US-based food and beverage giant PepsiCo commissioned its sixth production facility in Turkey with a ceremony honored by President Recep Tayyip Erdoğan. Giving an address at the inauguration of the facility located in the country’s Manisa province, President Erdoğan said that the Turkish economy continues to be a safe harbor for international investors despite all of the instabilities that have occurred in surrounding countries. “As we have always expressed, no one who believes, trusts, and invests in Turkey regrets it. We want all other international corporations to enjoy the opportunities offered by Turkey, just like PepsiCo. The Investment Office directly reports to me. That is so that investors can invest in Turkey with full confidence, knowing that they will have no problem here as the Office is an integral part of the Presidency,” said Erdoğan.

The Investment Office has assisted in the realization of PepsiCo’s USD 150 million factory investment in Manisa since its initiation in 2014. The announcement regarding the investment was made in October 2016 during a launch meeting attended by Investment Office President Arda Ermut.

Along with the new facility in Manisa, PepsiCo operates three beverage factories in Izmir, Corlu and Adana, and two food factories in Kocaeli and Mersin. PepsiCo has also become the first food plant in Turkey to obtain a Biomethanization Environmental License for its production facility in Kocaeli and is now licensed to generate energy by purchasing organic waste.

The recent factory investment of PepsiCo in Manisa, is indicative of international investors’ continued confidence in the Turkish economy. The latest data set released in January show that the success of the rebalancing period is continuing in Turkey. Along with better-than-expected current deficit, budget deficit, inflation, and foreign trade figures, the Turkish government also introduced a series of new incentives for citizens in the first month of 2019.

In January, the Investment Office also held an exclusive M&A seminar in Singapore, where it offered insights into Turkey’s investment environment.
The Turkish government heralded a series of measures and incentives packages to further accelerate the economic activity in Turkey.

In the last quarter of 2018, the Minister of Treasury and Finance Berat Albayrak announced tax incentives in various sectors to boost sales in the domestic market. With that, the special consumption tax charged to automobiles below 1.6L engine size was reduced by 15 percent, the value-added tax in commercial vehicles was reduced to 1 percent from 18, and the special consumption tax charged to motorcycles below 250cc engine size was reduced to zero. Similarly, the value-added tax on furniture and real-estate was reduced to 8 percent, the special consumption tax in white-goods was lifted, and the title deed fee in real-estate sales was reduced to 3 percent. In the last day of 2018, Minister Albayrak announced the decision to extend these previously introduced tax cuts for an additional three months in 2019.

A further reform, the commercial receivable insurance, came into effect on January 1, 2019, aiming to open the way for trading safely. Thus, the risk of non-payment of non-collateralized domestic receivables between SMEs has been eliminated for all intents and purposes. All insurance companies operating in the non-life insurance sector, all banks and all their SME clients will be able to benefit from this insurance scheme. At the first stage, SMEs with a turnover of up to TRY 25 million will be eligible for this insurance, and all SMEs with a turnover up to TRY 125 million will be gradually included in the program.

Thereafter, in early January this year, as part of the efforts to ensure that the country’s citizens also see the benefits of the social state, President Recep Tayyip Erdoğan announced new social aid programs designed for low-income people and provided some highlights of other new incentives. Accordingly:

- A TRY 22 billion loan package was announced to 350,000 tradesmen through Halkbank, with the support of the Ministry of Treasury and Finance. The first TRY 10 billion part of this package, having favorable annual interest rates of 5 percent, is available in the wake of the publication on the Official Gazette on January 11.

- For the enterprises employing more than 500 workers, social security insurance premium support has been increased from 3 percent to 5 percent.

