



FM CONSULTING

▶▶ Newsletter Turkey December 2015

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

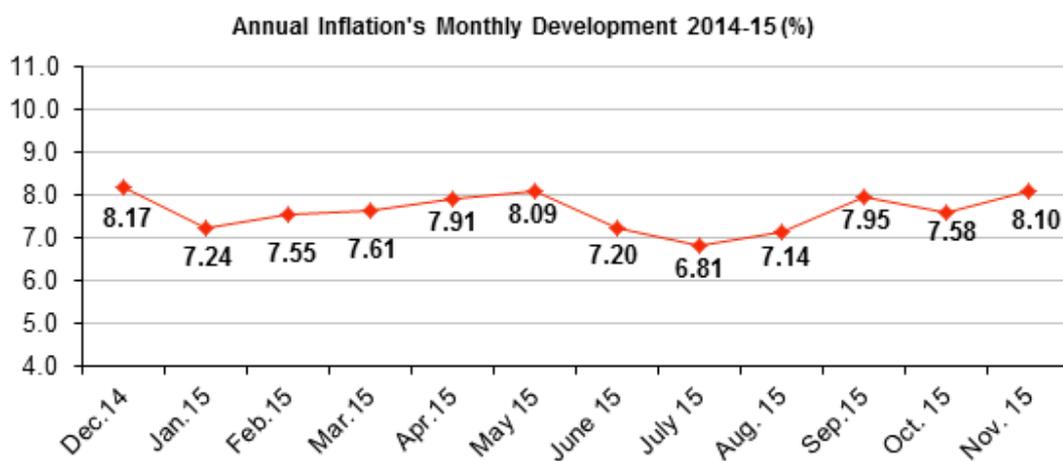
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▶▶ Economy

Overview of Monthly Data

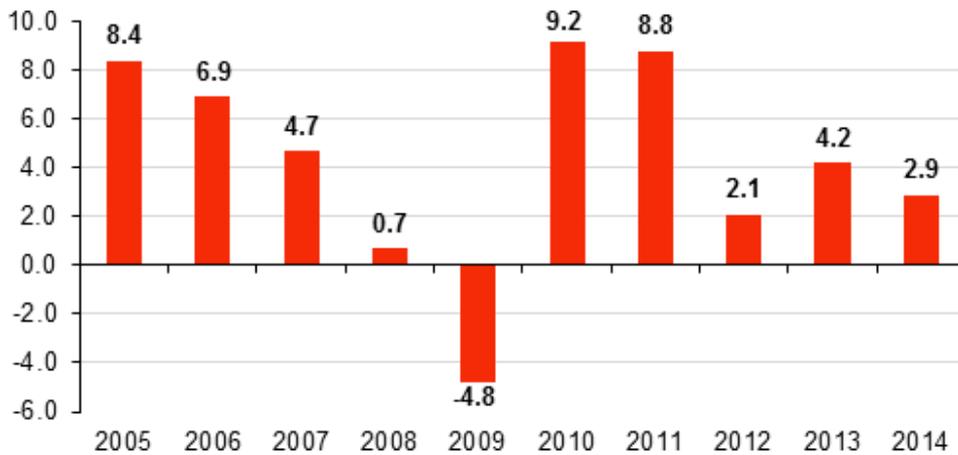
TL-Rates	30.10.2015	30.11.2015	Change in %
TL per Euro	3.2125	3.0850	-3.97
TL per USD	2.9202	2.9161	-0.14
Stock exchange index	79,409.00	75,232.79	-5.26

Inflation in %	Monthly inflation	Annual inflation
Domestic producer prices	-1.42	5.25
Consumer prices	0.67	8.10



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	5.1	2.4	1.8	2.7	2.9
2015	2.5	3.8	4.0		



Consumer prices up 0.67% in November

In November, consumer prices in Turkey increased by 0.67% over the previous month. The monthly index rose 5.37% for clothing and footwear, 1.0% for food and non-alcoholic beverages, 0.66% for furnishings and household equipment, 0.54% for housing, and 0.35% for communications. The highest monthly decrease observed was 0.78% in transportation, followed by a 0.54% decrease in recreation and culture, and a 0.28% decrease in miscellaneous goods and services. The annual CPI increased to 8.10% in November, its highest level in 2015, from 7.58% in October, according to data released by the Turkish Statistical Institute (TurkStat). The domestic producer price index (D-PPI) decreased by 1.42% compared to the previous month, but increased by 5.25% compared to the same month of the previous year.

December 4, 2015

Turkey posts stronger-than-expected economic growth in Q3 2015

In Q3, the Turkish economy grew 4% compared to the same period of the previous year, according to data released by TurkStat. This was the highest growth rate since Q1 2014, making Turkey's GDP reach TRY 34.93 billion at constant prices. With a growth of 11.1% at constant prices, the agriculture sector was the main contributor to the GDP growth, followed by the service sector by 5%, and industry by 1.5%. At its last meeting in November, the Monetary Policy Committee of the Turkish Central Bank had already stated its confidence in continuing growth based on solid domestic demand and increasing exports. While most economists' Q3 growth estimate was about 2.7%, with the unexpected figure released they are likely to revise up their year-end forecasts.

