MONTHLY BRIEF

TURKEY-U.S.
ECONOMIC OUTLOOK

DECEMBER
2017

TÜRKİYE ABD İŞ KONSEYİ
TURKEY US BUSINESS COUNCIL
TAİK

DEİK
DIŞ EKONOMİK İLİŞKİLER KURULU
FOREIGN ECONOMIC RELATIONS BOARD

Monthly Brief

TURKEY-U.S. ECONOMIC OUTLOOK

ABOUT DEİK

Foreign Economic Relations Board of Turkey (DEIK) is responsible for leading foreign economic relations of Turkish private sector in a myriad of sectors particularly foreign trade, international investment and services, international construction activities and logistics, exploring inward and outward investment opportunities as well as increasing the export volume of Turkish businesses and coordinating similar business development activities.

ABOUT TAİK

The Turkey-U.S. Business Council (TAİK), operating under the umbrella of the Foreign Economic Relations Board of Turkey (DEİK) was formed in 1985 as the first council, with the aim to enhance trade and investment relations between the U.S. and Turkey.

TAİK operates with a mission to create a platform to facilitate development of economic relations between the U.S. and Turkey through its wide spectrum of activities such as conferences, forums, business summits, lobbying visits, networking luncheons and dinners, educational site visits,etc. With its broad range of activities and worldwide network, TAİK represents a role model for other organizations in pursuit of similar goals.

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UPDATE ON TURKISH ECONOMY

11.1%

Turkish economy expanded by 11.1% in the third quarter of 2017, marking the **best performance of the last 25 quarters.**

12.98%

November CPI inflation is registered as 12.98%, marking the **highest increase since 2003.**

10.6%

Unemployment in Turkey is registered as **10.6%** in September **2017.**

$41.8 Billion

Turkey's annualized current account deficit increased to **$41.8 billion** in October

$154.6 Billion

Turkey's annualized exports reached **$154.6 billion** in October 2017.

Growth

Turkish economic growth has beaten expectations in the third quarter of (Q3) 2017 and the economy expanded by 11.1% compared to the same quarter of the previous year. This marked the best performance of the last 25 quarters. While domestic household consumption has been the major contributor of growth, the contribution of public consumption spending has been very modest. Net exports also continued their slowing trend since the second quarter. Despite the declining contribution of net exports, perhaps the most important and positive aspect of this growth figure, mainly fueled by domestic consumption, has been the increase in investment spending. We have previously highlighted that construction investments have been the key driver of the continuous increase in investment spending for the last four quarters, whereas machinery and equipment investments have been on a declining trend. Counter to such composition in previous quarters, third quarter growth also witnessed a larger expansion in machinery and equipment investments than construction investments. Such figure naturally portrays a positive signal due to its direct effect on the increase in the country's overall productive capacity.

A deeper look into the quality of growth on the production side reveals that the construction sector is still at the forefront with a share of 18.7% in overall production increase, while manufacturing now takes a significant share with an increase of 15.2%. Nevertheless, a coherent assessment of Q3 growth shall pay particular attention to the base effect (poor growth performance in the third quarter of 2016). Recalling that Turkish economy contracted by 0.8% in Q3 2016, a comparison of economic activity with that quarter as the basis of the latest growth figure might be misleading. A further look into the latest growth figure without seasonal and calendar effects in this regard, demonstrates that Turkish economy is in fact slowing down. More precisely, second quarter growth compared to the first quarter of 2017 has been registered as

2.2%, whereas growth in Q3 compared to Q2 (as opposed to the third quarter of last year) has marked a slowdown with a performance of 1.2%. Such data confirms that the latest growth figure standing at 11.1% is mainly arising out the aforementioned poor economic performance in Q3 2016 (base effect).

Credit Guarantee Fund (CGF) was the major catalyst in second quarter growth. Similarly, Turkey is witnessing a spillover of the Fund's positive effect in Q3 growth, despite in a declining trend. It should also be noted that Q3 growth has been supported by tax cuts and other relevant measures introduced by the government. Advance indicators on Q4 growth on the other hand, signals further slowdown in economic activity, whereas it is still early to forecast the scale of such slowdown and the level of Q4 growth pullback. As a final word about the overall growth picture in Q3, it is seen that the acceleration of machinery and equipment investments is perhaps the most positive aspect, whereas 11.1% stands way above Turkey's long-term potential production capacity, hence raises questions about its sustainability.

