



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

If you know anyone else who would be interested in receiving this free service, please send their email address to newsletter@fmconsulting.info and we'll add them to our distribution list. Alternatively, please feel free to forward this newsletter to them directly.

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

YTL-Rates	31.05.2011	30.06.2011	Change in %
TL pro Euro	2.2954	2.3397	1.93
TL pro USD	1.5935	1.6235	1.88

Stock exchange index	63,046.02	63,269.40	0.35
----------------------	-----------	-----------	------

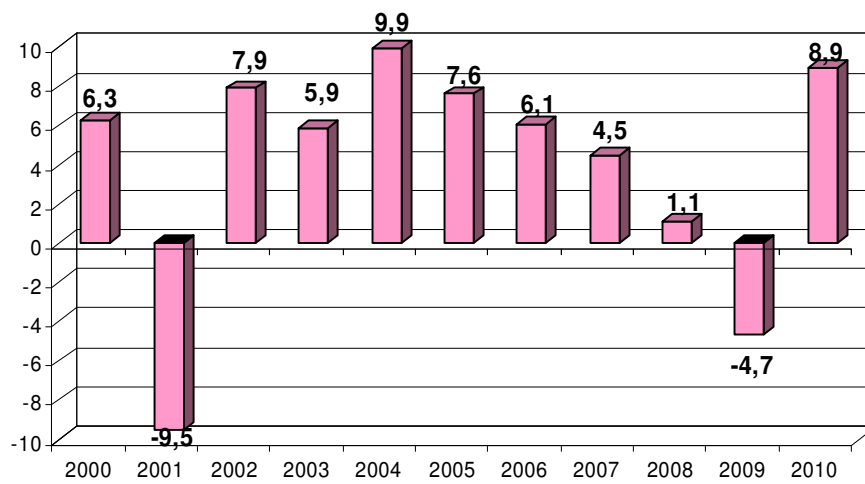
Inflation in %	Monthly inflation	Annual inflation
Producer prices	0.01	10.19
Consumer prices	-1.43	6.24

Growth Rates

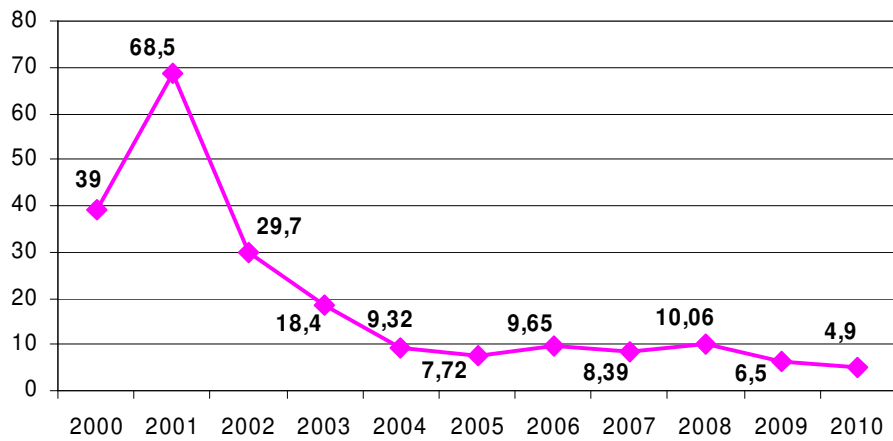
Economic Growth Rates (%)					
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Yearly
2000	4.2	5.4	7.2	7.8	6.3
2001	-3.3	-12.3	-9.1	-12.3	-9.5
2002	0.6	10.4	8.0	11.8	7.9
2003	7.4	3.6	5.6	7.2	5.9
2004	13.9	15.7	8	6.6	9.9
2005	7.5	4.7	8.0	10.0	7.6

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	11.7	10.3	5.5	9.2	8.9
2011	11.0				

