

# ▶▶ Hello!

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](mailto:info@fmconsulting.info)

Best regards,

Your FMConsulting Team

## ▶▶ Our newest service: Advertising!

## ▶▶ Economy

### Overview of Monthly Data

TL-Rates	31.12.2012	31.01.2013	Change in %
TL pro Euro	2.3565	2.3902	1.430
TL pro USD	1.7862	1.7633	-1.282

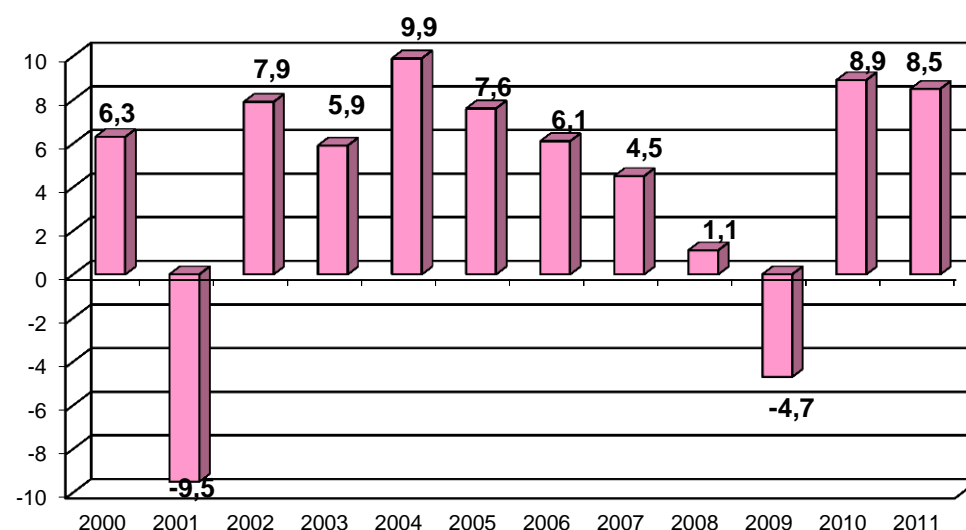
<b>Stock exchange index</b>	78.208,40	78.957,00	0.9572
-----------------------------	-----------	-----------	--------

Inflation in %	Monthly inflation	Annual inflation
Producer prices	-0.18	1.88
Consumer prices	1.65	7.31

