

▶▶ Newsletter Turkey November 2014

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
newsletter@fmconsulting.com

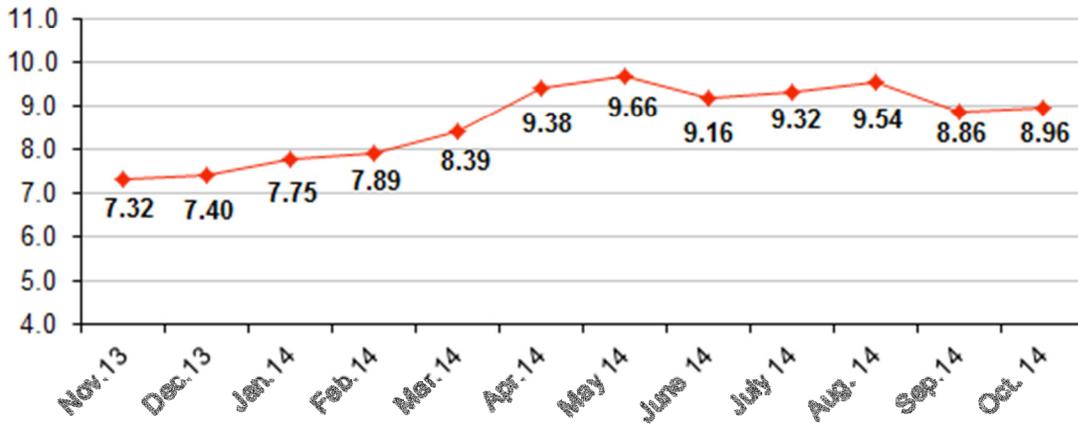
▶▶ Economy

Overview of Monthly Data

TL-Rates	30.09.2014	31.10.2014	Change in %
TL per Euro	2.8798	2.7712	-3.77
TL per USD	2.2813	2.2067	-3.27
Stock exchange index	74,937.81	80,579.70	7.53

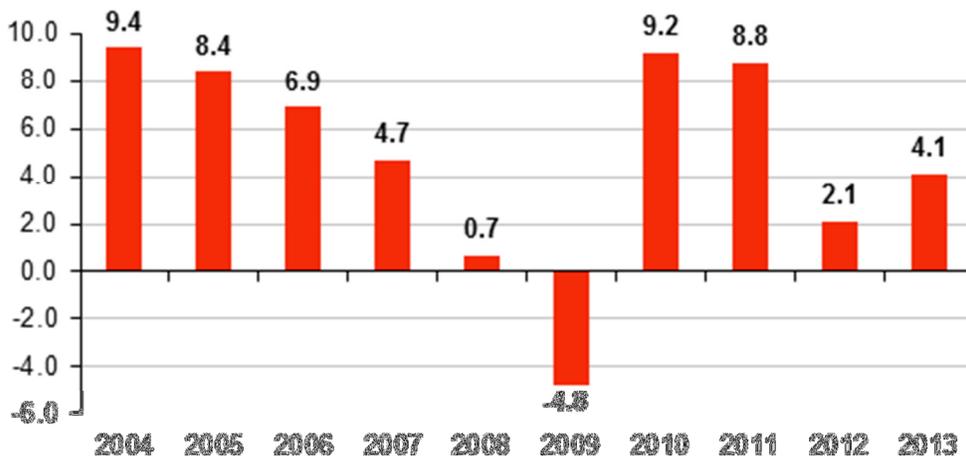
Inflation in %	Monthly inflation	Annual inflation
Producer prices	0.92	10.10
Consumer prices	1.90	8.96

Annual Inflation's Monthly Development 2013-14 (%)



Growth Rates (%)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
2004	10.0	11.9	8.1	8.0	9.4
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	4.6	4.2	4.5	4.1
2014	4.7	2.1			



Inflation accelerates in October

In October, the consumer price index (CPI) increased a massive 1.90% over the previous month, well above the 0.14% rise recorded in September. According to data released by Turkstat, the official statistical institute of the country, the rise primarily resulted from higher prices of clothing and footwear due to the arrival of new collections. Consequently, annual inflation was recorded at 8.96% in October. A monthly increase of 0.92% occurred in the domestic producer price index (D-PPI), which amounted to an increase of 10.10% compared to the same month of the previous year.

