



REFORM ACTION GROUP MEETS FIRST TIME UNDER CHAIRMANSHIP OF PRESIDENT ERDOĞAN

President Recep Tayyip Erdoğan chaired the 6th meeting of the Reform Action Group held on May 9, 2019, under the coordination of Directorate for EU Affairs, Ministry of Justice, Ministry of Foreign Affairs, Ministry of Treasury and Finance, and Ministry of Interior.

Turkey will continue working towards its strategic goal of becoming a full member of the European Union, said President Erdoğan during his address at the meeting. On the modernization of the customs union, President Erdoğan highlighted the benefits not only for Turkey but also for Europe, adding, "we need to escalate the reforms that would liven up our economy."

"WE WILL NOT STOP OR REST UNTIL WE REACH OUR 2023 TARGET"

President Recep Tayyip Erdoğan also spoke at the Innovation Week and İnovaLIG Awards Ceremony organized by the Turkey Exporters Assembly (TIM). "We will not stop or rest until we reach our 2023 target. The more we open to the world, the closer we will come to achieving our goals," said President Erdoğan during his speech at the ceremony.

Turkish exports registered a 5.38 percent rise and hit USD 15.3 billion in April. Imports dropped by 14.6 percent and fell to USD 18.1 billion, while the foreign trade deficit dropped by 57.8 percent to USD 2.83 billion in April. The export to import ratio rose to 84.4 percent.



Turkey is pressing forward with a series of positive reforms. Over the past few weeks, the Reform Action Group and YOIKK meetings were held under the chairmanships of President Recep Tayyip Erdoğan and Vice President Fuat Oktay respectively. Steps to be taken in line with Turkey's 2023 vision were discussed in these meetings.

May 2019 was also a fruitful month in terms of foreign direct investments. A number of global companies announced investment decisions in Turkey. We foresee that these decisions will lead to a rise in FDI inflows into Turkey in the coming period.

Arda ERMUT
President, Investment Office

REBALANCING AND REBOUNDED PROCESS CONTINUE IN THE TURKISH ECONOMY

The Turkish economy is continuing its rebalancing, rebounding on the back of industrial production, which expanded for the third consecutive month through March. Capacity utilization rate in manufacturing reached 75 percent in April, while employment generated 68,000 new jobs in February and retail sales rose for the third consecutive month through March.

INDUSTRIAL PRODUCTION INCREASED IN MARCH

In March, industrial production in Turkey was up 2.1 percent compared to the previous month. It is seen that the signs of recovery that have been observed for a while and more clearly in February, continued gaining strength in March.

In line with the strong positive changes on the monthly basis of the industrial production series and the decrease in the contraction momentum on the yearly basis, Turkey is eyeing continuing improvement in industrial production for the rest of 2019.

CBRT UNVEILS INFLATION REPORT 2019-II

On April 30, the Central Bank of the Republic of Turkey (CBRT) announced the Inflation Report 2019-II. CBRT kept inflation forecast at 14.6 percent (midpoint 14.6 percent, 12.1 percent - 17.1 percent forecast range) and 8.2 percent (5.1 percent - 11.3 percent range, with a midpoint of 8.2 percent) for 2019 and 2020 respectively. The CBRT's 2019 average estimate for oil prices rose from USD 63.1 to USD 67.2 per barrel.

CURRENT ACCOUNT DEFICIT LOWER THAN EXPECTED IN MARCH

Turkey's current account deficit in March amounted to USD 590 million against a market expectation of USD 1 billion, while the annualized current account deficit decreased to USD 12.83 billion in March.

On the financing side, Turkey saw an FDI inflow of USD 1.14 billion in March 2019. Comparative analysis of FDI figures can be found in the chart below.



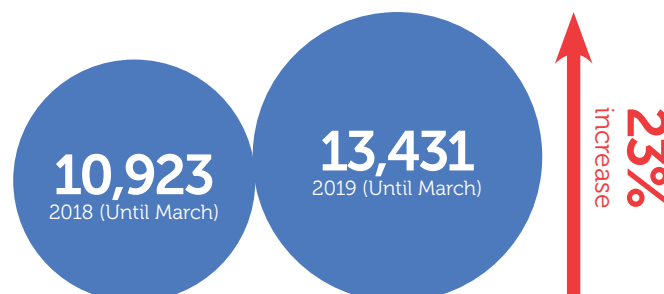
YOIKK HOLDS ITS FIRST MEETING WITH NEW STRUCTURE

The Coordination Council for the Improvement of the Investment Environment (YOIKK) convened on April 25 under the presidency of Turkish Vice President Fuat Oktay, to lay out a revisionist road map for reform that will further strengthen Turkey's investment environment. Besides Chairman Vice President Fuat Oktay, the council will also include:

- ◆ Energy and Natural Resources Minister
- ◆ Environment and Urban Planning Minister
- ◆ Family, Labor and Social Services Minister
- ◆ Industry and Technology Minister
- ◆ Justice Minister
- ◆ Trade Minister
- ◆ Transport and Infrastructure Minister
- ◆ Treasury and Finance Minister
- ◆ President of Strategy and Budget Directorate
- ◆ Investment Office President Arda Ermut

Speaking at the meeting, Vice President Oktay said that Turkey showed an improvement of 17 places and ranked 43rd in the World Bank Doing Business Report 2019. Oktay added that investments have contributed 2.4 points to the 5.5 percent annual average growth rate over the last 16 years in Turkey.

