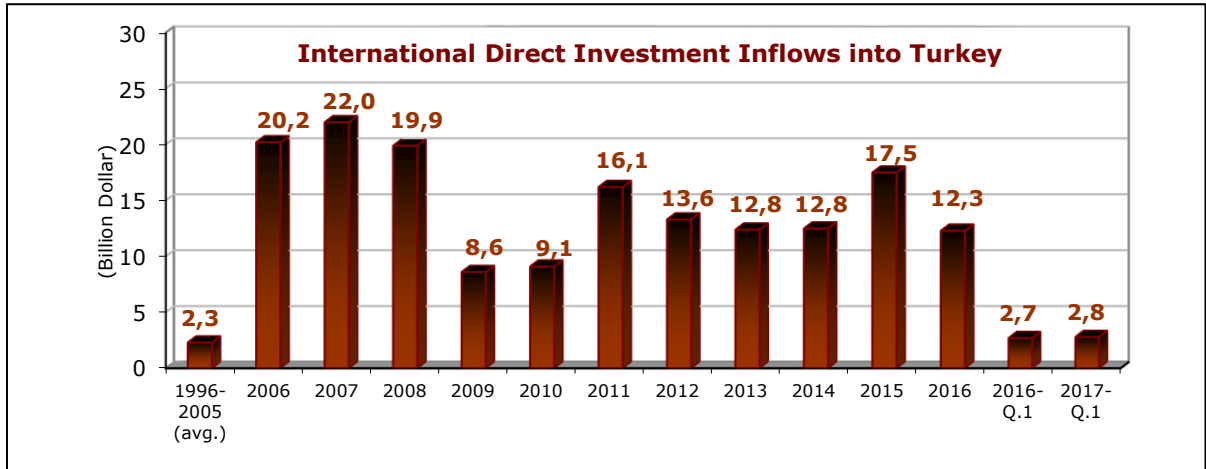


INTERNATIONAL DIRECT INVESTMENTS EVALUATION REPORT (2017- Q1)

DIRECT INVESTMENT INFLOWS INTO TURKEY REACHED 2.8 BILLION \$ IN THE FIRST QUARTER OF 2017 BY INCREASE OF 1.85% COMPARED TO THE SAME PERIOD OF LAST YEAR.

In the first quarter of 2017, International Direct Investment (FDI) inflows to Turkey amounted as **\$ 2,803 million**. This shows an increase by 1.85% compared to the same period of last year.



Source: Central Bank of Turkey

(incl. real estate purchased by non-residents)

In the first quarter of 2017, out of the \$ 2.8 billion total FDI inflows to Turkey, \$ 1.598 million was net foreign capital inflows, \$ 1 billion constituted real estate purchases by non-residents, respectively. In other words, real estate purchased by non-residents had an important share, as of 48% in the total inflows. Inflows from real estate purchases had same trend in 2017 as last year.

Distribution of International Direct Investment Inflows into Turkey

(Million \$)	2012	2013	2014	2015	2016	2016/Q.1	2017/Q.1
Capital (Net)	10.128	9.322	8.370	11.710	6.279	1.114	1.589
Inflow	10.761	9.890	8.631	12.074	6.888	1.188	1.698
Outflow	633	568	261	364	609	74	109
Other Capital (Net)	864	525	137	1.684	2.133	570	153
Real Estate (Net) *	2.636	3.049	4.321	4.156	3.890	1.068	1.061
Total (FDI)	13.628	12.896	12.828	17.550	12.302	2.752	2.803

Source: CBT

*(incl. real estate purchased by non-residents)

Services sector was the leading sector with a share of 51% (\$1.172 million) of the gross capital inflows (\$2.803 million). The remaining share of 49% (\$ 525 million) belongs to **industrial sector**.

The leading sub-sector with a notable increase compared to last year is **Finance, Insurance and Banking Sector** (\$990 million). It is followed by **mining** and **manufacturing** sub-sectors respectively.

