

Please find below our latest newsletter covering recent economic and political developments in Turkey.

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Best regards,
Your FMConsulting Team

Economy

Overview of Monthly Data

TL-Rates	29.02.2012	30.03.2012	Change in %
TL pro Euro	2.3491	2.3778	1.22
TL pro USD	1.7459	1.7815	0.02

Stock exchange index	60.721,20	62.423,04	2.80
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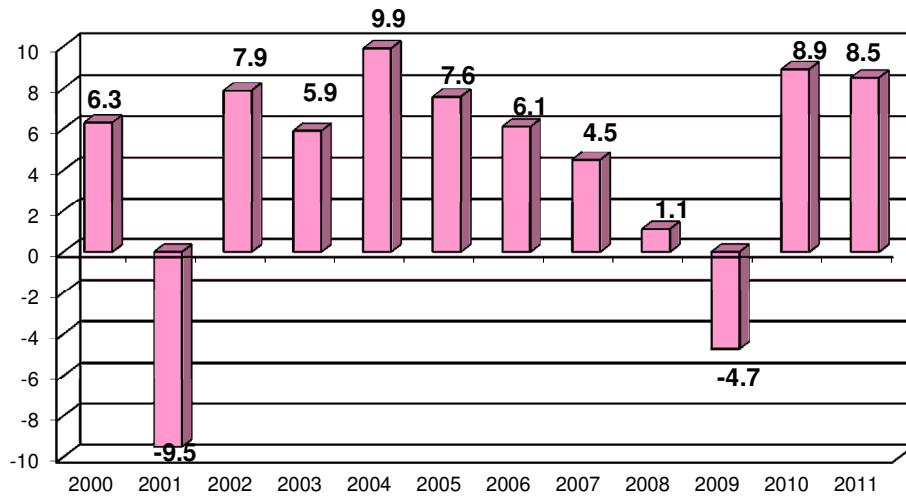
Inflation in %	Monthly inflation	Annual inflation
Producer prices	0.36	8.22
Consumer prices	0.41	10.43

Growth Rates

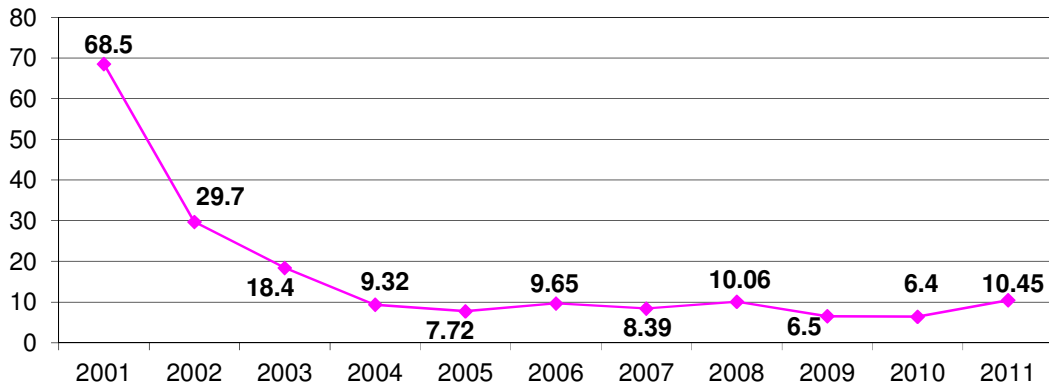
Economic Growth Rates (%)					
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Yearly
2000	4.2	5.4	7.2	7.8	6.3
2001	-3.3	-12.3	-9.1	-12.3	-9.5
2002	0.6	10.4	8.0	11.8	7.9
2003	7.4	3.6	5.6	7.2	5.9
2004	13.9	15.7	8	6.6	9.9
2005	7.5	4.7	8.0	10.0	7.6
2006	6.3	9.3	4.3	4.6	6.1

2007	8.1	4.1	3.3	3.6	4.5
2008	6.7	1.9	0.5	-6.2	1.1
2009	-14.5	-7.7	-2.9	6	-4.7
2010	12.2	10.2	5.3	9.2	9.0
2011	11.6	8.8	8.2	5.2	8.5

