Turkey’s 2015 growth to surpass expectations

Turkey’s GDP growth rate hits 4 percent in 3rd quarter

Turkey’s economy continued on its growth path for the 24th consecutive quarter, expanding by 4 percent in the third quarter of 2015.

Turkey’s GDP continued growing for the 24th consecutive quarter beating market expectations by a large margin, according to data released recently by the Turkish Statistical Institute.

The economy grew by 4 percent in the third quarter of 2015 compared with the same period last year and surpassing market expectations of 2.8 percent. The figure may cause an upward revision to Turkey’s overall annual growth forecast of 3 percent for this year. The country’s economic growth rate for the first three quarters of this year was 3.4 percent, while it was 2.9 percent in 2014.

Turkey’s Minister of Finance Naci Ağbal said that the latest figures came amidst a turbulent regional setting and increasing global uncertainties.

“With political stability restored by the November 1st elections the real sector and consumer confidence increased rapidly. The high growth performance in the third quarter points to an annual growth rate that could surpass the medium-term program goal of 3 percent,” he said.

Turkey unveils new reforms to improve investment environment

Turkey’s newly formed government intends to further improve the country’s investment environment with a series of reforms designed to attract international investors. Prime Minister Ahmet Davutoğlu unveiled the 2016 action plan that includes new measures ranging from reducing costs in organized industrial zones to easing of licensing procedures for investors.

“The government will take new steps to bolster Turkey’s status as a foreign direct investment destination with the reform package designed to improve our business environment,” Davutoğlu said at a press conference, detailing the government’s agenda for the next year.

“Obtaining energy permits and licenses will be made easier, while company establishment procedures will be more streamlined. A new patent law will be introduced in accordance with the reform package pertaining to science, technology and innovation,” he said, adding that land costs in organized industrial zones will also be reduced.

The plan also introduces new powers to regional development agencies.

“Presenting historic opportunities, the new AK Party term will build upon the democratic, economic and social successes of the last 13 years, following through the structural reforms while embarking on new mega projects.”
TNB partners with GAMA Enerji

Malaysian national power producer Tenaga Nasional Berhad (TNB) has acquired a 30-percent stake in Turkish energy company GAMA Enerji for USD 243 million.

TNB’s move secures a foothold in a key growth market with positive long-term prospects, as part of its strategy to expand overseas.

TNB’s investment will result in a strategic partnership that will allow it to pursue regional asset acquisitions, greenfield projects, portfolio optimization and supply market entry, the Malaysian company said in a press statement.

Commenting on the deal, which is subject to regulatory approval by the Turkish and Malaysian authorities, TNB president and CEO Datuk Seri Ir Azman Mohd said that Turkey was one of the largest power markets in Europe, and its electricity consumption has shown an impressive 6 percent average annual demand growth in the past 10 years.

GAMA Enerji currently has an 840MW natural gas-fired electricity generation plant and a 45MW wind farm under construction in Turkey, which will go live in the third quarter of 2016 and the fourth quarter of 2016, respectively.

Mitsubishi Electric confident in Turkey’s growth

Long-term growth potential and a young population has placed Turkey on top of Mitsubishi Electric’s investment agenda. The Japanese conglomerate, which manufactures a large range of products and systems from semiconductors to elevators, intends to increase its investments in Turkey to be a part of the country’s success story, says Masahiro Fujisawa, president of Mitsubishi Electric Turkey.

“On a path to become one of the world’s most advanced economies, we believe Turkey will increase its productivity by employing high-tech in its various industries, becoming a manufacturer of high-added value products. The completion of major infrastructure projects, such as the Marmaray, the under-water rail tunnel linking the European and Asian sides of Istanbul, and numerous ongoing large scale projects confirm this,” Fujisawa said.

“Mitsubishi Electric will continue contributing to Turkey’s development with our products and services,” he added.

Having established its head office in Istanbul in 2013, Mitsubishi Electric Turkey offers factory automation systems, advanced robotics, air conditioning systems among others. The company’s technologies are used in the Marmaray and the Turksat satellites.