Inflation

The most tangible side-effect of this growth exceeding the potential is visible on inflation which is registered as 13% in November. Even though a slowdown in price increases is expected in December (mainly due to base effect), it is difficult to stay optimistic about the inflationary trend, especially from March 2018 onwards. It should also be highlighted that, the level of around 9% for 2018 year-end inflation expectations is now the new normal.

While the developed countries are still unsuccessful in creating inflation, most developing countries are now also way ahead of Turkey in this sphere with inflation rates of 5% or below. Normalization of double-digit inflation in Turkey on the other hand, increases concerns on further distortion of pricing behaviors and signifies enduring upward risks in inflation. Such an environment not only creates unpredictability and distorts investment decisions but also results in increasing interest rates which further damages overall economic indicators from unemployment to consumption patterns.

Parallel to inflation, interest rates also portray an increasing trend. Central Bank is in fact trailing the increase in market interest rates and attempting to raise the funding costs with unorthodox interest tools such as the late liquidity window. The Bank recently started to provide the entire funding via the late liquidity window and raised the real interest rate by 25 basis points. The latest Monetary Policy Council meeting on December 14 further increased the cost of funding from this channel by 50 basis points. Hence, the cost of borrowing from the Central Bank now stands at 12.75%. Such a rate however, still stands below market expectations. Bearing in mind that inflation stands at 13% as of November (despite a slight pull back is expected in December) and growth performance exceeding the potential (positive output gap) carries the risk of demand driven upward trend in prices, the ability of the Central Bank to control inflation with a funding rate of 12.75% does not look convincing. Perhaps the most critical risk factor at this point is further erosion of the Central Bank's credibility which might fuel the distortion of the pricing behaviors.

