

MONTHLY BRIEF

TURKEY-U.S.
ECONOMIC OUTLOOK



JULY
2017



Monthly Brief

TURKEY-U.S. ECONOMIC OUTLOOK

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 business 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%

Turkey's annualized exports increased by 5% in May 2017 (latest available data) and registered the fastest growth rate of the last 21 months. Exports reached \$148.1 billion, imports are at \$207.6 billion.

10.9%

June CPI inflation is registered as 10.9% and has been lower than market expectations.

1.96%

Deposit rates in Turkey increased by 1.96%, whereas average increase in credit interest rates has been 1.03%.

11.95%

The weighted average cost of funding on the liquidity that the Turkish Central Bank provides to the market is around 11.95%.

Growth

Turkey's GDP growth rate of 5% in the first quarter of 2017 has beaten expectations. While the increase in public and private consumption spending have been the major contributors to growth, low level of increase in investment spending constitutes an area of concern. Further breakdown of investment spending reveals that machinery and equipment investments decreased by 10% compared to the first quarter of previous year. Hence, questions loom about the sustainability of this growth performance, as current demand based growth is not supported by increase in productive capacity. On the other hand, two digit increase in exports and the positive contribution of net exports to growth have been encouraging indicators.

Exports: Enduring Positive Outlook

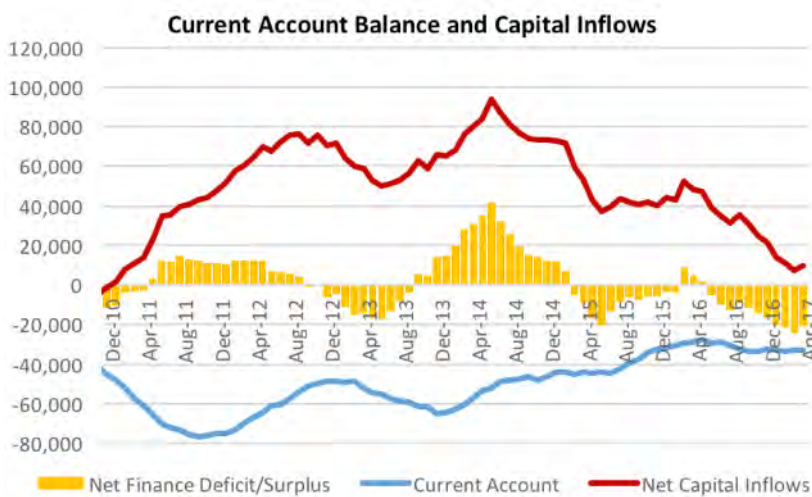
Turkey's annualized exports increased by 5% in May 2017 (latest available data) and registered the fastest growth rate of the last 21 months. While exports reached \$148.1 billion, 4.4% increase in imports which now reached \$207.6 billion resulted in a foreign trade deficit of \$59.5 billion. Nevertheless, the share of gold in Turkey's foreign trade is on the rise which may result in deceptive evaluations. A closer look into the country's foreign trade figures excluding gold trade for instance, demonstrates that Turkey's foreign trade deficit decreased by 6.3% as opposed to the overall increase in this figure.

EU continues to be the major force behind Turkey's decent export performance and this trend is expected to continue due to the relatively positive outlook for the EU's economic growth. Furthermore, the possible fluctuation of euro/dollar parity around 1.10 and above is expected to have a positive effect on Turkish exports, as exports made in Euro – mainly to the EU market – will register higher dollar value in such circumstances. Euro/dollar parity of 1.10 and above will also have additional positive contribution to the profits of companies importing in dollars and exporting in euros.

Overall, further proliferation of Turkey's exports in the third quarter, despite potentially a relative downward trend in Q4, is expected, resulting in a single digit growth performance staying over 5% for the whole year. Despite the medium-term positive outlook in exports, strong growth of domestic demand might also trigger further increase in imports, hence bringing the familiar current account deficit discussion on top of the agenda in the fourth quarter.

