



INVEST IN TURKEY

THE REPUBLIC OF TURKEY PRIME MINISTRY
INVESTMENT SUPPORT AND PROMOTION AGENCY OF TURKEY

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Turkey among drivers of global growth – A.T. Kearney

With a consistently growing economy, state of the art infrastructure and an increasingly urban population, Turkey will be among the countries driving global growth in the years immediately preceding 2020, according to a report by the global management consulting firm A.T. Kearney.

In its report, titled “Global Economic Outlook 2014-2020 - Transitory Shift to Renewed Normal”, the firm predicts that a new wave of global growth will depend on a group of emerging nations including Turkey, and not just on the U.S. economy. The report lists Turkey, China, Chile, Malaysia, Peru, Poland, the Philippines, Mexico, Colombia and India as the next-wave growth markets, dubbed “2020-10”.

“Turkey’s infrastructure is top notch when compared to that of other emerging nations and presents many opportunities for existing and would-be investors. 67 percent of the population is of working age and 75 percent live in urban areas, making a huge and concentrated work force readily available for foreign investors”, according to Michael Weiss, A.T. Kearney Country Manager for Turkey.



“Turkey’s innovation potential, labor market and status as a manufacturing hub are important factors drawing foreign investors. The country’s growth performance in the past decade has been very strong and the country needs to keep up its efforts to reach its 2023 goals”, he noted. The Turkish government has set a number of targets to be reached by 2023, the centennial of the Republic’s foundation.

Turkey ranks among the top 25 countries in A.T. Kearney’s FDI Confidence Index 2014, a list based on the opinions of top executives from the world’s leading corporations.

Germany's Wirecard buys Turkish mobile payment firm

German payment services provider Wirecard has reached an acquisition agreement with Turkish mobile payment systems company Mikro Odeme Sistemleri AS. The Istanbul-based company's 3Pay brand is one of the leading payment providers in Turkey with a market share of 65 percent.

The German company will pay TRY 80 million (approx. USD 37 million) for the acquisition, which will be its first foray into the Turkish market. The acquisition will also serve Wirecard's plans for expansion into Middle Eastern and North African markets. The acquisition is subject to the approval of the relevant authorities in Turkey.

Turkey has over 70 million cell phone subscribers, one fifth of them smart phone owners, in a population of nearly 77 million, and its people rely increasingly on their mobile devices for e-shopping. The country is among the world's top 3 countries, after the UK and Germany, in using mobile devices for e-commerce, according to Turkey's Interbank Card Center (BKM).

In recent years, other global brands such as MasterCard, Malaysia's MOL and UK's Monitise have acquired Turkish payment specialists so as to take part in the country's fast growing mobile payments sector.

Turkish Airlines ups passenger numbers, profit



Turkey's award-winning flag carrier Turkish Airlines (THY) carried over 26 million passengers in the first half of the year, earning a net profit of TRY 172 million (approx. USD 80 million), according to a statement made by the company.

Strong second quarter results and an increase in passenger numbers, with a seat occupancy rate of 79 percent in the January-June period, contributed to the carrier's success. The 26 million air travelers carried by Turkish Airlines in the first six months of 2014 represent a 17 percent increase over the same period of the previous year while net profit jumped by 42 percent.

In 2014 Turkish Airlines won, for the fourth consecutive year, the title of "Best Airline in Europe" from Skytrax, the world's largest airline and airport ranking authority. The Turkish national air carrier has one of the largest flight networks in the world and currently flies to 263 destinations in 108 countries.

BSH to double production capacity in Turkey

German domestic appliances manufacturer BSH is planning to double its production capacity in Turkey, according to a company executive.

Speaking to the Turkish press at the IFA 2014 event in Berlin, BSH's Chairman of the Board of Management, Karsten Ottenberg, said that the company's investments in Turkey to date have reached EUR 1 billion. "With its large domestic market and export capabilities, Turkey has immense potential. BSH will speed up its investments in Turkey, its third largest market in terms of turnover after Germany and China", Ottenberg said.

BSH Turkey CEO, Norbert Klein, speaking at the same event, said that in the next 5 years the annual capacity of BSH's production plants in Turkey will nearly double to 8 million units, up from its current 4.5 million. "Extending the innovation and R&D capabilities of BSH Turkey will be the priority", he noted.

Ground broken for pipeline project to carry Azeri gas to Turkey and beyond

The ground has been broken for the first phase of the pipeline project designed to carry Azeri gas to Turkish and European consumers. The natural gas from Azerbaijan's Shah Deniz field will reach Italy via a 3500-kilometer pipeline passing through Georgia, Turkey and Greece, providing an alternative to Russian gas.

The South Caucasus pipeline will carry natural gas from Sangachal termin, located to the south of Baku, to the Turkish-Georgian border where it will link up with the Trans Anatolian Pipeline (TANAP), which crosses Turkey and connects with the TransAdriatic Pipeline (TAP) on Turkey's western border with Greece.

The second section of the pipeline, TANAP, is slated to enter construction stage by 2015, with the first flow of gas taking place in 2018. Planned to carry 16 billion cubic meters of gas per year, the pipeline will deliver 6 billion cubic meters to Turkey and the rest to European consumers.

Turkish Banking Sector: Attracting New Players

The Turkish economy has delivered a remarkable performance with its steady growth over the last decade. A sound macroeconomic strategy, in combination with prudent fiscal policies and major structural reforms in effect since 2002, has integrated the Turkish economy into the global marketplace while transforming the country into one of the major recipients of foreign direct investment (FDI) in the region. Thanks to the government's ambitious growth program, Turkey has become an attractive destination for FDI.

