MONTHLY BRIEF

TURKEY-U.S.
ECONOMIC OUTLOOK

MARCH
2018

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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TÜRKİYE ABD İŞ KONSEYİ TURKEY US BUSINESS COUNCIL TAİK

UPDATE ON TURKISH ECONOMY

10.4%

Unemployment in Turkey is registered as **10.4%** in December 2017, **marking a decline of 2.3 percentage** points compared to the same month of the previous year.

10.26%

CPI inflation in Turkey is registered as **10.26%** in February 2018 and has been **above market expectations**

10.7%

Monthly increase of Turkey's exports in January 2018 has been registered as **10.7%** according to data released by the Turkish Statistical Institute (TSI), while **monthly increase in imports have been realized as 38%**.

$51.6 Billion

Annualized current account deficit (CAD) in Turkey stands at **$51.6 billion** in January 2018. However, **a falling trend in the CAD** from the second quarter on **due to a slight cooling down of current heated growth performance** is expected.

60TH

Turkey currently ranks at the 60th place among 190 countries in the **World Bank's 2018 Ease of Doing Business Report** in terms of its overall performance, with fluctuating results in individual subheadings.

Sovereign Credit Rating

On March 7th, credit rating agency Moody's downgraded Turkey's sovereign rating from Ba1 to Ba2 and changed the country's investment outlook from "negative" to "stable". Two concerns seem to be the major reasons for such downgrade: (1) rising external shock risks due to high external debt and increasing political risks exemplified by the country's high current account deficit, enduring state of emergency, and the security risks arising out of Syria; and (2) the continued loss of institutional strength represented by the erosion in the effectiveness of monetary policy.

As a matter of fact, concerns on the independence of the Turkish Central Bank remain as the inflation seems to linger at double digit levels. The base effect expected to be seen in February to slightly pull inflation back has not been realized, and even in a scenario without surprise exchange rate or oil price shocks, inflation is now expected to stay at double digits - at least until the last quarter of 2018. This also feeds concerns about further deterioration of inflationary expectations and pricing behaviors. A final note on inflation should also be made with regard to the potential negative effects of Turkish lira's most recent depreciation on the country's inflationary outlook via pass through effect.

Foreign Trade and Current Account Deficit

Monthly increase of Turkey's exports in January has been registered as 10.7% according to data released by the Turkish Statistical Institute (TSI), while monthly increase in imports have been realized as 38%. The gap between the rate of increase in exports and imports resulted in doubling foreign trade deficit in January 2018 compared to the same month of last year. The increase in annual exports stays at around 10% whereas the increase in annual imports now stand at 20%. The increase in imports have mainly been a result of rising gold and energy imports bill until recently, however the latest figures indicate rising imports of both consumer and intermediary goods as well. Even though rising intermediary goods imports could be interpreted as an advance indicator of enduring strong production and growth performance, their spillover effects on foreign trade deficit similarly increase concerns on the sustainability of the growth performance.

Accordingly, an increase in the country's current account deficit (CAD), mainly triggered by rising foreign trade deficit, is now observed. The CAD, which was $33.6 billion in January 2017, has been registered as $51.6 billion a year later. However, expectations on a falling trend in the CAD from the second quarter onwards must also be noted, which is mainly projected to be a result of a slight cooling down of current heated growth performance. Positive expectations on increasing tourism revenues in 2018 as well as anticipations on declining gold imports following their peak level last year, are also indicators fueling the projections of contracting CAD. Furthermore, the pricing outlook in the energy market which indicates a slowdown in - possibly followed by declining - oil prices, is also expected to ease the pressure on the CAD.

