

MONTHLY BRIEF

TURKEY-U.S.
ECONOMIC OUTLOOK



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Monthly Brief

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ABOUT DEİK

Foreign Economic Relations Board of Turkey (DEİK) 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.



UPDATE ON TURKISH ECONOMY

5.5%

Turkey's average GDP growth forecast in the latest Medium Term Program for 2018-2020 period is 5.5%

11.2%

Consumer Price Index inflation in Turkey is registered as 11.2% in September 2017

\$152.6 BILLION

Turkey's annualized exports reached \$152.6 billion in August 2017

\$37 BILLION

Current account deficit in Turkey stands at \$37 billion in August 2017

₺31.6 BILLION

Turkey's central government budget deficit stands at 31.6 billion liras in the first nine months of 2017

10.7%

Unemployment rate in Turkey is 10.7% in July 2017, up from 10.2% in June

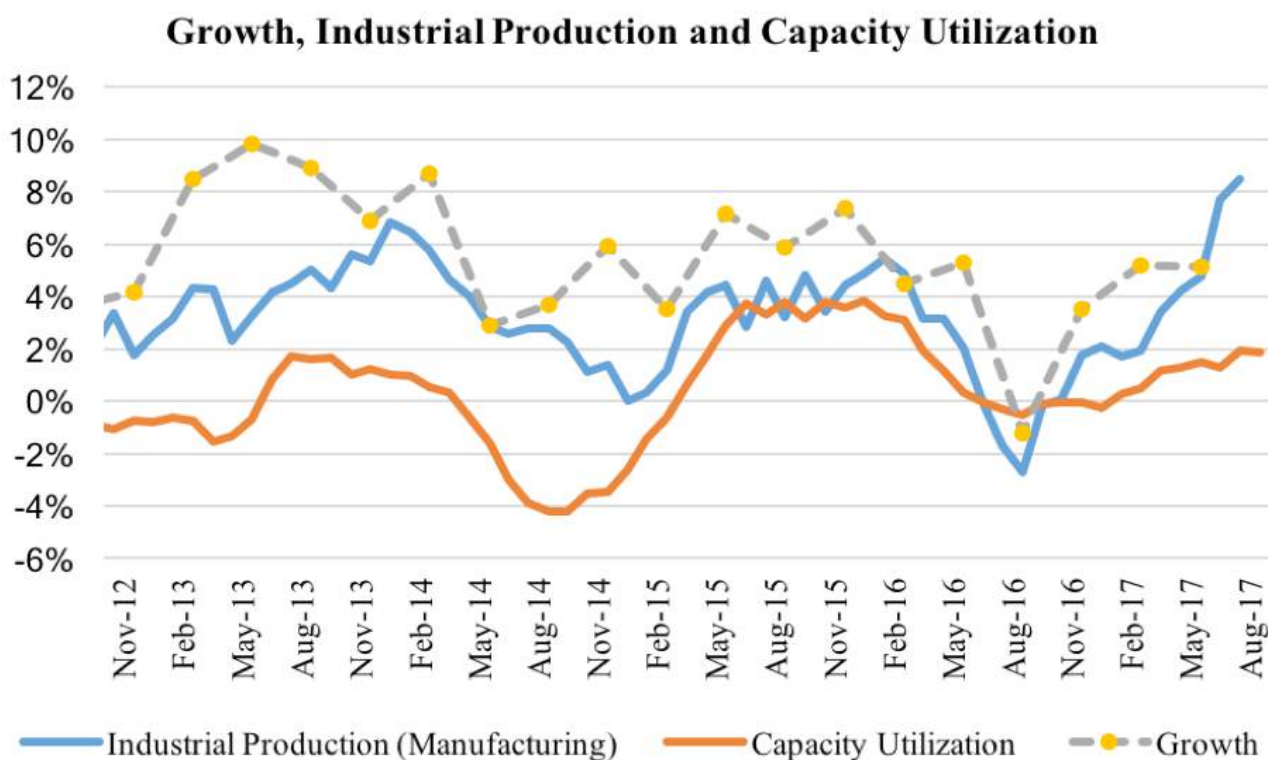
Latest Economic Indicators

Latest macro-economic indicators reveal that Turkey's exports continued to increase in August as annualized exports now stand at \$152.6 billion. Besides reaching its highest level over the last 28 months, continuous growing rate of increase in exports to reach 7.8% indicates that net exports will endure their positive contribution to growth in the third quarter. External demand, mainly pushed by the EU and MENA region, continues to be the major reason behind such export performance. Besides, the value of the lira against the currency basket encourages firms to export. Furthermore, the fact that Turkish exporters mainly import in dollars and export in euros, plays a positive role on profitability due to the increase in the value of the euro against the dollar in 2017. Taken together, all these indicators strengthen our expectation that the rate of increase in Turkey's annualized exports might stay within 8%-10% band in the next 6 to 8 months.

Despite the positive news on the exports side, the increasing tendency of the current account deficit (CAD) in Turkey requires particular attention. Annualized CAD, which was realized as \$32.6 billion at the end of 2016, stands at \$37 billion at the end of August. Yet, it should also be highlighted that the main driver in such increase continues to be gold trade, as the CAD excluding gold trade decreased by \$5.3 billion compared to the end of 2016.