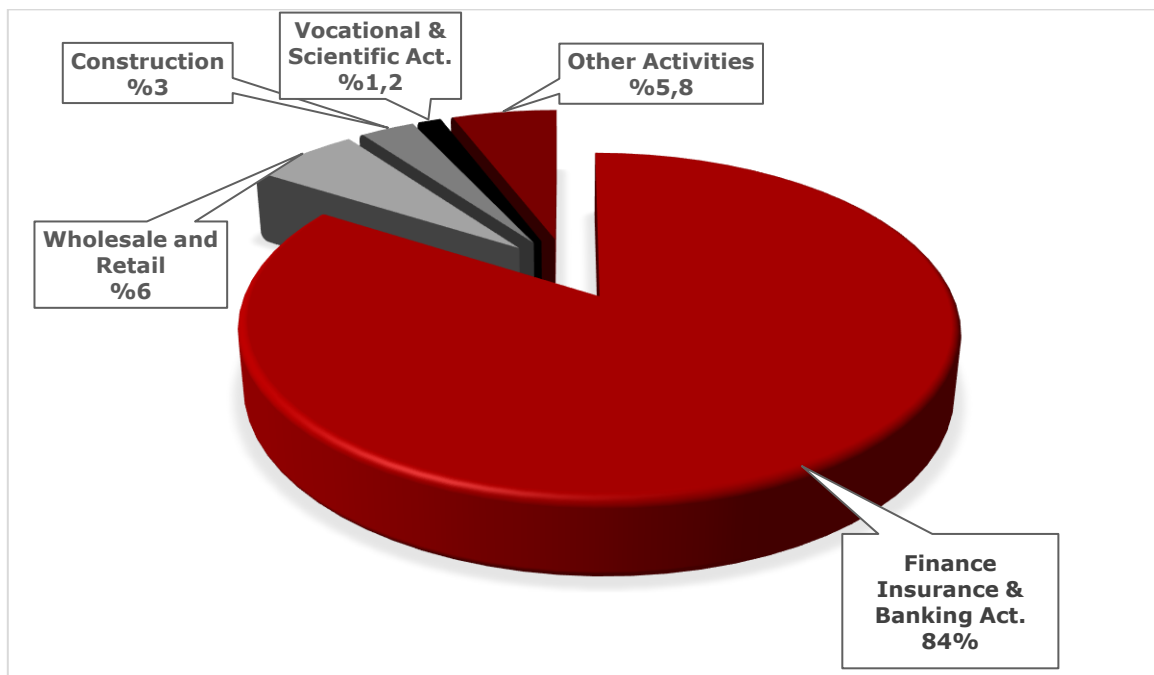
Sectors (Million \$)	2012	2013	2014	2015	2016	2016/Q.1	2017/Q.1
Capital Inflow	10.761	9.890	8.631	12.074	6.888	1.188	1.898
1. Agriculture	43	47	61	31	26	8	1
2. Industry	5.480	4.757	4.258	5.772	2.669	542	525
Manufacturing	4.519	2.209	2.742	4.225	1.711	300	213
Electricity, Gas	773	1.795	1.131	1.338	740	235	89
Mining	188	717	382	207	216	7	223
Water Supply, Waste Management	0	36	3	2	2	0	0
3. Services	5.238	5.086	4.312	6.271	4.193	638	1.172
Finance and Insurance	2.084	3.415	1.470	3.516	1.705	89	990
Wholesale and Retail	221	379	1.136	598	602	61	68
Construction	1.427	178	232	106	308	48	36
Transportation, Storage	130	364	594	1.524	544	127	14
Healthcare and Social Services	546	106	204	58	273	212	10
Real Estate Activities	174	128	252	171	277	13	7
Accommodation & Food	16	59	24	11	235	46	5
Information & Communication	134	120	214	150	91	21	1
Other Services	53	58	56	22	21	7	16
Capital Outflow	633	568	261	364	609	74	109
Other Capital (Net)	864	525	137	1.684	2.133	570	153
Real Estate (Net)	2.636	3.049	4.321	4.156	3.890	1.068	1.061
Total (FDI)	13.628	12.896	12.828	17.550	12.302	2.752	2.803

In the first quarter of 2017, the inflows into **services sector** were recorded at \$ 1.172 million with an increase of 84% compared to the previous year. According to the sub-sectoral breakdown under the services sector; **Finance, Insurance and Banking Activities** held the first place with \$990 million with 9 times increase compared to same period in last year. It is followed by **Wholesale and Retail sub-sector** which is at the same level as was in the last year.

Compared to the previous year, the inflows into **industrial sector** were recorded at \$ 525 million with a decrease by 3%. According to the sub-sectoral breakdown under the manufacturing sector; **Mining sub-sector** held the first place with \$223 million and was followed by **Manufacturing** sector with \$213 million inflow.

