



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

▶▶ Newsletter Turkey September 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

newsletter@fmconsulting.com



We are pleased to announce that from now on, in co-operation with the company Kirchner-Seminare, we shall be able to offer you personal development seminars in Istanbul in Turkish language. Kirchner-Seminare is one of the most renowned and competent education providers in Germany with 40 years of experience.

The target group of the seminars is Turkish employees and executives. The seminars are characterized by a low group size of maximum 6 participants, which allows for each participant to engage in numerous individual exercises with video monitoring. Following the exercise, the participants shall receive open und constructive feedback from their co-participants as well as a professional video analysis by the seminar facilitator. The participants will become aware of their impact on and perception by others, while getting valuable tips for their personal and professional growth.

Please feel free to visit us on our website at www.kirchner-seminare.com.tr.

▶▶ Economy

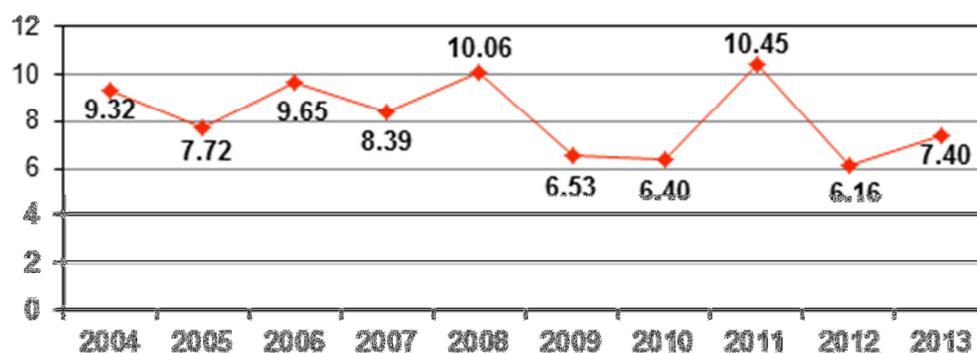
Overview of Monthly Data

TL-Rates	31.07.2014	29.08.2014	Change in %
TL per Euro	2.8611	2.8502	-0.38
TL per USD	2.1371	2.1623	1.18

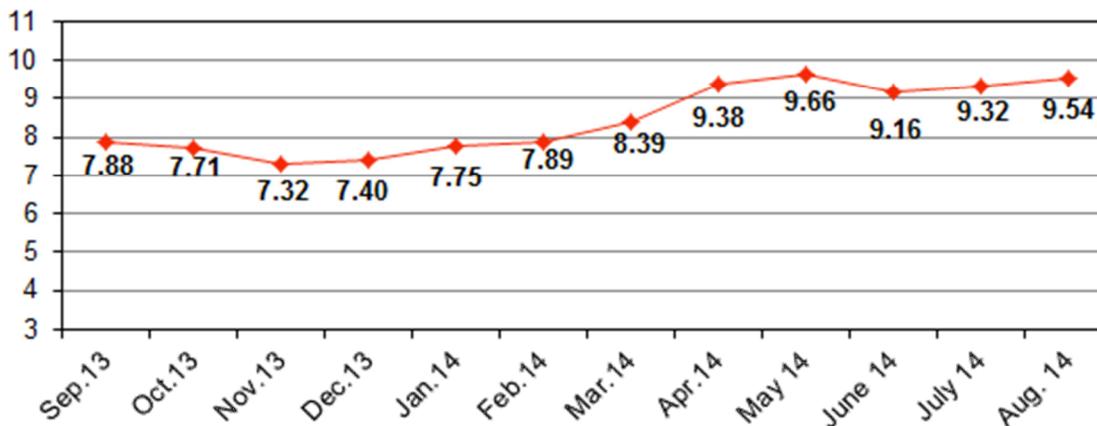
Stock exchange index	82,156.87	80,312.90	-2.24
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Inflation in %	Monthly inflation	Annual inflation
Producer prices	0.42	9.88
Consumer prices	0.09	9.54

Annual Inflation of Consumer Prices 2004-2013 (%)

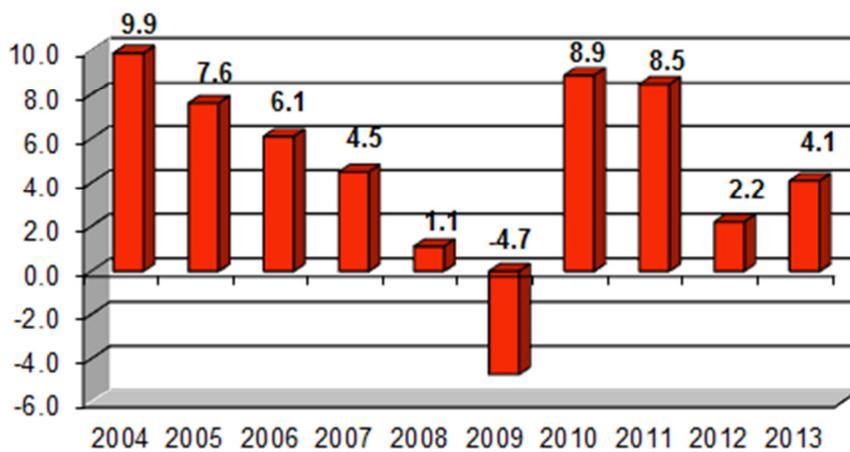


Annual Inflation's Monthly Development 2013-14 (%)