The increase in CPI inflation from 10.7% to 11.2% in September is considered to be within expectations. However, as an indicator of core inflation, the peak level of the C index over the last 13 years feeds concerns about the persistence of inflation. Similarly, services inflation also reached its peak level over the last 9 years. Furthermore, increase in producer prices at a rate of 16.3%, indicates the cost pressure on producers and hence a potential spillover to consumer prices. Nevertheless, our inflation forecast model signifies a remarkable decrease in CPI inflation starting from December 2017, stretching towards the first quarter of 2018.

As seen in the chart below, industrial production and capacity utilization indices, as the major data that we use in our growth forecast, indicate a strong upward signal for growth in the third quarter. Industrial production, which scored a remarkably strong increase due to the weak base effect in July, sustained its upward performance in August. Capacity utilization index for September 2017 also signify an enduring strong performance in industrial production, hence indicating that growth performance might exceed 6% in the third quarter.



Source: InnoNative Advisors



\$129.2 BILLION

U.S. exports of goods in August 2017 increased by 0.4% to \$129.2 billion compared to previous month.

\$193.6 Billion

U.S. exports of goods in August 2017 increased by 0.4% to \$129.2 billion compared to previous month.

\$747 Million

U.S. exports of goods to Turkey in August 2017 decreased by 0.13% to \$747 million compared to previous month. Total U.S. exports to Turkey in the first eight months of 2017 has reached to \$6.22 billion.

\$819 Million

U.S. imports of goods from Turkey in August 2017 decreased by 7.81% to \$819 million compared to previous month. Total U.S. imports from Turkey in the first eight months of 2017 has reached to \$6.55 billion.

29th

Turkey is U.S.' 29th largest export market in the first eight months of 2017. Leading U.S. exporting industries to Turkey in August 2017 are mineral fuels (\$119 million), iron and steel products (\$102 million), aircrafts and spare parts (\$82 million), machinery and spare parts (\$60 million), and arms/ammunition and their parts and accessories (\$56 million) which in total comprise 56.1% of overall exports to Turkey in August.

34th

Turkey is U.S.' 34th largest sourcing market in the first eight months of 2017. Leading Turkish exporting industries to U.S. in August 2017 are motor vehicles and spare parts (\$143 million), machinery and spare parts (\$86 million), iron and steel products (\$68 million), carpets (\$38 million), and articles of apparel and clothing accessories (\$36 million) which in total comprise 45.3% of overall exports to the U.S. in August.

459.493

The number of visitors from the U.S. to Turkey in 2016 was 459.493 according to the statistics of Turkish Ministry of Culture and Tourism. The U.S. has been the 13th largest tourist generating country for Turkey in 2016. In January-August period of the year 2017 this number is registered as 242.937 with a decline of 28.5% from the same period of 2016.

190.000

The number of visitors from Turkey to the U.S. in 2015 has been around 190.000 according to the latest statistics of U.S. National Travel and Tourism Office. In 2015, Turkish visitors' average spending per capita in the U.S. has been registered as \$6.106.



Source: InnoNative Advisors



STATEMENT REGARDING RELATIONS BETWEEN TURKEY AND THE UNITED STATES

Turkey and the United States are important allies. Over many decades, a strong partnership has been built between government and military leaders. The U.S. and Turkey have the two largest armies in NATO and have served shoulder-to-shoulder numerous times, including in Korea, Afghanistan, Kosovo, and Bosnia. Our countries are working together in the global fight against terror, and Turkey has stood as a pillar of stability throughout years of upheaval in the Middle East.

The bond between our two nations serves us all. As such, it is critical that a solution be found to break the deadlock that has resulted from escalating diplomatic strain.

While the security and geopolitical implications of our transnational relationship have been well examined both before and during the recent heightening of tensions, an area receiving less focus is that of our longstanding, mutually beneficial economic and business ties.

The committed partnership between our two nations has meant that the U.S. is now the second largest investor in Turkey and, in turn, the level of exports from American businesses to Turkish consumers has increased from \$3 billion to \$12 billion in the past decade, helping to create American jobs. There are also now 1,400 American corporations doing business in Turkey, many using Turkey as their regional headquarters for operations in Eastern Europe, Eurasia, Central Asia, the Middle East, and Africa.

Continuing to foster this relationship supports the economic stability and future prosperity of both countries.

It is time for greater cooperation and understanding, not conflict and rash diplomatic action. As representatives of the top Turkish corporations, heads of industry, and those leading investment flow between the U.S. and Turkey, we call on the governments of Turkey and America to enter into discussions to reach a meaningful resolution to the existing differences – so that neither of our peoples or economies suffer.

We strongly believe in a collaborative, harmonious relationship between Turkey and the U.S.

Turkey-U.S. Business Council (TAİK)

WORLD BANK UPGRADES TURKEY'S GROWTH FORECAST

The World Bank raised Turkey's economic growth forecast for the year, according to a Migration and Mobility report. Economic growth in Turkey is projected to grow 4 percent in 2017, up from the bank's previous estimate of 3.6 percent since April.

"Turkey showed remarkably strong GDP growth after the global financial crisis, largely because of effective fiscal stimulus," the World Bank said. "The country performed a strengthening growth in the first half of 2017 that leads to higher expected growth than in other parts of the Europe and Central Asia region," it added.