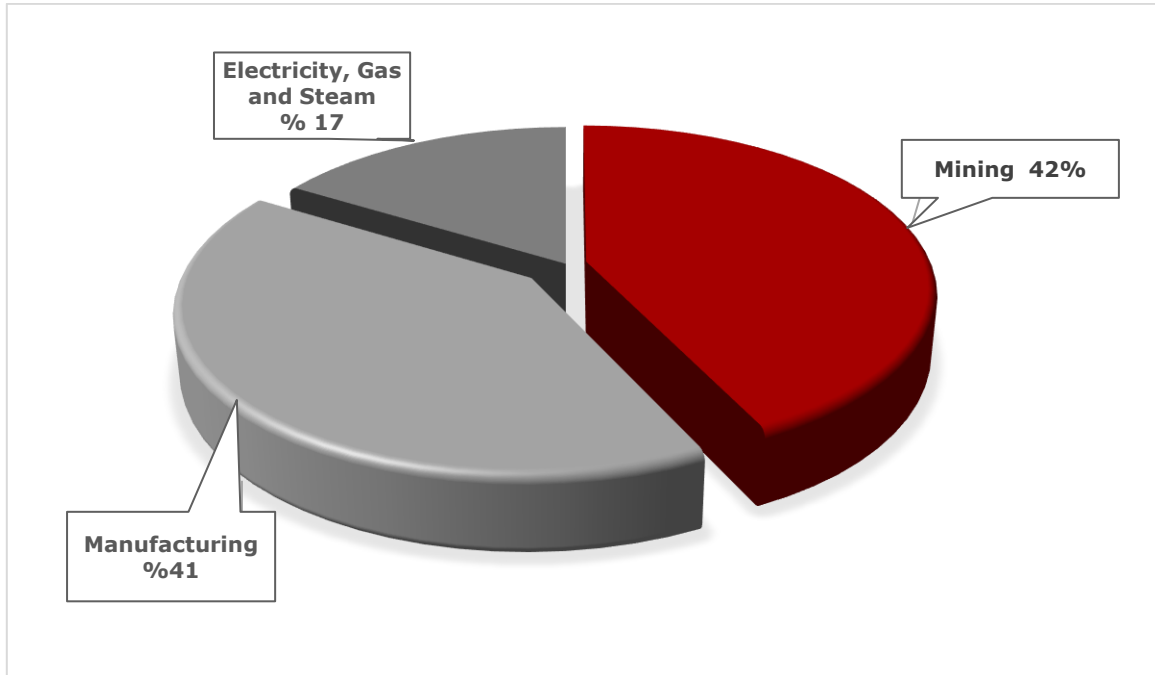
Under the manufacturing sector, **paper and paper products** has increased 18 times compared to the previous year and reached to \$54 million. Second sub-sector is **Other In-metalic minerals** recorded at \$35 million with increase by 66% and followed by **Machine and Equipment (not being classified in another place)** with \$21 million inflow.

Distribution of FDI Inflows to Services Sector in the First Quarter of 2017



Source: CBT

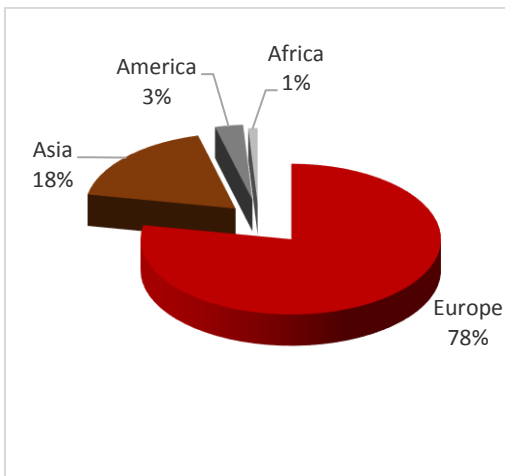
Distribution of FDI Inflows to Industry Sector in the First Quarter of 2017



Source: CBT

The major source countries for FDI inflows to Turkey were **Spain, Azerbaijan** and **the Netherlands** respectively. According to the regional breakdown (excluding real estate purchased by non-residents), it is observed that the **European countries** are still the main source in the total FDI inflows with a share of 78%, followed by **Asian countries** and **America** with 18% and 3%, and the other regions with %1 respectively.

Distribution of FDI Inflows by Countries and Regions in 2017



Source: CBT

2017-Q1	FDI Inflow (million \$)	Share (%)
1. Spain	939	0.49
2. Azerbaijan	193	0.10
3. Netherlands	106	0.06
4. Austria	95	0.05
5. Germany	60	0.04
6. Japan	45	0.04
7. Qatar	30	0.04
8. Switzerland	29	0.03
9. Canada	27	0.02
10. USA	22	0.01
Other	352	0.19
Total (capital inflow)	1.898	100

TURKEY'S RANK IN INTERNATIONAL INDEXES

INDEX	TURKEY'S RANK							CHANGE
	2010	2011	2012	2013	2014	2015	2016	
World Bank	60	68	72	69	51	63	69	↓
Ease of Doing Business Index	29	26	24	22	22	20	-	-
UNCTAD World Investment Report FDI Inflow Ranking	23	-	13	25<	24	22	-	-
AT Kearney FDI Confidence Index	61	59	43	44	45	51	55	↓
WEF Global Competitiveness Index	48	39	38	37	40	40	38	↑
IMD Global Competitiveness Index	56	61	54	53	64	66	75	↓

**It has not been disclosed (UNCTAD ve AT Kearney)*

References

- Central Bank Balance of Payments Statistics
www.tcmb.gov.tr
- Ministry of Economy FDI Statistics
www.ekonomi.gov.tr
- International Indices
 - o World Bank Doing Business – www.doingbusiness.org
 - o UNCTAD – www.unctad.org
 - o AT Kearney – www.atkearney.com
 - o World Economic Forum – www.weforum.org
 - o Institution for Management Development – www.imd.ch
 - o Transparency International – www.transperancy.org