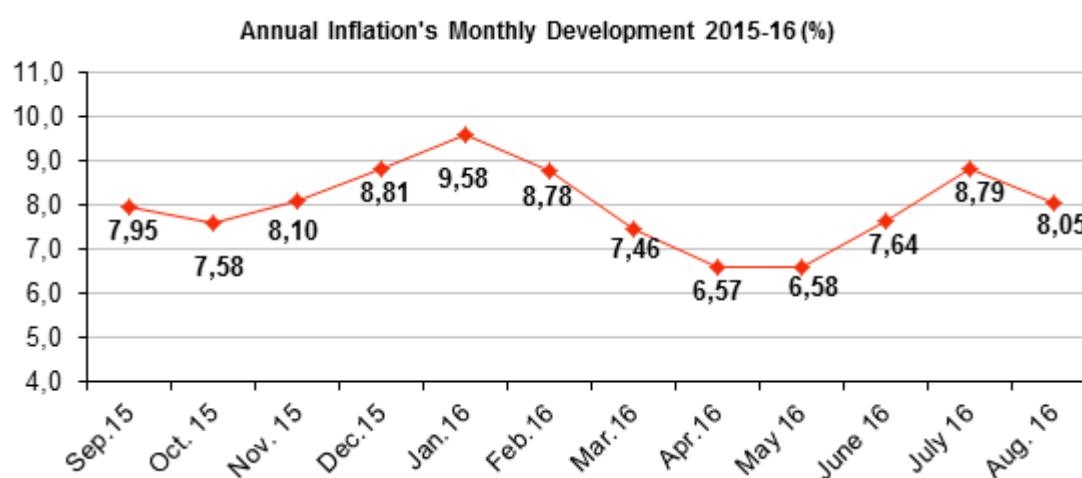
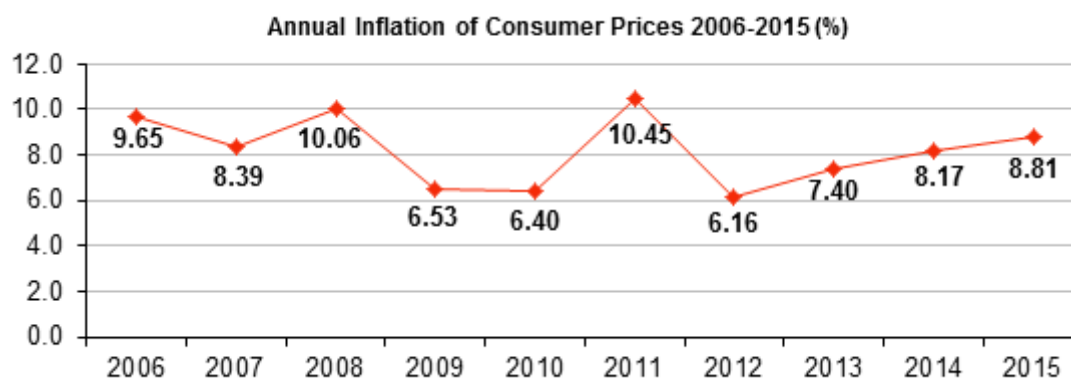
▶▶ Economy

Overview of Monthly Data

Exchange Rates	29/07/2016	31/08/2016	Change in %
TRY per Euro	3.3506	3.2970	-1.60%
TRY per USD	3.0180	2.9597	-1.93%
Stock exchange index	75,405.53	75,967.63	0.75%