The bank also revised Turkey's growth forecast for 2018 to 3.5 percent, down from 3.9 percent. The upgrade came after the International Monetary Fund upgraded its 2017 growth forecast for Turkey by 2.6 percentage points in a report released on Oct. 10. The IMF forecasted Turkey to grow by 5.1 percent, up 2.6 percentage points compared to a previous forecast of 2.5 percent.

The World Bank expects that temporary fiscal stimulus along with credit facilitation will support private and public consumption in Turkey this year. Exports, which contributes substantially to the country's GDP growth, are likely to grow in 2017 fueled by rising external demand and an increase in competitiveness, it said.

Inflation rate, on the other hand, is expected to remain above target, according to the World Bank. Turkish government aims to reach 5 percent inflation in 2020, down from 8.5 percent in 2016, while the rate is predicted to be at 9.5 percent by the end of 2017, in accordance with the country's medium-term program announced on Sept. 27.

The World Bank also projected that Turkey would grow 4 percent in 2019 as the economic outlook improved and political uncertainty eased. "Provided structural reforms continue to be implemented and investor confidence resumes, private investment is expected to gradually pick up in the medium-term," the bank said.

It added that most European and Central Asian economies showed rapid growth than previous expectations, reflecting a strengthening of growth in industrial production and exports in recent months. "Economic growth in Europe and Central Asia is set to reach 2.2 percent in 2017, the strongest growth in six years and 0.3 percentage points faster than estimated in May 2017," the bank said.

TURKEY OFFERS PROMISING BUSINESS ENVIRONMENT FOR INVESTORS

With its young (average age of 30), dynamic population, skilled workforce, an increasing employment rate, a growing middle-class with high purchasing power and unique geographical location, Turkey has the fastest growing economy among the members of the Organization for Economic Cooperation and Development (OECD) and the third fastest in the G-20.

Turkey grew on average by 5.6 percent between 2003 and 2016 and was the 13th largest economy in terms of purchasing power parity at year-end in 2016.

After growing for 27 consecutive quarters, the Turkish economy shrank in the third quarter of 2016, then immediately picked itself up and posted an annual Gross Domestic Product (GDP) growth of 4.2 percent in the last quarter of 2016, followed by

5.2 percent in the first quarter and 5.1 percent in the second quarter of 2017.

Turkey is located right in the middle of Europe, Central Asia, and the Middle East, thus provides easy access to the European, Middle Eastern, North African, Central Asian and Gulf markets, which have a combined population of more than 1.6 billion and a GDP worth over \$28 trillion.

More than half of the world's trade takes place within four hours by air from Turkey, which is one of the main reasons why many multinational companies, such as 3M, Coca-Cola, Microsoft, and Intel have selected Turkey as their strategic regional headquarters. The country has implemented a range of successful economic reforms to invigorate its domestic investment environment, based on the strong foundations it laid down to attract international investment.

Thanks to the structural reforms carried out over the past decade, it has created an environment where all international investors get equal facilities, rights and are subjected to identical rules as domestic companies. Research and development, tax reforms, regional and sectoral incentives as

well as general incentive programs to improve the investment environment also provide attractive opportunities for foreign investors.

As a result, Turkey has continued an upward climb in the World Bank's Ease of Doing Business Index. With an increased foreign direct investment coming into the country it has also become an important player in the global economy. In 2002, the number of companies with foreign capital operating in Turkey stood at 5,600, that number reached 55,000 as of June 2017. Additionally, until 2002, the total foreign direct investment in Turkey was around \$15 billion but since 2003 more than \$185 billion has poured into the country.

10 REASONS FOR INVESTING IN TURKEY

- 1- Strong economy**
- 2- Large domestic market**
- 3- Strategic location**
- 4- Young and dynamic population**
- 5- Qualified, competitive and skilled workforce**
- 6- Uninterrupted, continuous reforms**
- 7- Free investment climate**
- 8- Incentives**
- 9- R&D ecosystem**
- 10- Sectoral opportunities**

'INVEST IN ISTANBUL' OFFERS ONE-STOP BUREAUCRATIC SHOP TO START BUSINESS IN THE CITY

An office to facilitate the bureaucracy-laden investment process, the nascent Invest in Istanbul emerges as the first-of-its-kind in Turkey.

In addition to allowing foreign investors seeking investments in Istanbul to conduct transactions directly, the institution also offers information for investors regarding expansive government incentives offered in miscellaneous sectors. Foreign businessman and Banco Sabadell of Spain in Turkey Chief Representative Vicente Balbin spoke about his experience with Invest in Istanbul: "It is unbelievable! I acquired a residence permit in just 10 minutes! Invest in Istanbul, where all the bureaucratic steps are handled directly via a single office without the need to visit another office, is entirely different from other investment promotion agencies [IPAs]."

Invest in Istanbul, which opened in late June under the Istanbul Development Agency (İSTKA) with Prime Minister Binali Yıldırım in attendance, was established to address a very important question: "What is the biggest problem foreign investors face in Turkey?" This question triggered the idea to found the Istanbul investment office, according to İSTKA Secretary General Özgül Özkan Yavuz.

