



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

▶▶ Newsletter Turkey September 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

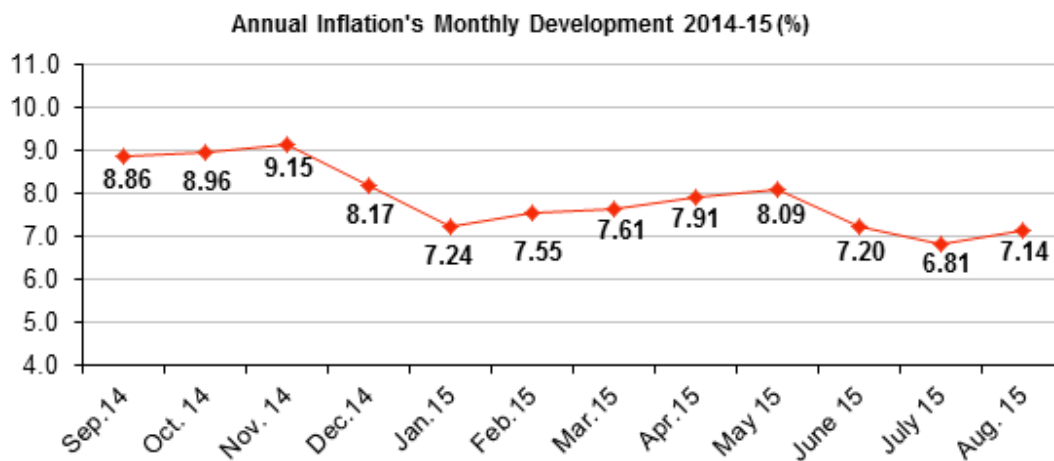
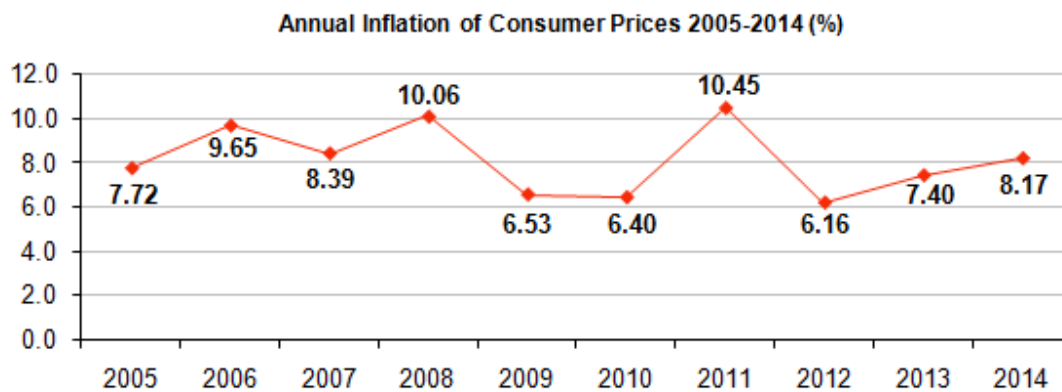
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▶▶ Economy

Overview of Monthly Data

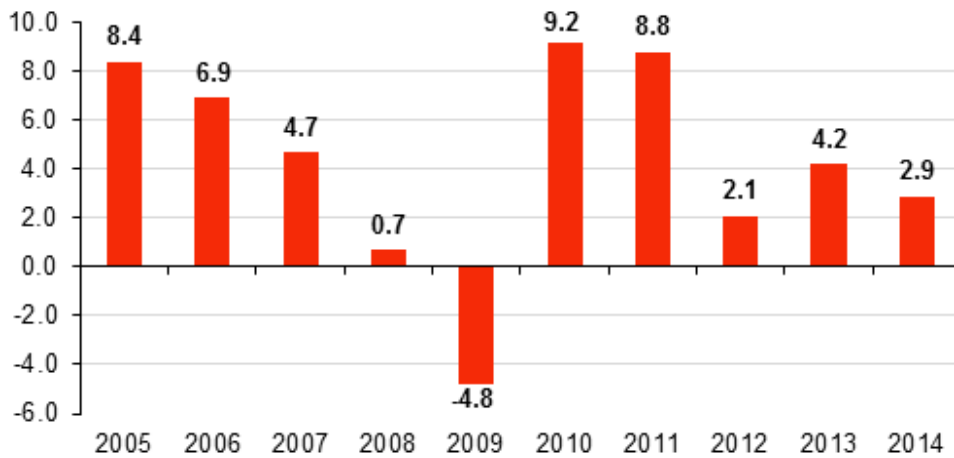
TL-Rates	31.07.2015	31.08.2015	Change in %
TL per Euro	3.0561	3.2775	7.24
TL per USD	2.7889	2.9231	4.81
Stock exchange index	79,909.68	75,210.40	-5.88

