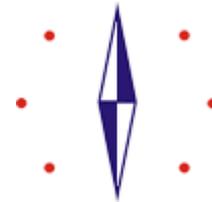


FOREIGN MARKET CONSULTING



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 October 2006

Economy

Overview of monthly data

YTL-Rates	1.10.	31.10.	Change in %
YTL per Euro	1.9055	1.8447	-2.50
YTL per USD	1.5043	1.4530	-2.79

Stock exchange index	36,897.20	36,924.86	0.07

Inflation in %	Monthly inflation	Annual inflation
Producer prices	0.45	10.94
Consumer prices	1.27	9.98

Export	October
Export (in million USD)	6.15

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	5.7	6.6	9.9
2005	7.5	4.7	8.0	10.02	7.6

2006	6.3	8.5			
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Leap in foreign Investment

With direct foreign investments amounting to USD 9.7 billion, Turkey has ascended from 35th place to 22nd place. With investments exceeding USD 12.4 billion the place of Turkey is expected to escalate further. According to the World Investment Report of UNCTAD for 2006, Turkey was placed in the 7th rank among the new leader markets for direct foreign investments. The most preferred investment points are China, India, Brazil, Russia, Indonesia, Mexico and Turkey.

Foreign Trade Deficit has reached 40 billion USD

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(Million USD)	September 2005	9 Months	September 2006	9 Months	2006/2005 (%)
Exports	6,706	53,239	7,430	61,141	14.84
Imports	10,792	86,260	11,486	100,794	16.85
Foreign Trade Deficit	-4,086	-33,021	-4,056	-39,652	20.08
Coverage Ratio %	62.14	61.72	64.69	60.66	-

Budget under Interest Burden again

Although significantly mitigated as a result of economy policies implemented in recent years, the interest burden on the budget will also continue in 2007. According to the draft to be presented by Mr. Kemal Unakitan, the Minister of Finance, to the Grand National Assembly Plan and Budget Commission, YTL 25.8 of every 100 YTL expenditure made from central administration budget will be paid in interest.

Budget expenditures, interest and investment balance (thousand YTL/%)

	2005	2006 (9months)	2006 (Estimated)	2007 (Planned)	2007 (Target)
Budget Expenditure	146,097.6	129,423.3	172,200.0	189,877.0	204,900.0
Interest Payment	45,679.5	32,627.0	46,260.0	44,100.0	52,900.0
Share (%)	31.3	29.1	26.9	23.2	25.8
Investment Allocation	11,351.0	8,059.1	14,286.0	16,595.0	15,700.0
Investment Share (%)	7.8	6.2	8.3	8.7	7.7

OECD: Do not miss this growth opportunity

Congratulating Turkey for high economic performance, Jose Angel Gurría, the Secretary General of OECD, emphasized that the increase in inflation and interest rates caused a stress on the growth, and the opportunity of economic growth at hand should not be missed. Gurría, presenting the Turkey 2006 report together with Mr. Abdullah Gül, the Minister of Foreign Affairs, claimed that the continuation of the growth would only be possible with the reinforcement of the Central Bank, a decrease in interest rates and the financing of current account deficit directly with the encouragement of direct foreign investment.

Turkey ascended in Competition League

Turkey has made a drastic leap in the Global Competition Index ranking, published traditionally every year by World Economic Forum. Turkey has reached 59th place, jumping 12 places. While the leader of the previous year, the United States, retreated to the 6th rank, the top three consisted of Switzerland, Finland and Sweden.

Global Competition Index

Country:	Score
Switzerland	5.81
Finland	5.76
Sweden	5.74
Denmark	5.70
Singapore	5.63
USA	5.61
Japan	5.60
Germany	5.58
The Netherlands	5.56
United Kingdom	5.54

Industrial Production has increased by 4.8 % in August

According to the results of the industrial index, announced by TUIK, in August an increase of 6.6% has been witnessed in mining sector, 4% in production sector and 9.85% in the power, gas and water sector. Production industries have grown 6.2% in 8 months.

Economic activity fields	August 2006	August 2005	Jan-Aug 2006	Jan-Aug 2005
Total Industry	4.8	6.8	6.6	4.0
Mining	6.6	3.6	7.8	14.7
Production Industry	4.0	6.4	6.2	3.2
Power, Water, Gas	9.8	11.1	9.0	7.4

Politics

We've lost Ecevit

Former Prime Minister Bülent Ecevit passed away on November 6 at Gülhane Military Medical Academy. Nicknamed "Black Boy" in Turkish political life and also called "the Third Man," he left his trace in the previous half century of politics.

France disappointed Turkey

The lower wing of the French Parliament has approved the bill making denial of Armenian genocide a crime and stipulating a fine and imprisonment for persons who deny that it was genocide. While Turkey has reacted harshly against the resolution, the French Government and European Union have stated that they would make efforts to prevent the bill to become a law. The European Newspapers have broadly mentioned the discussions, related to the resolution. In the editorial of La Figaro newspaper, it was said, "France should not act as a prosecutor." While Liberation said, "France made a serious mistake," Le Monde said that the freedom of expression was violated. In addition, the bill was condemned by a declaration published by the Grand National Assembly. In the mutual declaration, published in the name of Justice and Development Party, Republican People's Party, Motherland Party, True Path Party and Young Party, the attitude of France was condemned. The declaration stated that many French members of the parliament preferred not to participate in voting and this "was an indicator that France was influenced by the Armenian minority in terms of domestic politics".

