



## ▶▶ Newsletter Turkey December 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

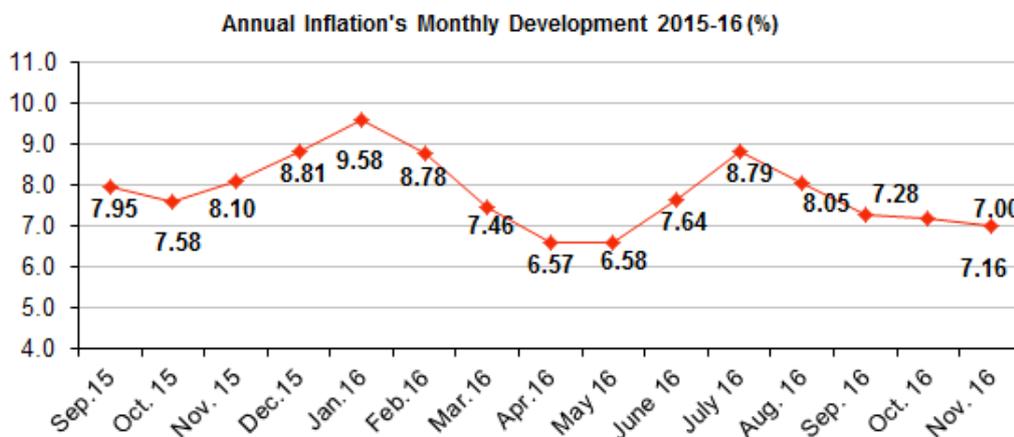
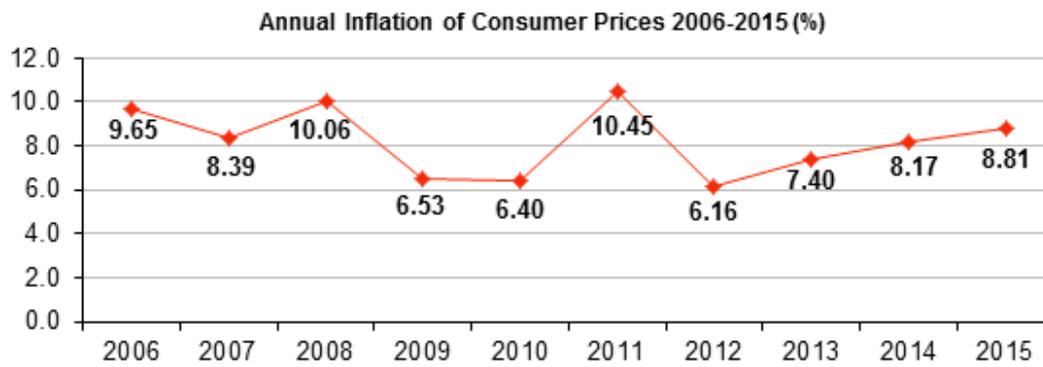
### Overview of Monthly Data

Exchange Rates	31/10/2016	30/11/2016	Change in %
TRY per Euro	3.4055	3.6430	6.97%
TRY per USD	3.1080	3.4236	10.15%

Stock Exchange Index	31/10/2016	30/11/2016	Change in %
BIST 100	78,536.17	73,995.20	-5.78%

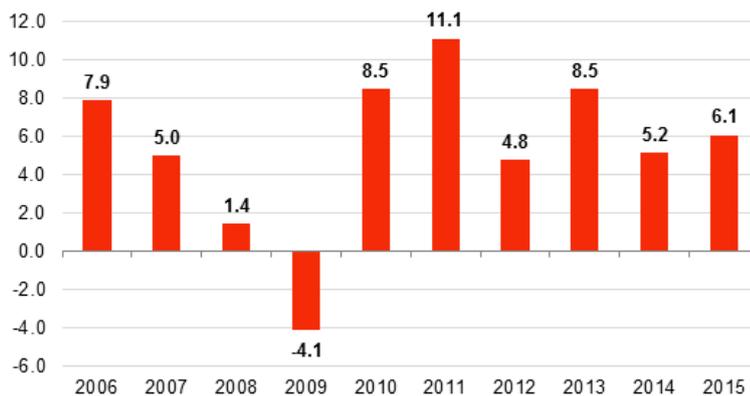
Inflation in %	Monthly inflation	Annual inflation
Domestic producer prices	2.00	6.41
Consumer prices	0.52	7.00

## Inflation



## Growth Rates

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
<b>2011</b>	11.7	11.5	11.6	9.9	<b>11.1</b>
<b>2012</b>	6.8	5.0	3.6	4.2	<b>4.8</b>
<b>2013</b>	8.5	9.8	8.9	6.9	<b>8.5</b>
<b>2014</b>	8.7	2.9	3.7	5.9	<b>5.2</b>
<b>2015</b>	3.5	7.2	5.9	7.4	<b>6.1</b>
<b>2016</b>	4.5	4.5	-1.8		



### **Inflation continues to decrease**

In November, consumer prices in Turkey increased by 0.52% over the previous month, and by 7.00% over the same month of the previous year (YOY). Accordingly, the increase in CPI-YOY has been in a downward trend for the last four months. The highest monthly increases were observed in clothing and footwear (3.89%), and recreation and culture (1.25%). The decreasing items were food and non-alcoholic beverages (-0.58%), as well as furnishing and household equipment (-0.12%). On the other hand, the increase in the domestic producer price index (D-PPI) YOY was 6.41% in November, significantly higher than the figure in October, which was 2.84%. The rate of monthly change in D-PPI was recorded as 2.00%.