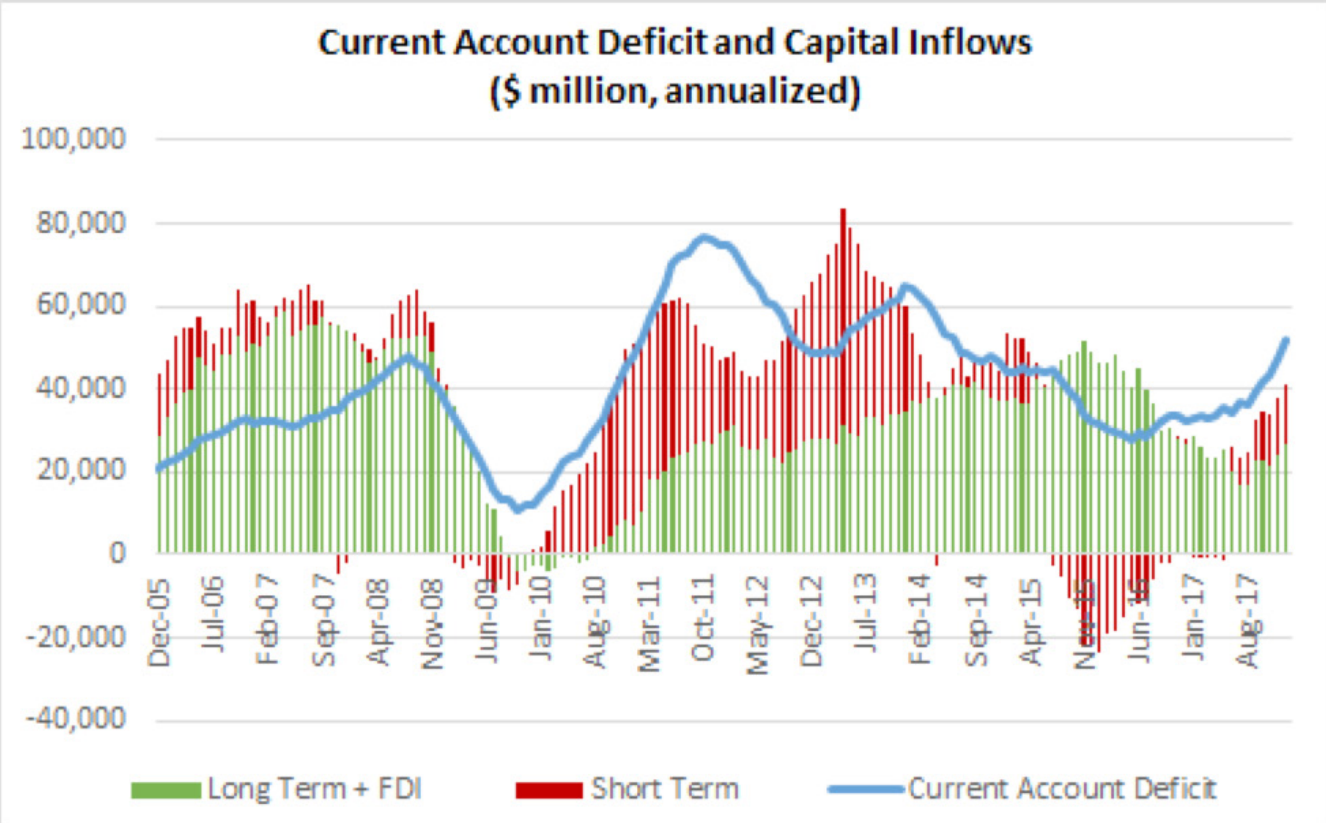
A closer look into the financing side of the CAD reveals that capital inflows are in an increasing trend in terms of both monthly and annual bases, however, a comparison with January 2017 figures demonstrates that such increase is simply arising out of short-term capital movements. Such inflows are mainly fueled by rising concentration in government bonds market as well as increasing short-term borrowing activities of private banks and the real sector. Foreign direct investments (FDI) on the other hand, as the most reliable and healthy financing item of the CAD, have declined to $8 billion from $8.6 billion in the previous year.

Reform Efforts: Ease of Doing Business

With an aim to increase the inflows of FDI as well as carry out further reforms to restructure the economy, Turkey is taking several important steps. The country currently ranks at the 60th place among 190 countries in the World Bank's 2018 Ease of Doing Business Report in terms of its overall performance, with fluctuating results in individual subheadings ranging from getting credit (77th place), to protection of minority investors (20th place), ease of starting a business (80th place), paying taxes (88th place), enforcing contracts (30th place), or resolving insolvency (139th place).

A new code (Code No. 7099) directly related to "ease of starting a business" for instance, has been enacted in the parliament in February, which aims to cut the administrative and bureaucratic procedures increasing the cost of doing business. The new code accordingly decreases the number of steps required to establish a company in Turkey from seven to one. The code also envisions a decrease in the number of required construction permits as well as enables online application and follow-up procedures for a number of actions that have previously required physical presence. Such reforms aim to create a business environment providing flexibility to entrepreneurs and decreasing the cost of doing business in Turkey which ultimately targets to increase investments. The economy administration's efforts related to the revision of Value Added Tax (VAT) code are also under way, which are carried out in consideration of requests from the real sector.