Net Capital Inflows: Clouds Looming?

The chart below shows annual net capital flows into Turkey, the country's current account deficit and the net financing balance as a result of their difference. A closer examination of the chart reveals that both net capital inflows and current account deficit were on a declining trend until the end of 2015. However, the year 2016 and beyond registered a similar slowdown in financing inflows whereas the downward trend in current account deficit (CAD) stopped and the CAD demonstrated a relatively horizontal trend. A natural outcome of such development has been increasing net financing deficit since the end of 2015, which is registered under net error and omissions headline in the country's balance sheet, referring to decreasing reserves or unaccredited capital inflows.



Experts think that if the possible increase in CAD reinforced by solidifying domestic demand in the short to medium term is not accompanied by rising capital inflows from abroad, Turkey's net financing deficit may increase, hence putting further pressure on Central Bank reserves.

Another major area to be affected by low net capital inflows relates to financing the growth. Turkish economic growth has been largely financed by foreign capital inflows between 2003

and 2013. However, the stagnation of such inflows points to future problems in financing growth as well as its side effects.

On a similar note, credit capabilities of banks are directly related to the accessibility of funding pool available for lending. Two main items feeding this pool are the monetary policy stance of central banks and the amount of foreign capital inflows into the country. In Turkey's case, decrease in foreign capital inflows is accompanied by tight monetary policy of the Central Bank due to inflationary and financial stability concerns. In other words, neither the stance of the Central Bank nor international markets currently support the necessary credit increase to finance economic growth.

Financial Markets: Market Readjustment?

The utilization of the Credit Guarantee Fund (CGF) to boost credits in such an atmosphere also led to increasing interests on deposits. Deposit rates in Turkey increased by 1.96% whereas average increase in credit interest rates has been 1.03%. Such a difference means that banks preferred to increase credits despite lower profit margins. Experts think that in case this gap between deposit and credit interest rates reduces in the near future, demand for credit may slow down.

Another factor putting upward pressure on credit interest rates is Turkish Treasury's need for further borrowing due to expansionary fiscal policies. Treasury's plan for the debt rollover ratio in the next 3 months is 130%. In other words, Turkish Treasury is planning to borrow 130 TL from the markets for every 100 TL payment on its debt.

On the inflation side, June inflation realized at 10.9% has been lower than market expectations. Experts expect that over 1 point positive base effect in the month of July, reinforced by downward pressure on food prices due to increased agricultural imports may further bring annual CPI down to single digits in July. Such an ease of inflationary pressure may also provide room for the Central Bank to lower the weighted average cost of funding (currently around 11.95%) on the liquidity that the Bank provides to the market. The fact that the current level of weighted average cost of funding in Turkey represents the highest nominal rate among similar developing countries is another factor in this estimate.

Source: *InnoNative Advisors*



TURKEY: NEW COMPANIES INCREASE IN JUNE

The number of newly established companies in Turkey rose by 8.5 percent year-on-year to reach 5,952 in June, the Turkish Union of Chambers and Commodity Exchanges (TOBB) revealed.

According to the union, 1,016 companies went out of business in the month, which saw an increase of 29.3 percent compared to June 2016. The figures also showed that a total of 462 foreign-partnered or foreign-funded new companies launched in June, of which 115 were founded directly by Syrians or by them in partnerships.

In the first half of the year, 36,299 new companies started their businesses in the country, an annual decrease of 1.3 percent, according to TOBB. The figures from the union showed an 11 percent year-on-year rise in the number of companies went out of business to reach 5,898 from January to June. The number of foreign-partnered or foreign-funded new companies reached 2,838 in the same period.

TURKCELL CLIMBS TO A 52-WEEK HIGH AT THE NYSE

Turkey's largest telecommunications operator, also a TAIK member, Turkcell's stocks climbed to its 52-week high at the New York Stock Exchange

At a special interview following the closing bell ringing ceremony at the NYSE, Turkcell CEO Kaan Terzioğlu answered CNN's Richard Quest's questions.



