

▶▶ Hello!

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

We apologize for not being able to send our Newsletter in the past 3 months due to some organizational reasons.

We are sorry for any delay that you may have encountered during this period and thank you for your understanding.

Best regards,

Your FMConsulting Team

▶▶ Economy

Overview of Monthly Data

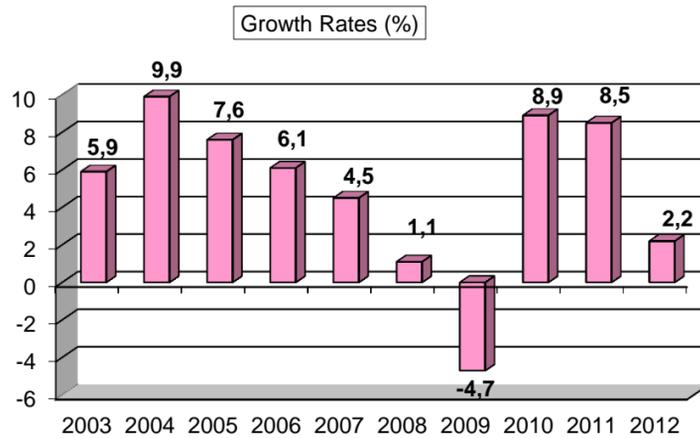
TL-Rates	28.06.2013	31.07.2013	Change in %
TL pro Euro	2.5183	2.5654	1.87
TL pro USD	1.9282	1.9343	0.32

Stock exchange index	76,294.50	74,343.60	-2.56
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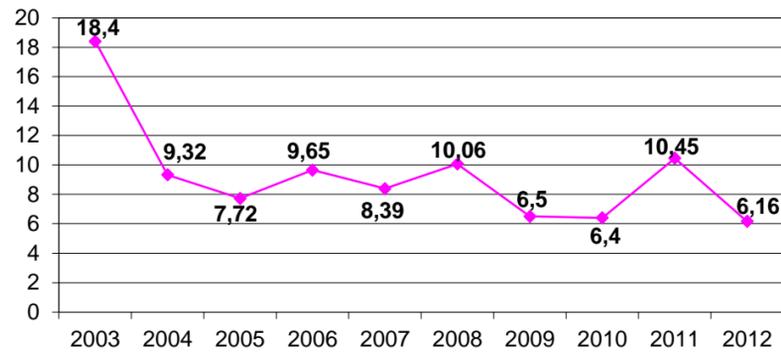
Inflation in %	Monthly inflation	Annual inflation
Producer prices	0.99	6.61
Consumer prices	0.31	8.88

Growth Rates

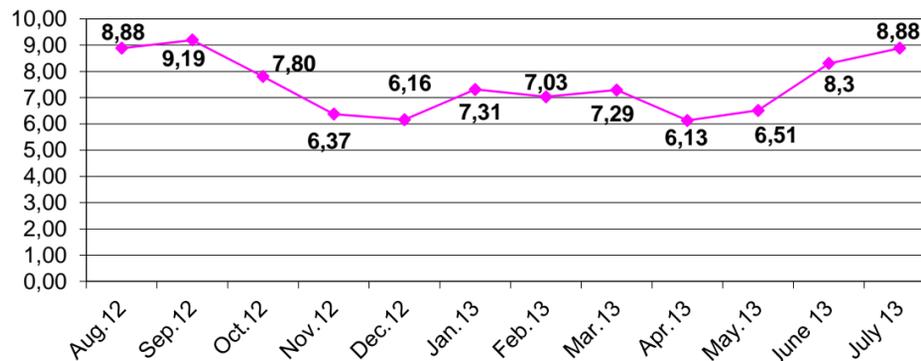
Economic Growth Rates (%)					
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Yearly
2000	4.2	5.4	7.2	7.8	6.3
2001	-3.3	-12.3	-9.1	-12.3	-9.5
2002	0.6	10.4	8.0	11.8	7.9
2003	7.4	3.6	5.6	7.2	5.9
2004	13.9	15.7	8	6.6	9.9
2005	7.5	4.7	8.0	10.0	7.6
2006	6.3	9.3	4.3	4.6	6.1
2007	8.1	4.1	3.3	3.6	4.5
2008	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
2013	3.0				



Annual Inflation of Consumer Prices (%)



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



Turkey's economy grows 3.0% in 1st quarter of 2013

The Turkish economy registered a higher than expected growth rate in the first quarter of the year. According to official data by the National Statistical Agency (TÜİK), the country's gross domestic product reached TL28bn 75mn, a 3.0% increase over the same period of the previous year. While the fastest growth was recorded in the tourism sector (13.7%), the construction industry grew 5.9% and the manufacturing industry 2.8%. At -4.5%, the mining industry suffered the highest first-quarter negative growth.

