



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

▶▶ Newsletter Turkey May 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

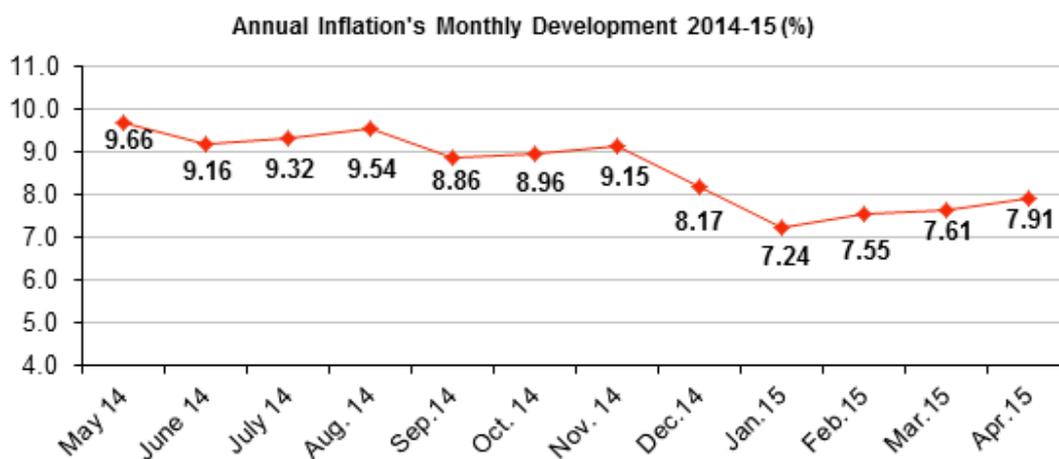
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▶▶ Economy

Overview of Monthly Data

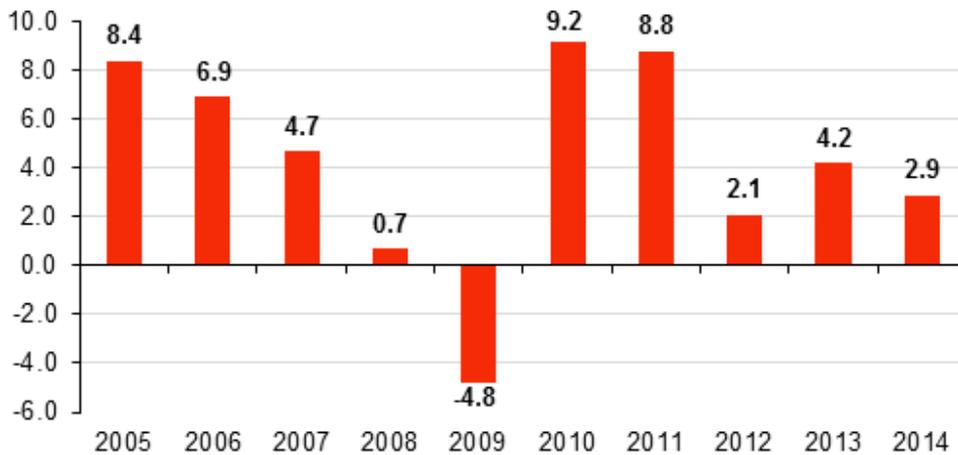
TL-Rates	31.03.2015	30.04.2015	Change in %
TL per Euro	2.8125	2.9763	5.82
TL per USD	2.6181	2.6607	1.63
Stock exchange index	80,846.00	83,947.00	3.84

Inflation in %	Monthly inflation	Annual inflation
Producer prices	1.43	4.80
Consumer prices	1.63	7.91



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	4.7	4.3	4.6	4.2
2014	4.9	2.3	1.9	2.6	2.9



Monthly inflation over expectations

In April, consumer prices in Turkey rose by 1.63% over the previous month, and by 7.91% compared to the same month previous year, according to data released by the country's Statistical Institute (TurkStat). The economists from banking had expected a rise around 1.30%-1.40%. The highest monthly increase was 12.3% in clothing and footwear, followed by food and non-alcoholic beverages with a 1.63% increase. The only monthly decrease was in telecommunications by 0.28%. The domestic producer price index increased by 1.43% on a monthly basis, and increased by 4.80% over the same month previous year.