Growth Rates

Economic Growth Rates (%)					
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
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	3.1	4.6	4.2	4.5	4.1
2014	4.7	2.1			



Annual inflation exceeds year-end forecasts

In August, the monthly increase of the consumer price index (CPI) and the domestic PPI (D-PPI) was 0.09% and 0.42%, respectively. The annual CPI increased to 9.54%. The data published by Turkstat, Turkey's statistical agency, indicate that the inflation is higher than the CB's year-end forecast of 7.65%. The annual D-PPI, which had been on a downward trend for the last 3 months, rose to 9.88%. The rise in annual inflation is largely attributable to high food prices due to the recent drought.

September 3, 2014

Turkey's GDP growth in Q2 lower than expectations: 2.1%

According to data released by Turkstat, Turkey's GDP has grown 2.1% at constant prices in the second quarter of 2014, short of the market expectations of 2.7%. The Turkish economy had been growing at rates higher than 4.0% for the previous 4 quarters. Finance Minister Mehmet Simsek said that the main reasons of the low growth rate were economic weakness in the European export markets, geopolitical tensions and monetary tightening, adding that this slowdown brings the risk that annual growth target of 4.0% cannot be reached. Even so, first quarter growth, which had initially been announced as 4.3%, was revised up to 4.7%; 2013 growth rates were also updated.

September 10, 2014

Former IMF representative warns about forthcoming global crisis

Mark Lewis, who had been IMF's senior representative in Turkey since September 2010, recently left his office to his successor. In his last interview in Turkey, Lewis stated that the Turkish economy has proved its adequacy, especially with a strong public finance and banking sector. "But the coming period will be a hard one for global economy, and developing economies including Turkey will be affected by this." Lewis added. He made suggestions on three main subjects: Inflation must strictly be controlled to increase Turkey's competitive capacity, savings must be increased to assure stable growth, and structural problems and reforms must be paid attention to ensure competitiveness.

August 6, 2014

Current account deficit narrows down to USD 24 billion for H1

Turkey's current account gap narrowed by USD 12.93 billion to USD 24.15 billion in the first half of 2014, according to data released by the Turkish Central Bank (CB). Positive developments in exports and the decrease in imports of gold are the main reasons of the narrowed gap. The trade deficit declined to USD 29.32 billion in the January-June period, down from USD 40.59 billion in the same period a year ago.

August 15, 2014

Politics

Turkey's new president Erdogan takes over office

Having read the oath of office during the extraordinary general meeting of the Grand National Assembly of Turkey, Recep Tayyip Erdogan has formally been sworn in as 12th President of the Republic of Turkey. Deputies of the main opposition CHP left the assembly before Erdogan's oath. Erdogan, Turkey's first president elected by popular vote, visited Anitkabir, Ataturk's mausoleum, after his oath and then attended the ceremony at the Presidential Palace of Cankaya in Ankara to take over the duty from former President Abdullah Gul.

August 28, 2014

Turkey's new PM announces new cabinet

Turkey's newly appointed Prime Minister (PM), Ahmet Davutoglu, announced the new cabinet, in which 4 new names were included and 3 ministers were excluded. Yalcin Akdogan, who served as chief political advisor under former PM Erdogan, and Numan Kurtulmus, who was deputy chairman of the party, were appointed Deputy Prime Ministers. Nurettin Canikli, who was the deputy chairman of the parliamentary group of the Justice and Development Party (AKP), was appointed the new Minister of Customs and Trade. Volkan Bozkir, a former ambassador and the head of the parliamentary Foreign Affairs Committee, is to serve as EU Affairs Minister in the new government. Former Deputy PM's Emrullah Isler and Besir Atalay and former Minister of Customs and Trade Hayati Yazici are the 3 names that will not take roles in the 62nd government of Republic of Turkey.

August 29, 2014

Kilicdaroglu re-elected in Republican People's Party extraordinary congress

Kemal Kilicdaroglu, the leader of Turkey's main opposition party Republican People's Party (CHP), has been re-elected as his party's chairman on the first day of the extraordinary congress held in Ankara. He won 740 of 1,181 votes. Kilicdaroglu received less support than expected from the party's delegates as he had been nominated by signatures from 944 out of a total of 1,218 delegates. His rival Muharrem Ince, who was nominated as a candidate by only 177 delegates, received 415 votes in the election.

September 8, 2014

Other topics

Turkish business world interested in Eurasian Union

Turkey is seeking new opportunities for increasing its trade. On one side, the country tries to become a part of the Transatlantic Trade and Investment Partnership (TTIP), a trade agreement that is being negotiated between the European Union and the United States. On the other side, it has expressed an interest in establishing a freetrade zone with the Customs Union of Russia, Belarus and Kazakhstan. The Union and Turkey agreed to create a working group on Eurasian Economic Cooperation in September. Turkish business representatives have made positive statements on these initiatives. Businessmen believe that such partnerships will strengthen Turkey's hand, and every opportunity should be used to conquer new markets.

