

# ▶▶ Hello!

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

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Your FMConsulting Team

## ▶▶ Our newest service: Advertising!

## ▶▶ Economy

### Overview of Monthly Data

TL-Rates	31.01.2013	28.02.2013	Change in %
TL pro Euro	2.3902	2.3603	-1.2551
TL pro USD	1.7633	1.7988	2.0133

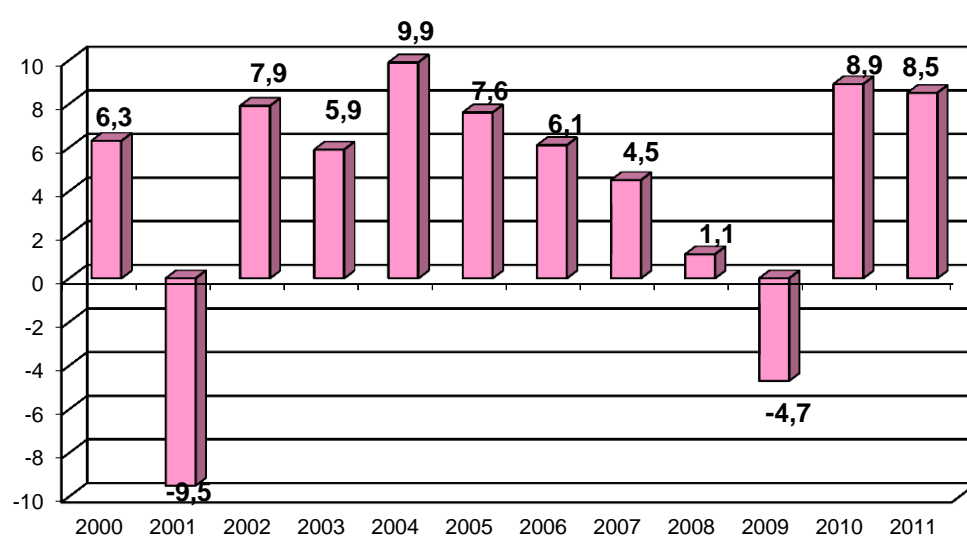
Stock exchange index	78.957,00	79.333,70	0.4771
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Inflation in %	Monthly inflation	Annual inflation
Producer prices	-0.13	1.84
Consumer prices	0.30	7.03

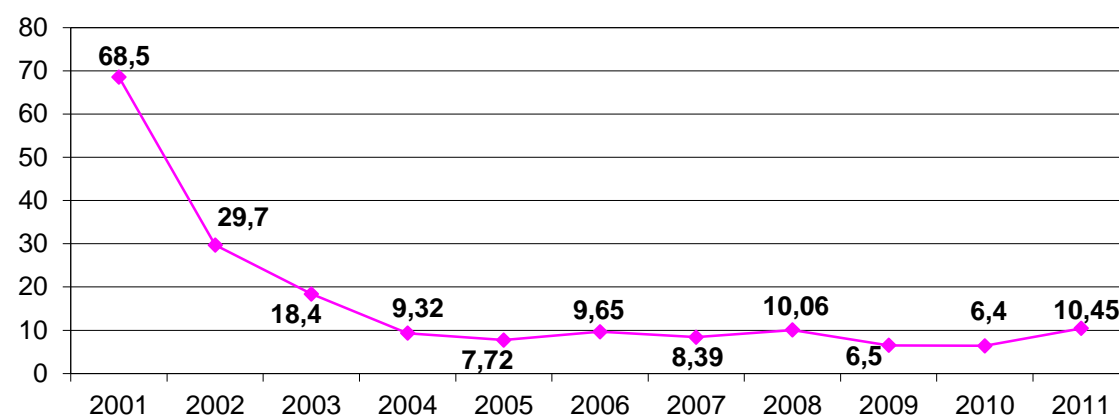
### Growth Rates

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	8.9
2011	11.6	8.8	8.2	5.2	8.5
2012	3.4	3.0	1.6		