For the past 17 years, Turkcell has been the first and only Turkish company listed on the New York Stock Exchange. Terzioğlu shared that they hope it will not be long for the 'only' bit, but the 'first' bit makes them proud.

Terzioğlu added that Turkcell employs 5000 people and 1000 of them are focused solely on R&D. "If you are a resourceful company, why not create the best digital services applications yourselves? We started this journey 2.5 years ago."

Terzioğlu continued on to tell about the innovations Turkcell has done recently: "Now we have fantastic instant messaging platform, competing with the likes of WhatsApp [...] we have a fantastic music platform, called Fizy, competing with Spotify. It is two times bigger than Spotify in Turkey. And we have a TV platform which is actually watched 51 minutes per day. So, we have discovered a new world."

As a response to Quest's question whether big competitors' great forces that they might bring against Turkcell would hinder its growth, Terzioğlu answered: "As a telecom operator we have unique capabilities. These are: identity management, call management capabilities, access, nation-wide resources, and on top of that, when you bring the innovation of creating a fantastic application, that is unbeatable."

Sharing his view of telecom companies in emerging markets, Terzioğlu added: "I think telecommunications in emerging markets is such an important tool for country's success, democratization and access to equal opportunities."

CONSUMER CONFIDENCE INDEX RISES IN TURKEY

Turkey's consumer confidence index was higher month-on-month in July, according to Turkish Statistical Institute (TurkStat) data.

The consumer confidence index is seen as a vital gauge of the overall health of the economy, indicating people's sentiments about spending their money, which in turn gives clues about economic vitality.



The index saw an increase of 1.9 percent to 71.3 in July from the previous month, TurkStat said. All sub-indexes except general economic situation ex-

pectation were higher, according to the data.

The probability of saving index -- indicating people's expectation on earning enough money to save -- showed the sharpest increase, up 5.8 percent to hit 23.3 in the month from 22.1 in June. The unemployment expectations index -- a gauge of sentiment about the health of the labor market -- increased by 5.2 percent to reach 74.4 in July.

"The financial situation expectation of household index increased by 2.1 percent compared with the previous month and became 91.9 in July," TurkStat said. However, general economic situation expectation saw a decrease of 1.6 percent month-on-month to 95.7 in the month.

RAPID PROGRESS MADE IN TURKSTREAM GAS PROJECT IN 2017

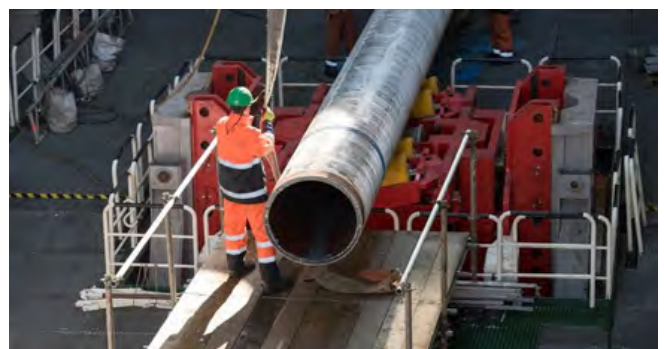
The TurkStream natural gas pipeline project has shown rapid progress in 2017, according to the International Energy Agency's (IEA) latest natural gas report.

"The TurkStream pipeline project linking up Russia with Turkey via the Black Sea is believed to be making rapid progress, following the ratification of relevant intergovernmental agreements and the signature of a pipeline-laying contract in 2016," the IEA said.

The agency noted that the construction of the pipeline started in May 2017 and is expected to be finished in late 2019. The agency confirmed that Turkey is the second-largest importer of Russian gas, bringing in around 27 billion cubic meters per year, and covering more than 55 percent of its domestic demand.

