

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 April 2006

Economy

Overview of monthly data

YTL-Rates	31.3.	1.5.	Change in %
YTL per Euro	1.6289	1.6586	1.8
YTL per USD	1.3492	1.3218	-2.0

Stock exchange index	42,941.70	43,880.43	2.2
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Inflation in %	Monthly inflation	Annual inflation
Producer prices	1.94	4.96
Consumer prices	1.34	8.83

<i>(Dünya/DİE 31.3./4.5./1.5.06)</i>		
Foreign trade figures		

Export	April	Mai 2005 - April 2006
Export (in Billion USD)	6.4	75.4
<i>(Dünya, 2.5.06)</i>		

	März		
In Million USD	2005	2006	Increase in %
Export	6,592	6,975	5.8
Import	10,196	11,189	9.7

Deficit	-3,604	-4,214	16.9
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(www.die.gov.tr)

The export of last twelve months was able to record an increase of 9.8%, but the export performance of some basic sectors, such as textiles, went down. In April the vehicle and supplier sectors led with an export of 1.26 billion USD, followed by textiles with 1.02 billion USD. (*Dünya*, 29.3.2006)

Increase of consumer prices in main expense groups

The unexpectedly high increase of consumer prices in April has awakened fears that the target inflation of 5% in 2006 may not be attained. A breakdown of inflation in main expense groups is as follows:

	Average in 12 months	Share in total expenses in %
Total	8.11	100.00
Food and non alcoholic beverages	5.61	27.68
Alcoholic beverages and tobacco	21.51	5.62
Clothing and shoes	1.83	8.28
Real estate	10.34	16.29
Furniture and household appliances	5.64	6.89
Health	1.74	2.54
Transportation	12.77	10.48
Communication	2.28	4.55
Entertainment and culture	5.81	3.63
Education	10.45	2.41
Hotels and restaurants	14.34	6.74
Other goods and services	8.77	4.89

(*Dünya*, 6.5.2006)

EU recognized Turkak for CE accreditation

With the recognition of Turkak by EU as an accredited institution, the problems in CE application which have persisted for four years should be removed. As the certification of those laboratories will be internationally accepted, Turkish exports will not have to work with foreign certification institutions to substantiate the CE mark. (*Dünya*, 10.4.2006)

New investments amounting to 17.3 billion USD are expected

According to a compilation of the company Raymond James, Turkey 's having attracted foreign investments of 9.7 billion USD in 2005 (in gross figures) should bring direct investments of up to 33.8 billion USD in 2006. 16.5 billion USD of this are agreed amounts in 2005 and the new investments below, amounting to 17.3 billion USD, should be added to it.

Investment target	Share in %	Value in Mil USD**
Akbank*	25	3,987
Denizbank*	50	1,324
Sekerbank*	52	335
Tekstilbank*	50	156
Alternatif*	50	243
Oyakbank	50	940
Adabank	100	50
Tekel	100	1,300
Izmir Hafen	Licence	1,000
Petkim	54	530

State lottery "Milli Piyango"	Licence	750
Seker Fabrikalari	100	600
Goltas	30	150
Gaziantep Cimento	100	128
Electricity distribution	Licence	4,000
Iskenderun port	Licence	80
Eregli Demir Celik	20	1,200
Mey Icki	55	500
	Total	17,273

*Current market value

** Value of foreign direct investment

(*Dünya*, 10.4.2006)

Social security reform encounters resistance from unions

After the passing of the law which unites three social security institutions: SSK, Bagkur and Emekli Sandigi under one roof, the reform should be completed with the draft bill by raising the employment and premium payment period from 7,000 to 9,000 days. The opposition leader Baykal considers this increase in the employment period as not complying with the realities of Turkey and the unions KESK, DISK, TMMOB have both heavily criticized the law and announced actions against it.

(*Dünya*, 19./20.4.2006)

Tax exemptions of free trade zones should be extended

The draft bill for the extension of tax exemptions (corporate and income tax) in free trade zones until 2019 is being discussed in parliament. Should the draft be accepted, tax exemption limited until 2008 should continue to exist until 2019.

(*Dünya*, 13.4.2006)

Politics

Expansion of strategic partnership with Athens

At the southeast Europe cooperation meeting of heads of state in Thessaloniki , the Greek and Turkish Prime Ministers met and described the cooperation both countries have achieved as a strategic partnership. The advances in trade and the cooperation in the energy sector were emphasized. The intention is to increase the trade volume between two countries, which was 1.1 billion USD in 2005, to 5 billion USD. (*Dünya*, 5.5.06)

Rice asked Turkey not to enter Iraq

The Los Angeles Times announced that during her visit in Turkey US Secretary of State Condoleezza Rice gave to understand she would not welcome a single-handed effort of Turkey in Iraq . She did also not make any clear promise concerning a stronger US action against the PKK in Northern Iraq . Nevertheless, she curbed the ambitions of Turkey for military cross-border actions. (*Dünya* 27.4.06)

