



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	26.08.2011	30.09.2011	Change in %
TL pro Euro	2.5307	2.5128	-0.7073
TL pro USD	1.7538	1.8601	6.06

Stock exchange index	53.707,60	59.693,40	11.14

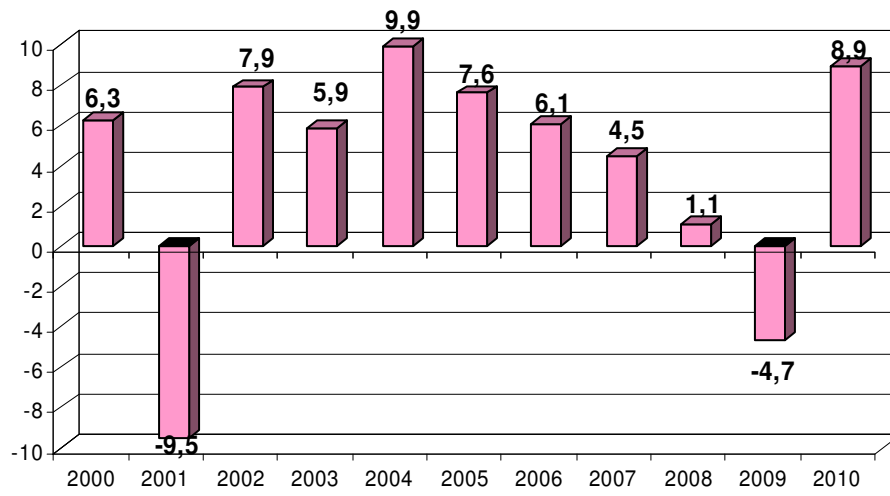
Inflation in %	Monthly inflation	Annual inflation
Producer prices	1.55	12.15
Consumer prices	0.75	6.15

Growth Rates

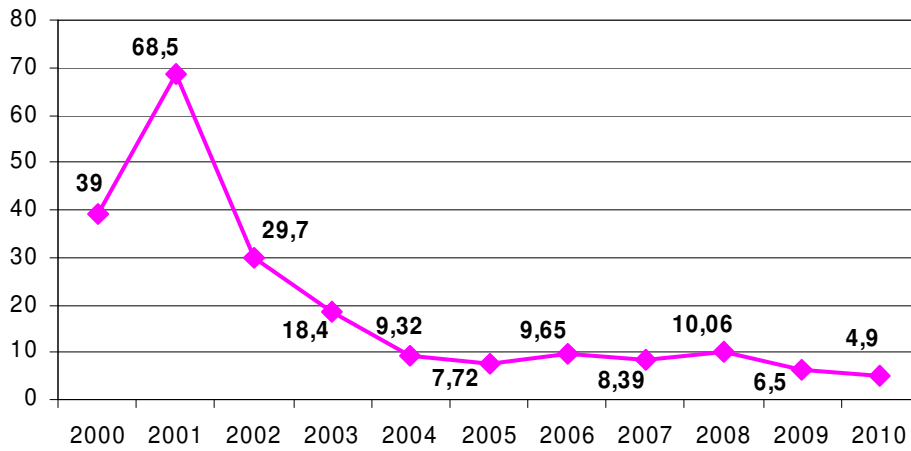
Economic Growth Rates (%)					
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Yearly
2000	4.2	5.4	7.2	7.8	6.3
2001	-3.3	-12.3	-9.1	-12.3	-9.5
2002	0.6	10.4	8.0	11.8	7.9

