Deputy PM Şimşek: Turkey to prioritize inflation, current account

Hurriyet Daily News, *14.02.2018*

Turkey will prioritize lowering inflation to single digits and keeping the current account deficit under control while advancing reforms to boost growth and make the economy resistant to shocks, Deputy Prime Minister Mehmet Şimşek has told Reuters.

"We believe that the inflation rate will decrease to single-digits again this year. Both the Central Bank and the government have been working to reach this goal and will do so in the upcoming period," Şimşek said in an interview late on Feb. 13.

He said the increase in domestic demand would be "moderate" this year, adding that there were "four or five factors" impacting the inflation rate. "One of these factors is the parity. If no additional foreign shock is seen, Turkey's assets are attractive at this real effective foreign exchange index … From the foreign perspective, Turkey's assets are attractive in terms of valuation. We do not see any worsening in the foreign balance. On the contrary there is a recovery. If there is no foreign shock, we can say it would be highly probable for this side to support our inflation," Şimşek added. The second factor affecting the inflation rate is food prices, he added: "Increases in food prices have been on the road to become modest. On the one hand, we took several structural measures. On the other hand, we have been taking measures. On the condition that there would not be any parity risks, we do not expect any inflationary impact on this side as well."

According to Şimşek, the third factor will be oil prices. "Oil price have increased to $70 but are now decreasing to $60 levels. As long as this remains at the $60-70 level, we will not witness any negative impact," he said. "The fourth factor is about expectations. The Central Bank has a tightening stance and focuses on decreasing the inflation rate to single digits," Şimşek added. "The fifth factor will be public pricing adjustments. We have been highly sensitive on this point. We will adopt disinflationary steps here if possible," he said. Şimşek also noted that there was a "high probability" that growth in 2017 exceeded 7 percent and the government stood by its medium-term program target of 5.5 percent growth in 2018.

Foreign demand 'to play key role in GDP growth'. The deputy prime minister cited domestic consumption, foreign demand and investments as the motors of Turkey's growth going forward. "The rapid growth trend in Europe, the robust recovery in Turkey's tourism, and some rebound in Turkey's neighboring countries thanks to positive developments in commodity prices will be of great importance in improving Turkey's growth dynamics … We also expect a strong rise in investments over this year," he said. The government has passed many reforms aiming to raise the resilience of the Turkish economy against shocks and to lure global direct investments, Şimşek said.

“We will continue to make reforms. There are some key reforms on the parliament agenda right now. One of them covers the steps to improve the investment climate. The second reform is focusing on the reconstruction of the Scientific and Technological Research Council of Turkey [TUBİTAK]. In addition, a significant reform is set to be made in the VAT system,” he added. “First of all, the capacity utilization rate is quite high now, up to 80 percent in the export sectors ... There is a need for investment. We have introduced many incentives to support such investments,” Şimşek said.

The Treasury, which he oversees, was seeking to diversify borrowing both geographically and in terms of instruments, looking particularly at the Chinese and Russian markets, he added. Regarding the Iran sanctions-busting trial in the U.S., Şimşek stated that the U.S. Justice Department and the U.S. Treasury had not made any requests other than to Turkish state lender Halkbank, after a New York court found one of its executives guilty of facilitating sanctions evasion.

Erdogan tells Tillerson Turkey’s regional priorities

Anadolu Agency, *15.02.2018*

President Recep Tayyip Erdogan and the U.S. Secretary of State, Rex Tillerson, met for over three hours in capital Ankara on Thursday during which they discussed several issues, including bilateral ties and regional developments, particularly Syria and Iraq.

According to a Turkish presidential source, who spoke on condition of anonymity due to restrictions on talking to the media, Erdogan and Tillerson also exchanged views on the fight against terrorism. During their meeting at the presidential complex, Erdogan “explicitly” told Tillerson.

Turkey’s priorities and expectations from the U.S. on bilateral ties and regional developments, the source added. The meeting, which was closed to the media, started at 7.40 p.m. local time (1640GMT) and lasted for three hours and 15 minutes. Tillerson is on a two-day working visit to Turkey. He is expected to meet his Turkish counterpart Mevlut Cavusoglu on Friday to discuss bilateral relations, particularly the U.S. support for the PYD/PKK terrorist group, and international developments. The meeting is expected to be followed by a joint news conference.

Turkey's current account deficit hits $47.1 billion in 2017

Hurriyet Daily News, *14.02.2018*

Turkey ran a current account deficit of $7.7 billion in December 2017, slightly above forecasts, according to data from the Central Bank.

The current account gap thus decreased by $4.36 billion last December compared to the same month of 2016, the Central Bank data showed on Feb. 14. Data showed that the annual deficit reached $47.1 billion in 2017, from $32.6 billion in the previous year. İş Investment economist Muammer Kömürcüoğlu told state-run Anadolu Agency.

