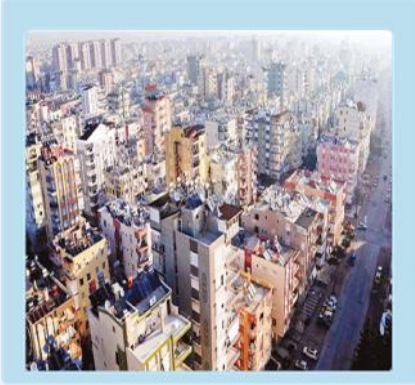


Property sales to foreigners in Turkey continue to soar in September

Hurriyet Daily News, 25.09.2017



Property sales to foreigners in Turkey continued to rise in August, as a total of 1,684 houses were sold to foreign nationals with an 11.4 percent year-on-year increase, official data showed on Sept. 25.

Iraqis were again the top buyers with 317 units in August, followed by Saudi Arabians with 198 units, Kuwaitis with 135 units, Russians with 95 units and Afghans with 81 units, according to data from the Turkish Statistics Institute (TÜ K). House sales to foreigners in Turkey soared 65.3 percent in July compared to the same period in 2016.

It is mainly due to the high base effect from the failed coup attempt in July 2016. A total of 1,726 properties were sold to foreigners in July. Across Turkey, house sales increased by 4.7 percent in August 2017 compared to the same month of the previous year, reaching a total of 120,198 units.

Istanbul again had the highest share of house sales with 15.6 percent and 18,696 units. Istanbul was followed by the capital Ankara 12,630 units and the Aegean province of Izmir with 6,838 units. The provinces with the lowest number of house sales were the eastern provinces of Hakkari with 13 units and Ardahan with 16 units.

TÜ K data also showed that in August 2017 the ownership of a total of 38,743 houses changed through mortgage sales, with a 6.3 percent year-on-year increase.

PM: Turkey targets 5.5 percent growth rate until 2020

CNBC, 25.09.2017



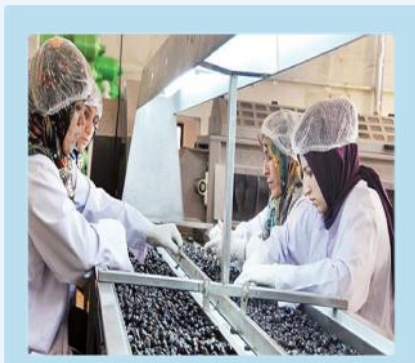
Turkey aims to hit annual economic growth of 5.5 percent until 2020 in its medium-term economic program, Prime Minister Binali Yıldırım said on Sept. 25.

Yıldırım also said the government forecasts the unemployment rate to be 10.8 percent for this year, 10.5 percent in 2018, 9.9 percent in 2019 and 9.6 percent in 2020. After expanding 3.2 percent in 2016, the Turkish economy posted 5.2 percent and 5.1 percent growth in the first and second quarters of 2017, according to Turkish Statistical Institute (TÜ K) data released on Sept. 11.

The inflation rate is predicted at 9.5 percent in 2017, 7 percent in 2018, 6 percent in 2019 and 5 percent in 2020. Details of the new medium-term economic program will be announced on Sept. 27 by Deputy Prime Minister Mehmet Şimşek.

Turkish producers want to sell customs-free olive oil to EU

Hurriyet Daily News, 25.09.2017



Turkey should be able to sell its olive oil to European Union markets in a customs-free manner, just like it can do for olives, rather than on inward-processing model, to give a boost to its exports, a leading sector player has said.

The head of the Aegean Olive and Olive Oil Exporters Association said Turkey made some 37 percent of its olive oil exports to Spain in the last 10 months. The United States and Italy, another olive oil-rich European country, became Turkey's other top markets in the mentioned period.

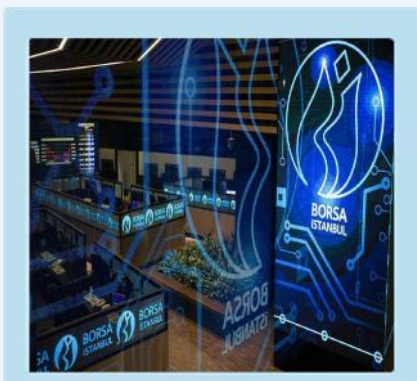
“European countries do not buy olive oil from us to sell in their own markets, as there is a 1.3 euro customs duty per liter. They buy olive oil from us within the inward-processing regime. Namely, they package the olive oil imported from us in their own countries and sell them to America, Far East and other markets under the label of ‘Bottled in Spain.’ This is also the same in Italy,” the association's president, Davut Er, told state-run Anadolu Agency on Sept. 25.

These countries apply the same for olive oil imports from Tunisia, Algeria and Morocco, he noted, adding that their main advantage was to create added-value in this product through their own established brands. Saying that Turkish olive oil should enter the EU in a custom-free way, Er added: "European countries buy our olive oil to sell to third world countries during the seasons when their production is low. This means that our olive oil can be sold anywhere in the world as long as we offer sustainable output."

He urged the need for Turkey to increase its productivity in the product. "There are 330 million olive trees in Spain and 170 million trees in Turkey. While Spain takes an average of 5 liters of olive oil from each tree, we barely take 1.5 liters," Er added. Turkey's olive oil exports rose to 39,449 tons in the last 10 months on amount basis with a 339 year-on-year increase, according to data from the association. On value-basis, Turkey made olive oil exports worth \$152.6 million with a 266 percent year-on-year increase.

Turkish stocks down over 1.75 pct at close

Anadolu Agency, 25.09.2017



Turkey's benchmark stock index was down 1,852.68 points to close at 102,270.17 points with a 4.8 billion Turkish lira (nearly \$1.36 billion) trading volume.