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			

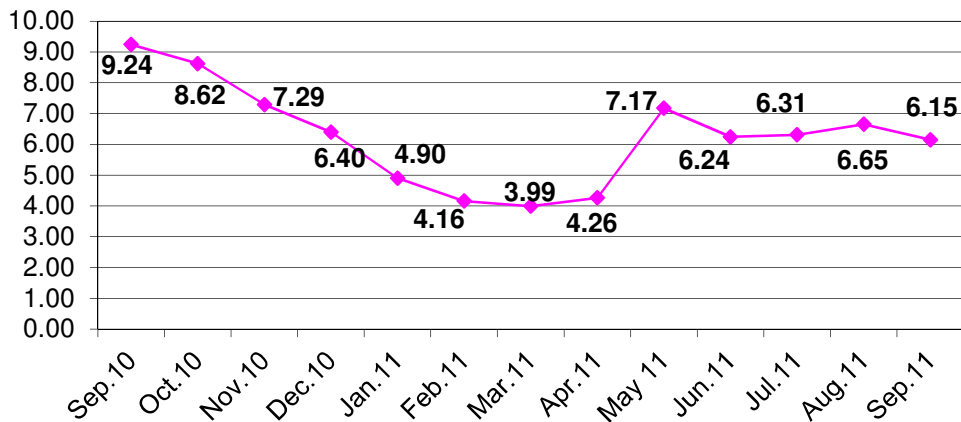
Growth Rates (%)



Annual Inflation of Consumer Prices (%)



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



Assets of Turkey's banks catch up with GDP

The Turkish finance sector continues to grow steadily. In the 1st half of 2011, total assets of the 419 companies forming the sector increased by 12.8%, approaching the mark of 1.5 trillion TL. The country's 48 banks accounted for 77.3% of this sum, combining assets of 1,146bn TL (+13.9%) – almost exactly as much as Turkey's gross domestic product in the last 12 months as of the end of the first quarter (1,148bn TL). Since 2002, Turkey's banks have increased their assets by 439%. 9 years ago, total sector assets matched 91.1% of the GDP; now they amount to 122% (1,483bn TL). Assets of the 3 largest banks in the country – Ziraat, Is and Garanti – grew by 351%, 523% and 618%, respectively. Out of the Top 10 banks, the 3 smallest gained the most: Finansbank with +793%, TEB – recently merged with Fortis – with +1.443%, and DenizBank with +824%.

12 September - 2011

Turkey's growth rate surpasses expectations

As expected, the growth rate of Turkey's national economy slowed down in Q2/2011, following a record value in the first quarter that has just been revised from 11.0% to 11.6% (in fixed prices in TL, basis 1998). However, the growth achieved still considerably exceeded the initial forecast of 6.5%. Turkey was the country with the second-fastest growth rate globally, at 8.8%, retaining its top position among the world's economies right behind China (+9.5%), and followed by Estonia with 8.4% and India with 7.7%. This spells a scant double-digit combined growth of 10.17% for the first half-year. Calculated according to spending, domestic investments – up 31.57% from Q1 – contributed 7.15 percentage points, while private sector consumption accounted for 7.59 and public sector consumption for 0.74 points. By contrast, net foreign trade had a negative effect of -5.31 percentage points (exports +0.95, imports -6.26 points).

Gross Domestic Product of Turkey 2010/2011 (Source: Turkish Statistical Institute – TÜİK)

	GDP (in current prices, mn TL)	Change in %	GDP (in current prices, mn US\$)	Change in %	GDP (in fixed prices, mn TL)	Change in %
Q1/2010	241,881	+16.3	160,332	+27.3	23,390	+12.2
Q2/2010	267,144	+16.9	173,821	+19.5	25,645	+10.2
Q3/2010	297,184	+13.6	196,516	+13.0	28,672	+5.3
Q4/2010	297,541	+17.0	204,260	+19.2	28,033	+9.2
2010 total	1,103,750	+15.9	734,929	+19.2	105,739	+9.0
Q1/2011	288,390	+19.2	182,841	+14.0	26,112	+11.6
Q2/2011	318,404	+19.2	203,626	+17.1	27,910	+8.8
2011 1 st half	606,794	+19.2	386,467	+15.7	54,022	+10.2

13/14/21 - September 2011

Turkish Lira slump moderates current account deficit

The Turkish Lira's rapid loss in value is improving the current account balance of Turkey's national economy. Although the negative account balance in July increased by 49.2% over the same month of the previous year, this was the lowest level in 9 months. On a yearly basis, the deficit reached a new high of almost 75bn US\$. This appears to be the result of a still increasingly negative trade balance: Exports of close to 82bn US\$ (+18.6%) were countered by imports of around 135.7bn US\$ (+43.1%).