Dec. 5, 2016

### **11.3% unemployed in August**

In August, 3.493 million people in Turkey aged 15 and older were out of work, 435,000 more than in the same month of 2015. The unemployment rate was 11.3% with a 1.2-point increase YOY. The youth unemployment rate in the 15-24 age bracket amounted to 19.9%. The labour force participation rate stood at 52.6%, but only 33.1% for females. Of those with employment in this period, 52.6% were employed in the services sector, 21.0% in agriculture, 19.0% in industry, and 7.4% in construction.

Nov. 15, 2016

### **Foreign trade deficit increases by 13.2% in October**

In October, Turkey's exports decreased by 3.0% and imports increased by 0.5%, YOY. With exports decreasing to USD 12.8 bn and imports increasing to USD 17.0 bn, the trade deficit soared by 13.2%, up to USD 4.2 bn. The main partner for exports was Germany (USD 1.3 bn), followed by the UK (USD 1.1 bn), Iraq (USD 774 mn) and Italy (USD 739 mn) whereas the top country Turkey's imports came from was China (USD 2.2 bn), followed by Germany (USD 1.8 bn), Russia (USD 1.2 bn) and Italy (USD 850 mn).

Nov. 30, 2016

### **Central Bank increases interest rates**

The Central Bank of the Republic of Turkey has increased the overnight lending rate from 8.25% to 8.5%, and the one-week repo rate (policy rate) from 7.5% to 8%. The bank stated that the economic activity has decelerated in the third quarter. On the other hand, the demand from the EU countries is supporting Turkish exports, and the recent supports and incentives are expected to contribute positively to the economic activity. Taking into account both the slowdown in demand and the exchange rate movements, the bank decided to implement monetary tightening.

Nov. 24, 2016

### **Istanbul accounts for one fourth of Turkey's consumption expenditures**

In 2015, 25.3% of the household consumption expenditures in Turkey occurred in Istanbul, followed by the Aegean region (including Izmir) with 14.6%, the Mediterranean region (including Antalya and

Adana) with 12.2%, and the West Anatolia region (including Ankara and Konya) with 11.2%. Food and non-alcoholic beverage expenditures constitute a lower share (15.8%) in Istanbul's total expenditures compared to other regions, whereas the share of housing and rent expenditures in this city is relatively higher (29.8%).

Nov. 3, 2016

### **S&P upgrades Turkey's outlook to stable**

Citing economic reforms that are being gradually implemented, S&P has upgraded Turkey's outlook from negative to stable. Following the attempted coup d'état in July, the agency had cut Turkey's rating down to BB and assigned a negative outlook. Nov. 4, 2016

## Politics

### **EU announces Turkey Progress Report 2016**

According to the annual report presented by the European Commission, Turkey is still a key partner for the EU. With regard to the economic criteria, the Turkish economy is deemed a well-advanced and functioning market economy. Nevertheless, the Commission pointed out that the implementation of structural reforms has stalled during the reporting term. The report calls on Turkish authorities to respect the rule of law and fundamental rights, particularly due to policies following the coup attempt and the subsequent declaration of a state of emergency.

Nov. 9, 2016

### **German and Turkish foreign ministers meet in Ankara**

Frank-Walter Steinmeier, German Federal Minister for Foreign Affairs, and his Turkish counterpart Mevlüt Çavuşoğlu have met in Ankara for the first time following the coup attempt. Steinmeier voiced concerns about the recent arrests and the attitude towards the press in Turkey; on the other hand, he also took a stance against stopping the EU accession talks.

Nov. 16, 2016

### **European Parliament votes for a freeze on membership talks**

The European Parliament has voted to temporarily freeze Turkey's EU membership negotiations due to "the disproportionate repressive measures under way in Turkey since the failed military take-over in July". The resolution, which was passed with 479 votes in favour, 37 against, and 107 abstentions, is not legally binding. Prime Minister Binali Yıldırım commented that the resolution has not much importance as the relations with the EU are already dragging on.