Borsa Istanbul's BIST 100 index fell 1.78 percent compared with Friday's close at 104,122.85, while the banking and holding sector indices were down 2 and 2.35 percent, respectively. Among all sectors, the basic metal sector index was the only one to increase on Monday -- up 0.05 percent -- while the BIST transportation index was the worst performer, declining 6.23 percent.

There were only four companies that saw rise in their shares and stocks of oil refiner Tupras enjoyed the biggest rise of the day with 1.36 percent hike. Shares of commercial vehicle manufacturer Karsan Otomotiv saw the biggest drop with 8.33 percent fall.

The top traded shares of the BIST 100 were national flag carrier Turkish Airlines, defense company Aselsan, iron/steel producer Kardemir Karabuk, private lender Garanti and energy company Ipek Dogal Enerji. Borsa Istanbul's Gold Exchange index advanced 0.15 percent and the price of gold per kilogram stood at 146,400 Turkish liras (\$41,541) as of 4.30 p.m. local time (1330GMT) Monday.

The USD/TRY exchange rate stood at 3.5250 by 5 p.m. local time (1400GMT) Monday, climbed from 3.4990 at Friday's close. One dollar was traded for 3.51 on average last month, while the first eight month's average exchange rate was 3.61.

The USD/TRY rate saw sharp fluctuations after last year's defeated coup and climbed to its historic hike -- around 3.94 liras -- in mid-January this year. According to Turkish Central Bank data, the dollar/lira rate was 3.02 on average last year and 2.71 on average in 2015.

Turkey's Vakifbank secures \$891 million loan

Anadolu Agency, 26.09.2017



Turkey's Vakifbank secured an \$891 million multi-currency syndicated loan, the bank announced on Tuesday. The loan will be used in foreign trade financing, the bank said in the statement. Vakifbank stated that it signed the syndicated loan with the participation of 22 banks from 12 countries under the joint coordination of ING Bank and Emirates NBD.

"With the second syndication loan of the year, our total syndication loan balance approached to \$2 billion. This syndication loan has once again confirmed VakifBank's high credibility in international markets, as well as the confidence in the Turkish economy," the bank's CEO said.

The bank had secured another syndicated loan which amounted \$967 million this April.

Turkey's security meeting discusses Iraq and Syria

Anadolu Agency, 28.09.2017



Recent developments in Iraq and Syria were discussed in a security meeting in Ankara chaired by Turkish President Recep Tayyip Erdogan on Wednesday, according to sources from the presidency.

Turkey's military campaign against terrorism as well as other developments in the region were also discussed in the meeting, the sources, who spoke on condition of anonymity due to restrictions on speaking to the media, said. The meeting was held amid ongoing tensions in the region following a referendum held by the Kurdish Regional Government (KRG) in northern Iraq.

The illegitimate referendum saw Iraqis in KRG-controlled areas -- and in a handful of territories disputed between Erbil and Baghdad, including ethnically mixed Kirkuk and Mosul -- vote on whether or not to declare independence. In recent days, Ankara has launched a military exercise across the border from KRG territory and threatened restrictions at the main frontier crossing.

Along with Iraq's central government, Turkey, the U.S., Iran, and the UN have spoken out against Monday's illegitimate poll, warning it would distract from the ongoing fight against Daesh and further destabilize the region.

Turkey unveils 2018-2020 economic program

Anadolu Agency, 27.09.2017



Turkey's Medium Term Program (MTP) -- intended to implement essential actions for higher economic growth, employment and better income distribution -- was introduced by.

Speaking at a news conference, Deputy Prime Minister Mehmet Simsek said the MTP's main objective is to catch sustainable growth performance by maintaining macro-economic stability and rising the quality of human sources and the labor force.

"In this respect, to boost high-value-added production, to improve business and investment environment, to increase the corporate quality of the public sector are the other requirements for solid growth," Simsek said. He also said creating new jobs and providing fairer income distribution were targeted in the MTP along with fiscal discipline, lower inflation and an improved current account balance.

"Over the past 15 years the growth performance of Turkey's economy has soared significantly," Simsek said. "Economic indicators show that our economy will grow 5.5 percent this year. That ratio is also the MTP's target for the period of 2018-2020."

According to the Turkish Statistical Institute (TurkStat) Turkey's annual growth rates were 6.1 percent in 2015 and 3.2 percent last year. The Turkish economy expanded beyond expectations in the first (5.2 percent) and second (5.1 percent) quarters of this year. Simsek also stated that GDP per capita reached nearly \$11,000 as of 2016, a climb from \$3,500 in 2002. "By the end of the MTP, we aim to hike the GDP per capita to over \$13,000, which is above the threshold of \$12,235 for the upper-income group, according to World Bank definitions," he said.



On the fiscal discipline side, Simsek noted that the current account deficit of Turkey is now at a manageable level -- 3.8 percent of the country's GDP in 2016. The target current account deficit/GDP ratio is 4.6 percent for this year, 4.3 percent for next year, 4.1 percent in 2019 and 3.9 percent in 2020, as stated in the MTP.

"To improve the investment environment is our top priority to finance the country's current account deficit," Simsek said. Turkey's annual current account deficit last year was around \$32.5 billion, relatively stable compared to the 2015 figure of \$32.1 billion.

According to central bank figures, the country's highest annual current account deficit in the last 20 years was \$74.4 billion in 2011. "Due to the measures taken to support the economy this year, we expect that the ratio of central government budget deficit to the GDP will temporarily increase to two percent," Simsek said.

Turkey's public debt stock to GDP ratio was over 72 percent in 2002, and fell to 28.1 percent last year, Simsek noted, adding: "The government is expecting a progressive improvement in the central budget balance by increasing the quality of budget revenues, savings and efficiency of investments." Earlier this year, the Turkish government reduced a 6.7 percent special consumption tax on white goods to zero, and lowered 18 percent VAT on furniture to eight percent for a specific time period, in a bid to support domestic demand.

