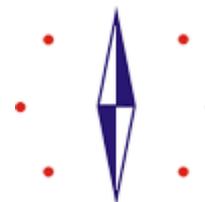


FOREIGN MARKET CONSULTING



Danismanlik ve Tic. Ltd. Sti.

Today you are receiving our latest newsletter about recent economic and political developments in Turkey.

We would like to hear your opinions about our newsletter and about any important issues that you would like to draw our attention to. In addition, we will be pleased to inform you about the services of Foreign Market Consulting.

If you know any other people that would be interested in this free service, please forward this newsletter to him/her or provide us with the e-mail address of the interested person (to newsletter@fmconsulting.info), so that we can include him/her in our distribution list.

Best regards, _____

Your FMConsulting Team

Newsletter March 2006

Economy

Overview of monthly data

YTL-Rates	28.2.	31.3.	Change in %
YTL per Euro	1.5616	1.6289	4.3
YTL per USD	1.3176	1.3492	2.4

Stock exchange index	47,015.88	42,941.70	-8.7
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Inflation in %	Monthly inflation	Annual inflation
Producer prices	0.25	4.21
Consumer prices	0.27	8.16

(Dünya/DİE 28.2./31.3./4.4.06)

Foreign trade figures

Export	March	April 2005 - March 2006
Export (in Billion USD)	7.52	74.7

(Dünya, 3.4.06)

		February	
In Million USD	2005	2006	Increase in %

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Export	5,652	5,774	2.2
Import	8,323	9,666	16.1
Deficit	-2,672	-3,891	45.7

(Dünya, 1.4.06)

Draft bill for changing the income tax has been amended in parliament

The draft bill for changing the income taxation chart has been amended in the Turkish parliament as follows

:

Annual income	Tax rate
Up to 7,000 YTL	15%
7,001 - 18,000 YTL	20%
18.001- 40,000 YTL	27%
Above 40,000 YTL	35%

(Dünya, 30.3.2006)

In 2005 the economic growth of Turkey was 7.6% and thus exceeded all expectations; construction branch grew by 21.5%

In the last quarter of 2005, the Turkish GNP increased by 10.2% in real terms, which means that a real annual growth of 7.6% occurred, far exceeding expectations which were of 5-6%. After sixteen quarters of uninterrupted growth the GNP exceeds 360 billion USD. The nominal value of GNP was 486 billion YTL at the year end and the per capita income amounted to nominal 5,008 USD. The highest annual growth was again recorded by the construction branch with 21.5%. The increase was 5.6% for agriculture, 6.5% for industry and 7.4% for trade.

Branch	Growth 4th Quarter 2005 (%)	Annual growth 2005 (%)
Agriculture	-0.1	5.6
Industry	10.1	6.5
Construction industry	14.8	21.5
Trade	9.9	7.4
Transport-Communication	15.2	8.8
Financial institutions	-1.2	0.2
Real estate	1.9	1.5
Services and trade	9.4	7.4
Public services	1.2	0.8
Import tax	16.2	12.2
GDP	9.5	7.4
GNP	10.2	7.6

(Dünya, 1.4.2006)

Income distribution and consumption for 2004

According to the conclusions drawn by comparing income distribution and consumption expenditures in studies carried out by the Turkish Statistics Institute for 2004, 40% of Turkish families were not able to meet their expenditures with their income. The lowest income group realized only 6% from the total income and spent 9% of the total expenditures. In other words the bottom 20% had to finance 25.0% of their expenditures by borrowing. When the other four 20% segments below are taken into consideration we reach a savings ratio of 16.6% for households with respect to their total income, which should be above 20-22% so that necessary resources can be channeled to investments that stimulate growth (Dünya, 29.03.06).

