



## ▶▶ Newsletter Turkey December 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  
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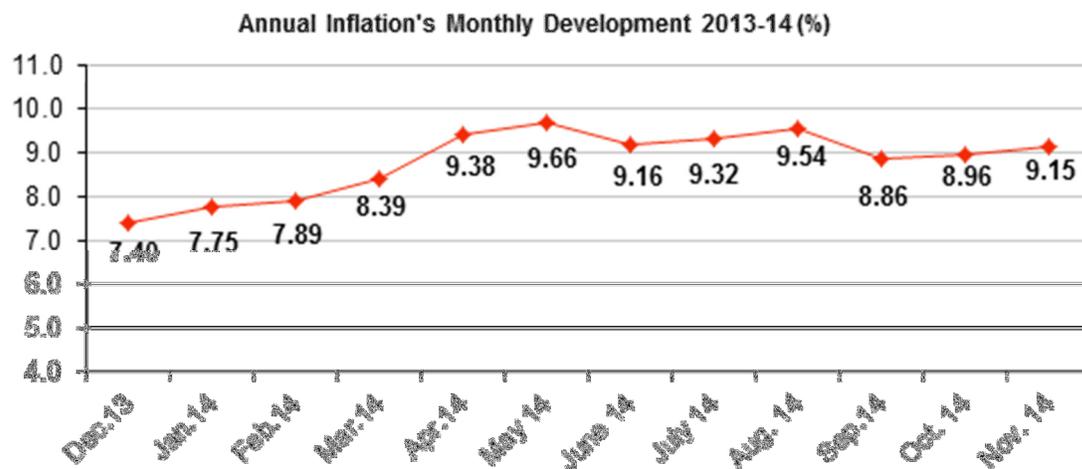
Merry Christmas and Happy New Year !

## ▶▶ Economy

### Overview of Monthly Data

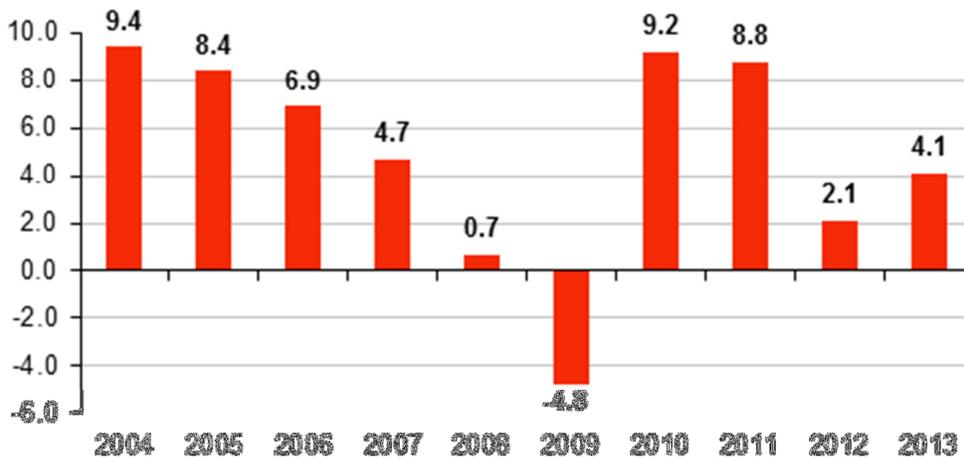
TL-Rates	31.10.2014	28.11.2014	Change in %
TL per Euro	2.7712	2.7585	-0.46
TL per USD	2.2067	2.2141	0.34
Stock exchange index	80,579.70	86,168.00	6.94

Inflation in %	Monthly inflation	Annual inflation
Producer prices	-0.97	8.36
Consumer prices	0.18	9.15



## 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	4.8	2.2	1.7		



### Inflation exceeds 9% in November

In November, the consumer price index (CPI) increased by 0.18% over the previous month, and 9.15% over the previous year, according to data released by Turkey's Statistical Institute (TurkStat). The highest monthly increase was registered in the clothing and footwear category at 4.11%, whereas the highest monthly decrease was in transportation at 1.79%. A monthly fall of 0.97% occurred in the domestic producer price index (D-PPI), which amounted to an increase of 10.10% compared to the same month of 2013.