Rolls Royce interested in Turkey defense projects

Rolls Royce is eyeing opportunities in Turkey’s ongoing defense and aerospace projects, according to Rolls Royce Turkey and Central Asia CEO Patrick Regis. Regis said to the press that Turkey’s aircraft and ship projects were of particular interest to the UK-based power systems manufacturer.

“We plan to take part in these projects through partnerships. The Advanced Manufacturing and Technology Center (AMTC) is also an endeavor we will contribute to Turkey’s development of advanced industrial capabilities,” he said, referring to research and development projects established by Turkey’s Ministry of Science, Industry and the Technology and the Scientific and Technological Research Council of Turkey (TUBITAK). Rolls Royce became the first industrial lead and founding member of AMTC.

Regis went on to praise Turkey’s labor force and geographic location and underlined the government’s support for technology development efforts. “As one of our priority countries, we aim to take advantage of the existing supply chain and further develop it via technology and know-how transfer,” he said.

Regis said that Turkey’s indigenous fighter jet project, the TF-X, was critically important. Rolls Royce is already an important supplier of engines for Turkish Airlines. “In case of a win in the upcoming tender, we aim to manufacture the engine of the aircraft in Turkey with participation from local industries,” he noted.

The TF-X, designed by Turkish Aerospace Industries, is expected to take to the skies by 2023 to coincide with the centennial of the foundation of the Republic of Turkey.
The Turkish financial sector proved resilient during the global financial turmoil in 2009 as well as the ensuing economic crisis thanks to the regulatory reforms and structural overhaul that the government implemented in the wake of the country’s own financial meltdown in the early 2000s.

In fact, the reforms in the sector boosted investor confidence so much that financial services has become the preferred sector for FDI, attracting over USD 45 billion during the past decade.

Banking dominates the Turkish financial sector, accounting for around 60 percent of overall financial services, while insurance services and other financial activities also show significant growth potential. Turkey’s banking sector is comprised of 34 deposit banks, 13 development and investment banks, and 5 participation banks, with 21 of them holding significant foreign capital.

An expanding loan base and favorable liquidity conditions contribute to the healthy growth of Turkey’s financial services. The sector enjoys a leading position in the world with an ever-growing asset size and strong equity structure protecting it against shocks that may arise from loans or turbulent market conditions.

The sector overall exhibited a robust 19 percent compound annual growth rate (CAGR) between the years 2008 and 2014, reaching a total asset size of USD 1.4 trillion. The banking sector in particular almost doubled its assets during this period, with USD 860 billion on the books by the end of 2014.

QNB acquires Turkey’s Finansbank

Qatar National Bank (QNB) announced the acquisition of 99.81 percent of shares in Finansbank, a major lender in Turkey with 647 branches and more than 13,000 employees.

QNB, the Gulf nation’s largest bank, agreed to pay EUR 2.75 billion to the National Bank of Greece, the current owner of Finansbank. The deal, expected to be completed by mid-2016, is subject to approval by Turkey’s regulatory authorities.

A crisis-tested financial system and a profitable banking sector have encouraged many new lenders to enter Turkey in recent years.

Another Qatari bank, Commercial Bank of Qatar (CBO), acquired majority stakes in Alternatif Bank or Abank, in 2013, becoming the first Qatari lender operating in Turkey.

Burgan Bank of Kuwait, which acquired Eurobank Tekfen for USD 349 million in 2012, and Bank Audi of Lebanon, which operates in Turkey under the name of Odeabank after receiving its banking license from Turkey’s regulatory authority in 2011, are among the entrants to Turkey’s highly lucrative banking market from the Middle East region.
The 6th Bosphorus Summit, organized by the International Cooperation Platform (ICP) - an independent institution founded with the principle of enhancing proactive multilateral and interdisciplinary cooperation for sustainable development - convened in Istanbul. Held this year with the theme “less poverty, more prosperity”, the summit brought decision-makers, leaders in politics, and non-profit organizations together with the worlds of business, education, arts, and media. ISPAT President Arda Ermut delivered a keynote speech in exclusive “Invest in Turkey” panel and addressed a select audience from different countries and backgrounds, all of whom are involved in efforts to increase prosperity and reduce poverty.

