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

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Your FMConsulting Team

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▶▶ Economy

Overview of Monthly Data

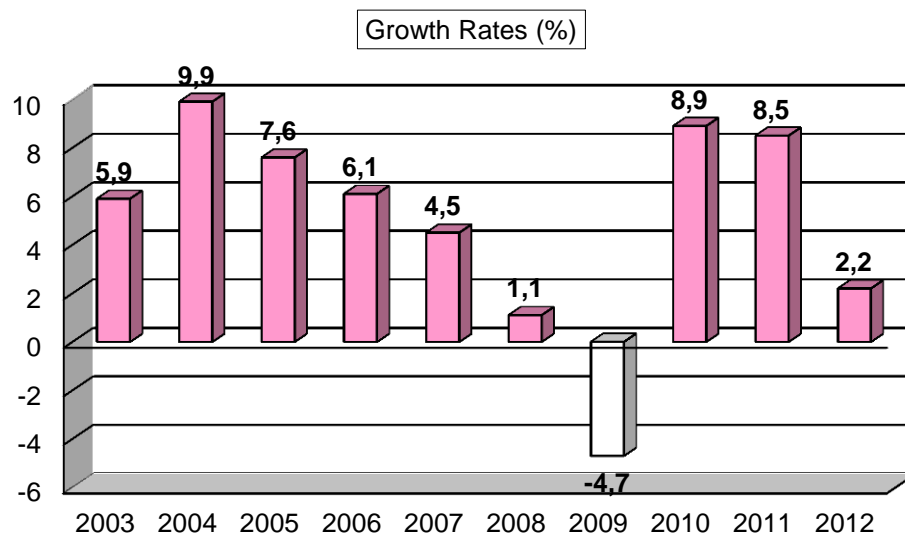
TL-Rates	29.03.2013	30.04.2013	Change in %
TL pro Euro	2,3230	2,3528	1,2828
TL pro USD	1,8120	1,7995	-0,6898

Stock exchange index	85.899,00	86.046,00	0.17
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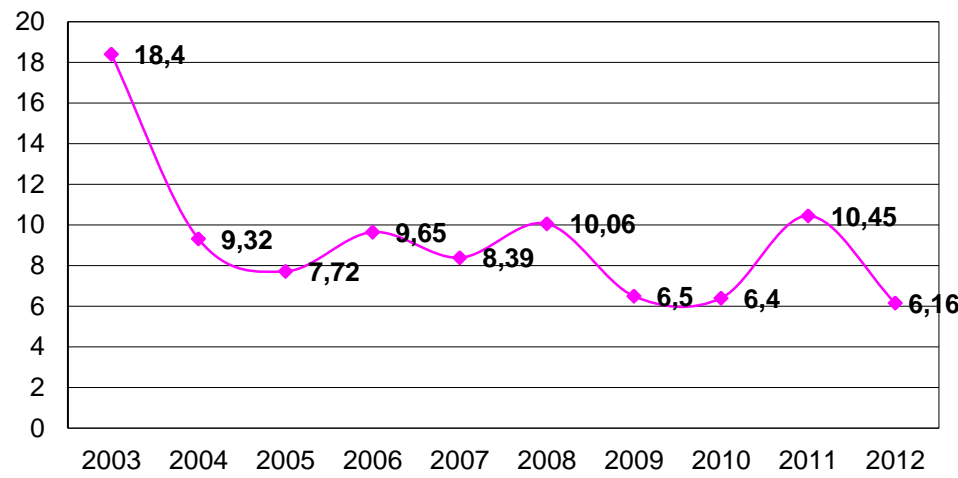
Inflation in %	Monthly inflation	Annual inflation
Producer prices	-0,51	1,70
Consumer prices	0,42	6,13