Development of Turkey's current account balance, last 13 months (mn US\$)

	Current account balance of the current month	Current account balance of the last 12 months
July 2010	-3,565	-29,974
August 2010	-3,023	-32,453
September 2010	-3,833	-35,314
October 2010	-3,394	-39,097
November 2010	-6,027	-43,315
December 2010	-7,625	-47,693
January 2011	-6,126	-50,731
February 2011	-6,100	-54,636
March 2011	-9,707	-60,087
April 2011	-7,774	-63,517
May 2011	-7,966	-68,544
June 2011	-7,670	-72,810
July 2011	-5,319	-74,564

13 September - 2011

Unemployment rate drops to pre-crisis level

The Turkish Statistical Institute has just announced the latest employment figures. According to the data, there were 0.2% less unemployed in June than in May, and 1.3% less than in June 2010. The unemployment rate dropped to 9.2%, the lowest level since the pre-crisis month of May 2008, which translates to 10.3% after seasonal adjustment. The number of registered

unemployed neared the 2.5-million threshold, a little less than a third of which (29.4%) were long-term unemployed who have been looking for a job for over a year. Joblessness in the 15-24 age bracket slightly dropped to 18%. The percentage of working population without state social security still runs very high, at 43.5%.

Trend of official and actual unemployment in Turkey in the past 12 months

	Official unemployment		Actual unemployment	
	Number (1,000)	Rate (%)	Number (1,000)	Rate (%)
July '10	2,782	10.6	4,690	16.7
August '10	2,971	11.4	4,856	17.3
September '10	2,934	11.3	4,818	17.3
October '10	2,901	11.2	4,803	17.3
November '10	2,811	11.0	4,802	17.4
December '10	2,929	11.4	4,999	18.1
January '11	3,044	11.9	5,253	19.0
February '11	2,964	11.5	5,195	18.6
March '11	2,816	10.8	5,000	17.7
April '11	2,637	9.9	4,667	16.3
May '11	2,550	9.4	4,462	15.4
June '11	2,537	9.2	4,427	15.1

16 September - 2011

S&P raises Turkey's rating

The recent performance of Turkey's economy has prompted rating agency Standard & Poor's to raise the country's credit rating to BBB-. This puts Turkey in the league of countries regarded as suitable for investment. While the decision met with optimism throughout Turkey's business and financial community, the improved rating only applies to a domestic currency basis. On a foreign exchange basis, Turkey's rating remains unchanged at BB, which indicates a less favourable investment climate. In the last few months, the value of the Turkish Lira has deteriorated sharply against the US dollar and the Euro. The dollar show no signs of retreating below 1.80 TL, while the Euro keeps hovering around 2.50 TL.

21 September - 2011

Politics

Erdogan reaffirms solidarity with Palestine

The conflict between Turkey and Israel rumbles on. Speaking as the guest of honour at a meeting of the Council of the Arab League in Cairo, Turkish Prime Minister Recep Tayyip Erdogan repeated his appeal for support of the just struggle of the Palestinian people. Erdogan promised to lobby the United Nations for the lifting of the embargo against the Gaza Strip and the recognition of an autonomous Palestinian state. In his words, this is not an option, but rather a basic prerequisite to overcoming conflict in the region. The international community, he said, must not tolerate Israel's continued disrespect for international law. While Turkey, as he said, is willing to normalise its relations with Israel, certain conditions must have been met first. Instead, the Israeli

government continues to take what Erdogan called irresponsible steps, provoking the legitimacy of Israel as a state to be questioned.