Breakdown of income and expenditures with respect to income brackets (in million YTL, 1.60 YTL= 1 Euro)			
	Income	Expenditure	Savings
TOTAL	218,752	182,478	36,274
First 20%	13,208	16,534	-3,325
Second 20%	23,387	23,630	-243
Third 20%	33,288	31,438	1,851
Fourth 20%	47,867	41,481	6,386
Fifth 20%	101,002	69,395	31,606

Unemployment amounted to 11.2%

Despite positive developments in the economy, the unemployment rate increased to 11.2% as of December 2005. The number of the unemployed increased 91,000 to 2.7 million people. At the same time the number of employed decreased by 596,000. The number of the urban unemployed was determined as 1.9 million and in rural communities as 770,000 in December. According to a survey conducted, 48% of 21.3 million people employed in Turkey are unregistered. (*Dünya*, 28.03.06)

Population (thousand people)	72,085
Population 15 and above	51,202
<i>Workforce</i>	24,034
<i>Employment</i>	21,332
<i>Unemployed</i>	2,702
Participation rate in workforce (%)	46.9
<i>Employment rate (%)</i>	41.7
Unemployment rate (%)	11.2
Unemployment rate of young population (%)	21.5

Turkish economy will gain importance with E-7 countries

In a report prepared by PriceWaterhouseCoopers the expected status of developing countries in 2050 has been evaluated. It was emphasized in the report that the demographic structures of Turkey, Mexico and Indonesia should be closely watched and stated that young and fast growing populations will be of advantage for such countries. It was stated in the report that Turkey, Mexico, Indonesia, India, Brazil, China and Russia will be the largest developing countries by 2050. It is estimated that those countries named as E-7 Group will be of a size 25% larger on GNP basis and 75% larger on PPP (Purchasing Power Parity) compared to the G-7, consisting of 7 developed countries. E-7 accommodates nearly half of the world population for the time being. (04.03.2006 *Dünya*)

Politics

Terrorist organization PKK increases activity

Violent demonstrations in Diyarbakir, Batman, Mersin and other cities as well as a bomb- and a fire attack in Istanbul have again made the PKK problem the centre of public attention. The acts of violence occurred on the occasion of the burial of a number of PKK terrorists killed a short time ago during a battle with the Turkish army. The protests then jumped from Diyarbakir to Batman and Mersin. There were also unregistered demonstrations and rallies at different places against which the police force took action. A bomb exploded in a garbage container in the Fatih district of Istanbul. (*Istanbul Post* dated 27th of March to 3rd of April 2006)

Erdogan calls on the EU countries to keep their promises with regard to Cyprus

In an interview with the Austrian weekly magazine Profil the Turkish Prime Minister Erdogan reproached the EU countries for not keeping their promises to end the isolation of Northern Cyprus. As a result the Turkish parliament will not pass the additional protocol for the opening of airports and ports for Southern Cyprus until the isolation of Northern Cyprus is ended. (*Dünya 22.3.06*)

USA sees no legal objections to trade with Northern Cyprus

Contrary to the reproaches of Greek journalists the US Ministry of State renewed its statement that trade with Northern Cyprus is legal. The spokesman of US Ministry of State Adam Ereli emphasized that there are no legal bans against it and if someone finds one he/she should submit it to him. (*Dünya 1.3.06*)

Further Topics

Turkish economy resembles Italy 10-15 years ago

The General Manager of Banca Di Roma Fabio Lucheroni commented on the similarity of the Turkish economy as compared to the Italian economy of 10-15 years ago and stated that the interest of foreign investors will increase. Lucheroni said "The size of the companies will grow further, besides they will attract the attention of foreign investors. This will also prevail for the banks. I think the interest for your economy is not related to a possible European Union accession but a political direction indeed which goes parallel to it". He stated that they are interested in Turkey because they think very rapid developments will occur in Turkey in the banking industry. (*Dünya, 29.03.06*)

Sanko enters the white goods market with Auer brand

Sanko Holding having made important investments in energy, cement, food and health entered the white goods industry by acquiring 75% of Auer company. Prepared to invest 100 million dollars in this field Sanko Holding is aiming to rank in the Top 10 of the white goods industry. Chairman of Board of Sanko Holding Abdülkadir Konukoglu stated they decided to enter the white goods industry as they already produce air-conditioners, NG-boilers and radiators under the Airfel brand and they have now added washing machines, ovens, water heaters and again air-conditioners of the Auer brand to their product range. (*Dünya, 07.04.06*)