Citing İSTKA's exchange with international investors coming to Turkey and non-governmental organizations (NGOs) that have a strong rapport with those investors, such as the Foreign Economic Relations Board (DEİK), the Turkish Exporters' Assembly (TİM) and the Istanbul Chamber of Commerce (ICC), Yavuz recalled that foreign investors often complain about the intense, demanding bureaucratic procedures that force them to visit numerous public institutions to obtain the necessary permits and documents required to start a business or continue investments.

Describing the unique feature of Invest in Istanbul, Yavuz highlighted that the office oper-

SERVICES PROVIDED BY INVEST IN ISTANBUL FOR FOREIGN INVESTORS



ates as a "one-stop-shop" for foreign investors. Invest in Istanbul accommodates all the institutions that a foreign investor that wants to make an investment in Istanbul must visit. These include, for instance, the Istanbul Chamber of Commerce, the Istanbul Chamber of Industry (ICI), the Social Security Institution, Istanbul tax offices, the Immigration Office and the Istanbul Metropolitan Municipality (İBB).

Explaining the foundation process, Yavuz said, "We wanted to establish an institution while making sure that foreign investors can accomplish nearly 80 percent of the process of establishing an enterprise in Istanbul." She emphasized that the journey was not easy, noting that the preparatory phase required a tremendous amount of work as well as a number of simulation workshops in which all staff members engaged in repetitive practice to learn all the stages to be followed during a business start-up.

Referring to the close cooperation with and support of the Investment Support and Promotion Agency of Turkey (ISPAT), Yavuz said, "The Investment Support and Promotion Agency works at the macro-level and provides consultancy for large-scale investment projects, introducing and promoting the investment climate in Turkey," pointing out that the scope of ISPAT's operation does not particularly focus on the delivery of the bureaucratic procedures at the documentation level. "Thus," she says, "We operate to complement and facilitate their activities by handling administrative procedures and complete the bureaucratic stages," citing ISPAT's pleasure with Invest in Istanbul.

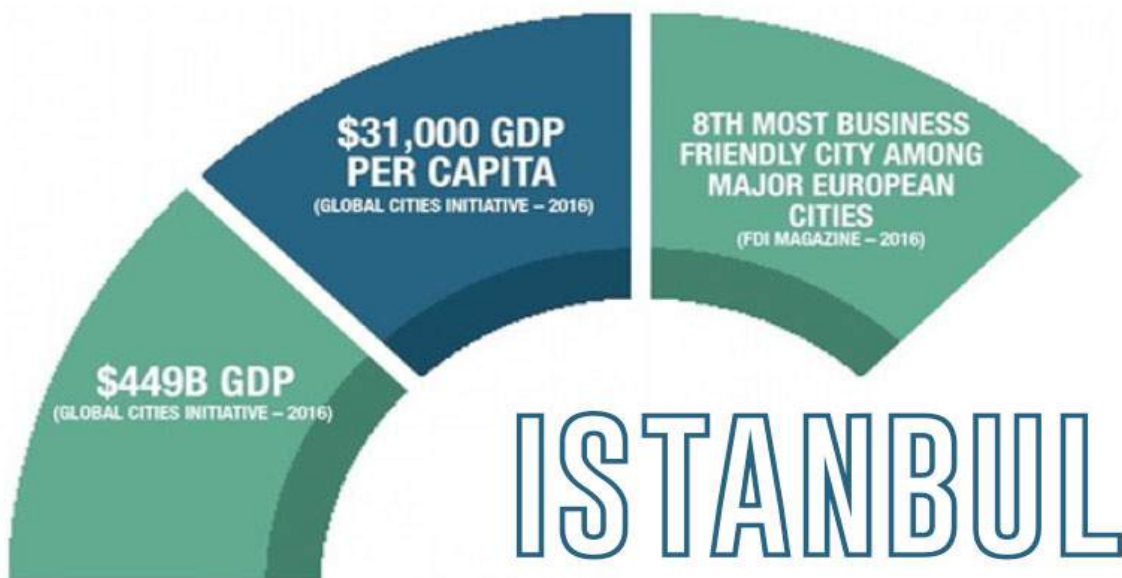
Regarding the aspects that differentiate Invest in Istanbul from other investment agencies, the institution's office defines itself on the official information note as an innovative one-stop-shop where the completion of bureaucratic steps includes direct submission of official documents free of charge, which distinguishes this brand-new organization from other investment promotion agencies.

"This is an organization I have never heard of before. Setting up a business via a single office is a great idea. Moreover, Russian investors that contact us will be directed to Invest in Istanbul. Since Invest in Istanbul is a governmental initiative, it is a

burden on foreign investors.

"I have come to Turkey, which I consider a dream-land for history and culture lovers. However, since official documents were only in Turkish, I couldn't fill in the forms. Thanks to the Invest in Istanbul staff, they have already translated the application documents on behalf of all global investors who aim to invest in Istanbul," noted Egyptian businessman Nahed Garousha, the owner of Mermaid Yachting, who explained how Invest in Istanbul eases procedural restrictions on international investors.

In addition to its unique, innovative quality, the timing of Invest in Istanbul is also highly appro-



great advantage for us and for investors, especially in terms of creditworthiness," Dmitry Evdokimov, the Russian Deputy Consul General in Istanbul said, describing the innovative nature of Invest in Istanbul and what it is really like to have a one-stop-shop for investment-starting procedures.

