



We are pleased to provide you with our latest newsletter about the recent economic and political developments in Turkey.

We use the first time our new company logo. It is designed by our joint-venture advertising agency **SPRINGER&JACOBY** ISTANBUL. It shall underline our modern and dynamic image.

We would welcome your feedback on our Newsletter and any other matters that you consider may improve or add to our newsletter service. Please also do not hesitate to contact us if you wish to learn about our wide range of available services.

If you know anyone else who would be interested in this free service, please forward this newsletter to them or alternatively, provide us with their e-mail address (to newsletter@fmconsulting.info), so that we can include them on our distribution list.

Please note that beginning from this year we also offer 2-day intensive **seminars on 'Business in Turkey'** presented at our offices in Istanbul. Please find further information **Seminar - Info**

Best regards,

Your FMConsulting Team

Newsletter April 2008

Economy

Overview of Monthly Data

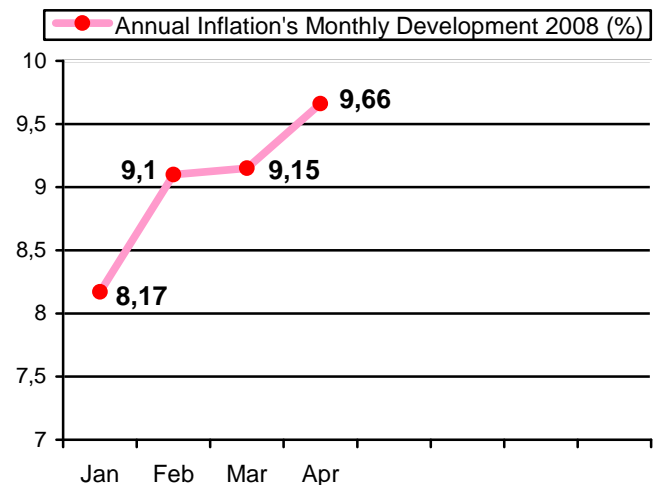
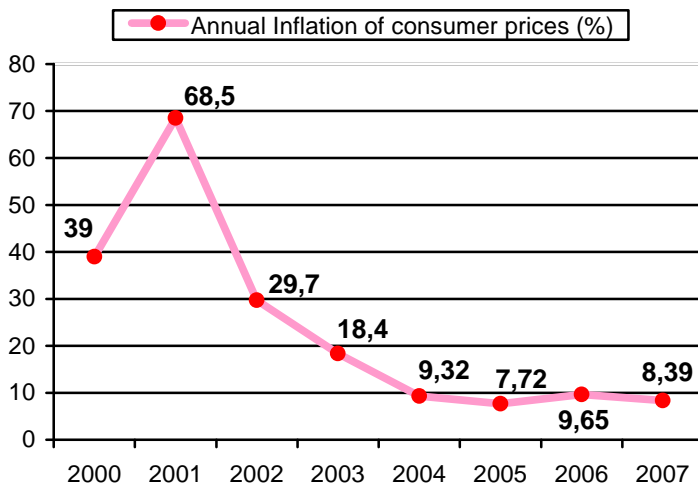
YTL-Rates	03.31.2008	04.30.2008	Change in %
YTL pro Euro	2.0774	2.0120	-3.14
YTL pro USD	1.3147	1.2930	-1.65

Stock exchange index	39,015	43,468	11.41
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Inflation in %	Monthly inflation	Annual inflation
Producer prices	4.50	14.56
Consumer prices	1.68	9.66

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



Unemployment rates

Compared to the same period of the previous year the rate of unemployment has increased over 0.3 points to 11.3%. The number of unemployed people has risen by 59 000 compared to the same month in the previous year; in the last month the figure has gone up by 234 000 to a total of 2 567 000. According to the Turkish Bureau of Statistics' figures of the 8th of January the rate of

unemployment is given as 11.3% which the highest for the last year. In January 2008 the number of jobseekers who are not immediately available for employment rose by 1 963 000 by a rate of 7.3%. When these kind of jobseekers are added to the number of jobless people it reaches a total of 4 530 000 with a rate of 18.6%. When the market is analyzed by sector, a rise in the number of people from the construction and service sectors is evident.

Foreign Capital Slowdown

In the early months of 2008 there has been marked slowdown in the inflow of direct foreign capital investment through company mergers and privatization initiatives. Direct foreign capital investment was 7.4 billion USD in the first two months of the previous year and was 19 billion 247 million USD for the whole of last year was only 1 billion 65 million USD in the same period of this year. For the first two months of this year the largest proportion of actual investment was in the service sector amounting to 607 million USD. The second largest proportion for this period of direct foreign investment amounted to 475 million USD and it was the mining and quarrying industries that have attracted the foreign investors' attention.

