



FM CONSULTING

▶▶ Newsletter Turkey May 2017

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

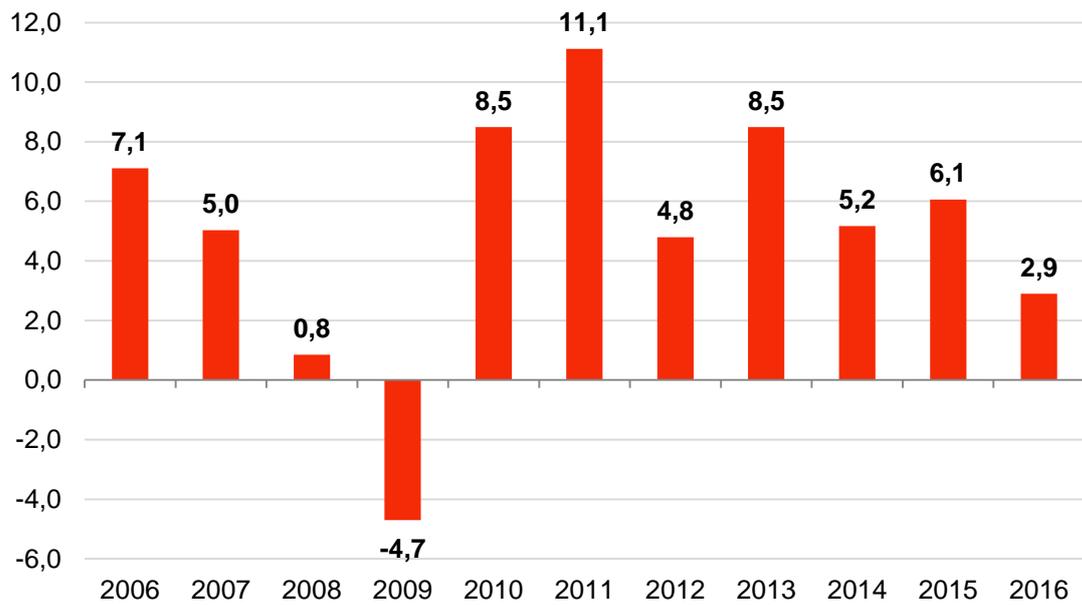
Exchange Rates	31/03/2017	28/04/2017	Change in %
TRY per Euro	3.8921	3.8814	-0.27%
TRY per USD	3.6427	3.5568	-2.36%

Stock Exchange Index	31/03/2017	28/04/2017	Change in %
BIST 100	88,947.40	94,655.31	6.42%

Inflation in %	Monthly inflation	Annual inflation
Domestic producer prices	0.76	16.37
Consumer prices	1.31	11.87

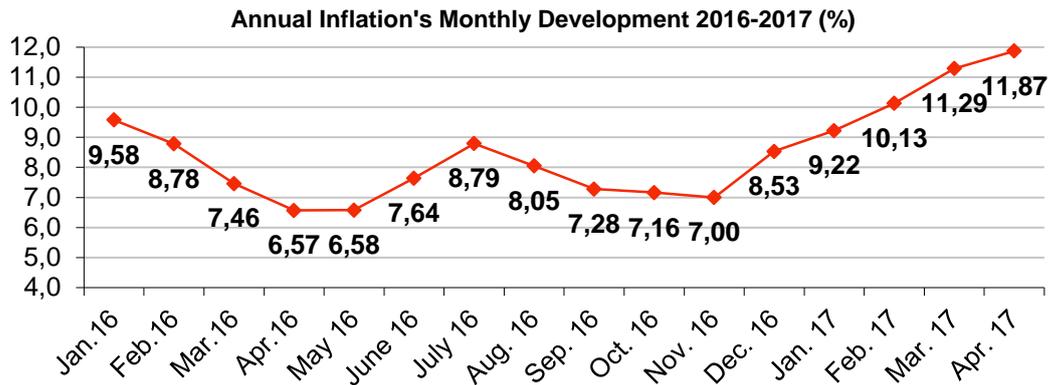
Growth Rates

	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	5.3	-1.3	3.5	2.9



Inflation





Inflation continues to increase

In April, consumer prices in Turkey increased by 1.31% over the previous month, and by 11.87% over the same month of the previous year (YOY). Accordingly, the increase in CPI-YOY has been in an upward trend for the last five months. The highest monthly increases were observed in clothing and footwear (9.13%), miscellaneous goods and services (1.26%), and food and non-alcoholic beverages (1.23%). The only, if slightly, decreasing item was communication (-0.02%). The highest annual increase was in alcoholic beverages and tobacco (21.65%). The domestic producer price index (D-PPI) increased by 16.37% YOY, and 0.76% monthly.