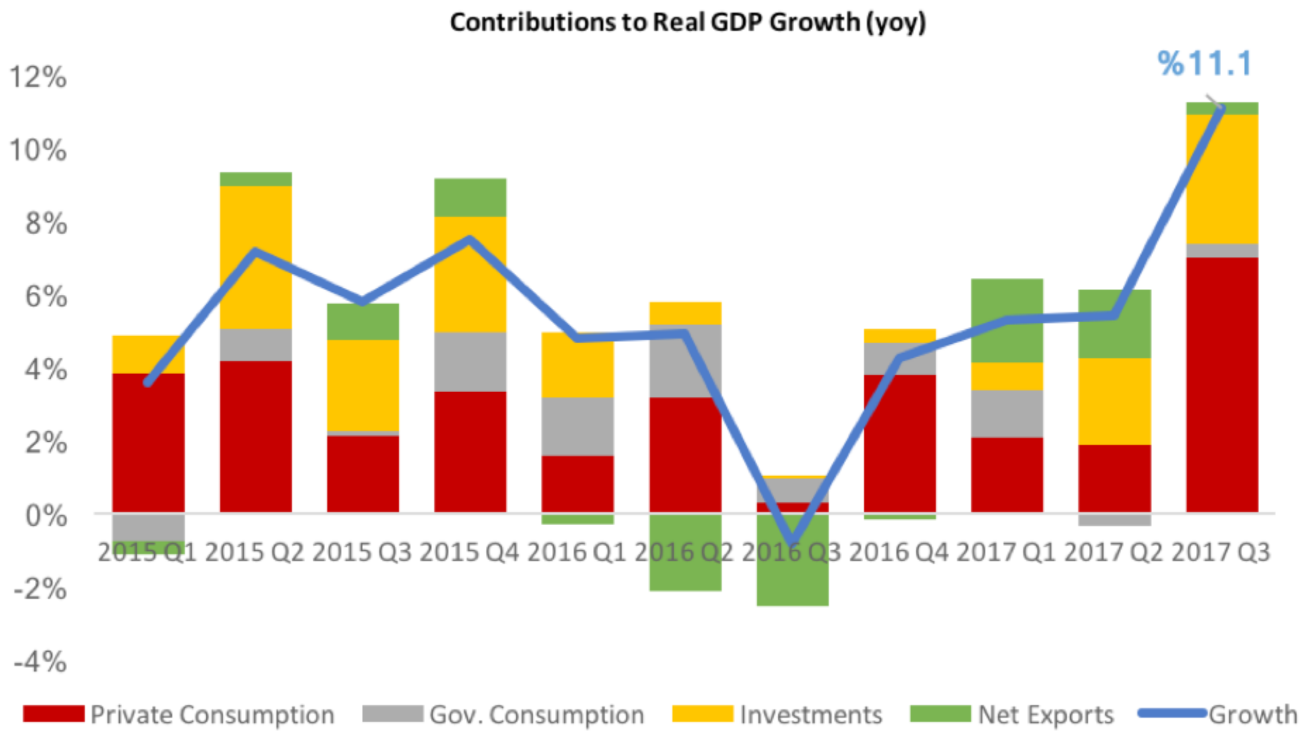
Current Account Deficit

A second side effect of growth exceeding the potential is visible in balance of payments items. The annualized current account deficit, which was $32.6 billion by the end of 2016, stands at $41.8 billion in October 2017. Two factors stand out behind such increase: increase in net gold imports and increase in energy imports bill due to rising oil prices. However, the increasing trend in CAD items excluding gold and energy for the last two months shall also be highlighted.

Nevertheless, a relatively positive outlook is visible in capital flows, as the recent increase in capital inflows is stronger than the increase in current account deficit. Such figure positively affects the net financing balance. Total external funding received by both the banks and the real sector over the last year is in an increasing trend for the last couple of months. Such developments reinforced by increasing capital flows into the financial markets enables Turkey to perform healthier in the recent months in terms of overall capital flows.

Foreign Trade

A similar positive outlook is also visible in foreign trade, as strong increase in overall exports turned out to be a general trend. Increase in exports to EU is enduring for more than two years now, and a parallel positive outlook is maintained in Iraqi and Russian markets which were previously marked as problematic due to geopolitical risks. We are also witnessing an increasing trend in exports to Middle East and North Africa, rising oil prices being the major force behind such increase.



Source: InnoNative Advisors

UPDATE ON TURKEY-U.S. TRADE RELATIONS

$19.5 Trillion

U.S. Real GDP increased at an annual rate of **3.2% in the third quarter of 2017,** according to "third" estimate released by the Bureau of Economic Analysis. **In the first quarter, real GDP increased 3.1% (revised).**

4.1%

U.S. total nonfarm payroll employment increased by 228,000 in November, and the **unemployment rate was unchanged at 4.1%.** Employment increased in professional and business services, manufacturing and health care.

2.2%

U.S. Consumer Price Index for all urban consumers **increased 0.4%** in November on a seasonally adjusted basis. **Over the last 12 months,** the **all items index rose 2.2%** before seasonal adjustment.

$130.3 Billion

U.S. exports of goods in October 2017 **decreased by 0.2% to $130.3 billion** compared to previous month.

$199.4 Billion

U.S. imports of goods in October 2017 **increased by 1.8% to $199.4 billion** compared to previous month.

$712 Million

U.S. exports of goods to Turkey in October 2017 **decreased by 7.8% to $712 million** compared to previous month. **Total U.S. exports to Turkey in the first ten months of 2017 has reached to $7.70 billion.**

$916 Million

U.S. imports of goods from Turkey in October 2017 **increased by 18.7% to $916 million c**ompared to previous month. **Total U.S. imports from Turkey in the first ten months of 2017 has reached to $8.24 billion.**

29th

Turkey is U.S.' 29th largest export market in the first ten months of 2017. **Leading U.S. exporting industries to Turkey** in October 2017 are **iron and steel products** ($98 million), **aircrafts and spare parts** ($82 million), **mineral fuels** ($77 million), **edible fruits and nuts** ($63 million), **and machinery and spare parts** ($62 million) **which in total comprise 53.7% of overall exports to Turkey in October.**

34th

Turkey is U.S.' 34th largest sourcing market in the first ten months of 2017. **Leading Turkish exporting industries to U.S.** in October 2017 are **motor vehicles and spare parts** ($121 million), **machinery and spare parts** ($92 million), **iron and steel products** ($87 million), **carpets** ($50 million), **and precious metals and jewelry** ($40 million) **which in total comprise 42.6% of overall exports to the U.S. in October.**

1,744

The number of companies with U.S. capital operating in Turkey **as of June 30th, 2017; according to the latest data released by Turkish Ministry of Economy.**

$163 Million

The value of foreign direct investments originating from the United States in Turkey in the first three quarters of 2017 is **$163 million,** according to the latest statistics released by the Turkish Ministry of Economy. This figure places the **U.S. as the 8th largest FDI source country in Turkey i**n the first nine months of 2017. **Total U.S. FDI in Turkey between 2002 and September 2017 stands at $11.4 billion, placing the U.S. at the second rank after the Netherlands, with a share of 7.8% of total FDI in the said period.**

Source: InnoNative Advisors

FULL RESUMPTION OF VISA SERVICES BETWEEN THE UNITED STATES AND TURKEY

The United States and Turkey published statements on the full resumption of visa services.

