

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	31.10.2011	30.11.2011	Change in %
TL pro Euro	2.4569	2.4636	0.2727
TL pro USD	1.7542	1.8498	5.4497
<b>Stock exchange index</b>	56,061.50	54,517.80	-0.028

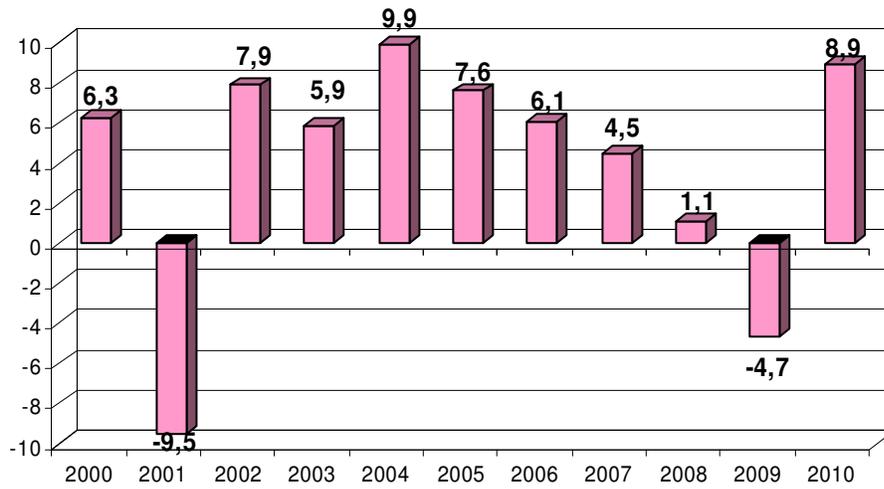
Inflation in %	Monthly inflation	Annual inflation
Producer prices	0.65	13.67
Consumer prices	1.73	9.48

### Growth Rates

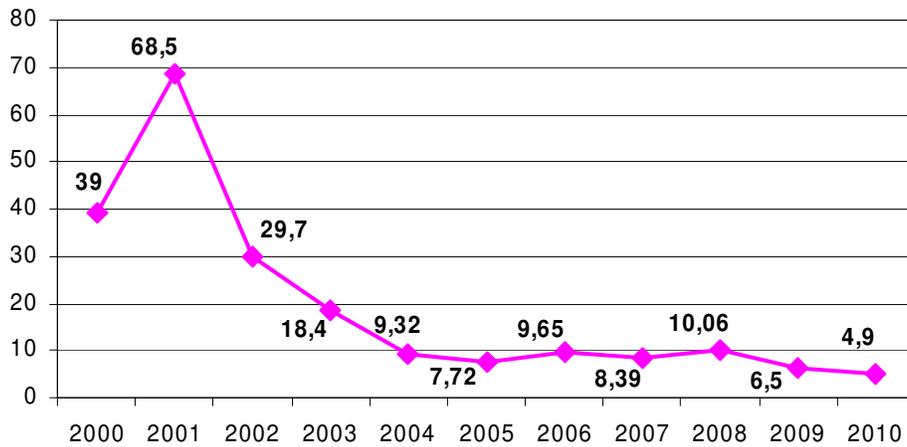
Economic Growth Rates (%)					
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Yearly
2000	4.2	5.4	7.2	7.8	6.3
2001	-3.3	-12.3	-9.1	-12.3	-9.5
2002	0.6	10.4	8.0	11.8	7.9

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		

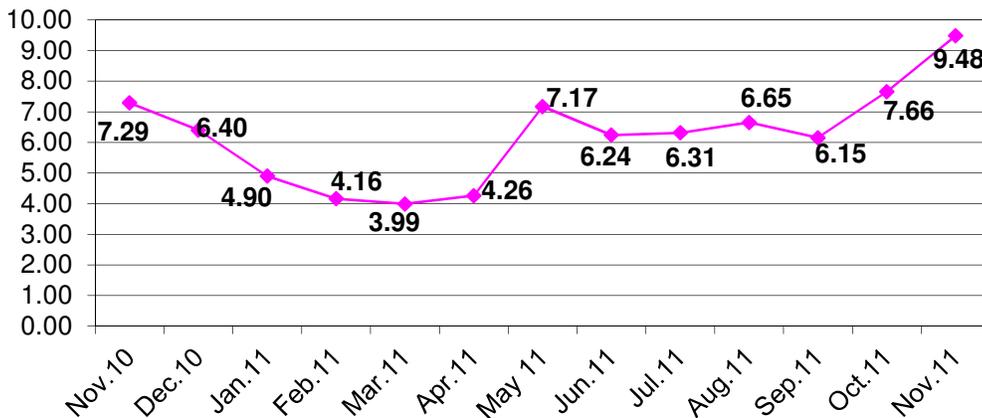
Growth Rates (%)



Annual Inflation of Consumer Prices (%)



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



### Again large growth in third quarter

As the Turkish Statistical Institute just announced, Turkey's national economy has grown by 8.2% in the 3<sup>rd</sup> quarter of 2011, to TL31.9bn. This figure refers to non-seasonally adjusted and non-calendar adjusted GDP growth in fixed prices. The data signifies that Turkey's economy has grown faster than in any other 3<sup>rd</sup> quarter since 11 years (2000: +8.6%). Still the growth rate continued to slow down as anticipated, having reached 11.6% and 8.8%, respectively, in the 1<sup>st</sup> and 2<sup>nd</sup> quarters of the year. On the other hand October marked the highest monthly inflation for consumer prices – 3.27 % – since October 2002 (+3.29%). In the previous month inflation had been much lower, at 1.6%. For the past 12-month period the figure was 7.66% for consumer and 12.58% for producer prices.