In March, the government also introduced a new framework for a credit guarantee fund (CGF), which aims to help small and medium-sized enterprises obtain credit via banks by providing the Treasury with guarantees for losses from possible non-performing loans. The budget deficit/GDP ratio was 1.3 percent last year, and it is expected to be 1.9 percent in 2018, 1.8 percent in 2019, and 1.6 percent at the end of the MTP period.

Simsek remarked that Justice and Development (AK) Party governments had provided over 0.9 million additional employment annually on average, and said: "We still have not reached the desired levels of unemployment due to the faster increase of the labor force participation rate."

According to TurkStat, the unemployment rate in Turkey stood at 10.2 percent in June, compared to same month last year, meaning 3.25 million people aged 15 and over were jobless. "Since the beginning of this year, a gradual improvement in the unemployment rate has been observed thanks to the measures taken to create new jobs and the acceleration in economic growth," Simsek said.

The targeted annual unemployment rate at the end of 2017 is 10.8 percent, 10.5 percent for next year, 9.9 percent in 2019 and 9.6 percent in 2020. Simsek also said permanent price stability is essential for sustainable economic growth and pointed to the goal of reaching five percent inflation in 2020.

"Inflation is predicted to be 9.5 percent at the end of this year, while it was 8.5 percent in 2016," he said. "Tight standing in monetary policy is expected until reaching targeted levels." Over the past three months, annual inflation stood at 10.9 percent in June, 9.79 percent in July, and 10.68 percent in August, according to TurkStat.

Minister: Turkish firms offer EU access to new markets

Anadolu Agency, 27.09.2017



Turkish companies can open up big investment opportunities for EU countries, Economy Minister Nihat Zeybekci said Tuesday.

“You can find Turkish companies everywhere that EU countries don’t even think of setting foot,” Zeybekci said at an event held by the Turkish-German Chamber of Commerce and Industry. In his speech, he said there are Turkish companies in Africa, war-torn Syria, Iraq and Afghanistan. “Turkish companies offer important opportunities for the EU, since they have the ability to trade anywhere in the world,” he said.

“Turkey and the EU are not rivals” but complement each other, he said. “If we complement each other, we will be stronger, and the EU will be able to work in Africa, Iraq, Syria, Pakistan and Central Asia faster and more easily,” he added.

Stressing that Germany is Turkey’s biggest trade partner, Zeybekci said the two countries have a trade volume of around \$40 billion. Zeybekci said it is also essential for all EU countries to upgrade the Customs Union. He said upgrading the Customs Union with Turkey would mostly be beneficial for Germany. “Around 8,000 German companies engage in investment and production in Turkey,” he added.

Turkish minister repeats call for updating customs union deal

Hurriyet Daily News, 28.09.2017



An update of the customs unions agreement with the European Union will be beneficial for ties between Turkey and the EU, Economy Minister Nihat Zeybekci said on Sept. 27. “The update will be the most positive platform for our relations with the EU in upcoming period. I expect no obstacle in this regard,” said Zeybekci, speaking at the Istanbul Financial Summit.

The success behind the volume of Turkey’s exports to the EU despite the customs union agreement is a miracle, he said. The current agreement is not sustainable and, therefore, should be updated, he said.

Turkish officials have repeatedly criticized free-trade agreements signed by the EU with other countries, such as the U.S., which would effectively open Turkey’s market to exports from such states, with no reciprocity. Despite not being a member of the EU, Turkey is a member of the customs union agreement since 1995.

Turkey contributes to the increase of EU’s GDP, total growth and foreign trade, Zeybekci said, adding that Germany, as the biggest economy of the EU, would benefit the most from the update. Almost half of Turkey’s export is to the EU while the country made 42 percent of its import from the union, Zeybekci said.

About the suspension of the hotel booking website Booking.com in Turkey, Zeybekci said the company spoke with the ministry about the issue and expressed its desire to continue their operation in Turkey. Zeybekci said the suspension of Booking.com in the country is not a positive development for tourism but at the same time, the court decision regarding the issue is straightforward.

On March 29, an Istanbul court ordered the suspension of the website, citing accusations of unfair competition, following a lawsuit filed by the Association of Turkish Travel Agencies (TÜRSAB). Zeybekci said they offered the company a solution but he did not give any further details on the subject as talks continue.

Turkish government introduces sharp tax rises

Anadolu Agency, 27.09.2017



The government has introduced significant rises in a number of taxes, including a 40 percent rise in personal cars, in line with the new medium-term economic program unveiled on Sept. 27.

Finance Minister Naci A bal said a draft would be sent to parliament soon to raise corporate taxes in the financial sector from 20 percent to 22 percent. “We will also make a revision in the income tax system ... We will raise taxes in the third income section from 27 percent to 30 percent as of 2018,” A bal said at a press conference alongside Deputy Prime Minister Mehmet im ek and Development Minister.

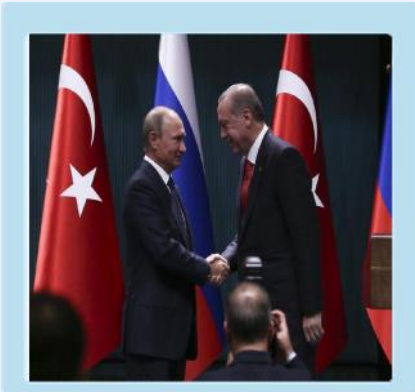
Motorized vehicle taxes on private cars will also be hiked to 40 percent in 2018. “The existing tax system on automotives is based on cars’ engine cylinder volume. We will revise this so that it will also be based on the value of private cars,” A bal said.