He expressed that the rise in the 12-month rolling deficit - nearly $14 billion - was mainly driven by energy and gold imports. "This widening is related to energy and gold imports, which added $8.9 billion and $11.8 billion to the deficit respectively," Kömürcüoğlu said. "But it is good to see a narrowing in the core deficit in a high-growth year," he added, highlighting that Turkey's core deficit (excluding gold and energy) shrunk by $6.7 billion. Kömürcüoğlu also said strong external demand, especially from EU countries, and recovery in tourism revenues would positively affect the current account deficit in 2018.

Regarding the December 2017 data, the Bank said developments in the current account are mainly attributable to the $3.16 billion increase in the goods deficit, recording a net outflow of $7.42 billion, as well as a $231 million increase in primary income deficit to $1.18 billion. Travel items under services recorded a net inflow of $780 million, increasing by $80 million compared to the same month of the previous year, according to the Bank data. Investment income under the primary income item indicated a net outflow of $1.09 billion, thus increasing by $208 million compared to the same period of the previous year.

Secondary income recorded net inflow of $240 million, increasing by $17 million compared to the same month of the previous year. In December 2017, direct investment recorded a net inflow of $490 million, decreasing by nearly $1 billion compared to the same month of the previous year, the Central Bank data also showed. Portfolio investment recorded a net inflow of $344 million. Regarding sub-items through liabilities, non-residents' equity securities transactions recorded net purchases of $142 million, while government domestic debt securities transactions recorded net sales of $266 million. Regarding bond issues in international capital markets, banks realized net borrowing of $305 million.

"Other investment recorded a net outflow of $1.99 billion," the Bank said. Meanwhile, as a result of some revisions the net errors and omissions item was revised downwards by $897 million in 2012, $536 million in 2013, $921 million in 2014, $442 million in 2015, and $2.52 billion in January-November 2017, in contrast to the $44 million upward revision in 2016, bringing the cumulative downward revision to $5.3 billion for the entire period, according to Central Bank data.

Turkey: Unemployment rate falls to 10.3 percent

Anadolu Agency, *15.02.2018*

Turkisurkey's unemployment rate stood at 10.3 percent in November 2017, falling 1.8 percentage points on a yearly basis, the country's statistical authority said.

TurkStat stated that the number of unemployed persons age 15 and over – 3.27 million last November -- decreased by 440,000 year-on-year. "In the same period, non-agricultural unemployment rate occurred as 12.2 percent with a 2.1 percentage points decrease," the institute said. "While the youth unemployment rate including persons aged 15-24 was 19.3 percent with a 3.3 percentage point decrease.

The unemployment rate for persons aged 15-64 occurred as 10.5 percent with a 1.8 percentage point decrease," it added. The number of people employed rose by nearly 1.5 million in the same period, moving the employment rate to 47.3 percent with a 1.5 percentage . point annual increase, the statement noted For the distribution of employment by sector, 18.6 percent were employed in agriculture, 19.2 percent in industry, 7.6 percent in construction, and 54.6 percent in services, TurkStat said. The institute noted that the labour force participation rate (LFPR) was 52.8 percent, up 0.7 percentage points over the same period in 2016. LFPR for males was 72.1 percent, up 0.2 percentage points, and the rate for females was 33.8 percent, up 1.1 percentage point compared with the same period of the previous year, it said.

The rate of unregistered employment came in at 33.6 percent, up 0.3 percentage points from the same month in 2016, TurkStat added. "Although limited increases in the unemployment rate were seen in the same periods of past years with seasonal effects, the November figure remained unchanged at 10.3 percent in line with market expectations," Erol Gurcan, investment advisory manager at Gedik Investment, told Anadolu Agency. The country's annual unemployment rate was 10.3 percent in October 2017, down 1.5 percentage points from the same month in the previous year.

"The positive contribution came from the continuing recovery tendency in economic activities in the last quarter of 2017 and measures taken to support creating new jobs from the beginning of last year," Gurcan said. "The overall improvement in employment will continue moving forward," he said. "We estimate that the unemployment rate will be around 10.3 percent or 10.4 percent for December 2017, and the average unemployment rate for the whole year will be 10.9 percent." Last year, the lowest unemployment rate was seen in May and June with 10.2 percent. Over the past five years, the highest unemployment rate was 13 percent in January 2017, while the lowest was seen in June 2013.

“If the recovery in economic activities is maintained, it is likely that the average unemployment rate this year will be between 9.7 percent and 10.3 percent,” Gurcan added. KapitalFX analyst Enver Erkan also told Anadolu Agency that the November figure was parallel or better than forecasts since last August, “especially in a period when the outcome could move upwards through seasonal effects.” “When we observe the non-agriculture employment side, we see a significant increase, which is a good point for the Turkish economy.” “The data indicates that the Turkish economy created a significant number of new jobs,” he said. “While the labor force grows, the unemployment rate goes down slowly.” “GDP growth is high and continues to be strong in January through leading indicators,” Erkan said, adding that labor market outlook seems positive as supportive measures are set to be continued.