Another important step with regard to some specific incentives to be provided in supporting strategic investments in Turkey is expected to be announced soon. These new incentives are anticipated to cover very large-scale investments that would not be possible without government support. Advance statements indicate that these incentives would cover investments to be made by approximately 20 companies in around 9 sectors, amounting to 100 billion liras. If realized, such investments might provide important relief to the country's structural CAD problem as well.



Special Note on Steel and Aluminum Tariffs

Two proclamations signed by U.S. President Donald Trump on March 8th imposes additional 25% tariffs on steel and 10% on aluminum imports made by the United States. The "additional" nature of these tariffs enables them to be imposed on top of any antidumping and/or countervailing duties currently in force on steel and aluminum products imported from any country.

The proclamations exclude Canada and Mexico from its implementation – at least at this stage – due to the ongoing NAFTA negotiations between the U.S. and these countries. The proclamations also leave the door open for negotiations with any country with which the U.S. has security relations. Negotiations on exclusion criteria shall be based on the interested country's proposals on finding alternative ways to remedy the national security threat faced by the U.S. arising out of steel and aluminum imports from that country. The proclamations authorize the U.S. Secretary of Commerce – in consultation with relevant executive branch officials – to provide relief from the additional duties for any steel or aluminum article determined not to be produced in the United States in a sufficient and reasonably available amount or of a satisfactory quality. The Secretary is also authorized to provide such relief based upon specific national security considerations. However, such relief shall be provided only after a request for exclusion is made by a directly affected party located in the United States. The procedures for the request for exclusions have been made public on March 19th.

The proclamations also authorize the Secretary of Commerce to monitor imports of steel and aluminum, and from time to time – in consultation with relevant executive branch officials – review the status of such imports with respect to national security. If any need for further action by the President arises or any circumstance that – in the Secretary's opinion – might indicate relief from increased duty rates occurs, the Secretary shall inform the President accordingly.

The U.S. produces 70% of its annual steel consumption domestically, whereas the remaining 30% is imported. According to data released by the U.S. Department of Commerce, top exporters of steel products classified under Chapter 72 of the Harmonized System (HS) to the U.S. in 2017 have been Canada, Brazil, Russia, Mexico, South Korea, Japan, Germany, Turkey, Taiwan and South Africa. Turkey's share in U.S. imports in Chapter 72 is 3.86%, and in Chapter 73 is 0.82%. Top ten countries in exports to the U.S. in Chapter 73 on the other hand, are China, Mexico, Canada, Taiwan, South Korea, Japan, Germany, India, Italy, and Thailand.

In response to the U.S.'s decision, reactions from the European Union, China and several other countries including Japan, Brazil and South Korea have been severe. The EU, for instance, laid out a three-layered response to the U.S. decision. This includes (1) resorting to consultation with the U.S. within the context of the WTO and triggering the dispute settlement mechanism if necessary, (2) raising the EU's own customs duties to avoid trade deflection that may arise out of those products being diverted to the EU market, and (3) implementing necessary "rebalancing" measures (safeguards) in retaliation to the U.S. decision to curb imports of U.S. products such as motorcycles, Bourbon whisky, jeans, selected steel products, and several agricultural items. China, on the other hand, indicated that it might also target $14 billion worth soybeans and other agricultural imports from the U.S. as retaliation.

WTO rules, however, permit the implementation of retaliatory measures only under specific circumstances. Furthermore, there is a retaliatory threshold permitted under the WTO rules that is defined in line with the loss of trade due to the imposition of additional tariffs by the U.S. Initial calculations, within this framework, demonstrates that based on import figures for the year 2017, total loss of trade by U.S.'s trading partners would amount to $14.2 billion, which also sets the upper limit for retaliatory measures that might take place. Turkey's retaliation limit within the limits to be allowed by the WTO is initially calculated as $500 million.

Absorbing nearly 15% of overall Turkish steel exports, the United States' decision to impose additional 25% tariff on imported steel will undoubtedly have huge implications for the Turkish steel industry which exports approximately $1.2 billion worth of steel products to the U.S. annually. The exclusion of Mexico from these tariffs in particular – as a direct competitor of Turkey's steel products in the U.S. market – is expected to result in a loss of market share for Turkey, which might turn out to be permanent. It must also be noted that, despite the potential negative effects of such tariffs on domestic industries that use steel as inputs as well as their broader employment distorting effects in the overall economy, the U.S. did not hesitate to impose them. Such decision leads us to predict that these additional tariffs may not be rolled-back in the near future.

