

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	30.01.2012	29.02.2012	Change in %
TL pro Euro	2.3509	2.3491	-0.07
TL pro USD	1.7905	1.7459	-2.49

Stock exchange index	57.234,50	60.721,20	6.09
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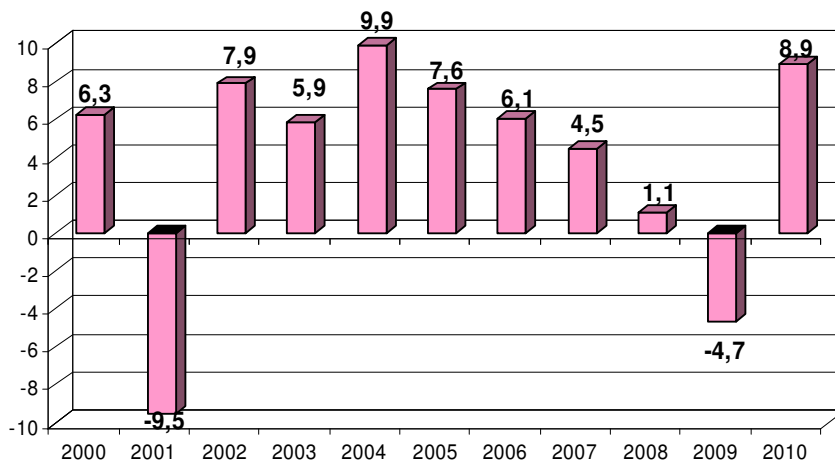
Inflation in %	Monthly inflation	Annual inflation
Producer prices	-0.09	9.15
Consumer prices	0.56	10.43

Growth Rates

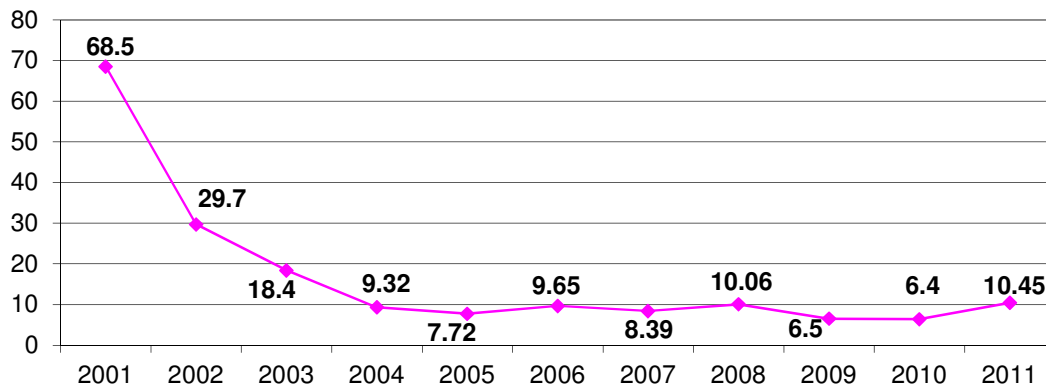
Economic Growth Rates (%)					
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Yearly
2000	4.2	5.4	7.2	7.8	6.3
2001	-3.3	-12.3	-9.1	-12.3	-9.5
2002	0.6	10.4	8.0	11.8	7.9
2003	7.4	3.6	5.6	7.2	5.9
2004	13.9	15.7	8	6.6	9.9
2005	7.5	4.7	8.0	10.0	7.6

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		

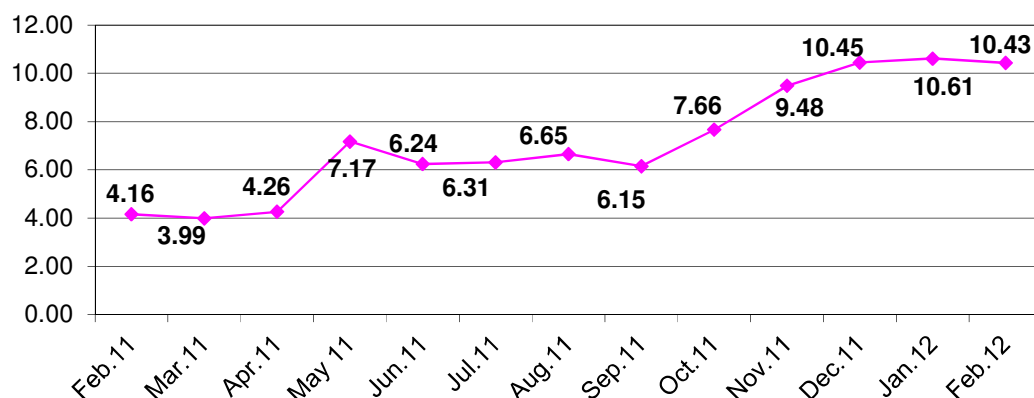
Growth Rates (%)