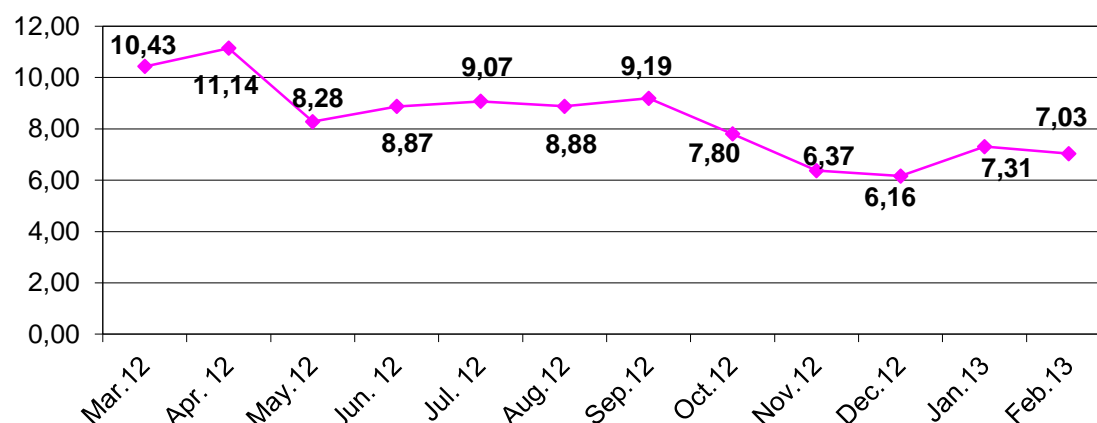
Growth Rates (%)



Annual Inflation of Consumer Prices (%)



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



### Energy sources account for one quarter of Turkey's imports

Last year, Turkey's energy imports increased by 11.1%, that is, to over US\$60bn compared to US\$54.1bn in 2011. For the first time, energy sources – in particular gas and oil – accounted for more than 25% of the total imports of approx. US\$237bn. With energy exports of around US\$7.7bn, 62.25% of the US\$84bn trade deficit was attributable to the energy sector. In the past decade, the country's energy imports rose by a factor of 6.5: Having amounted to just US\$9.2bn in 2002, they increased sharply to US\$48.3bn by 2008, then dropping to US\$29.9bn in 2009, the year of crisis, to climb back to US\$38.5bn in 2010. According to IMF estimates, they will have surpassed the 70-billion-dollar mark by the year 2017.

February 1 / March 6, 2013

### Inflation on the rise again at beginning of year

While Turkey's Consumer Price Index (TÜFE) increased only 0.38% in December, prices rose 1.65% in the first month of the current year, which would result in an inflation forecast of 7.31% for 2013 overall. The highest price increase for any merchandise group was 14.26% for alcoholic beverages and tobacco products, with certain vegetables such as tomatoes (51.26%), aubergines (47.72%), peppers (45.85%) and courgettes (45.07%) being the inflation champions. However, analysts are united in the view that this is only a temporary setback, and that a total inflation rate of 6.2–6.3%, around the level of the previous year, is to be expected for this year. On the other hand, the inflation target set by Turkey's government is about one percentage point lower than this.

February 5, 2013

### Turkish trade gap starts to open again

Throughout the past 14 months, Turkey's trade deficit had dropped consistently, though at various rates, in comparison with the same months of the previous year. However, this trend did not continue in January. While the country's exports reached more than US\$11.5bn, marking an 11.2% increase over January 2012, imports also grew by 7.6% to around US\$18.8bn. Despite a 2% improvement in the export-import ratio as compared to a year ago, to 61.2%, the trade gap widened by 2.4%, reaching close to US\$7.3bn. Economy Minister Zafer Caglayan was quick to announce that no month of January have ever seen such an export figure, voicing his confidence that the export target of US\$158bn, as foreseen for this year in the Medium-Term Economic Programme (MEP) 2013-2015, will be achieved in any case. Furthermore, Caglayan emphasized that his government has pursued a strategy of market differentiation since 2009, which he said resulted in export gains of the order of US\$42bn in the period 2009-2012.

### Foreign trade according to months (million US\$) – Chg. = change over the previous year

Month	Exports	Chg. (%)	Imports	Chg. (%)	Balance	Chg. (%)
February 12	11,748.7	16.8	17,787.3	1.5	-6,038.5	-19.1
March 12	13,209.5	11.8	20,677.3	-4.5	-7,467.8	-24.0
April 12	12,631.5	6.4	19,272.8	-8.0	-6,641.3	-26.9
May 12	13,133.0	20.0	21,750.4	3.0	-8,617.4	-15.2
June 12	13,233.7	16.6	20,437.9	-5.4	-7,204.2	-29.8
July 12	12,833.3	8.2	20,835.1	-1.1	-8,001.8	-13.0
August 12	12,833.8	14.1	18,282.4	-4.3	-5,994.6	-28.9
September 12	12,959.5	20.5	19,924.3	-6.0	-6,964.9	-33.4
October 12	13,204.0	10.9	18,786.7	-5.7	-5,582.6	-30.3
November 12	13,767.0	24.3	20,949.2	12.3	-7,182.2	-5.1
December 12	12,633.3	1.2	19,826.0	-3.7	-7,192.7	-11.4
January 13	11,509.0	11.2	18,799.7	7.6	-7,290.6	2.4
<b>12-month in total</b>	<b>153,696.6</b>	<b>13.3</b>	<b>237,875.2</b>	<b>-1.5</b>	<b>-84,178.6</b>	<b>-20.4</b>

