

▶▶ Hello!

We wish you and your family a happy Bayram Holiday.

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

We welcome your feedback on this Newsletter or any aspect of the services we offer. Please email your thoughts and comments to: info@fmconsulting.info

Best regards,
Your FMConsulting Team

▶▶ Economy

Overview of Monthly Data

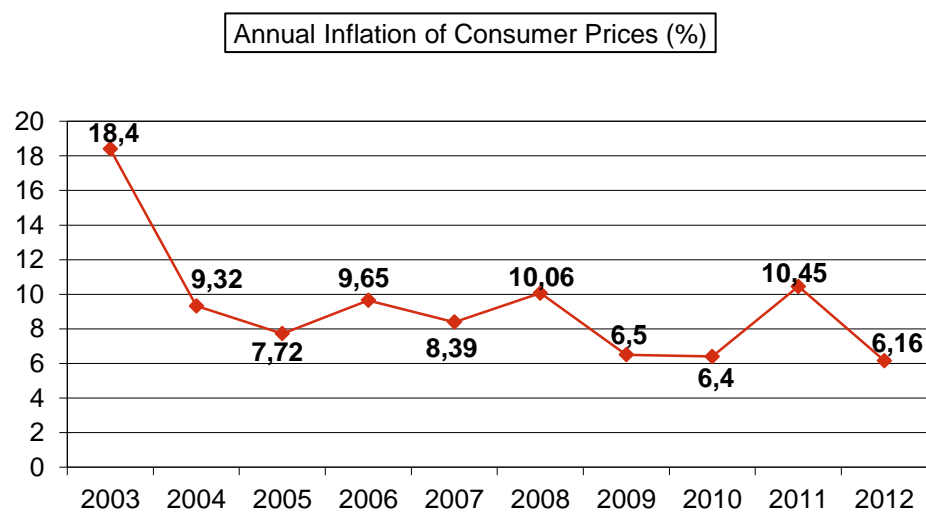
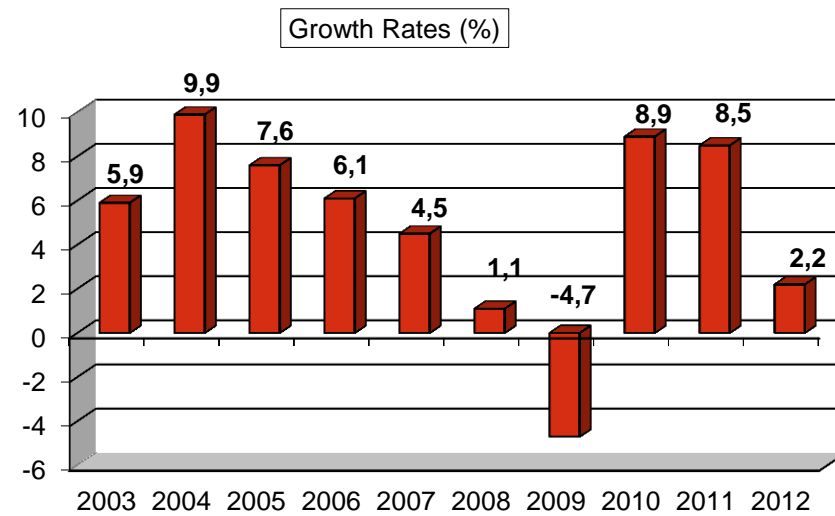
TL-Rates	29.08.2013	30.09.2013	Change in %
TL pro Euro	2.6978	2.7552	2.13
TL pro USD	2.0348	2.0402	0.27

