



FM CONSULTING

▶▶ Hello!

Please find below our latest newsletter covering recent economic and political developments in Turkey.

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Best regards,
Your FMConsulting Team

▶▶ Economy

Overview of Monthly Data

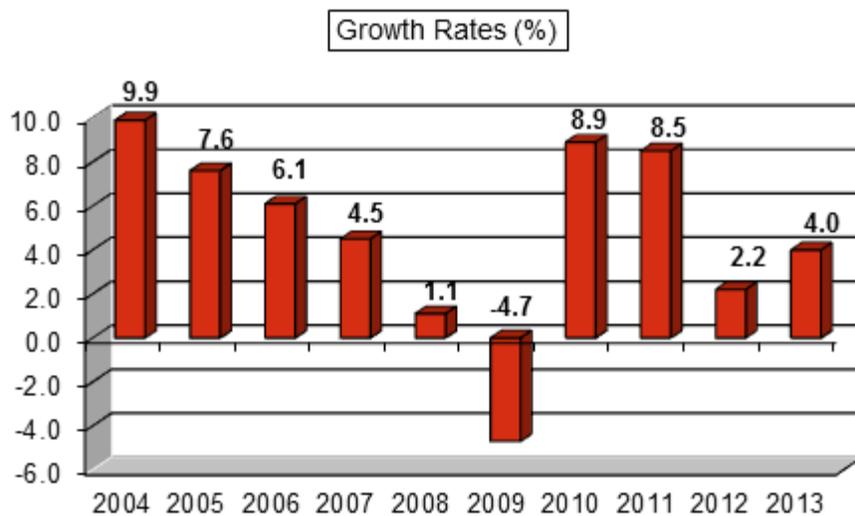
TL-Rates	30.04.2014	30.05.2014	Change in %
TL per Euro	2.9305	2.8522	-2.67
TL per USD	2.1193	2.0954	-1.13

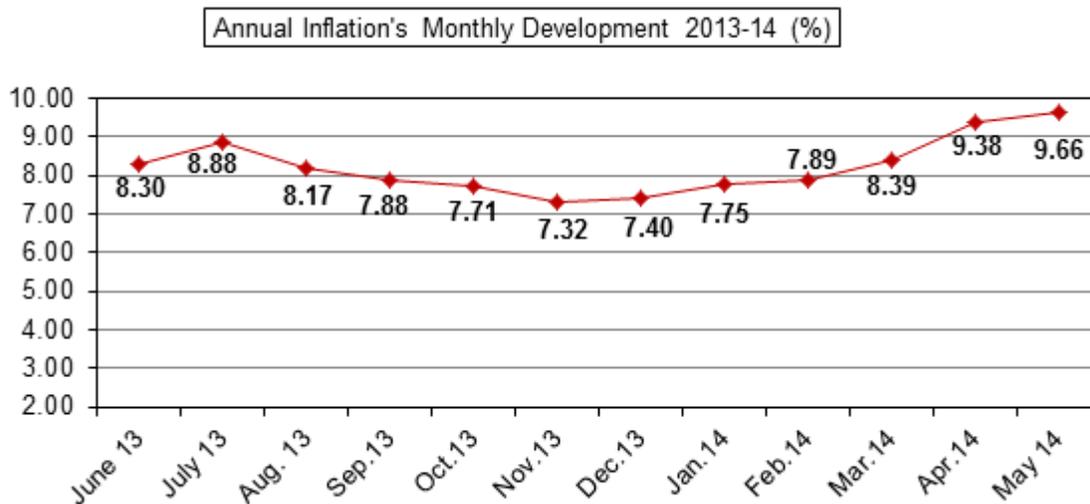
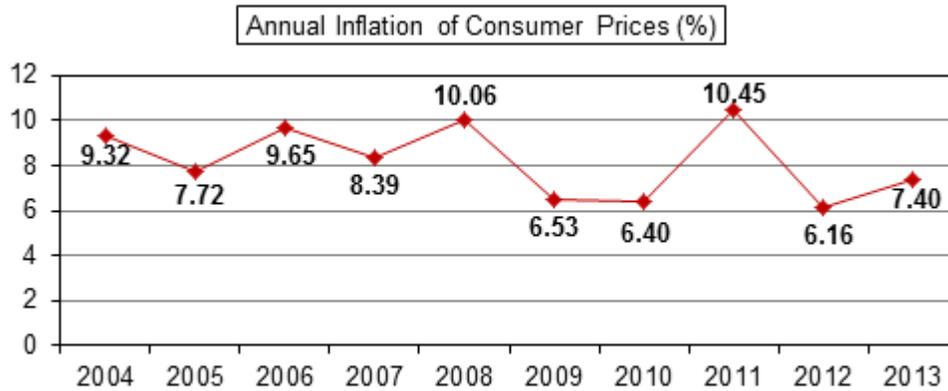
Stock exchange index	73,871.50	79,289.80	7.33
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Inflation in %	Monthly inflation	Annual inflation
Producer prices	-0.52	11.28
Consumer prices	0.40	9.66

