

# MONTHLY BRIEF



JANUARY  
2019



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## ABOUT **DEİK**

Upon its establishment in 1986, the Foreign Economic Relations Board of Turkey (DEİK) was assigned with the following tasks: to organize and manage the foreign economic relations of the Turkish private sector, in particular with respect to foreign trade, international investments, services, contracting and logistics; to analyze investment opportunities at home and abroad; to help boost the country's exports, and to coordinate similar business development activities. DEİK operates through its Business Councils.

## ABOUT **TAİK**

The Turkey-U.S. Business Council (TAİK) is Turkey's oldest business council. Established in 1985, TAİK's mission is to enhance trade and investment relations between Turkey and the United States. TAİK operates under the umbrella of the Foreign Economic Relations Board of Turkey (DEİK). TAİK has a clear mission: to bolster trade and economic relations between Turkey and the United States. TAİK works with American and Turkish companies to bolster their strategic partnerships, and to promote Turkey's strengths as a destination for American investment.



## TURKEY INFLATION SLOWS FOR SECOND MONTH

*Turkish inflation decelerated for a second month as the impact of higher borrowing costs became more visible across the economy and government tax breaks on key consumer goods kept a lid on the cost of living.*

Consumer prices rose 20.3 percent in December from a year earlier, compared with an increase of 21.6 percent in November, according to Turkstat data. The median estimate in a Bloomberg survey of 13 economists was 20.5 percent. Prices fell 0.4 percent in the month. Food inflation slowed to 25.1 percent from 25.7 percent the previous month, well below the central bank's year-end forecast of 29.5 percent. Producer prices rose at a slower pace showing that manufacturers and service providers are less eager to pass on the rise in costs from the lira's weakness earlier in 2018 to consumers.

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## TURKEY REACHED ALL TARGETS IN 2018: MINISTER ALBAYRAK

*Turkey reached almost all of its targets as of the end of 2018, showing a better performance than expected, the Turkish Treasury and Finance Minister Berat Albayrak said.*

"We closed 2018 with the inflation rate of 20.3 percent, which was under the target of 20.8 percent. It's a positive process," Berat Albayrak said, speaking to public news channel TRT Haber. He noted that Turkey will show a stronger performance in the 2019 budget in terms of expenses and revenue.

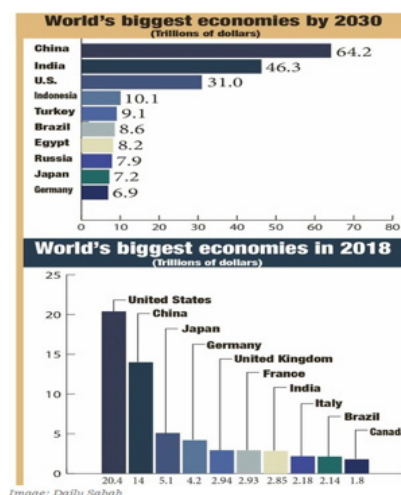
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## TURKEY TO BECOME 5TH LARGEST ECONOMY IN THE WORLD BY 2030, STANDARD CHARTERED PREDICTS

*an to become the fifth largest economy in the world by 2030, while China will unsurprisingly emerge as the world's number one economic power by 2020, according to U.K.-based multinational bank Standard Chartered Plc's long-term forecasts.*

The projection foresees a major shake-up of the world's current economic order, envisioning seven emerging markets taking over the top 10. The U.K., France and Italy are nowhere to be seen in the select 10. Using purchasing power parity exchange rates and nominal gross domestic product (GDP), Standard Chartered economists have predicted that India will comfortably take over the U.S. to grab second place, while Indonesia will break into the top 5, just above Turkey by 2030.

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## WORLD BANK TOP ECONOMIST EXPECTS NO RECESSION IN TURKEY

***The World Bank does not expect recession in Turkey, the bank's top economist said.***

"We have looked at what happened when there is a sharp currency depreciation, so we have put together whole data base of years and countries, which depreciation was 30 percent or more than the previous year," Franziska Ohnsorge, manager of the World Bank's Development Economic Prospects Group, told Anadolu Agency. "It is interesting, it does not necessarily cause recession," she said. Ohnsorge said, "A sharp depreciation is something very different than a recession. Our forecast [for Turkey] is predicated on that."