Up to 20 percent of additional taxes will be imposed for the purchase of new cars, he added. Turkey increased its special consumption tax on cars last November, applied to all but the cheapest models, in what the finance minister at the time said was a response to demands from the industry. The tax is rated at 90 percent for vehicles with engines between 1,600cc and 2,000cc and 145 percent for cars with engines over 2000cc.

A bal also said a 10 percent tax on winnings from lotteries would be hiked from 10 percent to 20 percent, while a special consumption tax will be imposed on cigarette papers and energy drinks. A 130-item draft law on these tax hikes and various others was presented to parliament late on Sept. 27.

Turkey, Russia of the same opinion on the protection of integrity of Iraq, Syria

Hurriyet Daily News, 28.09.2017



Turkey and Russia share similar views on the protection of the territorial integrities of both Syria and Iraq, President Recep Tayyip Erdoğan has said, urging the international community to act before Iraqi Kurdish Regional Government commits graver mistakes.

President Erdoğan and Russian President Vladimir Putin came together in Ankara on late Sept 28 to discuss regional developments and bilateral relations in their 5th in-person meeting this year. “We have discussed the developments in our region, including Iraq and Syria,

We are of the same opinion on the need of the protection of territorial integrities of both Iraq and Syria,” Erdoğan told reporters after 3 hours long meeting with Putin. Reiterating Turkey’s opposition to the KRG’s bid to seek independence through Sept 25 controversial referendum, Erdoğan called on the international community “to take steps to avoid graver mistakes to be staged by the KRG in the post-referendum period.”

Putin, for his part, repeated a statement issued by the Russian Foreign Ministry on the referendum, underlining that this was reflecting Moscow’s position in principle about the KRG’s referendum without further detailing.

The two leaders have also discussed their joint efforts to establish de-escalation zones inside Syria, including rebel-held Idlib. Citing difficulties Turkey, Russia and Iran as three guarantor countries as well as Syria have been facing in implementing the agreement on de-escalation zones in the war-torn country, Putin praised the role of Erdoğan in overcoming these challenges and in continuing on the right track.

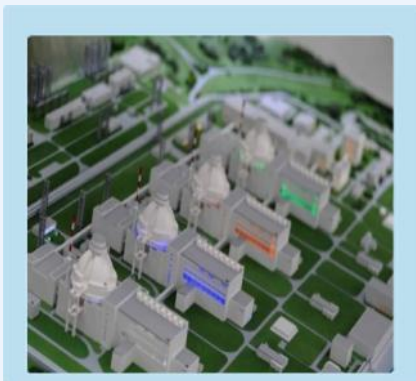
“We have agreed to jointly work on the implementation of the de-escalation zones,” Putin stressed, informing that three countries’ diplomats, intelligence and military officials will continue to work to this end. Erdoğan also underlined the need to intensify works for implementing the agreement that was reached in Astana in September but also recalled the need of putting some confidence building measures in place.

“Turkey and Russia have repeated their joint will for political resolution of the Syrian problem,” he told. Both Putin and Erdoğan have expressed their satisfaction with the boost of bilateral trade volume in 2017, informing about a 22 percent increase only in 8 months of this year.

“The number of Russian tourists visiting Turkey increased 11 times in comparison to last year,” Putin said. “We have removed almost all trade restrictions on Turkish agricultural products. There is a 58 percent increase in the import of Turkish agricultural products,” he informed. The two leaders have not mentioned about Turkey’s plan to procure S-400 anti-ballistic missiles from Russia. Turkey, a NATO ally, is under criticism for attempting to purchase a non-NATO anti-ballistic missile system. Erdoğan has already said Turkey made a deposit payment to Russia.

World Nuclear Assn. hails start of Akkuyu plant’s build

Anadolu Agency, 15.09.2017



The World Nuclear Association (WNA) welcomed the beginning of the general construction work for Turkey’s first nuclear power plant, Akkuyu.

The comment came after the Director General of Rosatom Alexey Likhachev’s speech on the construction for the nuclear plant on Tuesday Sept. 19 at the International Atomic Energy Agency (IAEA) 61st General Conference in Vienna, Austria. “It is great to see Turkey’s nuclear energy ambitions finally mature,” said Agneta Rising, director general of the World Nuclear Association (WNA).

“Nuclear energy will help drive economic growth in the country and reduce reliance on imported gas.” Russia’s State Atomic Energy Corporation Rosatom plans to construct Turkey’s first nuclear power plant, Akkuyu, in the country’s southern province of Mersin on the Mediterranean coast.

The plant will have a capacity of 4,800 megawatts in four units and a working life of 8,000 hours per year. In the first phase of construction, two units with a capacity of 2,400 megawatts are planned.

Construction of the plant is estimated to start in 2018. It has an operational date set for the first reactor by 2023 while the plant is expected to be up and running at full capacity by 2025. “The world is quickly adding to the number of countries building nuclear plants for the first time. They are investing in diversity and resilience for their energy systems. Nuclear plants are reliable machines, capable of operating over 90 percent of the time, through every season and in every climate,” Rising said.

She added that over 9 gigawatts of electricity from new nuclear capacity came online in 2016, the largest annual increase in more than 25 years while global nuclear generation rose for the fourth successive year. “The level of new build remains high, but the pace of new construction starts must accelerate if we are to successfully balance environmental goals with human development,” Rising added.

Russia rejects criticism of missile deal with Turkey

Hurriyet Daily News, 27.09.2017



The Kremlin on Sept. 27 defended Turkey’s purchase of the S-400 missile defense system amid NATO concerns over the deal.