Turkey’s economy expanded 5.3 percent in the first quarter and 5.4 percent in the second quarter of 2017. In the third quarter, Turkey’s economy became the fastest-growing among G20 countries, showing double-digit (11.1 percent) growth performance. As noted in Turkey’s medium-term economic program, the targeted annual unemployment rate at the end of 2017 is 10.8 percent, 10.5 percent for this year, 9.9 percent in 2019 and 9.6 percent in 2020.

Turkey, Belarus seek to cement bilateral relations

Anadolu Agency, *08.02.2018*

Turkish prime minister on Thursday reiterated Turkey’s willingness to boost bilateral relations with Belarus during his two-day official visit to the country.

“Neither Belarus not Turkey has a hidden agenda. We only care about our countries’ development and welfare of our people,” Binali Yildrim said at a joint news conference with Belarus President Alexander Lukashenko. Yildirim said he had a “fruitful” meeting with his Belarusian counterpart Andrei Kobyakov. The two premiers discussed a roadmap to enhance bilateral relations which was agreed in 2016 during President Recep Tayyip Erdogan’s visit to Belarus.

Lukashenko, for his part, said Turkey-Belarus relations gained a momentum in trade and economic areas. He hoped the trade volume between the two countries will exceed $1 billion. The two countries inked agreements in six fields including transportation, economy, sports, science, and librarianship. Turkey-Belarus Business Forum will be held in Minsk on Thursday, where further development of mutual trade, economic and investment cooperation would be discussed. Turkey was the first country to recognize the independence of Belarus. Diplomatic relations were established in 1992.

Turkish Treasury borrows some $1.5B through auctions

Hurriyet Daily News, *07.02.2018*

The Turkish Treasury borrowed a total of 5.88 billion Turkish liras ($1.54 billion) from domestic markets, according to an official statement.

The Treasury Undersecretariat reported that 2.05 billion Turkish liras ($540.1 million) in two-year fixed coupon government bonds (semiannually, re-open, fourth issuance) were sold at auction. The government bonds will be settled on Wednesday and mature on Nov. 13, 2019. The total tender was 3.82 billion Turkish liras ($1 billion) with a 53.8 percent accepted/tendered rate.

The Treasury said the term rate of 637-day government bonds was accepted at 6.51 percent, while annual simple and compound interest rates were 13.02 and 13.44 percent, respectively. At Tuesday's second auction, the Treasury issued 10-year fixed coupon government bonds (semiannually, re-open, sixth issuance) totaling 3.83 billion Turkish liras ($1 billion). The bonds will be settled on Wednesday with a maturity date of Aug. 11, 2027. According to the undersecretariat, the total tender in the second auction was 5.23 billion Turkish liras ($1.38 billion), with a 73.2 percent accepted/tendered rate.

The term rate of 3,465-day government bonds was accepted at 5.89 percent, while annual simple and compound interest rates were 11.79 and 12.13 percent, respectively. Meanwhile, the Treasury held three auctions for government bonds and Treasury bills to borrow a total of 8.51 billion Turkish liras ($2.23 billion) from domestic markets on Monday.

Turkey posts $450 million budget surplus in January

Reuters, *05.02.2018*

Turkey's central government's budget balance saw a surplus of 1.7 billion Turkish liras ($450 million) in January, the Finance Ministry announced on Feb. 15.

It stated that Turkey's budget revenues fell by 1 percent to 58.2 billion Turkish Liras ($15.4 billion) last month compared to the same month of 2017. Budget expenses, meanwhile, stood at 56.5 billion liras ($14.9 billion), marking a 19.4 percent annual rise. Excluding interest payments, the budget recorded a surplus of 7.7 billion liras (around $2 billion) in January, while interest expenditures were around six billion liras ($1.6 billion).

The government's tax revenues reached 52 billion liras ($13.7 billion) in the first month of this year, a 7.4 percent annual rise in tax collection. Last year, Turkey's central government budget balance showed a deficit of 47.4 billion liras ($12.9 billion), or around 1.5 percent of the GDP, which was below the expectations. Turkey's budget revenue hit 630.3 billion liras ($172.7 billion) last year, while expenditures were 677.7 billion liras ($185.6 billion), including interest payments. The government's annual budget balance saw a non-interest surplus of 9.3 billion liras ($2.6 billion) in 2017, considering interest expenditures of 56.7 billion liras ($15.5 billion). The government's medium term program targets a budget deficit/GDP ratio of 1.9 percent in 2018, 1.8 percent in 2019, and 1.6 percent in 2020.

Turkey handed work permits to more than 87,000 foreigners in 2017

Anadolu Agency, *15.02.2018*

Turkey granted over 87,000 work permits to foreign nationals in 2017, according to data from the country's Labor and Social Security Ministry compiled by state-run Anadolu Agency.

Overall the ministry received almost 100,000 work permit applications last year, approved almost 87 percent of them, according to the data. Syrian citizens accounted for 24 percent of all work permits granted to foreign nationals, making Syrians the largest single group. As a result, nearly 21,000 Syrians started working in Turkey last year. They were followed by Georgians with 7,317 work permits granted.

