

FOREIGN MARKET CONSULTING



Danismanlik ve Tic. Ltd. Sti.

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

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 [Business in Turkey Seminars](#).

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.

Best regards,

Your FMConsulting Team

Newsletter June 2007

Economy

Overview of Monthly Data

YTL-Rates	05.31.2007	06.29.2007	Change in %
YTL pro Euro	1.7790	1.7670	-0.67
YTL pro USD	1.3230	1.3109	-0.91

Stock exchange index	47.081	47.093	0.03
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Inflation in %	Monthly inflation	Annual inflation
Producer prices	-0.11	2.89
Consumer prices	-0.24	8.60

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	10.02	7.6
2006	6.3	9.3	4.3	4.6	6.1
2007	6.7				

Proportion of first quarterly growth: 6.7%

According to the State Statistics Institute (TUIK), the rate of industrial growth increased by 6.7% for the first three month period of this year. Hence Turkey has sustained continuous growth for 21 quarters in a row.

Development and growth speed of Industry (1. quarter 2007)

Industry	Growth (%)
Agriculture	1.1
Industry	7.5
Construction	16.2
Trade	6.3
Information and communications	7.3
Financial Establishments	7.2
Property ownership	2.3
Self employed and services	4.8
Government Services	1.3
Central Bank Exchange rate	1.2
Import tax	8.8
Gross domestic product (GDP)	6.8
Gross national product (GNP)	6.7

Export trade brings in \$50 billion in the first six months

There was a 17.2 % increase in the level of exports in June 2007, bringing in \$8.9 billion USD. In the first six months of the year exports increased by 25% to \$49.4 billion dollars (US). Turkey's year on year exports for the last 12 months were 22.4%, reaching \$95.4 billion (US). This means that the target of \$100 billion US export sales will have been met. The largest share in the increase of exports belongs to the automotive industry and auto parts manufacturing by a figure of 20.24%.

Exports by Industry

Industry	June 07	Change (%)	January-June 07	Change(%)
AGRICULTURE	770.805	-4.24	4.921.288	8.9
-Vegetable and fruit produce	570.355	-10.41	3.698.984	0.72
-Animal produce	42.929	35.49	260.803	54.46
-Wood and forestry produce	157.521	15.29	961.502	41.86
INDUSTRY	7.925.080	19.35	43.294.109	25.94
-Based on Industry	728.837	13.16	4.098.637	19.99
-Chemical materials	898.295	1,33	4.801.556	17.54
-Industrial products	6.297.949	23.25	34.393.916	27.98
MINING	273.824	31.80	1.196.121	28.99
TOTAL	8.969.709	17.20	49.411.519	24.08

Inflation again in single digits: 8.6 %

Inflation dropped in June. In previous months the consumer price index decreased by 0.24 % with the producer price index dropping by 0.11% - the annual consumer price index was at its lowest level since March 2005. The annual producer price index had an extremely sharp drop from 4.02% to 2.89% due to the fact that the high figure of the June 2006's inflation rate was dropped from the current index.

EU: Inflation to come down before Turkey joins

A report prepared by the European Commission regarding the economic programs of three candidate countries stated that the aim of Turkey's economic reforms regarding its chronic inflation is to bring it in line with EU averages. The reports further states that the external deficit for the period 2007-2009 must be monitored closely since further increases to the foreign trade deficit could create potential future instability.

EU-Report: Targets until 2009

Changes in %	EU	Turkey
GDP	6.4	5.0
Domestic Demand (final)	8.0	4.3
Inventories	-1.3	0.0
Foreign Trade Balance	-0.3	0.9
Increase of Employment	1.9	1.5
Rate of Unemployment	9.1	9.8
Gross domestic product (GDP) deflator	8.0	7.0
CPI (Consumer Price Index)	8.6	7.1
Balance of Current Accounts (Based on GDP)	-7.2	-7.4

Foreigners do not fear election results

At the Istanbul conference of the Investment Advisory Council - established to improve investment climate - the CEO's of international companies managing 750 billion dollars of investment gave support to Turkey. It was emphasized that the elections of 22 July will not adversely affect investment in Turkey and the present efforts will continue.