Embassy of the United States | Ankara, Turkey

December 28, 2017

Statement from the U.S. Mission to Turkey on Full Resumption of Visa Services

Since October, the Government of Turkey has adhered to the high-level assurances it provided to the United States that there are no additional local employees of our Mission in Turkey under investigation, that local staff of our Embassy and consulates will not be detained or arrested for performing their official duties – including communicating with Turkish officials also working in an official capacity – and that Turkish authorities will inform the U.S. government in advance if the Government of Turkey intends to detain or arrest any member of our local staff in the future.

Based on adherence to these assurances, the Department of State is confident that the security posture has improved sufficiently to allow for the full resumption of visa services in Turkey. We continue to have serious concerns about the existing allegations against arrested local employees of our Mission in Turkey. We are also concerned about cases against U.S. citizens who have been arrested under the state of emergency. U.S. officials will continue to engage with their Turkish counterparts to seek a satisfactory resolution of these cases.

REPUBLIC OF TURKEY EMBASSY

WASHINGTON

Statement from the Embassy of Turkey in Washington, DC

December 28, 2017

We welcome the decision of the United States to resume as of today regular visa procedures, by lifting the restrictions applied to our citizens. In accordance with the principle of reciprocity, restrictions on visa services applied to American citizens have been lifted simultaneously.

Regarding the assurances expressed in the U.S. statement, we would like to emphasize that Turkey is a state of law, and that our government has not provided any assurances concerning the ongoing judicial processes. No foreign mission personnel has been subjected to legal investigation in performing their official duties in our country. Despite our previous clarifications to the contrary, it is inappropriate to misinform Turkish and American public that such assurances were provided.

On the other hand, Turkey still has very serious concerns about the ongoing cases against Turkish citizens in the United States.

Turkish officials will continue to engage with their American counterparts to seek a satisfactory resolution of these cases.

WORLD BANK: TURKEY CAN ATTRACT INVESTMENT WITH REFORMS

By implementing more structural reforms Turkey can send a clear signal to lure more foreign funding in the form of direct investment (FDI), Johannes Zutt, Turkey country director for the World Bank, said on Dec. 24.

"The current macroeconomic environment and projected external conditions [rising energy prices and monetary tightening in the U.S. and Europe] will require monetary and fiscal discipline," Zutt said.

Zutt said sound macroeconomic policies need to be accompanied by deeper structural reforms to ensure a more sustainable economic growth over the medium term for Turkey. According to Zutt, key structural reforms include improving investment climate, deepening financial markets, strengthening public expenditure management, completing overdue labor market reforms and improving the quality of the education system. "These could be critical to help improve the resilience of the economy and help private investment to pick up in the medium term. Rigorous progress in advancing structural reforms will be key to restoring investor confidence, mitigating vulnerabilities, enhancing productivity and supporting growth," he said. "The country's new growth model should rely on stronger private investment, increases in firm level productivity, and better resource allocation."

PROPERTY SALES TO FOREIGNERS SOAR IN TURKEY BUT DOMESTIC DEMAND FALLS

The number of properties sold to foreigners in Turkey rose significantly in November, but domestic sales decreased to 122,732 units with a 7.5 percent year-on-year decline, official data showed on Dec. 22

Mortgaged house sales across Turkey also declined 23.9 percent to 37,250 units in November, data from the Turkish Statistics Institute (TÜİK) showed. Mortgaged house sales had a 30.4 percent share of all house sales in Turkey.

The termination of property incentives late in September, the current housing loan rates and the extending payoff in property rents played a key role in the decline in property sales, which started in October, according to analysts. Property sales across the country rose 42.4 percent, 4.7 percent and 28.8 percent in July, August and September, respectively, but declined nearly 6 percent in October with a 19.8 percent decrease in mortgaged house sales. The number of properties sold to foreigners, however, surged 21.4 percent on year-on-year basis in November, as incentives for foreign property buyers still continued. Of the total sales, 2,152 houses were sold to foreigners, approximately 34 percent (or 728 units) of them in Istanbul, the country's largest city by population.