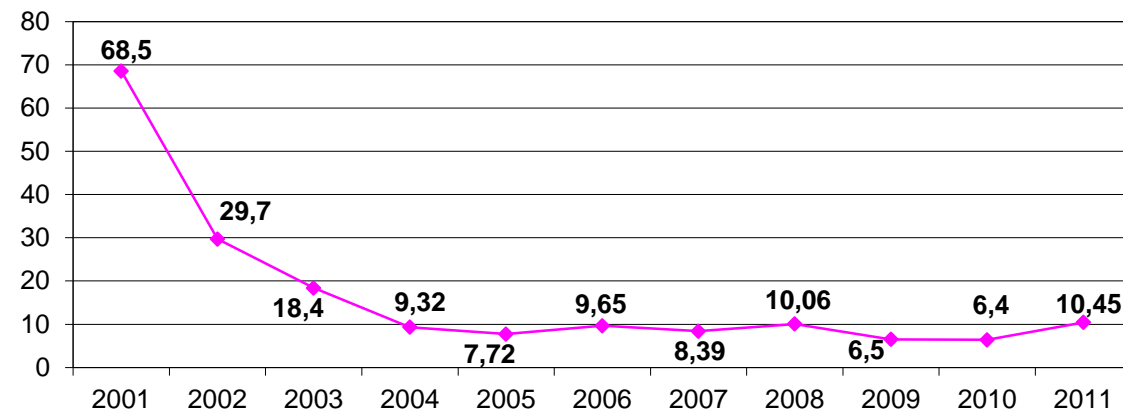
### Growth Rates

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
2012	3.4	3.0	1.6		

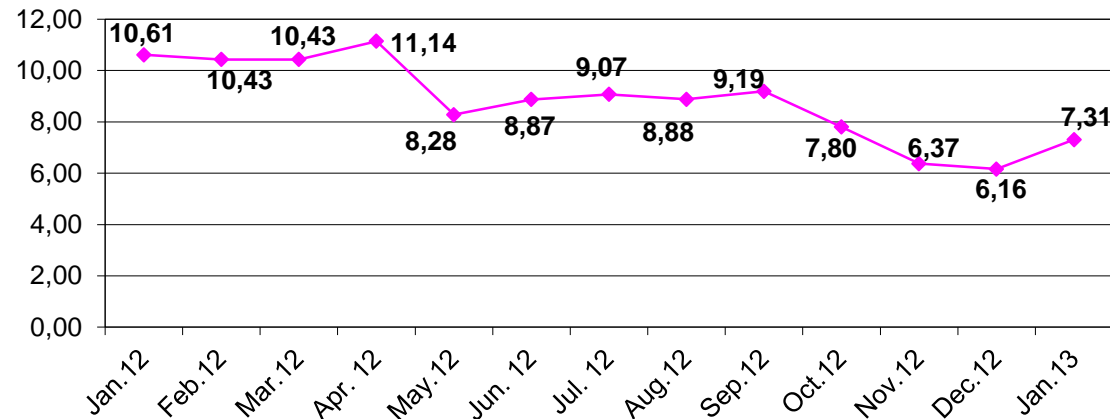
Growth Rates (%)



Annual Inflation of Consumer Prices (%)



Annual Inflation's Monthly Development 2012-13 (%)



### New occupational safety law in Turkey

As scheduled, the new Law on Occupational Health and Safety, Law No. 6331, has entered into force as of December 30, 2012. The details of its implementation shall be regulated in a total of 11 by-laws that are yet to be issued. The law categorises enterprises according to their size in terms of number of employees, and in 3 hazard classes.

The law provides, among other things, for each enterprise employing personnel subject to social insurance to have company doctors and auxiliary medical staff as well as certified occupational safety specialists – either their own or from outside the company. The provisions of the law pertaining to this obligation apply to all enterprises with more than 50 employees already since December 30, 2012, to enterprises with less than 50 employees as of June 30, 2013 if they are categorized as “very hazardous” and “hazardous”, and if they are in the “less hazardous” status, as of June 30, 2014.

All other provisions of the new law apply to all enterprises as of its coming into force; this includes e.g. that risk assessments, checks, measurements and examinations are carried out, emergency, fire, first aid and evacuation plans are prepared, work accidents and occupational diseases are registered and reported, employees' health is monitored, employees are informed about health and safety risks, and training to this effect is provided, and that employees are given the opportunity to participate in matters concerning occupational health and safety; for this purpose between one and six employee representatives, depending on the size of the enterprise, must be elected or appointed.

Violations of the law are subject to severe penalties according to Art. 26. Therefore it is advisable to contact the relevant authorities in due time for detailed information on the individual issues.

### Minimum wage exceeds 1,000 TL for the first time

The statutory minimum wage in Turkey will be raised to gross 1,021.50 TL by the end of year. As the relevant commission decided despite opposition by trade union representatives, workers over the age of 16 receive a 4.1% raise, amounting to a gross wage of 978.75 TL in the first six months of 2013. As of the 1<sup>st</sup> of July, there shall be another 4.4% raise. In terms of net wage, Turkish workers now earn a minimum 774.- TL, which will increase to 804.70 TL as of July 1, 2013. This brings costs to the employer first to 1,140.24 TL, and then to 1,190.05 TL, that is, for non-unionised workplaces. Labour Minister Faruk Celik pointed out that there has been a total real increase of 65% in the minimum wage in the past 10 years, and that the latest raise was also above the inflation rate.

