

FOREIGN MARKET CONSULTING



Danismanlik ve Tic. Ltd. Sti.

Today you are receiving our latest newsletter about recent economic and political developments in Turkey.

We would like to hear your opinions about our newsletter and about any important issues that you would like to draw our attention to. In addition, we will be pleased to inform you about the services of Foreign Market Consulting.

If you know any other people that would be interested in this free service, please forward this newsletter to him/her or provide us with the e-mail address of the interested person (to newsletter@fmconsulting.info), so that we can include him/her in our distribution list.

Best regards,

Your FMConsulting Team

Newsletter December 2006

Economy

Overview of Monthly Data

YTL-Rates	01.11.	30.11.	Change in %
YTL per Euro	1.9068	1.8676	-2.06
YTL per USD	1.4448	1.4199	-1.72

Stock exchange index	38,066.89	39,138.18	2,81
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Inflation in %	Monthly inflation	Annual inflation
Producer prices	3.9	11.58
Consumer prices	0.57	9.65

Turkish Economy Swiftly Adapts to the EU

Stressing that the developments had occurred in many economical areas in Turkey since 2001 crisis, Joaquin Almunia who is the Member of the EU Commission and in charge of the Monetary and Economic Affairs stated that the inflation has retreated to single-digit figures. The banking sector in particular has achieved a very strong structure and the average economic growth exceeded 6. Joaquin Almunia stated that Turkey possessed a "running market economy," which is one of the most important criteria sought in EU candidates and the first of the Copenhagen Criteria.

A Tendency of Decrease is Observed in Consumption

In the third quarter of the year, a decrease in the consumption and production of the private

sector has played a role in the slowdown of the national income growth rate. In addition, the economical effects of the two elections that are to be held in 2007 are eagerly awaited.

(%)	January-March	April-June	July-September	January-September
Private Final Consumption Expenditures	8.4	10.4	1.3	6.2
Food and Beverages	6.7	5.6	-1.1	2.9
Durable Consumer Goods	13.4	16.5	-8.9	6.3
Semi Durable and Perishable Consumer Goods	12.7	22.4	20.9	18.5
Power, Transportation, Communication	2.5	5.5	2.2	3.4
Services	5.3	6.3	2.7	4.5
House Ownership	2.0	2.1	2.2	2.1
Final Consumption Expenditures of the State	8.1	18.0	15.4	14.2
Wages, Salaries	1.6	2.2	1.9	1.9
Other current	23.1	41.2	32.2	33.4
Gross Fixed Capital Formation	30.8	11.5	9.4	15.7
Public Sector	34.5	-11.4	-5.6	-2.2
-Machinery, Equipment	-8.0	-22.5	-32.2	-24.7
- Building Construction	-19.1	-6.4	15.6	2.7
- Non-building Construction	85.5	-6.5	2.8	9.7
Private Sector	30.4	15.4	13.0	18.8
-Machinery, Equipment	32.7	11.5	4.8	15.5
- Building Construction	24.1	27.7	28.7	27.2
Stock Movements	-	-	-	-
Exports of Goods and Services	2.9	3.4	5.7	4.1
Import of (old) Goods and Services	8.2	9.5	1.7	6.6
Gross Domestic Product	6.5	7.8	3.4	5.7

Current Account Deficit is up to USD 37 billion

If the increase rate in foreign currency income and expenditures for the first ten months are maintained for the remaining two months, the annual current account deficit will increase up to USD 37 billion and this will cause the ratio of the current account deficit to the national income to approach 10 %. This figure has been realized as 6.3 % and reached up to 8.9 % in the first 10 months. The projected rate for the end of the year has been determined as 9.5 %.

Increase in Rents Doubled the Inflation

While the annual inflation was 9.86 % in the Consumer Price Index as of November 2006, the actual rental fees increased by 19.9 % within the same period.