Source: InnoNative Advisors

UPDATE ON TURKEY-U.S. TRADE RELATIONS

$19.73 Trillion

U.S. Real GDP increased at an annual rate of 2.5% in the fourth quarter of 2017, according to "second" estimate released by the Bureau of Economic Analysis. In the third quarter, real GDP increased 3.2%. Real GDP increased 2.3% annually in 2017.

4.1%

U.S. total nonfarm payroll employment increased by 313,000 in February, and the **unemployment rate was unchanged at 4.1%.** Employment increased in construction, retail trade, professional and business services, manufacturing, financial activities, and mining.

2.2%

U.S. Consumer Price Index for all urban consumers **increased 0.2%** in February on a seasonally adjusted basis. Over the last 12 months, the **all items index rose 2.2%** before seasonal adjustment.

$134.2 Billion

U.S. exports of goods in January 2018 **decreased by 2.2% to $134.2 billion** compared to previous month.

$210.7 Billion

U.S. imports of goods in January 2018 **declined by 0.1% to $210.7 billion** compared to previous month.

$823 Million

U.S. exports of goods to Turkey in January 2018 **decreased by 23.7% to $823 million** compared to previous month.

$899 Million

U.S. imports of goods from Turkey in January 2018 **increased by 10% to $899 million** compared to previous month.

27th

Turkey is U.S.'s 27th largest export market in the January 2018. **Leading U.S. exporting industries to Turkey** in January 2018 are **aircrafts and spare parts** ($116 million), **iron and steel products** ($94 million), **mineral fuels** ($78 million), **cotton** ($60 million), and **organic chemicals** ($58 million) which **in total comprise 49.3% of overall exports to Turkey** in January.

33rd

Turkey is U.S.'s 33rd largest sourcing market in January 2018. **Leading Turkish exporting industries to U.S.** in January 2018 are **motor vehicles and spare parts** ($140 million), **machinery and spare parts** ($124 million), **iron and steel products** ($82 million), **carpets** ($44 million), and **natural stones** ($34 million) **which in total comprise 47.2% of overall exports to the U.S.** in January.

1796

The number of companies with U.S. capital operating in Turkey as of December 31st, 2017 is **1.796**; according to the latest data released by Turkish Ministry of Economy. This figure was at 1744 in June 30th, 2017.

9831

Number of U.S. companies that have exported to Turkey in 2015 is 9.831, according to the latest statistics released by the U.S. International Trade Administration. Hence, 3.31% of a total of 294.834 U.S. companies that have registered exports in 2015, have exported to Turkey.

Source: [InnoNative Advisors]

NEWS

DOĞAN GROUP ANNOUNCES TALKS TO SELL ITS MEDIA ASSETS

Doğan Holding, which owns the Hürriyet Daily News among a number of media outlets in Turkey, stated on March 22 that it had started talks with Demirören Holding on the sale and transfer of its visual and print media components.

"We have initiated talks regarding the sale of all of our components, which operate in the print and visual media, on an operating value of $1.1 billion and a share value of $890 million," it said in a March 22 announcement to the Public Disclosure Platform of the Istanbul stock exchange.

"These components include YAYSAT, which performs the distribution of media and non-media products, Doğan Publishing [Posta, Fanatik], Doğan News Agency, Doğan TV Holding, DTV News and Visual Broadcasting, Doruk TV and Radio Broadcasting [CNN Türk], Hürriyet Publishing and Printing, and Mozaik Communication Services [D-Smart]," it added. Upon developments regarding the sale, Doğan Holding will notify the public within the scope of the relevant legislation.

Shares in Doğan and Hürriyet both jumped by the session limit of 19.5 percent at the start of trade, after rising a similar amount one day earlier. Hürriyet subsequently trimmed its gains and was 8.1 percent higher at 1.33 lira at 0721 GMT, while Dogan was up 18.4 percent at 1.03 lira. Speaking on March 22, main opposition Republican People's Party (CHP) Deputy Parliamentary Group Chair Özgür Özel said the competition board should not approve the sale "if it makes a correct and impartial decision."