Also, Kyrgyzstanis with 6,360, Ukrainians with 5,761, and Chinese with 4,288. The overall number of work permits granted last year rose from 2016, when the ministry granted 73,584 work permits to foreigners.

Israel warns Syria regime against chemical weapons use

The Guardian, *14.02.2018*

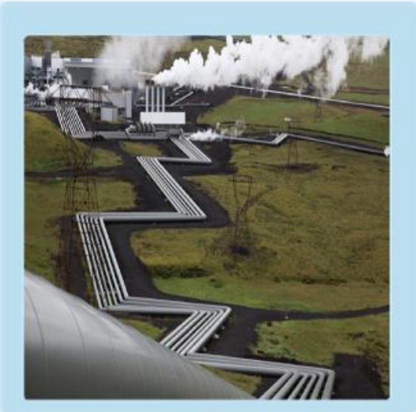
Israel has vowed a "punishing response" if the Syrian regime deploys chemical weapons near its border, Israeli media reported Thursday.

"The Foreign Ministry fears poison gas may leak into Israel if the Assad regime uses chemical weapons against rebels near the Golan Heights and has reportedly warned of a punishing response should such a situation unfold," The ministry, the newspaper added, had sent a classified message to 15 Israeli ambassadors overseas, providing them with "guidelines for sending strong messages against Iran, Syria and Hezbollah".

According to the Times of Israel, the message instructed the diplomats to make clear “that such an incident [i.e., the use of chemical weapons near the border] would require Israel to respond in the strongest possible terms”. “We must convey the message that Israel… will defend itself, its citizens, and its sovereignty,” the message read, according to the newspaper. The message also reportedly warned that Iran’s military successes in Syria could encourage it to stage attacks on Israel, which, it warned, could lead to an escalation of hostilities across the entire region. The latest developments come amid mounting tension in the region after an Israeli F-16 was shot down over Syrian territory on Saturday.

Iceland may introduce bitcoin mining tax to counter soaring energy consumption

Sputniknews, *16.02.2018*



German Given the massive amounts of energy used to obtain virtual currencies, the new industry has found an ideal place to “settle down.” As the mining companies have been developing in the North Atlantic island, Smari McCarthy, a lawmaker from Iceland’s Pirate Party, has come up with an idea to tax the profits of bitcoin mines.

The majority of the country’s inhabitants remain quite skeptical of the speculation, which is inherent to cryptocurrency, especially after the disastrous 2008 banking collapse. Normally, companies that are creating value in Iceland pay a certain amount of tax to the government.”

“These companies are not doing that, and we might want to ask ourselves whether they should.” McCarthy has cast doubt on the value of bitcoin mining to society, arguing that residents should consider regulating and taxing the emerging industry. “We are spending tens or maybe hundreds of megawatts on producing something that has no tangible existence and no real use for humans outside the realm of financial speculation,” he said. “That can’t be good.”

It turns out that energy consumption associated with Bitcoin mining has been on the rise recently, and if this particular trend persists, consumption will doubly to nearly 100 megawatts in 2018. Iceland’s National Energy Authority stated that this was more than households use on the island nation of 340,000. “Four months ago, I could not have predicted this trend — but then bitcoin skyrocketed and we got a lot more emails. Just today, I came from a meeting with a mining company seeking to buy 18 megawatts,” said Johann Snorri Sigurbergsson, a business development manager at the energy company Hitaveita Sudurnesja. The energy demand has been on the rise because of the booming cost of producing and collecting cryptocurrencies. While computers are used to make complex calculations to keep the virtual transactions going, they need more power to keep up with all these processes, which requires more energy.

G20 seeks greater collaboration with Africa

Africa Business, *14.02.2018*

“We are here to listen and learn about what you consider as relevant for Africa and the African Union at the G20,” said AmbassadorVillagra Delgado, Argentina’s Sherpa for the G20.

He was speaking during a meeting with representatives of the United Nations ECA, the United Nations Office to the African Union (UNOAU), and the United Nations Resident Coordinator for Ethiopia in Addis Ababa. G20 is a forum that seeks to strengthen the global economy, reform international financial institutions, improve financial regulation and implement economic reforms that are needed in each member economy.

It is made up of 19 countries plus the European Union. South Africa is the only African member-country of the G20. Mr. Delgado said, “From the moment Argentina took over the G20 presidency, we wanted to reach out to all, including non-members of the G20.” He noted that besides continuing with the agendas of previous G20 presidencies, Argentina will lay emphasis on areas such as gender parity; education and digital technology; food security; investment for infrastructure; and fighting corruption, among others.