Growth Rates

Economic Growth Rates (%)					
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
2000	4.2	5.4	7.2	7.8	6.3
2001	-3.3	-12.3	-9.1	-12.3	-9.5
2002	0.6	10.4	8.0	11.8	7.9
2003	7.4	3.6	5.6	7.2	5.9
2004	13.9	15.7	8.0	6.6	9.9
2005	7.5	4.7	8.0	10.0	7.6
2006	6.3	9.3	4.3	4.6	6.1
2007	8.1	4.1	3.3	3.6	4.5
2008	6.7	1.9	0.5	-6.2	1.1
2009	-14.5	-7.7	-2.9	6.0	-4.7
2010	12.2	10.2	5.3	9.2	9.0
2011	11.6	8.8	8.2	5.2	8.5
2012	3.4	3.0	1.6	1.4	2.2
2013	2.9	4.5	4.3	4.4	4.0
2014	4.3				





Turkey's GDP growth in Q1 beats expectations: 4.3%

Turkey's GDP has grown 4.3% in the first quarter of 2014, well above expectations. The Turkish economy continued its expansion for the 18th consecutive quarter, as figures from the Turkish Statistics Institute (TurkStat) showed. The GDP by production approach amounted to USD 184 billion at current prices. Increased exports and public spending were the main drivers of the growth. Annual GDP growth was 4% for 2013, and the authorities foresee the same figure for 2014. After the release of GDP data for Q1-2014, the World Bank upgraded the country's growth rate forecast to 3.5% from 2.4%, underlining Turkey's high exports and sustained public demand.

June 10 & 23, 2014

Repayment of delinquent taxes increased to 36 months

The Ministry of Finance has changed the terms of procedures of payment conditions in favour of listed tax payers who failed to pay their taxes on time due to financial problems. The Ministry has increased the number of monthly instalments for the payment of delinquent taxes from 24 to 36. It also increased the amounts of debts which tax offices have the authority to defer or install by 50%.

May 2, 2014

April inflation hits 2-year high: 9.38%

Turkey's annual CPI hit 9.38% in April, rising faster than expected and getting closer to double digits. This high index was mainly due to surging food prices, and signalled an even higher inflation rate for May. According to data published by the Turkish Statistical Institute (TurkStat), monthly inflation in April was 0.09% in domestic producer prices (D-PPI), and 1.34% in consumer prices (CPI). Annual inflation reached 12.98% in D-PPI.

May 6, 2014

Household consumption increased 4% in April

According to the Household Consumption Index (HCI) released by the marketing research firm Ipsos and Dunya Newspaper, total consumption of Turkish households in April increased 4% in fixed prices over the previous month whereas the annual change has finally become zero after being negative in the first 3 months of the year. The delayed demand in the first 3 months was finally reflected in consumption in April after local elections and an exchange rate panic.

May 22, 2014

Unexpected policy rate cut by 50 bps raises stock exchange

The Central Bank of the Republic of Turkey (TCMB) has cut the policy rate, for the first time in one year, by 50 base points to 9.5% while keeping the interest rate corridor unchanged. This surprise move by the CB had an immediate positive impact on BIST, Turkey's stock exchange market. After the CB's announcement, the BIST-100 index hit a 7-month high, closing the day with a 2.08% plus.