Following Istanbul, the Mediterranean holiday resort city of Antalya came second with 491 properties, while the northwestern province of Bursa ranked third with 142 units. The figures also showed Iraqi citizens topped the list of buyers with 405 properties, followed by Saudis with 239 units, Kuwaitis with 151, Russians with 135 and Afghans with 105. A total of 20,070 properties were sold to foreigners in the first 11 months of the year with a 21.3 percent year-on-year increase, according to TÜİK data.

TOSYALI HOLDING BUILDS ONE OF THE WORLD'S TOP FIVE ROOF-TYPE SOLAR POWER PLANTS

Tosyalı Holding, working on environmental and renewable energy projects, has recently finalized installation of a roof type solar power plant at TOSÇELİK ERW Pipe Profile Production Facility at Organized Industrial Zone in Osmaneli.

The electricity of the TOSÇELİK ERW Pipe Profiling Factory, which is the largest steel pipe plant in Europe with a total area of 200,000 m2, is supplied from this solar production facility. The solar plant is known to be among the world's top five roof-type solar power plants.

Thus, Tosyalı Holding contributes to the reduction of energy imports, which constitutes a significant part of the current account deficit of our country, thanks to said project. In the project, where the world's biggest producer of thin-film solar panels are used, the group has planned to produce at least 10 percent more energy as compared to standard panels in the project, even in high ambient temperatures and low daylight conditions.

NEW SIEMENS FACTORY TO ADD $118M TO TURKEY'S ECONOMY PER YEAR

German technology giant Siemens has opened a new low-voltage switchgear plant within its integrated production facilities based in the Gebze Organized Industrial Zone, where the company's investments have reached 65 million Euros.

The giant facility is expected to contribute 100 million Euros ($118.61 million) to the Turkish economy every year. The low-voltage switchgear plant was opened with a ceremony attended by Minister of Science, Industry and Technology Faruk Özlü, Kocaeli Governor Hüseyin Aksoy, Kocaeli Deputy Mayor Zekeriya Özak, Gebze Mayor Adnan Köşker, Siemens AG Board Member Klaus Helmrich and Siemens Turkey CEO and Chairman Hüseyin Gelis.

Coupled with the new plant built in the second phase, investments in the integrated production facility, built on a 150,000 square meters in the organized industrial zone within Siemens Turkey's growth strategy, amounted to 65 million Euros. The facilities will contribute about 100 million Euros per year to the Turkish economy. The new low voltage switchgear plant, which will, directly and indirectly, provide employment for 1,000 people, will produce contactors and accessories, overcurrent relays, automatic fuses, automatic switchgear accessories and parts. Speaking at the ceremony, Özlü said that Siemens Turkey's new factory is a clear indicator of confidence in the Turkish economy and political stability. Underlining that each factory and initiative that contributes to Turkey's production, exports and employment is valuable, the minister said that it is pleasing that the newly opened plant in Gebze is equipped with advanced technology.

Siemens AG Board Member Klaus Helmrich stressed that they have strong roots in Turkey and they see themselves as a local company, adding: "We can always satisfy our customers thanks to our local knowledge, our long-term experience in Turkey and our ability to transfer our global resources. In the future, we will continue to do our best to meet the needs of our customers in Turkey." Stressing that digital technologies will further come to the fore in the future, Helmrich said: "We believe our integrated production facilities in Gebze will play a leading role in the digital development of Turkey thanks to the advanced technology, innovation-oriented solutions and applications they offer." He further noted that Siemens will continue to be a strong and reliable partner for its customers in Turkey, a good corporate citizen for Turkish society and a strong and supportive employer for its employees. Gelis said that the new factory investment is one of the consequences of continuous operations conducted for Turkey's economic and technological development. Citing that Siemens had opened its first Turkey factory in Eskişehir in 1928, Gelis said: "Today, we are taking a very important step in our journey by launching our new factory equipped with the latest technology. With our 2020 vision, we are playing a pioneering role in preparing our industry for the future by focusing on electrification, automation and digitalization."

TURKISH EXPORTERS ARE CONFIDENT TO EXCEED $169 BILLION, ALL-TIME RECORD IN 2018

Turkish exporters believe their exports will exceed $169 billion in 2018 (targeted in OVP, Medium Term Plan of the government) breaking an all-time record.