Another convenience provided by Invest in Istanbul for international investors is the services freed from the language barrier. As is normal, all documents are prepared in Turkish. But the hard work of qualified staff members in translating the documents into English frees investors from finding a translator approved and accredited by a notary. In particular, İSTKA Secretary General Yavuz drew attention to this convenient service to better emphasize how Invest in Istanbul facilities alleviate the

priate, Yavuz emphatically stated when asked how previously accomplished and ongoing mega-scale infrastructure projects could boost the investment environment in Turkey's largest city, as well as how Invest in Istanbul could facilitate a quicker way of facilitating procedures.

Key infrastructural projects such as the Yavuz Sultan Selim Bridge, the Eurasia Tunnel, the Istanbul Third Airport and the Istanbul International Finance Center were established to attract more foreign direct investment (FDI) to Turkey and Istanbul. Upon completion of projects that are still under construction and the appropriate development works, Invest in Istanbul hopes to enable investors to carry out the necessary documentary work with the utmost efficiency.

"We will work hard and welcome all foreign investors to make them comfortable through all procedures to complete the bureaucratic stages," Yavuz said, stressing her belief that the mega-scale projects will further accelerate investment flow to both Istanbul and Turkey.

Invest in Istanbul gateway to investing in Turkey

When asked about the sectoral distribution of investors they welcome to Istanbul, Yavuz said that Invest in Istanbul is geared to investors wanting to start a business in trade, finance and services. "The difficulty faced in providing assistance to investors in the manufacturing sector in Istanbul is the lack of land. Since most land is already in use and organized industrial zones are almost operating at full capacity, we have difficulty offering land for facility construction in Istanbul," she said.

The obstacle caused by the lack of land, however, is no obstacle for the continuance of investments at Invest in Istanbul. "We do not want to lose investors. So, we offer them investment areas where they can build factories or production facilities in another city," she said, citing Chinese investors who sought to establish a factory to manufacture components for power plants in Istanbul: "It was not possible to allocate land in Istanbul for that facility. Thus, we offered [Chinese investors] a location in an Anatolian city, but we helped them establish and register the company in Istanbul. So, Invest in Istanbul acts as a gateway to investments in Turkey," she explained, emphasizing the role of Invest in Istanbul as an entry point for making investments in

Turkey.

According to data provided by the ICC, a total of 5,476 companies with foreign capital were established in Istanbul with a 2.8 percent increase compared to 2015 and the total investment amount of those companies was recorded at TL 1.16 billion. In terms of sectoral distribution, the trade sector leads with 1,122 companies while construction is the leading sector that attracted the highest amount of investment with TL 538 million.

Ambitiously continuing to attract investments and boost its economy, Istanbul also aims to be regional headquarters for multinational companies. Istanbul is already home to the regional headquarters of 33 international companies, including Coca-Cola, PepsiCo, Visa, Intel, Unilever, Proctor & Gamble, Microsoft and many others, according to information obtained from the International Investors' Association (YASED), and the city strives to become a center for numerous sectorial operations, including logistics, services, finance and tourism.

In this endeavor, of course, all state institutions work together in close collaboration. Invest in Istanbul office is committed to providing guidance regarding investment legislation and investments, offering sector-specific information, facilitating the business-starting process and offering networking opportunities. If this innovative project manages to sustain its success, Yavuz said, investment offices in other cities will also be opened. Therefore, Invest in Istanbul has a very vital responsibility as the role model for development agencies in other regions.

TURK TELEKOM, GE INK INDUSTRIAL INTERNET OF THINGS PACT

Turkish telecommunications giant Türk Telekom signed a deal with American energy giant and conglomerate General Electric (GE) Digital to explore collaboration in the area of the industrial Internet of things (IoT) for the country's industries

The “Digital Transformation of Industrial Companies” memorandum of understanding was signed between Türk Telekom and GE Digital, said a statement by the Turkish firm. Türk Telekom said that they will provide services to support industrial companies’ digital maturity level and help them set transformation strategies and roadmaps.

“With GE Digital, we will be able to identify the digitalization level of the companies and provide them with digital solutions that have become part of the business world with the Digital Industrial revolution” said Paul Doany, Türk Telekom CEO.

He added that they will provide significant opportunities for the companies to help them be part of and benefit from the 4th Industrial Revolution. They intend to cooperate to boost industry’s competitiveness with industrial IoT, Türk Telekom highlighted. The company stressed that digital transformation services aim to increase performance and efficiency in companies’ production processes.

As a leader in consumer IoT, Türk Telekom brings a wealth of knowledge about clients around the country, stressed Ali Saleh, senior vice president and chief commercial officer for GE Digital Middle East, Africa, and Turkey. Saleh said: “With both

sides together, we can work to support the digital transformation of the country’s most important infrastructure, helping to move critical engines for economic development into a digital future.”

Türk Telekom provides information and communication service to all companies ranked on Turkey’s Top 500 list, the company said.



Türk Telekom, with 176 years of history, is the first integrated telecommunications company in Turkey, and GE is the world’s digital industrial company, transforming industry with software-defined machines and solutions, according to the statement.

INVESTORS CALL FOR TALKS OVER TURKEY'S EU MEMBERSHIP

An international investors' group called on leaders in the EU to take constructive steps towards bringing Turkey closer to the bloc.