Direct Foreign Investment according to Sector Jan-Feb

	2002	2003	2004	2005	2006	2007	2007 Jan- Feb	2008
Agriculture	0	1	6	7	6	5	1	1
Industry	180	548	329	829	2,100	5,107	1,393	457
Services	442	196	855	7,699	15,533	14,135	6,006	607
Total	622	745	1,190	8,535	17,639	19,247	7,400	1,065

27% Spent on Food, Alcohol and Cigarettes

According to the Turkish Statistical Institute (TUIK) 2007 consumer report less was spent on entertainment and travel;

	2006	2007	Change in %	Share (%)
Household Consumption	70,792	73,467	3.5	100
-Food, Alcohol and Cigarettes	19,171	19,835	3.4	26.9
-Clothing, Shoes	5,088	4,888	-3.9	6.6
-Rent, Water, Electricity and Gas	7,378	7,626	3.3	10.3
-Furniture and Appliances	8,325	8,449	1.4	11.5
-Health	3,122	3,483	11.5	4.7
-Transportation and communication	11,414	11,944	4.6	16.2
-Entertainment and culture	4,440	4,342	-2.2	5.9
-Education	586	612	4.4	0.8
-Restaurants and hotels	3,450	3,511	1.7	4.7
-Other goods and services	7,814	8,722	11.6	11.8

5.4 billion USD Profit Transferred to Foreign Investors

The amount of profit for 2007 transferred to foreign investors has been made public and has come under criticism. State Minister Mehmet Simsek announced that profit transfer has increased fivefold in the last 5 years. By the end of 2007 1 billion 825 USD profit left the country. This comes

to an increment of 78%.

Industrial output growth rose by 7.5% in February

The industrial output for January was 11.4% and in February had an increase of 7.5%. For the two months the increase was 9.4%. While production in the textile output fell by 12.8%, record increases of 35.8% in transportation vehicle production, 31.6 for furniture production, electric machine and appliance production of 31% has been achieved.

Turkish Economy negatively affected by foreign conditions

At an economic summit hosted by Prime Minister Tayyip Erdogan in the new prime ministry, it was emphasized that the Turkish economy has serious been affected by external conditions. T was further stated that regardless of these negative conditions the Turkish economy continues to develop.

Foreign companies obtain more patent rights

In the last 7 years 95% of registered patents were obtained by foreign firms; Turkish firms' share is only 5%.

Local companies that applied for the most patents

Company amount of patents

Arcelik	198
Temsa	50
Vestel	47
Ford Turkey	42
Beko	23
BSH Ev Aletleri	21
Flokser Tekstil	14
Turk Traktor	12
Demir Dokum	10
Otokar	8

Foreign exchange rates cause inflation to rise

The Central Bank explained that the increase in prices of fuel and food as well as the delay in the fall of inflation can be blamed on global uncertainty. In its statement the Central Bank asserted that short term foreign currency changes have been detrimental on basic inflation. The Bank proposes that the slowdown in domestic demand will lead to a fall in domestic inflation.

International Investors Association: Turkey and India to attract most investment this year

Abdurrahman Ariman, the former general secretary of the International Investors Association (YASED) said that many foreign firms such as Lafarge have made considerable investments in Turkey. Ariman stated that Turkey is experiencing a peak in the real estate sector with the most ever buildings being constructed. Further increases in this sector are expected according to Ariman and this does not only concern new investors but also creates an opportunity for investing in the skills development of the workforce. According to Ariman, when the first two months of the last year is compared to the first two months of this year the fall in direct foreign investment that has taken place is due to the large privatizations such as Turk Telekom that had taken place. He stated that it this therefore incorrect to assume that there has been a decrease in those two

months; it may appear that there has been a fall due to domestic and global circumstances but according to the report that he was quoting from stated that in 2008 Turkey and India will receive the most investment.

Economists discuss incentive system

Economists met to discuss strategies for productivity and incentive frameworks taking the differences between provinces into account. The actions required for the new incentive system is as follows:

- Incentive systems for different regions should be put on the agenda
- Sector development and investment in information know how must be promoted
- Safeguards must be put in place that the textile sector which is vital to Turkey is not negatively affected by the incentive reforms.
- Special incentives that promote competition in machinery and furniture production, agriculture, natural stone and health sectors must be promoted.

Politics

Barroso emphasizes the importance of a democratic secular Turkey to the parliament

Barroso, the President of the European Commission, in his speech to the Turkish parliament, discussed subjects regarding secularism, headscarves, terrorism and the accession period of Turkey to the EU. He said that Turkey demonstrates that a secular democratic republic, with a predominantly Muslim population, well integrated in Europe, offers a powerful alternative to fundamentalist temptations throughout the world. He also stated that Turkey needs to devote its energies to pursuing long-awaited reforms which is will be the best guarantee of progress in negotiations. But Barroso warned that it is not possible to give a guarantee of success of accession talks beforehand. In his speech Barroso said "We can't comment on the indictment. We have full respect for the decisions of the Constitutional Court." In further interviews, Barroso added that they are against theocracies; they are in favor of separation of church and state, but that they have also religion in their societies. They are for secularism but for a democratic secularism. He believes that one neither can impose religion nor secularism. Secularism cannot be a new religion.'