ISPAT Country Advisor to Spain Yasemen Koruççu, together with Turkish Ambassador to Spain Ömer Onhon and Commercial Counselor at the Embassy of Turkey in Madrid Fatma Kayhan, delivered a presentation on infrastructure projects and opportunities in Turkey at a conference held by Tecniberia (Spanish Association of Engineering, Consultancy and Technological Services) at the Confederation of Spanish Business Organizations (CEOE) in Madrid.

ISPAT President Arda Ermut was a jury member at the “Youthpreneur Arena” competition at the 5th International Young Businessmen Congress (IYBC2019) organized by the Independent Industrialists’ and Businessmen’s Association’s (MÜSİAD) Youth Council. Held biannually to bring together more than 3,000 entrepreneurs and business professionals from across the globe, the Youthpreneur Arena startup pitching event supports Turkish startups with potential to grow and connects them with powerful Turkish angel investors for seed funding and feedback.

UPCOMING EVENTS

15 Jan
High-Level Meeting with International Companies

As part of the 64th government’s action plan for 2016, a high-level meeting will be held at the Prime Ministry Dolmabahçe Office in Istanbul during which Prime Minister Ahmet Davutoğlu will address high-level executives of international companies operating in Turkey in a bid to provide them with a picture of Turkey’s economy and the upcoming reforms.

25 Jan
Seminar: Turkey as a Business and Investment Partner

The German Near and Middle East Association (NUMOV) will organize a seminar in cooperation with ISPAT in Berlin. The seminar is scheduled to open with a welcome speech by Ole von Beust, ISPAT’s Country Advisor to Germany. Following the opening speech, ISPAT President Arda Ermut will deliver a presentation on Turkey’s position as a business and investment partner for NUMOV’s member companies that are active in Near and Middle East region. Hüseyin Avni Karslıoğlu, Turkish Ambassador to Germany, and Peter Altmair, German Federal Minister and Head of the Federal Chancellery, will contribute to the event with their speeches.

24-26 Jan
The Global Competitiveness Forum (GCF)

The Global Competitiveness Forum (GCF) will focus on competitive sectors and will shed light on the ingredients that are essential in driving the competitiveness of sectors, the strategies that governments should follow to accelerate competitiveness, and most importantly, the role of competitive sectors in maintaining sustainable economic growth. Turkey’s Deputy Prime Minister Lütfi Elvan is scheduled to attend the forum as a panelist and hold a series of one-to-one meetings with Saudi Arabian investors. The Deputy Prime Minister will be accompanied by ISPAT President Arda Ermut and his team.
Turkish Automotive Industry

Turkey’s auto industry shifts into high gear with new models from global carmakers rolling out of Turkish plants

Turkey tops Europe in commercial vehicle production

The production of commercial vehicles in Turkey reached 408,000 units in the first nine months of 2015. According to data gathered by the Automotive Manufacturers Association (OSD), Turkey’s production of commercial vehicles increased by 34 percent over the same period of 2014, outpacing Spain to reach the top spot in Europe.

Automotive plants in Turkey rolled out a total of 974,000 vehicles in the January-September period, ranking sixth in Europe. Ford, Fiat, Hyundai, Renault, Toyota, Honda and other carmakers have production operations in Turkey where they utilize the country’s skilled labor force and strategic location to reach regional and global markets. Automotive exports generated income of USD 22.8 billion in 2014 with more than 885,000 vehicles produced in Turkey exported.

Hyundai rolls out first i20 Active from its Turkish plant

Hyundai’s first new i20 Active has rolled off the production line in Izmit, northwestern Turkey. Designed as a compact crossover, this latest variant of the South Korean manufacturer’s popular B-class hatchback will raise the Izmit plant’s output to 226,000 vehicles per year.

