



▶▶ Newsletter Turkey August 2014

Dear Reader,

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](#). Feel free to [forward](#) our newsletter to interested persons.

Best regards,
FMConsulting Team
newsletter@fmconsulting.com

▶▶ Economy

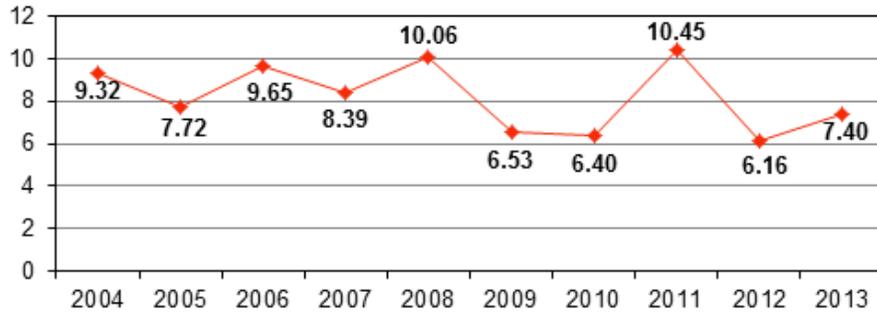
Overview of Monthly Data

TL-Rates	30.06.2014	31.07.2014	Change in %
TL per Euro	2.9032	2.8611	-1.45
TL per USD	2.1264	2.1371	0.50

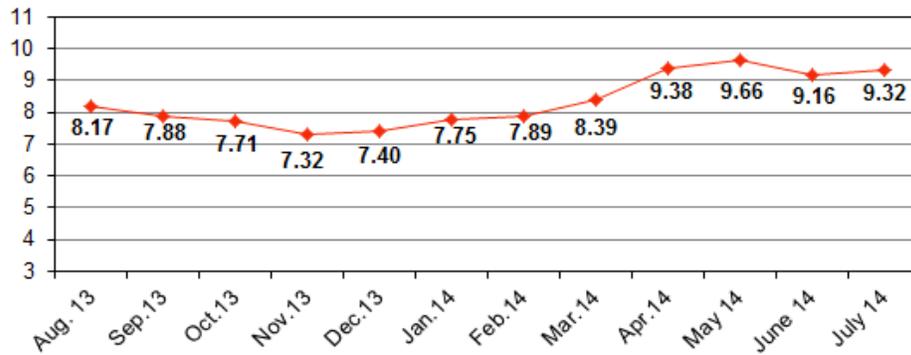
Stock exchange index	78,489.00	82,156.87	4.67
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Inflation in %	Monthly inflation	Annual inflation
Producer prices	0.73	9.46
Consumer prices	0.45	9.32

Annual Inflation of Consumer Prices 2004-2013 (%)

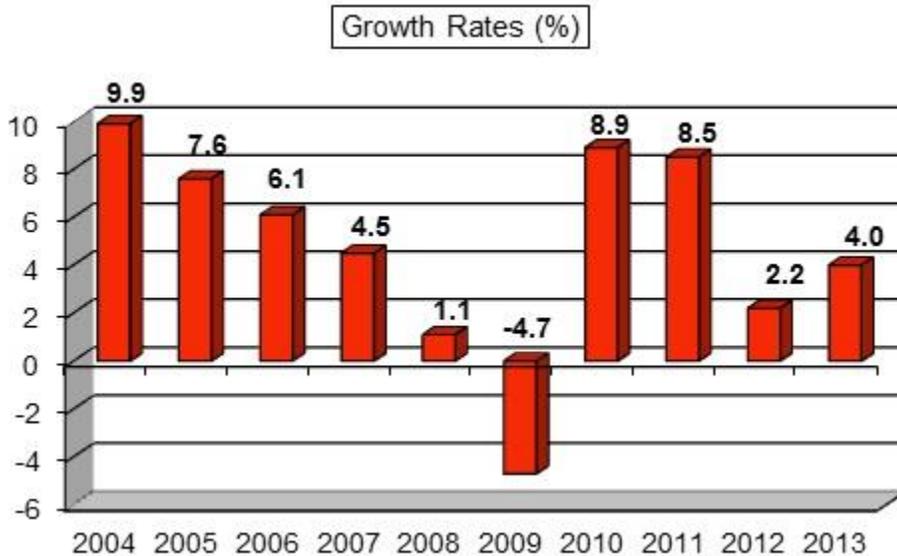


Annual Inflation's Monthly Development 2013-14 (%)