Growth Rates

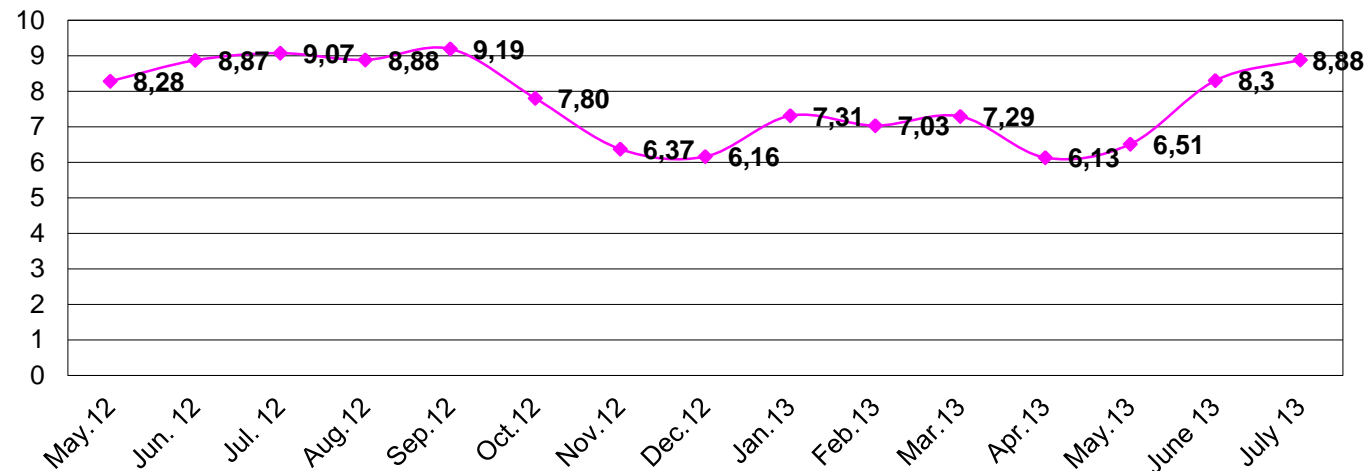
Economic Growth Rates (%)					
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Yearly
2000	4.2	5.4	7.2	7.8	6.3
2001	-3.3	-12.3	-9.1	-12.3	-9.5
2002	0.6	10.4	8.0	11.8	7.9
2003	7.4	3.6	5.6	7.2	5.9
2004	13.9	15.7	8	6.6	9.9
2005	7.5	4.7	8.0	10.0	7.6
2006	6.3	9.3	4.3	4.6	6.1
2007	8.1	4.1	3.3	3.6	4.5
2008	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
2012	3.4	3.0	1.6	1.4	2.2



Annual Inflation of Consumer Prices (%)



Annual Inflation's Monthly Development 2012-13 (%)



S&P upgrades Turkey's credit rating

Standard & Poor's have decided to upgrade Turkey's credit rating from BB to BB+. The international rating agency based its decision on the assessment that evidently Turkey's economy, secured by a stable and capable financial structure, is recovering slowly but steadily. Another aspect noted favourably was the tangible prospect of an end to the Kurdish conflict, which would cause military spending to decrease and cross-border trade to increase. Finance Minister Mehmet Simsek, who called the improved rating encouraging, took it as an acknowledgement of his government's policies and of Turkey's economic performance, adding that he would certainly expect another upgrade of the rating in the months to come.

March 28, 2013

2012 puts a sharp brake on growth

The Turkish government has been forced to revise the GDP growth figure for last year down by a full percentage point – rather than the previously forecasted 3.2%, an actual growth of only 2.2% was realized in 2012. The decisive factor was that growth in the 4th quarter retarded to just 1.4%, which is lower than in the 13 previous quarters. Major economic sectors registered zero or negative growth in the final quarter of the year. At the bottom line, the wholesale and retail trade for instance reported merely 0.1% and the construction sector a meagre 0.6% growth in 2012, while the manufacturing industry at least managed 1.9%. Private household consumption receded by 0.7% on aggregate, and total investments dropped by 7.5%. The only factors to contribute to growth were public spending, increasing by 5.7%, and net exports, which surprisingly picked up 17.2% due to gold exports being included in the calculation. In business circles the assessment prevailed that while the growth rate can be called disappointing and inadequate, it must still be regarded a success considering the worldwide recession.

GDP growth in 2011 and 2012 according to quarters

Quarter	GDP in fixed prices (millionTL)	Growth rate (%)
Q1/2011	26,383	12.4
Q2/2011	28,083	9.3
Q3/2011	31,177	8.7
Q4/2011	29,533	5.3
2011 total	115,175	8.8
Q1/2012	27,257	3.3
Q2/2012	28,895	2.9
Q3/2012	31,667	1.6
Q4/2012	29,935	1.4
2012 total	117,754	2.2

April 2, 2013

Export growth dwindles

Turkey's exports have grown every single month over the past 37 months. However, the increment in March was only as low as 0.3%. In total, the export volume increased by 3.3% in the first quarter of 2013, and by 10.8% in the past twelve months. With US\$1bn 869mn, the automotive industry was the sector with the largest share of around US\$12.6bn in March's exports, followed by the garment (US\$1bn 523mn), steel (US\$1bn 466mn), and chemical (US\$1bn 463mn) industries. While exports to the EU countries decreased by 4%, exports to the Middle East as well as to Africa could be increased by 4% each, and to China even by 27%. While industrial exports dropped to US\$10bn 448mn, 1.0% below the level of March 2012, exports of the agricultural sector gained 4.5% to reach US\$1bn 731mn, and the mining industry stood out by reporting a 21.3% boost in exports, to US\$371mn.