May 23, 2014

Turkey's current account gap deficit in April lower than expected

Turkey's current account gap in April narrowed over 40% compared to a year ago. According to the Central Bank's statement, the current account deficit in April 2014 decreased by USD 3.32 billion to USD 4.79 billion, while the annual current account deficit stood at USD 57.79 billion. The narrow deficit is a result of exports boosted by the weakening of the Turkish Lira.

June 12, 2014

Politics

Parliament decides to investigate corruption claims against 4 ex-ministers

The Turkish Parliament voted to set up a commission to investigate alleged corruption by former ministers, and with 453 out of 537 votes, it decided to look into bribery claims against ex-ministers. On the other hand, the main opposition party's proposal to set up four separate commissions for each of the ex-ministers was rejected.

May 6, 2014

First direct presidential election of Turkey to be held in August

According to the Law on Presidential Elections put into effect on 20 January 2012, presidential elections, direct for the first time, will be held in August 2014. The first round of the election is scheduled for 10 August 2014. If no candidate wins a simple majority (i.e. more than 50% of the votes), a second round will be held on August 24 between the two candidates receiving the most votes. The same law made it possible for PM Erdogan, or any other member of parliament, to be nominated without leaving their posts. Presidential candidates need to be at least 40 years old, hold a higher education degree, be eligible to be a member of parliament (but not necessarily a current member), and be nominated by at least 20 members of parliament. Candidates can accept personal donations for their campaigns but not more than TRY 8,259 (approximately USD 4,500) from one person. The ruling Justice and Development Party (AKP) nominated Recep Tayyip Erdogan, incumbent Prime Minister of Turkey, whereas Ekmeleddin Ihsanoglu, former Secretary-General of the Organisation of Islamic Cooperation, is the joint candidate of the two opposition parties Republican People's Party (CHP) and Nationalist Movement Party (MHP), and Selahattin Demirtas, the co-leader of pro-Kurdish Peoples' Democratic Party (HDP), is the candidate nominated by his own party.

June 14 & 30 & July 1, 2014

Turkey-EU readmission agreement ratified by Turkish Parliament

The readmission agreement between the EU and Turkey, signed on 16 December 2013 and ratified by the Turkish Parliament on June 28 2014, is expected to contribute to a visa-free regime for Turks travelling to the EU. The agreement, which provides for refugees who illegally entered the EU member state territory via Turkey to be readmitted by Turkey, will start being implemented three years after the publication of the legal decision in the Official Gazette. Senior EU officials expressed their appreciation of the ratification.

June 26, 2014

▶▶ Other topics

301 dead in Soma mine disaster – Worst in Turkish History

An explosion which started a fire during the shift change at a coal mine in Soma, Manisa province, caused the death of 301 of 787 workers who were underground during the incident. Having poor safety conditions, Turkey is familiar with mining accidents; however, this has been the Turkey's worst-ever mining tragedy.

The mine, which was formerly state-owned and had been privatized in 2005, is operated by Soma Komur İşletmeleri A.S. The CEO of the company had proudly stated, back in 2012, that the cost of producing one ton of coal had decreased from USD140 to USD24 after privatization; however, private mines in Turkey have a mortality rate higher than publicly managed ones according to the mining report of the Turkish Economic Research Foundation (TEPAV).

Survivors and victims' families claimed that problems of safety at the mine were known to the management whereas the government and the executives from Soma Holding, the mine's parent company, have denied negligence. The officials stated that the mine had been inspected 11 times since 2009, and the CEO claimed that his company had invested a lot to ensure the safety of the workers.

An official investigation, in which 3 of the suspects had been killed in the incident, resulted in the arrest of 8 among the 25 detained employees of Soma Holding.

Hundreds of people across the country travelled to Soma to offer condolences, but all gatherings were banned and checkpoints have been set up. Some of the lawyers who were present in Soma to assist victims' families were detained. Several anti-government protests across the country resulted in police intervention with tear gas and water cannons.

The Turkish government announced three days of national mourning for the Soma coal mining victims, and also the ceremonies for 19 May Commemoration of Atatürk Youth and Sports Day were cancelled.