Nov. 25, 2016

## Other Topics

### **Business forum boosts cooperation between Turkey and Gulf countries**

Businessmen from Turkey and the Gulf countries have come to an agreement regarding a deal volume of USD 380 mn in the Turkey–Gulf Cooperation Council Business and Investment Forum, organized by the Union of Chambers and Commodity Exchanges of Turkey (TOBB), the Federation of Chambers of the Gulf Cooperation Council (FGCCC), and the Bahrain Chamber of Commerce and Industry (BCCI). 700 businessmen from Turkey and the Gulf countries participated in the forum held in Manama. Abdul Rahim Hassan Al Naqi, Secretary General of FGCCC, stated that food, agriculture and healthcare might be interesting sectors for investments. Khalid Almoayed, Chairman of BCCI, said that they are very excited to be making investments in Turkey.

Nov. 4, 2016

### **Agriculture subsidies expected to reach TRY 12.8 bn in 2017**

Prime Minister Yıldırım has announced the “National Agriculture Project”, which will enter into force as of Jan. 1, 2017. According to the project, the volume of financial subsidies is expected to reach TRY 12.8 bn in 2017, 10.2% over the previous year. Animal husbandry is to take the lion’s share in total supports, with 29.5%.

Nov. 9, 2016

### **Toyota Turkey starts mass production of C-HR**

The Toyota C-HR will be the first hybrid and crossover vehicle manufactured in Turkey. Following a EUR 350 mn investment, the production capacity of Toyota Turkey has increased from 150,000 to 280,000 vehicles, and 2,000 extra jobs have been created. With this project, the number of export countries of Toyota Turkey has reached 97, up from 52, as 90% of C-HR production is planned to be exported. Moritaka Yoshida, member of the Executive Committee of Toyota Motor Corporation, stated that they believed Turkey can produce and export the C-HR not only to Europe, but also to other regions such as North America. Toyota has invested EUR 1.7 bn in its plant in Adapazarı over the past 22 years.

Nov. 10, 2016

### **ElringKlinger opens second factory in Turkey**

German automotive components manufacturer ElringKlinger has opened a new plant in the city of Bursa which is to focus on the production of thermal shielding systems and specialty gaskets. Dr. Stefan Wolf, CEO of ElringKlinger AG, stated that Turkey, which is of great importance as a manufacturing location for a large portion of the automotive industry, remains a key country for the Group. Together with this new investment of TRY 35 mn, the total investment volume of ElringKlinger in Turkey has reached TRY 50 mn. At present, the Group employs some 170 people in Turkey.

Nov. 21, 2016

## Automatic participation in Individual Pension System as from the New Year

The Law No. 6740, which obliges employers to enrol their employees under 45 years of age to the Individual Pension System, will come into force as from Jan. 1, 2017. Accordingly, the minimum contribution rate of employees will be 3% of the earnings base. The employees have the right to cancel the scheme after two months. Companies with 1,000 and more employees will be subject to the system as from Jan. 1, 2017, with 250-999 employees as from April 1, 2017, with 100-249 employees as from July 1, 2017, with 50-99 employees as from Jan. 1, 2018, with 10-49 employees as from July 1, 2018, and with 5-9 employees as from Jan. 1, 2019. Through this system, the government is aiming to increase domestic savings by subsidizing with direct state contributions.

Dec. 4, 2016

## Other Headlines

- Japanese Mitsui & Co. has acquired 30% of the Turkish technology investment company Inventram, which belongs to Koç Holding, the largest Turkish conglomerate. Naotaka Hayashi, Mitsui & Co. Europe's Corporate Planning Director, stated that they are long-term thinking investors and they believe that Turkey will overcome its problems. Nov. 8, 2016
- Ali Koç, the Chairman of Otokar, has announced that the Altay tank has reached the mass production phase, with a prototype produced at a cost of USD 1 bn. Otokar is the prime contractor of Altay, the largest land defence system project of Turkey. Nov. 10, 2016
- Eric Rondolat, CEO of Philips Lighting, has stated that fluctuations can happen in each country that they trust Turkey, and that difficult periods create more opportunities. He claimed that, with the youngest population in Europe, Turkey has a big appetite for technology. Nov. 10, 2016
- Henkel has broken the ground for its largest industrial adhesives plant in the Middle East and Africa Region, located in the city of Gebze. The 4.0 plant is planned to be in operation at the end of 2017. Nov. 10, 2016
- Karadeniz Holding has launched four floating power plants with a total capacity of 1,200 MW, two of them being the largest ones in the world with a capacity of 480 MW each. The ships are destined for Ghana, Myanmar, and Indonesia. Nov. 14, 2016
- Japanese company Ajinomoto has acquired Örgen Gıda, a leading manufacturer of powder food products, from Yıldız Holding for TRY 220 mn. Nov. 17, 2016
- The Krone Commercial Vehicle Group is planning to start manufacturing in its new chassis plant with a capacity of 10,000 units in Izmir in May 2017, which will be its third investment in Turkey. Nov. 17, 2016

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## 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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