April 7, 2013

Turkey's current account deficit rising again

In February, the current account of the Turkish economy posted a deficit of US\$5bn 126mn, 20.5% as compared to the same month of the previous year. However, according to the Central Bank of the Republic of Turkey, this spelled a slight decrease over January (US\$5bn 817mn). At the same time, due to the fact that while exports rose 6.2% to US\$13bn 204mn they were outpaced by imports of US\$18bn 777mn (+9.1%), the trade deficit in February grew by 16.6% to US\$5bn 573mn. On an annual basis, the current account deficit registered as US\$47bn 562mn in January, and US\$48bn 432mn in February. In consequence, last year's trend of a continually shrinking deficit is not continuing for the time being.

April 12, 2013

Steady rise of unemployment

Unemployment in Turkey has been steadily on the rise since mid-2012. As compared to December, the unemployment rate in January increased by another half of a percentage point, reaching 10.6%. All in all some 2,890,000 people, 226,000 more than in the same month of the previous year, were registered as job seekers. For the first time in almost two years, the estimated total of both officially and de-facto unemployed soared past the 5 million-mark, which means that over 1 million more people than 9 months ago are now out of work. In order for the positive employment trend of the past three years – which saw the unemployment rate drop from 14.0% in 2009 to 11.9% in 2010, 9.8% in 2011, and 9.2% in 2012 – to continue in the current year, exports need to increase and domestic demand must be bolstered. Economy Minister Caglayan expressed his confidence that the subsidy programme of his government will have a favourable impact on investments and production in the coming months, pointing out that Turkey still has a lower unemployment rate than the EU average.

Development of unemployment and joblessness in the past 12 months

	Unemployment		Joblessness	
	Number (1,000)	Rate (%)	Number (1,000)	Rate (%)
February '12	2,721	10.4	4,993	17.6
March '12	2,615	9.9	4,774	16.7
April '12	2,425	9.0	4,380	15.1
May '12	2,272	8.2	4,043	13.8
June '12	2,226	8.0	4,003	13.5
July '12	2,323	8.4	4,223	14.2
August '12	2,445	8.8	4,388	14.7
September '12	2,539	9.1	4,514	15.1
October '12	2,541	9.1	4,465	14.9
November '12	2,630	9.4	4,621	15.4
December '12	2,790	10.1	4,859	16.4
January '13	2,890	10.6	5,144	17.4

April 16, 2013

Plans for new "wealth amnesty"

The Turkish government apparently has plans for another "wealth amnesty" similar to the one employed in November 2008. The scheme would enable Turkish individuals and companies to repatriate funds they keep abroad – estimated at US\$130bn – without facing penalties or punitive tax rates. Deputy Prime Minister Ali Babacan, currently in New York on the occasion of the "Turkish Investment Week", was quoted as saying that the Finance Ministry has already started working on the programme. Babacan also stated that the government is seeking to increase the per-capita income to US\$12,500 by 2015. A GDP growth of 4-5% could well make a national income of 2 trillion US-dollars and a per-capita income of even US\$25,000 possible, he said. On the other hand, the government's declared goal of figuring among the world's 10 largest economies by the year 2023 is not so easy to attain. Turkey currently ranks 17th behind Indonesia and ahead of the Netherlands, while the 10th rank is held by India, whose GDP is more than double that of Turkey.

April 17, 2013

▶▶ Politics

PKK wants to end armed struggle

This year's celebrations of Nowruz, the Persian-Kurdish New Year and spring festival, took place under the impression of a message by Abdullah Öcalan. The kingpin of terrorist PKK organisation, who serves a life term in prison on the island of İmralı, made the surprising announcement that it is time to continue the struggle for the rights of the Kurdish people with political means. Öcalan, emphasizing the commonalities between Kurds and Turks, ordered the armed members of his organisation to lay down their arms and leave the country. Despite a certain amount of scepticism, this development was very positively received by Turkish political and business circles. It is expected that the establishment of peace in the Southeast Anatolian region will release an enormous economic potential that will benefit the whole country.

March 22, 2013

Turkey adopts new law on foreigners

In the course of harmonising Turkey's laws with EU legislation, the Turkish parliament has passed a new law on foreigners, Law No. 6458, which will come into effect in a year's time. It supersedes the previous law, which dates back to 1950, the most significant novelty being that it now contains comprehensive regulations for the safeguarding of refugees, victims of persecution, and stateless persons, whose status had so far been insufficiently governed by a decree. For this purpose, a new Agency for Migration Management is being established within the Interior Ministry, which will be endowed with some 3,000 personnel of which 100 will be serving abroad. As before, initial applications for residence permits etc. must be filed with the Turkish consulates or embassies abroad. In addition to an improved protection of migrants and refugees in Turkey, the new law can be expected to lead to stricter regimentation of this field than previously.