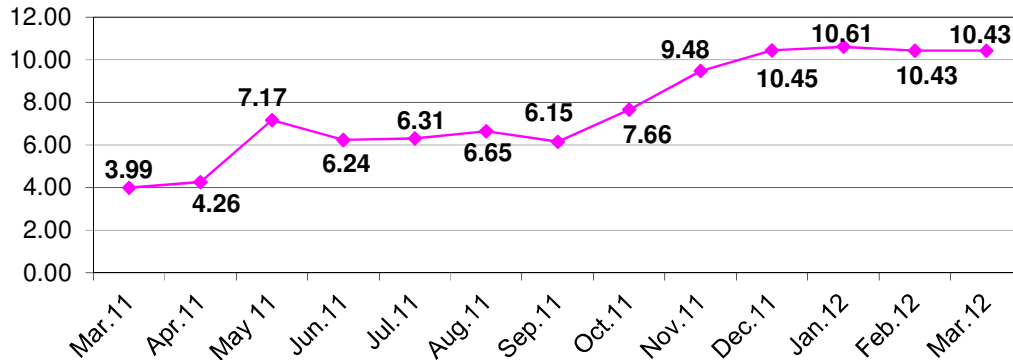
Growth Rates (%)



Annual Inflation of Consumer Prices (%)



Annual Inflation's Monthly Development 2011-12 (%)



Turkey's exports on the upswing

Having climbed to a record US\$11bn 156mn in February, the exports of the Turkish economy continued to rise in March to reach US\$13bn 50mn. First quarter exports totalled US\$34bn 744mn, 10.5% up from the same period of the previous year. Apparently the negative effects of the Arab Spring have been overcome, with Turkey's exports to Libya, Yemen, Bahrain and Egypt increasing by 658%, 480%, 193%, and 102%, respectively. According to Turkish Exporters' Association TIM, this development was due to measures implemented by the government with the aim of curbing inflation, the current account deficit, and imports. Consequently, TIM President Mehmet Büyükeksi called for affirmative action to the benefit of exporters in order to facilitate GDP growth despite this development.

March 7 / April 2, 2012

Unexpectedly strong economic growth in 2011: 8.5 per cent

The Turkish Statistical Institute has just announced that the country's economy has grown by 5.6% in 2011 to a total income of US\$772.3bn, with the gross domestic product in constant prices amounting to TL114bn 874mn, equivalent to a growth rate of 8.5%. This put Turkey in the lead among European countries and earned it fourth rank globally behind only Qatar (+14.0%), China (+9.2%), and Argentina (+8.8%). Thus the growth target of 7.5% was significantly surpassed, and the per-capita income reached 10,444 US-dollars. With a sharp decline to 5.2% already in the final quarter of 2011, the government's best-case scenario for 2012 is 4-5% GDP growth. Forecasts by international organisations, however, vary between just 2.3% (IMF) and 3.2% (European Commission). A continuous cause for concern is Turkey's current account deficit, which contrary to an earlier announcement by Economy Minister Zafer Caglayan did not recede in the least but rather climbed to US\$77bn 157mn, close to 10% of the national income. This is a stark increase over 2010, when the deficit amounted to US\$46bn 653mn, just about 6.4% of a GDP of then US\$731.6bn.

Turkey's GDP in 2011 compared with 2010 (million TL in constant prices)

	2010	2011	Difference	Change (%)	Contribution (points)
Private consumption	73,174.3	78,799.8	+5,625.4	7.7	5.3
State consumption	11,325.2	11,834.5	+509.3	4.5	0.5
Investments (*)	25,551.9	29,898.9	+4,346.9	17.0	4.1
Exports	25,500.9	27,157.4	+1,656.5	6.5	1.6
Imports	-29,666.8	-32,816.6	-3,149.8	10.6	-3.0
GDP	105,885.6	114,874.0	+8,988.3	8.5	8.5

(*) Aggregate of gross fixed investments and inventory movements in the private and public sector