Inflation in %	Monthly inflation	Annual inflation
Producer prices	0.98	6.21
Consumer prices	0.40	7.14



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			



Euro and USD at all-time high against Turkish lira

September 14 saw the rapid devaluation of the Turkish currency that has taken place in recent months reach its peak, with both the Euro and U.S. dollar breaking records against the Turkish lira. The U.S. dollar reached an all-time high of 3.0676 Turkish liras, whereas the Euro exchange rate soared as high as 3.4776 Turkish lira.

September 14, 2015

Stronger-than-expected growth of Turkish economy in Q2 2015: 3.8%

Compared to the same period of the previous year, the Turkish economy grew by 3.8% in the second quarter of the year, reaching TRY 10.8 billion at constant prices. The growth rate, which is the highest since Q1 2014, has exceeded the market expectations despite an unfavourable economic situation and on-going political tensions. The growth rate of Q1 2015 was revised up to 2.5%, which together with the Q2 growth leads to an H1 GDP growth of 3.1%. Finance Minister Mehmet Simsek stated that overall GDP growth in 2015 will possibly be short of the government target of 4% due to political uncertainties and inferior conditions in the export markets. The American banking giant JP Morgan Chase revised its annual growth forecast for Turkey from 2.9% to 3.3%. According to data released by the country's Statistical Institute (TurkStat), the agriculture sector, with a growth of 6.7% at constant prices, has been the main contributor to the GDP growth, followed by the industry and service sectors, which both grew by 4.1%.

September 11, 2015

Inflation above forecasts

Turkey's annual CPI climbed back above 7% in August, from 6.81% in July. In August, consumer prices increased by 0.40% over the previous month, resulting in an annual rise of 7.14% according to data released by TurkStat. The highest monthly increase was 2.05% for hotels, cafes and restaurants, followed by recreation and culture with a 1.96% increase, and education with a 1.41% increase. The highest decrease observed was 4.32% in clothing and footwear, while the index for transportation declined by 0.38%. The domestic producer price index increased by 0.98% on a monthly basis, and by 6.21% over the same month previous year. At the end of July, the Turkish Central Bank raised its year-end inflation forecast to 6.9%, well above government's target of 5%.

September 3, 2015

Unemployment rate in Turkey drops to 9.3% in May

In May, the unemployment rate in Turkey dropped for the fourth straight month, to 9.3% from 9.6% in the previous month, the lowest figure since June 2014. At the same time 2.79 million people aged 15 and older were out of work, 238,000 more compared to the same month previous year, whereas 27.72 million were employed. The youth unemployment rate in the 15-24 age group amounted to 17% with a 1.2% increase. The employment rate was 46.9% with a 0.2% increase, and the labour force participation rate stood at 51.7%. Of those with employment in this period, 51.5% were employed in services, 21.3% in agriculture, 20.0% in industry, and 7.2% in construction.

August 15, 2015

New defensive measures against imports

Turkey has always been a country where defensive measures against imports are being actively used, but since the year of the global economic crisis, the measures have been increasing. In 2014 alone, 14 additional measures were introduced. In 2015, supplementary taxes have been imposed on textiles, footwear, furniture, bags, lighting, and wallpaper. An additional import tax on tablets and mobile phones is soon to come. It is expected that 20 new measures will be imposed in 2015.

