

▶▶ Hello!

We mourn for the victims of the Soma mining disaster

In the afternoon of May 13, 2014, the worst disaster in the history of Turkish mining took place in a coal mine near the small town of Soma (Manisa Province) in Western Turkey. 787 miners were underground at shift change when a mine fire broke out. By the time the search for survivors ended on May 17, 2014, 301 bodies had been recovered. Most had died from carbon monoxide poisoning; another 85 were injured. Regardless of political recriminations and the question if and how this disaster could have been prevented, we are filled with unspeakable grief for the victims of the disaster, and the deepest sympathy for their families and the surviving miners.

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

We welcome your feedback on this Newsletter or any aspect of the services we offer. Please email your thoughts and comments to: info@fmconsulting.info

Best regards,
Your FMConsulting Team

▶▶ Economy

Overview of Monthly Data

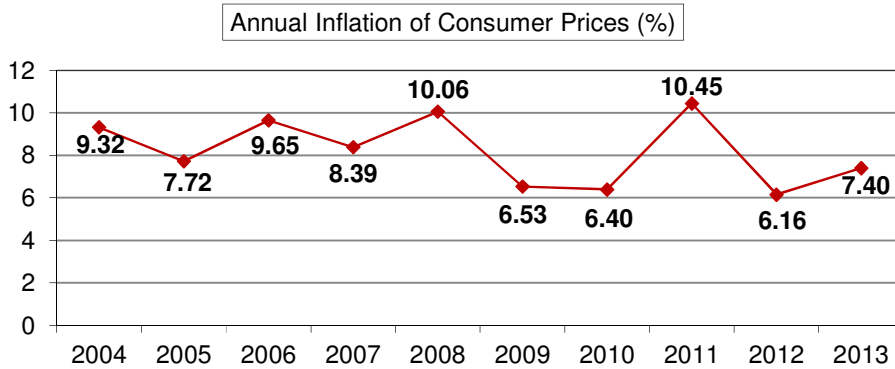
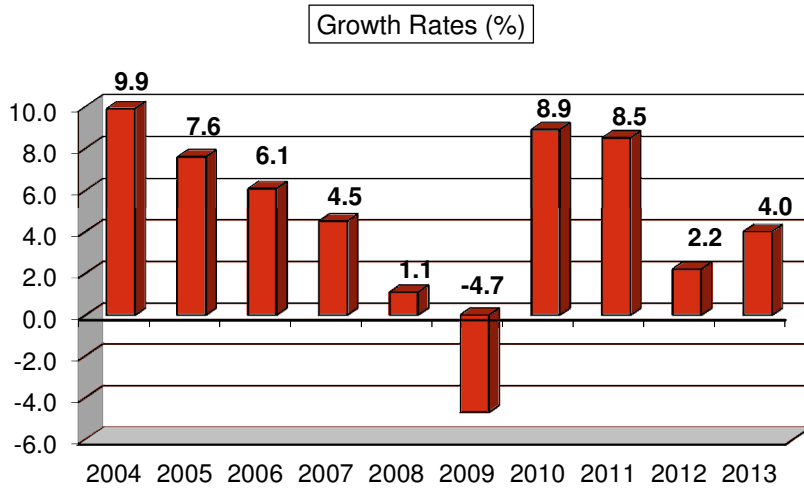
TL-Rates	31.03.2014	30.04.2014	Change in %
TL per Euro	2.9753	2.9305	-1.51
TL per USD	2.1596	2.1193	-1.87

