



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

▶▶ Newsletter Turkey April 2016

Please find below our latest newsletter covering economic and political developments in Turkey. Do not hesitate to forward our newsletter to interested persons.

Best regards,

FMConsulting Team

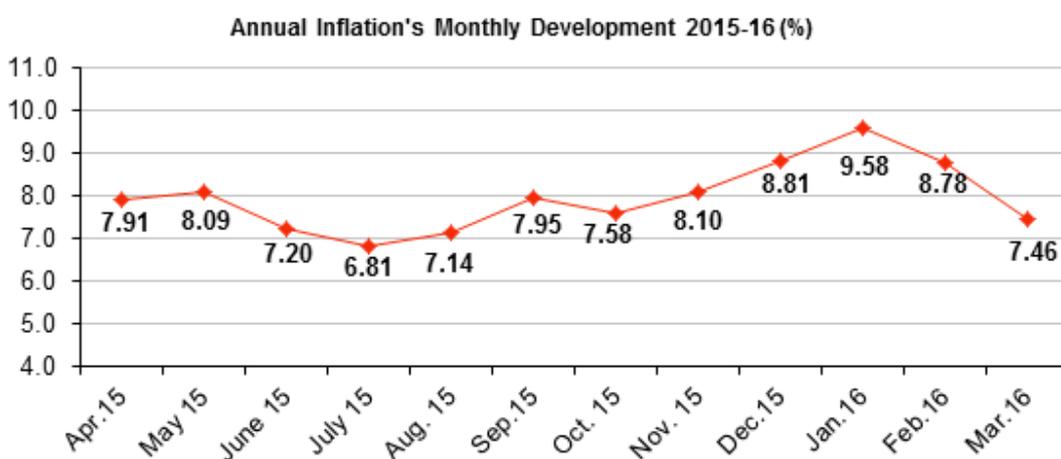
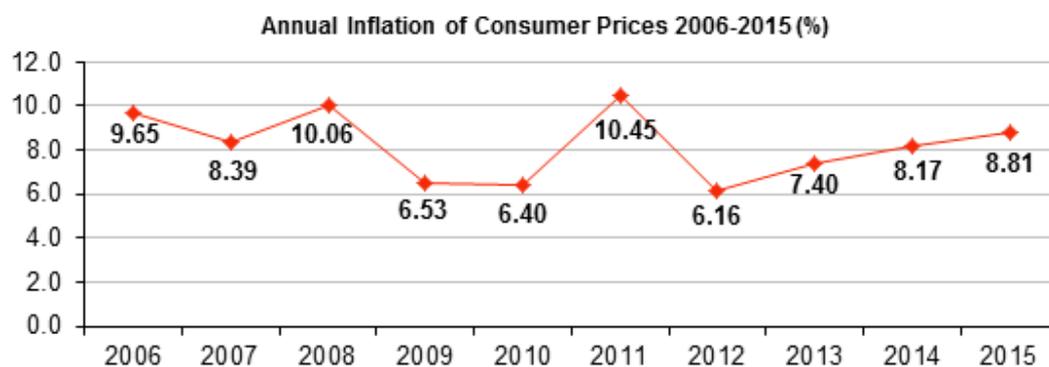
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▶▶ Economy

Overview of Monthly Data

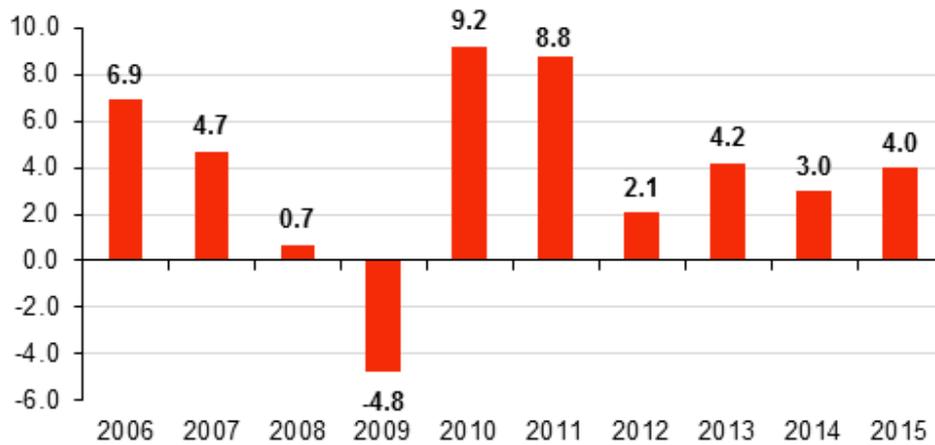
| Exchange Rates | 29.02.2016 | 31.03.2016 | Change in % |
|----------------------|------------|------------|-------------|
| TRY per Euro | 3.2364 | 3.2148 | -0.67 |
| TRY per USD | 2.9665 | 2.8300 | -4.60 |
| Stock exchange index | 75,814.40 | 83,268.04 | 9.83 |

| Inflation in % | Monthly inflation | Annual inflation |
|--------------------------|-------------------|------------------|
| Domestic producer prices | 0.40 | 3.80 |
| Consumer prices | -0.04 | 7.46 |



