



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

▶▶ Newsletter Turkey January 2016

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

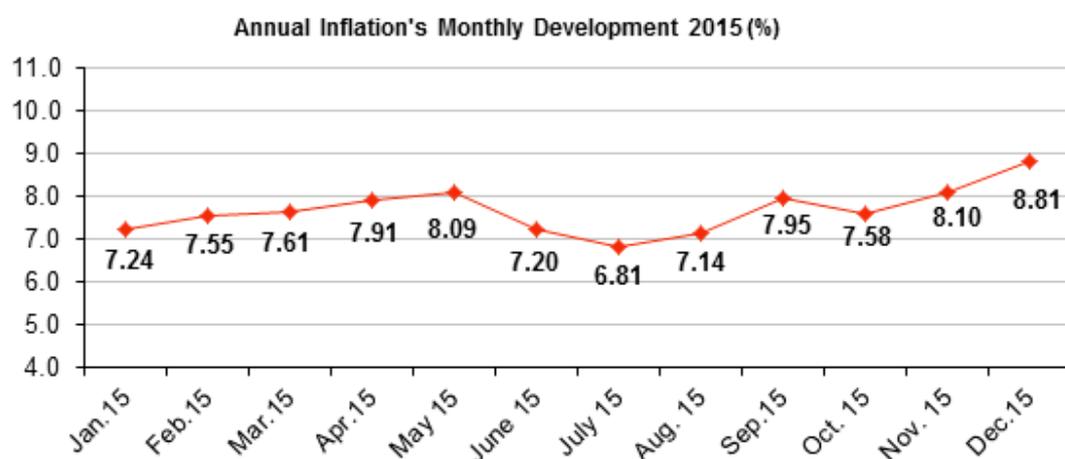
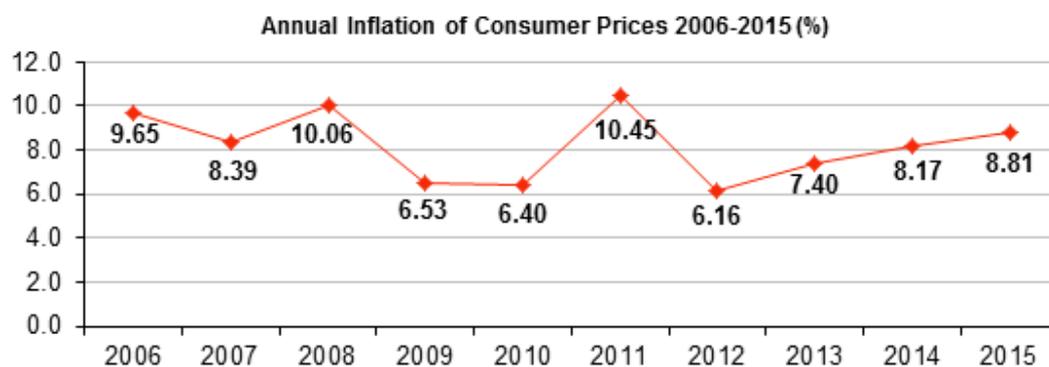
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▶▶ Economy

Overview of Monthly Data

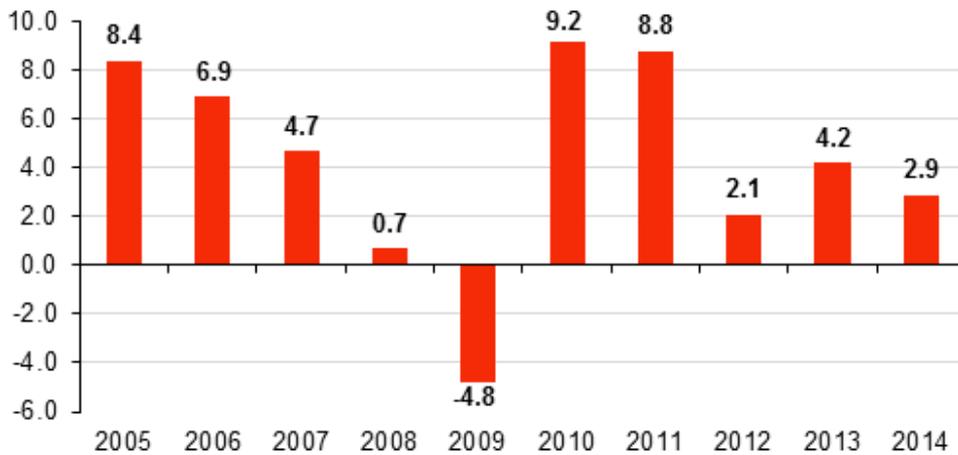
TL-Rates	30.11.2015	31.12.2015	Change in %
TL per Euro	3.0850	3.1896	3.39
TL per USD	2.9161	2.9233	0.25
Stock exchange index	75,232.79	71,726.99	-4.66

Inflation in %	Monthly inflation	Annual inflation
Domestic producer prices	-0.33	5.71
Consumer prices	0.21	8.81



Growth Rates

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
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	5.1	2.4	1.8	2.7	2.9
2015	2.5	3.8	4.0		