For Russia, gas flows to Turkey represent 17 percent out of all its exports to Europe. The first line of the project will supply 15.75 billion cubic meters of

gas to Turkey.



The project's first line will also replace Russian gas currently supplied via the Ukraine route to Turkey. "A second line may be built if the onward route through the European Union is available to transport gas to European countries," the IEA reported.

TURKEY AND THAILAND START FREE TRADE AGREEMENT TALKS

Turkey and Thailand signed a declaration in Ankara to start negotiations for a free trade agreement.

Speaking at the signing ceremony, Turkish Minister of Economy Nihat Zeybekci said that once the agreement becomes operational, trade volume will double in three years.

“According to our impact analysis, exports of both countries to each other is projected to rise by 40 percent,” Zeybekci said. In its first phase the agreement would only cover goods’ trade, however it will gradually expand to other sectors. Zeybekci noted that Turkey’s balance of trade with Thailand was unfavorable.

Turkey’s exports to Thailand valued \$164 million while its imports from the country stood at \$1.5 billion in 2016, according to Turkish Statistical Institute. Zeybekci said that Thailand would become an important trade partner for Turkey after the signing of the agreement.

“Turkey has signed free trade agreements or preferential trade agreements with most of its neighboring countries, besides the EU and the customs union. We aim to move this perspective to ASEAN

and far east Asian countries,” Zeybekci said. Zeybekci stated that the first round of the negotiations, starting after the signing, will continue for two days.



Thai Commerce Minister Apiradi Tantraporn said a comprehensive free trade agreement will boost economic growth and create employment opportunities. “We will first emphasize on trading goods where non-tariff and tariff barriers will be reduced, to facilitate trade and investment between the two countries,” Tantraporn said. She said that a twofold increase in trade volume proposed in the agreement was not a difficult target to achieve.

ENERGY’S REAL WINNERS: ADOPTERS OF UNIQUE TECHNOLOGIES

The real winners of energy will come from countries that are able to adapt to the unique technologies for sustainable energy at affordable prices, Urban Rusnak, secretary general of the International Energy Charter, said at the 22nd World Petroleum Congress held in Istanbul.

Rusnak told Anadolu Agency at the 22nd World Petroleum Congress in an exclusive interview that for a country like Turkey, which is at a high level of development, it is important to use all affordable energy sources and to develop a very diversified energy portfolio -- the best strategy for the country.

“The Turkish government applies this currently,” he noted. Rusnak said that current global energy players are at the crossroads of very different trends and very fast technological development. He added that it is difficult to predict what technology will be considered essential, and therefore advised to hedge bets on all upcoming technologies.

Technology solutions are changing at such a fast pace that those that were deemed developing technologies a couple of years ago are now considered critical. He cited the example of carbon capture and storage in this context.

“This is a period of winners emerging not from countries with traditional advantages like oil, gas coal and big fleets,” Rusnak said, adding, “The real winners will come from countries that are able to adapt themselves to the unique technologies for sustainable energy with affordable prices. What are those unique technologies? It’s very hard to say.”

Greater photovoltaic efficiency, industrial-scale affordable storage - key for major change. Rusnak emphasized that renewables could be a winning solution if coupled with very efficient storage technology.

“Personally, I don’t think the current level of renewables technology at an industrial scale is efficient enough to provide universal solutions. It could be in the future, but to make this happen we have to solve two major issues. We should increase the efficiency of photovoltaics -- a universal source of sunlight and the second issue is affordable storage at an industrial scale,” he explained.

“We cannot just have one of them, we should have both. But if this happens, it would change everything in the energy world and in societies as well,” he said. Similarly, Rusnak recounted the monumental changes made within a lifetime in the communication sector with technological progress that transfigured fixed-line phones into omnipresent smartphones with ever-growing computing power and new functionalities.



“Within the past 20 years this technology has changed our societies and we have not seen the final impact yet. We have to expect a similar level of disruption as a result of energy sector transformations in the next 20 years,” he said. He also stressed that diversification in all areas is the most rational policy for development. “We shouldn’t be narrow-minded. All countries should consider many options,” he argued.

