

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

TL-Rates	31.07.2012	31.08.2012	Change in %
TL pro Euro	2.2035	2.2860	3.7440
TL pro USD	1.7950	1.8198	1.3816

Stock exchange index	64.890,40	67.367,90	3.8179
----------------------	-----------	-----------	--------

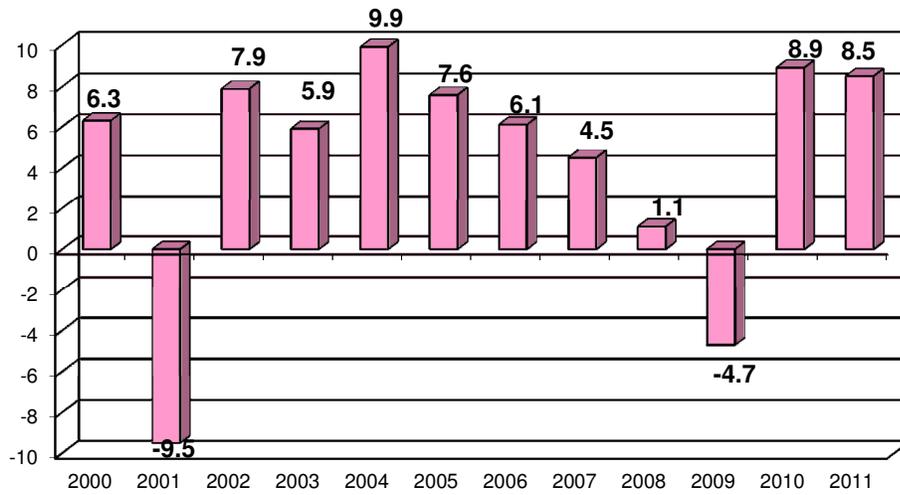
Inflation in %	Monthly inflation	Annual inflation
Producer prices	0.26	4.56
Consumer prices	0.56	8.88

Growth Rates

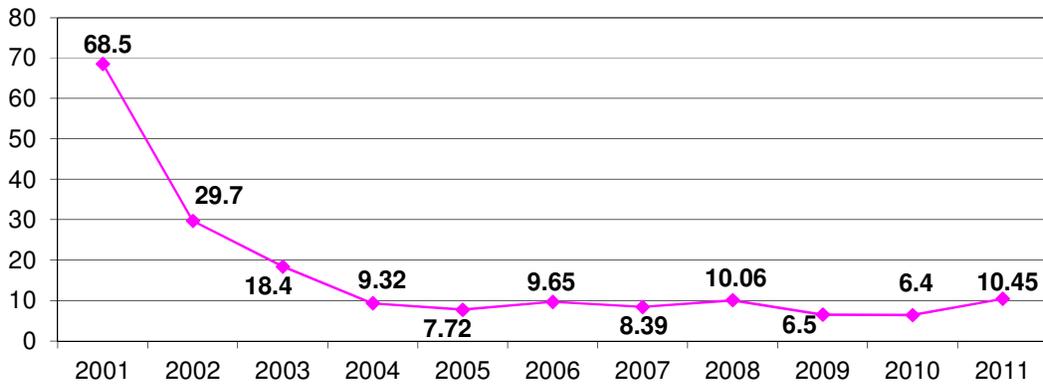
Economic Growth Rates (%)					
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Yearly
2000	4.2	5.4	7.2	7.8	6.3
2001	-3.3	-12.3	-9.1	-12.3	-9.5
2002	0.6	10.4	8.0	11.8	7.9
2003	7.4	3.6	5.6	7.2	5.9
2004	13.9	15.7	8	6.6	9.9
2005	7.5	4.7	8.0	10.0	7.6