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## TURKEY: PRESIDENT ERDOGAN ANNOUNCES NEW SOCIAL SUPPORT MEASURES

***Turkey's president announced fresh social assistance programs for the low-income citizens and tradespeople.***

Speaking at Turkey's parliament, Recep Tayyip Erdogan said the state would begin to provide an average 80 liras (\$14.50) each for 2.5 million regular recipients of government assistance in electricity bill support. He also announced that Turkey's largest state-owned lender Ziraat Bank will provide loans for debt-stricken individuals to pay for their credit card obligations.

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## TURKEY CURRENT-ACCOUNT IN SURPLUS FOR LONGEST STREAK SINCE 2002

***Turkey posted a current-account surplus for fourth straight month, the longest stretch since a financial crisis nearly two decades ago pushed the economy into a severe contraction.***

The current-account surplus was \$986 million in November, the central bank said, compared with a median estimate of \$900 million in a Bloomberg survey. That takes the 12-month rolling deficit to \$33.9 billion, down from a peak of \$58.2 in May. The sharp and sudden improvement in the country's balance of payments underlines the impact that last year's currency crash and aggressive monetary tightening are having on the economy, which is teetering on the brink of another recession. The improvement is in line with Treasury and Finance Minister Berat Albayrak's latest prediction that the year-end gap may narrow to just below \$30 billion, around 3 percent of yearly output. The banking system posted a net loan outflow of \$2.15 billion, the seventh monthly outflow in a row, an indication that there is less appetite for credit. The improvement was largely driven by a narrowing of Turkey's foreign trade gap as a cheaper currency boosts exports and makes imports more expensive for consumers.

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## TURKEY'S GAS CONSUMPTION DECREASES 6 PCT IN 2018

***Turkey's natural gas consumption decreased year-on-year by 6 percent to around 50 billion cubic meters in 2018, according to official figures from Turkish Petroleum Pipeline Corporation (BOTAŞ) on Jan. 11.***

Turkey's natural gas consumption declined because of the consistent above-average temperatures in the first half of 2018. The country's natural gas consumption saw a record high in 2017 with 53.85 billion cubic meters. Last year, the highest figure for natural gas consumption was in the month of January with 6.35 billion cubic meters and the lowest was in the month of June with 2.85 billion cubic meters. In January 2018, the country also broke a record in natural gas imports, exceeding 6 billion cubic meters for the first time on a monthly basis. This was due to reduced production at hydropower plants, which was compensated by higher production in gas fired plants.

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## TURKISH BANKS TO SUPPORT SMES WITH \$3.7 BILLION LOAN PACKAGE

***Some 13 Turkish lenders have launched a 20 billion Turkish Lira (\$3.7-billion) finance package for small and medium-sized enterprises (SME), the treasury and finance minister has announced.***

SMEs which have an annual turnover of less than 25 million liras (\$4.6 million) may benefit from the six-month-non-refundable loan package with a 1.54-percent monthly interest rate, Berat Albayrak said on Jan. 10. "Firms in the manufacturing and export sectors will receive 1 million liras, and in other sectors will receive 500,000 liras," he noted in a press meeting at the Dolmabahçe Palace in Istanbul. The SME credit package was created by lenders and it will not affect the country's treasury, Albayrak underlined. The lenders are state-run Halk, Vakıf, Vakıf Katılım (participation) Ziraat, and Ziraat Katılım (participation), and private Alternatif, Albaraka (participation), Deniz, Garanti, Şeker, TEB, QNB Finans, and Yapı Kredi. The minister also said around 20,000-40,000 SMEs will be benefited from this package.

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## TURKEY ACHIEVES YEAR-END BUDGET DEFICIT TARGET IN 2018

***Turkey's budget deficit stood at 72.6 billion Turkish liras (\$14.8 billion) in 2018, meeting a year-end target under the country's new economic program, the Treasury and Finance Minister Berat Albayrak said.***

"We reached the target of a 1.9 percent budget-deficit-to-gross-domestic-product ratio under the new economic program," Berat Albayrak wrote on Twitter. The country's budget revenues rose 20.2 percent to reach 757.8 billion liras (\$154.6 billion) in January-December 2018, while tax incomes climbed 15.8 percent to 621.3 billion liras (\$126.8 billion), Albayrak noted.