March 13 / April 3, 2012

Middle East developments play havoc with energy forecast

Turkey's energy imports, having reached a record level of some US\$54.1bn in 2011 (40.5% up from the previous year), were scheduled to drop to US\$49.5bn this year. However, due to continuing political unrest in the Middle East and ongoing tensions between the United States and Iran, the crude oil price projection of 97 US-dollars per barrel on which the forecast was based has long become obsolete. With the barrel pricing nearing 140 dollars, the import bill could well sum up to US\$70bn by the end of the year. While the share of energy in total imports had been 22.46% in 2011, it rose to 26.5% even in the first two months of 2012. Already energy imports account for 61.8% of Turkey's foreign trade deficit. Meanwhile the highest energy price hike in four years came into effect as of April 1st: Natural gas prices were raised by up to 18.72%, while at the same time the prices for household electricity and commercial electricity increased by 9.57% and 9.26%, respectively.

Development of the oil price and Turkey's economic performance (million US\$)

	Crude oil price (US\$/barrel)	Energy imports	Total imports	Foreign trade balance	Current account	GDP growth rate
2001	24.3	8,339.2	41,399.1	-10,064.9	3,760	-5.7%
2002	25.0	9,203.6	51,553.8	-15,494.7	-626	6.2%
2003	28.9	11,574.9	69,339.7	-22,086.9	-7,515	5.3%
2004	37.8	14,407.1	97,539.8	-34,372.6	-14,431	9.4%
2005	53.4	21,254.8	116,774.2	-43,297.7	-22,309	8.4%
2006	64.3	28,858.8	139,576.2	-54,041.5	-32,249	6.9%
2007	71.1	33,882.8	170,062.7	-62,791.0	-38,434	4.7%
2008	97.0	48,281.0	201,963.6	-69,936.4	-41,524	0.7%
2009	61.8	29,905.1	140,928.4	-38,785.8	-13,370	-4.8%
2010	79.0	38,497.0	185,544.3	-71,661.1	-46,643	9.0%
2011	111.3	54,114.3	240,834.4	-105,862.8	-77,157	8.5%

March 26 / April 2/5, 2012

New subsidy package raises high expectations

The Turkish government has presented its eagerly-awaited new subsidy package. It consists of general subsidies – reduced VAT and customs exemptions – as well as regionally graded special support measures for structurally weak regions; for this purpose, the country has been divided into 6 zones. In addition to this, large-scale investments and projects of strategic importance are to receive particular support which also includes low interest rates, partial funding of employers' contributions to social insurance, and the allocation of building plots for industrial settlement. By and large, representatives of trade associations from various sectors and regions commented favourably on the new system. Unfortunately the subsidies do not apply retroactively to investments made from June 2011 onwards, as initially proclaimed, but only from January 2012.

April 6, 2012

Politics

Vigorous protests against plans to reorganize the education system

The Turkish government's plans to extend compulsory schooling to 12 years in three stages of 4 years each are meeting with fierce resistance. Political opponents claim that the proposed system will in practice make it even harder for girls to gain access to higher education. Another point of

criticism is the planned introduction of optional Quran lessons, for fear of further ideologisation in the interests of the Islam-minded government. Teachers' unions responded to the proposal with nationwide protest rallies, against which strong police forces were deployed. The largest opposition party, social democratic Republican People's Party (CHP), announced its intent to challenge the constitutionality of the draft law in court.

March 14/29 / April 5, 2012

Enhanced cooperation agreed with China

With China's Vice-President Xi Jinping having visited Turkey in February, Prime Minister Recep Tayyip Erdogan now became the first Turkish head of government in 27 years to travel to Beijing, in the company of five members of his cabinet. Other places visited by the large delegation including 320 businesspeople were Urumqi in Xinjiang, where a wind turbine plant was inspected, and the country's economic capital, Shanghai. The two countries signed five major agreements in the areas of energy, transportation, automotive spare parts, telecommunications, and mechanical engineering. The volume of trade between China and Turkey has more than tripled over the last seven years, with a continued upward trend. Turkey's Agency for the Promotion of Trade, Industry and Investments expects up to US\$110bn of Chinese direct investments in the next 5 years. Amongst other things, China is in an advantageous position as to the construction of nuclear power plants in Turkey, since it has the capacity to provide its own funding for projects of that size. On the other hand, Turkish companies are keen on partaking in the boom in the world's most populous country, particularly in the construction sector.

