



▶▶ Newsletter Turkey January 2017

Dear Sezin Ata,

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

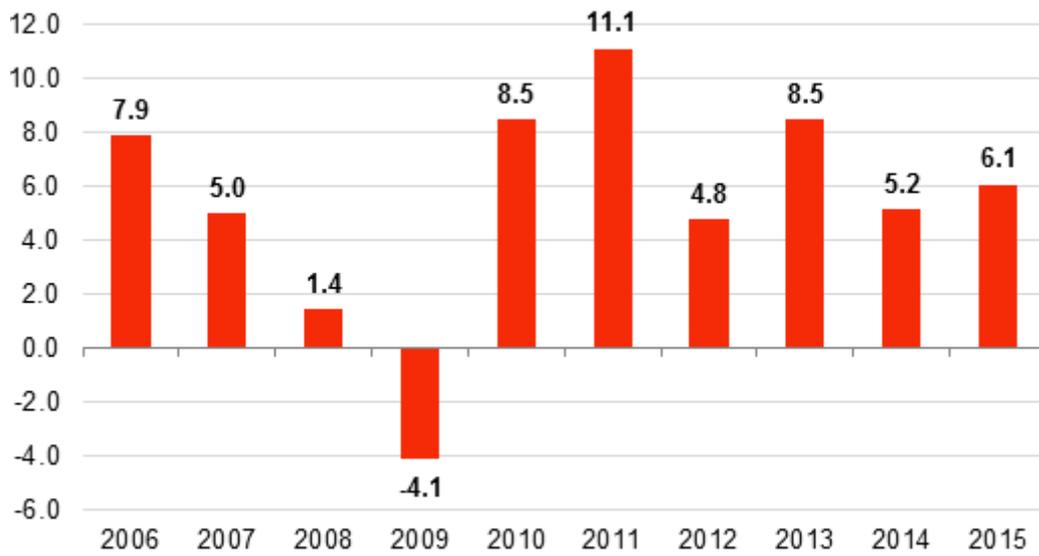
Exchange Rates	30/11/2016	30/12/2016	Change in %
TRY per Euro	3.6430	3.7166	2.02%
TRY per USD	3.4236	3.5255	2.98%

Stock Exchange Index	30/11/2016	30/12/2016	Change in %
BIST 100	73,995.20	78,138.66	5.60%

Inflation in %	Monthly inflation	Annual inflation
Domestic producer prices	2.98	9.94
Consumer prices	1.64	8.53

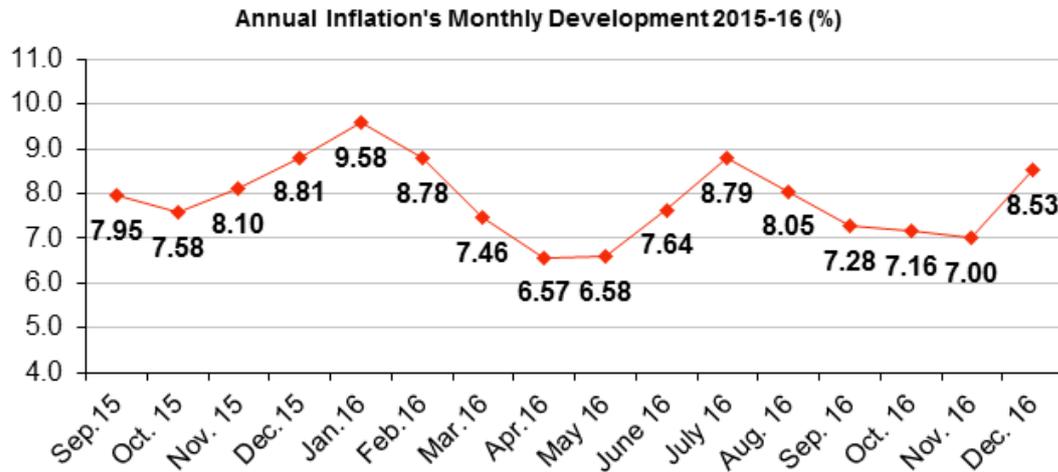
Growth Rates

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



Inflation





Inflation rises sharply following a four-month-long decrease

In December, consumer prices in Turkey increased by 1.64% over the previous month, and by 8.53% over the same month of the previous year (YOY). Accordingly, the increase in CPI-YOY stopped its downward trend of the previous four months. The highest monthly increases were observed in alcoholic beverages and tobacco (7.33%), and in food and non-alcoholic beverages (3.29%). The decreasing items were clothing and footwear (-2.55%), and communication (-0.14%). The domestic producer price index (D-PPI) also significantly increased by 9.94% YOY and 2.98% monthly.