"Companies with international direct investments support Turkey's full membership to the bloc," Ahmet Erdem, president of the International Investors Association of Turkey (YASED), said in a statement. "We hope that the full membership negotiation process, which has come to a halt in recent period due to various developments, will be accelerated again," he added.



The call comes on the day of an EU leaders' meeting that will focus on migration, defense, digitalization and foreign affairs, including EU relations with Turkey. The EU is Turkey's fourth largest export market and Turkey is the fifth largest trading partner of the EU, Erdem said. He said that in the first eight months of this year, \$3.72 billion, which is 77 percent of the total foreign direct investment in Turkey, was invested in the country from EU countries.

Turkey's total exports in the first nine months of 2017 reached \$114.66 billion while 51.6 percent of all exports were made to EU countries with an increase of 10.2 percent year-on-year, he added.

He said: "Europe-based companies also generate added-value in Turkey, provide employment, and export to all over the world from Turkey. We believe that the continuation of Turkey's accession negotiations to the EU will be beneficial for both sides," he said. "In this regard, we also find it necessary that the Customs Union Agreement should be updated in line with the requirements of today," he added. Turkey applied for membership in the European Economic Community (a precursor to the EU) in 1987. It became eligible for EU membership in 1997 and accession talks began in 2005. To gain membership, Turkey has to successfully conclude negotiations with the EU in 35 policy chapters that involve reforms and the adoption of European standards. In the accession negotiations, 16 of 35 chapters have opened and only one has been temporarily closed," Erdem said.

Last June, the 33rd chapter opened and in November of the same year, initiatives to open other chapters with the EU Commission were taken, he said. He added that consensus to speed up the process was also reached at the Turkey-EU Summit in March 2016. "However, at the EU General Affairs Council meeting in December 2016, it was decided not to open a new chapter," he added.

YASED, which has over 200 members, was established in 1982.

TURKEY'S HYBRID CAR SALES SEE 8-FOLD BOOST IN Q317

Turkey's total electric and hybrid car sales increased by 805.6 percent to 2,763 in the first nine months of 2017, compared to 300 in first nine months of 2016, according to Turkey's Electric and Hybrid Vehicles Association.

The association's statistics showed that sales of just hybrid cars, which combine a normal petrol or diesel engine with an electric motor, increased nine fold to 2,717 in the first nine months of 2017 compared to the same period of 2016.

In the first nine months of last year, only 38 electric cars were purchased, while 46 electric cars were sold during the same period of 2017.

In Turkey's automotive market, the best selling hybrid car was the Toyota C-HR Hybrid with 2,184 sales, in the first nine months. Toyota C-HR Hybrid is followed by the Toyota RAV4 Hybrid with 130 sales, Toyota Yaris Hybrid had 117 sales and 106 sales were made for the Toyota Auris Hybrid.

Toyota has started production of its new C-HR crossover model, the first hybrid model in the country, in their Sakarya plant in the industrial region of northwest Turkey in late 2016. According to Toyota, the company's plant in Turkey already exports around 80 percent of its production to Europe and is planning to gradually expand its export destina-

tions outside Europe to include the U.S., Canada, Taiwan, Mauritius and South Africa.



The founder of Turkey Electric and Hybrid Vehicles, Berkan Bayram, said that 45 thousand electric cars were sold worldwide in 2011, and sales reached to 2 million last year. He envisages that this exponential increase will continue. "Four out of 10 cars will be electric in 2025, so Turkey should increase investments in automotive and battery technologies, specifically lithium-ion-based batteries," Bayram said.

IFC TO INVEST IN TURKEY BONDS TO HELP MORTGAGE SECTOR

The International Finance Corporation (IFC) announced that it was investing \$150 million in Turkish Lira equivalent in covered bonds issued by Turkey's Yapı Kredi Bank to help strengthen the country's capital markets and boost its residential mortgage sector, including green mortgages.

"At least 15 percent of IFC's funds will be used to provide green mortgages for the purchase of energy-efficient housing," the corporation, a member of the World Bank Group, said in a statement.

The five-year maturity bond is issued as part of Yapı Kredi Bank's €1 billion (around \$1.2 billion) covered bonds program launched in 2016, the IFC noted. "IFC's investment in the issuance aims to support Turkey's nascent covered bond market," it said, adding covered bonds were a relatively new funding instrument for Turkey's capital markets. "They offer an attractive funding cost and are viewed as low-risk investments since they are backed by the assets of the issuing banks," it said.

Manuel Reyes Retana, IFC's regional industry head for Europe, Middle East and North Africa said that with this financing, they were addressing some of the corporation's key development priorities in Turkey, including capital markets development, climate change and sustainable cities.

"Diversified and innovative funding instruments in Turkish lira help to deepen capital markets, boost financial inclusion and increase investor confidence. Green mortgages also offer better borrowing rates, while helping to save energy costs," he said.

According to the IFC, Yapı Kredi Bank expects its green housing loans portfolio to be worth \$250 million by the end of 2021.

TURKEY TO BECOME FASTEST-GROWING G-20 COUNTRY WITH Q3

Turkey expects record third quarter growth to see it become the fastest-growing G-20 country, Prime Minister Binali Yıldırım said at the Aegean Economic Forum in the western province of Izmir.

He added: "Turkey may break a record in the third quarter. In the third quarter, Turkey will most probably be the fastest-growing country in the G-20."