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## TURKISH TREASURY BORROWS \$749M THROUGH ACTIONS

***The Turkish Treasury borrowed 4.08 billion Turkish liras (\$749 million) from domestic markets, according to an official statement.***

The first auction was held for one-year zero coupon bonds (new issuance) totaling 1.84 billion Turkish liras (nearly \$338 million), the Treasury and Finance Ministry announced. The government bonds will be settled on Wednesday and mature on Jan. 15, 2020, while the total tender was 2.56 billion Turkish liras (\$470 million) with a 71.9-percent accepted/tendered rate.

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## TURKISH AIRLINES TARGETS \$14 BILLION IN REVENUE THIS YEAR

***The national flag carrier and IATA Member Turkish Airlines (THY) has said it aims to carry 80 million passengers and \$14.1 billion in revenues this year.***

Its target includes 33 million domestic and 47 million international passengers, Turkish Airlines announced on Jan. 14 in a filing with Borsa Istanbul. The national flag carrier served a total of 75.2 million passengers last year, a 10 percent increase from 2017. "While passenger load factor is expected to be in the band of 81 percent and 82 percent, total Available Seat Kilometers [ASK] will approximately reach 195 billion with an increase of 7 percent to 8 percent compared to 2018," the airline said.

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## TURKEY TO PROVIDE \$570M SUPPORT FOR EXPORTERS IN 2019

***Turkey will support Turkish exporters with TL 3.1 billion (\$570 million) in 2019, the nation's Trade Minister Ruhsar Pekcan announced.***

"We designed all of our export support to develop fields which contribute to Turkey's export potential," Ruhsar Pekcan said in a press release. She stressed the support would accelerate the country's exports by encouraging value-added exports. In 2018, despite global trade wars, an economic slowdown and increased geopolitical risks, Turkey hit \$168.1 billion in exports, a historic high, she said.

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## TURKEY BREAKS LOCAL COAL PRODUCTION RECORD IN 2018

***Turkey hit a record high with the production of local coal amounting to 101.5 million tonnes in 2018, Energy and Natural Resources Minister, Fatih Donmez announced.***

Turkey's public sector produced 53.35 million tonnes of local coal in 2018 while the private sector contributed 48.21 million tonnes. Donmez shared in his Twitter message that Turkey produced 87.8 million tonnes of domestic coal in 2017. State and private sector production amounted to 42.47 million tonnes and 45.4 million tonnes, respectively in 2017.

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## TURKEY'S CENTRAL BANK KEEPS POLICY RATE UNCHANGED

*The Turkish Central Bank (CBRT) kept its one-week repo rate – also known as the policy rate – constant at 24 percent. The decision came in a statement from the bank's Monetary Policy Committee (MPC) meeting, in the first of eight meetings scheduled for the year.*

Among 19 economists surveyed by Anadolu Agency on Monday, only one economist expected a 150-base-point decline, i.e. 1.50 percentage points, in the one-week repo rate, while all the others foresaw no change in rates. In 2018, the bank held nine MPC meetings, as interest rates climbed from 8 percent to 24 percent over the course of the year. "Recently released data show that the rebalancing trend in the economy has become more noticeable," the bank said in a statement. "External demand maintains its strength while the slowdown in economic activity continues, partly due to tight financial conditions. "The current account balance is expected to maintain its improving trend," it said.

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## THREE TURKISH FIRMS RANKED AMONG WORLD'S TOP 250 RETAILERS

*Turkish supermarket chains BİM, Migros and A101 have made it to Deloitte's 2019 Global Powers of Retailing Top 250 companies list.*

The leading discount store BİM Birleşik Mağazalar was ranked 150th on the list with \$6.8 billion in retail revenue in the 2017 fiscal year. The company, which operates in three countries, recorded a retail CAGR (the compound annual growth rate) of 20.1 percent between 2012 and 2017, according to the Deloitte report. Revenues of Migros Ticaret, ranked 225th, stood at \$4.2 billion while its net income was \$140 million. "Migros continued to experience rapid revenue growth with a 38.7 percent year-on-year increase. This growth saw Migros increase its ranking in both the Fastest 50 from No. 37 to No. 25, and from No. 247 to No. 225 in the Top 250. This growth was a result of opening 193 stores in 2017 and acquiring a 96.25 percent stake in Kipa, a modern retailing chain with a presence in Turkey's Aegean region," the report noted. Another discount store, A101 was ranked 237th in the global list. The company's revenues amounted to \$3.89 billion in 2017.