Jan. 3, 2017

Turkish economy contracts for first time since 2009

The Turkish Statistical Institute has revised its growth rate calculations in line with the United Nations System of National Accounts (SNA-2008) and the European System of National and Regional Accounts (ESA 2010). Accordingly, in the third quarter of 2016 Turkey's GDP in the chain-linked volume index decreased by 1.8% compared with the same period of the previous year (YOY). This has been the first contraction since the third quarter of 2009, following 27 quarters of uninterrupted growth. The quarterly GDP at current prices reached TRY 655.4 bn, whereas it decreased to USD 221.6 bn in dollar terms. Agriculture contracted by 7.7%, the manufacturing industry by 3.2% and services by 8.4%. The construction industry, on the other hand, grew by 1.4%. The growth in consumption expenditures was negative in households (-3.2%), but positive in government (23.8%).

Dec. 12, 2016

11.3% unemployed in September

In September, 3.523 million people in Turkey aged 15 and older were out of work, 420,000 more than in the same month of 2015. The unemployment rate was 11.3% with a 1.0-point increase YOY. The youth unemployment rate in the 15-24 age bracket amounted to 19.9%. The labour force participation rate stood at 52.8%, but only 33.5% for females. Of those with employment in this period, 52.7% were employed in the services sector, 20.5% in agriculture, 19.1% in industry, and 7.7% in construction.

Dec. 15, 2016

Foreign trade deficit decreases by 4.1% in November

In November, Turkey's exports increased by 9.7% and imports increased by 6.0%, YOY. With exports increasing to USD 12.8 bn and imports increasing to USD 16.9 bn, the trade deficit decreased by 4.1%, down to USD 4.1 bn. The main partner for exports was Germany (USD 1.2 bn), followed by the UK (USD 874 mn), the UAE (USD 833 mn), and Iraq (USD 796 mn), whereas the top country Turkey's imports came from was China (USD 2.0 bn), followed by Germany (USD 1.8 bn), Russia (USD 1.3 bn) and Italy (USD 878 mn).

Dec. 30, 2016

Central Bank keeps interest rates stable

The Central Bank of the Republic of Turkey has kept the overnight lending rate at 8.5%, and the one-week repo rate (policy rate) at 8.0%. 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. Monitoring the developments regarding the inflation and the aggregate demand, the bank will continue to follow a cautious monetary policy.

Dec. 20, 2016

Politics

New constitutional amendments planned to extend the power of the president

The ruling Justice and Development Party (AKP) has brought a constitutional amendment package to the parliament after having received the support of the Nationalist Movement Party (MHP). According to plan, both presidency and parliamentary elections will be held on Nov. 3, 2019. In the new system, which requires the approval of 330 parliament members to be carried to a referendum, there shall be no prime minister, and the president shall rule the country with extended powers. The president shall appoint the vice

presidents, ministers, high-level public officials, and a significant portion of the board of judges and prosecutors. He will be able to remain as a party leader, and have the authority to issue decrees, declare a state of emergency, call for the renewal of elections, and prepare the government budget.

Dec. 10, 2016

Terrorist attack kills 44 people in Istanbul

Two blasts have killed 44 people, among them 37 police officers, and wounded 90 others following a soccer match in Beşiktaş, Istanbul. A car bomb exploded outside the football stadium Vodafone Arena, and one of the two suicide bombers blew himself up in a park nearby when challenged by police. The terrorist organization TAK (Kurdistan Freedom Falcons) claimed responsibility for the attack. Mevlüt Çavuşoğlu, Minister of Foreign Affairs, stated that the bomber came from Syria.

Dec. 11-14, 2016

Russian ambassador assassinated

Andrey Karlov, Russian ambassador to Turkey, has been assassinated in Ankara at an art gallery. The gunman, an off-duty police officer, who shouted slogans protesting Russian involvement in Syria, was shot dead. Both the Turkish and the Russian president stated that the purpose of the attack was to harm relations between Turkey and Russia.