March 1, 2013

### Small countries invest big in Turkey

The statistics on foreign direct investments published by the Turkish Central Bank hold quite a surprise – small European countries were the biggest investors in Turkey in the past decade. For example, almost twice as much capital flew from the country that proved by far the keenest to invest – the Netherlands – as from the second-ranking United States, and over three times as much as from big neighbour Germany. More small countries to outperform Europe's largest economic power were Austria, Belgium, Greece, and Luxembourg. Here are some of the figures:

#### Direct investments in Turkey 2002-2011, choice of countries (million US\$)

<b>Gulf States</b>	<b>6,572</b>
Bahrain	301
Qatar	228
Kuwait	897
Saudi Arabia	1,432
UAE	3,704
Other	10
<b>Azerbaijan</b>	<b>1,383</b>
<b>Europa</b>	
Belgium	7,283
Germany	5,000
France	6,008
Greece	6,605
United Kingdom	4,606
Italy	1,910
Luxembourg	5,353
Netherlands	15,557
Austria	7,095
Russia	2,567
Switzerland	1,108
Spain	4,147
<b>Americas</b>	<b>9,154</b>
USA	8,091
Other	1,063
<b>Asia</b>	<b>2,222</b>
Hong Kong	249
Japan	754
Kazakhstan	680
Malaysia	54
Singapore	106
South Korea	379
<b>Other</b>	<b>4,490</b>
<b>TOTAL</b>	<b>91,060</b>

March 6, 2013

### Unemployment reaches lowest level in 11 years

According to official statistics, some 2,518,000 people in Turkey were registered as unemployed at the end of 2012, 97,000 less than in 2011. Thus, last year's unemployment rate totalled 9.2%, a 0.6% decrease over 9.8% in the previous year, following the record high of 14.0% in 2009, and the drop to 11.9% in 2010. Although this was slightly above the target value of 9.0% anticipated by the government in its MEP, it should be noted that the only lower, and last single-digit, unemployment figure had been 8.4% in 2001.

March 7, 2013

## ▶▶ Politics

### Chancellor Merkel on a difficult mission to Turkey

German Head of Government Angela Merkel's short visit to Turkey does not appear to have yielded any breakthrough results. Besides the issues of terror and the economy, the high-level talks were dominated mostly by Turkey's relationship with the European Union. Though Chancellor Merkel spoke out in favour of expediting the accession negotiations, she also made no secret of Germany's reservations as to matters such as democracy and human rights. As already at his latest official visit to the Czech Republic, Prime Minister Erdogan took a self-assured stance, saying that while his government stands by its goal of full membership to the EU, today Turkey does not need Europe any more, but Europe needs Turkey. Erdogan added that in effect his country is already a part of Europe, and one will just have to wait for the formal procedure to be completed.

February 26, 2013

### Greece and Turkey agree on closer cooperation

On the occasion of the 2<sup>nd</sup> High-Ranking Cooperation Council between Turkey and Greece, Turkey's Prime Minister Recep Tayyip Erdogan held a joint press conference in Istanbul with his Greek counterpart Antonis Samaris. Erdogan dwelled on his country's close commercial ties with Greece, stating that his government is intent on expanding the present trade volume of US\$5bn, of which US\$3.5bn are imports from and US\$1.5bn exports to Greece, to US\$10bn. Political differences, specifically in the Cyprus issue, he said, must be overcome for the mutual benefit of both countries. Samaris spoke of a good day for the relations between his country and Turkey, both sides having held positive and constructive talks, and more than 25 intergovernmental agreements having been signed in various fields such as tourism, culture, and technology.

March 5, 2013

### **King of Jordan on state visit to Ankara**

Jordan's King Abdullah II. and Queen Rania recently paid an official visit to Turkey. The focus of his consultations with Turkish President Abdullah Gül was on the current situation in the Middle East, particularly in Syria. Jordan and Turkey are the two countries most severely affected by the armed conflict in their neighbouring country: Up till now, around 300,000 Syrians have fled to Jordan, while Turkey is already hosting over 180,000 refugees of the Syrian civil war. Another important topic on the agenda was the extension of economic relations between the two countries – numerous top-notch businessmen and entrepreneurs had joined the King's entourage, seeking to establish further contacts in Turkey.