Bush did not mention PKK or Northern Iraq

In early October, Prime Minister Erdogan held a meeting with George Bush, the President of the United States. In the statement made after the meeting, Bush did not mention the PKK or Northern Iraq, contrary to the expectations of Turkey. In the

press statement Erdogan said, "We share the same view with President Bush as to the creation of a common form of struggle against global terrorism. In particular, issues related to Lebanon, Israel, and Palestine were discussed."

Merkel visited Turkey with a group of 20 businessmen; asked ports to be opened for Greek Cypriots

German Chancellor Angela Merkel, who came to Turkey in early September for an official visit, was accompanied by a group of 20 businessmen. In the visit, during which EU expansion, Iraq, Iran and Middle East issues were discussed and solutions for economic problems were also considered. German Chancellor Merkel said that Turkey has to approve the Customs Union Additional Protocol and the opening of ports and airports for Greek Cypriots would be the preliminary condition for the provision of progress in talks with the EU. Prime Minister Erdogan stated that such a request from Turkey would not be fair without the removal of the embargo against the Turkish Republic of North Cyprus (TRNC). In addition, Yavuz Zeytinoglu, the Chairman of the German-Turkish Chamber of Industry and Commerce, said that an energy commission would be established with the participation of the delegations from both countries.

Further Topics

The first Turkish Nobel Prize goes to Orhan Pamuk

The world's most important literature prize, the Nobel Prize for literature was awarded this year to a Turkish writer, Orhan Pamuk. The Swedish Royal Sciences Academy stated that the prize was given to Pamuk since, "he found new symbols in the clash and unity of cultures in the search for the melancholic soul of the city he lives in" (Istanbul).

Turkey is ranked eighth in tourism revenues

Turkey's location attracts tourists in every season and it ranks eighth on the list of the countries providing greatest tourism revenues. Austria and Germany rank first in tourism revenues, amounting to a total of 18.2 billion USD for 2005.

Tourism Revenues of the Countries (billion USD)

	2004	2005	Increase (%)
USA	74.5	81.7	9.6
Spain	45.2	47.9	5.8
France	40.8	42.3	3.5
Italy	35.7	35.4	-0.7
United Kingdom	28.2	30.4	7.6
China	25.7	29.3	11.3
Germany	27.7	29.2	5.4
Turkey	15.9	18.2	14.5
Austria	15.3	15.5	1.3
Australia	13.6	14.9	9.5

Citibank purchased 20 % of Akbank

Citigroup purchased 20% of the shares of Akbank for 3.1 billion USD. The authorities of both banks signed a strategic partnership agreement. One member from Citigroup will participate in the management of Akbank and one member from Akbank will participate in the management of Citibank Turkey. The share of

Citigroup in Akbank will not exceed 20%. In case Akbank and Citigroup contemplate the sales of Akbank shares to a 3rd party, they will make the first offer to each other.

Koc era officially started at Yapi Kredi

The greatest merger project of Turkish finance history took place in the beginning of October between Kocbank and Yapi Kredi Bank. In the process, which began with the assignment of the 57.4% of the shares of YKB to Kocbank on September 28, 2005, the managements of the banks decided that the merger would take place on April 20, 2006.

Bodycote will make an investment of GBP 40 million

Bodycote, one of the leading companies in the world for the processes applied to metals to increase the quality and lifetime (thermal processes) in many sectors, including automotive, aircraft, machinery and defense metals, has purchased 60% of the Istaş from Izmir. Bodycote, which holds 70% of the British Market, will use Turkey by incorporating Istaş as a center base and diving board for new markets. Bodycote will make an investment of GBP 70 million worldwide and GBP 40 million in Turkey next year.

EUR 35 million investment from Metro Group

Real Hipermarketleri has opened a supermarket in Antalya with an investment of EUR 35 million. Hans Joachim Körber, the CEO of Metro AG, announced that they would open two more Reals, one in Ankara and one in Istanbul. Körber stated that the trade volume of the group in Turkey was EUR 500 million.

The share of Arcelik in the world will increase to 1.7%

Aka Gunduz Özdemir, the General Manager of Arcelik, stated that the transfer of 72.46% of Beko Elektronik to Arcelik would make considerable contributions to both companies. He has declared that the turnover of Arcelik has increased by EUR 1 billion and he expects the share of Arcelik this year would increase to 1.7%.

Vaillant maintains its fastest growth in Europe in Turkey

One of the strongest firms of the heating and natural gas sector, German Vaillant, is maintaining its fast growth in Turkey. Vaillant has opened its 9th regional directorate in Izmir, which has started to use natural gas in residential areas this year.

Furniture industrialists in Izmir establish export base in Tekeli

Izmir Mobilyacilar Quarter, to be established with the cooperation of the Izmir Chamber of Carpenters and Tekeli Municipality on an area of 265,000 square meter, will act as the export base. This quarter, which will be established with a loan of USD 150 million obtained from an Arabic Bank, will provide employment for 10,000 people in 100 factories.

FMCon News

We have moved!

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These information have been researched from different international publications. Foreign Market Consulting Ltd. Sti. does not give any guarantee with respect to the correctness of individual figures and statements.

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