WORLD BANK GRANTS $55 MILLION TO SUPPORT EMPLOYMENT OF TURKS, SYRIANS IN TURKEY

Turkey and the World Bank signed a grant agreement worth 45.45 million Euros ($55.7 million) to support employment for Turkish citizens and Syrian refugees, the country's official gazette said on March 21.

The agreement was signed between the Social Security and Labor Ministry and the International Bank for Reconstruction and Development (IBRD), as the manager of the World Bank's fund. Within the scope of the agreement, Syrian and Turkish people will be supported to find a job, learn skills and get an education.

The refugees will also get a chance to learn the Turkish language. The Turkish Employment Agency (İŞKUR) will run the program under terms of the agreement. Turkey, the largest refugee hosting country in the world, hosts more than 3.5 million Syrian refugees.

TURKISH CONSUMERS BELIEVE HIGH COST TOP PROBLEM IN ENERGY SECTOR: OPINION POLL

Turkish people believe high costs are the most important problem in the energy sector, a recent survey has revealed, while also finding the current situation of the economy as this year's number one problem.

In the second public opinion poll commissioned by Istanbul's Kadir Has University, "high costs of energy" topped the list of the most important problems of Turkey's energy system, which ranked second in last year's poll, coming after dependence on imported energy.

In last year's public opinion, dependence on imported energy sources ranked first with 38.6 percent of the votes, but it dropped to 21.8 percent in this year's poll. This year 41.8 percent of the respondents said high costs is the number one problem, a rise from last year's 30.8 percent. The increase in the view about high costs of energy was found as the most important issue mostly among supporters of the ruling Justice and Development Party (AKP), a 12.8 percent rise since last year. The figure was 9 percent for National Movement Party (MHP) supporters.

A striking difference between the two polls also appeared in the rankings, as environmental problems, which was near the bottom of the list last year with 2.8 percent, ranked as the third most important problem with 16.4 percent this year. "Clearly there has been an increase in awareness on environmental issues," said Professor Volkan Ediger, the head of the university's Center for Energy and Sustainable Development, which carried out the survey.

Last year the economy came third, after education and internal security, in the list of most important issues in the country. But this year Turks shifted their primary focus onto the economy, which topped the list with 22 percent, followed by education with 19 percent. Democracy, which had not made it to the top three last year, came third with 12 percent this year.

TUPRAS INVESTMENTS REACH $5.9B OVER LAST 12 YEARS

In the last 12 years, the total investment of Turkey's largest oil refinery Tüpraş reached $5.9 billion, Koç Holding and Tüpraş Chairman Ömer M. Koç said at a general assembly meeting.

Noting that Turkey's economy demonstrated a positive outlook in 2017 by exceeding expectations and is estimated to close this year with a growth rate of around 6.5 to 7.0 percent, Koç said the crude oil price, one of the most important parameters concerning their sector, tried to find its direction by following the compliance requirements of the cut deal and the geopolitical developments as well as the changes in demand throughout the year.

Pointing out that the price of crude oil, which closed 2016 at the level of $55 per barrel after Russia and other non-Organization of the Petroleum Exporting Countries (OPEC) producers also supported the cut deal, fell below $45 per barrel in June, Koç said along with more stringent compliance of OPEC and Russia to the cut deal as well as the support of the recovery in demand in India, China and the U.S. began to follow a volatile uptrend.

He suggested that oil prices closed the year at $66.54 per barrel with an increase of 21.3 percent due to increased geopolitical tensions in the Gulf region and the decision to extend the cut deal until 2018. Ömer M. Koç stated that 2017 was a positive year when the margins recovered in the general sense in terms of the refining sector.

Koç said despite the high global capacity utilization, the growing personal vehicle park, especially in Asia, continued to make a positive contribution to the global petrol demand despite rising engine efficiencies and that strong petrochemical demand generally prevented the fall in mild distillate margins.

He added that increased manufacturing activity, coupled with stronger global economic activity, especially in China and India, and the support of positive course for consumption in the euro area also helped motor margins to recover. "The rapidly growing aviation sector also positively affected jet fuel margins, while support of growing global trade volume, increased demand for bunker fuel and use of electricity generation brought fuel oil margins to the highest levels in recent years, which in turn allowed for high capacity utilization in simple refineries," Koç added.

He also recalled that Tüpraş produced 28.9 million tons with an increase of 3.4 percent compared to the previous year by processing 28.5 million tons of crude oil and 1.9 million tons of semi-finished products in 2017. "As Tüpraş, we are happy to leave behind a successful year in which we achieved our targets," Koç said.