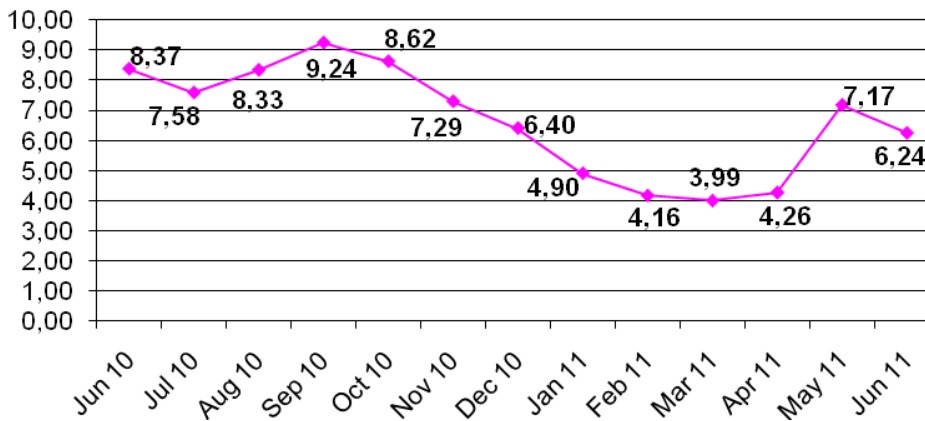
Growth Rates (%)



Annual Inflation of Consumer Prices (%)



Annual Inflation's Monthly Development 2010-11 (%)



Industrial production increasing further, but slower

The growth trend of the Turkish industry has now been continuing for 18 months straight. Industrial production both in April and in May was some 8% higher than in the previous year. The fastest-growing industries in April were vehicle industry (+ 26.6%), printing industry (+ 25.7%), machine building industry (+ 23.9%), and furniture industry (+ 22.1%). However, there was a marked decline compared to the Industrial Production Index all-time high of 136.2 in December 2010 (2005 = 100). While the index dropped to 122.7 in April, from 127.6 in March, it picked up again in May, reaching 127.0 points.

Development of industrial production in Turkey (percentage change over the same month of the previous year)

	2009	2010	2011
January	-21.5	12.8	19.0
February	-24.0	17.6	13.9
March	-21.5	21.4	10.2
April	-18.8	16.9	8.3
May	-17.1	14.9	8.0
June	-9.9	10.0	
July	-8.9	8.8	
August	-6.5	10.8	
September	-9.6	10.4	
October	6.2	9.9	
November	-3.0	9.4	
December	23.9	16.7	

June - 2011

Turkey's unemployed rate continues to drop

According to the recently announced statistics, Turkey's unemployment rate in March dropped by 0.7 percentage points over February. 10.8% of the civilian labour force was jobless, 2.9% less than in the same month of the previous year. At 2,816,000, the number of registered unemployed

was about 622,000 lower than a year ago. On the other hand, the actual jobless rate was put at 17.7%, meaning that some 5 million people are effectively out of work. While the percentage of working population without state insurance declined by 0.8% in March over the same month of 2010, it continued to stand at the high level of 41.3%. Of the people employed in agriculture even 82.6% had no social security, though the situation slightly improved in comparison to 2010 (85.1%).

June - 2011

Growth of Turkish economy unchecked; 11 % in first quarter

With 11% growth in the first quarter of 2011, Turkey was the world's fastest-growing economy, outperforming Argentina (+ 9.9%) and China (+ 9.7%). By comparison, the gross domestic product in the United States increased by only 2.3%, and in the EU-27 by 2.5% (Germany + 4.8%). At the same time, Turkey's budget deficit plunged to TL233mn in the first 5 months of the year, as against almost TL10bn in the same period of 2010. The other side of the coin are a continuously growing foreign trade and current account deficit, and the sharp depreciation of the Turkish currency.

Growth development of Turkey's economy since 2009

	GDP at current prices (mn TL)	Growth rate (%)	GDP at current prices (mn US\$)	Growth rate (%)	GDP at constant prices (mn TL)	Growth rate (%)
Q1/2009	207,926	-3.6	125,955	-30.0	20,483	-14.7
Q2/2009	228,572	-4.5	145,460	-23.0	23,267	-7.8
Q3/2009	261,710	-0.3	173,946	-19.7	27,233	-2.8
Q4/2009	254,350	9.1	171,343	9.4	25,660	5.9
2009 total	952,559	0.2	616,703	-16.9	97,003	-4.8
Q1/2010	241,578	16.2	160,132	27.1	23,335	12.0
Q2/2010	267,528	17.0	174,074	19.7	25,669	10.3
Q3/2010	297,701	13.8	196,856	13.2	28,661	5.2
Q4/2010*	298,294	17.3	204,766	19.5	28,015	9.2
2010 total*	1,105,101	16.0	735,828	19.3	105,680	8.9
Q1/2011*	284,868	17.9	180,608	12.8	25,896	11.0