Stock exchange index	69,736.30	73,871.50	5.93
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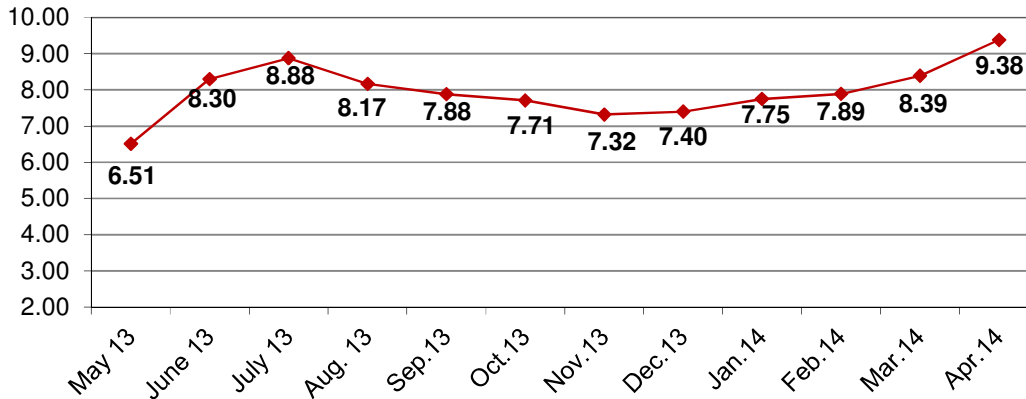
Inflation in %	Monthly inflation	Annual inflation
Producer prices	0.09	12.98
Consumer prices	1.34	9.38

Growth Rates

Economic Growth Rates (%)					
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
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	8.0	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	6.0	-4.7
2010	12.2	10.2	5.3	9.2	9.0
2011	11.6	8.8	8.2	5.2	8.5
2012	3.4	3.0	1.6	1.4	2.2
2013	2.9	4.5	4.3	4.4	4.0



Annual Inflation's Monthly Development 2013-14 (%)



Turkish economic growth target in 2013 achieved: 4.0%

According to the Turkish Statistical Institute (TurkStat), the country's economic growth in the year 2013 exactly achieved the target of 4.0% originally stated in the Medium-Term Economic Programme (OVP). Following a sharp decrease in growth in 2012, the Turkish government had adjusted its growth expectations for 2013 to 3.6%. This matched the OECD estimate, while the IMF had raised its forecast from 3.6% to 3.8%, and the World Bank even predicted 4.2%. The share in gross domestic product per capita of the population increased by USD 323 over the previous year to reach USD 10,782 (+3.0%).

Economic growth and per-capita income in Turkey, 2009–2013

	2009	2010	2011	2012	2013
GDP growth (%)	-4.8	9.2	8.8	2.1	4.0
Per-capita income (USD)	8,559	10,022	10,466	10,459	10,782

April 1, 2014

Turkish motor vehicle market continues to dwindle in March

The market for passenger cars and light commercial vehicles in Turkey has dropped 24.46% in the first quarter of 2014 over the same period of 2012, from 152,604 to 115,272 units, of which 89,347 were passenger cars (-21.92%) and 25,925 light commercial vehicles (-32.08%). Hayri Erce, General Coordinator of the Turkish Association of Automobile Distributors (ODD), cited various factors that contributed to this decline, such as the devaluation of the Turkish Lira that started in mid-2013, higher interest rates, an increase in the motor car sales tax, new restrictions to borrowing, a drop in the consumer confidence index, and a general slowdown of domestic consumer demand. The economic situation, he said, does not give reason to expect a decisive recovery in this year.

April 3, 2014

International financial investors return to Turkey

Following the favourable outcome for the ruling party in the local elections held on March 30, international financial investors appear to have regained confidence in Turkey. Since then, the expectation of high profits has poured more than USD 5 billion in new hot money into Turkey, causing the value of the Turkish currency to soar: While prior to the elections the US dollar stood at almost TL 2.25, it dropped to TL 2.09 shortly after the elections. At

the same time, the stock exchange made a recovery, closing at close to 71,500 index points. The head of Turkey's Central Bank announced that they were now going to gradually lower the prime rate, and that there will not be drastic interest rate cuts in order to avoid shaking confidence in the economy.

April 3, 8 & 9, 2014

IMF forecast for 2014: lower growth, higher inflation

The International Monetary Fund has predicted the Turkish economy a GDP increase of just 2.3% for 2014 – considerably lower than the 4.0% of the previous year which the Turkish government is again targeting this year. In its latest “World Economic Outlook”, the IMF lists the slump in private consumption, the significant devaluation of the Turkish Lira and the increase in interest rates as main reasons for the slowdown of the economy. The current inflation expectation is 7.8% on annual average. For 2015, the IMF expects GDP growth to rise to 3.1%, and the inflation rate to drop to 6.5%. In October, the organisation had forecast 3.5% growth and 5.3% inflation for 2014.