The liquefied natural gas (LNG) market is a fuel that will see many changes in the near future, Rusnak asserted. “We have to take into account that Qatar will not lead in LNG anymore. So probably in the

coming one to two years Australia may overtake as the biggest supplier,” he said.

“The U.S. is one of the biggest consumers and producers of gas, but I don’t think they will become a major supplier in the global market. They may construct many LNG terminals but there is the question of price. We may end up with a price war in gas and gas-to-gas competition.” He maintains that the question for gas prices is in the extent to which it can drop down and still be sustainable.

Only part of the gas chain will continue to be traded and linked to oil, Rusnak said and explained, “I see that overall in the medium term, the gas market will face a very significant oversupply on a global scale. We may see a very similar picture as we see in oil now.” He projected that the escalation of competition between traditional and shale producers will occur in the coming decade, warning that “we don’t have an immediate picture.”

At the end of June, the United Arab Emirates (UAE) became the first country of the Gulf Cooperation Council to sign the Declaration, joining the International Energy Charter family.

The Energy Charter Treaty provides a multilateral framework for energy cooperation that is unique under international law. It is designed to promote energy security through the operation of more open and competitive energy markets while respecting the principles of sustainable development and sovereignty over energy resources.

“I would like to make an important remark here. Since the International Energy Charter was agreed, the process was open to beyond its traditional area. All countries in the International Energy Charter are looking to build bridges. Our organization has always been designed to accommodate the interests of energy producing, consuming and transiting countries and it is not working in favor of one group.

“It’s about protecting, promoting investment and increasing energy cooperation. For example at the beginning, Azerbaijan and Kazakhstan used to be countries consuming investments, but in five

years they followed the same logic as some petroleum-rich nations and have been doing so for some time and now they have become investors down in the value chain in the EU and Turkey,” he said.

The Energy Charter Treaty was signed in December 1994 and entered into legal force in April 1998.

OVER HALF OF ISTANBUL'S GIANT THIRD AIRPORT PROJECT COMPLETED, TURKISH PM SAYS

Over half of the construction of Istanbul's third airport, which is projected by the government to be the largest in the world, has been completed, Prime Minister Binali Yıldırım has stated.

“At the moment, 55 percent [of the airport] is ready. It will be completely finished by Oct. 29 next year,” Yıldırım told state-run Anadolu Agency following an aerial tour of the site on July 9.

Once finished, the new facility will initially provide service for 90 million passengers, he added. “Even just the first phase is on the scale of today's world's largest airport. In the end it will actually end up being even bigger. Therefore, with our [new] airport, our country will become an aviation meeting point for Africa, Europe, the Middle East and Asia. Of course, this will bring a whole new dimension to the local and global economy,” Yıldırım said.

“We are building a metro network for our citizens connecting the center of the city with the third airport. We are also continuing work to connect it to highways. There is a lot of ongoing work. It's almost like building a new city from scratch,” he added.

Currently, almost 30,000 employees work on the site, where 8,000 construction machines are operating, the prime minister said. “Once the first stage is finished, this place will be like a city directly employing 100,000 people ... What's our country's biggest problem currently? Work opportunities. But through this project, we are providing work and food for our citizens,” Yıldırım said.

“Years ago, Istanbul's coal was distributed from this point,” he added, referring to the site of the project

located to the north of Istanbul. “Because of those coal mines, the terrain was very rough. It was an abandoned area with potholes and water that had accumulated all around them. What did we do? We gave them this pothole and told them to build the world's largest airport. Today, we are building an airport. On top of that we will receive 26.5 billion Euros from it over the course of 25 years,” he said.



