

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	30.03.2012	30.04.2012	Change in %
TL pro Euro	2.3778	2.3244	-2,25
TL pro USD	1.7815	1.7573	-1,36

Stock exchange index	62.423,04	60.010,40	-3,86
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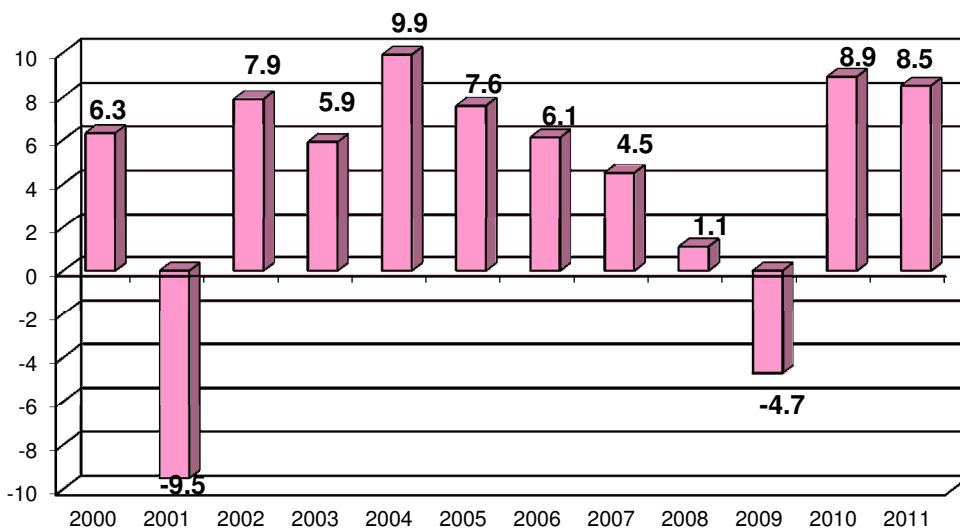
Inflation in %	Monthly inflation	Annual inflation
Producer prices	0.08	7.65
Consumer prices	1.52	11.14

Growth Rates

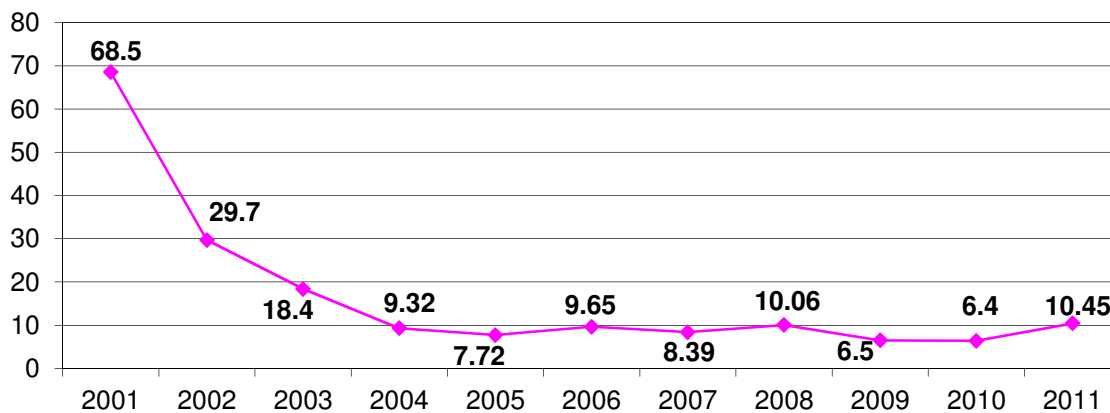
Economic Growth Rates (%)					
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Yearly
2000	4.2	5.4	7.2	7.8	6.3
2001	-3.3	-12.3	-9.1	-12.3	-9.5
2002	0.6	10.4	8.0	11.8	7.9