### Turkey with second-fastest growth rate globally

Country	Increase of GDP in the 3 <sup>rd</sup> quarter of 2011
China	9.1%
Turkey	8.2%
India	6.9%
Indonesia	6.5%
Japan	6.0%
...	...
Germany	0.5%
Great Britain	0.5%
France	0.4%

3 November/12 December 2011

### Turkish current account deficit proves unstoppable

In September, Turkey's monthly current account deficit amounted to almost US\$6.8bn, 79% more than a year earlier. The deficit for the last 12-month period added up to around US\$77.5bn, a 122% increase over previous year's figure of US\$34.9bn. Having exceeded the US\$50bn threshold in January for the first time in history, the current account deficit has been rising

steadily ever since. Consequently, the full-year guidance for 2011 had to be adjusted upward yet again, to now US\$80bn. The IMF forecast is for US\$78.3bn, putting Turkey in second place globally behind the United States (US\$467.6bn). Minister of Finance Mehmet Simsek called this development reasonable in the light of the fact that Turkey's national economy is growing faster than those of its trade partners, adding that his government expects the deficit to decline slightly in the last quarter of the year. This expectation was shared by the President of Turkey's Central Bank, Erdem Basci, who pointed out that financing of the current account deficit has continued to improve in quality.

16 November 2011

### **Unemployment rate well below 10 per cent, industrial production on the rise**

According to the latest data announced by the Turkish Statistical Institute, the number of unemployed has dropped to 2,521,000 in August, 450,000 less than in the same month of the previous year. This translates to a jobless rate of 9.2%, which is an improvement of 2.2 percentage points over August 2010. Unemployment among the urban population stood at 11.6%, against merely 4.7% in rural Turkey. In the same period, the employment-to-population ratio increased by 1.3% to 51.0% on a national base. While of the male population 72.8% (+1.1%) had gainful employment, only 30.0% (+1.5%) of females did. The total number of employed persons increased by 1,689,000, to 24,884,000. Industrial production is also sending positive signals, rising in September by 6.9% as against the previous month, or 12.0% over the same month of 2010, with a seasonally adjusted increase of 1.5% and 6.0%, respectively.

16 November 2011

### **Turkish and German stock exchanges to cooperate**

Featuring as guest of honour at the German Equity Forum 2011 in Frankfurt/Main, the Istanbul Stock Exchange (IMKB) attracted huge interest from German investors. Within this scope, IMKB and the German Stock Exchange (Deutsche Börse) agreed upon an extensive cooperation, ranging from the intense exchange of information, joint research projects and training to mutual support in marketing activities in the opposite country. As Frank Gerstenschläger, member of the Executive Board of Deutsche Börse AG, stated, the intention is to further extend the communication channels with a view to sustainable collaboration to the advantage of both markets. Among the designated measures is the compilation of a joint share index with IMKB. On the basis of this index, said IMKB President Hüseyin Erkan, Deutsche Börse will be able to issue products like e.g. investment funds at the Istanbul Stock Exchange. He reported that Deutsche Bank is already planning a securities fund that would be listed among the IMKB-30.

23 November 2011

## **Politics**

### **Erdogan: We are determined to demolish all illegally erected buildings**

In the wake of the devastating earthquake in the Eastern province of Van which left over 600 people dead, more than 4,000 injured and tens of thousands homeless, Turkish Prime Minister Recep Tayyip Erdogan heralded radical measures. He said that all illegally erected, not

earthquake-proof structures in the entire country were to be demolished, announcing that the Ministry of the Environment and Urban Development has initiated preliminary work toward this aim, and would not hesitate to seize responsibility, if necessary. Erdogan announced that the government is intent on expropriating owners of the buildings concerned, while his Environment Minister put the required costs at up to US\$400bn. Meanwhile, critics voiced doubts as to how realistic these promises are: To say nothing of the astronomic costs, they point out that the statutory basis already exists; however, there is a notorious lack of enforcement. On the other hand, the announcement was well received with the construction industry.