### Minimum wage development by years (gross, TL, workers over the age of 16)

Period	Daily wage	Monthly wage	Increase (%)
01/07/-31/12/2013	34.05	1,021.50	4.4
01/01/-30/06/2013	32.62	978.75	4.1
01/07/-31/12/2012	31.35	940.50	6.1
01/01/-30/06/2012	29.55	886.50	5.9
01/07/-31/12/2011	27.90	837.00	5.1
01/01/-30/06/2011	26.35	796.50	4.7
01/07/-31/12/2010	25.35	760.50	4.3
01/01/-30/06/2010	24.30	729.00	5.0
01/07/-31/12/2009	23.10	693.00	4.1
01/01/-30/06/2009	22.20	666.00	4.3

December 28, 2012

### Weak growth, improved foreign balance

The basic indicators of the Turkish economy for 2012 point to a considerably slower GDP growth, which is also due to the prolonged global recession. According to the figures at hand, it can be presumed that unemployment is still on a high level, while inflation, the foreign trade balance and the fiscal deficit have taken a more favourable course than expected.

## Overview of the development of Turkey's economy according to basic indicators

Indicator	2011	2012 (estimated)	Change	2013 (targeted)
GDP growth (%)	8.5	3.2	-5.3	5.0
Per-capita income (US\$)	10,469	10,673	+204	11,716
Inflation (consumer prices, %)	10.5	7.4	-3.1	5.0
Unemployment rate (%)	9.8	9.0	-0.8	10.2
Exports (bn US\$)	134.9	149.5	+14.6	165.7
Imports (bn US\$)	240.8	239.5	-1.3	272.5
Current account/GDP (%)	-10.0	-7.3	+2.7	-7.5
Fiscal deficit/GDP (%)	1.4	2.3	+0.9	2.2
Public borrowing requirements (%)	0.1	1.7	+1.6	1.5

January 1, 2013

### Export figures set yet another historical record

In 2012, Turkey's exports reached close to US\$151.9bn, which is yet another all-time high in the history of the country. However, the increase of 12.57% over 2011 (US\$134.9bn) was considerably lower than in the previous year (+18.17%). One should not fail to mention that exports of the automotive industry—traditionally the industry that drives exports of the Turkish economy—dropped by almost 5.3% after having gained 17.4% the year before. However, second only to agriculture (12.62%), it still accounts for the largest share of the export volume (12.55%), followed by the chemical and steel industries with 11.55% and 10.15%, respectively. The defence industry and the jewellery industry recorded by far the highest increment in exports (+42.83% and 42.54%, resp.), while ship and yacht builders suffered the heaviest losses (-38.62%). The skyrocketing increase of over 717% in exports accounted for as "exempt from registration by exporter's associations" is clearly attributable to the controversial exports of gold which Turkey uses to reimburse Iran for oil and gas deliveries, thereby circumventing the international embargo.

### Export figures by business sectors (1,000 US\$)

Sector	January–December			
	2011	2012	Change 2012/2011 (%)	Share 2012 (%)
<b>I. Agriculture</b>	<b>17,870,628</b>	<b>19,156,123</b>	<b>7.29</b>	<b>12.62</b>
<b>II. Industry</b>	<b>111,441,709</b>	<b>114,370,279</b>	<b>2.63</b>	<b>75.31</b>
<b>A. Processed agro products</b>	<b>11,052,650</b>	<b>11,466,712</b>	<b>3.75</b>	<b>7.55</b>
Textiles and raw materials	7,944,933	7,849,702	-1.20	5.17
Leather and leather goods	1,479,274	1,605,069	8.50	1.06
Carpets	1,628,443	2,011,941	23.55	1.32
<b>B. Chemicals &amp; chemic. products</b>	<b>15,764,903</b>	<b>17,542,394</b>	<b>11.27</b>	<b>11.55</b>
Chemicals & chemical products	15,764,903	17,542,394	11.27	11.55
<b>C. Industrial goods</b>	<b>84,624,155</b>	<b>85,361,173</b>	<b>0.87</b>	<b>56.21</b>
Clothing and ready-wear	16,150,161	16,088,099	-0.38	10.59
Automotive industry	20,121,082	19,063,427	-5.26	12.55
Ships and yachts	1,321,678	811,246	-38.62	0.53
Electrics – Electronics, IT	11,182,476	11,811,673	5.63	7.78
Machinery and equipment	4,899,125	5,327,524	8.74	3.51
Ferrous and non-ferrous metals	6,283,177	6,367,209	1.34	4.19
Steel	15,297,577	15,563,898	1.74	10.25
Cement, glass, ceramics & earths	3,160,846	3,102,250	-1.85	2.04
Jewellery	1,461,408	2,083,084	42.54	1.37
Defence industry	883,845	1,262,371	42.83	0.83
Air-conditioning industry	3,789,298	3,797,942	0.23	2.50
Other industrial goods	73,483	82,451	12.20	0.05
<b>III. Mining</b>	<b>3,863,169</b>	<b>4,181,526</b>	<b>8.24</b>	<b>2.75</b>
Mining products	3,863,169	4,181,526	8.24	2.75
Exports exempt from registration by exporter's associations	1,731,363	14,152,918	717.44	9.32
<b>TOTAL</b>	<b>134,906,869</b>	<b>151,860,846</b>	<b>12.57</b>	<b>100</b>

