



Please find below our latest newsletter covering recent economic and political developments in Turkey.

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We welcome your feedback on this Newsletter or any aspect of the services we offer. Please email your thoughts and comments to: info@fmconsulting.info.

Please note, we have moved office and our new address is below. However, our telephone numbers will remain the same.

Best regards,
Your FMConsulting Team

Economy

Overview of Monthly Data

YTL-Rates	31.06.2010	30.07.2010	30.08.2010	Change in %
TL pro Euro	1,9385	1,9691	1,9371	-1,63
TL pro USD	1,5813	1,5118	1,5282	1,08

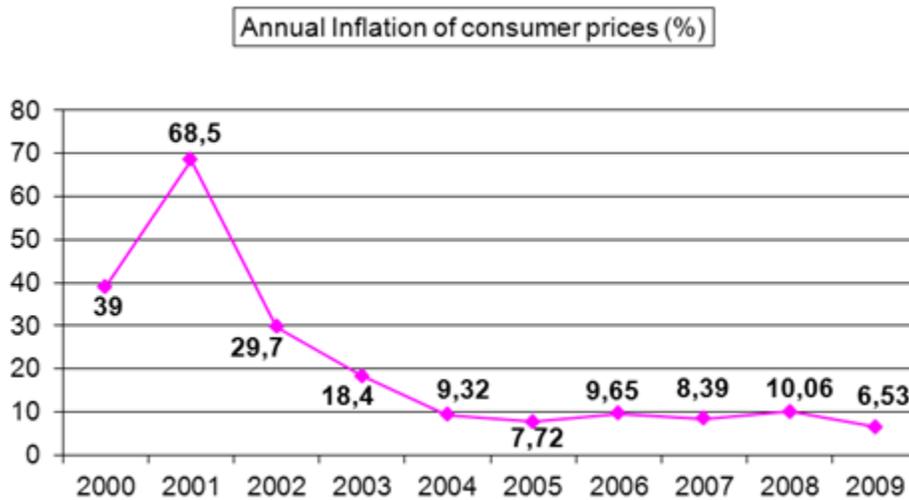
Stock exchange index	54.839	60.737,28	59.345,93	-2,29
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Inflation in August %	Monthly inflation	Annual inflation
Producer prices	1,15	9,03%
Consumer prices	0,40	8,33%

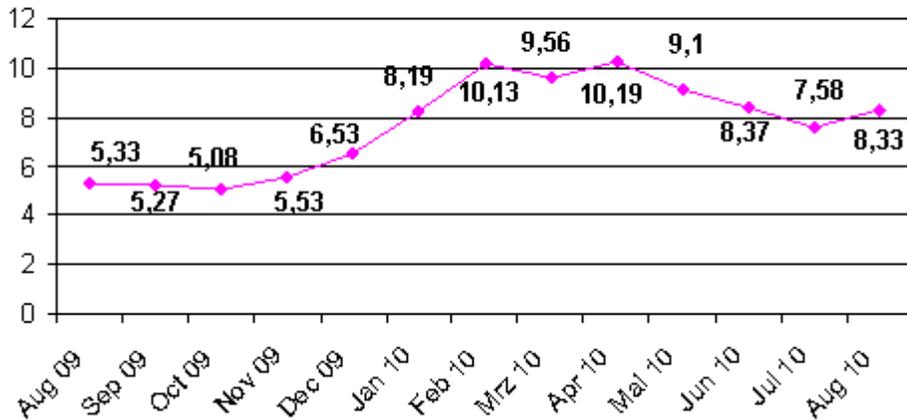
Growth Rates

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	5.7	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	6.7	3.9	2.0	3.4	4.5
2008	6.6	1.9	0.5	-6.2	1.1
2009	-14.5	-7.7	-2.9	6	-4.7
2010	11,7				



Annual Inflation's Monthly Development 2009-10 (%)



Unemployment at lowest level in 18 months

According to the State Statistical Institute, Turkey's unemployment rate dropped to 12.0% in April, 1.7 percentage points less than in the previous month, thus reaching the lowest level since October 2008. As compared with the same month of the previous year the number of unemployed decreased by 2.9%, or 547,000 persons. The seasonally adjusted unemployment rate fell by 0.5%, while the labour force participation rate stood at 49.0% (down 0.1%) and the employment rate at 43.1% (up 0.2%). Despite a drop to 21.2%, unemployment among youth continues to run high. In cooperation with industry associations, the government only recently introduced a national 5-year programme – funded with TL120mn – to train a total of one million registered jobless in vocational training centres with the aim of reintegrating them into the labour market.