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

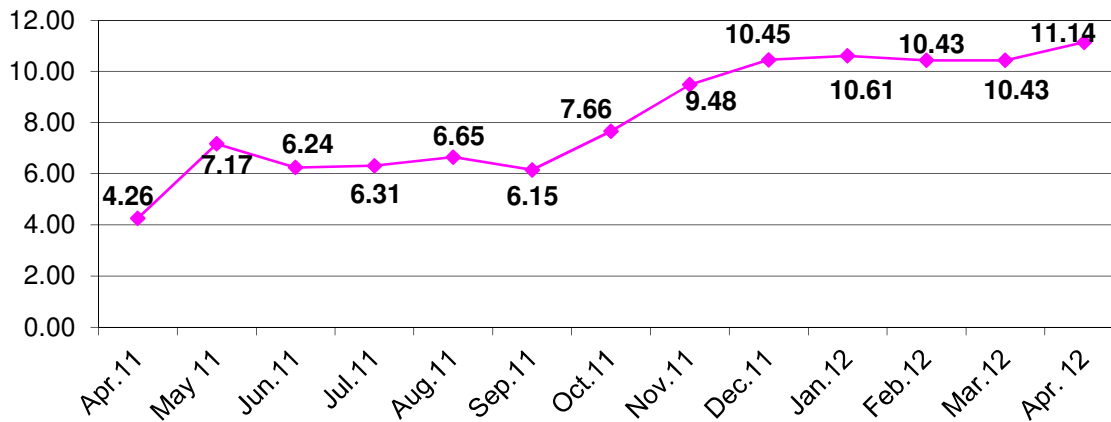
Growth Rates (%)



Annual Inflation of Consumer Prices (%)



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



Negative development in financial investments sparks eagerness to consume

According to the latest data available, investors in Turkey have only been able to make a profit in the last 12 months by putting their money on gold (over 20 per cent increase in value) and – to a certain extent – also US dollars. Whoever put their funds in a savings account or invested in Euro, eventually wound up losing money. Still worse off were stock market investors, who suffered losses of more than 12%. Since this trend for savings deposits and public-sector bonds is not expected to revert any time soon, less venturesome small investors now apparently prefer to use their savings for consumer durables purchases. The recent upswing of the Istanbul Stock Exchange, however, has begun to lure more and more foreign investors into the country: The total volume of their portfolio increased from US\$96.7bn at the end of 2011 to currently US\$117.3bn.

Real, inflation-adjusted return on major investment vehicles (%)

	March	Last 3 months	Last 6 months	Last 12 months
Interest on savings deposits (gross)	0.08	0.07	-3.72	-3.24
Stock exchange (IMKB 100 index)	0.97	13.94	-0.62	-12.10
US-dollar	1.36	-5.76	-7.36	2.57
Euro	1.17	-5.54	-11.01	-3.28
Gold bullion	-2.53	-3.92	-12.46	20.70

April 16, 2012

Unemployment rate back to double-digit

Turkey's Statistical Office has just announced that the unemployment rate in January for the first time in 9 months again climbed to double digits to reach 10.2%, 0.4 percentage points over the previous month. This continued the trend that had commenced in the last quarter of 2011. The number of registered jobless totalled 2.664,000 persons, 88,000 more than in the same month of 2011. Still 380,000 fewer people were out of work than a year ago when unemployment was 1.7% higher than now. In the same time period, the population of working age grew by over 1.2 million, to almost 54.3 million. Unemployment among the urban population increased to 12.0%,

0.5% over the previous month, while in rural areas it remained unchanged at 6.5%. Meanwhile, the percentage of people employed without state insurance declined by 2.5% to 38.4%. Of those employed in agriculture, as many as 82.8% (-0.7%) had no social security, compared with 25.1% (-2.3%) in the non-agricultural sectors.

April 17, 2012

Budget deficit boosted by interest expense

In the first quarter of 2012 Turkey's national budget showed a deficit of TL6.4bn. According to the Minister for Economic Affairs, Mehmet Simsek, the first three months of the year generated an income of only TL77.4bn (+12.6%) versus spending of TL83.8bn, 15.1% more than in the same period of the previous year. He ascribed the increase in public expenditure mostly to a sharp rise in interest expense by 24.0% to TL17.3bn, and of manpower costs by 15.3% to TL21.6bn. As for income, there was an increment particularly for bank and insurance tax (+28.0%) and – owing to the consistent taxation of rental revenues – also for income tax (+24.7%). Simsek reiterated that no extraordinary budget funds will be approved this year, and that, if required, the government will take appropriate measures, although there is no necessity at the moment. A stable, sustainable growth of around 4% and a further, controlled reduction of the current account deficit will guarantee that the Turkish economy does not experience a hard landing in 2012, he added.