Annual Inflation of Consumer Prices (%)



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



Turkey remains highly profitable for foreign investors

Over the last decade, almost US\$138bn in interest, profit, or return in investment have been transferred abroad from Turkey. 2011 was yet another profitable year for foreign investors: At almost US\$3bn, the drain of profit from direct investments was higher than ever. Still a bit higher – some US\$3bn 370mn – was the total return on stock transactions and investment vehicles such as bonds & bills that was transferred abroad.

Interest, profit, return on investment transferred abroad from Turkey (bn US\$)

	<i>Interest payments on foreign debts</i>	<i>Profit from direct investments</i>	<i>Return on portfolio investments</i>	<i>Total</i>
2002	6,402	401	2,244	9,047
2003	6,988	643	2,616	10,247
2004	7,148	1,043	2,905	11,096
2005	8,034	1,051	3,326	12,411
2006	9,362	1,182	3,463	14,007
2007	10,812	2,213	3,735	16,760
2008	11,993	2,940	3,523	18,456
2009	10,419	2,914	2,994	16,327
2010	8,662	2,865	3,149	14,666
2011	8,548	2,999	3,370	14,917
Total	88,358	18,251	31,325	137,934

February 21, 2012

Turkey leading in number of mergers and acquisitions

According to Ernst & Young's report "M & A Barometer for Central and Southeast Europe 2011", Turkey had the largest number of mergers and acquisitions among 11 countries in Central and Southeast Europe. Its total of 272 transactions accounted for a volume of US\$13.7bn, which spells rank 2 behind Poland (US\$21.2bn). The largest acquisitions of Turkish companies 2011 were liquor company Mey (by Diageo/UK, for US\$2.1bn), Genel Energy International (by Vallares/UK, also for US\$2.1bn) and Acibadem hospital group (75% shares acquired by Malaysian investors for US\$1.3bn).

February 29, 2012

Export growth slowed down in February

While Turkey's exports had grown by 10% in January over the same month of the previous year to reach US\$10bn 554mn, exports of US\$10bn 105mn in the period February 1 - 27 only spelled a 4.6% increase. With exports of the agricultural sector increasing by 9.1%, manufacturing industry exports were up only 4.1%, and exports of the mining sector even down 2.3%. Exports of the automotive industry, which again was the largest export sector with US\$1bn 460mn, grew by a mere 2.3%. The highest increase took place in exports of the defence industry (+91.9%) and tobacco (+82.5%). Exports to the EU, Turkey's primary trading partner, decreased by 0.9% to US\$4bn 512mn due to the ongoing recession, while exports to other countries increased by 17.7%, to US\$5bn 671mn.

February 29, 2012

Turkey's trade gap continues to close

January saw the trend of the preceding two months continue and Turkey's foreign trade deficit drop by 4.7% over the same month of the previous year. While the country's exports increased by 8.6% compared with January 2011, to US\$10bn 374mn, imports were only US\$ 17bn 383mn, considerably lagging behind with a growth rate of just 2.8%. This was mostly the result of a near-20% slump in consumer goods imports, causing the trade balance deficit to drop to US\$7bn 8.8mn, and the export-import ratio for the same period to increase from 56.5% to 59.7%. Germany (US\$1bn 31mn) continued to head the ranking of the most important export countries in January, followed by Iraq (US\$752mn) and the UK (US\$632mn), while the major import countries were Russia (US\$2bn 216mn), China (US\$1bn 592mn), and again Germany (US\$1bn 346mn).