UNOAU Chief, Haile Menkerios, commended Mr. Delgado for seeking the views of African countries, adding “I salute G20’s commitment to Africa’s Agenda 2063.” He urged the G20 to encourage Africa’s ownership of Agendas 2030 and 2063 and to “remain conscious of the partnership between the United Nations and the African Union,” which aims to ensure peace and security on the continent. ECA’s Chief Economist and Deputy Executive Secretary, Abdalla Hamdock, described G20’s effort to reach out to African countries as “a step in the right direction.” He highlighted trade and regional integration; Illicit Financial Flows (IFF); climate change; technology; natural resources for development; macroeconomic policy; and migration as some of Africa’s priority areas where collaboration with the G20 will be helpful. For her part, the UNRCo, Ahunna Eziakonwa-Onochie, deplored the fact that Africans reap much less for their hard work, compared to people in other parts of the world. She asked, “How can we ensure that the hard work of Africans yields proportionate result?”

The Resident Coordinator expressed hope that collaboration with the G20 can help change the narrative about Africa. “The story about Africa needs to change because Africans are very hard-working people,” said Ms. Eziakonwa-Onochie. “They are not these people who just sit and wait for aid.” She added that Africa needs to be “acknowledged and supported” for its global leadership role in hosting and supporting refugees. Countries like Ethiopia and Uganda, said Ms. Eziakonwa-Onochie, are amongst the top refugee-hosting nations.

G20's South Africa Desk Director, Cedrick Crowley, applauded the fact that "we are having this meeting in Addis Ababa, the seat of the African Union where African voices can easily be heard." He expressed satisfaction with Argentina's G20 priorities, adding that fighting Illicit Financial Flows and tuberculosis (TB) are some of the areas where South Africa and Africa as a whole would like to mobilize international support for. At the end of the meeting, Mr. Delgado said he was pleased with the input from ECA, UNOAU and the UNRCo, stating "This is exactly why we needed to come here and I hope Argentina can count on you during its G20 presidency." The G20 delegation also met with officials of the African Union.

African Development Fund receives $700 million from JICA to bolster Africa's economic growth

Reuters, *15.02.2018*

The Japan International Cooperation Agency (JICA) has signed a loan agreement with the African Development Fund (ADF) designed to provide an Official Development Assistance (ODA) loan to the tune of 73.601 billion Japanese Yen, approx. US $700.9 million.

The loan is part of Japan's contribution to the African Development Fund's Fourteenth Replenishment (ADF-14). This is the first JICA loan provided to the ADF. The loan will provide the African Development Fund with resources to support recipient countries.

It must be during the ADF-14 period running from January 1, 2017 to December 31, 2019, and contribute to economic growth as well as poverty alleviation in Africa's least developed countries. The President of the African Development Bank Group, Akinwumi Adesina, acknowledged the landmark event and expressed the Bank's gratitude and appreciation to the Government of Japan.

Signing the Notes of Exchange, Adesina said, "Thanks to Japan and its Government for keeping a promise. One often hears about many international pledges of development cooperation remaining unfilled. I would like to commend the full accomplishment of Japan's commitments to Africa's development. With its US $700-million loan, which came on top of US $328 million in the form of a grant, Japan has significantly contributed to the ADF commitment capacity for the period 2017-2019." Adesina stated that Japan was a longstanding development partner for Africa, with a significant portion of its aid commitments to the continent channeled through the African Development Bank Group. "Japan is the second-largest contributor to the ADF in cumulative terms, and it has increased its contributions significantly over time."

Also speaking on the occasion, Japan's Ambassador to Côte d'Ivoire, Hiroshi Kawamura, said he was glad to sign the accord to bolster Africa's socio-economic development. "Our contributions to the ADF-14 replenishment will allow the Government of Japan to increase its contributions to 7.3%, against 6.7% for the ADF-13," he stated. According to Kawamura: "We hope the loans and grants will be used effectively to improve economic and social conditions of less privileged people in Africa. Also, the reason of our meeting today would further contribute to accelerating the Tokyo International Conference on African Development (TICAD)." The Japan International Cooperation Agency (JICA) Chief Representative in Côte d'Ivoire, Tsutomu Iimura, said his institution fully adheres to the African Development Bank's High 5s.

"There is no limit in the potential collaboration and synergies between the two institutions." Iimura expressed the hope that JICA's projects and contributions to ADF-14 would bolster the Bank's capacity to carry out the objectives of the High 5s in countries where support is most needed. Co-signing the accord for the African Development Bank, Acting Vice-President for Finance, Hassatou N'Sele, thanked the Japanese Government and its people for "exceptional support" to the ADF-14 replenishment, noting that, "These investments by Japan will make a difference in the lives of many Africans. Japan is one of the African Development Bank's most privileged partners. Your various financial instruments will help us meet our development goals". The African Development Fund is part of the African Development Bank (AfDB) Group and provides support primarily to least developed and poor countries in the form of very long-term, low-interest financing.