December 10, 2015

Turkish unemployment rate 10.3% in September

In September, 3.10 million people in Turkey aged 15 and older were out of work, 39,000 more compared to the same month of 2014. While the unemployment rate went down 0.2% compared to the same month previous year, it went up 0.2% compared to the previous month. The employment rate increased from 45.8% in September 2014 to 46.8% in September 2015, remaining the same at its previous month level. The youth unemployment rate in the 15-24 age group amounted to 18.5%, and the labour force participation rate stood at 52.1%. Of those with employment in this period, 51.4% were employed in the services sector, 21.5% in agriculture, 19.6% in industry, and 7.5% in construction.

December 16, 2015

Minimum wage in Turkey raised by 30%

In keeping with one of its pledges in the Nov. 1 general elections, the new cabinet formed by the winning Justice and Development Party (AKP) has announced a minimum wage increase from around TRY 1,000 (approx. EUR 313) to TRY 1,300 (approx. EUR 406) as of January 1, 2016. This raise will make a contribution of around 0.4 points to Turkey's economic growth, Economy Minister Mustafa Elitas said in an interview. On the other hand, there are concerns about the burden that will be put on the SMEs' shoulders. The President of the Union of Chambers and Commodity Exchanges of Turkey (TOBB), M. Rifat Hisarciklioglu, said: "We are definitely not against a raise in the minimum wage. As minimum-wagers earn more, their welfare level will be higher and they will make a more positive contribution to the economy. We, however, want to say that SMEs will lose around two-thirds of their profits unless the state offers support to them in overcoming the losses from rises in personnel expenses." As several leading employers objected the hike, Prime Minister Ahmet Davutoglu stated that the burden from the planned raise will be shared between the state and the private sector. "We will help minimize the potential negative effects on companies' competitive power from this hike," he said at the Ordinary General Assembly meeting of the Foreign Economic Relations Board (DEIK).

December 19-21, 2015

Current account surplus in September after six years

Turkey's imports are decreasing at a faster pace than its exports. The country's current account balance recorded a USD 95 million surplus in September due to a reduction of USD 2.5 billion in the trade deficit. Aided by low oil prices, a weak Turkish lira, and subdued import demand, the current account figure for September constituted the largest surplus since October 2009. The previously released figure for August, which indicated a deficit of USD 163 million, was revised up

to a surplus of USD 27 million. The current account deficit for the period January–September as amounted to USD 25.6 billion, and the deficit of the last 12 months shrunk to USD 40.6 billion.
November 12, 2015

▶▶ Politics

Two journalists arrested on charges of revealing top-secret documents

The editor-in-chief Can Dundar of the opposition daily Cumhuriyet (The Republic) and its Ankara representative Erdem Gul have been arrested over news and images they had published regarding MIT (National Intelligence Agency) trucks carrying weapons to Syria. Prosecution had started in May upon the President's personal intervention following an article with the headline "Here are the weapons Erdogan claims do not exist". Dundar and Gul are accused of "acquiring information regarding state security", "political and military espionage", "disclosing state secrets", and "aiding and abetting an armed terrorist organization".

November 2, 2015

Turkey's regulations comply 61% with EU regulations

Commenting on the latest European Commission annual progress report, the chairman of the Economic Development Foundation (IKV), Ayhan Zeytinoglu, stated that Turkey's compliance with the EU with respect to regulations is 61.2%. He described the 2015 progress reports as the "new generation reports" in the sense that the reports now exhibit road maps for candidate countries. According to Zeytinoglu's statements, the reports criticize Turkey on issues like human rights and democracy while appreciating its practices regarding Syrian refugees.

November 13, 2015

EU to introduce a visa-free regime with Turkey

According to the statement by the President of the European Council, Donald Tusk, the European Union (EU) and Turkey have agreed a joint plan to block excessive migration to Europe, in return for which the EU will give EUR 3 billion to Turkey, fast-track visa privileges for Turkish citizens, and accelerate negotiations on Turkey's membership. The EU is to introduce a visa-free regime with Turkey in autumn 2016, provided that Turkey meets all 72 conditions, European Commission President Jean-Claude Juncker said. One of the conditions Turkey has to meet is to reissue all Turkish passports to be compatible with EU standards.

December 1, 2015

Russian sanctions on Turkish imports

Tensions between Russia and Turkey are rising after a Russian warplane was shot down by the Turkish armed forces. Turkey claims that the plane violated its airspace and ignored warnings, whereas Russia denies the violation. As a consequence of the shooting, Russia targeted Turkey economically by introducing a range of sanctions. The Russian agricultural and food security institute announced that all agricultural and food products imported from Turkey are subject to laboratory inspections. The consumer protection agency has pulled Turkish meat and fruits from shop shelves following health safety controls. Russia also took measures against Russians travelling to Turkey, their favourite holiday destination. The foreign ministry published a warning on its website advising its citizens to refrain from visiting Turkey and those already in Turkey to return home “due to the terrorist threats that exist in Turkey”. On the other hand, Turkish officials have been discussing possible countermeasures against Russia. Prime Minister Ahmet Davutoglu stated that sanctions will be imposed if needed.