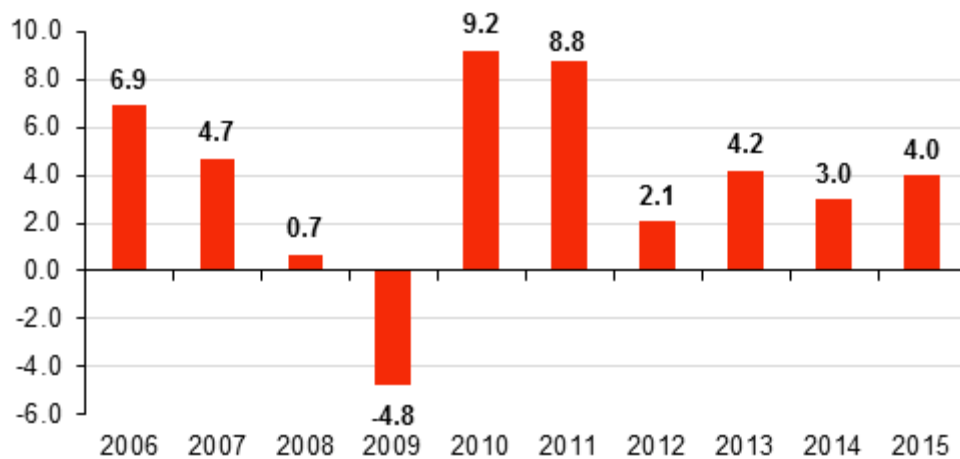
Inflation in %	Monthly inflation	Annual inflation
Domestic producer prices	0.08	3.03
Consumer prices	-0.29	8.05

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	4.8				



Turkish inflation continues to increase

While in August consumer prices in Turkey decreased by 0.29% over the previous month, they were 8.05% higher than in the same month previous year. The highest monthly increase was again observed in alcoholic beverages and tobacco (3.44%). The monthly index increased by 2.61% for education, 0.82% for hotels, cafés and restaurants, 0.47% for housing, and 0.45% for miscellaneous goods and services. The monthly CPI declined for clothing and footwear by 4.69%, and for food and non-alcoholic beverages by 1.92%. After having increased since May 2016, the annual domestic producer price index (D-PPI) decreased by 3.03% in August over the same month of the previous year. The rate of monthly change in D-PPI was recorded as 0.08%.

September 5, 2016

Turkish unemployment rate is 9.4% in May

In May, 2.895 million people in Turkey aged 15 and older were out of work, 106,000 more than in the same month of 2015. The unemployment rate was 9.4% with a 0.1 point increase compared to the same month previous year. After having decreased 3 months in a row, the unemployment figure has slightly gone up in May, but is still lower than January's 11.1%. The youth unemployment rate in the 15-24 age bracket amounted to 17.4%, and the labour force participation rate stood at 52.5%. Of those with employment in this period, 53.1% were employed in the services sector, 19.9% in agriculture, 19.3% in industry, and 7.7% in construction.

August 15, 2016

Turkey's foreign trade deficit shrinks by 32.5% in July

In July, Turkey's exports and imports decreased by 11.5% and 19.7%, respectively, compared to the same period previous year, according to the provisional data produced in

cooperation of the Turkish Statistical Institute and the Ministry of Customs and Trade. With exports dropping to USD 9,855 million and imports to USD 14,643 million, the trade deficit shrank to USD 4,788 million. The main partner for exports was the United Kingdom (USD 982 million), followed by Germany (USD 966 million), Italy (USD 550 million), and the USA (USD 448 million), whereas the top country Turkey's imports came from was China (USD 1,884 million), followed by Germany (USD 1,722 million), Russia (USD 1,117 million), and Italy (USD 854 million).

August 31, 2016

Politics

Erdogan visits Russia, a sign of normalization of relations

Turkish President Recep Tayyip Erdogan and Russian President Vladimir Putin have met in St. Petersburg in an effort to normalize the relations that had been tense after the shooting down of a Russian warplane by the Turkish Air Force last November. Speaking at a joint press conference on his first overseas trip since the coup attempt in July, Erdogan thanked Putin, whom he addressed as "my dear friend", for calling the day after the coup attempt. "The axis of friendship between Moscow and Ankara will be restored", Erdogan said. Putin stated that he was one of the first foreign leaders to call and offer support to Erdogan after the coup attempt, underlining that Russia is against any unconstitutional actions. "Your visit today, despite a very difficult situation regarding domestic politics, indicates that we all want to restart dialogue and restore relations between Russia and Turkey", Putin added.