Three main arguments which should make Turkey EU member by 2014

The analyst of European Stability Initiative Institute, Verena Ringer, stated that Turkey will become an EU member by 2014 at the latest. Only an expanded Europe with Turkey could bring the necessary stability to the region, which will come from three main areas: the expansion of EU borders as far as the Caucasus and the Middle East, the attraction of an economically developed and democratic Turkey

and the positive impacts of Turkey on the energy policy of EU. (*Dünya 10.4.06*)

Further Topics

The fourteen largest enterprises in Turkey

Forbes magazine has listed the largest 2,000 publicly traded joint stock companies in the world by taking the market value, sales, earnings and assets into consideration. Among the following 14 Turkish enterprises listed there, Türkiye İsbankası had the highest ranking with rank 319:

- Nr. 319, Türkiye İsbankası
- Nr. 523, Sabacı Holding
- Nr. 531, Akbank
- Nr. 654, Koc Holding
- Nr. 952, Türkiye Garanti Bankası
- Nr. 978, Turkcell
- Nr. 1.049, Tupras
- Nr. 1.258, Dogan Holding
- Nr. 1.304, Yapı Kredi Bankası
- Nr. 1.367, Finansbank
- Nr. 1.417, Erdemir
- Nr. 1.657, Petrol Ofisi
- Nr. 1.756, Global Yatırım
- Nr. 1.812, Enka

(*Dünya, 10.4.2006*)

15 Turkish holdings obtained together 18% of GNP

The leading 15 industry- and trade enterprises of Turkey have obtained together 18% of GNP in 2005 and employ approximately 255,000 people:

Group/Enterprise	2005 consolidated turnover in Mil. Euro	Share in GNP 2005
Koç	15,033	5,01
Sabancı	8,780	2,92
Doğan	6,052	2,02
Ülker	5,396	1,8
Turkcell	3,704	1,23
Zorlu	3,580	1,19
Anadolu	2,364	0,79
Eczacıbaşı	2,125	0,71
Ciner	1,605	0,54
Borusan	1,605	0,54
Yaşar	1553	0,52
Boydak	1,251	0,42
Boyner	525	0,17
Bayraktar	392	0,13
Alarko	136	0,05
Total	54,101	17,99

(*Dünya, 27.4.2006*)

The ten largest banks of Turkey

According to balance sheet assets of 2005 Ziraat Bankası, İsbank and Akbank were

again the largest banks of Turkey :

Rank 2005	Rank 2004	Bank	Total Assests (YTL)
1	1	Ziraat Bankası	65,050,166
2	2	Is Bankası	63,712,468
3	3	Akbank	52,384,532
4	4	Garanti	36,468,239
5	7	Vakifbank	32,382,800
6	5	Halkbank	27,052,957
7	6	Yapi Kredi	23,866,400
8	8	Kocbank	14,791,941
9	9	Finansbank	12,314,144
10	11	Denizbank	9,357,809

(Dünya, 20.4.2006)