April 9, 2014

Turkish consumers cut down on consumption

The latest statistics show that Turkish consumers have limited consumption in February to bare necessities. While the only commodity group with a higher retail volume than in the previous month was food, beverages & tobacco products, all other spending declined.

Trend of Turkish household consumption in February 2014 (%)

	Sales in current prices		Sales volume in fixed prices	
	Monthly	Yearly	Monthly	Yearly
(Monthly: seasonally and calendar-adjusted; Yearly: calendar-adjusted)				
Retail trade total	0.0	13.4	-1.6	7.0
Food, beverages, tobacco products	1.8	16.7	0.5	7.8
Non-food	-2.0	11.5	-2.9	7.0
Motor vehicle fuel	1.8	13.4	-1.0	5.8

April 10, 2014

Unemployment rate opens 2014 in double digits

For seasonal reasons, unemployment in Turkey slightly increased in January to reach 10.1%. While it rose by 0.1% compared to December, it scored 0.5% less than a year before. The seasonally and calendar-adjusted unemployment rate was put at 9.1%, 0.3% less than in January 2013. As per TurkStat, the number of registered jobless dropped to 2,841,000, some 49,000 less than in January 2013, while the working population increased by 761,000 to 25,194,000 people. The actual jobless rate is put at 17.5%, which means that 4.9 million Turks are without gainful employment. Employment in the black economy continues to be high, though the percentage of people employed without any social security has decreased by 2.6% to 33.6% in January – in agriculture from 83% to 81.1% – over the same month of the previous year.

April 16, 2014

Politics

Constitutional Court lifts Twitter ban

Turkey's Constitutional Court has lifted a ban on the social media platform www.twitter.com that had been imposed by the national Telecommunications Agency (TIB) 13 days earlier. The ban had been justified with a number of court orders due to complaints against individual twitter accounts for violation of personality rights and privacy. In response, the Ankara Bar Association together with the Federation of Turkish Bar Associations obtained a stay of execution order from the Administrative Court in Ankara. Subsequently several individuals filed appeals with the Constitutional Court, which then decided that the ban is in violation of the right to free speech as guaranteed in Art. 26 of the Turkish Constitution. However, access to the video portal YouTube remains blocked despite a contrary court decision.

April 4, 2014

Entrepreneurs association: Growth requires democratisation

Reservations regarding the political development in Turkey were raised at a conference of Turkish Entrepreneurs Association TÜSIAD which is known as liberal and critical of the government. The Association's president, Muharrem Yilmaz, said that a slowdown of democratisation also results in slower growth. It is no coincidence, he added, that the 25 highest developed countries are also the most advanced democracies. Erkut Yücaoglu, head of TÜSIAD's Advisory Board, pointed out that the international perception of Turkey is becoming more and more negative. In the time up to the G-20 summit, which is scheduled to be held in Turkey in 2015, he said, Turkey should make every effort to remove the existing deficits in the area of civil rights and freedom of expression.

April 18, 2014

German President demands more democracy during official visit

On the occasion of a visit to Turkey, Germany's President Joachim Gauck has voiced his concern about the course of the country's democracy. In a speech at the renowned Middle Eastern Technical University (METU) in Ankara, he first emphasized the importance of mutual relations between the two countries, commending positive developments in Turkey such as the economic upturn achieved in the past decade, the roll-back of the military's influence, the dialogue with the Kurds that has been started, and the initiative for reconciliation with the Armenians. At the same time, he levelled criticism against the leadership exercised by the Turkish government, which in the words of Gauck "many view as threat to democracy – for instance, when the citizens are being told how to live their lives, when one seeks to gain more control over their lives through the intelligence agencies, and when protest in the streets are being suppressed by force and people even lose their lives in the process." President Gauck commented: "This development alarms me – also and particularly when the freedom of speech and the freedom of the press are being restricted."

April 29, 2014

Erdogan lashes back at Gauck

Turkish Prime Minister Recep Tayyip Erdogan has used strong language to repudiate the criticism voiced by German President Joachim Gauck regarding the shortcomings of

democracy in Turkey. In a televised session of his AKP party parliamentary group, Erdogan accused Gauck of having intervened in Turkey's internal affairs which he would never tolerate. In his meeting with Gauck, Erdogan claimed, the President addressed matters that obviously someone had talked him into. Although the Turkish side, he continued, had refuted these "misinformation" with "concrete examples", the foreign head of state went and said the same things publicly. Hitting on the words of former clergyman Gauck, which he probably regarded as a lecture, Erdogan said: "The German President seems to think that he is still a pastor. He looks at things from this point of view. That's not the way to do it. That's ugly."