April 17, 2012

Private debt level increases 10-fold in the past 10 years

The financial burden on Turkish households had increased tenfold over the last decade. While in 2002 an average household's debts amounted to only 4.3% of its assets, this percentage rose to 40.5% by 2011. The principal factor for this development was that in 2011 the volume of consumer loans taken out was 28 times higher than in 2003. Another reason is the widespread use of credit cards also among lower income groups – over 51 million are currently in circulation. Whereas in the same period of time, financial assets of the Turkish households increased from TL156bn to TL509.2bn, i.e. by around 2.3 times, their financial liabilities multiplied almost 25 times, from TL8bn to TL206.3bn. The share of private debts in the GDP surged from 1.8% to 15.9%, though at the same time the disposable income only increased by 5-fold. While in 2003 Turkish households ran debts of 7.50 Lira for each 100 TL of disposable income, the debt level amounted to 44.70 TL in 2011.

April 25, 2012

Politics

Bangladesh hopes to attract Turkish investors

Bangladesh and Turkey seek to further strengthen their economic relations. On an official visit to Ankara, Sheikh Hasina, the female Prime Minister of the South Asian country, conferred with Premier Erdogan and President Gül about economic development projects, cultural and agricultural cooperation, and collaboration in the field of education. Bangladesh, a country with its population of 142 million, is especially keen on having Turkish entrepreneurs invest in its energy sector. While the bilateral trade volume was a mere US\$47mn in 2002, it grew to US\$658mn by

2009, soared past US\$1bn in the past year, and is set to triple by the year 2015. In November 2010, Erdogan had become Turkey's first prime minister in 21 years to visit Bangladesh. Both countries belong to the group of "Developing 8 Countries" (D-8), an economic development alliance of states with a large Muslim population, established in Istanbul in 1997. The other member states are Egypt, Indonesia, Iran, Malaysia, Nigeria, and Pakistan.

April 13, 2012

Erdogan affirms close ties with Arab peoples

In his address at the "1st Arab-Turk Forum and Expo" (ATCEX) in Bursa, Turkey's Prime Minister Recep Tayyip Erdogan affirmed the traditionally close ties between Turks and Arabs throughout their common history in 600 years of Ottoman Empire. He welcomed the guests to this former world power's first capital city, which has just been elected "Main Tourism Destination 2013" by the Tourism Association of the Arab League. The association's president, Fahad El Fehaid, stated that Turkey's great popularity with Arab holiday-makers can be seen from last year's 80-percent increase in the number of tourists from the Arab countries. At the same event, Turkish Culture and Tourism Minister Ertugrul Günay pointed out that the tourism sector is of growing importance for his country. The number of foreign visitors, he said, rose from 13 million in 2002 to 31.4 million in 2011, with tourism revenue increasing from US\$12bn to US\$23bn in the same period of time. The government's target for 2023, which marks the 100th anniversary of the Republic Turkey, is: 50 million tourists and US\$50bn in revenue.

April 23, 2012

Turkey intent on excluding EU representatives from NATO summit

NATO member Turkey, having already exercised its right to veto Israel's appearance at the upcoming summit of the defence alliance, apparently is not willing to tolerate any representatives of the European Union at the Chicago meeting either. The Turkish government would like to see the presidents of the European Council and the European Commission, Van Rompuy and Barroso, disinvented, and purportedly made a counterproposal to invite representatives of the Organisation of Islamic Cooperation (OIC) instead. The veto against Israel war due to Ankara's indignation about the brutal military attack on the Ship-to-Gaza convoy, while the Turkish resistance against EU attendance has its roots in the long-standing, unresolved conflict in Cyprus. Being a full EU member, the Republic of Cyprus, which de facto only represents the Southern (Greek) part of the segregated island, will get its turn to assume the EU council presidency as of July 1st. Turkey had warned on several occasions that it would freeze relations with the EU during that 6-month period. Deputy Prime Minister Ali Babacan once again confirmed that his government is not going to participate in any EU meeting chaired by the Republic of Cyprus.