January 3, 2013

### Inflation rate lower than anticipated: 6.2%

In December, Turkey's consumer price index (TUFİ) went up 0.38%, and the producer price index (UFE) dropped 0.12%. This put the total inflation rate for 2012 to 6.16%. While this is higher than originally provided for in the government's economic programme (5.2%), it remains significantly below the forecast that has been revised upwards to 7.4% in October. Just the previous year had seen a double-digit increase in prices: 10.45% for consumer and 13.33% for producer prices. The inflation rate by producer prices now turned out only 2.45% for the entire year 2012, the lowest level since 1964. This positive trend is expected to continue in 2013, with a preliminary inflation target of 5.3% set officially.

January 4, 2013

### **Less direct investments, more hot money**

Foreign direct investments into the Turkish economy dropped to US\$8.9bn in the first 11 months of 2012, thereby declining 28.9% over the same period of the previous year. At the same time Turkish direct investments abroad increased some 70% over 2011, reaching US\$4bn and thus amounting to almost half of the incoming investments. The volume of foreign hot money in Turkey, on the other hand, rose by 63% to US\$155.1bn in 2012, marking a net plus of US\$60.1bn. International investors in Turkey increasingly rely on stocks (+US\$33bn) in addition to government bonds (+US\$21.5bn) and bank deposits (+US\$5.6bn).

January 17/18, 2013

## Politics

### **Patriot missiles arrive in Turkey**

True to schedule, the Patriot surface-to-air missile systems sent by NATO have arrived in the port of Iskenderun (Hatay province). This highly sophisticated equipment is intended to protect some 3.5 million people in Turkish cities close to the border with Syria from potential Scud missile attacks. The first Patriot battery was emplaced in Adana, Turkey's fourth-largest city with some 1.6 million inhabitants, around 120 kilometres from the border. Close to 250 Dutch military personnel will be stationed there in a mission limited to one year. 240 male and female Bundeswehr soldiers are in charge of a Patriot missile unit for the protection of Kahramanmaraş, a city of 400,000. German, Dutch and US army personnel have been despatched to Gaziantep, Sanliurfa, Diyarbakir and Malatya with four more batteries. Meanwhile some leftist-nationalist and ultra-religious groups staged protests against the stationing of foreign soldiers on Turkish soil, and there were isolated incidents of physical assaults on soldiers. The protestors claim that the deployment of Patriot missiles actually does not serve the interests of Turkey, but rather those of the USA and Israel.

January 8/28, 2013

### **Business leaders would like to see Kurdish issue resolved in 2013**

At the 43<sup>rd</sup> annual general meeting of Turkey's most influential entrepreneurs' association TUSIAD, the Kurdish problem was the predominant political issue. In her farewell address Umit Boyner, who handed over her duties after 3 years in office, said that she was hopeful that the new year will bring an end to violence. Lately there have been more and more signs that the armed conflict with parts of the Kurdish population – which she called “a nightmare that has been going on for 30 years now” – can be resolved through negotiations. Her newly elected successor in office, Muharrem Yilmaz, affirmed that TUSIAD backs all attempts to find a solution to the Kurdish issue, and to put a peaceful end to terrorism. Yilmaz, who is chairman of the board of the company Sutas, also stated that his organisation supports the efforts for a new, more liberal constitution that focusses on the rights and freedoms of the individual citizen, the strict separation of powers, and an independent judiciary.