He indicated that in 2017, both Turkey's consumption of petroleum products increased by 6.5 percent and Tüpraş's domestic sales continued to grow steadily. "By the end of the year, our total product sales increased by 4.1 percent to 31.5 million tons and the total turnover reached TL 53.9 billion [$13.77 billion]. In 2017, Tüpraş reached an outcome exceeding its operational and profitability targets, achieving a pre-tax profit of TL 4.5 billion with an increase of 130 percent compared to the previous year," Koç continued. "Meanwhile, in a period of deceleration in portfolio inflows to Turkey, eurobond issuance with very favorable conditions amounting to $700 million was successfully completed." Koç also stressed that Tüpraş, which continued its investments in the name of sustainability in 2017, reached $5.9 billion in total investment amount in the last 12 year.

ACCORDING TO GENERAL ELECTRIC TURKEY IS ONE OF THE PRIORITY COUNTRIES FOR INVESTMENT

GE group has identified Turkey among priority countries in growth performance. The world giant, who signed the first smart factory transformation in Gebze, is determined to take a significant part in the digitalization journey of Turkish companies.

GE has already transformed its production plant in Gebze Istanbul into "smart factory" and the management believes it will be a good example for the whole world.

The world giant has been present in Turkey for over 70 years now in sectors such as energy, healthcare, aviation, renewable energy, digital etc. The group operates in each sector in an active manner as the management considers Turkey to be one of their homes in the world. According to top management the developing middle class ignites the economy and the country promises great potential with its young population on top of the efforts of the administration to create a quality environment in areas such as health, transportation and energy. GE considers Turkey to be an important part of the group's future.

Despite the major issues Turkey has gone through recently and some discouraging evaluations by credit rating agencies, GE is determined to continue investments in Turkey as part of their long term strategies. The management is now focused on healthcare investments, in specific and they find the public and private sector collaboration in the country very impressive, targeting to increase quality in the health care system and not just accessibility which could certainly be considered as a major opportunity for GE.

On the other hand the group is seriously involved in the energy sector as well, via their plant for production of wind turbine blades in Izmir. The management comments that this project is not important for domestic use only but they also aim to export to many countries from Izmir. In fact, this production facility which had been built with an investment of $50 million in Bergama has just made its first exports to Australia. Then again, the group has several other major investments in Turkey such as "The Power Transformers in Gebze" which could rank number one in exports in its field.

GE is going through a digital transformation. The group is applying new technologies/systems in their Gebze plant to start off with as an example. They are to convert the production center in Gebze into a smart factory. In case they achieve success with the model at this plant, the management will not hesitate to spread this model to sectors such as Airlines, energy companies, hospitals which would like to enter the digitization process to see how they can benefit from it. It goes without saying the monetary benefit to be thus gained would be huge.

TURKEY TO INVEST TL 750 MILLION IN AIR TRANSPORT INFRASTRUCTURE IN 2018

It is reported that DHMİ (The General Directorate of State Airports Authority) is scheduled to work on 39 projects this year, amounting to TL 4 billion 823 million 895 thousand.

DHMI which spent TL 1 billion 536 million 796 thousand for concerned projects last year will spend another TL 750 million in 2018. DHMI will build terminal buildings at Kayseri, Kahramanmaraş, Muş, Balikesir airports while terminal survey projects will be prepared for Amasya, Merzifon and Malatya airports. On the other hand, the first stage protocol work will continue at Atatürk Airport while the state guest house will be subject to various renovations.

Then again, other investment projects such as garage building at Çanakkale airport and garage and fire brigade buildings at Kocaeli Cengiz Topel airport are also on the way. Taxiways, rainwater drainage in Izmir Adnan Menderes, Kastamonu, Tekirdag Çorlu, Antalya, Erzincan, Adıyaman, Diyarbakir and Erzurum airports by DHMİ will repair the PAT areas in Ankara Esenboğa, Kars Harakani, Mugla Milas-Bodrum, Antalya Ferid Melen and Trabzon airports' system, wire mesh, road and lighting system. Additionally, Izmir Adnan Menderes, Kastamonu, Tekirdag Çorlu, Antalya, Erzincan, Adıyaman, Diyarbakir and Erzurum airports are scheduled to go through a repair and renovation process regarding taxiways, rainwater drainage, wire mesh, road and lighting systems.