July 9, 2015

Turkey most vulnerable among "fragile five", says Fitch Ratings

According to Fitch Ratings' updated heat map of 11 potential vulnerabilities, the major emerging markets considered most at risk from tighter U.S. monetary policy – Brazil, India, Indonesia, Turkey and South Africa – are showing few signs of vulnerability across a range of indicators. These so-called "fragile five", Fitch says, are better prepared for the effects of the Fed's tapering programme

than some smaller emerging markets. Although the ratings agency states that the five-member group as a whole is expected to be less vulnerable, Turkey is the only member with three or more red indicators that signal risky or stretched levels. This means it could be negatively affected by a drop in capital inflows prompted by the anticipated raising of US interest rates later this year.

July 17, 2015

Household consumption expenditures increased by 10.7% in 2014

According to the results of TurkStat's 2014 household budget survey, the monthly average consumption expenditure per household in Turkey was 2,848 Turkish Lira (USD 1,023) in 2014, up from TRY 2,572 (USD 923.8) in 2013. The expenditures on housing and rent, like in the previous years, had the highest share in total consumption expenditures with 24.8%, followed by expenditures on food and non-alcoholic beverages (19.7%), and transportation (17.8%). The shares of educational services and health were 2.4% and 2.1%, respectively.

August 5, 2015

IMF representative: 'Turkey's long-term future is bright'

In an interview with Anadolu Agency, Srikant Seshadri, Senior Resident Representative of the International Monetary Fund (IMF) to Turkey shared his opinions on the implications of Fed rate hikes and a stronger dollar for emerging economies like Turkey. He expressed his belief that Turkey's long-term future is bright, underlining that in order to ensure this bright future, important economic issues are to be addressed in the short to medium term. "By taking on these issues, Turkey has a golden opportunity to seize this important moment, and once again demonstrate to the world its well-known dynamism and resourcefulness," Seshadri added.

August 10, 2015

Turkey's exports decline by 6.9% in June, and by 16.2% in July

Turkey's exports fell to USD 12 billion in June, and to USD 11.18 billion in July, 6.9% and 16.2%, respectively, lower than in the same months of the previous year. Total exports in the first 7 months of the year decreased by 9.4% compared to the same period of 2014. According to the provisional data released by TurkStat and the Ministry of Customs and Trade, imports amounted to USD 18.2 billion in both June and July 2015, with a 12.5% and 8.7% decrease over June and July 2014, respectively. In July, the foreign trade deficit increased by 6.5% to USD 7.3 billion, and the exports/imports coverage ratio was 61.4%. The top 4 countries Turkish exports went to in July were Germany, the UK, Iraq, and the USA, while the top 4 countries Turkey imported from in July were China, Germany, Russia, and Italy.

July 31 & August 31, 2015

Politics

Turkish President visits China

Turkish President Recep Tayyip Erdogan paid an official visit to Beijing to meet his Chinese counterpart Xi Jinping. Accompanied by a group of ministers and a delegation of about 100 businessmen, Erdogan highlighted the trade and infrastructure cooperation during his 2-day trip. Stating that his country looks at the Turkish-Chinese relationships from a strategic point of view, he added that this visit will help grow mutual trust and understanding between the two countries. Indeed, the visit was a reflection of the growing importance of a trade relationship now worth some USD 24 billion per year. During the visit, the idea of establishing a free zone in Turkey, in which only Chinese firms will produce and trade, was put forward.

July 17, 2015

TRNC President: Solution in Cyprus possible within months

At a panel called “The Solution in Cyprus and the Economy” organized in Nicosia by TURKONFED (Turkish Enterprise and Business Confederation), the President of the Turkish Republic of Northern Cyprus (TRNC), Mustafa Akinci, said: “Cyprus has gone into an evolution phase. The reunification negotiations have been going on for the last 47 years and in these 47 years, nothing has been left undiscussed. In the recent process of intensive negotiation, both leaders are being supported like never before”, expressing his belief that with determination and political will, a solution is possible within months. Tarkan Kadooglu, President of TURKONFED, stated that they have come to Cyprus to support the solution process, adding that “We as business community observe from global examples that economic developments accelerate solution processes.”

August 3, 2015

Turkey ruled by provisional cabinet until new elections

One day after the deadline for formation of a coalition government expired, President Erdogan announced that there will be a ‘renewal of parliamentary elections’ and appointed the previous Prime Minister Ahmet Davutoglu to form a provisional cabinet which will steer Turkey until the rerun of June’s general elections, to be held on November 1st. The provisional cabinet includes representatives from the Justice and Development Party (AKP), one lawmaker from the Nationalist Movement Party (MHP) and two from the pro-Kurdish Peoples' Democratic Party (HDP), whereas the Republican People's Party (CHP) refused to join. “I believe that we have formed a good cabinet in which every colour of Turkey is being represented,” Davutoglu praised the interim cabinet.