In contrast, the African Development Bank, which is the other arm of the African Development Bank Group, provides financing to middle-income countries in Africa. Since its inception in 1972, the African Development Fund has conventionally received subscriptions in the form of grants from donor countries, including Japan, as a source of funding to achieve its development mandate. During the negotiations of its fourteenth replenishment, the African Development Fund offered donor countries the opportunity to include concessional loans within subscriptions to the Fund for the very first time. JICA also provides private sector development support through projects under Enhanced Private Sector Assistance for Africa (EPSA), which the Government of Japan and the African Development Bank launched as a strategy for support in Africa in July 2005. It is JICA's policy to maintain its relationship with the African Development Bank Group as an important development partner contributing to economic growth and poverty alleviation in Africa.

Sudan, S. Sudan resume cross-border trade after 7 years

Cyprus Mail, *14.02.2018*

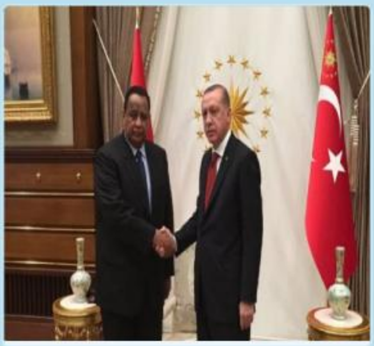
Sudanese Trade Minister Hatem al-Sar on Wednesday announced the resumption of cross-border commercial traffic with South Sudan following a seven-year hiatus.

According to local media reports, the two countries have now resumed full border services in Sudan's White Nile Province and South Sudan's Upper Nile region. Al-Sar told reporters in Khartoum that the decision to reopen the border to commercial traffic had been ordered directly by President Omar al-Bashir. "The resumption of legal cross-border commerce will strike a blow against smuggling,"

The trade minister said, adding that Sudan was "open to dialogue with all its neighbors". Cross-border trade had remained suspended since South Sudan declared independence from its northern neighbor following a popular referendum in 2011. Despite ongoing differences between the two countries, Khartoum and Abuja signed a wide-ranging cooperation protocol -- governing the transport, commerce, security and oil sectors -- in 2013.

Sudan's FM meets Turkish president in Ankara

Sudan Tribune, *13.02.2018*



Sudan's Foreign Minister Ibrahim Ghandour on Tuesday has held a closed-door meeting with the Turkish President Recep Tayyip Erdogan in Ankara.

According to the Turkish Anadolu Agency, the meeting lasted for half an hour but no official statement was issued regarding the details of the discussions. On Monday, the Turkish embassy in Khartoum said Ghandour has met with his Turkisk counterpart Mevlut Cavusoglu on the sidelines of the Turkey-Africa Partnership Summit in Istanbul. In a tweet on its official website.

The Turkish embassy pointed out that the two ministers discussed the evolving bilateral relations following the recent visit of President Erdogan to Sudan. Last December, Erdogan paid a two-day visit to Khartoum. He was the first Turkish president to visit Sudan. During the visit, Erdogan and his Sudanese counterpart, Omer al-Bashir, signed more than a dozen agreements to boost the economic partnership between the two nations. Also, the two sides announced an agreement was reached to rebuild the ruined Ottoman Red Sea coastal island of Suakin and to construct a naval dock to maintain civilian and military vessels. The announcement stirred tensions in the Red Sea region as Egypt saw the move posing a direct threat to its national security.

U.S. Bancorp to pay $613 million for money-laundering violations

Reuters, *15.02.2018*

The U.S. Justice Department has reached a $613 million settlement with U.S. Bancorp (USB.N) over charges that it willfully failed to have an adequate anti-money-laundering program, the department said on Thursday.

As part of the settlement, U.S. Bancorp agreed to forfeit $453 million and to pay fines to the Treasury Department, the Office of the Comptroller of the Currency and the Federal Reserve, the Justice Department said in a statement. It said that the bank, through its subsidiary U.S. Bank National Association, deliberately ran an inadequate anti-money-laundering program from 2009 to 2014.

U.S. Bancorp failed to detect large numbers of suspicious transactions and concealed its missteps from regulators, it said. “We regret and have accepted responsibility for the past deficiencies in our AML (anti-money-laundering) program. Our culture of ethics and integrity demands that we do better,” President and Chief Executive Andy Cecere said in a statement. Under the settlement, the Justice Department agreed to dismiss the charges against the Minneapolis-based bank in two years if it meets the terms of the agreement. The bank said it has overhauled its anti-money-laundering policies in recent years to address the issues.

The Justice Department said the bank limited the number of transactions its systems would flag as suspicious based on its staffing levels. A 2009 memo from the bank’s anti-money laundering officer warned that staff was “stretched dangerously thin,” and U.S. Bancorp hid its limitations from regulators, it said. The Justice Department also claimed the bank processed Western Union transactions for non-customers, even though those transactions would not be monitored. The bank barred those wire transfers in 2014. Authorities also charged that the bank willfully failed to report suspicious banking activities of a longtime customer, Scott Tucker, from 2011 to 2013.

Tucker, who ran a payday lending business through various Native American tribes, ran roughly $2 billion through the bank's accounts. He was convicted in October of charges tied to that business, although he intends to appeal. The Justice Department statement said the bank overlooked several red flags from Tucker's business, including using accounts bearing the names of tribes for his personal expenses, such as a vacation home and a Ferrari racing team.