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	3.2	2.9			

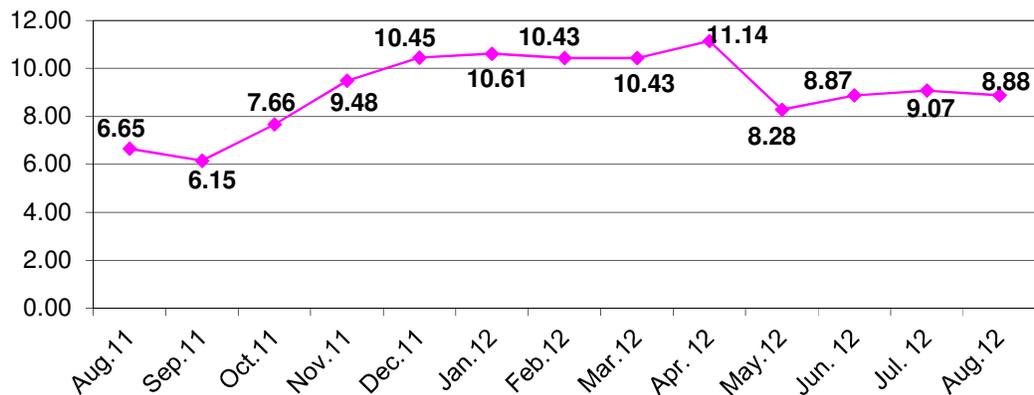
Growth Rates (%)



Annual Inflation of Consumer Prices (%)



Annual Inflation's Monthly Development 2011-12 (%)



Turkey's current account balance keeps improving considerably

In parallel with reduced domestic demand and the global economic downturn, Turkey's current account deficit continues to show a declining tendency. The month of June saw the deficit drop by 45% as compared to a year ago, to some US\$4.25bn, the lowest monthly figure since August 2011. The aggregate deficit for the first half of the year totalled around US\$31bn, 30.6% less than in the same period of the previous year. On an annual basis the deficit reached approximately US\$63.5bn, which marks the lowest level since April 2011. Contributing a great deal to reducing the deficit was a 15.3% improvement in the services balance. It is now generally expected that the positive trend will continue though forecasts for the end of year vary widely, from US\$55bn to US\$63bn. At any rate, the government's initial target of US\$65bn has already been undercut.

August 14, 2012

Social inequality in Turkey mounts, private debt on the rise

A survey conducted by the Turkish Statistical Institute has found that social inequality in the country continues to increase, if only slightly. For the purpose of the survey, the population was divided into 5 groups of 20% each according to income. The share of the richest fifth in total consumer spending rose by 0.6 percentage points over the previous year, to 36.7%, while the share of the poorest 20 per cent remained unchanged at 9.1%. The second-poorest 20 per cent accounted for 13.8%, the third fifth for 17.6%, and the second-richest group for 22.8%. The group with the lowest income spends most for housing (31.1%) and food (30.9%), while the highest income group spends least on those items (22.2% and 16%, resp.). However, the wealthiest fifth of the population accounts for almost two thirds of private education spending. In an alarming development, the financial liabilities of Turkish households have increased 18-fold in the last 9 years while their income has merely doubled in the same period. Often new debts are incurred to service the existing ones, resulting in an average indebtedness in excess of 50% of the available income – some two million families are therefore threatened by foreclosure.

August 14/21, 2012

Number of jobless hits record low of 8.2 per cent

In May, unemployment in Turkey dropped to the lowest level in over a decade. Compared to April, the unemployment rate decreased by 0.8 percentage points to reach 8.2%, which is 1.2%

less than a year ago and 2.2% below the government's forecast. The average unemployment rate for the first five months of the year was 9.5%, a 1.2% improvement over the previous year. In the cities the rate remained just double-digit in May with 10.1% (-1.5%), while 4.5% (-0.9%) were unemployed in rural areas. 2,272,000 people – 278,000 less than in the same month of 2011 – were officially looking for a job. In addition, it was calculated that another 1,771,000 non-registered people were out of work, 141,000 fewer than last May, so that the actual jobless rate decreased from 15.1% to 13.8% within that period. Accordingly, the informal labour market continued to shrink, with 39.9% being employed without social security benefits, 2.8% down from the same month of the previous year. Meanwhile a new problematic group has emerged: temporary workers who tend to lose their job after a certain time. They accounted for 29.9% of total unemployed in 2011.

August 16, 2012

Significant decline in exports to Europe in August

Turkish Exporters' Association TIM announced that exports of Turkish goods to the European Union have dropped by 13% in August. TIM's president Mehmet Büyükeksi stated that there was a total decline of 11% in the first eight months of the year. According to Turkish Statistical Institute data, the share of exports to the EU had already decreased to 34.3% in July, as compared to 47.7% in the same month of 2011. Turkey's total exports dropped by US\$10.5bn in August, 4.6% less than the year before. In contrast, the statistics for the first eight months of the year report a 10.2% increase to US\$97.7bn. In August the chemical industry led the way with an export volume of US\$1.45bn, followed by the textile industry with US\$1.3bn and the steel industry with US\$1.28bn, whereas surprisingly the country's automotive sector did not figure among the Top 3 last month. Still it remained the overall export champion of the past eight months. With 61%, the defence and aerospace industry recorded the highest increase in exports in August. The jewellery sector ranked second with a 51% increment, and exports of fresh fruits and vegetables gained 24%.