The prime minister suggested the July-September growth figures, which are due to be released in December, could reach double digits. Yıldırım said next year would "be better for Turkey than 2017" and added: "The inflation rate will remain single-digit and the growth target will be at least 5.5. Don't be surprised if the year-end growth becomes seven percent though." Improvements in the global economy and a recovery in Europe were expected

he told business figures.

"However, there are still some issues to be considered," Yıldırım said. "The economic fragility and the regional tension in the wake of the global crises are not over yet." Turning to relations with Europe, the prime minister said the EU should appreciate Turkey's contribution to reducing migration via the Aegean Sea. "Turkey expects its European friends to be aware and to appreciate such a contribution by Turkey," he said.

TURKISH EXPORTS TO INCREASE BY 11 PERCENT IN 2017, REACHING ALL-TIME HIGH

Turkey's 2017 exports will increase by over 11 percent annually to reach all-time high in the history of the modern republic, the country's Minister of Economy Nihat Zeybekci said.

"We will exceed \$157.6 billion this year, which is the historical high, with an increase of 11 percent over the year," Nihat Zeybekci said at Aegean Economic Forum in the Turkish coastal province of Izmir. Turkey's exports rose by 16 percent in October compared with the same month last year, Zeybekci said.

"If Turkey and Greece can turn the Aegean region into the education, high technology, health tourism, renewable energy, software, pharmacy and organic agriculture center of Europe in the 21st century, the region will be as rich as it was in the past," he said.

He urged the revival of business forums that were successes in 2014 and 2015 for Turkey and Greece. "We will bring business people together in these forums, which will be held every six months between the two countries," he added.

Turkey's exports were \$11.33 billion in September and \$114.66 billion the first nine months of 2017, according to Turkish Exporters Assembly's (TIM)

data. The country's exports reached \$153.02 billion in the last 12 months, TIM said. The figure of \$157.6 billion, which was mentioned by the minister, was reached in 2014, according to Turkish Statistical Institute's (TurkStat) data.



Located in the west of Turkey and on the shores of the Aegean Sea, Izmir, which is hosting the economic forum, was Turkey's third exporting city in the first eight months of 2017 -- amounting to \$5.87 billion.

TURKEY'S TOURISM REVENUES EXPECTED TO RISE THIS YEAR

After a staggering year in 2016, particularly due to losses in the Russian market after the jet-downing crisis in November 2015, Turkish tourism saw a revival this year and, according to sector representatives, revenue is expected to increase to \$25 billion.

Başaran Ulusoy, the chairman of the Association of Turkish Travel Agencies (TÜRSAB), said they expect the country's tourism revenue to be around \$25 billion this year compared to \$22 billion in 2016, according to data from the Turkish Statistical Institute (TurkStat).

Ulusoy told that the 2017 tourism season went well compared to 2016, saying, however, that 2014 and 2015 figures have yet to be surpassed.

"Despite all the negativities, we will still complete this year honorably as Turkish tourism representatives," Ulusoy said. "We are currently in the 10th

month of the year and there are two more months ahead. This year, the tourism industry will exceed 2016 figures in terms of foreign exchange inflow in tourism, but we cannot catch the 2015 figures. For this reason, we are exerting extensive efforts as tourism representatives of Turkey."

Ulusoy said that foreign visitors come to Turkey to see things that they do not have in their own countries, and that they want to see Turkish food, cuisine and gastronomy. "Tourists come to see the depths of history and experience Turkish culture and folklore," he said. Ulusoy recalled that last year, the largest amount of foreign exchange to Turkey

was brought by Germany as well as tourists from the U.S. and countries in the Far East and elsewhere in Asia, in terms of per capita spending.

“U.S. citizens have led the way in tourism spending per person in recent years. Subsequently, the spending levels of those from distant destinations such as China, Japan and South Korea have increased,” Ulusoy said. “Turkey predominantly generates revenue from cultural tours. Germany, the U.S. and Russia visit our country and primarily choose culture tours.”

Evaluating the effects of the mutual suspension of visa services between Turkey and the U.S., Ulusoy said: “I do not think there will be a problem in the number of American tourists coming to this country in the wake of the visa crisis. Despite the political turmoil, things will improve soon. Turkey did not deserve this. I would not expect that from a friendly country.”

Meanwhile, domestic tourism revenue was \$31 billion in 2015 and \$34 billion in 2014. The latter was a peak year for tourism

EBRD ‘REMAINS COMMITTED’ TO TURKEY

The European Bank for Reconstruction and Development (EBRD) has said it remains committed to Turkey and continues to engage with the country.

“Turkey plays an extremely important role in the EBRD’s operations,” the bank stated. The bank underlined that Turkey was its largest country of operation by annual investment volume and portfolio size. “To date we have invested over €9.5 billion [around \$11.2 billion],” it said, adding 30 projects worth almost €1 billion [some \$1.2 billion] had been signed so far this year. “We expect to exceed €1.5 billion [around \$1.8 billion] in investment in 2017,” it added.

The bank’s comments came after Bloomberg’s reports which claimed Germany was actively working to cut funding to Turkey from the country’s state-owned KfW bank, the European Investment Bank and the EBRD.