* preliminary, as of yet uncorrected data

July - 2011

Turkey's trade deficit increasing rapidly

The foreign trade deficit of Turkey is breaking a new record every month, reaching US\$10bn 57mn in May. Exports of US\$10bn 948mn (+ 11.7%) were cancelled out by imports of US\$21bn (+ 42.6%). In the first 5 months of the year the deficit amounted to US\$43bn 754mn, 90.3% more than in the same period of the previous year, with exports of US\$54bn 263mn (+ 20.1%) and imports of US\$98bn 17mn (+ 43.8%). In parallel, the current account deficit also grew steadily. In April the deficit hit the all-time high of US\$7.7bn, a 77% plus over the same month of the previous year. In the first 4 months of 2011, the gap widened by 114%, and on the basis of the past 12 months the negative external balance increased to US\$63.4bn. The government now intends to put an import substitution policy in place to counteract this development, and to grant more subsidies, in particular with respect to the energy price.

June / July - 2011

Continuous upswing of Turkish exports

In May, Turkey's export volume rose by 25.2% over 2010 to reach US\$11bn 507mn. The country's exports have been on the up since January, totalling US\$65bn 770mn in the first six months of the year, 20.2% more than in the same period of the previous year. The past 12 months saw exports increase by 14.47%, to US\$124bn 936mn.

Turkey's top 10 export partners (1,000 US\$)

	Country	June 2010	June 2011
1)	Germany	847,321	1,191,426
2)	Italy	507,344	746,250
3)	Great Britain	566,931	669,690
4)	Iraq	474,715	666,395
5)	France	490,686	586,056
6)	Russian Federation	348,096	485,094
7)	Spain	292,733	379,884
8)	Saudi Arabia	216,958	354,405
9)	USA	311,350	322,609
10)	Netherlands	211,298	318,206
	Total	9,187,449	11,506,674

Turkey's top 5 industries by exports (1,000 US\$)

	Industry	June 2010	June 2011
1)	Automotive	1,424,192	1,799,137
2)	Clothing & ready wear	1,165,113	1,483,460
3)	Chemicals	1,044,435	1,463,427
4)	Iron & steel	1,060,956	1,306,696
5)	Electrics/Electronics	793,766	853,264
	Total	9,187,449	11,506,674

July - 2011

Gap between consumer and producer prices widening

According to Turkey's Statistical Institute, consumer prices in June rose only slightly, by 1.4%, while producer prices in May recorded a higher-than-expected increase of 2.4%. On a yearly basis the consumer price index (TÜFE) increased by 6.2% versus a producer price index (ÜFE) rise of 10.2%. Therefore the difference between TÜFE and ÜFE, which had dropped to 2.4% in May, is back to 4.0%. Since the rise in TÜFE was only 3.4% in the last 6 months, the index-linked raise of civil servant salaries, which would have required a consumer price inflation von 4%, did not come into effect.

July - 2011

Rapid depreciation of Turkish currency

The Turkish Lira has rapidly lost in value over the last 2 months. The US-dollar exchange rate, which had just surpassed the 1.60 TL mark in June, reached 1.72 TL/US\$ by the end of July –

the highest level since March 2009. Concurrently, the Euro climbed to its new historical high of almost 2.48 TL/€. The gold price continued to rise as well. So far, Turkey's Central Bank has adopted a wait-and-see attitude, abstaining from intervention measures. The financial markets saw interest on borrowings rise significantly, while the Istanbul Stock Exchange index suffered a minor slump.