Putting the investment volume at more than 10 billion euros, Yıldırım claimed that “not a penny is being spent on the project from the pocket [of the citizen].” IGA Airports, the contractor, will operate the facility for 25 years, paying 1.05 billion euros in annual rent, before handing it over to the state. Aside from the construction of the airport, Yıldırım also visited the fast train and suburb line between Istanbul's Halkalı neighborhood and neighboring Gebze, a television tower in Çamlıca, the under-construction July 15 Martyrs Memorial and the under-construction Çamlıca Mosque in Istanbul.

ERDOGAN: TURKEY WANTS TO START SINOP NUCLEAR PLANT CONSTRUCTION

Turkey wants to start construction of its planned second nuclear plant in the Black Sea province of Sinop as soon as possible and has already started working on a planned third nuclear plant, President Recep Tayyip Erdoğan said on July 10.



Speaking at the World Petroleum Congress in Istanbul, Erdoğan said Ankara was ready to evaluate new projects, including gas projects in the East Mediterranean and Iraq. “We have accelerated our investments in nuclear energy. Once our first and second nuclear plants, in Mersin’s Akkuyu and Sinop, become fully operational, they will meet a minimum of 10 percent of our total energy needs. We have recently further strengthened our Akkuyu project with Russia by adding our local capital to the project,” he said.

“We also want to start construction of our second nuclear power plan as soon as possible. We discussed this issue with Japanese Prime Minister Shinzo Abe during the G-20 Summit,” he added, also noting that work had started for a planned third nuclear power plant. Russia’s state-owned nuclear energy conglomerate Rosatom agreed to sell a 49 percent stake in the giant nuclear project in southern Turkey to Turkish investors in a preliminary agreement on June 19 on the sidelines of a nuclear conference in Moscow.

The stake in the Akkuyu project was sold for an undisclosed sum to the three Turkish companies Cengiz, Kolin and Kalyon - dubbed “CKK” as a consortium - which are already active in construction and energy sectors. Each of these companies will have an equal stake. A Franco-Japanese consortium is due to build Turkey’s second nuclear plant in Sinop.

TURKEY’S UNCONVENTIONAL ENERGY POTENTIAL IS GREAT: VALUERA CEO

There is a great opportunity for unconventional energy reserves in Turkey’s southeast and northwest, Jim McFarland, president and CEO of Canada’s Valeura Energy, stated at the 22nd World Energy Congress in Istanbul on July 12

Speaking at a panel titled “Unconventionals – The New Conventional,” McFarland said knowledge transfer in unconventionals from North America to other regions around the world, including Turkey, is a possibility. “You have the right environment to make these kinds of commitments in Turkey and to develop unconventional opportunities,” he said. “Turkey has established petroleum laws dating back to 1926. It is administered by a very professional and efficient regulatory body called the General Directorate of Petroleum Affairs of Turkey. You can get things done in Turkey and can do business here,” he added.



ket is ready for domestic gas production, McFarland stated. “Producers in Turkey can capture Brent-related oil prices and pretty significant natural gas prices,” he explained. McFarland stressed that Turkey’s location at the crossroads of Europe and the

Middle East, forms a “natural energy hub,” while also asserting that the country’s policies reflect a sophisticated view of the energy business.

Noting that Turkey currently produces less than 5 percent of its domestic needs from oil and gas, he said there are a number of proven hydrocarbon basins in the country that are relatively underexplored. “Particularly on the unconventional side, we think there is still a great opportunity here both in southeast Turkey in the Anatolia Basin as well as the Thrace basin in northwest Turkey,” he asserted.

Conventional oil, which is liquid at atmospheric temperature, can be produced by using traditional drilling methods while unconventional oil requires advanced production methods due to its geologic formation and its density, which means that it does not flow freely and independently.

The U.S. Energy Information Administration (EIA) estimates that total recoverable resources from shale in Turkey could exceed 23 trillion cubic feet of gas and about 4.7 billion barrels of oil, McFarland stated. Valeura Energy has been active in the Thrace Basin for over six years and the company recently entered a joint venture with Statoil for shale gas exploration, he added.