Turkish economy closes the year with 8.81% inflation

In December, consumer prices in Turkey increased by 0.21% over the previous month, closing the year with an annual inflation rate of 8.81%. Being the highest year-end rate in the last 4 years, the annual CPI figure was well above expectations. The monthly index rose 1.24 % for food and non-alcoholic beverages, 0.53% for furnishings and household equipment, 0.45% for miscellaneous goods and services, 0.43% for housing, and 0.33% for hotels, cafes and restaurants. The highest monthly decrease observed was 1.98% in clothing and footwear followed by a 0.57% decrease in transportation, a 0.22% decrease in communications, and a 0.17% decrease in recreation and culture. The domestic producer price index (D-PPI) decreased by 0.33% compared to the previous month, but increased by 5.71% compared to the same month of the previous year. The annual CPI was 0.64 points above that of previous year whereas the annual D-PPI was 0.65 points below the 2014 figure. The divergence between the annual CPI and D-PPI figures became more evident by the end of the year.

January 4, 2016

Turkish unemployment rate 10.5% in October

In October, 3.15 million people in Turkey aged 15 and older were out of work, 104,000 more compared to the same month of 2014. The unemployment rate went up 0.1% compared to the same month previous year, 0.2% compared to the previous month. The employment rate increased from 45.7% in October 2014 to 46.2% in October 2015. The youth unemployment rate in the 15-24 age group amounted to 19.3%, and the labour force participation rate stood at 51.6%. Of those with employment in this period, 52% were employed in the services sector, 20.4% in agriculture, 20% in industry, and 7.6% in construction.

January 16, 2016

Turkish economy will grow 2.8%, says The Economist

According to the report "The World in 2016" published by the business magazine The Economist, Turkey's economy will grow 2.8% in 2016 while the global economy is expected to grow 3.5%. The 2016 growth forecasts for Turkey from many finance organizations are between 2.9% and 3.5%, so The Economist's forecast has been the lowest. The report also foresees an inflation rate of 7.2% for Turkey.

December 7, 2015

Turkish current account deficit continues to shrink

Turkey's balance of payments has continued to shrink due to the fall in the trade deficit. In September, the current account balance shrank by USD 2.18 billion and recorded a USD 133 billion deficit, resulting in an annual deficit of USD 38.11 billion. If this trend continues until the end of the year, it will be the first time since 2009 that the deficit will be under USD 40 billion.

December 11, 2015

Turkish state to cover 40% of the minimum wage hike

The state will cover almost 40% of the cost of the latest raise in the minimum wage effective from January 1, 2016, stated Suleyman Soylu, the Minister of Labour and Social Security. The increase of the minimum wage from TRY 1,000 (EUR 305) to TRY 1,300 (EUR 400), which affects 8.5 million employees, is expected to cost the private sector around 20 billion liras (EUR 6.15 billion). The Minister underlined that the support will only last for the year 2016, adding that "Of course the rise of minimum wage is a burden to the treasure, so there will be a tax increase, even only a little bit. According to our analysis, its effect on inflation might be between 0.5-0.8 points. The burden emerging from the rise will not be compensated by the Social Security Institution, but by the Treasury".

December 31, 2015

Politics

Terrorist attack in the heart of Istanbul

A suicide bomber killed 10 people, 9 German tourists and 1 Peruvian, in Istanbul's historic district Sultanahmet. The bomber, was a Saudi Arabian-born Syrian national who is believed to be a member of the so-called Islamic State (IS) who recently entered the country from Syria, has been identified from body parts at the scene. Speaking in Istanbul, where he had visited the wounded in

hospital, German Interior Minister Thomas de Maizière said there was no indication that the attack specifically targeted Germans and added that there was no need to cancel travel plans.

January 13, 2016

FMConsulting extends its sincere condolences to the families of the victims.

Government announces action plan for 2016

Prime Minister Ahmet Davutoglu has announced his government's action plan for 2016, which includes a number of reforms that cover supports to a large base in the society. The PM declared that some of the promises which do not require new legislation were to be carried out within a week, and all the other promises will be put into action within three months. The most striking and most disputed of the articles of the plan is the raise of the minimum wage. The PM stated that the companies will not be negatively affected by the increase in the minimum wage. According to the plan, a new election law and a political parties law will be drafted within a year. Davutoglu also underlined that a new constitution is a priority for his party. Some critics argue that the new action programme includes populist measures.

December 10, 2015

Economic consequences of the tension between Turkey and Russia

Due to the political crisis between Russia and Turkey that stemmed from the downing of a Russian jet by the Turkish armed forces, the business of both sides have been affected. Some of the Turkish shops in Russia which are afraid of abusive behaviour or unfair inspections are either closing or changing their names. Turkish companies are anxious about their receivables from Russian companies. Turkish exporters whose goods cannot pass the Russian customs are trying to find other routes. As an example, Turkish fruits and vegetables enter Russia through Serbia or Georgia. Another relief came from the chief of Turkey's banking regulatory agency BDDK, Mehmet Ali Akben, who stated that if a Turkish company which was doing business with Russia experiences financial trouble and is not able to pay its debts, the credits of such companies will be re-structured.