Then, on January 10, Minister of Treasury and Finance Berat Albayrak announced the KOBİ Değer Kredisi – a new credit scheme – with the participation of 14 banks which made available loan facilities to SMEs with appropriate maturity and interest rates. According to this, SMEs with an annual turnover of TRY 25 million from all sectors, notably manufacturers and exporters, are eligible for 36-month loans with a monthly interest rate of 1.54 percent and with a repayment structure having a grace period of 6 months. Meeting the working capital financing needs of SMEs, strengthening their financial structures, and paving the way for high value-added production are the main objectives of this new credit scheme. Manufacturing and exporting companies will be granted a maximum value of TRY 1 million each while TRY 500,000 will be the maximum amount for companies operating in other trade and service sectors. The package will cover roughly 20-40 thousand companies and will be extended up to TRY 20 billion in total. The KOBİ Değer Kredisi scheme will not bring any burden on the Turkish Treasury and will be sourced by the repayments made from Credit Guarantee Fund backed loans to date.
In the wake of fluctuations that put pressure on Turkey’s financial markets, a rebalancing process marked the second half of 2018. Data announced in January 2019, including the current account deficit, budget deficit, inflation, and foreign trade statistics, show that rebalancing is continuing successfully in Turkey.

The annualized current account deficit, which reached its peak at USD 58.1 billion in May 2018, fell to USD 33.9 billion as of November. The current deficit, which was 5.6 percent of GDP in 2017, is expected to end the year at 3 percent, which is much lower than the initial year-end target of 4.7 percent.

Minister of Treasury and Finance Berat Albayrak announced that Turkey has reached the target of a 1.9 percent budget-deficit-to-gross-domestic-product ratio under the New Economy Program. Minister Albayrak also said that the country’s budget revenues rose 20.2 percent in the January-December period, reaching TRY 757.8 billion (USD 154.6 billion). He added that the country’s budget expenditures recorded a 22.4 percent increase to TRY 830.5 billion (USD 170 billion) in the same period.

Regarding inflation, the latest data show that it fell to 20.3 percent in December 2018 from 21.6 percent in November. The New Economy Program and the Central Bank of the Republic of Turkey anticipate inflation to continue tapering off through 2020, resulting in single-digit inflation once more.

Increasing exports and international tourism revenues also continue to buttress the Turkish economy. Turkey’s exports hit an all-time high of USD 168.1 billion in 2018, an increase of 7.1 percent, while imports fell 4.6 percent on a yearly basis to USD 223.1 billion. Meanwhile, international tourism revenues rose 14 percent in the January to November 2018 period.
TURKEY PROJECTED TO BE AMONG FIVE BIGGEST ECONOMIES GLOBALLY BY 2030

According to UK-based multinational bank Standard Chartered’s long-term forecasts, Turkey will surpass Germany, Russia, and Japan to become the fifth largest economy in the world by 2030.

In the report dated January 8, Standard Chartered lowered its 2010-2030 annual growth forecast to 3.1 percent from 3.5 percent but anticipated that seven of the top ten economies in 2030 in purchasing power parity (PPP) terms will likely be emerging markets. Standard Chartered predicts that Turkey will join China, India, the US, and Indonesia in the top five nominal GDP at PPP ranking in 2030.

The report also underlined reform momentum, the middle-class, and urban populations as the main drivers of global growth. A top five ranking for Turkey by 2030 would be well deserved given the country’s continuous structural reform track record over the last decade and a half, remarkable growth in its middle-class population with increasing purchasing power, and with more than 20 urban centers with populations of over 1 million.

DYNAMICS OF TURKISH M&A MARKET HIGHLIGHTED IN SINGAPORE

The Investment Office held an exclusive M&A seminar on January 22 in Singapore in cooperation with Enterprise Singapore, the government agency of Singapore championing enterprise development.

Experts from public and private entities in the Turkish M&A market elaborated on the dynamics and opportunities of the Turkish M&A market as well as touched upon the legal and financial aspects.

A Burak Dağlıoğlu and A. Emre Büyükkılıç from the Investment Office offered an insight into Turkey’s investment environment and opportunities in the M&A sector.

“Considering half of Singapore’s direct investment abroad is realized through M&A deals, investing in emerging Turkish companies would be a fruitful opportunity for Singaporean funds,” said Büyükkılıç.

The Turkish M&A market demonstrated resilience in 2018 by achieving a 17 percent year-on-year increase with a total deal volume of USD 12 billion through 256 transactions despite globally challenging economic conditions. Meanwhile, foreign investors have posted a remarkable share of 63 percent of the total deal amount.