June 11, 2013

Central Bank raises prime rate to back the Lira

In order to stop the Lira from losing value, Turkey's Central Bank has raised the prime rate by 0.75 points to 7.25%. Further devaluation of the domestic currency would have caused the country's already high current account deficit as well as the inflation rate to continue to rise, discouraging foreign financial investors. On the downside, the more restrictive monetary policy makes loans less affordable, which has a negative impact on domestic growth. Previously the Central Bank had attempted to boost the country's currency with Interventions in the amount of US\$1.3bn but this intervention did not bring any lasting success.

July 11/24, 2013

Low taxes to help lure Turkish capital back

The continuous flight of capital from Turkey – US\$3bn were withdrawn by foreign investors in July alone – presses the Turkish government to try and lure Turkish capital abroad into the country. A law had been enacted at the end of May which provides for a low tax rate of 2% being imposed on repatriated capital registered by July 31. Now that this partial amnesty – the ordinary tax rate would be 30-40% – has so far generated some €384mn in revenue, it has been extended until October. The total volume of Turkish capital abroad is estimated at US\$130bn, of which US\$25.8bn have already been brought back into the country. On the other hand, World Bank data indicate that remittances by Turks living abroad to their families in Turkey have slumped 90% in the past 14 years. While emigrants transferred US\$8.2bn to their home country in 1998, the transfer total in 2012 was only 961mn US\$.

July 30 / August 2, 2013

Increase in industrial production raises hopes for stronger growth

Turkey's industrial production in June increased by 4.2% compared to the previous year and 1.4% compared to the previous month. The most recent data of the National Statistical Office show that while mining and energy production have declined by 2.1% and 0.5 %, respectively, over the previous year, the manufacturing industry increased its output by 5.4%. In comparison to the month of May, all 3 sectors grew: mining by 1.7%, energy production by 0.6%, and the manufacturing industry by 1.4%. Economy minister Caglayan regards this as a positive signal for continuous quarter-to-quarter GDP growth, which he expects to be well above 3% by the end of year. In the first three months of the year, the growth rate had been 3.0%. And industry minister Ergün is even confident that the growth forecast of 4% made in the government's medium-term programme is going to materialize.

August 12, 2013

Turkey and Russia to triple their trade volume

Russia intends to expand its trade relationships with Turkey, seeking to increase the trade volume from currently US\$34bn to US\$100bn. Russia's ambassador to Ankara, Andrei Karlov, said his government would be "delighted" if Turkey were to become the principal buyer of Russian energy carriers. Apart from that, Russia also wants to attract more tourists from Turkey. While over 3.5 million Russians a year visit Turkey in their holidays,

Turks only show little interest in travelling to Russia, Karlov said. That is why Moscow soon wants to establish a “Russian House of Science and Culture” in Ankara for the promotion of cultural exchange. Contrary to Iran, Russia is regarded by Turkey as a reliable business partner, e.g. as supplier of petrol and natural gas.

August 12, 2013

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

▶▶ Politics

Financial supervision authority disclaims rumours about punitive action

The head of Turkey’s Capital Market Authority (SPK), Vahdettin Ertas, has denied allegations that the government wants to take revenge on the financial community for the Gezi Park events. He said that the review currently conducted by the SPK of numerous companies that jointly control 93 per cent of all financial market transactions in Turkey was merely a routine procedure. AKP opponents believe that the probe, in which the SPK demands access to all bank accounts, e-mails, foreign transactions and personal data, is a punitive action. This is because during the protest campaign Prime Minister Erdogan had declared war on what he called the “interest-rate lobby” – which actually is a mistranslation of “interest lobby” that has been in circulation for some years. “All banks associated with this lobby are going to pay a high price. Even our patience has an end,” the premier said. Previously he asserted that those very “exploiters” were behind the protests.

July 9, 2013

Power of Turkish military continues to be curtailed

The Turkish government is anxious to curtail the military’s powers still more. Along these lines, Article 35 of the Military Service Act has now been amended. The previous wording was: “It is the duty of the Turkish Armed Forces to protect the Turkish territory and the constitutionally proclaimed Republic of Turkey.” In the amended version, the military’s role has been reduced to “protection against threats and dangers from abroad.” This eliminates any justification for military action against suspected enemies of the constitution in the form of a coup d’état. In order to forestall any risk of a coup, the AKP government is trying to transform the military also in terms of personnel. Just ahead of sentencing in the so-called Ergenekon trials, the supreme commanders of all services were replaced. The general commander of the gendarmerie, General Bekir Kalyoncu, who is rumoured to have ties with alleged putschists, was sent into early retirement.