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 |



Consumer prices continue to fall

In March, consumer prices in Turkey decreased by 0.04% over the previous month, resulting in an increase of 7.46% over the same month previous year. The CPI for clothing and footwear declined by 1.53%, for recreation and culture by 0.28%, and for communications by 0.10%. The highest monthly increase was observed in health services (1.21%). The monthly index increased 0.87% for miscellaneous goods and services, 0.79% for transportation, 0.65% for hotels, cafes and restaurants, and 0.62% for furnishings and household equipment. The domestic producer price index (D-PPI) increased 0.40% compared to the previous month, which amounted to an annual increase of 3.80% over the same month of the previous year.

April 5, 2016

Turkey's unemployment rate is highest in 4 years and continues to rise in 2016

In 2015, the unemployment rate in Turkey has again witnessed double digits after 4 years, hitting 10.3%. The number of unemployed increased to 3,057,000, 204,000 more than in 2014. In January, 3.290 million people in Turkey aged 15 and older were out of work, 31,000 more than in January 2015. The unemployment rate was 11.1%, a decrease of 0.2% compared to the same month previous year. The youth unemployment rate in the 15-24 age group amounted to 19.2%, and the labour force participation rate stood at 50.7%. Of those with employment in January, 54.8% were employed in the services sector, 20.2% in industry, 18.3% in agriculture, and 6.7% in construction.

April 15 & 24, 2016

Turkey's current account deficit narrows more than expected in January

According to the data released by the country's Central Bank, Turkey's current account balance recorded a USD 2.23 billion deficit in January, decreasing by USD 216 million over the same month last year. The deficit narrowed more than market expectations, since lower oil prices offset the decline in tourism and trade revenues from Russia. As a result, the annual current account gap narrowed to USD 31.9 billion in January, -roughly equivalent to 5% of the GDP- down USD 10.9 billion.

March 11, 2016

Turkey's foreign trade deficit shrinks by 32.8% in February

Turkey's exports in February increased by 1.4%, while imports decreased by 8.1% 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 rising to USD 12,406 million and imports dropping to USD 15,571 million, the trade deficit shrank to USD 3,165 million. The main partners for exports was Germany (USD 1,166 million), followed by the United Kingdom (USD 1,057 million), Switzerland (USD 1,047 million), and Iraq (USD 712 million), whereas the top country Turkey's imports came from was China (USD 2,059 million), followed by Germany (USD 1,772 million), Russia (USD 1,189 million), and the USA (USD 985 million).

March 31, 2016

Politics

Azerbaijan's President visits Turkey

The 5th Azerbaijan-Turkey High Strategic Cooperation Council has been held in Ankara with the attendance of Azerbaijani President Ilham Aliyev and Turkish President Recep Tayyip Erdogan. At the related press conference, President Erdogan said that while completion of the Trans Anatolian Natural Gas Pipeline Project (TANAP), the most important project developed between the two countries, had been scheduled for 2018, both countries were aspiring to get the project completed ahead of schedule. Apart from TANAP, the two leaders discussed energy, transportation, defence and military cooperation issues.

At the end of February, Turkish Energy and Natural Resources Minister Berat Albayrak had attended a meeting of the Southern Gas Corridor (SGC) advisory board, where he underlined the importance of this USD 45 billion project which will carry Caspian Sea energy resources to Turkey and Europe. Adding that Turkey will not waver in its support for the project in political, technical

and economic terms, Albayrak reminded that TANAP will carry 6 billion m3 of gas to Turkey and 10 billion m3 to Europe annually. SGC consists of three pipeline projects: South Caucasus Pipeline Expansion (SCPX) (Azerbaijan and Georgia), Trans Anatolian Pipeline (TANAP) (Turkey), and Trans Adriatic Pipeline (TAP) (Greece, Albania, and Italy).

March 1 & 16, 2016

Turkish PM visits Jordan

Turkish Prime Minister Ahmet Davutoglu has paid a 2-day visit to Jordan. During the visit, Turkey's head of government and his Jordanian counterpart Abdullah Ensour signed 10 bilateral agreements regarding foreign relations, social security and employment, industrial, economic and trade relations, investment, air transportation, and forestry. At the joint press conference in Amman, the Jordanian capital, the Turkish PM stated that both Turkey and Jordan support the Syrian ceasefire and hope to see an end to the Syrian conflict.

