



with our last Newsletter in 2009 we wish you:

**a merry Christmas and
best wishes for a successful 2010.**

Attached is our latest monthly newsletter providing summaries of recent economic and political developments in Turkey.

If you know anyone else who would be interested in receiving this free service, please send their email address to newsletter@fmconsulting.info and we'll add them to our distribution list. Alternatively, please feel free to forward this newsletter to them directly.

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

Newsletter November 2009

Economy

Overview of Monthly Data

YTL-Rates	30.10.2009	30.11.2009	Change in %
TL pro Euro	2.2161	2.2405	1.10
TL pro USD	1.4894	1.4897	0.02

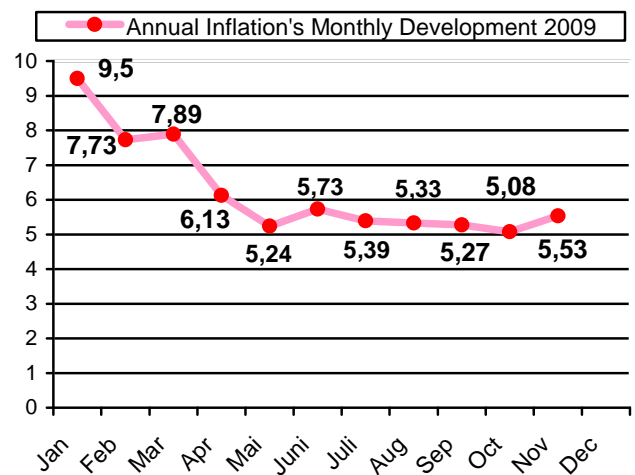
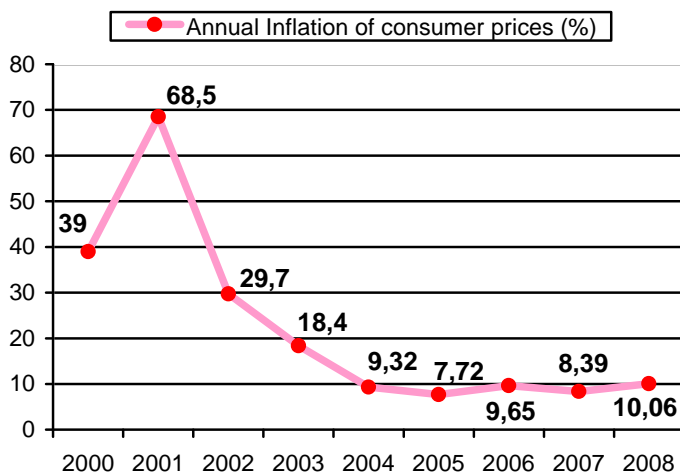
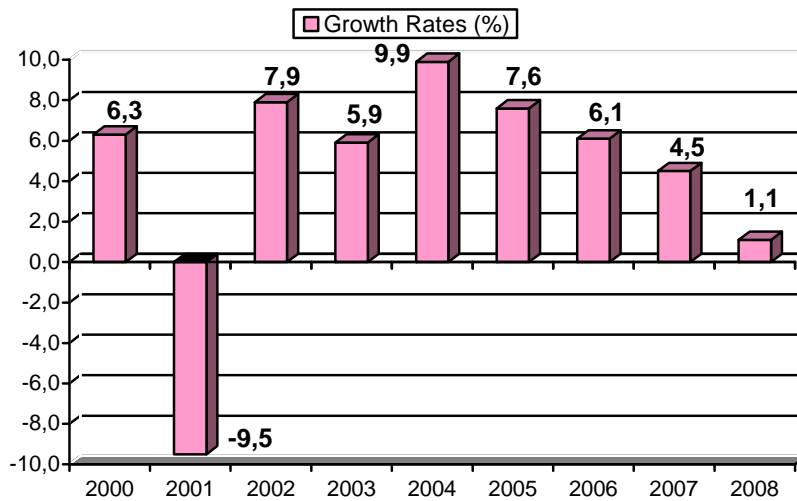
Stock exchange index	49,577	45,350	-8.53
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Inflation in %	Monthly inflation	Annual inflation
Producer prices	1.29%	1.51%
Consumer prices	1.27%	5.53%

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
2008	6.6	1.9	0.5	-6.2	1.1
2009	-14,3	- 7			



Exports on the rise again

October saw a positive trend starting to emerge in Turkey's foreign trade: According to the Turkish Exporters' Congress TIM, exports were up 4.62% over the previous month and the export volume

reached close to US\$10bn. However, the total for the period January to October dropped by 29.5% in comparison with the same period of the previous year. Motor vehicles and automotive parts (17.78%), ready-to-wear clothing (13.17%) and steel (11.06%) were the sectors that contributed most to exports.

New Year to bring only minor wage and pension increases

The Turkish Council of Ministers has decided on the wage and pension increases for the coming year. In January and July the minimum wage is to be increased by 3%, while civil servant salaries will be raised by just 2.5% in the same intervals. In line with the inflation forecasts of the previous six-month period, there will be a 4% pension increase in January and another 2.4% raise in July. The government expects tax revenue to rise by 1.8% in 2010.