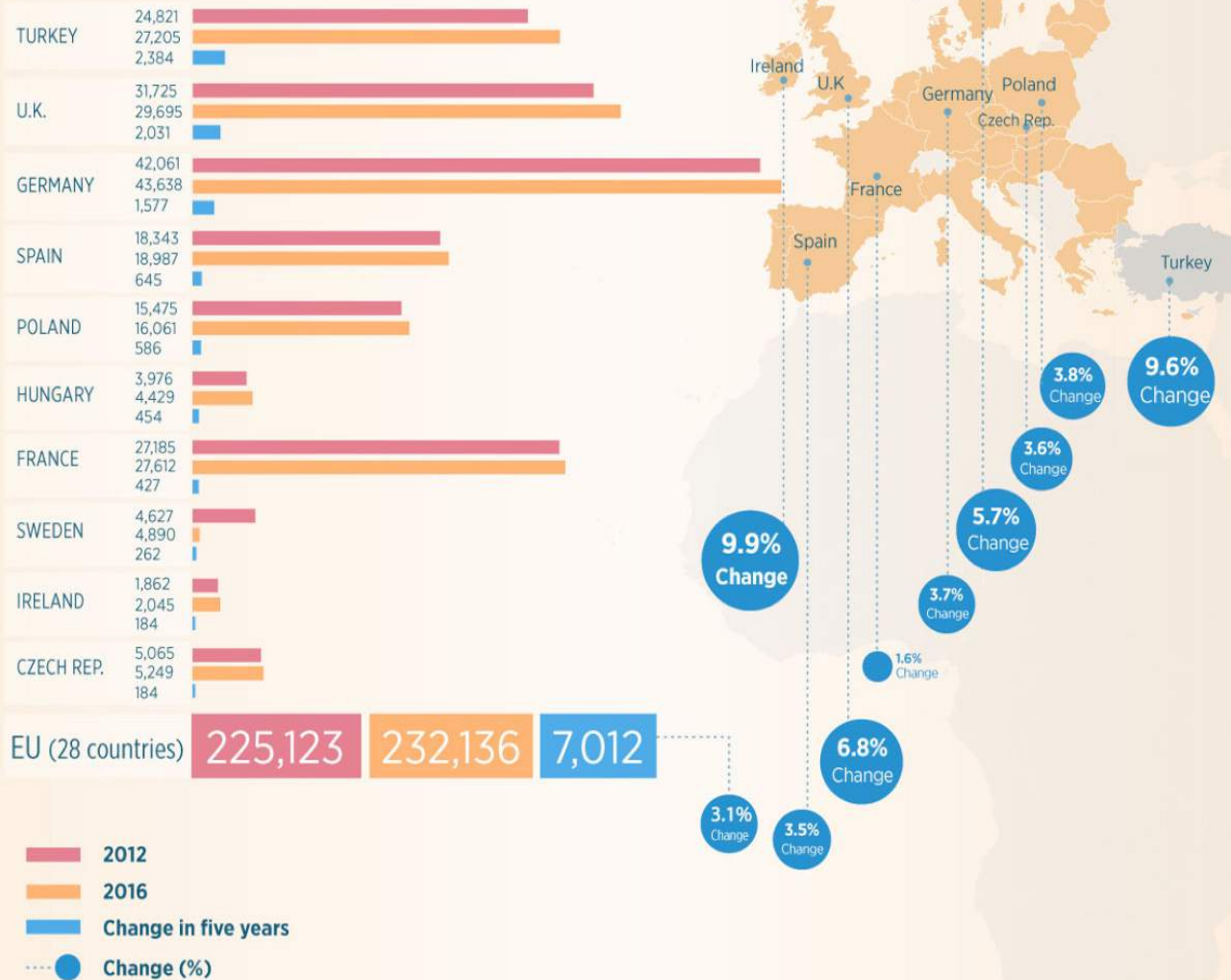
The EBRD is a leading investor in Turkey, which was the biggest recipient of EBRD funds last year, and has offices in Istanbul, Ankara and Gaziantep.

The bank has invested in 240 projects in Turkey, 97 percent in private sector, including infrastructure, sustainable energy, agribusiness, industry and finance, according to the bank’s website.

TURKISH EMPLOYMENT PERFORMANCE TOPS EUROPEAN STATES

- Number of employed in Turkey increased by 2.4 million persons in 2012-2016, official data show
- Turkey, the U.K. and Germany were top three countries which saw increased employment in the last five years

Number of employed individuals in EU countries and Turkey between 2012 and 2016:



Oct. 18, 2017

www.twitter.com/anadoluisyasya





UPCOMING EVENTS

16TH NEW YORK TURKISH FILM FESTIVAL, 30 November-3 December 2017



16th New York Turkish Film Festival, organized by the American Turkish Society (ATS) and supported by the Turkey-U.S. Business Council (TAİK) as the platinum sponsor, will take place between 30 November – 3 December in New York.

Over the years, The New York Turkish Film Festival (NYTFF) has become one of the most important international film festivals in New York, presenting more than 300 films – many of them award-winning – welcoming 30,000 viewers and receiving significant coverage. In addition to showcasing the best of recent Turkish cinema to audiences in New York City, NYTFF hosts a number of glamorous receptions, dinners and parties featuring celebrity guests throughout the festival.

[Please follow this link for details.](#)

37TH ATC-TAİK 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.



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