SOME ECONOMIC INDICATORS OF TURKEY

		Jan	Feb	März	April	Mai	Juni	Juli	Aug	Sep	Okt	Nov	Dez
Monthly inflation producer prices (%)	2004	2.63	1.64	2.1	2.65	-0.03	-1.05	-1.52	0.79	1.85	3.23	0.75	0.13
	2005	-0.41	0.11	1.26	1.21	0.2	-0.48	-0.74	1.04	0.78	0.68	-0.95	-0.04
	2006	1.96	0.26	0.25									
Annual inflation producer prices (%)	2004	10.76	9.14	7.97	8.91	9.56	10.53	9.44	10.52	12.5	15.48	14.4	13.84
	2005	10.7	10.58	11.33	10.17	5.59	4.25	4.26	4.32	4.38	2.57	1.6	2.66
	2006	5.11	5.26	4.21									
Monthly inflation consumer prices (%)	2004	0.74	0.55	0.89	0.59	0.38	-0.13	0.22	0.58	0.94	2.22	1.54	0.45
	2005	0.55	0.02	0.26	0.71	0.92	0.1	-0.57	0.85	1.02	1.79	1.4	.42
	2006	0.75	0.22	0.27									
Annual inflation consumer prices (%)	2004	16.22	14.28	11.83	10.18	8.88	8.93	9.57	10.04	9	9.86	9.79	9.32
	2005	9.23	8.69	7.94	8.18	8.7	8.95	7.82	7.91	7.99	7.52	7.61	7.72
	2006	7.93	8.15	8.16									
Export (Monthly) (in Mil. USD)	2004	4619	3665	5218	5072	517	5284	5632	4707	5656	5867	5734	6541
	2005	4997	5562	6592	6128	5977	6034	5763	5552	6814	677	5935	7174
	2006	4976	5774										
Import (Monthly) (in Mil. USD)	2004	633	6139	8452	7932	7991	8468	8728	7883	8487	8088	8568	10474
	2005	7212	8323	10196	9595	9812	9867	9596	1027	10361	10068	9646	1159
	2006	8109	9666										
Trade deficit (Monthly) (in Mil. USD)	2004	-1711	-2474	-3234	-286	-2821	-3184	-3096	-3176	-2831	-2221	-2834	-3933
	2005	-2215	-2671	-3604	-3467	-3835	-3833	-3833	-4718	-3547	-3298	-3711	-4416
	2006	-3133	-3892										
Export (Annual) (in Mil. USD)	2004	48339	49079	50389	51780	53109	54598	55994	56873	58414	59457	61221	63167
	2005	63543	65530	66904	67960	68767	69517	69648	70493	71651	72554	72755	73388
	2006	73367	73489										
Import (Annual) (in Mil. USD)	2004	71244	73198	75894	78615	81073	83814	86275	88184	90465	91977	95300	97540
	2005	98422	100606	102350	104013	105834	107233	108101	110488	112362	114342	115420	116536
	2006	117433	118776										
Trade deficit (Annual) (in Mil. USD)	2004	-22905	-24119	-25505	-26835	-27964	-29216	-30281	-31311	-32051	-32520	-34079	-34373
	2005	-34879	-35076	-35446	-36053	-37067	-37716	-38453	-3995	-40711	-41788	-42665	-43148
	2006	-44066	-45287										
Interest rate for domestic borrowing (%)	2004	25.52	23.99	24.44	23.15	28.82	27.5	26.32	24.85	25.42	22.79	22.88	23.12
	2005	19.43	17.58	17.01	17.17	17.31	15.61	16.02	16.07	14.84	14.55	14.1	14.19
	2006	14.02	13.97	13.89									
Index for real exchange rate (1995=100)	2004	147	149.1	154.2	152.5	138.2	137.5	140.5	140.1	1381	139.9	141.3	143.2
	2005	150.7	156	154.7	151.8	153.3	159.5	163	160.9	162.2	165.7	170.8	171.3
	2006	172.1	174.5	172.4									
Monthly average exchange rate for USD (YTL)	2004	1.3434	1.3238	1.3159	1.3514	1.5013	1.4887	1.4482	1.4674	1.4983	1.4847	1.4454	1.3933
	2005	1.35	1.3102	1.305	1.3535	1.365	1.3547	1.3327	1.3366	1.3342	1.3512	1.3537	1.3457
	2006	13279	1.3202	1.3287									

Monthly average exchange rate for EURO (YTL)	2004	1.6962	1.6773	1.6155	1.6235	1.8015	1.8078	1.7774	1.788	1.8286	1.8501	1.8735	1.8639
	2005	1.7787	1.704	1.7219	1.752	1.7376	1.6501	1.605	1.6435	1.6365	1.6242	1.5955	1.5961
	2006	1.6067	1.5786	1.5962									
Number of uncovered checks	2004	46766	41093	45626	39356	41595	44625	47710	48316	56695	52721	58363	67026
	2005	62735	58485	69542	60489	67837	73111	75402	78793	88467	89684	96762	99334
Checks in creditor proceedings	2006	93851	86589										
Number of uncovered checks	2004	78219	69047	106557	64827	65647	67453	84894	66343	91597	74668	77869	117490
	2005	69910	84465	115147	88387	86004	99537	88530	78848	102859	90959	90854	107354
	2006	87327											
Number of tourists (in thousand)	2004	534	608	784	1104	1799	1898	2591	2493	2125	1842	949	789
	2005	700	697	1107	1348	2303	2403	3179	2861	2502	2108	1053	862
	2006	667	626										
Tourism income (in Mil. USD)	2004	602	503	608	773	1165	1332	2155	3024	2483	1729	856	658
	2005	690	548	757	860	1400	1500	2602	3453	2762	1899	944	737
	2006	718	554										
Tourism expenditures (in Mil. USD)	2004	-170	-210	-175	-172	-207	-241	-324	-236	-175	-198	-213	-203
	2005	-214	-275	-190	-186	-228	-264	-316	-238	-209	-238	-255	-259
	2006	-271	-228										
Purchase of shares by foreigners (in Mil. USD)	2004	1514	1696	2064	1594	1156	1038	1333	1020	1854	1691	1965	2472
	2005	3626	4116	3316	1904	2183	2510	3436	3511	4927	4151	4636	4278
	2006	4242	4348										
Purchase of shares to foreigners (in Mil. USD)	2004	1533	1332	1908	1690	1216	907	1243	1065	1671	1654	1754	1998
	2005	2817	3632	3164	1865	1994	2193	3009	3033	4503	4334	3955	4009
	2006	3863	4109										

(Dünya, April 2006)

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

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