April 29, 2014

Other topics

Preparations for "Kanal Istanbul" under way

The Turkish government apparently wants to push ahead with the highly controversial project "Kanal Istanbul", which involves building a connection 40-45 km long, 150 metres wide and 25 meters deep between the Sea of Marmara and the Black Sea west of Istanbul to ease the burden on the dangerous Bosphorus waterway. Feasibility studies have been completed, and the project is set for public tender in the 2nd quarter of 2014. The building cost is estimated to be in excess of USD 10 billion. Numerous Turkish as well as Chinese, Italian and Russian companies are said to be keen on participating in the construction project.

April 3, 2014

Turkish motor vehicle exports in upward trend

In the first quarter of 2014, Turkey's motor vehicle exports have increased by 8% over the same period of the previous year, reaching USD 5 billion 546 million. In March the increase even amounted to 14% with an export volume of USD 2 billion 128 million, the highest since September 2008. The main component in this upswing was that total exports into the EU countries, which account for 74% of the overall volume, increased by 22% – for Germany and the UK as much as +34% (USD 351 million) and + 31% (USD 196 million), respectively. Automotive suppliers contributed USD 854 million (+13%) to the export volume in the month of March, while the contribution of individual product categories was USD 718 million for passenger cars (+10%), USD 422 million for lorries and trucks (+34%) and USD 104 million for buses & minibuses (+15%).

April 7, 2014

Slight decline of Turkish birth figures

In the past year, there were 1,283,062 live births in Turkey, 0.3% less than in 2012. This brought the country's fertility rate down from 2.09% to 2.07%. There continues to be a clear divide between the East and the West of Turkey: While women in the Southeast Anatolian province of Sanliurfa give birth to 4.31 children statistically, the average woman in Kizilirmaci province in the European section of Turkey has only 1.43 children.

April 17, 2014

Turkish-German University in Istanbul inaugurated

On the final day of his visit to Turkey, German President Joachim Gauck together with his Turkish counterpart Abdullah Gul officially opened the Turkish-German University (TDU/TAÜ) in Beykoz/Istanbul. In his inauguration speech, Gauck acknowledged the special role science plays in the history of Turkish-German ties, calling the TDU “a new chapter in the scientific relations between the two countries”. President Gul voiced the expectation that the university will make an important contribution towards the technological advancement of Turkey. The TDU has commenced regular operations in the 2013/14 winter term with initially only 123 students in the faculties Law, Business Administration, and Mechatronics in provisional buildings on its campus near the Black Sea in the Asian part of the city. Full operability with up to 5,000 students will probably be reached in three to four years.

April 30, 2014

Privatisation of toll roads and bridges scheduled for Q2

The tender for the right to operate Turkey’s motorway network including the two Bosphorus bridges for 25 years is scheduled to take place in the 2nd quarter of the year. In a first round, a Turkish-Malaysian consortium with the involvement of Koc Holding had won the contract with the highest bid of USD 5.72 billion. However, since the Turkish government in the words of Prime Minister Erdogan demanded a minimum USD 7 billion, this first tender was cancelled. Last year, Turkey’s toll roads and bridges generated about TL 725 million in income with a traffic volume of 352.7 million vehicles.

April 30, 2014

Other Headlines

- In Kuwait, the first stone was laid for a USD 490 million harbour project that the Turkish construction company STFA plans to complete within 38 months. STFA had won the tender against fierce competition from South Korea’s Hyundai conglomerate. April 4, 2014
- The Sabanci Group has sold 51% of shares in its subsidiary SASA, a leading manufacturer of polyester, to Thailand’s Indorama Group for USD 62 million. April 10, 2014
- Turkey and Malaysia have signed a free trade agreement with the aim of boosting the trade volume between the two countries from currently USD 1.6 billion to USD 5 billion by the year 2018. April 17, 2014

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