July-2010

Large-scale enterprises report dwindling sales and increased profits

The Istanbul Chamber of Industry (ISO) has just published its annual report on the 500 largest industrial companies of Turkey. The report says that 2009 net sales of the ranking companies dropped by 12.3% over the previous year, with exports and workforce also decreasing due to the global crisis. By contrast, the Top 500 posted 31.4% higher profits, were able to reduce their debts, and had to pay 25.1% less in interest.

The 10 largest companies of Turkey by sales

Rank	Company (sector)	Sales from production (TL)
1	TÜPRAS (mineral oil)	15,495,595,133
2	EÜAS (electricity)	6,527,417,392
3	Oyak Renault (automotive)	5,473,800,040
4	Arcelik (electronics)	4,842,707,558

5	Tofas (automotive)	4,474,987,711
6	Ford (automotive)	4,453,366,442
7	Eregli Demir-Celik (steel)	3,575,843,160
8	Aygaz (gas)	3,188,024,540
9	Vestel (electronics)	2,607,833,207
10	Habas (gas)	2,519,829,781

The 10 largest companies of Turkey by exports

Rank	Company (sector)	Exports (1,000 US\$)
1	Oyak Renault (automotive)	3,012,429
2	Ford (automotive)	2,038,704
3	Tofas (automotive)	2,004,257
4	TÜPRAS (mineral oil)	1,751,582
5	Arcelik A.S. (electronics)	1,612,476
6	Toyota (automotive)	1,442,292
7	Vestel (electronics)	1,429,167
8	Habas (gas)	985,859
9	Petrol Ofisi (mineral oil)	930,391
10	Icdas (steel)	879,629

The 10 largest companies of Turkey by profits

Rank	Company (sector)	Annual profit (before taxes, TL)
1	EÜAS (electricity)	1,423,726,131
2	TÜPRAS (mineral oil)	776,931,357
3	Philsa (cigarettes)	673,939,460
4	Ford (automotive)	456,191,851
5	TKI (coal)	424,020,769
6	TPAO (mineral oil)	423,474,815
7	Arcelik (electronics)	388,754,326
8	Anadolu Efes (brewery)	366,179,150
9	Petrol Ofisi (mineral oil)	346,594,278
10	BSH (household appliances)	324,150,600

July-2010

Turkey's industrial production continues to recover

With a 10.2% increase over the same month of 2009, Turkey's industrial production index rose to 120.6 points in June. The index improved 2.2% over the month of May, almost reaching the previous high of 121.7 points which dates from the pre-crisis month of June 2008. Trailing only the electric machine industry (+39.3%), the automotive industry was the sector with the second-highest increase (+26.0%).

Industrial production according to sub-sectors (June 2010, change in %)

Sub-sector	2009 vs. 2008	2010 vs. 2009
Mining & quarrying	-7.0	6.1
Manufacturing industry	-11.0	10.6
Electric machines & devices	-14.4	39.3
Automotive	-33.6	26.0
Medical, optical & precision instruments	-35.9	20.0
Leather	0.0	19.7
Wood	-3.0	19.4
Machines & equipment	-7.1	18.7
Metal products	-18.5	15.3
Textile products	-8.2	13.5
Plastics & rubbers	-1.3	11.8
Printing & publishing	-5.6	10.5
Other non-metal minerals	-12.4	9.3
Furniture	7.6	7.9
Paper	-5.6	6.1
Food	-3.0	5.8
Clothing	-2.2	5.6
Chemicals	3.6	3.8
Other vehicles	-36.5	1.9
Primary metal industry	-17.3	1.0
Coke & refined petroleum products	-22.8	0.9
Radio, TV, & communications	-22.7	-3.3
Tobacco products	5.1	-13.1
Office machines & computers	-5.0	-57.7
Electricity, gas, water	-3.6	8.2
Total industry	-10.1	10.2