Turkish government planning more tax hikes

Minister of Finance Mehmet Simsek has announced further tax increases in 2010 to support the national budget. The government is planning to raise the luxury tax on various groups of products, which in turn is bound to result in more VAT increases. The coming year will see the introduction of a 18% value added tax rate in the food service industry, while a flat tax will be levied on imported mobile phones. Yet another increase of motorway and bridge tolls is intended to generate additional revenue.

2009 sees drop in purchasing power

The purchasing power of the Turkish population in 2009 is estimated to have dropped 6.4% below the level of 2008. In purchasing power parity (PPP), the gross domestic product per capita will decline from US\$14,041 to US\$13,136 before rising by 3.9% in 2010 to reach US\$13,647. The total GDP for 2009 is likely to dwindle by 16.8% compared to the year before. In the coming year the economy is expected to return to positive growth, with a manufacturing industry performance of +4.4% instead of -8.5% this year, services growing by +3.3% over -6.2%, and agriculture improving from -2.7% to +3.0%. Whilst over 300,000 new jobs will be created according to forecasts, the unemployment rate is set to decrease by only two-tenths of a percentage point, to 14.6%.

Per-capita national income of Turkey according to years

Year	Population 1,000 inhab.	GDP in current prices		GDP per capita		
		mn TL	mn US\$	TL, curr. pr.	US\$, curr. pr.	US\$ PPP
1998	62,464	70,203	269,969	1,124	4,322	8,573
1999	63,366	104,596	250,486	1,651	3,953	8,171
2000	64,259	166,658	267,189	2,594	4,158	9,159
2001	65,135	240,224	196,447	3,688	3,016	8,618
2002	66,009	350,476	232,946	5,310	3,529	8,667
2003	66,873	454,781	304,138	6,801	4,548	8,800
2004	67,734	559,033	392,993	8,253	5,802	10,177
2005	68,582	648,932	483,915	9,462	7,056	11,386
2006	69,421	758,391	530,585	10,925	7,643	12,688
2007	70,256	843,178	647,831	12,002	9,221	13,455

2008	71,079	950,098	731,048	13,367	10,285	14,041
2009 (forecast)	71,897	946,678	607,961	13,167	8,456	13,136
2010 (planned)	72,699	1,028,802	641,269	14,152	8,821	13,657

Central Bank study reveals reasons for dependence on imports

The Turkish Central Bank has issued a report on the import structure of the manufacturing industry, shedding light on the causes of Turkey's import dependency. In the survey carried out for this purpose, 64.5% of the polled industrial enterprises claimed that the insufficiency of domestic products forces them to import intermediate and investment goods from abroad. 19.0% named the better quality and availability of imported goods as the main reason. At the presentation of the report in Istanbul, Central Bank President Durmus Yilmaz stressed the need for long-term structural reforms in order to strengthen domestic production. State Minister Zafer Caglayan disputed this analysis, pointing to the competitive edge of cheap imports from China over Turkish products which are better in quality but more expensive. The chairman of exporters' association TIM, Mehmet Büyükeksi, called upon the Central Bank to take further action to ensure price stability and competitiveness, including strengthening the foreign currency reserves.

Turkey's Central Bank lowers interest rates again

The Monetary Policy Council of the Turkish Central Bank has again lowered the base interest rates: Both the overnight lending rate and the overnight borrowing rate were reduced by a quarter of a percentage point, from 9.25% to 9.0% and from 6.75% to 6.50%, respectively. The bank named the low demand from abroad and weak domestic investment demand as rationale for this measure. In addition, consumer demand also declined, after an interim high in the second quarter. The interest rate cut is intended to help boost the economy.

Politics

Elder statesmen emphasize Turkey's importance

As keynote speaker at the "Bosphorus Conference" in Istanbul, former US President Bill Clinton called for a new world order in the face of the global crisis, arguing that since the emerging countries are gaining significantly in importance, the G-20 needed to give more say than the G-8 from now on. Mr Clinton asserted that Turkey will put its stamp on a positive future and the 21st century in general. At the same event, former German chancellor Gerhard Schröder also made the case for more involvement of the poorer countries, while advocating a radical change of thinking in energy policy. Schröder, like Clinton, reiterated his support for Turkey's full EU membership, saying that this was a promise that was given 40 years ago and is essential to Europe's security and economic sustainability.

Islamic countries agree on free trade system

The 57 member states of the Organisation of the Islamic Conference (OIC) have decided to establish a privileged system for their mutual trade which will become operative in 2010. Turkish State Minister Zafer Caglayan, who is in charge of foreign trade, said the lifting of trade barriers will certainly have a very favourable effect on his country's exports. Turkey already does brisk

business with the newly industrialized and developing countries, even more so in these times of crisis.