March 28, 2016

No re-admission without no visa-free travel, says EU minister

Turkey's minister for European Union Affairs, Volkan Bozkir, said if the EU does not grant Turkish citizens visa-free travel, Turkey could cancel the agreement concerning the re-admission of refugees. Bozkir said that the Schengen visa requirement for Turkish people travelling to the EU is expected to be lifted in June, and that Turkey has already fulfilled 40 of the 72 criteria imposed by the EU, and the rest will be met through 5 laws that are soon to be approved by Parliament. The minister also underlined that the re-admission agreement does not include illegal migrants from Syria and Iraq.

March 28, 2016

Istanbul hosts Islamic Summit of 2016

The 13th of the triennial Islamic Summits of the Organization of Islamic Cooperation (OIC) has been held in Istanbul. Prime ministers and presidents from over 30 countries attended the two-day meeting under the motto of "Unity and Solidarity for Justice and Peace". Turkish President R.T. Erdogan proposed a body within the OIC to solidify and institutionalize cooperation against terrorism.

April 16, 2016

Merkel and EU officials visit refugee camp in Turkey

German Chancellor Angela Merkel was accompanied by top EU officials and Turkish PM Ahmet Davutoglu in her visit to a refugee camp in the province of Gaziantep near the Turkish-Syrian

Border. The Nizip camp is a complex where 10,000 Syrian migrants are housed in tents and metal containers. The purpose of the visit was to promote the migrant deal between the EU and Turkey, which aims to deter migrants from crossing from Turkey to Greece, as well as to inspect the living conditions in the camp. During the visit, Merkel stated that Turkey has made the greatest contribution by taking in nearly 3 million refugees, whereas European Council President Donald Tusk said Turkey was the best example of how to treat refugees.

April 19, 2016

▶▶ Other topics

Yildiz Holding chairman remains Turkey's richest person

Yildiz Holding Chairman Murat Ulker was again listed at the top of Turkey's 100 wealthiest people with a net worth of USD 2.9 billion. On the list released by Forbes Magazine, Husnu Ozyegin, chairman of Fiba Holding, ranked second and Ferit Sahenk, chairman of Dogus Holding, came third, with a personal wealth estimated at USD 2.6 and 2.5 billion, respectively. Rahmi Koc and Semahat Arsel, members of the Koc family that run country's largest conglomerate, were listed fourth and fifth with net assets of USD 2.4 and 2.2 billion. Forbes says that the wealth of a number of Turkish richest people has dropped sharply compared to last year, mainly due to the devaluation of the Turkish Lira and losses on the Istanbul Stock Exchange. Ulker's wealth, for instance, had been listed as USD 4.4 billion in the previous year.

February 1, 2016

Record-high textile and ready wear production

Turkey's textile and ready-wear sector recorded its highest production growth ever in January, according to the data released by TurkStat. Textile manufacturing and ready-wear have grown 11.5% and 12.6%, respectively. Sector representatives attribute this unexpected growth to a large increase in exports and stocks as well as a local market surge.

February 9, 2016

US companies to invest in Turkey

TABA-AmCham President Bora Gurcay has stated that US investors are planning to invest a total of USD 850 billion in Turkey in the telecommunications, defence, and food sectors, adding that 80% of these investments have already been completed. 4 companies will invest USD 150-240 million each. Gurcay underlined that although the US and Turkey are strategic partners in politics, this relationship does not reflect in business.

March 30, 2016

Turkish automotive sector performs well in Q1

Automobile production in Turkey has shown its best performance in the last decade, reaching a record-high number in the first quarter of the year. Having increased 5% compared to Q1 2015, 208,000 units of passenger cars were produced in Q1 2016. Total motor vehicle production amounted to 346,000 units with a 3% increase. In addition, exports increased by 7%, totalling USD 5.5 billion.

April 11, 2016

Other headlines

- The proportion of female employers in total employer number has been 8% in 2014, according to TurkStat's entrepreneurship statistics. March 1, 2016
- Canadian train manufacturer Bombardier will create 7,000 jobs in Turkey in case they win the Turkish high-speed rail bid. March 4, 2016
- Turkish glass giant Sisecam has started negotiations with the German P-D Group to build a glass fibre manufacturing plant in Turkey. March 10, 2016
- Turkey's global steel giant Erdemir Group plans to make new investments of USD 1 billion until 2019, 461 million of which will be realized in 2016. March 14, 2016
- Nearly 10% of the total fair area of MIPIM 2016, one of the biggest real estate exhibitions in the world, has been occupied by Turkish exhibition stands. With more than 20,000 real estate professionals from 90 countries, MIPIM is organized each year in Cannes, France. March 16, 2016
- The Turkish tourism sector expects a USD 12 billion loss in revenue in 2016 due to the political crisis with Russia as well as recent terror incidents. March 21, 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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