Stock exchange index	66,394.41	74,486.60	12.19
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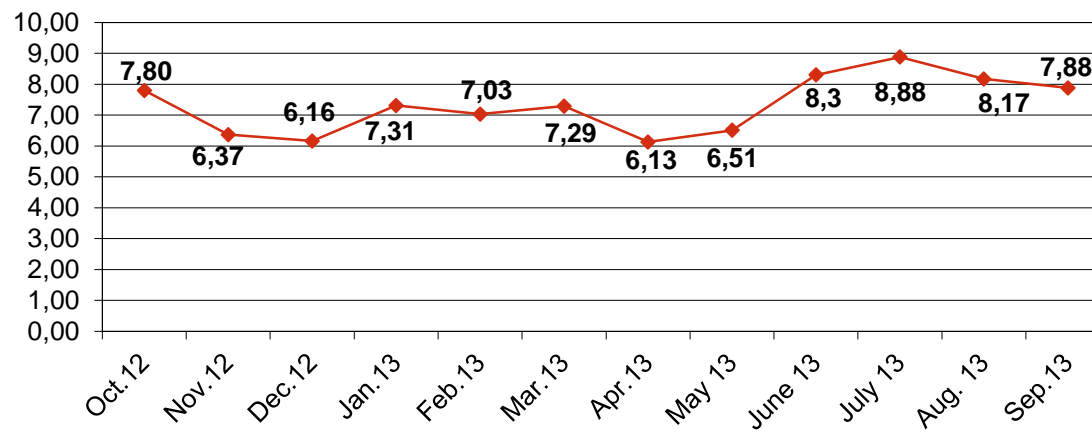
Inflation in %	Monthly inflation	Annual inflation
Producer prices	0.88	6.23
Consumer prices	0.77	7.88

Growth Rates

Economic Growth Rates (%)					
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
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	8.0	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	6.0	-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	2.9	4.4			



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



Turkish exports increase 1.4 per cent in August

The Turkish Exporters' Assembly (TIM) announced that in August Turkey's exports reached US\$10.6 billion with an increase of 1.4% compared to the previous year. According to figures published by TIM on September 1, total exports of January-August increased to US\$98.9 billion, 1.3% more than in the same period of last year. Overall, Turkey's exports in the last 12 months reached US\$151.3 billion. The chemicals sector was leading in exports with a total US\$1.5 billion exports, followed by the ready-wear sector (US\$1.4 billion), and the automotive sector (US\$1.3 billion). TIM Chairman Mehmet Buyukeksi pointed out that Turkish exports to the EU rose by 6% in August which he said was a reflection of the recovery of the European economies.

September 2, 2013

US\$ to TRY exchange rate over 2 restrains consumption

The US\$ to TRY exchange rate has exceeded the 2.0 level, which was assumed to be the resistance point, resulting in growing reluctance among Turkish consumers. According to statements of sector executives, consumption levels dropped over 10% in some sectors, especially import-oriented ones such as the automotive sector. The most important reason for this downward trend in consumption is that a 1 US\$ = 2.0TL exchange rate remains a psychological limit to Turkish consumers.

September 3, 2013

Annual inflation slightly falls in August

According to the Turkish Statistical Institute (TurkStat), inflation in consumer prices has dropped in line with expectations. Monthly inflation in August amounted to -0.10% in consumer prices and 0.04% in producer prices. Seasonal price decreases in clothing and footwear as well as food were effective for the drop in the consumer price index (CPI). On the other hand, analysts underlined that the high US\$ exchange rate and oil prices limited the decrease in inflation. Annual inflation declined to 8.17% in consumer prices and 6.38% in producer prices after hitting this year's highest levels in July.

September 4, 2013

Turkey ranked 44th most competitive economy

The World Economic Forum's (WEF) Global Competitiveness Report (GCR) 2013-2014 ranks Turkey the 44th most competitive market among 148 countries. According to the report, the most important progress was observed in institutions, infrastructure and innovation. On the other hand, Turkey's main weakness identified by the report is the efficiency of its labour market. The report places Switzerland at the top of the list, followed by Singapore, Finland, Germany, and the USA. Turkey ranked 43th among 144 countries on last year's list.