April 9/10, 2012

Clampdown on undemocratic military continues

The special prosecutor's office in Ankara recently ordered 31 more military personnel to be arrested after their houses had been searched. Following interrogation by a judge, nine former high-ranking officers, among them retired four-star general Cevik Bir, were remanded in custody. In the late 1990s, General Bir was the Number 2 of the Turkish Armed Forces and also responsible for the clandestine "Task Force West" that devised a plan of action against fundamentalist activities and is said to have illegally registered almost 6 million foes of the system in the process. He was one of the main initiators of the bloodless "postmodern coup" triggered by the February 28, 1997 Memorandum which forced the coalition government led by Islamist prime minister Necmettin Erbakan to resign. Members of the AKP government hurried to announce that the arrests were by no means to be considered a retaliation campaign, but rather a normal democratic procedure aimed at doing justice; at the same time, they urged the judiciary to proceed within the law. April also saw the start of the trial against those responsible for the last military coup of September 12, 1980, first and foremost its leader, former Chief of Staff General Kenan Evren, who will soon turn 95.

April 5/13/16, 2012

Other Topics

Record year for wind power ahead

Already 25 new licences for wind energy plants have been issued in the first two months of the year. If the development is going to progress at this rate, the record of 120 new wind power licences from the previous year will again be exceeded in 2012. All in all, 234 licences have been issued in over the last decade, with only six in 2010 and a mere two in 2009. 41 wind power plants with a combined installed capacity of 1,786 MW are currently operating, and another 188 with a total of 6,652 MW are under construction. The largest of the present plants with 140.4 MW is

located in Soma (province of Manisa). There are wind energy projects in 49 of Turkey's 81 provinces, with the regions on the West Coast and in Central Anatolia leading the way. The national energy strategy is based on the assumption that 20,000 MW of the total usable potential of 48,000 MW ought to be utilised by 2023.

March 9, 2012

Faber-Castell on expansion course in Turkey

The Turkish shareholding of Germany-based company Faber-Castell AG, the world's largest manufacturer of pencils and coloured pencils, continues to write its success story. In order to allow its business to expand, the company Adel Kalemcilik, which is part of Anadolu Group, is going to relocate its longstanding production facility from Kartal (Istanbul) to Cayirova (Gebze/Kocaeli). The company will be investing US\$20-25mn into the new site, construction of which should presumably be completed by the end of 2013. The investment is aimed at boosting both the production capacity and the workforce by 20-25% each and further expanding its production range. Currently Adel Kalemcilik manufactures some 200 million writing instruments per year, 170 million of which are wood-encased pencils and coloured pencils. With a sales turnover of TL136.1mn in 2011 – a 22% increase over 2010 – the Turkish branch ranks second among the international Faber-Castell companies, behind Brazil and before Germany. The expectation for 2012 is another double-digit increase in sales, to around TL155-160mn.

March 28, 2012

Brisa plans record investments in the current year

Turkish tyre manufacturer Brisa, a joint venture of Sabanci Holding with Japan's Bridgestone Corporation, is planning record investments for 2012. Last year the company had succeeded in increasing its sales by 37.5%, to TL1bn 340mn, and its net profits even by 126%, to around TL72mn. While in 2011 US\$54mn was invested to increase the production capacity by 5%, total investments in 2012 are to reach US\$117mn, according to Brisa CEO Hakan Bayman. This amount will be spent to purchase new machinery and technology for the company's 361,000 square-metre manufacturing site in Izmit. Brisa, which is Turkey's leading tyre manufacturer and Number 7 in Europe, currently exports some 35% of its total annual production of over 9 million tyres, which are sold under the brand name Lassa; in 2011, the export share increased by 47% to exceed US\$170mn.

April 5, 2012

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