ENERGY MINISTER SAYS TURKEY HAS A GOOD TEAM TO MAKE IMPORTANT MOVES REGARDING BORON

Berat Albayrak, Minister of Energy of the Republic of Turkey made some important statements at the 1st Energy and Mining Forum held in Turkey.

The minister said Turkey had built a nice team and they aimed to make important moves regarding boron this year. Albayrak went on to say, "This year we will strategically develop the groundbreaking process for two important plants. Within the scope of this project, we will take important and sound steps this year with national cooperation of our country. "We have teamed up with experts working in competent institutions in the world and we will announce some important facilities".

On the other hand the minister also shared some information about new projects to be carried out in the country. He said, "We have begun to work on new solar and wind energy tenders for 1000 megawatts. As far as wind energy is concerned, we are preparing the world's biggest off-shore project. We are thinking of realizing the biggest off-shore tender in the world this year for projects at regions on the sea with high wind efficiency is really high on the sea."

He also added, "We are thinking of adding solar battery arrangements to the solar YEKA (Renewable Energy Resources). We are planning to do both tenders before the end of this summer."

ISBANK TO ESTABLISH INNOVATION CENTERS IN CHINA, LONDON

Türkiye İş Bankası General Manager Adnan Bali said that the bank would soon open innovation centers in China and London.

He said that such centers are not only for financial purposes but they also aim to run many businesses together, whether they are related to each other or not. Speaking at the Uludağ Economics Summit's session "Opportunities in the Age of Digitalization," which was moderated by İhsan Elgin, the founder of Core Strategy, Bali defined digitalization as "disintermediation."

Stressing that digitalization will interest all sectors, Bali noted that one should be open to all ideas. He continued, "You should not have a mind that rejects something from the beginning. Accept something from the beginning and do not try to prove the truth of it. Prove that it is wrong and then keep working on the rest. This will bring a much broader perspective. We are trying to do this right now. For this, business models must be constantly questioned."

Underlining that they should now spend much of their time on the opportunities created by current businesses or the threats they might be exposed to, Bali said, "We have a digitalization management committee. We have been intensely concentrated on this for a couple of years and they have tangible results. There are concrete initiatives we have made to this end. For instance, we have an innovation center in Silicon Valley which we opened two to three years ago."

Highlighting that the innovation center in Silicon Valley has started to export many applications that use artificial intelligence in a wide range of areas from robotic industry to software, Bali stated that such organizations are needed even just to breathe such innovative climate.

TURKEY'S INDIGENOUSLY-BUILT WARSHIP TO BE READY IN 2019

The construction of Turkey's first indigenously built "multipurpose amphibious assault ship," the TCG Anadolu, which can be configured as a light aircraft carrier; in Istanbul is gathering pace, according to the head of a Turkish business body.

"Approximately 90 percent of the [building] blocks are at the end of production," Metin Kalkavan, who is the chairman of Istanbul, Marmara, Aegean, Mediterranean and Black Sea Chamber of Merchants, told state-run Anadolu Agency.

"Immediately after the manufacturing phase, fittings will be carried out," he added. Kalkavan said the production of the ship, which comprises of 114 blocks, would boost the capacity of the Turkish naval forces. "We will be the 10th state to have such a ship. There are only five or six producers in the world," he said. The highly-anticipated attack ship will increase the operational capability of the Turkish navy, he added.

The ship, which is 68 percent indigenous, is expected to hit the seas in February 2019. "After that, we will complete the tests and deliver it. The value of the project is over 1 billion Euros," Kalkavan added. TCG Anadolu is an amphibious assault ship of the Turkish navy that can be configured as a light aircraft carrier. The ship is 232 meters in length, 32 meters in width and 55 meters in height.

The construction of the ship began in 2016. The vessel is intended to meet the various needs and requirements of the Turkish Armed Forces, such as sustaining long-endurance, long-distance military combat or humanitarian relief operations, while acting as a command center and flagship for the Turkish navy.

TURKISH COMPANIES EYE GLOBAL BRANDING

Executives of leading firms in Turkey want to see more Turkish brands marketed globally, the participants of a large business summit heard on March 23.

Traditional Turkish food chain Simit Sarayı is negotiating with another chain which has 85 locations in London to run them under the Turkish brand, company head Abdullah Kavukçu told the 7th Uludağ Economy Summit in the northwestern province of Bursa.