August-2010

Sharp rise of current account deficit in 1st half of year

According to Turkey's Central Bank, the country's current account deficit surged 181% in the first six months of 2010 in comparison to the same period of 2009. However, in June the increase over the previous month was only 51.5%, meaning that the rate at

which the deficit is rising has significantly decreased since the beginning of the year (January + 527%, February + 797.4%, March + 268%, April + 172%, May + 81%). In the same period, the country's foreign trade deficit soared 157.8% – while import spending on a CIF basis went up 33.6%, export revenue on a FOB basis only increased by 14.9%. Moreover, some US\$21.6bn in foreign capital entered the country in the first half of the year – over 31 times more than in the period January-June 2009. However, foreign direct investments dropped by 24.5%, to around US\$3.2bn.

Turkey's current account deficit (million US\$)

Month	Monthly deficit	12 monthly deficit
June 2009	-2,202	-21,386
July 2009	-467	-17,815
August 2009	-590	-15,368
September 2009	-982	-15,387
October 2009	391	-12,556
November 2009	-1,746	-13,855
December 2009	-3,182	-13,959
January 2010	-3,086	-16,553
February 2010	-2,755	-19,001
March 2010	-4,325	-22,150
April 2010	-4,300	-24,868
May 2010	-2,940	-26,184
June 2010	-3,337	-27,319

August-2010

Politics

Erdogan: Relations with the UK have entered “golden age”

During his first official visit to Ankara, Britain's new Prime Minister David Cameron sent positive signals. Turkey's full EU membership, he said, is a vision that is shared by his country and vigorously supported by his government. His host, Turkish Prime Minister Recep Tayyip Erdogan, declared that relations between the two countries had entered into a “golden age”. While in 2009 around 2.5 million holidaymakers from Great Britain visited the country, the number of British citizens acquiring property in Turkey continues to increase rapidly. Cameron for his part spoke of “golden opportunities” for investors from the UK. Some two thousand British businesses already hold stakes in Turkey, predominantly in the areas of energy, defence industry, and infrastructure.

July-2010

Turkish constitutional referendum turns into political power struggle

In the run-up to the popular vote on a package of constitutional amendments, Turkey was the scene of heavy disputes reminiscent of an election campaign, and political blocks formed, dividing the country. While the ruling party of Prime Minister Erdogan a huge propaganda machine to promote the proposed changes, the leaders of the two largest opposition parties, CHP and MHP, toured the country to massively campaign against the amendments. Foreign countries, in particular the U.S. and the European Union, endorsed the changes to the constitution which are supposed to spur further democratisation and to restrict the powers of Turkey's armed forces. Those opposing the amendment package, however, fear that the Islamist-minded government will be vested with too many powers, and that the independence of justice will no longer be warranted. The referendum was scheduled for September 12, a day of symbolic importance since it marks the 30th anniversary of the last military coup in Turkey. At the same time, it coincides with the religious holiday at the end of Ramadan, the Islamic month of fasting.

August-2010

Privatisation of electricity networks sparks concerns over price hikes

In the view of the Turkish Chamber of Electrical Engineers (EMO), the gradual privatisation of the electricity distribution networks will cause electricity prices to increase substantially. The remodelled tariff regulations explicitly permit the electricity distribution companies to pass their investment, financing and operating costs as well as transmission losses along to the consumers. Therefore privatisation, according to the chamber, is not geared to the common good but primarily to the companies' profits. This can serve as explanation for the horrific prices paid for the acquisition of operation rights. EMO also criticized the distortion of competition in the tendering procedure, accompanied by a lack of transparency. Furthermore the chamber claims that ultimately the security of the country's energy supply is at stake, since the distribution companies are only under an obligation to carry out infrastructure investments that are absolutely necessary.