November 3, 2014

Risk of double-digit inflation after 9% hike in energy prices

Turkey's Energy Minister Taner Yildiz has announced a 9% hike in electricity and natural gas prices, effective from October 1. This is due to the pressure from the increased USD exchange rate as well as low levels of rainfall which hindered electricity generation by hydroelectric power plants. The hike is expected to add more than 0.5 percentage points to the 2014 year-end inflation, pushing it to double-digit levels. Professionals from the Turkish industrial segment emphasize that energy is the main input of their production, and that the hike will bring a huge cost increase. This will eventually have to be reflected in the prices, otherwise they will lose their competitiveness.

October 1, 2014

Turkey's exports at record-high level in September

Turkey's exports increased by 6.5% in September 2014 compared to September 2013, the Turkish Exporters' Assembly (TIM) announced. Monthly exports reached USD 13.3 billion, a record-high level in the history of the Republic, whereas exports in the January-September period amounted to USD 118.2 billion with a 5.7% increase over the same period last year. Although the country's relations with its major export markets in the Middle East are being challenged by ongoing clashes, Turkey's exports continue to increase due to the ongoing economic recovery in Europe.

October 2, 2014

Revisions to macro targets in medium-term programme

The 2015-2017 medium-term programme has been announced by Deputy Prime Minister Ali Babacan. The programme contains major revisions to the macro targets. While last year's primary goal was to lower the country's current account deficit (CAD), the priority has now been shifted to the fight against high inflation. The 2nd and 3rd most important targets of the

programme are the CAD and structural reforms. The economic growth target for 2014, which was 4.0% in the former programme, has been decreased to 3.3%, whereas the inflation target has been increased to 9.4%, from 5.3%.

October 9, 2014

Slowdown in economic growth leads to lower current account deficit but higher unemployment

With the slowdown of economic growth in Turkey, the unemployment rate rose to 9.8% in July, its highest level since October 2010. According to the data released by Turkstat, the youth unemployment rate in the 15-24 age group was 18.2% whereas the unemployment rate for the 15-64 age group was 10%. On the other hand, in the first 8 months of the year, the current account deficit (CAD) narrowed by USD 16.2 billion compared to the same period of last year. The biggest contributor to this drop in the CAD was the 5.3% decrease in the imports of intermediate goods within the first 8 months compared to the same period of the previous year.

October 16, 2014

Politics

Turkey declares curfew in five provinces after 21 killed in riots

21 people were killed across Turkey during protests against the attacks of terrorist group Islamic State (IS) -formerly ISIL -on the Syrian border town of Kobane. Turkish authorities declared a curfew in 6 south-eastern provinces, with education also being interrupted in some of these cities. The street demonstrations, which were directed at the government's failure to act against attacks targeting Kurdish people in Kobane, eventually turned violent and police clashed with protesters. Violence concentrated in the south-eastern region where the Kurdish population is high, but also flared in Istanbul, Ankara and other cities.

October 9, 2014

Turkey opens corridor to Kobane for Kurdish Fighters

Shortly after the U.S. air-dropped weapons and supplies to Kobani's Kurdish defenders, Turkey announced that it allowed Peshmerga, the Iraqi Kurdish forces, to cross its territory in order to support the Syrian Kurdish militia fighting the so-called "Islamic State". Turkish FM Mevlut Cavusoglu reminded that Turkey has also welcomed around 200,000 Kobanians, and that his government would never want to see Kobani fall.

October 21, 2014

Other topics

German Allianz merges with Turkish Yapi Kredi insurance

German insurance company Allianz Turkey has legally completed its merger with Turkish Yapi Kredi Sigorta by the end of September. In March 2013, Allianz made an application to acquire Yapi Kredi Sigorta and paid 684 million euros to Yapi Kredi Bank, the owner of Yapi Kredi Sigorta. Solmaz Altin, the CEO of Allianz Turkey, said that Allianz is the market leader in the health and non-life insurance sectors, with market shares of 33% and 14%, respectively.

October 2, 2014

Trade credit insurance gains importance in Turkey

According to the World Bank's index for the collection of trade receivables, Turkey is one of the high-risk countries, ranking even behind some of the Middle Eastern countries. This fact results in an increased interest in the insurance of receivables. Euler Hermes, a subsidiary of Allianz Group and one of the world's leading trade credit insurance companies, has expanded its trade credit insurance warranty in Turkey to EUR 4 billion. Among the sectors which use trade credit insurance most in Turkey is the retail sector, with a 15% share.