Simit Sarayı already has dozens of branches in London, he stressed. The company also has hundreds of branches in 22 countries, according to its website."We will enter two countries this year, and we will penetrate the Far Eastern market in 2019," he added.

Kavukçu said the chain hopes to open 1,000 new branches overseas within five years."We open stores in the world's best places. We want to make our brand name well-known around the world," he added.Gülden Sönmez, who serves on the board of leading Turkish clothing chain Koton, said developing and globalizing the Turkish fashion sector and Turkish brands are the most important opportunities in the Turkish ready-wear sector.

She said Turkey's clothing sector could easily create global brands.Ömer Kızıl, the CEO of soft drink maker Uludağ, also said Turkish brands should adopt smart branding strategies to grow abroad. Kızıl added that Uludağ's drinks are popular in German stores, where their lemonade became a "phenomenon."He said Uludağ's mineral water is of better quality than world-famous brands and that they should capitalize on this.

Ümit Zaim, the CEO of leading Turkish leather company Deriden, said that they first hope to become a regional brand name and afterwards enter the European market.The two-day summit, organized by the Capital and Ekonomist magazines, was attended by nearly 1,200 businesspeople from around the world.

TURKISH BANKING SECTOR MAKES A GOOD START IN 2018 WITH RECORD HIGH PROFIT IN JANUARY

It is reported that the Turkish Banking Sector has made a very good start in 2018 with a record high net profit of TL 4.5 billion in January.

The sector enjoyed an interest income of TL 24 billion with a total interest cost of TL 13,5 billion, only. Based on data provided by BDDK (Banking Regulation and Supervision Agency), the banks in the sector achieved the highest January figure with a net profit of TL 4 billion 537 million.

The total interest income of the sector in January increased by 27.9 percent compared to the same month of 2017. The interest income of the banks which was 18.8 billion liras in January 2017 rose to 24.1 billion liras in the first month of this year.The banks in the sector had an interest income of 19.4 billion TL from the credits in the first month of the year. This income was composed of consumer loans of 4.4 billion liras, credit cards of 819 million liras, commercial lending of 2.9 billion liras and interest received from other loans of 11.3 billion liras.The interest revenues banks received from installment commercial loans increased by 55 percent compared to the same month last year.

TURKEY WORKING HARD TO BRING INFLATION BACK DOWN TO SINGLE DIGITS, DEPUTY PM SAYS

Turkey is working to rein in double-digit inflation, which is mostly driven by the lira's weakness, Deputy Prime Minister Mehmet Şimşek said.

Speaking at the 7th Uludağ Economy Summit in northwestern Bursa province, Şimşek said one of the biggest problems Turkey is currently facing is inflation which is fueled by the Turkish lira's weakness against global currencies.''We're making strong efforts to bring inflation back down to single digits," he said, pointing out that high inflation and a weak lira was also offsetting this dependent on economic, political developments."The foreign exchange debts of the real sector are also the problem here," the minister said, quoting former U.S. President John F Kennedy: "The time to repair the roof is when the sun is shining."

Even though interest rates are relatively low, and the economy is growing, Şimşek warned that it could soon rain, reassuring the public that Turkey would take necessary measures.Şimşek added that they predict a 5.5% growth for the economy this year.

The deputy prime minister underlined that the biggest risk facing the world economy is protectionism, which caused the Great Depression in 1929 and afterwards World War II.”There are some misguided policies leading people to ask if we’re on the verge of some kind of trade war,” he said.”Millions of people came out of poverty and found better health and education opportunities. Global average life expectancy rose,” he said, adding that liberality is key for global economic growth.

Saying the world economy was in good shape in the short-term he warned that there are some uncertainties in the medium-term and huge risks in the long-term.All countries around the world are growing but usually such synchronized growth does not last long, he added.”Synchronized growth periods lead to rises in oil prices, inflationary pressures, and tightening monetary policies, which are the largest risks in the short-term,” Şimşek said.

Highlighting that structural reforms are the way out for global risks, Şimşek said advanced and emerging countries are not introducing enough reforms.Şimşek added that investments are stable worldwide so productivity is not rising.”There cannot be permanent prosperity in a world which does not have rising productivity. There is a downward trend in global productivity,” he said.The two-day summit, organized by the Capital and Ekonomist magazines, is being attended by nearly 1,200 businesspeople from around the world.

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