September 3, 2012

3.1% growth in the first half year

Recently released data show that Turkey GDP in fixed prices grew 2.9% in the second quarter of 2012, falling slightly short of analysts' expectations, who had envisaged 3.3% like in the first quarter. For the end of year, 3% growth is now regarded as more realistic than the 4% initially anticipated. On the other hand the industrial production index in July exceeded forecasts by one percentage point with a plus of 3.4% over the same month of the previous year. In detail, the index for energy production gained 8.2% and the index for the manufacturing industry improved by 3%, while the index for the mining and quarrying industry dropped 1.7%. In calendar-adjusted terms there was a total increase of 1.7% over the previous month.

September 10, 2012

Politics

A piece of marble becomes a political issue

At the end of July, the police commissioner of Valais canton in Switzerland, Christian Varone, was apprehended by his Turkish colleagues at Antalya airport. In his luggage customs officers had detected a stone that looked suspiciously antique to them. The suspicion was confirmed by a quickly obtained expert report, making the holidaymaker face five to twelve years in prison for

smuggling a cultural artefact. However, just a few days later the father of two was able to travel back to his country without bail or any restrictions— apparently by intervention of the Swiss Foreign Ministry. Upon his return home, the top cop at first told the press that he had complete confidence in the Turkish justice, and that he was going face up to it in Turkey. The explosive nature of the case is owed to the fact that Varone is also an aspiring liberal politician, set to run for a seat in the Valais cantonal government. A conviction, even without imprisonment, could well put an abrupt end to his political career.

August 8, 2012

Cyprus warns Turkey over protests against EU council presidency

The Minister of Foreign Affairs of the Republic of Cyprus, Erato Kozakou-Marcoullis, has warned Turkey it will have to pay a price for its boycott of Cyprus's EU council presidency. The minister suggested that Turkey was hurting its chances for EU membership by not attending EU meetings headed by Cyprus. If Turkey did not abandon its hard line, she said, its tactics would boomerang, and many EU members and also the European Parliament would be likely to reconsider their stance on Turkey. Turkey had repeatedly announced that it would boycott all EU meetings during the EU Council Presidency of the Republic of Cyprus, effectively only the Greek part of the island, whose claim to sole representation has been endorsed by the European Union. Turkish President Abdullah Gül had declared that a union led by half a country could only be called "pathetic". His country, Gül said, would not have part in any official meeting presided over by Cyprus, while it had no problems to continue working with the Commission.

August 13, 2012

Gaziantep bombing is poisoning the climate between Turks and Kurds

Ten people have been killed and at least 70 injured in a devastating bombing in front of a police station in the major city of Gaziantep in Southeast Anatolia. All of the fatalities are civilians, including four children. A car with Istanbul number plates had been parked right next to a bus before it was detonated, probably by remote control. Both the authorities and the media assume that members or supporters of terrorist organisation PKK are responsible for the carnage. Meanwhile about twenty suspects have been detained for questioning, seven of which were remanded to custody. The deputy chairman of ruling party AKP, former education minister Hüseyin Celik, stated that the attack aimed at destroying peaceful coexistence in Gaziantep, half of its over one million inhabitants are Kurds. Two days after the bombing, a violent mob around a hundred strong attacked the local headquarters of legal Kurdish party BDP in the city. The country's political leadership made a point of attending the funeral ceremony in Gaziantep.

August 20/22/30, 2012

Turkey presses United Nations to resolve then Syria conflict

Turkey appeals to the international community to help the country cope with the massive influx of refugees from neighbouring Syria have not rendered any tangible results. So far the UN Security Council has not been able to agree on aid for the Syrian refugees. Given the number of currently over 80,000 refugees in Turkey, which continues to grow at a rate of up to 4,000 a day, the country's resources are stretched to the limit. It therefore calls for the creation of a safe zone with international refugee camps on Syrian soil. The situation is increasingly becoming a security problem for Turkey. Apart from border violations committed by the Syrian army, there have also been reports of abuse of the civilian population in the Turkish border province of Hatay, which is predominantly Alawite, by Islamist insurgents.