President Erdogan bans Mayday celebrations in Taksim

President Erdogan announced to his parliamentary group that Mayday celebrations will not be allowed in Taksim. He explained that if the unions started giving orders the government there will be chaos. This announcement evoked harsh criticism from the union members and they responded by asking President Erdogan again why they are not allowed to celebrate May 1 in Taksim which is considered a suitable venue for such celebrations. The governor of Istanbul also added that the police will take extraordinary precautions such as teargas and use force if necessary to disperse any crowds. He also stated that 6000 police officers will be commissioned and that sharpshooters will be deployed in buildings in Taksim.

Other Topics

Growth in Advertising Sector

After growth for 6 continual years the advertising sector is expected to reach revenue of 3.9 billion USD in 2008. Future growth is expected by the industry and a figure of 6 billion USD is forecast for 2010. Sector representatives stated that competition has been created since foreigners started entering the sector and as the market grows the number of advertising agencies increase. However, 80% of the advertising market is in the hands of 10 or 12 companies.

Income according to channel of delivery (2007)

Channel	Million YTL	Share (%)
TV	1,760	53.20
Press	1,113	-
-Newspapers	990	29.93
-Magazines	123	3.72
Outdoor	235	7.10
Radio	111	3.36
Cinema	36	1.09
Internet	53	1.60
Total	3,308	100

Food price increases expected to continue

In the last year in Turkey, there was a loss of approximately 5 billion USD in the agricultural products listed below. Worldwide there was a rise in prices of basic foodstuff due to drought and the farming for bio-fuel production. Many basic foods have doubled in price. It is expected that these price hikes will continue throughout 2008. If there is not adequate rainfall until June and this may cause prices to rise even higher.

April 2007- April 2008 price increase (%)

Wheat	84.6
Lentils	133.3
Chickpeas	21.2
Haricot beans	62.1
Rice	100.0
Sunflower	133.3

Vehicle production rise by 42.2% in 3 months

For the first 3 months of this year the production of vehicles, compared to the same period last year, has risen by 42,2% to a total of 350 902 units. According to OSD, the production is still increasing due to an significant rise in demand in March as well as the support for export.

Banking sector profits in February rise to 2.3 billion YTL

The Turkish banking sector has shown a increase in profits in the new year, regardless of the global turmoil originating from the US that has affected the profits of the giants of the international banking world. In 2007 for the period until February a net profit of approximately 2.2 billion YTL realized whereas for this year for the same period there was an increase of 7.7% to a net profit of 2.3 billion YTL.

Million TRY	Feb 08	Jan 08	Dec 07
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Credit	300,216	290,320	285,616
Deposits	365,158	360,014	356,865
Profit for the period	2,319	1,293	14,857
Equity capital	77,156	76,414	75,848
Assets	594,569	577,575	581,632

Vargon Alloys EU, Europe's largest producers of ferrochrome acquired by Yildirim Group

The Yildirim Group has taken over Vargon Alloys EU, and has become the world's second largest producer of high carbon ferrochrome.

Bosch Turkey received 'Excellence Award'

The Middle East Quality Association awarded for the first time its 'Excellence Award' to the Bosch Bursa Diesel Factory at a ceremony in Dubai on the 8th of April. The company also won the European quality award for excellence in the Operating Units category in 2002.

Antalya to host ladies' golf tournament

One of the most important events on the golfing calendar the Turkish Ladies Open, which will be a part of the 2008 Ladies European Tour that takes place in 18 countries, will be held at the Antalya National Golf Club a for the next 5 years. It is expected that this event will be watched by 1 billion people.

Temsa to sell Egyptian made buses in Africa

Temsa has established a production facility with a capacity of 1000 units in Egypt with the aim of establishing itself as a regional power. The vehicles will be sold in Egypt and the rest of Africa. Guler Sabanci the chairman of the board of directors stated that their 15 year cooperation with Lahseen in the bus industry will continue.

Zorlu to invest 3 billion dollar in the energy sector

Zorlu Energy aims to realize 4000 megawatt with an investment of 3 billion dollar by 2014. Zorlu's currently has an 8% share of the 52% of total electricity that is provided by the private sector to Turkey and the company's target is to take its place in the top three energy giants.

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FOREIGN MARKET CONSULTING Ltd. Sti.

Partners: Peter J. Heidinger, Yesim F. Tektasli, Uta Beyer

Address:

Koybasi Cad.
Keresteci Z. Sok. 28
34464 Yenikoy-Istanbul
Turkey

Telefon: +90-212-36 38 052

Fax: +90-212-36 38 056

E-Mail: info@fmconsulting.info

Internet: www.fmconsulting.info

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