Growth Rates

Economic Growth Rates (%)					
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
2004	13.9	15.7	8.0	6.6	9.9
2005	7.5	4.7	8.0	10.0	7.6
2006	6.3	9.3	4.3	4.6	6.1
2007	8.1	4.1	3.3	3.6	4.5
2008	6.7	1.9	0.5	-6.2	1.1
2009	-14.5	-7.7	-2.9	6.0	-4.7
2010	12.2	10.2	5.3	9.2	9.0
2011	11.6	8.8	8.2	5.2	8.5
2012	3.4	3.0	1.6	1.4	2.2
2013	2.9	4.5	4.3	4.4	4.0
2014	4.3				



Annual inflation starts to lose momentum

In June, the monthly increase of the consumer price index (CPI) and the domestic PPI (D-PPI) was 0.31% and 0.06%, respectively. On the other hand, the annual CPI, which had followed an upward trend in the first 5 months of the year, lost momentum in June, dropping to 9.16%. As the base effect became more evident, the annual D-PPI fell to 9.75%, according to the data published by the Turkish Statistical Institute (TurkStat). The rising prices of agricultural products, which were due to the ongoing drought, and the latest price mark-up in public transportation were two main factors of the increased monthly inflation.

July 4, 2014

Turkish unemployment lowest in 10 months

Unemployment in Turkey fell from 9.7% in March of this year to 9.0% in April, the lowest in 10 months, according to data released by the country's statistics agency TurkStat. On the other hand, seasonally adjusted unemployment figures have shown a steady trend during the mentioned period, at 9.1%.

July 16, 2014

Budget deficit well on target

Turkey's government budget deficit for the first half of 2014 stood at TRY 3.4 billion (approx. USD 1.6 billion), said Finance Minister Mehmet Simsek, adding that this figure is only about 10% of the year-end target deficit of TRY 33 billion. Simsek also stated that growth will be sustained, and that his government will not compromise on fiscal discipline.

July 16, 2014

Turkish Central Bank cuts benchmark interest rate for 3rd straight month

The Monetary Policy Committee of the Central Bank of the Republic of Turkey (CB) has reduced the benchmark one-week repo rate to 8.25%, from 8.75%. The CB has lowered the policy rate by a total of 175 base points in the last three months. The Committee cited improvements in global liquidity conditions as reason for this decision. During a speech one week after the rate cut, CB Governor Erdem Basci underlined that their end-of-year inflation forecast still remains unchanged at 7.6%, signalling continual interest rate cuts.

July 18 & 25, 2014

Deputy PM warns about consumption-derived risks

Turkish deputy PM Ali Babacan has stated that the decreasing rate of industrial production in national income is a risky trend. He also warned about the financial risks associated with luxury spending using foreign credits in combination with insufficient local production.

July 24, 2014

Politics

Presidential candidate Ihsanoglu positions himself as unifying figure

Ekmeleddin Ihsanoglu, the umbrella candidate of five opposition parties and main rival of Prime Minister Recep Tayyip Erdogan in Turkey's presidential elections, has launched his campaign. Positioning himself as a unifying figure, Ihsanoglu said that he is the presidential candidate of all parties, adding: "I am not closer to one party than any other. I'll be everybody's president." In his speech, he also stressed that he will champion the rights of youth and women.

July 11, 2014

Turkey and USA discuss Gaza attacks

In yet another Israeli rocket attack on Gaza, 40 Palestinians have been killed and almost 400

wounded. In response to statements made by U.S. State Department spokesperson Jen Psaki, Turkey's PM Erdogan said, "If the US is still claiming that Israel is using its right to self-defence, it should exercise self-criticism. It is America that is being aggressive." In the meantime, Turkish Foreign Minister Ahmet Davutoglu discussed the issue with U.S. Secretary of State John Kerry. Davutoglu asked the USA to increase pressure for a cease-fire, warning that otherwise the incident may cause global public backlashes and even civil disorder.

July 21, 2014

Turkish PM Erdogan wins presidential election

In line with forecasts, current Prime Minister Erdogan has won Turkey's first direct presidential election in the first round. According to the provisional results announced by the Supreme Electoral Council, Erdogan received almost 52% of the votes, whereas the main opposition candidate Ihsanoglu won about 38%, and the third candidate Demirtas took 10%. With this victory, Erdogan is going to extend his more than 10-year rule over the country as PM for another five years as President. The ruling Justice and Development Party (AKP) will nominate Erdogan's successor as Prime Minister at the end of August.