Hyundai relies on its Turkish plant, currently producing the i10 and i20 hatchbacks, to meet light-segment vehicle demand in Europe. The first batch of i20 Actives will be shipped to Germany followed by 1,000 more to other markets in Europe by the end of the year. The i20 Active will reach Turkish dealers in early 2016.

Established as a joint venture with Turkish Kibar Group, the Hyundai Assan plant in Izmit is the company’s longest-operating overseas facility and has received EUR 1 billion of investments to date. The company plans to export more than 200,000 vehicles in 2015, almost 90 percent of its production in Turkey.

“Made in Turkey” Fiat sedan receives AUTOBEST 2016 award

The Turkish-engineered and built Fiat Tipo, marketed under the name of the Fiat Egea in Turkey, has received the prestigious “AUTOBEST 2016” award from AUTOBEST by overcoming rivals such as the new Opel Astra, Hyundai Tucson, Honda CR-V and Mazda CX-3. AUTOBEST, an independent organization comprising a jury of 26 motoring journalists from 26 European countries, voted in favor of the new Fiat for its value for money and functionality, two crucial factors for success in an increasingly crowded market. Koç Holding Automotive Group, the Turkish partner of the Turkish-Italian joint venture Tofas and the maker of Fiat Egea, was awarded the COMPANYBEST 2015.

Tofas’ R&D department was heavily involved in the design and engineering of the Tipo/Egea platform. Reaching a local procurement ratio of 70 percent, the platform will come in hatchback and station wagon versions by mid-2016. Tofas exports the vehicle to more than 40 countries in Europe, the Middle East and Africa.
The Daimler Group company Mercedes-Benz acquired EUR 1 billion worth of supplies from Turkish auto parts industry in 2014, according to the CEO of its Turkish subsidiary, Britta Seeger.

Speaking to motoring journalists, Mercedes-Benz Türk CEO Seeger said that Turkish-made parts and components were primarily used in their manufacturing operations in Germany. Last year, EUR 700 million worth of supplies acquired from the Turkish automotive supply industry found their way into the prestigious brand’s German-made vehicles. The rest were used in Mercedes-Benz Türk’s production operations in Turkey.

“Our presence and production in Turkey is expanding,” Seeger said, signaling an increase in procurements from Turkey. Speaking of the company’s investment plans in Turkey, Seeger said that Mercedes was looking into an R&D investment in Turkey. “Mercedes-Benz carries out endurance tests in Turkey, we are evaluating the country for other R&D-related operations,” she said. The company’s Turkish subsidiary currently manufactures heavy trucks and buses in two plants in Istanbul and Aksaray, exporting to more than 70 countries.

Home to production plants of global brands including Ford, Toyota, Honda, Renault and Fiat, the Turkish automotive industry meets growing domestic demand but also has become a leading supplier of vehicles for regional and global markets.

With years of experience supplying globally well-known automotive brands, Turkey’s spare parts industry is also an important contributor to the country’s automotive exports, accounting for USD 9.5 billion out of the industry’s export total of USD 22.7 billion in 2014.

Renault to restart Megane sedan production in Turkey

French carmaker Renault will restart the production of Megane sedan in its Turkish plant in 2016, according to reports. Ditching the Fluence sedan for a revamped Megane, the Oyak Renault plant in Bursa will also continue to manufacture the Clio supermini and its station wagon version, Clio Sports Tourer.

One of the French company’s most popular models, the Megane is currently being manufactured in Bursa plant in its station wagon and hatchback forms. To be announced officially in January, the Oyak Renault plant in Turkey will be the sole manufacturer of the new Megane sedan. The plant manufactured 519,000 Megane sedans between the years 2003 and 2009.

The leading exporter in Turkey’s automotive industry with over 240,000 vehicles shipped abroad in 2014, Renault manufactured over 310,000 cars in Turkey during the first 11 months of 2015. Likely to reach 340,000 units by the year-end, the company plans to reach an output of 360,000 vehicles in 2016.