Budget deficit 3.3 billion YTL for the first 5 months

For the month of May, the central administration budget had a surplus of 2 billion YTL; thus, for

the first 5 month period of this year the budget deficit reached a level of 3.3 billion YTL. The budget surplus, excluding interest, for the month of May is 6.6 billion YTL, and in 5 months it reached a total of 20.3 billion.

The government brings down VAT on tourism and foodstuffs by 10 points

With only few days remaining to the general elections, the government has decreased VAT on certain goods and services. According to this announcement, from the beginning of July, VAT on all foodstuffs is decreased from 18% to 8%. In the tourism sector, accommodation as well as food and beverages (excluding alcohol sales) will also benefit from a decrease in VAT from 18% to 8% beginning 2008.

Politics

Turkey's dilemma

Turkey's recent debate on secularism, which has created a major divide, is attracting world attention as secular parties are cooperating with each other. According to research, the youth movement is much more active regarding protecting secularism in Turkey. The well-known American resident scholar of the American Enterprise Institute, Michael Rubin, emphasized that Turkey was not about to witness another military coup, while also he expressed that Turkey must not underestimate the threat of Islamists.

Compromise in the presidential election

Prime Minister Erdogan suggested that after the election the newly formed parliament should seek a compromise with the opposition over the next president. The main opposition leader of the CHP (Republican People's Party), Deniz Baykal said that it was a good idea to seek a compromise candidate to elect as the next head of state and that the parliament should select someone outside of the Turkish Grand National Assembly. Baykal stated that the presidential election issue has been completely exhausted, and added to elect someone from political turmoil will not help to eradicate Turkey's problems.

Constitutional amendment package to be decided by referendum

The Constitutional Court has rejected applications made by Ahmet Necdet Sezer (the President) and the leader of the CHP (The Republican People's Party) to cancel the constitutional amendment that would introduce a vote for president by the general public and to hold general parliamentary elections every four years. Through this decision the constitutional amendment that would introduce the election of the president through popular vote will be taken to referendum (ballot vote). If the amendment is accepted it would be the people voting for president, and not the Turkish Grand National Assembly. It is stated that the earliest possible date for the referendum is the 22nd October, 2007.

Other Topics

Frito Lay: Turkey to become one in 5 biggest markets

While attending the opening of the Frito Lay snack food plant in Tarsus, Mr. Saad Abdul Latif, the president of PepsiCo Middle East and Africa, stated that Turkey will shortly take its place among Frito Lay's five biggest markets worldwide.

Deichmann to open 200 stores in Turkey in 10 years

Deichmann, one of the leading shoe retail chains in Europe, is to open 200 stores within the next 10 years in Turkey and there are plans to increase this number up to 400.

Transport and communication sectors get the largest share of investment

The transport and communication sectors received the largest share of public investment, a total of 6.5 billion YTL. Of this amount, the biggest part, approximately 30% will be invested in Istanbul. This year, a total of 21 billion 513.1 million YTL will be invested.

PwC: Greek and Turkish banks favourites for mergers

PricewaterhouseCoopers (PwC) stated that in the European financial services sector company mergers of 137 billion Euro took place last year - first in line were bank mergers that accounts for 99 billion Euro. They further recorded that Turkey and Greece were the favourites among these mergers.

Turkish retail sector aims for 199 billion USD turnover by 2010

Mr. Nuşin Oral, the president of the Turkish Council of Shopping Centres and Retailers (TCSCR) announced that in 2006 the turnover of the Turkish retail sector amounted to 137 billion dollar and that it is expected to grow to 199 billion USD by 2010. He further stated that, at present, 135 shopping centres are in active operation and that in the next 5 years another 182 centres may have opened or will be in the process of being constructed.

Please note that we can also offer our full range of services from our partner firm's offices in **Krakow/Poland, Prague/Czech Republic, Kiev/Ukraine and Bucharest/Romania.**

FOREIGN MARKET CONSULTING Ltd. Sti. is a German-Turkish consulting company. We specialize in providing competent consultancy services for foreign companies towards opening up to Turkish market, lastingly consolidating the market position and concluding strategic alliances between foreign and Turkish companies. If you need further information, please do not hesitate to contact Mr. Peter Heidinger.

Our Services:

- Market Research
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