After 2002, weak FDI inflows experienced an incremental increase to reach a record level of USD 22 billion in 2007. According to OECD forecasts, real GDP growth is projected to rise approximately 4 percent in 2014 and 2015, while the Economist Intelligence Unit (EIU) expects an annual average growth rate of 5 percent until 2017. After this profound economic transformation over the last decade, and its solid economic foundation, Turkey has become the 17th largest economy in the

world and the 6th in Europe. The financial services sector is one of the most popular areas for foreign direct investment. In 2013 the total FDI in financial services reached USD 3.42 billion, which accounts for 26 percent of total FDI in Turkey.



The Turkish financial services sector continued to show healthy growth with an expanding loan base and favorable liquidity conditions. The total asset size grew at a CAGR of 19 percent between 2008 and the third quarter of 2012,

surpassing a total asset size of TRY 2,140 billion. Turkey has also become one of the key destinations in the world for private equity activities. There are many major private equity and venture capital firms in Turkey.

Despite the Eurozone crisis, Turkey's loan expansion also continued to grow alongside the economy. Total loans exceeded TRY 794 billion in 2012, while the loan to deposit ratio surpassed 103 percent in 2012.

With the continuous growth in its asset size Turkey's financial sector is among the best in the world and has a strong equity structure protecting it against shocks that may arise from loans or turbulent market conditions. The asset quality of Turkish banks improved as asset size grew at a staggering CAGR of 21 percent between 2003 and September 2013, exceeding TRY 1,630 billion in 2012 with an asset to GDP ratio of 97 percent.



Rabobank

Dutch Rabobank granted operating license in Turkey

The Banking Regulatory and Supervision Agency (BDDK) granted Rabobank, the largest agricultural lender in the Netherlands, a license to operate in Turkey, according to an announcement in the Official Gazette. In August 2013 the BDDK gave the Dutch financial institution the permission to set up a bank in Turkey with an initial investment of USD 300 million, the capital required to start a banking business in the country.

Focusing on food and agricultural industries, Rabobank joins Italian Intesa Sanpaolo, Japan's Bank of Tokyo-Mitsubishi UFJ (BTMU) and Lebanese Bank Audi, all of which have received a Turkish banking license in recent years.

GDP & FDI

- **FDI: up 9.4% y-o-y to USD 7.9 bln in Jan-July 2014**
 - Real GDP: up 4% y-o-y in 2013
 - GDP at current prices: USD 820 bln in 2013, up from USD 786 bln in 2012
 - Current account deficit: down 38% y-o-y in Jan-July 2014 (USD 26.8 bln)
- Source : TurkStat & CBRT

Foreign Trade

- Exports: down 12.9% y-o-y in August 2014 & down 0.5% y-o-y in Jan-August 2014
 - Imports: down 3.4% y-o-y in August 2014 & up 6.3% y-o-y in Jan-August 2014
 - Foreign Trade Deficit: up 17.0% y-o-y in August 2014 & up 18.3% in Jan-August 2014
 - Exports/Imports: 61.4% in August 2014, down from 68.1% in August 2013 & 59.5% in Jan-August 2014, down from 63.6% in Jan-August 2013
- Source : TurkStat

Events & Organizations

Roundtable Meeting with CEOs of Leading U.S. Companies



Organized by ISPAT and the U.S. Chamber of Commerce the event held in New York, USA, attended by Turkey's President Recep Tayyip Erdogan and high ranking government officials, brought Turkey's business and investment opportunities to the attention of leading U.S. companies.

Amway Ankara Promotional Center Opening



U.S.-based direct selling company Amway is celebrating its 20th year in Turkey with a new promotional center opening in Ankara. The ribbon cutting ceremony held on September 11 was attended by ISPAT President Ilker Ayci, Amway Chairman Steve Van Andel and other Amway executives.

TTIP Opportunities & Risks Conference



Attended by ISPAT Vice President Arda Ermut, the Transatlantic Trade & Investment Partnership (TTIP) Opportunities & Risks Conference held on September 19 in ESBAS Technology Center in the Aegean Free Zone in Izmir explored ways to further improve bilateral trade and investments between Turkey and the U.S.

ISPAT 'Invest in Turkey' Seminar



The investment seminar hosted by ISPAT, JCCME (Japan Center for Cooperation with Middle East) and the Bank of Tokyo Mitsubishi UFJ held in Tokyo on September 24 with the attendance of more than 300 company representatives.



Upcoming

CPhl Worldwide

8 October 2014

Paris, FRANCE

ISPAT President Ilker Ayci will attend the world's premier pharmaceutical networking event, hosting 2,500 exhibitors and 35,000 attendees from 140 countries, as a speaker.

ISPAT-JETRO Investment Mission

12-16 October 2014

Istanbul - Izmir, TURKEY

A visit organized by ISPAT and the JETRO Office in Turkey for Japanese companies interested in investing in Turkey. The visit covers various organized industrial zones, free zones in Istanbul and Izmir as well as offices of Japanese companies already active in Turkey.

ISPAT Visit by Mizuho Bank

13 October 2014

Istanbul - Ankara, TURKEY

Investment mission to Turkey organized by Mizuho Bank will visit ISPAT offices on 13 October 2014.

ISPAT 'Invest in Turkey' Seminar

27 October 2014

Barcelona, SPAIN

Invest in Turkey event showcasing business and investment opportunities in Turkey to Spanish companies. To be held in cooperation with Banco Sabadell.

ISPAT 'Invest in Turkey' Seminar

29 October 2014

Madrid, SPAIN

Invest in Turkey event showcasing business and investment opportunities in Turkey to Spanish companies. To be held in cooperation with Banco Sabadell.

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