August 10, 2016

Friendly encounter of Erdogan with Bar Associations' President after 2 years

President Erdogan has hosted a meeting with a delegation from the Union of Turkish Bar Association (TBB), in which both Erdogan and TBB President Metin Feyzioglu delivered warm speeches. Feyzioglu said "We were greatly relieved when we heard your statements on TV on the night of the coup attempt", referring to Erdogan's call on the public to take to the streets against the plotters. Feyzioglu, who is an active member of opposition party CHP, stated that the TBB had stood against the "Fethullahist Terror Organization" (FETÖ) from the start of the coup attempt, siding with freedom, democracy, and the supremacy of law. The two had been at odds after Erdogan had interrupted Feyzioglu's speech criticizing the government and Erdogan in May 2014.

August 17, 2016

Suicide bomber kills 56 people in city near Syrian border

56 people, 32 of which were children, have been killed and more than 90 wounded in a suicide attack on a wedding ceremony in Turkey's South-eastern city of Gaziantep, close to the Syrian border. The pro-Kurdish Peoples' Democratic Party (HDP) stated that the wedding had been held for one of its members. The suspected bomber is believed to have been an Islamic State (IS) member aged between 12 and 14 years. Gaziantep is known to host several IS cells.

August 20, 2016

US Vice President says keeping Gulen would not benefit the US

During a visit to Ankara, US Vice President Joe Biden has sought to ease the tension between the two countries due to Turkey's demand for extradition of Islamist preacher Fethullah Gulen who is accused of orchestrating the July 15 coup attempt. Turkey has sent boxes of documents to the United States with a formal request for extradition of Gulen, who has been living in self-imposed exile in the state of Pennsylvania since 1999. After meeting with Turkish President Erdogan, Biden said that the United States was cooperating with Turkey in evaluating evidence against Gulen but more data were needed to meet U.S. legal standards. "We have no reason to shelter someone who would attack an ally and try to overthrow a democracy," Biden added.

August 25, 2016

Turkey enters Syria to fight IS and SDF

Turkish military forces together with Turkey-backed Syrian rebel groups are conducting an ongoing cross-border operation in northern Syria dubbed Operation Euphrates Shield (Turkish: Fırat Kalkanı Harekâtı). This military intervention conducted by Turkey is the first full-scale incursion into Syria since the beginning of the five-year-old civil war and aims to fight against forces of the Islamic State (IS) and the Syrian Democratic Forces (SDF). Turkey states that the operation, which is held in the area between the Euphrates River to the east and the rebel-held area around Azaz to the west, is an act of self-defence in response to the bombardment of its border towns and suicide attacks targeting Turkish nationals by IS. On the other hand, the Syrian government criticized Turkey's intervention as a violation of its sovereignty.

August 24-September 9, 2016

Turkey's main opposition leader calls on USA to hand over Gulen

Kemal Kilicdaroglu, the chairman of Turkey's main opposition Republican People's Party (CHP), has called on the United States to extradite Fethullah Gulen, who is accused of being the leader of FETO that is said to be behind the deadly coup attempt. Speaking at a press conference in Ankara, Kilicdaroglu said: "If Fethullah Gulen says: 'I want to be

acquitted', he has to come and be prosecuted by the independent courts in Turkey." He also added that it was paramount for all political parties to stand together against the coup attempt, as well as the Turkish people showing their sensitivity by defending democracy on the streets.