14 September - 2011

More terrorist attacks shock Turkey

News about terrorist acts in various parts of Turkey, most of which are to be blamed on Kurdish PKK extremists, continue to pour in on a daily basis. In the government district of Ankara a car bomb exploded, killing three passers-by and injuring more than 30 others. On a long-distance train travelling from Siirt in the country's far southeast to Istanbul, an explosive device was detected and defused by police just in time. In Pervari, a district of Siirt province, six members of the security forces perished in an armed attack on a gendarmerie station. The greatest public outcry was caused by an incident in the city of Siirt, where a private car was ambushed and riddled with bullets. Presumably the attackers had targeted students of a local police school; instead, they ended up massacring 4 young women and badly injuring 2 more who merely happened to be in the wrong place at the wrong time.

21/26 September - 2011

Erdogan: Southern Cyprus's quest for oil is "madness"

While in New York City, Turkish PM Erdogan sharply criticised the joint oil exploration conducted by the Republic of Cyprus and Israel in the Eastern Mediterranean Sea, saying that this course of action, which he labelled as "madness", violates the rights of the Turkish Republic of Northern Cyprus (TRNC). In his words, apparently the Cypriot government's intention is to sabotage the process of negotiations between the Turkish North and the Greek South of the island. However, Turkey in its role as guaranteeing and protecting power of the ethnical Turks of the island would not condone this. Erdogan stated that while Turkish Navy gunboats and frigates are patrolling the disputed area, a military intervention is not on the agenda. In response to the situation, Turkey signed a marine waters treaty with the TRNC, and dispatched its own research vessel to the area in question.

22 September - 2011

Other Topics

Rush on government-sponsored plots for investors

With the aim of stimulating the economy in the structurally weaker regions of Turkey, the Ministry for Science, Industry and Technology has started sponsoring plots in the country's Organised Industrials Estates (OSB). Depending on the development index of the individual province, the plots are being allocated to investors either free of charge or with a 30% discount, on the condition that at least 10 new jobs are created within a period of 3 years. Notably the incentive does not apply to the 86 OSBs in the highly industrialised provinces Ankara, Bursa, Istanbul and Izmir. Given the average vacancy rate of currently 75% in the country's 264 OSBs, the untapped investment potential is estimated at TL30bn TL, along with 400,000 new jobs. Even though site costs are only one of many investment factors, the scheme met with overwhelming interest: More than 10,000 applications were submitted in the first 20 days alone.

15 September - 2011

Preliminary contract awarded for new metro project

The local transport network in the Asian part of Turkey's metropolis Istanbul is being further expanded. The near-completed underground line from Kadıköy to Kartal (M4), 26.5 km in length, will be joined by a 20-kilometre connection between Üsküdar and Cekmeköy/Sancaktepe (M6). The city government now preliminarily accepted the 564mn € bid of the construction subsidiary of Dogus Group, among 7 bidders. As a novelty, the award of contract will only be finalised once the cost associated with the portion of the funding to be raised by the contractor have been established. The period allowed for construction – a mere 38 months – is extremely tight. When the M4 is completed as scheduled on December 31st of this year, in the record-breaking time of only 45 months, total construction costs will have added up to around US\$1.35bn. The estimated passenger volume on each of the two metro lines is enormous, at 750,000 commuters per day.

16 September - 2011

Sabancı energy subsidiary at full speed ahead

Electric company Baskent EDAS, which was acquired by Sabancı Holding in 2009, from now on operates under the name of EnerjiSA Baskent. The aim is to further the advance of Baskent under the umbrella of parent company EnerjiSA, a 50/50-shareholding of Sabancı and Austria's Verbund. However, the company, which supplies electricity to some 3 million consumers in the capital region, will retain its legal autonomy. In 2005, Sabancı Group made power generation and distribution into a strategic business area, taking account for the energy hunger of up-and-coming Turkey where in the past decade, electricity demand has risen faster than in any other country with the exception of China. By 2015 EnerjiSA is to become Turkey's leading power supply company with a minimum market share of 10%. According to the holding's chairwoman, Güler Sabancı, the company intends to invest 1.5bn TL in the next 5 years into infrastructure projects such as SCADA automation. They are aiming at an installed capacity of minimum 5,000 MW – of which 1,557 MW are already in operation and another 2,520 MW under construction – as well as 6+ million consumers by taking on an another distribution area.