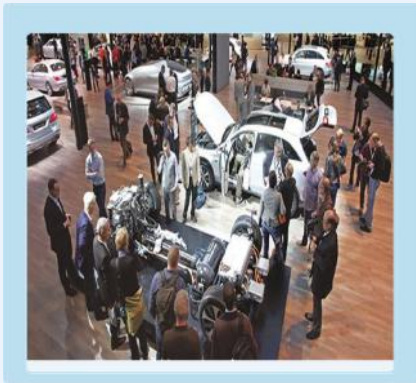
“No one has the right to criticize Russia and Turkey for military-technical cooperation, which is carried out in strict accordance with international law and is not directed against any third countries,” spokesman Dmitry Peskov said, according to the official TASS news agency. “Therefore, no one has any reason to express any critical considerations in this regard,” he added.

On Sept. 25, Defense Undersecretary Smail Demir said delivery of the missile system would begin within two years. The deal has caused concern among Turkey’s NATO allies, who say the Russian air defense system is incompatible with NATO systems.

Commenting on Russian President Vladimir Putin’s one-day visit to Ankara slated for Sept. 28, Peskov said the trip had “extremely pragmatic” goals. Putin and Turkish President Recep Tayyip Erdoğan are expected to cover ties between the countries and the conflict in Syria. In recent years, Turkey has sought to build its domestic defense industry to reduce reliance on foreign suppliers.

German business confidence edges down: Survey

Hurriyet Daily News, 25.09.2017



Confidence among German businesses eroded slightly in September, a regular survey published on Sept. 25 found, reflecting uncertainty ahead of a general election on Sept. 24 that has left Chancellor Angela Merkel facing tricky coalition talks.

The Munich-based Ifo institute's closely-watched business confidence index fell to 115.2 points this month, a 0.7-point drop compared with August and short of predictions from analysts surveyed by Factset.

"Companies were less satisfied with both their current business situation and their short-term outlook than in August," Ifo chief Clemens Fuest said. "Germany's economy nevertheless goes into the new legislative period with a strong tailwind," he added. Confidence among businesses, consumers and investors has been high over the summer, recent surveys have shown.

This was a reflection of strong economic growth in the first six months of the year and the dissipation of fears about the strong showing of populist parties in a number of European elections recently. Looking to different sectors surveyed by Ifo, both the manufacturing and wholesale industries reported a dampening of sentiment in September compared with a month earlier.

But retailers' outlook improved this month and confidence among construction companies hit a new record. The September Ifo reading "suggests the economy can't accelerate much further" beyond the 0.7 percent growth achieved between January and March and the 0.6 percent in April to June, Pictet bank economist Frederic Ducrozet tweeted.

France launches 57 bln euro investment fund

Hurriyet Daily News, 25.09.2017



French Prime Minister Edouard Philippe announced plans on Sept. 25 to pour 57 billion euros (\$67.8 billion) into modernizing France's sluggish economy, with a hefty chunk set aside for making it more environmentally-friendly.

Spread over five years, the fund will be slightly bigger than the 50 billion euros that centrist Emmanuel Macron had pledged when he was elected president in May. Philippe said the fund would have an "amplifier effect" on the new government's reform program, which includes labor law changes designed to bring down stubbornly high.

"It's about giving power and visibility to our major investment priorities," Philippe told a press conference. Twenty billion euros will be used to fund a transition towards a greener economy, Philippe said, including nine billion for making buildings more energy efficient and seven billion for renewable energy development.

The government will spend nine billion euros on digitizing the public sector, 15 billion extra on training and education, and 13 billion on broader innovation. Philippe said some of the funding would come from existing ministerial budgets and some from the European Investment Bank.

Government spokesman Christophe Castaner said earlier that around five billion euros from the fund was for modernizing the agricultural sector in Europe's biggest food producer. The launch comes as Macron's government prepares to announce the first budget of his five-year term on Sept. 27.

Japan's inflation, labor demand and factory output data signal solid economic recovery

Reuters, 29.09.2017



Japan's core inflation accelerated in August, industrial output rose more than expected and demand for labor remained at its strongest in over 40 years in a further sign of solid momentum in the world's third-largest economy.

The flurry of data should bolster optimism about the outlook for growth, though Prime Minister Shinzo Abe's decision to call a snap election has raised some uncertainty over economic policy. There was also some uneasiness about monetary policy after a summary of the Bank of Japan's most recent meeting showed one board member.

He wanted an expansion of stimulus as consumer prices remain distant from the central bank's 2 percent inflation target. Nationwide core consumer price index (CPI), which includes oil products but excludes volatile fresh food prices, rose 0.7 percent, matching a median market forecast. It was the eighth straight month of gains in the index, and followed a 0.5 percent rise in July.

"Prices are rising gradually. Exports are supporting output and domestic demand doesn't look too bad," said Hidenobu Tokuda, senior economist at Mizuho Research Institute. "As long as Abe remains in power, we will see a continuation of his policies, but it all depends on the election." Indeed, demand for labor remains at the strongest level since 1974 with data showing the jobs-applicants ratio held steady at 1.52 in August.

Industrial output also rose a larger-than-expected 2.1 percent in August from the previous month as manufacturers of construction equipment, autos, and electronic parts produced more goods. Manufacturers surveyed by the government expect output to fall 1.9 percent in September and then expand by 3.5 percent in October.

Politics, however, added a layer of uncertainty over the outlook for growth, with inflation still well behind the BOJ's target. Abe on Thursday dissolved the lower house and called a snap election for Oct. 22. Initially, his ruling coalition looked certain to retain its majority. However, the outcome has been thrown into doubt because the largest opposition party has abandoned the election and will allow its members to run for a newly formed party that may be more popular with voters. The summary of the BOJ's rate review this month did not identify who spoke or what specific measures were proposed.

However, the central bank's announcement after its Sept. 20-21 meeting showed board newcomer Goushi Kataoka, a vocal advocate of aggressive easing, dissented to the BOJ's decision to leave policy unchanged, saying it is insufficient to meet the 2 percent inflation target. Japan's economy expanded at an annualised 2.5 percent in the second quarter as consumer and company spending picked up.