December 3, 2014

### **GDP growth slows down to 1.7%, lowest in 2 years**

TurkStat data reveal that 2014 third quarter GDP growth in Turkey recorded at 1.7% year-on-year, the slowest rate since Q4 2012. A decline in agricultural production as well as low domestic consumption are among the key factors for the slow growth, while exports of goods and services, which increased by 8.0%, contributed most to the GDP growth. Q3 growth was well below the market estimate of 3%. According to the data released, the Q1 and Q2 growth figures were revised up to 4.8% and 2.2%, respectively.

December 10, 2014

### **Current account deficit shrinks in September**

According to the balance of payments for September as announced by the Turkish Central Bank, the current account deficit for September decreased to USD 2.2 billion. This figure is lower than both the experts' forecast, which was USD 2.6 billion, and the current account deficit recorded in August, which was USD 2.77 billion. The total current account deficit in the January-September period declined by USD 18.3 billion and recorded at USD 30.9 billion. The key factors of the decrease were the drop in the foreign trade deficit and a net increase in service sector revenues.

November 14, 2014

### **Unemployment hits double digits**

The unemployment rate in Turkey hit 10.1% in August 2014, recording the highest rate since February. 2,944,000 persons aged 15 years and older were seeking employment in August, whereas the number of employed people older than 15 years amounted to 26,313,000 persons, bringing the employment rate to 46.1%. The youth unemployment rate (15-24 age bracket) remained high, at 18.9%.

November 18, 2014

## **Politics**

### **Turkish PM reveals new action plan**

The Turkish government's new action plan has been revealed by Prime Minister Ahmet Davutoglu. The action plan aims to implement structural reforms in the Turkish economy. Davutoglu said that the real economy is their priority, underlining that political stability is

paramount besides economic success. Among the most important issues covered by the real economy part of the programme are: less dependency on imports, more technology, developing the local production, structural reform in health care, effective usage of water supplies in agriculture, and energy efficiency.

November 6, 2014

### **Current Turkish PM's first visit to Iraq**

A two-day official visit by Turkish Prime Minister Ahmet Davutoglu to Baghdad and to the Kurdish Regional Government at Erbil was significant for strengthening the relations between the two countries and raised hopes of gaining political and economic benefits. During the visit, the Turkish PM met with both Haider al-Abadi, his Iraqi counterpart, and Massoud Barzani, the regional government's president. The agenda of the meetings was the review of previous agreements and cooperation in the combat against terrorism.

November 21, 2014

### **Turkish-Japanese Business Forum held**

The Turkish-Japanese Business Forum was held in Istanbul to mark the 90th anniversary of the founding of diplomatic relations between the two countries. Addressing the participants of the Forum, Turkish Deputy PM Ali Babacan stated that Turkey was interested in a free trade agreement with Japan. Japan's ambassador to Turkey, Yutaka Yokoi, said Japanese companies were increasingly seeking investment opportunities in Turkey.

November 26, 2014

## **Other topics**

### **At least 24 refugees drown as boat sinks off Bosphorus**

At least 24 people, including 12 children, drowned as a boat carrying over 40 refugees sank in the Black Sea just outside the Bosphorus in Istanbul. While 24 bodies were recovered so far, only 6 survivors were rescued. 9 Afghan passports were found, and officials believe the remaining victims to be Afghan nationals as well. All were trying to reach EU waters seeking a better life.

November 4, 2014

### **Turkish confectionery giant Yildiz buys British United Biscuits**

Yildiz Holding, the parent company of Turkish confectionery brand Ulker, has acquired the British food manufacturer United Biscuits, whose Lovells chocolate brand they had already picked up in 2008. The transaction, which cost Yildiz Holding USD 3.2 billion, elevated Ulker to the position of 3rd biggest confectionery producer globally. In the last few years, Ulker has bought different foreign brands, including Belgian Godiva.