9 Months Expenditure Increase Rates with Fixed Prices

Expenditure Groups	2000 (%)	2005 (%)	Share (%) *
Private final consumption expenditures	6,2	6,9	66,0
State final consumption expenditures	14,2	3,9	6,3
Gross fixed capital formation	15,7	18,1	29,2
Exports of goods and services	4,1	5,8	43,4
Imports of goods and services	6,6	10,1	-49,4

*• Share in total expenditures.

9 Months Growth Rates with Fixed Prices

Sectors	2000 (%)	2005 (%)	Share in Total Growth (%)
Agriculture	-1.2	4.5	11.2
Industry	7.3	5.0	30.1
Construction	20.1	19.7	4.7
Commerce	5.9	5.8	24.0
Transportation and Communication	3.0	3.9	12.8
Financial Institutions	0.7	0.1	1.5
House Ownership	2.1	1.6	4.1
Self Employment and Services	4.2	5.5	2.2
Civil Services	1.9	0.2	3.4
Non-Profit Organizations	0.7	-0.4	0.3
Import Tax	10.4	10.5	7.6

Gross Domestic Product	5.6	5.5	100.8
Gross National Product	5.7	5.5	100.0

Inflation Target Fixed to 4% until 2009

Announcing its Money and Exchange Rate Policy Report to be implemented in 2007, The Central Bank defined interim targets to be applied on a quarterly basis in accordance with an inflation target of 4 %. According to this, it was proposed that inflation would drop to 4 % by the end of 2007 and will be 4 % in the following years until 2009.

Minimum Wage Increased by 6 %

As it happens every year that the minimum wage is to be applied after the New Year's Day has been determined after fierce arguments. The net minimum wage has been increased by 6 %, corresponding to YTL 23 and has been determined as YTL 403.03 in the first half of the year. This amount will be YTL 419.15 starting from July 1, 2007.

Minimum Wage and It's Cost to the Employer

(in YTL)	Current Minimum Wage	After January 1, 2007	After July 1, 2007
Gross Minimum Wage	531.00	562.50	585.00
Net Minimum Wage	380.46	403.03	419.15
Cost to the Employer	645.17	683.44	710.78

The Budget for 2007 is 204.9 billion YTL

Whereas the amount of expenditures within the budget for the year 2007 which was passed by the Assembly has been established as 204,998 YTL and the budget revenues as 188,2 billion YTL, a budget deficit of 16,829 million YTL is expected.

Central Administration Budget

Expenditures	204.9
Revenues	188.1
Primary Surplus	36.1
Non-interest Expenditures	152.0
Personnel Expenditures	43.7
State Premiums to Social Security Organizations	10.1
Procurement of Goods and Services	15.6
Interest Expenditures	52.9
Current Transfers	60.9
Capital Expenditures	12.1
Capital Transfers	3.6
Lending	3.7
Reserve Funds	2.4
Tax Revenues	158.1
Non-tax revenues	26
Budget Balance	(-) 16.8

Politics

Erdogan shall not be the President

Dunya Newspaper has obtained the views of Anatolian businessmen by meeting 278 of them from 48 provinces, stated that a majority of the businessmen considered presidential elections and the EU negotiations as stress points. More than 75 % of the businessmen surveyed who believe that this will lead to fragility and fluctuations and opposing the candidacy of Erdogan

for presidency.

Steinmeier: Priority will be Given to the Negotiations with Turkey and Northern Cyprus Trade Regulations

Frank Walter Steinmeier who is the Minister of Foreign Affairs of Germany, which will assume the presidency of EU on January 1, 2007, listed among their priorities the opening of a new era in the negotiations with Turkey and the acceptance of regulations concerning direct trade with Northern Cyprus. Rehn, a Member of the European Commission in charge of expansion said "I hope that we can initiate negotiations with Turkey under the first heading within the first few weeks of the German presidency. "Establishments and Industrial Policy" will be the most probable subject as the first heading of the negotiations

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Further Topics

50 % of the Automotive Export is Made to 5 European Countries

In the first 11 months of the year, the automotive sector made more than 50 % of their export to Italy, Germany, France, England and Spain. However, according to the report of the Automotive Industry Association, the total motor vehicle sales decreased by 15 % and automobile sales decreased by 20 % within this period.