Opposition: Eavesdropping on judiciary “worse than Watergate”

According to media reports, the phone of the chief prosecutor of Istanbul as well as phone lines of the appellate court has been tapped by order of the Justice Ministry. The chairman of Turkey’s largest opposition party CHP, Deniz Baykal, called this “a legal scandal much worse than Watergate”. Mr Baykal said that rather than blaming this course of action on an individual minister, it must be regarded a manifestation of the government’s undemocratic mindset. On the other hand, the deputy chairman of High Council of Judges and Public Prosecutors stated that in terms of the separation of powers it was highly alarming that the judiciary is being pushed into the role of a defendant.

Public service strike paralyses daily life

Hundreds of thousands of unionised public servants in Turkey have staged a one-day warning strike to lend weight to their demands for collective agreements and trade union rights - in particular the right to strike. The strike caused disruptions in local public transport with not a single train running in Istanbul or Ankara. Only the casualty departments of hospitals remained staffed while tax offices and toll plazas stayed closed altogether. Postal employees and teachers also joined the strike. In Ankara, a group of strikers briefly clashed with police.

Other Topics

Turkish car sales crash

Turkey’s motor vehicle trade has been hit hard by the discontinuation of tax breaks. As opposed to September, when some 80,000 vehicles had been sold, only 21,000 units were purchased in October. Compared with the same month of the previous year vehicle sales declined by 36% – 30.1% for passenger cars and 45% for light commercial vehicles. Although total sales in the period from January to October increased by 3.4%, this positive trend appears to have reversed.

Turkey’s banks continue to increase their profits

According to a report by the Turkish banking supervision body, net profits of the country’s banks climbed to almost US\$6bn in September, 41.1% more than in the same month of the previous year. Their actual net worth soared by 17.4% to reach 85.5% of the GDP. While the deposit volume went up by 16.8%, the volume of loans lagged behind at +4%. There was a dramatic leap in the number of loan receivables for which compulsory execution proceedings were initiated: 82.2% more than in September 2008. Nevertheless the supervision body concluded that Turkey’s banking sector is well-positioned both in terms of capital and of structure. The sector’s equity capital increased by 22% to over TL105bn in the period under review.

Turkey introduces energy pass for buildings

Turkish Energy Minister, Taner Yildiz announced that from the coming year, proof of energy efficiency will be a requirement for building permits. For those buildings erected before 2010, the

energy pass requirement will be introduced gradually until 2017. Additional heat insulation and other energy-saving measures, the minister argued, can make a significant contribution both to climate protection and to the reduction of costs. Thus one of the main targets of the Energy Efficiency Law, which was passed 2 years ago, would be accomplished.

UniCredit Group holds out prospect of more billion-dollar loans

UniCredit S.p.A. has declared its intention to further increase its loan exposure in Turkey. The Italian group of financial services companies, which cooperates with major Turkish bank Yapi Kredi Bankasi, has been the country's largest project financing institution since 2004. Over the next 5 years, the group intends to make an annual sum of US\$6bn available for the financing of projects, with the main focus on projects in the fields of petrol, natural gas, and transportation. UniCredit experts expect Turkey's economy to start improving considerably as early as in 2010.

Springer involvement in Dogan Media Group put on hold

German media group Axel Springer AG, which already holds 25% in Turkish Dogan TV, plans to acquire a large chunk of shares in parent company Dogan Yayin Holding. However, Europe's largest newspaper publishing house has made its increased involvement conditional on the termination of the tax proceedings instituted against Dogan Media Group and of the investigation conducted by the Turkish media regulatory authority. On this condition Springer intends to buy 29 percent of the media group's increased share capital for approximately €161mn, with the purchase price becoming due for payment in 2016. Dogan has so far failed to reach an agreement with the authorities in the conflict surrounding a billion-lira tax penalty. For this reason, the purchase agreement cannot yet be put into effect.

Turkey continues to rely on hydropower

Turkish Environment Minister Veysel Eroglu has defended his government's policy of building more dams and hydroelectric plants as vital to the country's drinking water safety and clean power generation. The scheme entails construction of more than 1,500 new hydropower facilities before 2040, with a total investment of TL45bn. Upon their completion 70bn kWh of electricity (40% of the country's overall potential 180bn kWh), will be generated from water power every year. According to data provided by the Energy Market Authority, 73 new power stations with a total installed capacity of 2,782MW have been put into service in 2009. Out of this total, over 1,000MW – 564 MW from water power and 375MW from wind power – are generated from renewable energy sources. Currently 75 hydroelectric power stations with a combined output of 1,600MW are under construction.

Nordsee sees huge market potential in Turkey

German fast-food chain Nordsee, which specializes in fish and seafood, has opened its first restaurant in Turkey. Pursuing a new corporate strategy, Germany's fifth-largest fast-food retailer has begun to use franchising for the expansion of its operations internationally. One of the countries with particularly good market prospects is Turkey, due to its dynamic demographic structure, changing consumption habits and the popularity of fish products. Within the next 5 years, the company intends to open 200 branch stores all over the country, starting from Istanbul, with a total investment of €100mn. Numerous applications have already been received for Nordsee franchises.

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