December 15, 25 & 29, 2015

Other topics

Turkey and Qatar sign LNG trade agreement

During President Erdogan's visit to Qatar, Turkey's Petroleum Pipeline Corporation (BOTAS) and

Qatar's national oil company signed a memorandum of understanding regarding LNG deliveries to Turkey. An agreement between the two countries will set the framework for a long-term and regular LNG supply from Qatar to Turkey. Turkey's LNG supply had become jeopardised due to the latest tensions between Turkey and Russia.

December 3, 2015

Renault to restart Megane sedan production in Turkey

French carmaker Renault will restart the production of the new Megane sedan car in its Oyak Renault plant in the province of Bursa. The station wagon and hatchback forms, which are currently being manufactured in Bursa plant, are expected to be shifted to the Palencia plant in Spain, and Turkey will be the sole manufacturer of the sedan. The plant in Bursa will continue to manufacture the Clio supermini and its station wagon version, the Clio Sports Tourer, but discontinue the production of the Fluence. The reason why the production of the other models is shifted to Spain is that the 360,000 units of capacity at the Bursa plant are fully booked. The Renault Megane continues to be the most produced and sold car model in Turkey.

December 14, 2015

Delays in VAT refunds continue to strain companies

Delays in VAT refunds have extended to almost 1 year in some cases despite a communique released by the Ministry of Finance in August. This is mainly due to the strict controls carried out by the tax offices, although the legislation foresees refunds to be made within 3 months. Such long delays bring heavy burdens on companies, and experts say that a new arrangement is required to overcome the problem.

December 16, 2015

Turkey most attractive for production in Europe

According to a report on the production attractiveness of the countries, Turkey ranks first in Europe and the eighth in the world whereas China has lost its first place to Malaysia due to the increased labour and operating expenses. The report titled "Where in the World? Manufacturing Index 2015" by the commercial real estate company Cushman & Wakefield (C&W) identifies the parameters manufacturers consider as critical in the assessment of the most suitable countries to open new production facilities. The report states that "Turkey has climbed three places to eighth position in the world. It is positioning itself at the crossroads of Europe, Asia, Russia and Africa and has benefitted from significant investment in its infrastructure". The report defines the primary factors in decision making are low costs, labour force, market access, sustainability and supply chain. "This

report has clearly shown Turkey's high potentials to become a manufacturing and logistics hub in the future," stated C&W managing partner Tugra Gonden.

December 22, 2015

Record high production and exports in Turkish automobile industry

According to the data released by Automotive Distributors' Association of Turkey (ODD), 1,359,000 units of motor vehicles were produced in Turkey in 2015, a 16% increase compared to the previous year. The data also reveal that the exports figure has increased by 12% to 992,000 units in 2015, meaning that 73% of the units produced in Turkey were exported. The Turkish automobile industry ranked 16th in the world according to the total production of the first 9 months of the year. In terms of total R&D investments, Turkey ranks 3rd with an 18.9% share.

January 1, 2016

Prominent Turkish businessman Mustafa Koc dies at age 55

Mustafa V. Koc, the chairman of Turkey's largest conglomerate Koc Holding, has died of a heart attack while working out at his home in Istanbul. He was taken to Beykoz State Hospital on the morning of the incident and later transferred to the Vehbi Koc Foundation American Hospital, which the Koc family owns. He had undergone weight loss surgery in 2015 and heart surgery in 2002. After being appointed as the 3rd generation chairman of Koc Holding following the retirement of his father Rahmi Koc in 2003, he further developed the family business which now accounts for some 10 percent of Turkey's national output with investments in many sectors including automobiles (in partnerships with Ford and Fiat), the country's largest refinery (Tupras), home appliances (Arcelik), banking (Yapi Kredi Bank, in partnership with Italian Unicredit), hotels (the Divan chain), and defence manufacturing. The Koc family is one of the biggest representatives of Turkey's secular business elite. In addition to his work at Koc Holding, Mustafa Koc also served as the head of the Turkish Industry and Business Association (TUSIAD), the most prominent business organization of the country, between 2004-2010. Koc had met President Erdogan in the presidential palace in Ankara the previous evening, and was planning to fly to Davos in the afternoon, where he was to speak at the HeForShe event calling for gender equality. Koc, a graduate of George Washington University, was married with 2 children.

January 21, 2016

Other Headlines

- Qatar National Bank has signed an agreement to buy Finansbank, the Turkish unit of National

Bank of Greece, for EUR 2.75 billion towards its goal of expansion in the Middle East and Africa. December 22, 2015

- The hacker group Anonymous, claiming that Turkey is supporting the terrorist group IS, have attacked the Turkish banking system as a payback and disrupt credit card transactions. December 26, 2015
- Italian renewable energy company Exenergy has opened a turbine production facility in Izmir, becoming the leading supplier of geothermal power generation equipment in Turkey. January 6, 2016
- A leading Turkish stocking producer, Penti, is about to close the deal to acquire an Eastern European underwear brand with 110 shops as a first to attempt to expand abroad, said the company's CEO, Sami Kariyo. January 6, 2016

▶▶ 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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