January 18, 2013

### **Population growth has declined slightly**

According to the latest survey carried out by the Statistical Institute, Turkey's population has risen to 75,627,384 by the end of 2012, 903,115 more than in the year before, of which 50.2% are male and 49.8% female. This indicates that the population growth rate has dropped from 1.35% to 1.2% over the previous year. 25 out of 81 provinces even saw a decrease in population due to continued internal migration; for the same reason, the urbanisation rate increased from 76.8% to 77.3%. 49% of Turkey's population live in the country's 10 largest cities: Istanbul, Ankara, Izmir, Bursa, Adana, Antalya, Konya, Gaziantep, Sanliurfa, and Mersin. The population of working age (15- to 64-year-olds) increased by 1.5% to over 51 million, and its share in total population by 0.2 percentage points. The median age has risen to now 30.1 years, while Turkey's population density went up by one to 98 people per square kilometre.

January 29, 2013

## Other topics

### **Turkish state to contribute 25% to private pension scheme**

At the beginning of this year the Turkish government has changed its system for the support of private pension schemes. Up till now only tax breaks had been provided for; however, this benefitted a mere third of the 3.1 million insured persons. From now on, the state shall grant 25 TL for each 100 TL paid into the private pension fund. As Deputy Prime Minister Ali Babacan explained, this measure is intended to ensure that non-taxable persons receive equal support. It is expected that 500,000 new contracts for private pension schemes will be concluded in 2013, and that the pension fund's total value will approach TL30bn. At present the fund has accumulated TL20bn, equivalent to 2.2% of the gross national product, while the average in OECD countries is 72.4%, Babacan said.

January 3, 2013

### **UAE to invest heavily in Turkish power plant**

In Ankara, Turkey and the United Arab Emirates have signed an intergovernmental agreement that provides, among other things, for the UAE's power supply company, TAQA, to invest US\$12bn in building a new power plant. In Afsin-Elbistan (Kahramanmaraş province), a lignite power plant with an installed capacity of 8,000 MW is to be built. An energy input of 85mn tons of coal per year will be required to generate 45 kWh of electricity. Turkish Energy Minister Taner Yildiz stated that the region in the southeast of Turkey holds over 49% of the country's lignite reserves. This large-scale project is to create 15,000 new jobs, 8,500 of which directly in the power plant. In case a second nuclear power plant will be built in Turkey – the first reactor is to be built by Russia in Akkuyu near Mersin – the UAE have offered to become a cooperation partner. provided that South Korea is awarded the construction contract.

January 3, 2013

### **Tendering process for 3<sup>rd</sup> airport in Istanbul initiated**

The deadline for submission of tenders for the construction of a third international airport in Istanbul within a designated building period of 42 months has been set for May 3<sup>rd</sup>. The project, which is expected to cost around €7bn, will be funded through the Build-Operate-Transfer model with a mandatory equity share of 20%. The company that is to build and operate the airport will be entitled to exploit it for 25 years, with a total of 342 million passengers for the first 11 years guaranteed. During construction, the yet unnamed airport will provide 80,000, and after completion 120,000 jobs. Transportation Minister Binali Yildirim announced that the new international airport will be located directly on the Black Sea coast on the European side outside of Istanbul, and that no building activity will be permitted in its perimeter. With an annual passenger capacity of 150 million in the final expansion stage, the new airport is to become the world's largest.