Turkey's foreign trade data according to months (bn US\$)

<i>Month</i>	<i>Exports</i>	<i>Imports</i>	<i>Deficit</i>
January 2011	9,551.2	16,904.7	-7,353.5
February 2011	10,059.5	17,520.0	-7,460.5
March 2011	11,811.8	21,644.1	-9,832.4
April 2011	11,873.9	20,953.3	-9,079.4
May 2011	10,944.5	21,105.6	-10,161.1
June 2011	11,353.2	21,604.1	-10,250.8
July 2011	11,865.0	21,060.9	-9,195.9
August 2011	11,248.3	19,679.3	-8,431.0
September 2011	10,752.8	21,202.7	-10,449.9
October 2011	11,917.4	19,919.1	-8,001.7
November 2011	11,087.6	18,649.2	-7,561.6
December 2011	12,506.3	20,591.3	-8,085.1
January 2012	10,374.0	17,382.8	-7,008.8

March 1, 2012

2011 sees lowest unemployment in a decade

For the first time since 2002, Turkey recorded a single-digit unemployment rate last year. At 9.8% – 2.1% less than the year before – it was even lower than the 10.5% target in the government's economic programme. According to Turkish Statistical Institute data, 2,615,000 Menschen on average were registered as jobseekers in Turkey in 2011. The highest unemployment was recorded in the employment office districts of Izmir (14,7%), Gaziantep, Adiyaman, and Kilis (14.4% each), the lowest in Manisa, Afyon, Kütahya, and Usak (4,7% each), while in Istanbul, the

centre of the country's economy, 11.8% were out of work. Unemployment among youth was 18.4% (-3.3%) on an annual average. The number of employed persons increased by 1,516,000 to 24,110,000 in 2011 on an annual average, of which some 48% (-0.5%) were employed in the service industry, 25.5% (+0.3%) in agriculture, 19.5% (-0.4%) in the manufacturing industry, and 7% (+0,7%) in the construction sector. The percentage of people employed without state insurance dropped by 1.2%, to 42.1%, while of the people employed in agriculture, as many as 83.9% had no social security (previous year: 85.5%).

How unemployment and joblessness developed in recent years

	Official unemployment		Actual joblessness	
	Number (1,000)	Rate (%)	Number (1,000)	Rate (%)
2004	2,385	10.8	3,497	15.1
2005	2,388	10.6	3,962	16.5
2006	2,328	10.2	4,247	17.2
2007	2,376	10.3	4,128	16.6
2008	2,611	11.0	4,472	17.4
2009	3,471	14.0	5,546	20.7
2010	3,046	11.9	5,059	18.3
2011	2,615	9.8	4,560	15.9

March 2, 2012

Politics

Yet another wave of arrests against terror suspects

In a coordinated round-up in 30 provinces, Turkish police have detained a total of 149 alleged supporters of Kurdish underground organisation KCK. Since April 2009, several thousand supposed KCK followers have been arrested, with at least 1,000 still remaining in custody. In particular, members of legal Kurdish party BDP, the successor to the DTP which was banned in 2009, are often linked with separatist KCK, which itself is closely intertwined with terrorist organisation PKK. Among the latest arrests is the Deputy Mayor of the city of Van in Eastern Turkey, Gülbahar Orhan (BDP). In the capital of Ankara the headquarters of several trade unions and homes of staff members were searched. Elsewhere, at a roadside check between Diyarbakir and Mardin 125 kilograms of explosives complete with ignition device were discovered in a vehicle and defused by police.

February 14, 2012

Turkey agrees economic cooperation with Azerbaijan and Georgia

At the Georgia-Turkey-Azerbaijan Economic Forum held in the Georgian capital of Tbilisi, the 3 countries agreed a miniature economic community. Already there is a brisk cross-border trade between the neighbouring countries Georgia and Turkey. Georgia and Azerbaijan are also direct neighbours, while Turkey and Azerbaijan are linked only via the latter's exclave Nakhchivan. At the event, Turkey's Economy Minister Zafer Caglayan pointed out that according to a study, a quarter of global trade takes place between neighbouring countries. He also evoked the historic Silk Road which he said connected London with Peking and according to him also led through Azerbaijan and Georgia, besides Turkey. In concrete terms, Turkish company Mimsan obtained a 100-million-dollar contract for the construction of a fossil-fuel power plant in Georgia on the side-lines of the meeting.