McFarland emphasized their belief in unconventional potential in Turkey and highlighted “significant investments” that the company will undertake. “What we like about Turkey is the fact that it provides an excellent fiscal regime,” he said, adding that they are putting their best efforts to have meaningful results from the studies that they have conducted in the country.

“We are applying all the modern seismic acquisition and interpretation techniques. Modern drilling and fracture stimulation technologies will be applied here with our partners, including Halliburton,” he said. “The investments that we are planning are significant,” he asserted, underlining that in the fourth quarter of the year, the results of their studies will be announced. Valeura Energy, established in 2010, is a Canada-based public company engaged in the exploration, development, and production of petroleum and natural gas in Turkey.

The company has executed a number of transactions and currently holds interests in 21 production leases and exploration licenses in the Thrace Basin of Turkey. Valeura’s petroleum and natural gas sales in the Thrace Basin of Turkey in the first quarter 2017 averaged 807 barrels of oil equivalent per day.

IMF PRAISES TURKISH ECONOMY, MAINTAINS GLOBAL GROWTH FORECASTS

The International Monetary Fund (IMF) has hailed Turkey’s 2017 economic growth thanks to a strong recovery in the country’s exports in its updated World Economic Outlook, in which the fund kept its growth forecasts for the world economy unchanged for this year and next, although it revised up growth expectations for the euro zone and China.

In its updated outlook, which was published on July 23, the IMF forecasted that in Emerging and Developing Europe, growth is to pick up in 2017, primarily driven by a higher growth forecast for Turkey, where exports recovered strongly in the last quarter of 2016 and the first quarter of 2017 following four quarters of moderate contraction and external demand is projected to be stronger with improved prospects for euro area trading partners.

IMF did not make any change in its growth forecast for Turkey. In its previous report, which was published



in April, the IMF forecasted that the Turkish economy would grow 2.5 percent in 2017 and 3.3 percent in 2018.

The global economic recovery is on firmer footing as improving growth in China, Europe and Japan offset downward revisions for the United States and Britain, the Fund said. However, wage growth remains sluggish, which risks increasing tensions that have pushed some countries toward more anti-global policies, while efforts to erode financial regulations put in place since the 2008 crisis could erode stability, the IMF warned.

“The recovery in global growth that we projected in April is on a firmer footing; there is now no

question mark over the world economy’s gain in momentum,” IMF chief economist Maurice Obstfeld said, as quoted by AFP on July 24. “Recent data point to the broadest synchronized upswing the world economy has experienced in the last decade,” he said, presenting the latest update by the World Economic Outlook (WEO).

The fund still expects the global economy will grow by 3.5 percent in 2017 and 3.6 percent in 2018, the same as April’s WEO.

Key revisions for US, UK

However, the unchanged forecast masks some significant revisions, including in the United States where the IMF downgraded its growth estimate last month after judging that spending plans promised by U.S. President Donald Trump that had been expected to provide a boost to the economy were stuck in limbo.

The U.S. estimate was cut to 2.1 percent for this year and next, down 0.2 points and 0.4 points, respectively, from the more optimistic forecast in the last report.

The outlook for the British economy was also revised down by 0.3 points to 1.7 percent this year on weaker-than-expected activity in the first quarter, while the impact of Brexit “remains unclear.”

But those downward revisions were offset by the improving outlook in key economies, including the euro area where growth prospects have improved in France, Germany, Italy and Spain. The euro area now is projected to see economic growth of 1.9 percent this year and 1.7 percent in 2018.

FITCH AFFIRMS TURKEY'S RATING AT BB+

Fitch Ratings on July 21 maintained its 'BB+' rating for Turkey with a stable outlook.

The country's credit rating is a balance of "high external financing vulnerabilities" with "a long commitment to fiscal stability and strong growth performance," the ratings agency said in a statement.

While Turkey's structural indicators are "generally superior" to peer countries, its current account deficit is larger. "Higher commodity prices have caused a renewed widening of the deficit," Fitch said, adding that "external vulnerabilities are a key credit weakness."