May 4, 2012

Other Topics

Rent-a-car sector keeps booming

In 2012, Turkey's car rental industry is set to grow – as in recent years – by at least another 15%. Sector association TOKKDER estimates that the rental car stock of currently some 170,000 units – 150,000 of which in company fleets – will double over the next 5 years. The coming two years will

likely see the procurement of 40,000 new vehicles, which translates to an investment of around TL1.6bn. Foreign investors also show great interest in this line of business: Already today they hold shares in half of the 10 biggest companies of the sector, which control a combined 69% of the market. The industry's uncontested leader is Intercity Rent-a-Car, of which 47.3% is owned by Mitsubishi and 52.7% by an international public sector bank consortium involving IFC, FMO and KfW. The company intends to enlarge its fleet from currently 30,000 to 50,000 vehicles by 2013 in order to extend its lead over its competitors.

April 16, 2012

Trump Towers Mall opens in Istanbul

Another high-rise building has been added to Istanbul's skyline: The twin Trump Towers now stand 154 metres tall in the Mecidiyekoy business district. The complex, designed by Istanbul-based Austrian architect Brigitte Weber, consists of three parts: a 39-story tower with 204 luxury condominiums, a second tower with 37 floors of rental office space, and the strung-out mall base that accommodates a shopping, sports and recreation centre on five levels as well as six underground parking levels. The opening ceremony of the shopping centre with its 175 exclusive shops on around 70,000 square metres of retail space saw multi-billionaire Donald Trump travelling from New York City in person. Trump licensed the project – for the first time in Europe – and vouches for supreme quality with his name. Cooperating with the holding company of media mogul Aydin Dogan, he invested US\$400mn in this prestigious object built by construction company Tasyapi, which is reputed for close relations with the government. In his inauguration speech, Prime Minister Erdogan found fault with only one thing – he would prefer to see the numerous ongoing construction projects given Turkish names.

April 20, 2012

Bursa becomes home to world's largest glass factory

Turkey's oldest and most important glass manufacturer Sisecam has celebrated the inauguration of the latest extension to its main plant in the industrial estate of Yenisehir located in the city of Bursa in Western Turkey, where investments of US\$750mn has been made since 2006 to build the world's largest glass factory. US\$6mn alone has been invested in a waste heat recovery system that meets 60% of the energy demand of the flat glass production lines, making a significant contribution to cost reduction. The complex in Yenisehir has a production capacity of 1 million tons, with 1,200 employees generating a share of US\$435mn in the company's total annual turnover of some US\$2bn. The highly ramified Sisecam group of companies has production sites in 7 more countries besides Turkey, among them Egypt, Bulgaria, and Russia, and intends to continue expanding internationally. In 2011 the company, which is majority-owned by Turkey's largest bank Türkiye Is Bankasi, exported products worth over US\$800mn to 150 countries around the globe.

April 23, 2012

Turkey commissions new research ship for oil and gas prospection

Turkey keeps looking for ways out of its energy crisis, since the country's heavy dependence on oil and gas deliveries from abroad jeopardizes its economic advancement. Now 100 million Euros have been budgeted to commission a state-of-the-art research ship that will employ the latest

technology in search of energy resources below the sea floor. A contract to this effect has already been signed by the General Directorate of Mineral Research and Exploration (MTA) and the Ministry of Defence. The ship, which enables two- and three-dimensional seismic surveys, will be manufactured in the Tuzla/Istanbul Shipyard, and is scheduled for completion within two years. Turkey's one and only marine research vessel, the "Koca Piri Reis", built 1978 in West Germany, which recently caused considerable political tension when operating off the coast of Cyprus, is hopelessly out of date. According to the Turkish Minister of Energy, Taner Yildiz, the new research ship is set to become the symbol of modern Turkey.

April 25, 2012

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