August 25&29, 2015

Heavy fighting between Turkish army and PKK continues

Following the decision of the Turkish government to launch air strikes against the terrorist groups Islamic State and Kurdish Workers Party (PKK) in late July, there has been heavy fighting between PKK and the Turkish army. The PKK's massive attacks in different provinces, mostly in the south-eastern region of Turkey, throughout July, August and September caused the death of numerous Turkish police officers and military personnel as well as civilians. The Turkish security forces fought back, wreaking severe damage on the terrorist group. Due to the turmoil in the region, curfews were imposed in some provinces, the longest of which was 8 days in Cizre. The UK, Germany, Spain, Iran, the United States and senior EU officials have expressed their concerns over the violence taking place in Turkey and condemned the PKK attacks on Turkish security forces.

July, August & September, 2015

Other topics

Turkey aims for less dependence on foreign energy resources

The Ministry of Energy and Natural Resources aims at reducing the country's dependence on foreign energy resources and lowering costs due to energy imports with its Strategic Plan 2015–2019. Turkey intends to increase the rate of coal usage in electricity production, which was 29% in 2014, to 42% within the next 5 years, while lowering the rate of natural gas from 48% to 38%. Meanwhile, the global trend is going the opposite way: According to climate mitigation agreements, most countries seek to replace coal as the number one source of energy production within the next 15 years, shifting to wind, solar and other renewable resources instead. Though the Ministry's plan also involves increasing the share of renewables, Turkey seems to rely primarily on coal.

July 2, 2015

Turkey prohibits unwanted electronic promotion

A regulation regarding the prevention of unsolicited and unwanted text messages and emails has been published in the Turkish Official Gazette. According to the regulation, suppliers will have to obtain consumers' permission before sending any electronic communications that advertise their business, publicise and promote their products and services, or increase their recognition via greetings and congratulations. With the regulation in effect, consumers in Turkey are now able to file a complaint about spam messages via the e-State system or through the website of the Ministry of Customs and Trade.

July 15, 2015

Turkish auto market heading for record figures

The president of the Automotive Manufacturers Association (OSD), Kudret Onen, stated that due to the recovery in the European markets, as well as the production of new models with the support of the incentive system, his organisation expects record figures in domestic demand and exports as well as production in the Turkish automotive market. He added that they anticipate a production of over 1,255,000 units and exports of 925,000 units by the end of 2015.

July 13, 2015

Over 500 Turkish Angel Investors

After the “Regulation on Individual Venture Capital” was introduced in February 2013 by the Undersecretariat of the Treasury, the number of so-called “angel investors” in Turkey has increased substantially. By the end of 2013, 155 licences for becoming an angel investor had been granted, and another 155 licences were issued by the end of May 2015. Additionally, 7 business angel networks, in which a total of 196 investors will operate, have been accredited.

July 27, 2015

Other Headlines

- Arda Turan, the captain of the Turkish national football team, previously of Atletico Madrid, has signed a contract for the next five seasons with FC Barcelona. July 7, 2015
- The ancient city of Ephesus in western Turkey has been added to UNESCO’s World Heritage List. July 8, 2015
- Turkiye Is Bankasi ranked up to 96 in The Banker’s “Top 1000 World Banks”, becoming the only Turkish bank in global top 100. July 14, 2015
- Spanish BBVA has become the leading shareholder in Turkey’s top bank Garanti Bank following the acquisition of an additional 14.89% stake, now holding a total share of 39.90% in the Turkish banking giant. July 27, 2015
- Turkey’s ready-to-wear, furniture and home decoration giant Mudo has reached the final of the 2015 World Retail Awards in the category of “e-commerce retail company of the year”. August 12, 2015
- Metebronz Furniture of Ankara has signed an agreement with Versace for the production of “19.69” branded furniture and accessories in Turkey and marketing them worldwide. Seves Textile, an affiliate of Metebronz, had started producing “19.69” branded fabrics. August 13, 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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