May 14-19, 2014

12 Turkish companies in Forbes' Global 2000

The list of the world's biggest 2000 companies in 2013 published by Forbes includes 12 Turkish companies. Türkiye İş Bankası, Garanti Bankası, Koc Holding and Akbank are among the top 500 of the list, which is dominated by Chinese firms. The other 6 Turkish companies listed in Global 2000 are Sabancı Holding, Halkbank, Vakıfbank, Turkcell, Turk Telekom, Enka, Anadolu Efes, and Turkish Airlines.

May 14, 2014

German MAN to shift bus production to Turkey

German commercial vehicle manufacturer MAN declared it will close its only bus plant in Germany by March 2015 due to high labour costs in the country and poor demand in core European markets. The company will shift its bus production to

Turkey, where labour costs are much lower than in Germany. MAN already employs 1,700 workers in Turkey, and with this new decision the company will cut production costs to a very large extent. The 420 employees of the facility to be closed will be offered new jobs in one of the facilities of parent company Volkswagen.

May 21, 2014

ILA Berlin Air Show opening with partnership of Turkey

The International Aerospace Exhibition and Conference's (ILA) biannual Berlin Air Show was officially opened by German Chancellor Angela Merkel and Turkish Minister of Transportation, Lutfi Elvan. With about 1,200 exhibitors from 40 countries and some 250,000 expected visitors, the Berlin Air Show is one of the world's leading aerospace trade fairs where advanced technology and high-tech products of the aerospace industry are presented from May 20 to 25. Turkey, the official partner country of this year's fair, made a strong appearance with Turkish Aerospace Industries (TAI), missile maker Roketsan, aerospace company Havelsan, Turkey's science watchdog TUBITAK, flagship carrier Turkish Airlines (THY), FIGES Engineering and Defence and Aviation Cluster (OSSA), and the Aerospace Clustering Association.

May 21, 2014

Ford Otosan's new facility inaugurated

The opening of Ford Otosan's new production facility in Yenikoy and the production launch of Ford's small commercial vehicle Transit Courier were celebrated in the presence of Prime Minister Erdogan and other government representatives. The new plant, which was built with an investment of USD 511 million, is located near the existing Kocaeli vehicle assembly plant and spreads across 70,000 square meters. Ford Otosan is a 55-year old joint venture between Ford Motor Co. and Turkey's Koc Holding, with 41% shares each whereas the remaining 18% are publicly held. The Kocaeli plant has been operating since 2001 and currently employs some 7,500 people. The Yenikoy plant, where the completely renewed Transit Courier as well as the Tourneo Courier entry-level people mover will be manufactured, has a capacity of 110,000 units per year. Speaking at the opening, PM Erdogan said he still insists on Turkey producing its own local car, adding that his government does everything in its power to establish the necessary infrastructure. In response, William Clay Ford, executive chairman of Ford Motor Co., said: "The Courier we produce at our Yenikoy facility is a very complex one and it is all manufactured here. Thus, we already produce a local car."

May 23, 2014

Other Headlines

- Turkish construction companies STFA and Yapi Merkezi together won the bid for construction of the "Gold Line", the most lucrative leg of Doha Metro, as part of Qatar's preparations for the 2022 World Cup. The \$4.4 billion project is the largest single contract ever awarded to a Turkish company abroad. May 7, 2014
- In his presentation at the World Investment Conference, Minister of Finance Mehmet

Simsek stated that the number of international companies in Turkey increased to some 37,700 from 3,200 ten years ago and that he foresees this number to double in the next 10 years. May 15, 2014

- Having sold 22,594 vehicles during January-April 2014, Volkswagen has become leader both in the passenger and the light commercial segment, leaving Renault behind. May 19, 2014.
- The first GREAT Festival of Creativity, an event organized by the British Chamber of Commerce as an effort to combine the UK's image with creativity, has been held in Istanbul. May 23, 2014
- Germany's Media Markt, the only remaining foreign technology retail chain in Turkey, opened 2 stores on the same day in Anatolian provinces Denizli and Malatya, and has given the message that it will continue to grow its business in Turkey. May 29, 2014

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