27 October 2011

### **New wave of arrests against separatist Kurds**

Turkish prosecuting authorities have again rounded up scores of suspected members of the KCK (Union of Communities in Kurdistan). The KCK is regarded as offshoot of Kurdish terrorist organisation PKK and unconditionally acknowledges the leadership of imprisoned PKK chairman Abdullah Öcalan. In a coordinated operation in 16 provinces, 47 homes and 34 law offices were searched, with 42 lawyers among the 46 people detained. They are being charged with having served as contacts with PKK fighters and passing on instructions by order of Öcalan, as members of the KCK Executive Committee. In a separate raid held in Diyarbakir, another 47 people were apprehended. In the 6 months up to October 2011, 4,148 alleged KCK members have been arrested and 1,548 arrest warrants issued; officially some 700 people remain in custody as suspected affiliates of the KCK.

24 November 2011

### **President Gül voices concerns on visit to Britain**

During a multi-day visit to Great Britain, Turkish President Abdullah Gül delivered a lecture on the historic change in the Middle East and its impact on global politics at the invitation of Wilton Park, a research institution of the British Foreign Office. Amongst other things, Gül appealed to Israel to develop a new strategic approach in light of the Arab Spring. The best way of guaranteeing Israel's security, he said, would be for it to recognize the borders of 1967, a view also supported by the Organization of Islamic Cooperation. He also cautioned the Western world against an escalation of the conflict with Iran while demanding more transparency from Iran and reiterating Turkey's offer to serve as mediator. Speaking to British members of parliament, he voiced pessimism as to the reunification of Cyprus as long as the European Union effectively recognizes the claim to sole representation put forward by Southern Cyprus, which will be assuming the EU Council Presidency in the first half of 2012.

24 November 2011

## **Other Topics**

### **Turkish energy companies are internationally sought partners**

More and more countries seek to benefit from the experience and financial capability of Turkish construction and energy companies. Georgia's Ministry of Energy has just signed an agreement with Atac A.S. of Antalya for the construction of two hydroelectric power plants in the Guria region.

The Turkish corporation is not only going to build the two plants with a total installed capacity of 40.6 MW, but also operate them subsequently. Elsewhere, the energy subsidiary of Istanbul-based Zorlu Holding has recently secured a US\$111.1bn loan for a wind farm with a nominal capacity of 56.4 MW to be built in the state of Sindh in Pakistan. The loan has been provided by an international consortium led by the International Finance Corporation and the Asian Development Bank. Meanwhile the news came out that U.S. investment bank Goldman Sachs has acquired 15.1% of shares valued US\$268mn in Aksa Enerji, a Kazanci Holding company, and is granting more credits.

28 October 2011

### **Turkish internet caught between opportunity and censorship**

As per data of the National Agency for Information Technology and Communications (BTK), there are currently 12.8 million internet subscribers in Turkey, some 50% more than at the beginning of the year (8.6 million). A recent report from Hamburg-based market research enterprise yStats.com says that around 40% of the Turkish population use the internet. About one fifth of them buy goods and services for private use online, with clothing and electronics being particularly popular. According to comScore, the country ranked 1<sup>st</sup> in Europe in September as to the number of internet pages visited. However, Turkey is also leading in internet censorship: For a number of years, the Turkish government and courts repeatedly have had unwelcome domains blocked. Now the BTK has introduced a filter system which is supposed to remain voluntary but still raises concern with civil rights activists and legal experts, since it does not only block content liable to harm young people but also search keywords regarded as politically undesirable.

16/22 November 2011

### **Increased cooperation with Azerbaijan in the field of energy**

According to an announcement made by the president of Azerbaijan's national petrol corporation SOCAR at the "Black Sea Forum for Energy and Economy" in Istanbul, a new natural gas pipeline is to be built from the Caspian Sea to and through Turkey by 2017. At the same occasion, Turkey's Prime Minister Erdogan emphasized the necessity to come up with alternatives for the precarious way of transportation by ship – currently some 150 million tons of petrol a year are being shipped through the Bosphorus and Dardanelles straits. Construction cost for the project dubbed Trans Anatolia Pipeline (TANAP) are estimated at US\$6-7bn. With its scheduled annual capacity of 21 billion cubic metres TANAP is not intended to compete with the Nabucco project but rather as supplement which will also contribute to securing Europe's energy supply. However, Azerbaijan wants to play a more active role also in supplying Turkey with energy. For this purpose an agreement with Turkish natural gas distributor BOTAS regarding utilization of their existing pipeline grid has been signed. Plans are for this grid to convey 16 billion cubic metres of gas per year, of which 6 billion will remain in Turkey.

18/30 November 2011

### **Gold rush in Turkey**

The sustainable stability of the value of gold in times of crisis-ridden financial markets has triggered a gold rush of sorts in Turkey. A total of 956 prospection and mining licenses have been issued since 1986, a disproportionate share of which (224) in the last 3 years. Of the 88

companies operating in this sector, 32 acquired their first license or new licenses in the 2008-2010 period. The mines' output has increased steadily, from 8 tons in 2006 auf 17 tons in 2010, and is expected to reach some 25 tons this year, and 40 tons in 2013. Currently there are 8 active gold mines, and potential for mining is seen at 28 sites. Following many years of domination by international corporations in the sector, nowadays many domestic companies such as Koza, Calik, Ihlas, Kiler, and Goldas are operating.

22 November 2011

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