The bank did not flag any of Tucker's activity to regulators as suspicious until served with a Justice Department subpoena in 2013. The Justice Department recommended that the $453 million forfeiture be remitted to people who took out high-interest loans with Tucker. Shares in U.S. Bancorp were down 0.0904 percent at $55.26 at 11:45 a.m. EST, in line with the Dow Jones U.S. Bank Index .DJUSBK.

JP Morgan slashes GDP estimate to 2.5% after 'hotter than Hades' inflation report

CNBC, *14.02.2018*

J.P. Morgan slashed expectations for U.S. economic growth in the first quarter thanks to Wednesday's "hotter than Hades" inflation reading and "ugly" retail sales numbers.

The bank's chief U.S. economist explained that the Labor Department's "scorching" core consumer price index measure likely means an emboldened Federal Reserve. "While it is still early going, we are taking down our outlook for first-quarter gross domestic product from 3.0 percent to 2.5 percent," wrote economist Michael Feroli. The economist added that core CPI posted a 0.349 percent monthly gain.

Its largest month-over-month gain since 2005. Though economists across Wall Street have differed on how many times the central bank is likely to raise rates in 2018, the odds of a March rate hike are now over 80 percent, according to the CME FedWatch tool. The Atlanta Fed also lowered its projection on Wednesday, calling for growth of 3.2 percent in the first quarter versus prior expectations of 4 percent on Feb. 9 Inflation fears have spooked investors in recent weeks after a strong January jobs report ignited interest rates and sent the Dow Jones industrial average and the S&P 500 into correction territory. Classical economics holds that excessive fiscal stimulus in the form of tax cuts or government spending temporarily elevates GDP while prices adjust to catch up to increased output. "We now also think the odds are moving up that [the Fed's bankers] also revise their guidance at that [March] meeting from looking for three hikes this year to four, aligning with our view," Feroli added.

But inflation can also hurt consumer spending as prices rise. The economist also took time to highlight an “ugly” January retail sales report. January retail sales fell unexpectedly in their biggest drop since last February, sliding 0.3 percent. Sales were revised down to flat in December and down to 0.8 percent in November, Feroli said. “The revisions take our tracking of fourth-quarter GDP from 2.6 percent to 2.4 percent,” he added. “A delay in tax refund payments may have hurt consumption last month, and the weather could have also been a depressing factor. As these influences fade we expect some modest firming in consumer spending later in the quarter.”

US and Russia dispute over Syria in UN Security Council

Anadolu Agency, *09.02.2018*

The U.S. Permanent Representative to the UN on Wednesday said it is time for Russia to use its influence over the Syrian regime for peace in Syria.

“Russia was supposed to guarantee adherence to these de-escalation zones to help the political process. But then again, Russia was also supposed to guarantee that all chemical weapons would be removed from Syria,” Nikki Haley said at the UN Security Council meeting on Syria. “Instead, we see the Assad regime continue to bomb, starve, and yes, gas civilians.”

Describing Bashar al-Assad regime as “a front for Iran and Hezbollah”, she also criticized Tehran for having the irresponsible behavior for the Middle East. “The Assad regime has become a front for Iran, Hezbollah, and their allies to advance the irresponsible and dangerous agenda for the Middle East. On every front of this conflict, we find fighters imported by Iran from Lebanon, Iraq, and Afghanistan,” she said, adding that Hezbollah is also directly behind the atrocities committed by Syrian regime.

She said the U.S. cannot offer support for peace while ignoring Iran’s support for terrorism in the Middle East and its terrorist militia’s effort to settle in the country. “Ultimately, we must recognize that the Assad regime does not want peace unless it’s peace on their terms – a peace in which every person in Syria who opposes the regime is murdered, tortured, starved, imprisoned, or forced to flee the country,” she added. Complaining about the constant demands to Russia, Moscow’s Permanent Representative to the UN, Vassily Nebenzia said the U.S. and its allies should use their influence over the regime-oppositions to prevent violence in response to Haley’s criticism. Nebenzia added that the political process in Syria must be free from international pressures. In addition, France’s Permanent Representative to the UN Francois Delattre said more stability in the area would help negotiations in Vienna later this month that will focus on Syria’s future and ending the civil war by bringing together the regime and opposition.

Rising inflation rekindles a big market fear from the 1970s

CNBC, *14.02.2018*

January's hotter-than-expected consumer price index reading pushes the economy closer to a potential danger zone for the stock market.

Prices rose 2.1 percent over the past year, the same as December but more than what Wall Street had expected and at a particularly ticklish time. This year's wicked market swings have been fed in large part by inflation fears. Rising price pressures have generated worries that the Federal Reserve might have to play catch-up on rate hikes, and Wednesday's data reinforced that perception.