August 31, 2012

Other Topics

Starting pistol fired for third airport in Istanbul

The Turkish government has officially fired the starting pistol for the construction of a third international airport in Istanbul. Transport and Communications Minister Binali Yildirim announced that the necessary preliminary work has commenced to be able to go ahead with the tender procedure before the end of this year. The airport will be built in the European part of the megacity, not far from the Black Sea coast, and is to have an eventual capacity of 150 million passenger movements per year. The building project must be seen in close connection with the third bridge across the Bosphorus, construction on which is scheduled to start no later than the beginning of next year. The airport, of which the first construction stage is to be completed by 2015, will be connected to the new bridge via the Northern Marmara Motorway. Critics caution that no medium-term master plan yet exists, and worry about unchecked building activity along the planned motorway route.

August 3, 2012

ILO: Turkey's occupational safety performance very poor

As Turkish newspapers reported with reference to a study published by the International Labour Organisation (ILO), Turkey comes third in the international ranking as to the incidence of fatal work accidents – but unfortunately from the bottom up. Of the 82 countries assessed, only Algeria and El Salvador performed even worse than Turkey. Following the XIX. World Congress for Safety and Health at Work, which was held in Istanbul last September, the ILO stated that Turkey has not done enough to curb the dangers workers are facing, and that poor hygienic and safety conditions at the workplace in Turkey had taken on epidemic dimensions in recent years. According to the Istanbul Council for Occupational Safety and Health, 110 workers were killed in occupational accidents in July alone, bringing the total for the first seven months of the year to 479. Data of the Social Security Authority (SGK) reveal that 172 occupational accidents with three fatalities happen in Turkey on an average day; between 2000 and 2012, a total of 12,286 deaths were caused by work accidents.

August 11, 2012

Turkey at the forefront of mobile telephony in Europe

With an average airtime of 299 minutes pro month, Turks are the most avid mobile phone users in all of Europe. This figure bears witness to the sustained mobile telephony boom in Turkey. Minister Yildirim pointed out that his government's strategic targets for the year 2015 have already been achieved now. Of some 67 million mobile phones registered in the country, 58 per cent feature the 3G technology – almost twice as many as on European average. More than 19 million users now have access to a broadband connection. The number of mobile internet users has increased by over 80 per cent in the course of last year, to around 11 million.

August 22, 2012

Genel Energy steps up involvement in Northern Iraq

Turkish-British exploration and production company Genel Energy plc has boosted its share in the Miran natural-gas field in Northern Iraq to 51%, taking over another 26% from Heritage Oil for US\$156mn. This brings the company's total investments in Northern Iraq to US\$959mn in this

year. With an estimated reserve of at least 150 billion cubic metres, the Miran field, which has only been discovered last year, is one of the most important world-wide. Company president Mehmet Sepil emphasized the strategic significance of Northern Iraq's natural-gas resources for Turkey, which could help reduce its dependence on gas imports from Russia, Azerbaijan and Iran. Miran alone, he said, would be sufficient to meet Turkey's entire natural gas needs for seven years. Genel Energy plc, the only Turkish shareholding listed at the London Stock Exchange, has emerged from Turkish company Genel Enerji, owned by Cukurova Holding and the Sepil family.
August 22, 2012

Exports of Turkish pharmaceutical industry growing rapidly

A report issued by the Turkish Association of Chemical Materials and Products Exporters says that the export volume of Turkey's drug manufacturing industry doubled in the past decade to reach around US\$8bn. In the last 5 years exports of pharmaceuticals increased by 58.6%. Besides Germany, Iraq and Switzerland, the UK, Northern Cyprus, Slovenia, Belgium, Nakhchivan, the United States and Algeria are among the ten main buyers. Within the first seven months of 2012, the export figures of the previous year – around US\$512mn – have already been surpassed. Foreign pharmaceutical companies have not failed to notice these achievements; they have stepped up their efforts to acquire shares in Turkish companies. Turkey's heavily export-oriented pharmaceutical sector with its almost 300 manufacturers is dominated by 20 companies controlling 65% of the market, with the 50 largest firms accounting for 85% of total sales.
August 25, 2012

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 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.

Managing Director: Peter J. Heidinger

Address:

Büyükdere Mahallesi Cayirbasi Cad.
Dede Yusuf Sok. No:11
TR-34453 Sariyer-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.