February 17, 2012

New era in trade relations with China

On the occasion of China's Vice-President Xi Jinping to Ankara, a total of six agreements between the two countries were signed, including a credit agreement between Türk Telekom and the Development Bank of China, a swap agreement for the Turkish and Chinese currencies, a protocol on transnational crisis management in the banking sector, and a Memorandum of Understanding between state broadcasting corporations TRT and CCTV. At the same time, a delegation with high-ranking representatives of 58 Chinese companies made contacts at the Turkish-Chinese Economic Forum in Istanbul. The bilateral trade volume has multiplied in the last 10 years, with exports of Turkey to China increasing 12-fold to some US\$5bn, and imports of Turkey from China 23-fold to around US\$19bn. Trading between the two countries is planned to reach US\$100bn by the year 2020. Major projects are in the pipeline, especially in the energy sector. In Turkey's Black Sea region, a Chinese corporation is investing US\$1bn into exploiting the local hard coal reserves and building-operating a 320-MW thermal power station. On the other hand, the Turkish government wants to benefit from Chinese know-how in the construction of nuclear power plants, among other things.

February 22, 2012

Other Topics

Avea reports steady growth

Revenues of Turkey's no. 3 mobile service provider Avea have increased 16% in 2011 to reach TL3.8bn. The company contributed 40% to the growth of Türk Telekom Group which it is affiliated with. Avea's EBITDA was up 15%, to TL383mn. The number of Avea subscribers increased by 1.1 million to 12.8 million, with the number of long-term subscribers rising from 4.7 million to 5.6 million. In the course of last year the company directly re-invested around 26% of its revenues, and made investments of some TL800mn, the major part of it – TL638mn – for expanding its national network coverage to 98%. More than 1,500 customer service employees were hired in 2011, also due to new call centres that were established in Bingöl and Izmir. According to CEO Erkan Akdemir, his company's growth target for 2012 is 6-8%, with unrelenting investments.

February 21, 2012

Turkcell consolidated in fiscal year 2011

Group revenues of Turkey's largest wireless carrier Turkcell, which also operates internationally, increased by 4% in 2011, to TL9.3bn. However, net profits slumped 33% to TL1bn 178mn, since a 370-million-dollar loan of the company's Belarus shareholding had to be written off as a result of the devaluation of the local currency. Apart from this, the foreign shareholdings of Turkcell Group, which now has 65 million subscribers in 9 countries, took a positive development. Domestically Turkcell has 34.5 million subscribers, with 1.1 million new subscribers acquired in 2011 – in 2010, the number of subscribers had dropped by 1.9 million. Turkcell-owned internet provider Superonline reported an increase of 37% in revenues in 2011. Last year the number of Turkcell employees in Turkey rose by 2.000 to 12.700, and 2.000 people are planned to be hired also in 2012, first and foremost in the call centre business. According to Süreyya Ciliv, the company's managing director, additional investments of TL1.7bn have been earmarked.

February 24, 2012

2011 a record year for MAN's Turkish subsidiary

Last year the Turkish subsidiary of MAN, MANAS, set new sales records in all 3 business segments – busses, trucks, and spare parts – with total sales of €372.2mn. With 433 coaches sold in 2011, MAN was able to increase its market share to some 28%, over 11% in 2009. In the words of MAN Turkey CEO K. Tuncay Bekiroglu, Turkey is the country where the largest number of coaches made by MAN-owned Neoplan were sold globally in 2011. What is more, the Municipal Transit Authority in Ankara purchased another 250 CNG-powered articulated buses, which will be built in MAN's Ankara production facility, bringing the total to 1340, which is Europe's largest fleet of natural gas buses. In the over 12-ton truck sector, MAN was able to very nearly double its share in the Turkish market over 2009, from 4.8% in 2009 to around 9%, with 3.579 sold units in 2011. In 2012 the market is expected to shrink by around a quarter of what it is now. However, large-scale road construction projects such as the third bridge across the Bosphorus as well as the government's plans for a six-lane standard of main roads provide for a long-term optimistic outlook in the industry.

February 24, 2012

“Seabird” – a breath of fresh air in Turkish aviation

Turkey's latest air carrier with the telling name “Seabird Airlines” is scheduled to commence operations in March. The company, established in 2010, has received a preliminary air operator's certificate in October, and will initially serve the routes Istanbul-Alacati, Alacati-Bodrum and Istanbul-Bozcaada with two Twin Otters on floats that are based in the harbour of Alacati near Cesme (province of Izmir). Subsequently, in the vision of company founder and managing director Kürsad Arusan, scheduled and charter flights on other short-range routes along Turkey's West Coast shall follow. The Canadian-built 19-passenger turboprop aircraft can also be fitted with skis, thus creating new opportunities for winter sports tourism.

February 24, 2012

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