May 4, 2015

Turkish trade gap falls as imports decrease

According to data released by TurkStat, the Turkish trade gap has narrowed by 10.2% in February, from USD 5.2 billion in the same month last year to USD 4.65 billion. Unfortunately, this drop cannot be regarded as an improvement as it was mainly caused by the fall in imports rather than an increase in exports. Exports amounted to USD 12.27 billion, down 6%, and imports were USD 16.93 billion, down 7.2% compared with February 2014. The coverage ratio of imports by exports was 72.5%, while it was 71.6% same month previous year. The main partner country for exports was the United Kingdom (USD 1.11 billion), followed by Switzerland (USD 1.08 billion), Germany (USD 1.03 billion), and Iraq (USD 755 million). The top country for Turkey's imports was China (USD 2.07 billion), with Russia (USD 1.86 billion), Germany (USD 1.57 billion) and the USA (USD 931 million) trailing behind.

April 1, 2015

New incentives package of TRY 7.5 billion on the way

Turkish PM Davutoglu has announced a new economic incentives package that will support employment, production, and investments. The cost of the package will be TRY 7.5 billion (USD 2.9 billion). However, Davutoglu said that this cost will not have a negative effect on the planned budget, and the precautions will mostly be financed by an unemployment fund. The 11-step precautionary package is composed of tax breaks and government subsidies and expected to create 120,000 new jobs as well as providing additional support for manufacturing SMEs and female entrepreneurs.

April 3, 2015

January unemployment hits 11.3%, highest since April 2010

The unemployment rate in Turkey rose from 10.9% in December to 11.3% in January, the highest since April 2010. 3.26 million people aged 15 and older were out of work, and 28.7 million were employed as of January. The youth unemployment rate in the 15-24 age group amounted to 20% with a 2.3% increase. The employment rate was 44.3% with a 1.1% increase, and the labour participation rate stood at 50%. Of those with employment in this period, 53.3% were employed in services, 21% in industry, 19% in agriculture, and 6.7% in construction.

April 16, 2015

Turkish Lira falls to lowest value against US dollar

The USD/TRY ration has climbed to a historic high, hitting over 2.72, which makes the Turkish lira the currency that has depreciated the most since the beginning of the year. Due to the strong effect from a rising demand for USD in the global markets as well as the political uncertainty caused by the upcoming elections in the country, the dollar kept climbing despite a verbal intervention by the Turkish Central Bank (CBRT). The Istanbul stock exchange BIST closed the day with a loss of 1.17 points. Experts said that in case the CBRT does not intervene, only messages from the FED regarding an interest rate increase could stop the dollar's hike.

April 16, 2015

CBRT keeps the interest rates fixed

CBRT's monetary policy council has kept its key policy rates unchanged, including the one-week repurchase rate at 7.50% but increased the required reserve ratio interest rates by 50 base points. The rates applied to bank's one-week borrowings from the CBRT had been cut by 50 basis points to 4.0% for U.S. dollars and to 2.0% for Euro borrowings. CBRT states that ongoing cautious monetary policy is having a favourable impact on inflation. After council's declarations, the USD/RY rate, which had dropped below 2.68 after its hike on the 15th, have climbed back again to 2.72.

April 23, 2015

Politics

Istanbul prosecutor slain in hostage-taking

An Istanbul prosecutor was killed after being held hostage in the courthouse by an illegal far-left group, the Revolutionary People's Liberation Party-Front (DHKP-C). Public prosecutor Mehmet Selim Kiraz was shot three times in the head and twice in the body, and died despite being rushed to hospital for emergency surgery. Kiraz was investigating the death of a teenager who had been hit by a police gas canister fired during nationwide anti-government protests in 2013. The Istanbul police chief announced that the two assailants were killed by security forces. The prosecutor has been buried in Istanbul after a ceremony held in the Istanbul Caglayan Courthouse at which Prime Minister Davutoglu, ex-president Gul and many lawyers were present.

April 4, 2015

Turkey and Iran signed 8 agreements on trade

During a one-day visit by Turkish President Taysip Erdogan and 5 ministers to Iran, 8 trade agreements were signed between the two countries. Although there is political tension between the two countries due to disagreements over Syria and Yemen, they are also economically dependent to each other as Turkey needs Iranian gas and sanctions-hit Iran needs export markets. During a joint press conference by Erdogan and Iranian counterpart Hassan Rowhani, Erdogan emphasized that they were far behind a target of a trade volume of USD 30 billion, and mutual trade has developed in favour of Iran. He also added that Turkey buys more than 90% of Iranian gas and Iran should drop the price.