Judging on economic indicators, it can be concluded that Turkey does not seem to slow down, despite several difficulties in economy and politics. The support extended by the government to make up for lost opportunities due to last year's failed coup attempt and crises, with and within our neighbors, has helped to accelerate economy once again in 2017, which was declared as "a year of breakthrough" for export and stability with a road map to overcome the targets set. The government made good on its word to support exporters and focus on their needs, which served exporters in a vital manner to recover from any difficulties. This certainly had a reflection in terms of economic performance. It is reported that the first target in the Medium Term Program (OVP) for exports in

2017 was $153.3 billion and due to a performance better than expectations this figure was eventually revised to $156.5 billion in September. As it looks now the final figure expected by year end is about $157 billion. The good news is Turkish exporters forecast they will realize even a better performance in 2018 with an export figure of over $169 billion.

ŞİMŞEK: IT IS IMPORTANT TURKEY IS GROWING THROUGH INDUSTRIALIZATION

Deputy Prime Minister Mehmet Şimşek has stated that Turkey is growing via industrialization and underlined the importance of it.

Şimşek said "The only negative side in growth data is the decline in contribution of external demand." The Minister added "Growth performance has revealed the righteousness of our discourses". Turkey's economy grew by 11.1 percent in the third quarter of 2017. Deputy Prime Minister Şimşek who evaluated the growth figure said "A strong growth of 7.4 percent in the first 9 months is in question and this is continuing in the fourth quarter as well. A growth figure of 5.5 percent, well above the target growth on the whole of the year is likely and figures indicate a 6.5 percent growth. This is high and both inclusive and job-creating at the same time. The contribution of agriculture to growth islimited, so Turkey is growing by industrialization, which is very important."

TURKEY TO ADD HIGHEST REGASIFICATION CAPACITY IN EUROPE

Turkey will have the highest additional regasification capacity in Europe by 2019, according to Gas Infrastructure Europe's (GIE) LNG Map and Database 2018

The report shows that there are currently 32 LNG (liquefied natural gas) terminals in operation in Europe out of which 27 are located in the EU-28 area. These terminals are spread along the coasts of 15 countries. According to the GIE statistics, these terminals offer a total regasification capacity of 228 billion cubic meters annually (bcm/y) and 211 bcm/y for EU-28. In addition, 5 bcm/y are under construction in Europe while several other projects are planned, however with little indication on their progression, the GIE noted.

The statistics revealed that Turkey, which has a current regasification capacity of 17 bcm/y, will add 21 bcm/y of regasification capacity by 2019 with the Floating Storage Regasification Units (FSRU) projects in Iskenderun and Saros Bay. Thanks to these projects, which are planned to become operational by 2019, Turkey will become the country to add the highest regasification capacity in Europe. Turkey will be followed by the U.K. with 17 bcm/y of additional capacity, to add to the 48 bcm/y of current regasification capacity. Lastly, Poland and France will follow U.K. with a combined total of 11 bcm/y of additional capacity, on top of the current capacities of 5 bcm/y and 34 bcm/y, respectively.

"The energy sector is undergoing a transformation to a lower carbon energy future like never before. Policy attention is given to air quality, global emissions and accelerated energy transition post-COP21 [Paris climate conference in December 2015]," GIE said in a statement on Nov. 12. "Natural gas is the least air pollution emitting fossil fuel and also the best complement to variable renewables (wind, solar) thanks to the high flexibility of the gas-fired power plants," it added. Natural gas can deliver solutions to address climate change and make a clean future a reality as it produces at least 40 percent less greenhouse gas emissions than coal when generating electricity, the GIE noted. LNG, the super cooled natural gas, is essential in helping clean energy transitions and once regasified, is also a clean alternative fuel for marine, waterway and road transport, the association underlined. LNG has zero sulphur almost zero fine particles and about 90 percent less nitrogen oxide emissions, according to the GIE.

"Rapid developments in this sector are seen on the horizon. According to International Energy Agency, LNG is expected to make up almost 90 percent of additional gas trade by 2040. Gas LNG Europe (GLE) members welcomed the Paris Agreement and they are convinced that the LNG industry can help turn words into action and meet the COP21 commitments," the organization concluded. A total of 195 countries adopted the first-ever universal, legally binding global climate deal in 2015. The agreement sets out a global action plan to put the world on track to avoid dangerous climate change by limiting global warming to well below 2 degrees Celsius.

VODAFONE EYES FURTHER INVESTMENTS IN TURKEY IN 2018

As one of Turkey's largest foreign direct investors, Vodafone will maintain its investments in 2018 and continue to offer the latest digital innovations to the benefit of both the Turkish people and the economy of Turkey, Vodafone Turkey CEO Colman Deegan said.