5,000 decided to go on strike in cement industry

The Union of Turkish Cement, Ceramics, Earth and Glass Industry Workers found the 5% pay increase unacceptable and decided to strike. Chairman of Board of Union of Turkish Cement, Ceramics, Earth and Glass Industry Workers Ramazan Şafak announced that they will start applying the strike decision taken on March 17 for 43 factories effective on May 1. He stated that additionally the workers of 23 of these factories will stop working completely. General Secretary of Association of Cement Producers Sancar Beyazıt on the other hand said that the negotiations are still ongoing and in case of disagreement possible strike and lock-out decisions will cause great trouble in construction industry. (*Dünya, 07.04.06*)

IKEA opens its second store in Turkey in Izmir

Furniture and home accessories chain IKEA opens its second store in Turkey in

Izmir after its first store opened in Istanbul a year ago. Aiming to increase the number of its stores to 8 by 2012, the Izmir store of the company was established with an investment of 40 million Euros. Furthermore, IKEA Turkey General Manager Mikael Bartroff said "The share of the products produced in the Far East is 27%. We cooperate with Paşabahçe and Zorlu from Turkey. Turkish products amounting to 300 million dollars have been sold in IKEA stores until today". (Dünya 04.04.06)

Greek Ethniki acquired Finansbank for 2.7 billion dollars

The largest bank of Greece, Ethniki Bank, concluded the agreement envisaging the acquisition of 46% of Finansbank shares and 100% of founder's shares for a price of 2.2 billion Euros (2.7 billion dollars) in Athens. Özyegin will continue to manage Finansbank, despite his share dropping to 10%. (Dünya 04.04.06)

2005 was the best year of Unilever in Turkey

Chairman of Board of Unilever Turkey İzzet Karaca described 2005 as the best year of the company during its 54 years existence in Turkey. Despite a slight contraction in Europe last year, Karaca stated that Unilever experienced an 8.7% growth in Asia-Africa region where Turkey is also located. Karaca also said that they are slowly preparing to acquire a company. They invested 35 million dollars in 2005 as well as hiring 400 people and are also considering creating new employment opportunities in 2006. (Dünya 17.03.2006)

Pin instead of signature application starts for credit cards

Credit card users will be required to enter a pin code instead of signing payment slips as of the end of March. The General Manager of Interbank Card Center Sertaç Özinal stated that credit card-related crimes in England were reduced by 25% in a year with this new system. Özinal also stated that this system reduces the threat of credit card copying and other loss/theft risks. (Dünya 17.03.2006)

Value added tax for textiles has been reduced

In order to balance the competition capacity of the textile industry and the problems this sector is experiencing due to the strong Turkish Lira, the Turkish government has decided to reduce the Value Added Tax for textiles from 18% to 8%. (Dünya, 10.3.2006)

1 billion investment by Mopak in cellulose

Mehmet Ali Molay, Chairman of Board of Mopak (which became a major player of paper industry after acquiring Dalaman and Kastamonu facilities of Seka) stated that they are aiming to meet the 500-thousand-ton cellulose import of Turkey single-handedly by investing 1 billion dollars in eucalyptus plantations. Mopak is continuing its negotiations with foreign investors for the project, which will increase the cellulose production capacity from 75,000 tons to 750,000 tons. Molay said that after 2015 they will be able to continue production with materials derived from their own plantations because eucalyptus planted in 2007 will have matured by then. (06.03.2006 Dünya)

Paper production in Turkey (2005)	
Type	Quantity(Tons)
Newsprint	18,957
Writing paper	279,815
Craft bag	43,534
Board	259,440
Corrugated cardboard	19,872
TOTAL:	621,618

Nurol becomes a shareholder in Telsim with Vodafone

Vodafone, having acquired Telsim by submitting the highest bid of 4.5 billion dollars, has finalized its partnership with Nurol Holding. Nurol acquired 20% shares from Vodafone Telecommunications established for Telsim. Nurol Holding will be represented in the board by Mehmet Sinasi Büyüklü. (04.03.2006 Dünya)

Sources: Dünya Newspaper and Istanbul Post March / April 2006.

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