April 8, 2015

Turkey's parties declare their programmes

Ruling party Justice and Development Party (AKP) has declared its election programme which is in part personally written by the PM Davutoglu. AKP's declaration focuses on presidential system and new constitution. On the other hand, main opposition party republican people's party's (CHP) declaration focuses on economics and included measures as family insurance, social aids, reconstitution of credit card debts, and fight against unemployment and poverty. The election in Turkey is to be held on 7th of June.

April 15, 2015

▶▶ Other topics

Major blackout across Turkey causes big losses

A nationwide blackout, the widest and worst in Turkey's history, caused chaos in the country and resulted in big economic losses. The power outages throughout the entire country were caused by a fault in the power transmission lines, according to a statement by Turkey's Electricity Transmission Company (TEIAS). The blackout affected the transportation infrastructure in cities, interrupting public transportation services and causing huge traffic jams. It also rendered offices and factories inoperative for up to ten hours, resulting in big losses. The head of Turkey's power grid operator, Mr. Kemal Yildir, resigned after the blackout which is to be blamed on mismanagement and excessive risk-taking.

April 1, 2015

4-5% growth expected in construction sector

According to the President of the Association of Turkish Building Material Producers, Fethi Hinginar, the Turkish construction sector has grown 2.2% and the domestic building materials market 4.8% in 2014. He added that for 2015 they foresee 3.5% growth in the Turkish economy, 4.5% in the construction sector, and 4.5-5.0% in the domestic building materials market. Hinginar also stated that in 2014, the total number of construction permits increased by 24.3%, and by March 2015, the annual growth in the volume of mortgages was 15.8%.

April 3, 2015

Turkey will be MENA's wind centre: CEO of GE Turkey

CEO of General Electric (GE) Turkey Canan Ozsoy stated that GE assumes Turkey as the 5th most important country to invest in. She underlined that innovation is supported in Turkey, but the areas of innovation are dispersed. Turkey could make a big leap forward if a strategic focus is defined and all the ideas and investments flow into this focal area. Health and energy can be focus areas of Turkey. "As GE, we have allocated a share of USD 1 billion to sustainable energy and environment. We have important projects on wind. We have made our suppliers to invest in Turkey and thus we have created 900 new jobs. We will make Turkey the epicentre of a region of 17 countries from Middle East and North Africa.", she added.

April 3, 2015

Turkish automotive sector booms in Q1 2015

Total production of the automotive sector in Turkey in the first quarter of the year amounted to 335,000 units, an increase of 31% compared to the same period of previous year, according to the data released by the Automotive Manufacturers' Association (OSD). Exports have increased by 23% in terms of quantity, reaching 250,000 units, but have decreased in value. Besides the increase in exports, the local market has witnessed an enormous increase as well.

April 10, 2015

Ground-breaking ceremony for Turkey's first nuclear power plant

Construction of the Akkuyu Nuclear Power Plant has begun in the Mediterranean province of Mersin with a ceremony at which Turkish Energy Minister Taner Yildiz, Rosatom Director General Sergey Kiriyyenko and other top officials were present. The plant is a USD 20 billion project financed by Russia according to a build-own-operate model, under an intergovernmental agreement signed by Turkey and Russia in 2010. The power plant, the first of three to be built in Turkey, is expected to be completed in 2020. In light of the controversy surrounding nuclear energy, the government has launched a massive PR campaign to promote acceptance among the population.

April 15, 2015

Other Headlines

- Borsan, a manufacturer of energy cables in its factories in Samsun and Istanbul, has bought a factory in Italy in which it will produce technological cables for spacecraft, weapons, and robots. April 8, 2015
- Aselsan has started developing a hybrid laser and rocket weapon system, the first prototype of which is ready to be exhibited. April 13, 2015
- The new metro line in Istanbul between Levent and Rumeli Hisarustu was opened with a ceremony which President Erdogan and PM Davutoglu attended. April 20, 2015
- World eye-glass giant French Essilor Optica has bought 65% shares of Merve Optik, a Turkish distributor of many international brands. The deal is still to be approved by the Turkish Competition Authority. April 28, 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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