PKK begins to pull out of Turkey

The efforts on the part of the Turkish government to end terrorism in the southeast of the country, which had been intensified in recent months, have rendered a first success: The Kurdish Workers' Party (PKK) has announced that it will gradually withdraw its armed units from Turkish territory, starting May 8. Thousands of illegal combatants are likely to retreat to the Qandil Mountains in northern Iraq, where the Kurdish guerrilla controls an area roughly 50 square kilometres in size. This is also where they held an improvised open-air press conference with around 100 journalists attending, in which the current head of the organisation, Murat Karayilan, made the said announcement, calling for continuation of the peace process. Karayilan is the chairman of the Executive Council of PKK umbrella organisation KCK (Union of Communities in Kurdistan), but in reality the PKK is still being steered by its imprisoned leader Abdullah Öcalan.

April 5, 2013

Other topics

New air service between Istanbul and Bursa

As of April 1, the transit authority of Bursa Municipality (www.burulas.com.tr) has started to offer a seaplane service to Istanbul. The flights are being operated by Seabird Airlines with a Twin Otter DHC-6 manufactured in Canada by Bombardier. Twice every day except on Tuesdays, 19 passengers can take the short air trip across the Sea of Marmara at a single fare of 100 TL. It takes just 18 minutes to get from Balat, on the Golden Horn, to the port of Gemlik some 30 kilometres north of Bursa, and vice versa. A city of two million inhabitants, Bursa is among other things the centre of the country's automotive industry as well as a manufacturing base for numerous international corporations such as Bosch. Accordingly, the new service is primarily aimed at executives and visitors of those companies.

March 1, 2013

Go-ahead for EON participation in Enerjisa

German electric and gas utility provider E.ON now holds 50% of the shares in the energy affiliate of Turkey's Sabanci Holding, Enerjisa. E.ON had acquired the shares at the end of 2012 from Austrian energy suppliers Verbund, which has terminated its operations in Turkey. In the meantime, Turkey's energy market regulatory authority has granted its approval of the share transfer. E.ON wants to build Enerjisa into one of the largest and most important actors in Turkey and the entire region. E.ON CEO Johannes Teyssen said that in the coming years massive investments into fossil-fuelled and hydroelectric power plants, but also into renewable energies are planned in order to achieve this aim. Among the scheduled measures is expanding Enerjisa's solar power output to 8,000 MW by the year 2020, from currently 2,000 MW of installed capacity and around 2,000 MW more under construction. Also acquiring a second power distribution company and boosting the number of electricity customers to 6 million is on the agenda.

March 15, 2013

Turkish railway system to be substantially enlarged

Turkey intends to more than double the length of its rail network by the year 2023 by building a total of 14,975 kilometres of new track – 4,997 kilometres conventional and 9,978 kilometres high-speed – in addition to the currently around 11,000 kilometres, only 888 kilometres of which are high-speed lines. The electrification ratio is to be raised from currently 26% to 60%, and the share of double-track lines from 9% to 50%. This makes rail transport the largest item – US\$45bn – of the public investments of US\$350bn to be made by the 100th anniversary of the Republic of Turkey in 2023. Approx. US\$25-30bn of the financing is to be contributed by China, since pursuant to an intergovernmental agreement, over 70% of the new high-speed lines are to be built by Chinese companies.

April 4, 2013

Expansion of wind power progressing

The expansion and diversification of renewable energies in Turkey are making gradual progress. In the field of wind energy already 61 facilities with an installed total capacity of 2,312.15 MW are operating, with another 23 wind power plants which are to generate a total of 604.15 MW of clean electricity currently under construction. The main focus of the newly constructed facilities is on the west of Turkey, where also the best wind conditions can be found. 44.04% of the additional capacity are in the Aegean, and 42.22% in the Marmara region.

April 5, 2013

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FOREIGN MARKET CONSULTING Ltd. Sti.
Managing Director: Peter J. Heidinger

Büyükdere Mahallesi Cayirbasi Cad.
Dede Yusuf Sok. No:11
TR-34453 Sariyer-Istanbul
Tel: +90-212-36 38 052
Fax:+90-212-36 38 056
www.fmconsulting.info
info@fmconsulting.info

Sales Department

English: +90-212-36 38 055
German: +90-212-36 38 052
Turkish: +90-212-36 38 050

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Tel: +90-212-3638 050 info@fmconsulting.info
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