November 4, 2014

### **Minimum of 30% local procurement becomes mandatory for major public bids**

A draft bill regulating the rules for foreign companies participating in public bids in Turkey is currently being discussed in the Cabinet. If the new regulation is approved, foreign companies will have to procure a minimum of 30% from local companies in case they win bids worth over USD 5 million. The new regulation is expected to come into force with the new bids that are to be opened under the 2015 budget.

November 5, 2014

### **Turkey introduces new measures to minimize job accidents**

After a year full of fatal accidents in mining and construction, Turkish Prime Minister Ahmet Davutoglu has unveiled a new package of regulations towards reducing work-related accidents. The Turkish government is introducing a new punishment-reward system to ensure workers' safety and better working conditions. "High-risk workplaces with no record of accidents will be rewarded whereas those with accidents will be penalized," the PM told. The new regulations include measures such as banning companies with a high incidence of work accidents from public tenders. Also, the unemployment insurance contribution of the employer, which is normally 2%, will be 1% for those high-risk companies with no records of accidents for 3 years, but 3% for the companies which have a record of fatal accidents.

November 13, 2014

### **Amendments to free zone law to attract international investments**

In recent years, the free zones in Turkey have lost their attractiveness since no significant increase is observed in their trade volume and their functions are being questioned. Therefore, the Turkish government has now prepared a draft bill to boost the free zones with a number of reforms that are designed to attract foreign investors by increasing production and exports while increasing the possibility of technology transfer. The idea is that bureaucracy will be minimised whereas marketing and PR efforts will be enhanced.

November 19, 2014

### **Spanish BBVA increases stake in Turkiye Garanti Bankasi**

Banco Bilbao Vizcaya Argentaria (BBVA), Spain's second largest bank, is set to acquire an additional 14.89% of shares in Turkiye Garanti Bankasi, from Turkish conglomerate Dogus Holding, to become the leading shareholder of the bank with a total share of 39.9%. Dogus will remain a key shareholder with 10%, and the CEO and general manager will be left unchanged. The transaction will cost BBVA EUR 1.99 billion.

November 20, 2014

### **Turkey establishes first space systems centre**

Turkey's first space systems integration and test centre is being established within the body of the company Turkish Aircraft Industries, Inc. (TUSAS). The investment costs are jointly borne by the Undersecretariat for the Defence Industry and Turksat A.S. The centre, which covers about 3,800 square metres, is to serve national and international space programmes for spacecraft assembly, integration, and test activities.

November 28, 2014

### **Ford Otosan declares 2015 the year of passenger cars**

Ali Koc, CEO of Ford Otosan, addressed the attendees of the opening ceremony of the 3S facility of the company's Ankara dealership. Koc underlined that Ford Otosan is the Turkey's leading automotive company with the highest production capacity in the country, 415,000 units. He also stated that 2014 has been an important year in terms of commercial vehicle activities, adding that the year 2015 will be declared the year of passenger cars.

November 28, 2014

### **Other Headlines**

- Turkey ranks 12<sup>th</sup> in the Global Ranking of the Publishing Industry 2014 according to the data released by Frankfurt Book Fair. November 11, 2014
- The requirement of 40% local offset in the nuclear power station project has resulted in the clustering of about 30 Turkish companies. The companies seek to enhance their production capabilities to be able to produce the equipment for the station. November 11, 2014
- The additional tax on imports of textile products put into force at the end of 2010 has resulted in a record trade surplus in the sector. It is expected that by the end of 2014, the surplus will have reached USD 16 billion. November 14, 2014
- New incentives for the production of technology are to be applied by the end of the year, said the Turkish Minister of Economy, Nihat Zeybekci. November 17, 2014

## About us

**FOREIGN MARKET CONSULTING Ltd. Sti.** is a German-Turkish consulting company located in Istanbul. Our wide range of services give 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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