July 4/30 / August 4, 2013

Politics divide Turkey’s business community: “Anatolian Tigers” vs. the Istanbul establishment

The mass protests in Turkey have also revealed the crack that runs through the Turkish business community. Several prominent members of TÜSIAD, the outspoken employers’ association that is widely regarded as representing liberal entrepreneurs, sided with the anti-government protesters. On the other hand, the associations of religious-conservative businessmen from Anatolia (MÜSIAD and TUSKON), which are winning more and more influence on Turkey’s economy, stood firm with the AKP government led by Prime Minister Erdogan. Meanwhile entrepreneurs and bankers critical of the government were personally denounced by Erdogan.

June 28 / July 25/30 / August 7, 2013

Unprecedentedly harsh sentences in Ergenekon trials

Sentences have been passed in the Ergenekon trials that had been dragging on for five years. Out of a total of 275 defendants charged with attempting to violently overthrow the AKP government, among them many high military officers, but also journalists and lawyers, only 21 were acquitted. The former commander of the Aegean Army, Hursit Tolon, received the severest punishment, being sentenced to 129 years of aggravated imprisonment. The leader of the leftist-nationalist Workers’ Party (Isci Partisi), Dogu Perincek, received a sentence of 117 years. Likewise Ilker Basbug, the former Chief of Staff of the Turkish Armed Forces, is to spend the rest of his life behind prison bars. Retired brigadier general Veli Küçük was also sentenced to life in prison. *Cumhuriyet* editor Mustafa Balbay was handed a 34 years and 8 months prison sentence. Members of the opposition were highly critical of the proceedings, questioning the court’s independence. Appeals against the verdicts were filed with the Supreme Court of Appeals.

August 5, 2013

▶▶ Other topics

Car manufacturers continue to place trust in Turkey

After 40 years, the Ford Motor Company has shifted its commercial vehicle production from Southampton, England, to Turkey. In future, the Transit van will be built at Otosan, a joint venture with Turkey's Koc Group, in Gölcük near Istanbul. In order to remain competitive, Ford is forced to cut down on staff and to shut down some of its plants. The significantly lower costs of production are the strongest argument for relocating to Turkey. Meanwhile, the new models of the Toyota Corolla are already rolling off the line in the province of Sakarya. The Japanese carmaker has invested another €150mn in its facility there, creating some 900 new jobs. With a production capacity of 180,000 vehicles per year, 30,000 more than previously, estimated export revenue of around US\$1bn a year is being forecast for Turkey. Thus far, about 1.3 million cars have been produced in the company's Adapazarı plant.

July 3/26, 2013

PwC predicts steady growth of Turkey's media sector

In a recent report, PricewaterhouseCoopers (PwC) has painted a very promising picture of Turkey's media and entertainment industry. By the end of 2013, the sector is expected to grow to US\$11.6bn, compared to US\$10.2bn in the previous year. Subsequently, the experts predict an annual growth of 11.4% for the next five years, more than double the world-wide average. Online advertising, internet services, and digital media were at the focus of the PwC survey. In particular the internet access business in Turkey is anticipated to boom in the next 5 years: sales figures in this field of operations are expected to soar, from US\$2.72bn in 2012 up to US\$7.25bn in 2017. Mobile internet services are set to become the key drivers of sector growth in Turkey. According to the report, Turkey is already the second-largest internet advertising market in Central and Eastern Europe. Online advertising spending is expected to more than double by 2017 to reach US\$1.27bn. It is worth noting that Turkish consumers have spent some US\$17bn on online shopping in 2012 alone.

July 17, 2013

Airbus plans billion-dollar investments in Turkey

Europe's leading aircraft manufacturer Airbus has plans to invest in a production site in Turkey. The French-based company has already acquired a 10,000 square metre plot in the European Free Trade Zone (EFZ) in Tekirdag province. At that site, an affiliated company is going to manufacture electronic and mechanical aircraft components in future. Airbus Military is presently having various components of the A400M transport aircraft produced at Turkish Aerospace Industries (TAI) in Ankara. TAI also manufactures body parts and ailerons for Airbus A350 and A320 type aircraft while the Turkish subsidiary of German company PFW assembles structural components of the A320 family at its production facility in Izmir. Airbus intends to invest a total of US\$2.4bn in Turkey by the year 2025, thus becoming the leading partner of Turkey's aerospace industry.

August 9, 2013

Exports of Turkish chemical industry gain by 20 per cent

The chemical industry is Turkey's third-strongest export sector, after the automotive and textile industries. According to the Chemical Materials and Products Exporters' Association (IKMIB), in July the industry's exports increased by 20.2% over the previous month to reach US\$1.56bn. In the period January to July chemical products totalling US\$10.1bn in value were exported. Exports to the EU countries continued to increase steadily; following Egypt and Iraq, Germany was the third-largest buyer country, trailed by Spain, Russia, the Netherlands and Italy. International investors hold around 13% of shares in Turkey's chemical industry; currently 314 companies with foreign capital participation are operating in this sector.

August 12, 2013

▶▶ We are

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▶▶ Newsletter

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