May 3, 2017

12.6% unemployed in February 2017

In February, 3.9 million people in Turkey aged 15 and older were out of work, 676,000 more than in the same month of 2016. The unemployment rate was 12.6% with a 1.7-point increase YOY. The youth unemployment rate in the 15-24 age bracket increased to 23.3%. The labour force participation rate rose to 51.8% in total, and to 32.3% for females. Of those with employment in this period, 55.2% were employed in the services sector, 19.5% in industry, 18.7% in agriculture, and 6.7% in construction.

May 15, 2017

Foreign trade deficit decreases by 10.3% in March

In March, Turkey's exports increased by 13.6% and imports increased by 6.9%, YOY. With exports increasing to USD 14.5 bn and imports increasing to USD 19.0 bn, the trade deficit decreased by 10.3%, down to USD 4.5 bn. The main partner for exports was Germany (USD 1.3 bn), followed by the UAE (USD 1.0 bn), Iraq (USD 906 mn), and the UK (USD 874 mn), whereas the top country Turkey's imports came from was Germany (USD 1.8 bn), followed by China (USD 1.8 bn), Russia (USD 1.6 bn), and the USA (USD 952 mn).

Apr. 28, 2017

Central Bank keeps policy rate stable

The Central Bank of the Republic of Turkey has kept the overnight lending rate at 9.25% and the one-week repo rate (policy rate) at 8.0%, whereas the late liquidity window lending rate has been increased from 11.75% to 12.25%. The bank stated that there has been a gradual recovery in the economic activity, as well as a partial recovery in the domestic demand, and the demand from the EU countries continues to support Turkish exports. Thanks to the government supports and incentives provided recently, the recovery in the economic activity is expected to continue. Due to the significant rise in the inflation, which creates a risk on pricing behaviours, the bank decided to strengthen the monetary tightening.

Apr. 26, 2017

Politics

Erdoğan meets with Putin

Turkish President Recep Tayyip Erdoğan and Russian President Vladimir Putin have met in Sochi. After the meeting, Erdoğan announced that two leaders have agreed on all economic topics except the barriers in front of Turkey's tomato exports to Russia, while Putin commented that the normalization phase in the two countries' relationship is already over and they continue to develop their relations further.

May 4, 2017

State of emergency extended by another three months

The majority of the Turkish parliament has granted the government's request to extend the state of emergency for another three months as from Apr. 19, 2017. Accordingly, the duration of this extraordinary measure, which had been declared following the coup attempt as from July 21, 2016 to facilitate the fight against terrorism, will reach almost one year.

Apr. 18, 2017

The Parliamentary Assembly of the Council of Europe (PACE) reopens monitoring procedure in respect of Turkey

Due to serious concerns about human rights, democracy and the rule of law in Turkey, PACE has voted in favour of reopening the monitoring procedure, which had been closed in 2004. Accordingly, Turkey has become the first European country for which this status was reinstated. Amongst other criticism, PACE stated that Turkey should lift the state of emergency as soon as possible and restore freedom of expression and the media. Also,

reintroduction of the death penalty would be incompatible with Council of Europe membership. The Turkish Ministry of Foreign Affairs strongly condemned this decision which it said was politically motivated.

Apr. 26, 2017

Other Topics

Qatari Al Bawakir Group has signed a USD 200 mn agreement with Turkish contractors Pana Yapı for the real estate project “Brooklyn City”. The project with 828 office and residential units is located in Fikirtepe, a neighbourhood in the Asian part of Istanbul where massive urban transformation projects are on-going. This is the first real estate investment of Al Bawakir in Turkey. Apr. 5, 2017

Turkey has become the 8th largest destination of angel investments in Europe in 2016, according to the statistics of the European Trade Association of Business Angels. The volume of investments has almost doubled in 2016 compared to 2015, reaching USD 67 mn. FinTech was the top segment with USD 22 mn. The largest single investment was the investment by MV Holding and Revo VC in the FinTech venture Cardtek with USD 19.2 mn. Apr. 11, 2017

Turkish machine builder Ermaksan has developed the first domestic 3D industrial printer. Ermaksan is planning to manufacture also the raw material used in 3D printing in-house. The company is already one of the four leading semiconductor chip manufacturers in the world. Apr. 13, 2017

U.S. company Genband has transferred its R&D activities for its cloud-based voice and video communication system Kandy to the Istanbul facilities of leading Turkish ICT company Netaş. Netaş boasts a 700-staff R&D centre and has already developed 5G technology in its laboratories. Apr. 25, 2017

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