"Today we serve a total of 23.2 million mobile subscribers. We are continuing our investment program over 1 billion Turkish Liras [$262 million] we have committed for our fiscal year 2017-2018," Deegan said. "The strong growth we achieved and the investments we made in the first half of the fiscal year 2017-2018 once again demonstrates our commitment to Turkey, our contribution to the national economy and our faith in Turkey's potential."

Deegan said in the first half of the fiscal year 2017-2018, which ended on Sept. 30, 2017, service revenues increased by 14.3 percent to 4.5 billion Turkish Liras, while EBITDA (earnings before interest, taxes, depreciation, and amortization) increased by 20.4 percent in organic terms to 1.3 billion Turkish Liras, adding that corporate segment service revenues surged by 14 percent in the first half of fiscal year 2017-2018 compared to the same period of the previous year. Colman Deegan said they took important steps in 2017 in order to support domestic production and domestic cooperation. Recalling that they undertook a joint investment of 1.6 billion Turkish Liras over the next three years in the Universal Service Tender for the digitalization of rural areas by acting jointly with Türk Telekom, Deegan said they signed an agreement for the use of Turkey's first base station ULAK and ASELSAN's domestic base station antenna, adding that they launched the SME Mobilization to promote domestic production in 4.5G.

Indicating that they touched the lives of about 4 million citizens over the last 10 years under the umbrella of the Vodafone Turkey Foundation, Deegan said they achieved 29 million Turkish Liras in social investments and reached over 6,000 children in 22 provinces, highlighting that they aim to reach 10,000 children in 30 provinces by the end of the fiscal year 2017-2018 with the "Tomorrow's Coders" project.

PERCENTAGE OF INNOVATIVE ENTERPRISES IN TURKEY RISES

Over 60 percent of Turkish enterprises with ten or more employees reported some form of innovation activity between 2014 and 2016, according to an official survey.

The Turkish Statistical Institute (TurkStat) data revealed that over the past three years there was a 10.2 percentage-point increase in the ratio of innovative enterprises, compared to the period 2012-2014, with the total ratio going up to 61.5 from 51.3 percent. "The ratio was 60.4 percent for enterprises with 10-49 employees, 65 percent for those with 50-249 employees, and 70.4 percent for enterprises with 250 or more employees," TurkStat said, noting the ratio of innovative enterprises in the industry sector was 64.5 percent while it was 57.7 percent in the services sector.

The institute reported that 47.3 percent of enterprises were classified as product and/or process innovative – including abandoned/suspended and ongoing activities – in the past three years, up from 38 percent in the period comprising 2012, 2013 and 2014. TurkStat survey showed that 27.6 percent of product and/or process innovators received public financial support – including funds from the central government, local authorities and institutions of the European Union. TurkStat said that 23 percent of product and/or process innovators cooperated with other enterprises and organizations.

"The ratio for cooperation with national partners was 97 percent," the institute said, adding the ratio was 35 percent for European countries and 28.4 percent for partners from other countries. According to TurkStat, a product innovation introduces "a good or service that is new or significantly improved with respect to its characteristics or intended uses," while a process innovation is the implementation of a new or notably improved production or delivery method, including critical changes in techniques, equipment and/or software

UPCOMING EVENTS

37TH ATC-TAIK ANNUAL CONFERENCE ON U.S.-TURKEY RELATIONS, 29 April-1 May 2018

The Turkey – U.S. Business Council (TAİK) & American Turkish Council's (ATC) flagship event is the Annual Conference on U.S.-Turkey Relations. Held every year in Washington DC, the Conference convenes hundreds of U.S.-Turkey stakeholders and thought leaders to address key commercial and diplomatic topics between the two countries.

37th ATC-TAİK Annual Conference on U.S.-Turkey Relations will be held between 29 April – 1 May 2018 at the Trump International Hotel, Washington D.C.

Please visit **http://atctaikconference.com/** to take advantage of the discounted rates.

9TH TURKEY INVESTMENT CONFERENCE, 3 May 2018

9th Turkey Investment Conference, organized by the Turkey-U.S. Business Council (TAIK), will take place in New York on 3 May 2018.

This forum is principally designed to bring highly regarded Turkish opinion leaders, senior government officials, and corporate executives together with institutional investors interested in better understanding the investment landscape in Turkey.

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