August 11, 2014

Other topics

Hard Rock Cafe Istanbul opens after 5 years of location search

The newest member of the Hard Rock Cafes (HRC) chain has opened its doors in Istanbul. Cristina Lopes, marketing director of HRC Istanbul, stated that they had been searching for the right location for the last 5 years, underlining that this is the only reason that they came to Istanbul so late. The multi-level Hard Rock Cafe Istanbul is located in Beyoglu near the famous Istiklal Street, the nightlife neighbourhood in the heart of Istanbul.

July 2, 2014

Turkish automobile market shrinks by 25% in the first half of the year

Passenger car and light commercial vehicle sales in Turkey shrank by 24.85% in the first half of 2014 compared to the same period a year ago, according to a report by the Automobile Distributors' Association (ODD). The total sales volume of passenger cars and light commercial vehicles decreased to 286,861 units, mainly due to exchange rate and interest rate increases that started in the second half of 2013.

July 4, 2014

Turkish olive farmers oppose draft bill allowing energy investments

A draft bill that allows private investors to build energy facilities on olive fields has been submitted to the Turkish Parliament. The new bill also states that olive groves smaller than 2.5 hectares will not be considered as such, while producers say that the average size of an olive field in Turkey is only 1 hectare. Current law bans the construction of power plants and coal mines within three kilometres of olive groves. This new regulation, if passed, could threaten 500,000 farm families in the country, experts claim.

July 11, 2014

Incentives approved for two major investments

Incentive certificates for two major investments with a total worth of TRY 1.93 billion (EUR 677 million) have been approved. One of the projects is a port that will be constructed in Yarimca – Kocaeli by Dubai Ports, owned by Sheikh Ahmed Al Maktoum of Dubai. The port will be one of the largest container terminals in Turkey with a capacity of 1.3 million twenty-foot equivalent units (TEUs) per year. The other investment project is a chemicals facility to be established in the southeastern province of Mardin by Eti Bakir, a subsidiary of Cengiz Holding.

July 11, 2014

Mandarin Oriental Bodrum opens doors to guests

The Mandarin Oriental Hotel Group has celebrated the opening of its latest luxury resort, Mandarin Oriental Bodrum. The group, which operates 44 hotels in 25 countries, has invested EUR 650 million in its Bodrum resort. Designed by famous Italian architect Antonio Citterio, Mandarin Oriental lies on an area of 60 hectares.

July 11, 2014

French seed giant Limagrain has chosen Turkey for investment

French Limagrain, one of the largest seed companies in the world, intends to build a plant in Karacabey (Bursa province) in western Turkey with a cost of TRY 50 million (EUR 17.5 million). The plant is expected to be functional in one year. The company had initially planned to invest in Ukraine, but later preferred investing in Turkey.

July 16, 2014

Italian Ferrero continues investing in Turkey

The Italian confectionary giant Ferrero Group has bought 100% of Oltan Gida, Turkey's largest producer and exporter of hazelnuts. Oltan Gida accounts for around one third of Turkey's

hazelnut production with an annual turnover of some USD 500 million. The company ranked 55th in the Istanbul Chamber of Industry's (ISO) list of Turkey's top 500 industrial enterprises in 2013. Ferrero had opened a plant in the Aegean province of Manisa in 2013 with an investment of around USD 190 million. Its brands include Nutella, Ferrero Rocher and Kinder, and its products make use of Turkish hazelnuts. The acquisition is subject to regulatory approval.

July 17, 2014

Goldman Sachs signs preliminary deal to buy 30% of Petlim port

Goldman Sachs has signed a preliminary agreement to acquire 30% stakes of Petlim, the port operated by petrochemicals maker Petkim. Petlim is located in Aliaga (Izmir province) on the Turkish coast of the Aegean Sea. The transaction volume will be USD 250 million. Petkim had become a subsidiary of the State Oil Company of Azerbaijan (SOCAR) after its privatization in 2008.

July 21, 2014

Other Headlines

- The Turkish retail market has reached a size of over USD 300 billion in 2013, according to a report by Deloitte Turkey. July 8, 2014
- In 2014, the privatization volume is expected to hit a record high, announced Finance Minister Mehmet Simsek. July 21, 2014
- Tax-free shopping by foreign visitors of the Istanbul Shopping Fest has increased by 51% compared to last year's festival. July 22, 2014
- Turkish telecommunications giant Turkcell posted 2.4% growth in Q2. July 25, 2014

About us

FOREIGN MARKET CONSULTING Ltd. Sti. is a German-Turkish consulting company. We specialize in providing competent consultancy services for foreign companies towards opening up to Turkish market, lastingly consolidating the market position and concluding strategic

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