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## TURKEY'S CONSUMER CONFIDENCE INDEX STANDS AT 58.2 IN JANUARY

***The consumer confidence index decreased 0.9 percent on a monthly basis in January, TurkStat data showed.***

Last month the figure was 58.7, down 2.3 percent from November 2018. The index value is calculated through cooperation between TurkStat and the Central Bank by measuring consumers' tendencies. Last year, the index value ranged between 73.1 and 58.7 – the highest in July, and the lowest in December. The number of people who expect a better financial situation for their household in the next 12-month period rose 2.4 percent month-on-month to 77.1 in January.

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## TURKISH ECONOMY SOFTENING BUT NO SIGN OF CONTRACTION NOW, FINANCE MINISTER SAYS

***Turkey's economic growth has softened but government moves to cut tax and accelerate the transfer of billions of lira to the Treasury mean Ankara currently sees no recession or negative growth, Finance Minister Berat Albayrak said.***

After years of strong growth, fueled by break-neck construction projects and cheap loans, Turkey's economic growth slowed sharply in the third quarter of last year to 1.6 percent. A Reuters poll last week found that it has started contracting and will not grow again until the second half of this year. The slowdown has underscored the serious damage caused by a currency crisis last year when the lira lost 30 percent against the dollar, driving inflation up to 25 percent and forcing the Central Bank to hike interest rates drastically. Albayrak predicted the slowdown would be less serious than economists believe. Growth will bounce back strongly and the government's overall 2019 growth target of 2.3 percent was still in reach. "Currently we don't see any recession, there is no minus growth," Albayrak said on the sidelines of the World Economic Forum in Davos.

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## WORLD BANK TO FUND MODERNIZATION OF TURKEY'S IRRIGATION

***A project to modernize irrigation in Turkey will be implemented with \$254 million in financing from the World Bank.***

The bank approved the funds – a \$252 million loan plus \$2 million in grants – for the project, which will modernize irrigation infrastructure, the bank announced on Jan. 22. The project will provide farmers better access to water, the bank said. Mariam Sherman, World Bank acting country director for Turkey, said: "The agriculture sector employs about 21 percent of the population and accounts for 60 percent of the rural workforce in Turkey." The bank stressed that the project was started by Turkey's Treasury and Finance Ministry and State Waterworks.