October 8, 2014

Productive vs. non-productive investments in medium-term programme

According to the 2015-2017 medium-term programme released by the Turkish government, the taxation and credit costs will be differentiated so as to encourage productive investments and discourage non-productive investments. With the aims of shifting investments towards production and lowering private consumption, taxation on unearned increment has been introduced in the 2015-2017 medium-term programme. Preventive taxation on luxury goods and highly import-intensive products has also been included in the programme. The resulting additional tax income will be used for financing high value added production investments.

October 10, 2014

1,180 metres of the Eurasia Tunnel is complete

The excavation of the Eurasia Tunnel, an undersea road tunnel project crossing under the Bosphorus in Istanbul, has reached a length of 1,180 metres. The 5.4 km toll tunnel, 3.34 km of which will go under the seabed, will connect Kazlıcesme on the European side with Goztepe on the Asian side of Istanbul and cut travel time between the two districts to 15 minutes. The project is set to be completed in October 2016.

October 20, 2014

Turkey improves in services outsourcing

According to the 2014 Global Services Location Index study by the international management and consulting company A.T. Kearney, Turkey has climbed 9 steps in the last 3 years to rank 39th among 51 countries that provide the best off-shore outsourcing. The index is based on the assessment of 25 metrics within 3 main categories: financial attractiveness, people skills and availability, and business environment.

October 27, 2014

Deloitte Global offers positive outlook on Turkey

Barry Salzberg, CEO of Deloitte Global, one of the biggest audit, accounting and consulting firms in the world, said that their investments in Turkey pay back well, and the country is among the positive countries in his company's 2020 strategy. "Turkey is on the good side of the story", he added, underlining that this means they will invest more in the country.

October 27, 2014

18 workers trapped underground in Anatolian mine

18 miners were trapped 400 metres underground due to flooding in a coal mine near Ermenek in the Central Anatolian province of Karaman. After days of rescue efforts, only 2 of the miners' bodies have been recovered. Within the scope of the investigation, 8 suspects have been detained, 5 of which have been arrested and the others released by the court pending trial. The incident is the second major accident at a Turkish mine in six months, the first one being in Soma.

October 27 & November 11, 2014

91st anniversary of the Republic of Turkey

The official celebrations for the 91st anniversary of the founding of the Republic of Turkey began with a ceremony at the Anitkabir, the mausoleum of Mustafa Kemal Ataturk in the capital city of Ankara. Following their visit to Anitkabir, President Recep Tayyip Erdogan, joined by numerous state and military officials including Parliament Speaker Cemil Cicek, Prime Minister Ahmet Davutoglu, Constitutional Court President Hasim Kilic, Chief of General Staff General Necdet Ozel, and opposition party leaders, attended the official parade, where he made a speech. "I hope that in 9 years, we will celebrate the 100th anniversary of our republic with more excitement and enthusiasm", Erdogan said. The reception at the Presidential Palace was cancelled and celebrations were muted across Turkey due to the mine accident in Ermenek.

October 29, 2014

Other Headlines

- Local steel producers asked for protective measures against China, which sells its excess supply at low prices in the Turkish market. October 15, 2014
- Turkish Minister of Finance Mehmet Simsek has declared that a new reform package is on the way which will bring precautions to prevent unrecorded transactions. October 22, 2014
- 2 suspects were arrested and one was released pending trial in the killing of 3 Turkish soldiers in Yüksekova, a district of the southeastern province of Hakkari. October 28, 2014

About us

FOREIGN MARKET CONSULTING Ltd. Sti. is a German-Turkish consulting company. We specialize in providing competent consultancy services for foreign companies towards opening up to Turkish market, lastingly consolidating the market position and concluding strategic alliances between foreign and Turkish companies. If you need further information, please do not hesitate to contact Mr. Peter Heidinger.

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Contact

FOREIGN MARKET CONSULTING Ltd. Sti.

Peter J. Heidinger

Partner, CEO

Buyukdere Mahallesi Cayirbasi Cad.

Dede Yusuf Sok. No: 11

TR-34453 Sariyer - Istanbul

Tel: +90-212-3638 052

Fax:+90-212-3638 056

www.fmconsulting.com

info@fmconsulting.com

Contact

English: +90-212-3638 055

German: +90-212-3638 052

Turkish: +90-212-3638 050