While the sustained pace above 2 percent might not be cause for immediate concern, a rise in inflation toward the 3 percent level would be, according to Jim Paulsen, chief investment strategist at Leuthold Group. Research going back to 1870 shows that as inflation morphs from 2 percent to 3 percent, investors get more sensitive to rate increases and the normal correlation of risking stocks and rising yields breaks down. "This implies that good news may continue to be bad and any further rise in yields should prove increasingly challenging for the stock market," Paulsen told clients in a note Monday.

Reached Wednesday after the CPI release, Paulsen said the inflation numbers coupled with an unexpected 0.3 percent January retail sales decline raised the ugly specter of stagflation. The term, a market bugaboo in the 1970s, refers to high inflation and lower economic growth otherwise. "Expectations are so high for growth. What happens if we not only get a little trickle of inflation but we start to get weaker-than-expected real growth numbers?" he said. "I'm not saying we're going to have big stagflation, but we may have to revise down aggressive growth for the year." Paulsen wasn't alone: David Rosenberg, chief economist and strategist at Gluskin Sheff, said in his daily note that the economy was seeing "stagflation, or at least a mild case of it," based on the difference between the retail sales and CPI readings. As things stand, Fed economists expect GDP to grow 2.5 percent in 2018, according to projections in December. That was revised up from the 2.1 percent estimate in September.

However, the Atlanta Fed just sharply cut its expectations for first-quarter growth. Its GDP model just a few weeks ago had been projecting 5.4 percent growth, but that was sliced first to 4 percent then 3.2 percent after the data releases Wednesday. Wall Street had been slowly coming around to the prospects of faster-than-anticipated growth both in the economy and inflation for 2018. A 2.9 percent average hourly earnings increase in January especially stoked inflation worries. Should the benchmark 10-year Treasury note yield continue to trek to 3 percent, that would indicate the recent stock market losses "have a little further to go." The S&P 500 is down about 5 percent for February. To be sure, the January numbers aren't conclusive on inflation trends.

One of the biggest drivers in the increase, a 1.7 jump in clothing, is a classic seasonal move that could unwind in subsequent months. The price gain was hard to square with the sales decline, indicating the data are noisy and could be revised ahead. “We believe that the higher inflation reading in January is unlikely to be the start of a new trend and, while we do believe that inflation is likely to continue to inch higher over the 2018, do not see a sharp, sustained, move in inflation as a likely outcome this year,” Drew Matus, chief market strategist at MetLife Investment Management, said in a note. Stocks sloshed around in morning trading, with the Dow industrials opening down more than 100 points before going positive then trading around breakeven at 11 a.m. ET. Bonds that are indexed for inflation, called Treasury Protected Inflation Securities, also were little changed.

Announcements & Reports

► *A Wider Circle? The Circular Economy in Developing Countries*

Source : Chatham House
Weblink : https://www.chathamhouse.org/sites/files/chathamhouse/publications/research/2017-12-05-circular-economy-preston-lehne-final.pdf

► *The Revolution in Civil-Military Affairs*

Source : CSIS
Weblink : https://csis-prod.s3.amazonaws.com/s3fs-public/publication/180215_RCMA_Report_cordesman.pdf?ANPFgt3cD.iG0KCBA.hw6tsbmGiqu5SD

► *Trade Policy Under President Trump: Implications for the US and the World*

Source : Chatham House
Weblink : https://www.chathamhouse.org/sites/files/chathamhouse/publications/research/2017-11-03-trade-policy-trump-schneider-petsinger-final.pdf

► *Transatlantic Relations: Converging or Diverging?*

Source : Chatham House
Weblink : https://www.chathamhouse.org/sites/files/chathamhouse/publications/research/2018-01-18-transatlantic-relations-converging-diverging-wickett-final.pdf

Upcoming Events

► *The Economic Impact of Cybercrime*

Date : 21 February 2018
Place : CSIS - Headquarters
Website : https://www.csis.org/events/economic-impact-cybercrime

► *Aid Wars: U.S.-Soviet Competition in India during the Cold War*

Date : 23 February 2018
Place : New Delhi, India
Website : https://www.brookings.edu/events/discussion-aid-wars-u-s-soviet-competition-in-india-during-the-cold-war/

► *Iran in 2018 and beyond: Amidst external and internal challenges*

Date : 26 February 2018
Place : Westbay, Qatar
Website : https://www.brookings.edu/events/iran-in-2018-and-beyond-amidst-external-and-internal-challenges/

► *A Fed duet: Janet Yellen in conversation with Ben Bernanke*

Date : 27 February 2018
Place : Washington DC
Website : https://www.brookings.edu/events/a-fed-duet-janet-yellen-in-conversation-with-ben-bernanke/

► *Energy Statistics Course March 2018*

Date : 19 - 23 March 2018
Place : Paris
Website : http://www.iea.org/workshops/energy-statistics-course-march-2018.html

► *11th Energy Storage World Forum*

Date : 14 May 2018
Place : Berlin
Website : https://www.entsoe.eu/news-events/events/Pages/Events/11th-Energy-Storage-World-Forum.aspx?EventWorkshopId=334