December 1-8, 2015

Other topics

New tax imposed on solar modules

Turkey's Ministry of Economy has published a new communiqué on monitoring implementations of imports under which solar panel modules imports will be charged an import tax based on a value determined on weight, which is USD 35 per kg. The new regulation will apply to all manufacturers outside Turkey from the day of its enactment. The fact that the tax is being calculated on the weight of the modules and not on a watt peak basis receives major criticisms. A typical module weighs about 20 kg, and costs around USD 150; with the new tax imposed; 18% VAT must be paid in advance on a value of USD 700, i.e. USD 126. This means that the VAT is almost equal to the value of the panel itself. Although the companies get an import tax refund from electricity sales, since the tax is to be paid in advance, it has to be funded until the refund, putting a heavy burden on the companies. Some sector stakeholders believe that the new regulation is a consequence of anti-dumping lobbying activities and considered as a major block for the Turkish solar sector, even for local producers. On the other hand, the supporters of the anti-dumping policy point out the EU restrictions against low-quality Chinese solar panels. However, the communiqué applies not only to low-quality Chinese panels, but also to generally preferred American, German, and Japanese panels.

November 19, 2015.

Regulation on consumer loans that protects consumers in effect

A regulation that intends to provide protection to consumers against banks and financial institutions on Consumer Loan Agreements is effective as of December 22, 2015. The regulation was published in the Official Gazette on May 22, 2015 by the Ministry of Customs and Trade. According to the regulation, lenders have the obligation of providing their loan consumers with information forms written in at least 12-point font size and with clear, simple and readable language. Also, consumers may retract a loan agreement within 14 days without any obligations. If the lender intends to make any amendments to the interest rate, this must be notified to the consumer in writing or through a permanent data storage unit within 30 days in advance.

November 22, 2015

Turkish Nobel prize winner dedicates award to Ataturk

Turkish biochemist Aziz Sancar, who shared the 2015 Nobel Prize in chemistry with Swedish scientist Tomas Lindahl and American scientist Paul Modrich, received the prize from Swedish King Carl XVI Gustaf for his work on how cells repair damaged DNA. Sancar, born and raised in a low-income family in the town of Savur in Mardin, a province on the border with Syria, is a professor at the University of North Carolina Chapel Hill. After receiving his prize, Sancar paid a three-day visit to Turkey where he met President Erdogan, had breakfast with Prime Minister Ahmet Davutoglu, and attended a dinner in his honour in the presidential palace. During his visit to Ankara, Sancar entrusted his prize to the Chief of the General Staff, Gen. Hulusi Akar, to be presented at Anitkabir, the mausoleum of the founder of the Turkish Republic, Mustafa Kemal Ataturk, saying that "This medal belongs to Ataturk and the Republic".

December 10-16, 2015

Best car of Europe from Turkey

The international jury of Autobest, an independent organisation founded in 2001, voted the Fiat Tipo as the "Autobest 2015" in Europe. The Fiat Tipo, marketed under the brand name Egea in Turkey and Tipo in Europe, is a passenger car developed jointly in Bursa by Fiat Chrysler Automobiles (FCA) and Koc Holding Automotive Group and launched in September. A jury of 26 journalists from 26 European countries awarded 1492 points to the car for 13 parameters, including design, price, comfort, running cost-effectiveness, driveability, service network, spare parts distribution, versatility, and resale value. The jury also awarded the "Companybest 2015" prize to Koc Holding Automotive Group.

December 15, 2015

Continuous increase of residential property sales in Turkey

In November 2015, sales of residential properties in Turkey increased by 2.1% compared to the same month previous year. During the first 11 months of 2015, residential property sales increased by 11.3% compared to the same period of 2014, reaching a total of 1,146,721. In November, the largest number of transactions in terms of provinces took place in Istanbul (20,082) whereas the lowest number of transactions was in Hakkari (7). The total number of residential properties sold to foreigners in the first 11 months reached 20,547, 6,516 of which were in Istanbul. Iraqi citizens are the leading foreign buyers of residential properties in Turkey with 3,716 transactions, followed by Saudi Arabia (2,446) and Kuwait (1,921).

December 23, 2015

Other Headlines

- Turkey was the 4th biggest light commercial vehicle market in Europe in the first 9 months of the year, according to the data released by Automotive Distributors' Association of Turkey (ODD). November 2, 2015
- 44 persons, among them senior civil officials and police chiefs, have been taken into custody and 17 of them were arrested in an Izmir-based military espionage operation. November 4, 2015
- The gap between the household consumption expenditures in Istanbul and the south-eastern region of Turkey is growing bigger. In 2014, the average expenditure per person of a household in Istanbul was 2.48 times that of a south-eastern household, according to TurkStat data. November 6, 2015
- The European Bank for Reconstruction and Development plans to invest EUR 1.8 billion in Turkey, as country director Jean-Patrick Marquet said. November 12, 2015

▶▶ 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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