27 September - 2011

First large Chinese direct investment in Turkey

For the first time ever, a company from China will be engaging in a large-scale investment in Turkey. In a joint venture with prospecting and mining company Polat Madencilik, the public energy corporation of Zhejiang province seeks to exploit a coal deposit located between Soma (Manisa province) and Kinik (Izmir province). The licensed area of 2,000 hectares is estimated to hold around 200 million tons of hard coal, with prospectors saying that a reserve of 102 million tons has already been substantiated through exploratory drilling. To start with, the enterprise intends to open a coal mine with an output of 3 million tons, to be extended to 5 million tons at a later stage. Also construction of a thermal power plant with up to 660 MW capacity has already been officially authorised. For this purpose, investments of over 1 billion US\$ are planned for the coming 5 years, which will initially create some 2,000 jobs.

28 September - 2011

Biofuel ordinance opens up new perspective for Turkish farmers

Turkey's Energy Market Regulatory Authority (EPDK) has just issued an ordinance stipulating the blending of domestically produced biofuels from 2013 onwards. The regulation requires all grades

of gasoline offered on the market to contain at least 2% bioethanol as of 01/01/2013, and minimum 3% as from 01/01/2014. For diesel fuel, a content of not less than 1% biodiesel will be mandatory from 01/01/2014 onwards, to be stepped up by 1% each in the two subsequent years. With annual consumption in Turkey currently put at 2.1 million tons of gasoline and 16 million cubic metres of diesel, 63,000 m³ bioethanol from sugar beets or maize, and 480,000 m³ of canola or safflower oil, respectively, would have to be produced domestically to attain a 3% biofuel share. This opens up a whole new perspective for Turkey's agriculture since additional crop cultivation will be required to meet the demand; of the crops with biofuel potential, only sugar beets are presently being produced in sufficient quantities.

28 September - 2011

As of 01/07/2012, the new Turkish Commercial Code will come into effect!

We would like to give you a first outline of the new regulations. The details will follow, and we will keep you updated. From 01/07/2012 on within 18 months, existing companies must amend their articles of association in accordance with the new law.

The main items of the new Commercial Code, as preliminary information:

- Except for buying/selling goods, shareholders are not allowed to take money/credits from their Turkish subsidiaries. Therefore the shareholders of existing companies must pay back their debts to their Turkish subsidiaries within three years after the coming into effect of the new law.
- Limited companies may **have only one shareholder** (until now, it had to be minimum two).
- **The minimum capital** amount for limited companies shall be **10,000.- TL**. Existing companies whose capital is lower than the new minimum amount must increase their capital within three years.
- One-fourth of the company's capital must be paid **before** foundation; the remaining part can be paid within 24 months.
- **One of the shareholders must also be managing director of the new company** as well. If the shareholders are companies, one of their legal representatives has to be the managing director.
- At least **one of the managing directors must be located in Turkey** and have the power to represent the company by his/her **individual signature**.
- All legal books of the company may be kept in writing or electronically. The details of how to keep them will be communicated by the Ministry of Industry.
- Every company has to have a **website**.
- All the papers that the company uses, letterhead papers and all trading papers must include full company name and address, capital amount, and managing directors' names. And all this information has to be published on the website of the company as well.
- The annual General Shareholders Meeting will be mandatory for Ltd companies. The general shareholders meeting must be held within 3 months after the end of the fiscal period (details on the formalities will follow).
- **Inspections shall become an obligatory part** of the Ltd companies. Inspections shall be carried out either by independent **audit firms** whose shareholders are chartered financial advisors or certified financial advisors, or by **chartered financial advisors or certified financial advisors**.

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