July - 2011

Politics

Flow of refugees from Syria fades away quickly

In June, scores of civilians from Syria seeking to escape the political violence in their country surged across the border to Turkey. Up to 1,000 newcomers a day posed a severe challenge to the Turkish. Only part of the refuge seekers were taken in by relatives while the majority were temporarily sheltered in Turkish Red Crescent tent cities or treated in hospitals for gunshot wounds. Initially Ankara had feared a rush of up to 1 million refugees. However, the actual numbers fell well short of these estimates: Altogether some 15,000 Syrians are said to have entered Turkey, over one third of which have meanwhile returned to their homes.

June / July - 2011

CHP ends boycott in parliament

In the wake of the June 12, 2011 elections it was doubtful whether all representatives of the people would eventually be able to enter the Great National. This was because quite a few of those elected were in pre-trial detention, either for their alleged involvement in a plot against the government or due to membership in a group associated with terrorist organisation PKK. In fact, the courts rejected all appeals for release, which caused the representatives of the largest opposition party CHP and the independent deputies supported by Kurdish party BDP to boycott the swearing-in ceremony. At some point there was even talk of interim elections. Ultimately the CHP succumbed after reconciliation talks, and its parliamentarians took their oath of office, whereas the BDP-affiliates continue their protest and even refuse to participate in the sessions of parliament.

July - 2011

Turkish cabinet and government programme introduced

Turkey's Prime Minister Recep Tayyip Erdogan, who has been in office since 2003, has formed a government for the third time. Only one woman sits in the new 26-minister cabinet (previously two out of 27). There are five newly set-up ministries, including Economy, Trade and Customs, and Development, and the portfolio of four ministries was reviewed. The top priority of the new government will be the drafting of a new constitution. In addition, the four-year-programme provides for further administrative and legal reforms, continuation of the policies for stabilizing the economy, abatement of unemployment, enhanced railway and motorway construction, creation of a national space agency, and building and commissioning of Turkey's first Turkish nuclear power plant.

July - 2011

Corruption scandal rattles Turkey's football

In an operation conducted simultaneously in 15 cities at the beginning of July, and in 3 subsequent waves of arrest, over 60 representatives of Turkish football, some of them prominent figures, were detained. Several months of police surveillance are said to have rendered sufficient proof of match-fixing and the associated bribery. The scheme involves at least half of premier league plus some second league clubs. Several players, managers, executives, and even the presidents of four clubs, among them reigning champions Fenerbahce Istanbul, are still being kept in custody. Fenerbahce is now facing expulsion from all current competitions, and possibly forced relegation. Due to the ongoing investigations, the Turkish football federation (TFF) has postponed the start of the season by a month. While parts of the public are pleased with the purge, the supporters of the clubs under suspicion – particularly “Fener” – are up in arms.

July - 2011

Turkish military leadership steps down in protest

Yet another showdown between the military and the AKP government is taking place in Turkey. In a surprise move the Chief of Staff, General Isik Kosaner, and the Commanders-in-Chief of Army, Air Force and Navy stepped down to protest against the detention of 250 commissioned officers who have been charged with planning a putsch. Meanwhile more than 40 generals in active service, which is almost one tenth of all Turkish military commanders, have been detained. Kosaner, who had been installed just a year ago, declared that under those circumstances it is not possible for him to remain in office. As expected, Prime Minister Erdogan immediately appointed the only supreme commander still available, Gendarmerie Commander General Necdet Özel, Commander-in-Chief of the Army and acting Chief of Staff.

July - 2011

Other Topics

Migros Türk sells off discount subsidiary

Turkey's largest supermarket chain, Migros Türk, which is part of Koc group of companies, is becoming significantly leaner. The company is disposing of its “Sok” discount stores with currently 1,230 branches and a total of 236,000 m² sales area. The sell-off to two subsidiaries of food corporation Ülker is to generate proceeds of TL600mn (about €250mn). Foreign investors are reported to be contributing capital towards the transaction. Although according to experts the selling price appears rather low, they also point out the positive effect the sale will have on the Migros' debt service in the light of net payables amounting to TL1.7bn.