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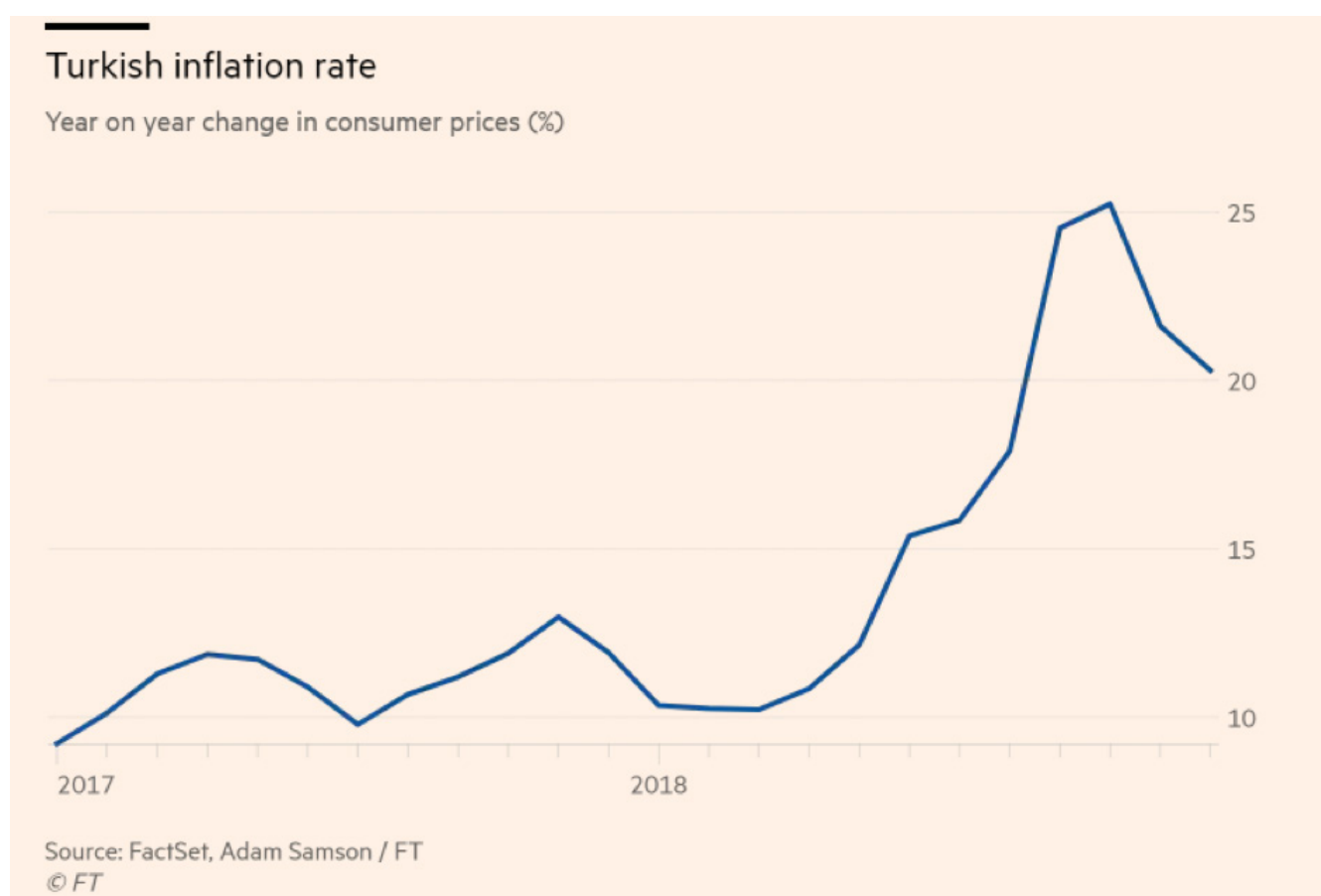


## TURKISH CENTRAL BANK CHIEF VOWS TO MAINTAIN 'TIGHT' POLICY

*Turkey's central bank slashed its year-end inflation forecast, but promised not to cut interest rates until a "convincing" fall in price growth was observed.*

Speaking at the announcement of the bank's quarterly inflation report, central bank chief Murat Cetinkaya said that inflation was expected to be 14.6 per cent at the end of 2019, a figure revised down from the previous forecast of 15.2 per cent. He cited lower global oil prices, weaker domestic demand and the stronger currency after last year's meltdown in the lira for the downward revision. Mr. Cetinkaya repeated a previous pledge by the central bank to keep interest rates on hold until a sustained fall in inflation was observed. "A tight monetary policy stance will be maintained until a convincing fall in the inflation rate is observed," he said. "If needs be, in line with this target, further tightening will be introduced."

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## UPCOMING EVENTS

### 37<sup>TH</sup> ATC-TAIK ANNUAL CONFERENCE ON U.S.-TURKEY RELATIONS, 14-16 April 2019



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.

37<sup>th</sup> ATC-TAIK Annual Conference on U.S.-Turkey Relations will be held 14-16 April 2019 at the Trump International Hotel, Washington D.C.

Please visit <http://atctaikconference.com/> for more information.

### 10<sup>TH</sup> TURKEY INVESTMENT CONFERENCE, 25 September 2019



The 10<sup>th</sup> Turkey Investment Conference will be held on September 25th, 2019 in New York, NY.

Further details will be announced soon.



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## DEPUTY SECRETARY GENERAL

Merih KEPEZ ÖRNEK

mkepez@deik.org.tr

## BUSINESS COUNCIL COORDINATORS

Murat Can MENTEŞ

mmentes@deik.org.tr

Melike HOCAOĞLU

mhocaoglu@deik.org.tr

## BUSINESS COUNCIL ASSISTANT COORDINATOR

Selin ERGENE

sergene@deik.org.tr

**RIVER PLAZA** Büyükdere Cad. Bahar Sok. No: 13/10 34394 Levent / İSTANBUL / TURKEY

**T:** +90 212 339 50 00

**F:** +90 212 270 35 92

**E-mail** : americas@deik.org.tr | taik@deik.org.tr

**Web** : www.deik.org.tr | www.taik.org.tr

**Twitter** : @deikiletisim | @taikofficial