July 26, 2016

Developments and striking points after the coup attempt

- The coup attempt resulted in more than 230 casualties, more than 170 of which were civilians, and more than 1,000 wounded. More than 18,000 people were detained, and over 10,000 arrested in the wake of the events. July 15–September 15, 2016
- Turkish Prime Minister Binali Yildirim said that everything is under control and the markets are functioning smoothly. The Grand Assembly's agenda is to revive the economy. July 19, 2016
- A state of emergency, which will be effective for 3 months, has been declared. President Erdogan underlined that the state of emergency is not against democracy, the rule of law, and freedom, saying that "None of our citizens need to worry about democracy" while adding that the state of emergency will accelerate Turkey's fight against terrorism. July 20, 2016
- Deputy Prime Minister Numan Kurtulmus stated that there will not be a curfew. He added that government's aim is to finish their job regarding the plotters as soon as possible, and to end the state of emergency in 1.5 months' time. July 21, 2016
- Istanbul's Bosphorus Bridge (Turkish: İstanbul Bogazici Koprusu), on which several protesters were killed by army fire, has been officially renamed as Bridge of the Martyrs of July 15 (Turkish: 15 Temmuz Sehitler Koprusu) July 25, 2016
- Hundreds of thousands of citizens all around the country have gathered in public meetings to protest against the coup attempt. Representatives of the main opposition party also attended the meetings. July 25, 2016
- Turkish business representatives have expressed their belief in Turkish democracy and economy on different occasions. They delivered messages that it is now time to work and produce harder for the Turkish economy to continue its growth. They also voiced support for the state of emergency, underlining that Turkey's economy can only be strong with a civil government. July 19–30, 2016

Other Topics

New incentives to boost investments

The omnibus bill that was accepted in Parliament includes arrangements on project-based super investment incentives. With this new incentive model, it will be possible for the projects that are selected by the Economy Coordination Board to make investments with almost zero cost. Some of the incentives and aids that the Council of Ministers is authorized to grant for the selected projects include exemption from customs duty, up to 100% discount on corporate tax, the possibility of state partnership up to 49%, wage support for qualified employees and income tax withholding on wages, and a purchase guarantee for the products of the new investment.

August 3, 2016

Turkish automobile market collapses in July

After record-breaking sales and export figures of the last 10 years during the first half of the year, the Turkish automotive industry has shrunk by 30% in July. Although the sector has revised its end-year targets, it is not likely to reach the sales target of 1 million units. The sector is looking to the government to implement the Special Consumption Tax (SCT) exemption that is part of the incentive package issued on July 4th. According to the package, taxicabs, public-transport type passenger vehicles such as minibuses, municipal and public buses, trucks and pickup trucks for the transport of goods can be replaced until the end of the year without paying SCT. According to the data reported by the Automobile Distributors Association of Turkey (ODD), total sales of passenger cars and light commercial vehicles in the period January –July have diminished by 3.69% to 497,350 units.

August 3, 2016

Public receivables to be restructured in Turkey

A government bill of law on restructuring some receivables has been passed in Parliament. According to the Law on Restructuring of Public Debts and Repatriation of Capital, many of the unpaid debts and administrative penalties accrued before 30 June 2016 will be restructured. The law is applicable but not limited to receivables including all types of taxes and tax penalties, customs duties, estate tax and contribution for the protection of cultural real properties, social security insurance and pension fund premiums, and motor vehicle taxes. The debtors will only pay the principal, while penalties will not be collected.

August 5, 2016

Other Headlines

- The CEO of German tourism giant TUI, Sebastian Ebel, has appealed to German tourists, saying that Antalya is irreplaceable for them as a holiday destination since it is unrivalled all around the world in terms of quality. He also underlined that they are ready to give any kind of support for Antalya. July 21, 2016
- The Lebanon-based company BB Energy, one of the largest oil traders in the world, has acquired the majority of shares in the Turkish company Citypet, which operates 30 petrol stations and plans to open an additional 60 by the end of the year. August 5, 2016
- A tax penalty of TRY 79 million (including interest) has been imposed on Koc Holding, Turkey's largest conglomerate, as a result of an audit for the years 2011 & 2012. August 5, 2016
- Sabanci Holding, one of Turkey's largest conglomerates, has made investments of TRY 1.8 billion in the first half of the year. August 12, 2016
- According to the retail association BMD, the perception that foreign investors are leaving the Turkish market is wrong as foreign retail brands plan to open 90 new stores in Turkey by the end of the year. August 17, 2016
- CW Energy, which has been operating in solar systems business in Turkey since 2009, will start producing solar cells here by the end of 2017. August 25, 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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