June - 2011

Bosch-Siemens Household Appliances boosts production capacity in Turkey

The Turkish subsidiary of household appliances manufacturer BSH continues its focus on investments. In its plant at Cerkezköy, just west of Istanbul, the company has just invested €46mn into two new production lines, one for dishwashers and one for refrigerators. An investment volume of €300mn is scheduled for the next 5 years, and another 1,000 jobs are to be added to the 4,500 current employees. 70% of the production of BSH Turkey are being exported. However the company also managed to raise its share in the Turkish market from 22% to 31% over the last 7 years. Managing Director Norbert Klein attributed this mainly to the leading role which the technology company – a joint venture of Bosch and Siemens – has assumed with regard to energy

efficiency. The price-conscious and increasingly ecology-minded Turkish consumers, he said, have realized this. On these grounds Klein called for tax privileges for energy-saving appliances that would also benefit the economy's current account.

June - 2011

Underground construction in Ankara progresses

Turkey's public works authority has initiated the tendering procedure for further expansion of the underground system in the capital of Ankara, dubbed "metro". All in all 15 companies or bidding consortiums are participating in the tender, which carries a volume of some TL10bn (slightly over €4bn). The evaluation of bids and the contract award progress will take around 3 months. A number of bidders are said to have been awarded public contract in connection with the motorway along the coast of the Black Sea. Critics deplore that the technical equipment is still being purchased from abroad. It has been demanded that at least a large portion of components should be manufactured in Turkey.

June - 2011

Turkish ICT market booming

According to the European Information Technology Observatory (EITO), Turkey's ICT sector is the most dynamic in all of Europe. With 8.1% in the current year and 5.6% in 2012, the sector's predicted growth rate is far above the European average. The forecast of market research company Interpromedya is still a bit higher, anticipating 8.8% sector growth for 2011. The volume of the Turkish ICT market is expected to rise from US\$28.6bn to around US\$31bn by the end of the year. The largest sellers in this context are telephone and mobile service providers: Türk Telekom (approx. TL10.9bn), Turkcell (approx. TL9.4bn), Vodafone (approx. TL3.7bn), and Avea (approx. TL2.6bn).

June - 2011

Libyan shares in Arab Turkish Bank seized

In an unprecedented move, the Turkish Savings Deposit Insurance Fund (TMSF) has taken control over Libya's shares in the Turkish Arap Türk Bankasi A.S. in line with the relevant UN resolution. The Libyan Foreign Bank, partly owned by the Gaddafi family, holds 62.37% of shares in the A&T Bank. The largest minority shareholders are Is Bankasi, with 20.58%, and state-owned Agricultural Bank (Ziraat Bankasi), with 15.43%. The bank, whose paid-up capital of TL240mn and assets of TL2bn give it sufficient capital strength and liquidity, is to continue operations normal. Also the planned transfer of all Is Bankasi shares to the controlling shareholder is said to be going ahead according to schedule.

July - 2011

Foreign Market Consulting Ltd. Sti. does not give any guarantee with respect to the correctness of individual figures and statements.

FOREIGN MARKET CONSULTING Ltd. Sti. is a German-Turkish consulting company. We specialize in providing competent consultancy services for foreign companies towards opening up to Turkish market, lastingly consolidating the market position and concluding strategic alliances between foreign and Turkish companies. If you need further information, please do not hesitate to contact Mr. Peter Heindinger.

Our Services:

- Market Research
- Business Partner Search
- Outsourcing Projects
- Company Foundation
- Recruitment Projects
- Employee Administration
- Marketing Activities
- Sales Support
- Office Services
- Management
- Financial Services

FOREIGN MARKET CONSULTING Ltd. Sti.

Managing Director: Peter J. Heindinger

Address:

Sumer Korusu Evleri
Kasimpati Sokak No: 25
34457 Tarabya - Istanbul
Turkey

Telephone: +90-212-36 38 052

Fax: +90-212-36 38 056

E-Mail: info@fmconsulting.info

Internet: www.fmconsulting.info

This newsletter is for general information purposes only. The views expressed in this newsletter are not necessarily those of Foreign Market Consulting Ltd Sti. Foreign Market Consulting Ltd Sti has taken all reasonable measures to ensure that the material contained in this newsletter is correct. However, Foreign Market Consulting Ltd Sti gives no warranty and accepts no responsibility for the accuracy or the completeness of the material. Readers are advised not to rely solely on this information when making any decision. Readers should seek independent advice before making any decision. Foreign Market Consulting Ltd Sti reserves the right at any time to make changes as it deems necessary.