March 6, 2013

## Other topics

### **"Silk Wind" Project to establish rail connection with Central Asia**

A modern rail connection totalling 6,998 kilometres in length is currently under construction between time-honoured Haydarpasa railway station on the Asian shore of the Bosphorus and the extreme East of Kazakhstan. In future large freight block trains are to take this route from Istanbul to Kars (1,876 km), and then via Tiflis/Georgia to Baku/Azerbaijan (786 km). From there the containers will be transported by ship across the Caspian Sea (490 km) to the Kazakh port of Aktau, and on another 3,846 kilometres across this vast country as far as the town of Dostyk on the Chinese border. Building a new 988 km long track in Kazakhstan will shorten the route by 1,200 km, to 5,798 km, and cut average travel time from 16 down to 12 days. The states involved anticipate the "Silk Wind" Project to boost trade along the West-East axis.

February 1, 2013

### **Precarious income situation in majority of Turkish households**

While national statistics report a per-capita income of US\$10,469 for Turkey in 2011, a representative household survey commissioned by Turkey's Ministry for Family and Social Policy in the same year gives a more precise picture: By their own account, 72.3% of the sampled population – 69% in urban areas and 84% in rural areas – had a monthly household income of no more than 1,200 TL, while only 6.6% of households had over 2,500 TL at their disposal. The majority of households, 41.8%, have to subsist on 800-1,200 TL per month. 9.0% of the polled households (23% in the country's Southeast) even stated a monthly income of less than 400 TL, while 7.6% had 400-600 TL and 13.9% 600-800 TL. To put things in perspective: At the current exchange rate, the per-capita-income amounts to almost 1,600 TL per month, and the statutory minimum wage of presently net 774 TL was around 650 TL in 2011. No wonder almost 17% of respondents described themselves as "poor".

February 19, 2013

### **Italian "Oscar of Economy" goes to Turkish entrepreneur**

Mustafa V. Koc, Chairman of the Board of Directors of Koc Holding, has received the International Leonardo Prize 2012. At a ceremony held in Rome, Koc was presented the award by Giorgio Napolitano, the President of the Italian Republic. The award is awarded by the Leonardo Committee, an initiative of Italian industrialists, each year since 1993 to foreign businessmen that have made an extraordinary contribution to strengthening the economic and commercial relations with Italy. Family-led Koc Holding is Turkey's top industrial and financial conglomerate and a strategic partner of the largest Italian investments in Turkey, the three 50/50 joint ventures Tofas (with Fiat), Yapi Kredi (with Unicredit) and Türk Traktor (with CNH). Riccardo Monti, Director of Italy's Agency for Economic Promotion of (ICE), pointed to the fact that trade between Italy and Turkey more than doubled in the past 10 years, reaching a volume of over 15 billion Euros in 2011.

February 20, 2013

### **Considerably fewer company formations in 2012**

The deceleration of economic growth in Turkey is clearly reflected in the decreasing number of new company formations: In 2012, 27.2% fewer companies were formed than in the year before. Out of the 38,887 companies newly formed in the course of last year, 34,764 were private limited companies and 4,059 joint-stock companies. On the other hand, due to stricter corporate law requirements, the number of new partnership companies increased by 11.6% to 67,455. At the same time, 14,168 companies went out of business, 8.2% more than in the previous year. Also, with an amendment to the Turkish Commercial Code, an internal auditing procedure was made mandatory for 98,000 joint-stock companies in order to protect the rights of shareholders and creditors, and additional facilities for corporations were introduced.

February 21 / March 14, 2013

### **First Conforama store opens in Turkey**

Conforama goes Turkey: With over 200 points of sale in 7 countries and US\$3bn 164mn turnover in 2012, the Paris-based furniture department store ranks among Europe's largest. On March 21, the French company opens its first store in Ümraniye/Istanbul, with 50 more around the county to follow in the next 5 years. According to CEO Thierry Guibert, Conforama's principal target group are young professionals, whom they want to draw with modern products at budget prices. With German DIY hypermarket chain Praktiker withdrawing their operations from Turkey, Conforama has expressed an interest in taking over the now vacant facilities. Guibert said that unlike Praktiker his company intensely worked for 2 years to prepare its market entry, putting together a team of executives that is 90% Turkish.

February 22, 2013

### **Turkish e-commerce business continues to boom**

The internet retailing business in Turkey continued to grow steadily in the course of last year. In 2012, the volume of electronic commerce increased by 30% over the previous year to reach TL30bn 664mn. As of now, internet advertising investments have surpassed the 1-billion-Lira mark. The dynamic development of the Turkish web market attracts great interest also among foreign investors – the past year has already seen 22 mergers and acquisitions in this sector.

March 12, 2013



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