But price and wage growth remain weak with firms still wary of passing more of their profits to employees, forcing the BOJ to push back the timing for reaching its price target six times since deploying a massive stimulus program in 2013. The BOJ now expects inflation to hit 2 percent in the fiscal year ending in March 2020, arguing that a tightening job market and solid economic growth will gradually push up prices.

Friday's data also showed core consumer prices in Tokyo, available a month before the nationwide data, were up 0.5 percent in September from a year earlier, matching a median market forecast. Household spending rose 0.6 percent in August from a year earlier in price-adjusted real terms, but this was below the median estimate of a 1.0 percent increase and suggests that consumer spending is slowing slightly after a strong performance in April-June quarter.

"I'm not pessimistic on consumption," said Hiroshi Miyazaki, senior economist at Mitsubishi UFJ Morgan Stanley Securities. "The labor market is tight and disposable income is rising. Consumer spending can remain on firm footing."

India's economy may be in the doldrums, but it's getting more competitive

CNBC, 27.09.2017



India's economic growth hit a three-year low during the April-June period, enveloping Prime Minister Narendra Modi in a barrage of criticism for poor execution of major reforms such as the recent national sales tax and demonetization.

But a new World Economic Forum study indicates his government has made progress in strengthening overall business sentiment. The South Asian giant ranked 40th out of 137 countries on the organization's 2017 global competitiveness ranking one spot lower than last year's edition.

National competitiveness is defined as a set of institutions, policies and factors that determine a country's level of productivity. Improvement across most pillars of competitiveness, particularly infrastructure and higher education, reflects recent public investments in these areas, WEF said. Strides in labor market efficiency, especially the nation's ability to attract and retain talent, also helped India's 2017 ranking, the Swiss foundation added.

“The quality of institutions has increased further, especially in terms of efficiency of public spending.” Modi’s government has pledged to spend a record \$60 billion on infrastructure this financial year, but concerns are rampant that lower tax collections and weak economic growth could force New Delhi to cut expenditures.

Going forward, the private sector still considers corruption, access to financing and tax rates as the most problematic factors for doing business in India, the WEF noted. The level of technological readiness of individuals and firms also remains relatively low, it said, which suggests “that the benefits of innovative activities are not widely shared.”

This wide disconnect between innovative strength and technological readiness will prevent the emerging market darling from fully leveraging its strengths across the wider economy, the WEF said. Switzerland was ranked first in WEF’s 2017 report, followed by the U.S., Singapore and Holland.

South Korea insists US wants peace on peninsula

Anadolu Agency, 26.09.2017



South Korea on Tuesday insisted that Seoul and the United States remain committed to their joint objective of a “complete nuclear dismantlement [of North Korea] in a peaceful manner.”

South Korea’s Foreign Ministry’s statement quoted by Yonhap News Agency came hours after the North’s Foreign Minister Ri Yong-ho accused U.S. President Donald Trump of declaring war with his Saturday tweet asserting that Pyongyang’s regime “won’t be around much longer.”

“As long as the U.S. has declared war, from now on, even if U.S. strategic bombers don’t fly into our airspace, we will hold all the rights to self-defense, including the right to shoot them down at a time of our discretion. We will see then who lasts longer,” Ri told reporters in New York, where he was attending the United Nations General Assembly.

White House press secretary Sarah Sanders also dismissed Pyongyang’s claim as “absurd.” U.S. Air Force B-1B Lancer bombers and F-15C fighter jets did fly closer to the North on Saturday than ever before in the 21st century.

On a related note, Seoul's National Intelligence Service (NIS) revealed Tuesday that the American fly-by appeared to have taken North Korea by surprise as the reclusive state showed no sign of an immediate response. Parliamentary intelligence committee chief Lee Cheol-woo revealed to local media that lawmakers were told by the NIS that "as the flight was close to midnight, the North might have not anticipated it at all, or the North might have been unable to take action as its radar or other systems could not clearly detect it."

He added that North Korea seems to be doing all it can to avoid provoking a war along the inter-Korean border -- the NIS understands that Pyongyang has directed its armed forces to "report first before taking any military measures."

Will North Korea sell its nuclear technology?

CNBC, 19.09.2017



Earlier this month CIA Director Mike Pompeo suggested "the North Koreans have a long history of being proliferators and sharing their knowledge, their technology, their capacities around the world."

My research has shown that North Korea is more than willing to breach sanctions to earn cash. Over the years North Korea has earned millions of dollars from the export of arms and missiles, and its involvement in other illicit activities such as smuggling drugs, endangered wildlife products and counterfeit goods.

Still, there are only a handful of cases that suggest these illicit networks have been turned to export nuclear technology or materials to other states.

"In the few public statements North Korea has made on the issue, it has generally denied that it will seek to export nuclear technology." North Korean technicians allegedly assisted the Pakistanis in production of Krytrons, likely sometime in the 1990s. Krytrons are devices used to trigger the detonation of a nuclear device.

Later in the 1990s, North Korea allegedly transferred cylinders of low-enriched uranium hexafluoride (UF₆) to Pakistan, where notorious proliferator A.Q. Khan shipped them onward to Libya. UF₆ is a gaseous uranium compound that's needed to create the "highly enriched uranium" used in weapons.



The most significant case was revealed in 2007 when Israeli Air Force jets bombed a facility in Syria. The U.S. government alleges this was an “undeclared nuclear reactor,” capable of producing plutonium, that had been under construction with North Korean assistance since the late 1990s. A U.S. intelligence briefing shortly after the strike highlighted the close resemblance between the Syrian reactor and the North Korean Yongbyon reactor. It also noted evidence of unspecified “cargo” being transported from North Korea to the site in 2006.