But Turkey's economy rebounded strongly in the first quarter, posting 5 percent growth year-on-

year, Fitch said, emphasizing economic growth is expected to remain above average compared with peer countries.

"Turkey is a large and diversified economy with a vibrant private sector," Fitch said. "A potentially smoother political environment, early signs of a recovery in the tourism sector and a stronger external environment should support solid performance over the forecast period," it added.

Fitch forecasts Turkey's growth to average 4.3 percent between 2017 and 2019.

U.S. LAPTOP BAN LIFTED ON TURKISH AIRLINES

Turkish Airlines has announced that the cabin ban on laptops no longer applies on their flights to the U.S.



In March, the US banned laptops and other large electronic devices to and from eight mostly Muslim nations, fearing bombs may be concealed in them. Turkish Airlines said it was now allowing passengers travelling to the US to take their laptops on-board. Emirates, which flies to the U.S. from its Dubai hub, said it worked with US authorities to meet new security rules. The two airlines are now in the same position as Etihad, which saw the ban lifted on Sunday for its flights from Abu Dhabi. Dubai, Istanbul and Abu Dhabi airports are reported to have put tighter security checks in place.

Turkish Airlines said on Twitter that all electronic devices would be allowed on its US flights from July 5. It leaves Qatar, Morocco, Jordan, Egypt, Saudi Arabia and Kuwait waiting to have the ban lifted. Saudia, the flagship carrier for Saudi Arabia, said pas-

sengers would be able to take the electronics on US flights from 19 July.

What's changing for passengers?

It remains unclear whether US-bound passengers going through Dubai and Istanbul airports will now need to factor in more time for security checks. The airlines aren't saying much about specific changes they have made.

But Norman Shanks, an aviation security expert, said US officials will have been testing not only equipment but also procedures, in particular how stringent the checks are and how the staff carry them out. So increased vigilance can be expected. The new U.S. security requirements extend to 105 countries, not just those subject to the laptop ban. The measures include enhanced screening, more thorough vetting of passengers and the wider use of bomb-sniffer dogs in 105 countries. According to reports in Turkish media, US and UK officials visited Turkey's main international airport in Istanbul on July 4. Turkey has recently started using sophisticated tomography imaging devices for X-ray and ultrasound screening at Istanbul's Ataturk International Airport.



UPCOMING EVENTS

9TH TURKEY INVESTMENT CONFERENCE, September 2017



9th Turkey Investment Conference, organized by the Turkey-U.S. Business Council (TAİK), will take place in New York in September 2017.

This forum is principally designed to bring highly regarded Turkish opinion leaders, senior government officials, and corporate executives together with institutional investors interested in better understanding the investment landscape in Turkey.



PAST EVENTS

RECEPTION IN HONOR OF HOUSTON MAYOR SYLVESTER TURNER, 13 July 2017



Borusan Holding CEO and Turkey-U.S. Business Council Texas Committee Chairman Agah Uğur welcomed Mayor of Houston Sylvester Turner and his delegation at a special event in their honor at the Borusan Contemporary Museum.



TAİK CALIFORNIA VISIT, 24-26 May 2017



DEİK/Turkey-U.S. Business Council California Committee organized two events in San Francisco and Los Angeles between 24-26 May 2017. The events, which are a first for the newly established California Committee, aimed to institute the first connection with the region and were good opportunities to meet potential counterparts and cooperation partners.

[Please follow this link for the visit report.](#)

36TH ATC-TAİK ANNUAL CONFERENCE ON U.S.-TURKEY RELATIONS, 21-23 May 2017



Convening more than 400 representatives from numerous sectors, government offices, government affiliated organizations and non-governmental organizations, the 36th ATC-TAİK Joint Annual Conference on U.S.-Turkey Relations took place between 21-23 May 2017 at the Trump International Hotel in Washington D.C.

[Please follow this link for the conference report.](#)



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