August 5, 2014

Natural Gas Market Law to be amended

A draft law that foresees comprehensive amendments to the Natural Gas Market Law has been submitted to the Turkish Parliament. The draft law includes clauses regarding the division of Petroleum Pipeline Corporation (BOTAS) into 3 separate entities that will conduct transmission activities, storage activities, and LNG plant operations, as well as the privatization of Istanbul Gas Distribution Industry and Trade Inc. (IGDAS). The main aims of the new law are to ensure the equilibrium of supply and demand in the market and to meet the needs of the natural gas sector in order to fully integrate with the global markets.

August 5, 2014

High unemployment among young college graduates in Turkey

According to a research paper by Isil Kurnaz, a faculty member at the School of Economics and Administrative Sciences of Gazi University in Ankara, unemployment among college graduates between the ages of 18 and 24 has reached 30%. The paper points out that the unemployment rate among college graduates totals 8.7%, whereas the rate goes up to 30% for fresh graduates. Although this rate is even higher in some European countries such as Greece, Spain, Italy, and Portugal, young college graduates in Turkey are less likely to find a job compared to those countries. A large part of the fresh graduates in Turkey have to accept jobs they are over-qualified for.

August 6, 2014

Household consumption increases while real estate sales dwindle

The impact of Ramadan has manifested itself as a rise in retail sales. According to the Household Consumption Index (HCI) released by the marketing research firm Ipsos and Dunya Newspaper, the total consumption of Turkish households in July increased 6% in current prices compared to the same month previous year. On the other hand, the data released by Turkstat show that real estate sales fell sharply in July, by 20.2% compared to July 2013.

August 8, 2014

Regulation amending public tenders enacted

A new regulation amending the Public Tender Law has been published in the Official Gazette. The regulation states that applicants operating in the FreeTrade Zones, that are real persons of Turkish nationality and/or legal entities incorporated with foreign capital under Turkish law, will be considered as domestic applicants. The regulation also introduces the definition of “experience certificate for technological products”. According to the regulation, this certificate will be issued by the Ministry of Science, Technology and Industry.

August 18, 2014

Turkish food exports to Russia expected to increase

As a result of the Russian embargo on imported Western food, Turkish business authorities expect an increase of exports of Turkish food to Russia. A delegation from Russia has already visited Ankara for negotiations. The authorities note that exports of fruits, vegetables, meat and dairy products, liquor, and legumes are to increase by 20-40%. However, this may trigger a domestic price increase.

August 18, 2014

Fitch warns Turkish banks about risks

Credit rating agency Fitch Ratings, in its latest report, issued warnings that rapid credit growth and higher external debt increase the risks for Turkish banks in case of extremely stressed market conditions. The report states that Turkey’s four largest private banks – Akbank, Garanti, Isbank and Yapi Kredi – have solid capital buffers, but underlines that these buffers have eroded steadily since 2010. Sharp interest rate changes and a fluctuating lira against major currencies are likely to persist in Turkey, the report adds. “The credit profiles of the four large private banks are sensitive to the volatile operating environment. The banks' broad and diversified franchises are a source of credit strength.”

August 21, 2014

New international players in Turkey's heavy equipment sector

Recently, foreign brands have rushed to enter the Turkish heavy equipment market, a sector with an estimated volume of USD 7 billion. The market is dominated by American, Japanese and German brands, but brands from China have also started to gain a bigger slice of the pie. After the 5 Chinese enterprises already operating in the Turkish market, two more PRC companies, Luigong and XCMG, have decided to invest in Turkey. Local players Hidromek and Cukurova have also jockeyed for position in recent years.

August 27, 2014

Other Headlines

- Turk Traktor, Turkey's agricultural vehicles leader, has increased its Q2 turnover to TRY 1.3 billion (EUR 464.3 million), while boosting its import revenues by 46%. August 8, 2014
- According to the Gold Report Q2 released by the World Gold Council, Turkey ranks 12th among the countries having the largest gold reserves, with 513 tonnes, surpassing the European Central Bank. August 15, 2014
- Collective Bargaining Agreement negotiations for the period 2014-2016 between Turk Metal (Turkish Metal Workers' Union) and MESS (Turkish Employers' Association of Metal Industries) that will affect 90,000 members in 160 enterprises have started. August 18, 2014
- The long-term foreign debt of Turkey's private sector rose to USD 166.5 billion in June, a rise of USD 8.9 billion compared to December 2013. August 21, 2014

About us

FOREIGN MARKET CONSULTING Ltd. Sti. is a German-Turkish consulting company. We specialize in providing competent consultancy services for foreign companies towards opening up to Turkish market, lastingly consolidating the market position and concluding strategic alliances between foreign and Turkish companies. If you need further information, please do not hesitate to contact Mr. Peter Heidinger.

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