More recently, a 2017 U.N. report alleged that North Korea had been seeking to sell Lithium-6 (Li-6), an isotope used in the production of thermonuclear weapons. The online ad that caught the attention of researchers suggested North Korea could supply 22 pounds of the substance each month from Dandong, a Chinese city on the North Korean border.

There are striking similarities between this latest case and other recent efforts by North Korea to market arms using companies “hidden in plain sight.”

The Li-6 advertisement was allegedly linked to an alias of a North Korean state arms exporter known as “Green Pine Associated Corporation.” Green Pine and associated individuals were hit with a U.N. asset freeze and travel ban in 2012. The individual named on the ad was a North Korean based in Beijing formerly listed as having diplomatic status. As was noted when the Li-6 story broke, the contact details provided with the ad were made up: The street address did not exist and the phone number didn’t work. However, prospective buyers could contact the seller through the online platform.

This case – our most recent data point – raises significant questions. Was this North Korea testing the water for future sales? Does it suggest that North Korea may be willing to sell materials and goods it can produce in surplus? Was the case an anomaly rather than representative of a trend?

A supplier in search of markets?

In the few public statements North Korea has made on the issue, it has generally denied that it will seek to export nuclear technology. In 2006, for example, a Foreign Ministry official suggested that the country would “strictly prohibit any threat of ... nuclear transfer.” The U.N. sanctions regime would also prohibit the export of nuclear technologies – although North Korea has been happy to defy the U.N. regime since its inception that same year.

Additionally, there have been significant developments in states which were customers, or have been rumored to have an interest, in North Korean nuclear technology in the past. Syria has spent the past six years in a chaotic civil war. Since the 2007 bombing of the reactor, the country has shown no public signs of interest in nuclear weapons. After giving up its nuclear ambitions in a 2003 deal Libya has seen significant political changes and unrest following the collapse of the Qaddafi regime in 2011.

The 2015 nuclear deal with Iran saw the country agree to limit its nuclear program in exchange for sanctions relief, and procure nuclear technology through a dedicated channel. If it continues to adhere to the deal, it has no need for illicit nuclear purchases. While some analysts have speculated about nuclear transfers from North Korea to Iran, no public evidence supports this. It's unclear to what extent the Iran deal will survive the whims of the Trump administration, and what the longer-term implications are for Iran's program and other states who may seek to acquire nuclear technology as a "hedge" against Iran in the region.

Myanmar, another country with unfounded allegations of past North Korean nuclear collaboration, has undergone significant political change and has made efforts to wean itself off imports of North Korean arms. In other words, it's unclear who – if anyone – would buy North Korean nuclear technology. However, the nightmare scenario of North Korea selling it to the highest bidder merits consideration.

It would not be the first time that an illicit procurement network turned to sales. Pakistani nuclear scientist A.Q. Khan shifted his attention from procurement for Pakistan's program in the 1970s and 1980s to sales to Iran, Libya and North Korea in the 1980s, 1990s and 2000s. The efforts of his network saw centrifuge enrichment technology, and even a weapons design, transferred in some of the most damaging transactions ever for the nonproliferation regime. Following the discovery of the Khan network, the U.N. and others developed better export controls, and capabilities to detect, inspect and interdict shipments. The international community is better prepared; however, many challenges remain in preventing illicit nuclear-related trade.

Yellen says the Fed may have been wrong on employment and inflation, which would mean easier policy ahead

CNBC, 26.09.2017



The Federal Reserve may have overstated the strength of the labor market and the rate of inflation, which could lead to monetary policy ahead that will be easier than previously thought, Fed Chair Janet Yellen said Tuesday.

In a speech delivered to the National Association for Business Economics in Cleveland, Yellen admitted that trends in employment and wage and price pressures have shifted from what central bank forecasters expected. The result would be an even more dovish Fed when it comes to removing the historically aggressive policy accommodation.



“My colleagues and I may have misjudged the strength of the labor market, the degree to which longer-run inflation expectations are consistent with our inflation objective, or even the fundamental forces driving inflation,” Yellen said, according to prepared remarks. The speech comes less than a week after the policymaking Federal Open Market Committee approved the first steps in unwinding some of the stimulus the Fed has provided since late-2008. The central bank will begin rolling off some of the bonds it holds on its \$4.5 trillion balance sheet.

In addition, the FOMC has been slowly raising rates, though it chose not to do so at the September meeting. The committee lowered its expectations for inflation ahead and said its longer-run benchmark interest rate is probably a quarter point below earlier projections. Yellen said a regular pace of rate hikes ahead is likely still warranted, though Fed officials are looking closely at the assumptions underlying those projections. While conceding that the Fed may need to slow the removal of accommodation, she also said the central bank “should also be wary of moving too gradually.”

Addressing current economic conditions, Yellen said the Fed still expects longer-run inflation to trend toward the 2 percent target policymakers believe is healthy for economic growth. However, she said they are making room for the possibility that they’re wrong.

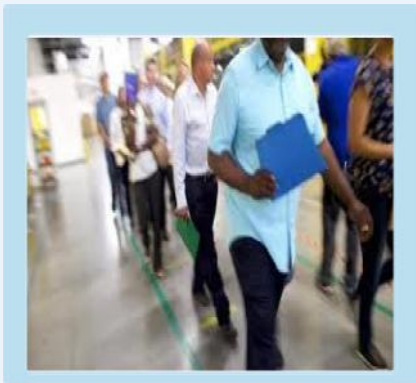
“How should policy be formulated in the face of such significant uncertainties?” she said. “In my view, it strengthens the case for a gradual pace of adjustments. Moving too quickly risks overadjusting policy to head off projected developments that may not come to pass.”

While lower inflation and interest rates sound beneficial, Fed officials worry that keeping rates lower allows little room for stimulus when another economic slowdown hits. Yellen’s comments reflected those from a paper released this week from the San Francisco Fed, where economists worried that a lower “neutral rate,” or that which keeps the economy in equilibrium, also limits the monetary policy options.