September 5, 2013

Gap between rich and poor is still huge in Turkey although average annual income increases

According to the Income and Living Conditions Report 2012 released by TurkStat, the income of the wealthiest part of the population is eight times that of the poorest. Considering the income quintiles, the share of the highest income group is 46.6%, whereas the share of the first quintile with the lowest income is only 5.9%. The ratio of highest group over lowest is 14.2 when the income deciles are taken into account. Turkey's Gini coefficient for 2012 is estimated as 0.402 with a decrease of 0.002 points over the previous year. The Gini coefficient is one of the income inequality criteria. The lower the Gini coefficient of a country, the lower the income inequality in that country is. On the other hand, the household consumption expenditure report released also in September by TurkStat, reveals that the gap between consumption of the rich and poor has widened. The consumption share of the wealthiest quintile of the population rose from 36.7% in 2011 to 37.8% in 2012 whereas the poorest quintile's share in total consumption fell to 8.7% in 2012, from 9.1% in 2011.

September 5/24, 2013

Turkish economy growth beats expectations in the second quarter: 4.4%

According to second quarter figures released by TurkStat, the Turkish economy registered 4.4% growth, well above the expected rate of 3.5%. This has been the highest quarterly growth rate Turkey has seen in a year and a half. Growth continued uninterruptedly for 15 quarters. The growth rate of the first quarter was revised down to 2.9%, and together with 4.4% in the second quarter, the semi-annual growth rate amounted to 3.7%. The main contributors to the second-quarter growth were high domestic consumption and inventory variations. Economy Minister Zafer Caglayan said: "These figures make Turkey the leader in terms of growth in Europe, and the fastest-growing country in the OECD", adding that annual growth is expected to be slightly under 4% which is the annual target on the agenda.

September 11, 2013

Disputes over inventory variations contributing to high growth rate of Q2

Stock variations made a significant contribution with 2.3 points to the unexpected growth rate of 4.4% in the second quarter. Without this contribution, the Turkish economy would register only 2.1% growth. There were different comments among representatives of industry as to the effects of increased stock. The reason for the high inventory increase is assumed to be the high demand anticipation of industrialists that operated without stock for the last 4 quarters. Spokesmen underline that excess stocks may turn into risks or opportunities in the second half of the year. On one side, some industry and commerce representatives believe that the excess inventories will bring a production cost advantage during the period of increasing exchange rates. Other representatives underline the fact that high stock levels means high inventory costs and liquidation risks. Still the vast majority of the presidents of chambers of commerce are positive towards high inventories and believe that both domestic and foreign demand will be high so as to melt down the inventory by the end of the year.

September 17, 2013

8.8% unemployment in June

Labour market data released by TurkStat show that the unemployment rate in June reached 8.8% with a 0.8% increase over the same month of the previous year. The number of unemployed reached 2.5 million with an increase of 299,000. However, employment figures rose from 25.6 million a year ago to 26.3 million this June. Economy Minister Zafer Caglayan underlined that that employment figures in Turkey have reached a record level, adding that 742,000 jobs have been created over the past year and 6.5 million jobs over the last 5 years.

September 17, 2013

Credit debt of Turkish private sector increased by US\$12.8 billion in 7 months

According to Turkish Central Bank data, Turkey's private sector continues to borrow from abroad. In July, the long-term debt of the private sector from abroad amounted to US\$145.9 billion with an increase by US\$2.9 billion compared with the previous month, whereas short-term debt remained at the level of US\$37.3 billion. In the first seven months of the year, a net increase of US\$6.9 billion in long-term loans and US\$5.9 billion in short-term loans was realised. Total outstanding loans from abroad during the 7-month period amounted to US\$183.2 billion with US\$12.8 billion net increase. The United Kingdom is on the top of the list of Turkish private sector's creditors for both long-and short-term loans. The UK is followed by Germany, the USA, the Netherlands, and Bahrain on the long-term creditors list, while for short-term loans the UK is followed by Belgium, the Netherlands, the USA, and France.

September 18, 2013

Politics

Turkish PM meets commanders to discuss possible Syria intervention

Turkish Prime Minister Recep Tayyip Erdogan had a meeting with Chief of Staff Necdet Ozel and other force commanders in his office in Ankara on September 1st to discuss the situation in Syria and the possible military intervention in the neighbouring country. PM Erdogan underlined that hitting local targets in Syria would not bring a final solution, adding that it will only make the conditions in Syria more complicated. Erdogan also criticized the United Nations, and stated that he expects the UN to take a decision.