Dec. 20, 2016

Nightclub attack in Istanbul leaves 39 dead

A gunman has attacked the popular high-end nightclub Reina in Ortaköy/Istanbul on New Year's Eve, killing 39 people, including 25 foreigners, and wounding 65 others. The terrorist managed to escape the venue, and is still at large. ISIS has claimed responsibility for the attack.

Jan. 2, 2017

State of emergency extended by another three months

The Turkish parliament has voted to extend the state of emergency for another three months as from Jan. 19, 2017. The reason for the extension was asserted to be facilitating the continuing fight against the purported armed terrorist organisation led by U.S.-based Islamist preacher Fethullah Gülen, and thus dubbed Fethullah Terror Organisation (FETÖ).

Jan. 3, 2017

Terrorist attack on courthouse in Izmir kills two people

A policeman and a court officer have been killed and seven others have been wounded in a bomb and gun attack on a courthouse in the city of Izmir. The two attackers were shot dead, while a third one managed to escape. TAK has claimed responsibility for the attack.

Jan. 6-11, 2017

Other Topics

The Turkish earth observation satellite Göktürk-1 has been launched from French Guiana. Göktürk-1 was built by Franco-Italian aerospace company Thales Alenia Space with Turkish partners such as Turkish Aerospace Industries (TAI), the Scientific and Technological Research Council of Turkey (TUBITAK), Aselsan, Roketsan, and TR Technology. Donato Amoroso, Deputy CEO of Thales Alenia Space, stated that their co-operation with Turkish aerospace industries has created a modern and efficient integration centre in Ankara. Göktürk-1 will meet the Turkish Armed Forces' need for target intelligence. Dec. 6, 2016

The articles of association of newly established companies have to be signed in the presence of the trade registry manager, according to a new communiqué of the Ministry of Customs and Trade. Either the founders of the company or their representatives shall be able to sign the document. It shall be also possible to prepare the statements of signature at the trade registry instead of at the notary. Dec. 7, 2016

Chinese ZTE corporation is to acquire 48% stake in the leading Turkish ICT company Netaş from the portfolio company OEP Turkey Tech B.V. for USD 101.3 mn. Netaş is one of the top five ICT companies in Turkey with a turnover of TRY 1 bn and an R&D centre employing more than 750 engineers. Dec. 7, 2016

The first Turkish manufactured electric bus Avenue EV has been introduced. The city bus with its 88-passenger capacity has been developed by the cooperation of the TEMSA, one of the major bus manufacturers in Turkey, and Turkey's largest defence electronics company ASELSAN. Avenue EV can be fully charged in 8 minutes and travel 70 km on one charge. Dec. 8, 2016

The Turkish government will provide guarantees for a loan volume of TRY 250 bn through the Credit Guarantee Fund, which will enable the SMEs and exporters to tap into financial sources easily. In addition, the rate of contribution to investment has been increased by 15% for manufacturing industry investments. A VAT refund shall be possible for construction works in investment projects. In recent months, the Turkish government increased the state supports in order to revive the economic activity. Dec. 9, 2016

Mercedes-Benz has announced that its second R&D centre in Turkey will be established in its plant in the city of Aksaray. The company plans to break ground for this global R&D centre, which will carry out the tests for trucks, in the spring of 2017. In February 2016, Mercedes Benz Türk had announced a new investment of EUR 113 mn for its Aksaray plant, where the truck exports are expected to reach 5,000 in 2016 with a 400% increase. Dec. 12, 2016

PepsiCo has broken the ground for its sixth plant in Turkey in the city of Manisa. The potato processing plant will be built on a 100,000 sqm area, employ 350 people, and go into operation in 2017. Currently, 29 suppliers and more than 380 farmers produce potatoes for PepsiCo Turkey, and this operation indirectly creates more than 40,000 jobs. Dec. 14, 2016

The Eurasia Tunnel, built beneath the seabed of the Bosphorus as an alternative passage from Europe to Asia, has been commissioned. The travel time between the two continents is expected to decrease to 15 minutes on a 14.6 km route including a 5.4 km twin-deck tunnel. The tunnel toll was fixed as USD 4 + VAT for passenger cars. A daily passage of 100,000 vehicles has been calculated. Dec. 21, 2016

The General Assembly of the United Nations has given approval for the International Technology Bank to be established in Turkey, in the city of Gebze. The bank is intended to support the strengthening of science, technology and innovation capacities of the least developed countries. It has been planned that the bank will go into operation in 2017. Dec. 26, 2016

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▶▶ Contact

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