“Sustained low inflation such as this is undesirable because, among other things, it generally leads to low settings of the federal funds rate in normal times, thereby providing less scope to ease monetary policy to fight recessions,” Yellen said. She said “key assumptions” making up the Fed’s baseline forecasts “could be wrong.” Yellen attributed the inaccuracies to a prolonged productivity slowdown, reduced inflation expectations and other dynamics that have restrained growth and inflation.

US jobless claims increase more than expected

Reuters, 28.09.2017



The number of Americans filing for unemployment benefits rose more than expected last week, reflecting the lingering effects of Hurricanes Harvey and Irma.

Initial claims for state unemployment benefits increased 12,000 to a seasonally adjusted 272,000 for the week ended Sept. 23, the Labor Department said on Thursday. Data for the prior week was revised to show 1,000 more applications received than previously reported. A Labor Department official said Harvey and Irma affected claims for Texas, Florida, Georgia, Puerto Rico and the Virgin Islands.

Unadjusted claims for Florida increased by 8,160 last week, while filings in Texas fell by 8,218. Unadjusted claims for Georgia rose by 3,157 last week. Economists polled by Reuters had forecast claims rising to 270,000 in the latest week. The storms have impacted the claims data in recent weeks and are expected to cut into job growth this month. Still, the labor market remains strong.

Claims have now been below the 300,000 threshold, which is associated with a robust labor market, for 134 straight weeks. That is the longest such stretch since 1970, when the labor market was smaller. The four-week moving average of claims, considered a better measure of labor market trends as it irons out week-to-week volatility, rose 9,000 to 277,750 last week, the highest level since February 2016.

Thursday's claims report also showed the number of people still receiving benefits after an initial week of aid fell 45,000 to 1.93 million in the week ended Sept. 16. The so-called continuing claims have now been below the 2 million mark for 24 straight weeks, pointing to diminishing labor market slack.

The four-week moving average of continuing claims dropped 2,750 to 1.95 million, remaining below the 2 million level for the 22nd consecutive week. The continuing claims data covered the survey period for September's employment rate. The four-week moving average of continuing claims fell 2,500 between the August and September survey weeks, suggesting little change in the unemployment rate. The jobless rate rose one-tenth of a percentage point to 4.4 percent in August.

Two key reports this week could force the Fed's hand

Reuters, 27.09.2017



Two economic reports due out at the end of this week may help the Federal Reserve determine whether or not to raise its interest rate target in December.

Real gross domestic product for the second quarter is set for release Thursday shortly before the opening bell, and the monthly personal consumption expenditure index reading ("PCE"), widely considered the central bank's preferred inflation measure, is due out Friday morning. "Growth and inflation are the two key factors as to whether the Fed really comes through on this promise to raise rates in December,"

Boris Schlossberg, managing director of foreign exchange strategy at BK Asset Management, said Wednesday on CNBC's "Trading Nation." The final revision to second-quarter GDP is expected to reflect 3 percent growth quarter over quarter, according to FactSet estimate data. A reading over that 3 percent consensus estimate would give the Fed confidence that the economy is robust enough to sustain a December rate hike, Schlossberg said Wednesday.

Economists are largely looking for a relatively low reading for PCE. Per FactSet estimates, the consensus estimate is 0.10 percent growth month over month. "Inflation has been a confounding factor for the Fed," Schlossberg said, adding that Fed Chair Janet Yellen on Tuesday puzzled over the persistence of low inflation.

If the print is better than expected, "the worst of the deflationary factors have been washed out of the economy, and that we are now starting to pick up steam as far as prices go," he said, which would in turn boost the Fed's confidence in the economy, as well as offer a boost to Treasury bond yields and the U.S. dollar's relative value.



Announcements & Reports

A European perspective on overindebtedness

Source : Bruegel
Weblink : <http://bruegel.org/2017/09/a-european-perspective-on-overindebtedness/>

Trends in Extremist Violence and Terrorism in Europe through End-2016

Source : CSIS
Weblink : <https://www.csis.org/analysis/trends-extremist-violence-and-terrorism-europe-through-end-2016>

Actualising East: India in a Multipolar Asia

Source : Brookings
Weblink : <https://www.brookings.edu/research/actualising-east-india-in-a-multipolar-asia/>

Upcoming Events

13th Asia Europe Economic Forum (AEEF)

Date : 26 October 2017
Place : Beijing - China
Website : <http://bruegel.org/events/13th-asia-europe-economic-forum/>

Emerging Markets and Europe: Time for Different Relationships?

Date : 27 October 2017
Place : Brussels - Belgium
Website : <http://www.bruegel.org/nc/events/event-detail/event/524-emerging-markets-and-europe-time-for-different-relationships/>

What future for Europe's Social Models?

Date : 27 October 2017
Place : Brussels - Belgium
Website : <http://www.bruegel.org/nc/events/event-detail/event/526-what-future-for-europes-social-models/>

Challenges for Growth in Europe

Date : 12 December 2017
Place : Brussels - Belgium
Website : <http://www.bruegel.org/nc/events/event-detail/event/521-challenges-for-growth-in-europe/>



Global Governance of Public Goods: Asian and European Perspectives

Date : 15 December 2017
Place : Paris - France
Website : <http://www.bruegel.org/nc/events/event-detail/event/529-global-governance-of-public-goods-asian-and-european-perspectives/>

The Future of the Welfare State

Date : 16 December 2017
Place : Berlin - Germany
Website : <http://www.bruegel.org/nc/events/event-detail/event/541-the-future-of-the-welfare-state/>

Vision Europe Summit 2016

Date : 18 December 2017
Place : Lisbon - Portugal
Website : <http://bruegel.org/events/vision-europe-summit-2016/>