September 3, 2013

Turkey shoots down a Syrian military helicopter

A Syrian military helicopter that crossed into Turkish airspace was shot down by a Turkish Air Force jet at the Turkish-Syrian border. "Though being warned many times by our air defence elements, the violation continued and our jet hit the helicopter which then crashed on Syrian territory", Turkish Deputy Prime Minister Bulent Arinc said. The Syrian helicopter ventured up to 2 kilometres into Turkish airspace near the south-eastern border town of Yayladagi. The Syrian Air Force confirmed that it had lost a helicopter which was on a reconnaissance mission and had mistakenly crossed into Turkish airspace. A week after the incident, the pilots of the jet aircraft were decorated by the Office of the General Staff for successfully applying the rules of engagement.

September 17/23, 2013

Turkish President Gul visits the USA

Addressing the UN General Assembly, Turkish president Abdullah Gul told his audience about Turkey's vision as to regional and global issues, and made important suggestions regarding the UN system and its functionality. President Gul further pointed to the need for a strong, efficient and credible United Nations. He emphasized that the UN should be a body capable of taking action to maintain international peace and security. During his visit to New York City, President Gul also delivered an address at a working luncheon hosted by the USA-Turkey Business Council. In his speech, he invited US businessmen to invest in Turkey, underlining that the trade volume between the two countries has reached over US\$20 billion but is yet to be developed.

September 25, 2013

Erdogan opens highly anticipated "Democratization Package"

Turkish Prime Minister Recep T. Erdogan unveiled the so-called "democratization package" that comprises reforms to extend political and individual rights, address demands of minorities for education in their mother tongue, and ensure better accountability for hate crimes and discrimination, among other amendments. Erdogan

stated that the reforms are only the beginning and part of an on-going process of democratization, while opposition leaders maintain the package has failed to meet expectations.

September 30, 2013

▶▶ Other topics

Domestic companies are expanding in Turkish oil market

According to the Petroleum Market Sector Report June 2013 released by Turkey's Energy Market Regulatory Authority (EPDK), foreign companies including Shell, BP, Total and OMV PO are losing ground. The total market share of the foreign companies went down to 51.29% in June 2013 from 58.2% in 2010. OMV PO is the market leader with a 22.8% share. Domestic petrol company Opet increased its share to 18.1%, taking Shell's position on the list to become 2nd. Shell has dropped to 3rd place in the ranking with a 16.7% share.

September 5, 2013

Local competitor Bimeks agrees to buy Electro World

Turkish electronics retailer Bimeks agreed with British technology retailer Dixons Retail to buy their operations in Turkey. Dixons Retail operates in Turkey under the name Electro World. Dixons said it had agreed to sell Electro World for about GBP2 million (US\$3 million). The electronics retail market in Turkey is dominated by locals, where Teknosa is the leader with 40% market share, followed by Media Markt (20%), Vatan (17%), Bimeks (8.5%), Electro World (8%) and Darty (5%). EP Center from Germany and Best Buy from the USA are the other foreign electronic retailers who left Turkish market by selling their shares to local Teknosa. It is reported that Darty is negotiating with Teknosa to sell its Turkish operations as well. Besides, Media Markt is said to alter its strategy in Turkey. Bimeks shares jumped 11% on the stock market after the deal to buy Electro World.

September 6, 2013

Number of foreclosure proceedings in Turkey hits 15 million

The number of foreclosure proceedings in Turkey increased to 15 million by the end of 2012 whereas it was some 6 million in 2002. Experts state that a vast majority of these proceedings are due to credit card debts and personal loans. Also, companies not having enough equity capital are making investments by getting into debt. Another important factor of this rise is the amendment in law that eliminated the jail penalty for bounced cheques.

September 30, 2013

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▶▶ Contact

FOREIGN MARKET CONSULTING Ltd. Sti.

Peter J. Heidinger
Partner, CEO

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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