August-2010

Other Topics

Thomas Cook to take over Öger Tours

One of the most successful Turkish businessmen in Germany, Vural Öger, intends to sell the travel company he founded in Hamburg in 1969 to London-based Thomas Cook Group. Subject to the approval of the European cartel authorities, the British tourism giant is to acquire 100% of the shares in the leading German provider of travel to Turkey. Öger Tours GmbH limited company, which posted annual sales of €256mn for 2009, is expected to sell for around €30mn. The takeover will allow Thomas Cook to consolidate its status as Germany's second-largest tour operator, create synergies, and to expand its position on the Turkish market. Vural Öger and his daughter, Nina, are going to withdraw from the company's management while the remaining companies of Öger Group will remain family-controlled.

July-2010

Turkish retail industry on the upswing

In the month of June, sales of the Turkish retail sector were up 4% over the same month of the previous year. Discounting the food retail trade, where sales figures slightly dropped for seasonal reasons, sales on an annual basis even increased by 12%. Owed in part to 10 new shopping centres, total floor space in the organized retail business increased by 7% from January to June, while the number of sales outlets rose 10%. On the other hand, sales per square metre slightly receded (1% on an annual basis). The number of new jobs in the organized retail business grew by 25% in the past 12 months, while in the last 6-month period there was a 9% increase.

August-2010

International companies continue to invest in Turkey's energy sector

According to a report by the Research Centre for Strategy, Technology and Economy (STEAM), the volume of investment projects with foreign equity participation in Turkey's energy sector currently stands at around TL15.1bn, of which fossil fuel projects accounted for approx. TL10.6bn, hydroelectric power projects for some TL2.5bn, and wind power projects for about TL2.0bn. All in all, 22 thermal power stations with a total output of 9,343 MW plus 44 hydroelectric and wind power stations with a total output of 2,554 MW are to be built. Thus foreign investors will help to cover around 39% of Turkey's energy demand (2009 figures). Quite a few of them are major enterprises such as RWE, General Electric, Gazprom, Austria's Verbund AG and Czech CEZ Group, which generally cooperate with Turkish companies.

August-2010

St. Gobain Weber sees huge potential in Turkey

The Turkish subsidiary of construction chemicals company Weber, which is affiliated with France's oldest industrial group St. Gobain, continues to expand steadily. In addition to the existing plants in Izmir, Ankara and Gebze, three more are to be built in the next 5 years, the first of which is already under construction in Adana. For 2010, the

company has set the target of increasing its sales, 95% of which are from domestically manufactured products, from US\$75mn to US\$100mn. Managing director Levent Gökce sees a huge potential in Turkey considering the level of construction activity and the backlog regarding the heat insulation and waterproofing of buildings. Of the company's 42 subsidiaries, he said, Weber Turkey is the fastest growing.

August-2010

Electricity network auction yields record results

Turkey's Privatisation Agency recently auctioned the rights to operate for another 4 out of the country's total of 20 regional electricity distribution networks. The highest bid was put in for Bogazici Elektrik Dagitim A.S. (BEDAS), which supplies power to 4 million subscribers in the European part of Istanbul province, giving the company a 30% share in the country's electricity market. For a record US\$2.99bn, the contract was awarded to a consortium of Is-Kaya Insaat and MMEKA led by Cukurova Group. For US\$1.92bn, this joint venture also secured the rights for the area of Gediz Elektrik Dagitim A.S., i.e. Izmir and Manisa provinces. Subsequently AKSA company purchased the operation rights in Trakya Elektrik Dagitim A.S. for US\$622mn, thus taking over electricity distribution in the Thracian provinces of Edirne, Kirklareli and Tekirdag. Finally, the joint venture Karavil-Ceylan put in a successful bid of US\$228mn to acquire the distribution rights for the area of Dicle Elektrik Dagitim A.S., which comprises the provinces of Diyarbakir, Sanliurfa, Mardin, Batman, Siirt and Sirnak in the country's south-east.

August-2010

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