January 22, 2013

### **Mercedes Benz Türk (MBT) sets new sales record in 2012**

The Turkish subsidiary of Mercedes Benz has sold a total of 42,726 vehicles in 2012, setting a new sales record. According to Wolf-Dieter Kurz, President and CEO of MBT, the number of 12,730 sold automobiles in itself already amounts to a new historical record. MBT has been operating in Turkey for 45 years, and currently manufactures buses and lorries with 5,000 employees in its production plants in Istanbul-Hosdere and Aksaray. According to Kurz, his company has so far invested €750mn in Turkey, €67mn of which in the past year alone, and produced 65,000 buses and 166,000 lorries, primarily for the domestic market. For tour coaches, MBT holds a share of 65% (592 sold units) in the Turkish market, while for lorries the share increased to 45% (16,781 sold units) and for light commercial vehicles to 12.5% (9,234 sold units). This upwards trend is expected to continue in 2013, company officials said.

January 22, 2013

### **New occupational safety law in Turkey**

As scheduled, the new Law on Occupational Health and Safety, Law No. 6331, which had been passed on June 20, 2012 after six years of deliberation in parliament, has entered into force as of December 30, 2012, six months after its promulgation. The details of its implementation shall be regulated in a total of 11 by-laws that are yet to be issued. The law categorises enterprises according to their size in terms of number of employees, and in 3 hazard classes. The law provides, among other things, for each enterprise employing personnel subject to social insurance to have company doctors and auxiliary medical staff as well as certified occupational safety specialists – either their own or from outside the company. The provisions of the law pertaining to this obligation apply to all enterprises with more than 50 employees already since December 30, 2012, to enterprises with less than 50 employees as of June 30, 2013 if they are categorized as “very hazardous” and “hazardous”, and if they are in the “less hazardous” status, as of June 30, 2014. All other provisions of the new law apply to all enterprises as of its coming into force; this includes e.g. that risk assessments, checks, measurements and examinations are carried out, emergency, fire, first aid and evacuation plans are prepared, work accidents and occupational diseases are registered and reported, employees' health is monitored, employees are informed about health and safety risks, and training to this effect is provided, and that employees are given the opportunity to participate in matters concerning occupational health and safety; for this purpose between one and six employee representatives, depending on the size of the enterprise, must be elected or appointed. Violations of the law are subject to severe penalties according to Art. 26. Therefore it is advisable to contact the relevant authorities in due time for detailed information on the individual issues.

December 31, 2012

▶▶ Our newest service:  
Advertising!

▶▶ We are

**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 Heidinger.

#### **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.** does not give any guarantee with respect to the correctness of individual figures and statements.

# ▶▶ Contact

**FOREIGN MARKET CONSULTING Ltd. Sti.**  
Managing Director: Peter J. Heidinger

Büyükdere Mahallesi Cayirbasi Cad.  
Dede Yusuf Sok. No:11  
TR-34453 Sariyer-Istanbul  
Tel: +90-212-36 38 052  
Fax:+90-212-36 38 056  
[www.fmconsulting.info](http://www.fmconsulting.info)  
[info@fmconsulting.info](mailto:info@fmconsulting.info)

## Sales Department

**English:** +90-212-36 38 055  
**German:** +90-212-36 38 052  
**Turkish:** +90-212-36 38 050

# ▶▶ Newsletter

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

# ▶▶ Our newest service: Advertising!

Our new FMConsulting Advertising Team can plan, create and execute complete advertising campaigns or single ads on behalf of our your business, according to your specific requirements.

Our services include the following:

- TV/Radio Advertising
- Newspaper and magazine advertising
- Outdoor Advertising
- Logos/Corporate Identity
- Corporate Stationery
- Business Cards
- Posters/Brochures/Flyers
- Corporate Websites
- Promotional Marketing
- Shop fronts/Signage
- Banners/Flags/Stickers
- Exhibition Displays
- Vehicle Graphics
- Clothing/Uniform Design
- Digital Advertising
- Digital Presentations
- Flash Animation
- Guerrilla Marketing
- Viral Marketing
- Mobile Marketing
- Social Media Marketing

Please contact us for all your Advertising & Marketing needs at:

Tel: +90-212-3638 050      [info@fmconsulting.info](mailto:info@fmconsulting.info)  
Fax: +90-212-3638 056      [www.fmconsulting.info](http://www.fmconsulting.info)