ANNUALIZED FDI INFLOWS (MILLION USD)



MAY SEES PLENTY OF INVESTMENT ANNOUNCEMENTS IN TURKEY MADE BY GLOBAL COMPANIES



SOCAR - the largest foreign direct investor in Turkey- and BP plan to start construction of a new petrochemical plant in Turkey at the end of 2020. The investment cost of the SOCAR-BP joint project is expected to stand around USD 1.8 billion and the construction is expected to be completed by 2023. Once up and running, it is projected that the facility could help decrease Turkey's current account deficit by up to USD 5-6 billion annually.



Tofas, a joint venture of Turkey's Koc Holding and **Fiat's Chrysler**, has decided to pursue a facelift investment of the Egea car family produced in its facility. The investment is expected to reach approximately USD 225 million by the end of 2020.



Turkish paint manufacturer Betek Boya, known for its brand **Filli Boya**, was acquired by Japan-based **Nippon Paint Holdings Co.** The Investment Office was involved throughout this process.



Turkey's first intermodal cargo terminal, financed by Turkish logistics company Arkas Holding, the **European Bank for Reconstruction and Development (EBRD)**, and the Industrial and Commercial Bank of China (ICBC) is expected to launch in 2020. The EBRD and ICBC Turkey are each financing USD 30 million of loans to the USD 80 million investment. The operator of the world's largest intermodal cargo terminal, Germany's Duisport, has around a one-third stake in the project.

The European Bank for Reconstruction and Development

also acquired a USD 100 million stake in a subsidiary of Turkish firm IC Ictas Energy. The financing is expected to be used in investments for wind farms and solar projects.



Powering Business Worldwide

US multinational power management company **Eaton Corporation** purchased 82 percent of Turkey's Ulusoy Electric. The transaction amounted to USD 285 million.



Turkey's Boyner Holding and Qatari investment firm **Mayhoola** have decided to share and restructure Boyner Retail's company portfolio. Under the agreement, Boyner Holding will be the sole owner of Boyner Grand Retailing Inc. and Altinyildiz Textile, while Mayhoola will hold a majority share in the Beymen and Ay Marka brands, with a 96.89 percent stake. This agreement will be the largest foreign investment in the Turkish luxury retail and fashion sector to date.

TOYO INK GROUP

Japanese ink giant **TOYO Ink**, which had entered the Turkish market two years ago by acquiring Dyo's manufacturing plant for printing ink, will be opening its second factory in the Manisa Organized Industry Zone. The investment for the new factory is estimated to be around TRY 300 million. The Investment Office supported the realization of this investment.

TURKEY ESTABLISHES 6 NEW INDUSTRIAL ZONES



With the Presidential decree that came into force in May 2019, six new investment-friendly industrial zones were established.

The Minister of Industry and Technology Mustafa Varank announced that the six specially designed industrial zones with an investment of USD 3.7 billion would have a positive impact on lowering Turkey's current account deficit. "The investment amounts in the announced industrial zones and sectoral diversification serve Turkey's goal to ensure a transformation led by high-value added production," said Varank.

The first special industrial zone was established as the STAR refinery of the State Oil Company of Azerbaijan, which was inaugurated in late 2018.

EVENTS

MAY 24 | SINGAPORE

Investment Office held the "Investment Opportunities in an Emerging Market – Venture Capital Development in Turkey" seminar in Singapore in collaboration with TÜBİTAK and Ministry of Treasury and Finance.

Dentons Rodyk Academy welcomed Murat Lütem, Ambassador of the Republic of Turkey to Singapore; A. Emre Büyükkılıç, Country Advisor of Investment Office; Barış Özistek, Director of Boğaziçi Ventures to address an exclusive group of guests on venture capital development and investment opportunities in Turkey.



MAY 13-15 | WASHINGTON D.C. - USA



The Investment Office was a sponsor at the 21st Annual Global Private Equity Conference held in Washington D.C. on May 13-15. The conference included an exclusive panel session entitled "Turkey Luncheon: Addressing Successful Exits, Political Risk, and Investment Opportunity" that featured speakers from the Turkish Finance Office and the Sovereign Wealth Fund.

APRIL 25 | LONDON - UK



On April 25, Necmettin Kaymaz of the Investment Office presented on the recent economic developments in Turkey at the 7th Annual Invest in Turkey Forum in London, highlighting the Turkish economy's resilience and long-term macro fundamentals. Also, during the 7th Annual Invest in Turkey Forum, Murat Özdemir of the Investment Office moderated a panel on Turkey's investment climate and infrastructure sector outlook.

APRIL 24 | ISTANBUL

On April 24, the Investment Office kicked off its new automotive and communications project, **The Future of the Automotive Industry**. The project includes a series of workshops in Turkey and in the US, and will work on the disruptive technologies in an effort to respond how these emerging technologies will affect the automotive industry in the upcoming years. The first workshop was held on April 24, and attended by over 30 high-level executives from automotive companies, tech start-ups, academy, and non-governmental organizations.



APRIL 16-19 | GAZIANTEP - TURKEY

On April 16-19, the Middle East and North Africa Business and Investment Forum organized by the Investment Office and the Silkroad Development Agency took place in Gaziantep. High-level businessmen from Saudi Arabia, Kuwait, UAE, Qatar, Jordan, Lebanon, Sudan, Pakistan, and Yemen attended the forum. Speaking at the forum, Mustafa Göksu of the Investment Office invited investors to Turkey, adding that Turkey is a leading country in incentives and government support for investments.



PRESIDENCY OF THE REPUBLIC OF TURKEY
INVESTMENT OFFICE

Investment Office, the official investment advisory body of Turkey, is a knowledge-center for foreign direct investments and a solution partner to the global business community at all stages of investments. It provides customized guidance and qualified consulting before, during, and after entry into Turkey.

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