The Share of Foreigners in Banking Exceeds the EU Figures

The share of foreigners in banking has reached 17.4 % by November. When the shares of Sekerbank, Tekfenbank, MNG Bank Akbank (for which a sale agreement has been reached but the transfer process has not been completed) are included then this rate increases up to 20.5 %. The share of foreigners together with the publicly traded portions, exceeds 36 % and it is 10 points over the EU average, which is to be 26 %.

Energy and Tourism as New Target Areas for Deutsche Bank

Deutsche Bank is ready to share it's strong expertise in the restructuring and collection of bad loans with Turkish Financial Institutions. Dilek Yardim who is The General Manager of Deutsche Bank said, that "the second hand loan market is slowly developing in Turkey," and added that the company has chosen energy and tourism as target sectors after estates and maritime trade for 2007.

Information Sector Expects a Growth of 17% in 2007

The representatives of the sector are expecting a growth in the coming year and considering the presidential and the parliamentary elections as two dangerous curves. The information technologies market is expected to reach USD 23 billion at the end of 2006 and reach to USD 27 billion with a growth rate of 17 % in 2007.

Biscuits, Foodstuffs, TV and Jewellery are Taken Under the Coverage of

Turquality Project which is initiated three years ago to support the image of the Turkish Brand has expanded to cover consumables, durable consumer goods, household tools, jewellery and automobiles along with ready-made clothing. An agreement has been signed with

Deloitte, AC Nielsen and Trout and Partners within the framework of the vision "10 global brands in 10 years".

Nobel Prize to Pamuk

Professor Engdahl stated that Orhan Pamuk who has been awarded the 2006 Nobel Prize in Stockholm has made Istanbul as an indispensable land of literature, just like St. Petersburg of Dostoyevsky, Dublin of James Joyce and Paris of Proust.

Ciner Group has Signed a Letter of Intent with German EnBW

German EnBW and Ciner Group have signed a letter of intent for cooperation in the power sector. In a statement made by EnBW, it was mentioned that the joint venture is aimed creating a new added value chain in the power supply field which possesses a vertically integrated structure and the partners would first participate in tenders for AYEDAS, Baskent and Sakarya Elektrik.

German Win:pro Energy Comes for Investment in Turkey

Win:pro Energy Group which is one of the leading German firms in renewable energy, comes to Turkey to establish wind and hydroelectric power plants. The company, which will enter the Turkish market by concluding a 50 % partnership with Ak-EI Akisar Elektrik Uretim A.S., will first establish a 66 MWh wind power plant in Kemalpaşa - İzmir. Win:pro Energy has signed a USD 51.2 million turbine contract with the turbine factory belonging to Enercon-Demirer partnership for Kemalpaşa wind power plant.

Visa Problem in Land Transportation

The staying period of 90 days with a 6-months visa was reduced to 45 days by Germany according to Schengen provisions yielded various reactions. The President of TIM, Oguz Satici, said that the Turkish-German trade was undermined and the situation was serious and requested help from the government for the urgent resolution of the matter in a press briefing held with the managers of UND and RODDER. In view of the application, transporters say that they could boycott the application by shutting off the engine. Turkey possesses 150,000 passage certificates, uses the half of these for Germany and the other half for transit passages. The decrease in the period will also negatively influence transportation which is made to other countries.

The Economy of Edirne will Accelerate with "Train"

The Edirne economy is preparing for a boom with the Edirne-Istanbul fast track train which will be completed in 2008. The addition of Istanbul-Sofia and Sofia-Paris lines to the track will allow travelling from Istanbul to Edirne in 55 minutes which will increase the attraction of the city.

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FOREIGN MARKET CONSULTING Ltd. Sti. is a German-Turkish consulting company. We specialize in providing competent consultancy services for foreign companies towards opening up to Turkish market, lastingly consolidating the market position and concluding strategic alliances between foreign and Turkish companies. If you need further information, please do not hesitate to contact Mr. Peter Heidinger.

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