

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

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Best regards,
Your FMConsulting Team

Economy

Overview of Monthly Data

TL-Rates	31.12.2011	30.01.2012	Change in %
TL pro Euro	2.4556	2.3509	-4.2637
TL pro USD	1.8980	1.7905	-5.6639

Stock exchange index	51.266,60	57.234,50	11.6409
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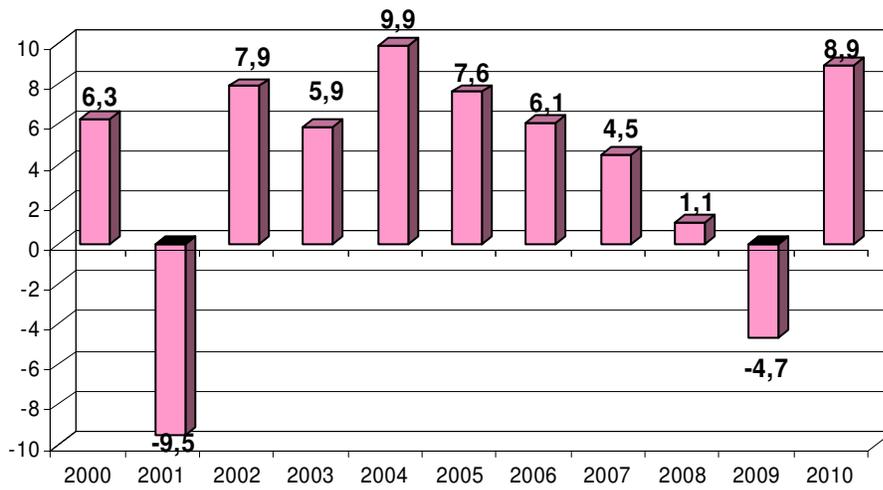
Inflation in %	Monthly inflation	Annual inflation
Producer prices	0.38	11.13
Consumer prices	0.56	10.61

Growth Rates

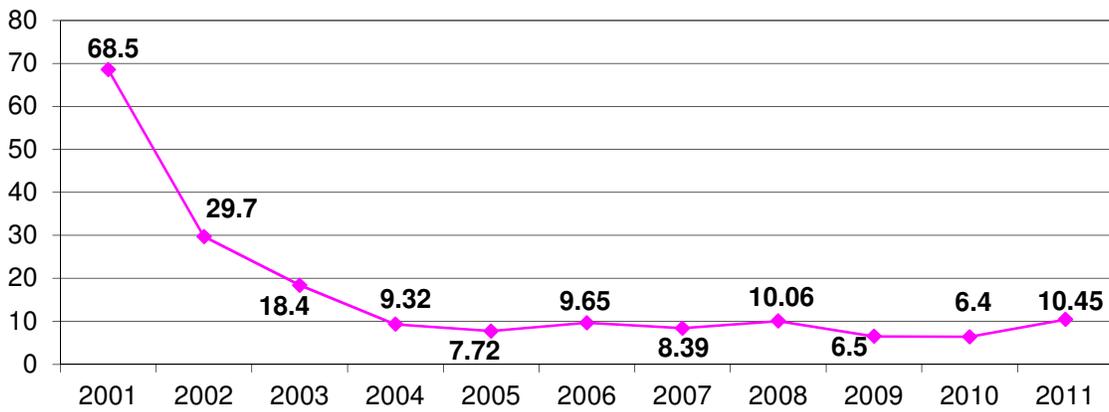
Economic Growth Rates (%)					
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Yearly
2000	4.2	5.4	7.2	7.8	6.3
2001	-3.3	-12.3	-9.1	-12.3	-9.5
2002	0.6	10.4	8.0	11.8	7.9
2003	7.4	3.6	5.6	7.2	5.9
2004	13.9	15.7	8	6.6	9.9
2005	7.5	4.7	8.0	10.0	7.6
2006	6.3	9.3	4.3	4.6	6.1

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		

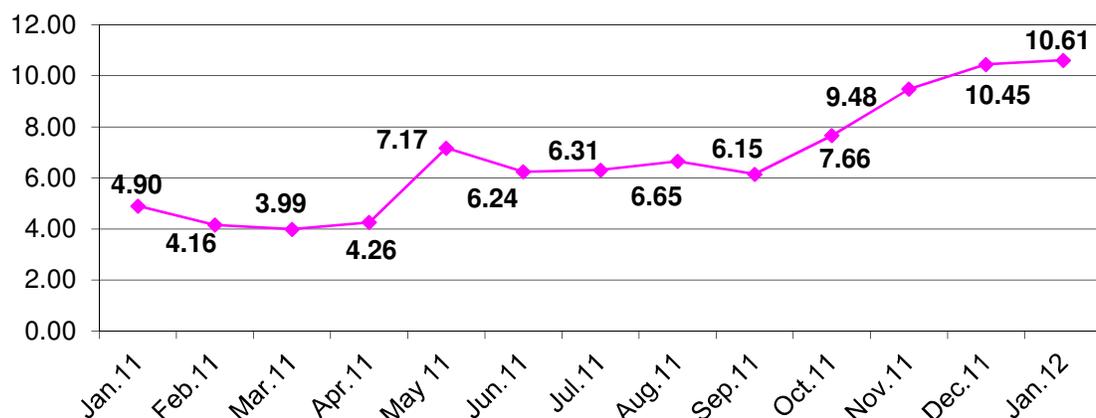
Growth Rates (%)



Annual Inflation of Consumer Prices (%)



Annual Inflation's Monthly Development 2011-12 (%)



Foreign investors continue to trust in Turkey

In the first 11 months of 2011, net foreign direct investments in Turkey amounted to US\$10bn 38mn, up 126.7% from the same period of the previous year. Of the gross investments totalling US\$12bn 23mn, a large portion went into the service industry (US\$7bn 302mn), particularly the banking sector (US\$5bn 470mn) which scored a 257.5% gain over 2010. In the same period, real estate purchases by foreigners receded to US\$1bn 916mn, down 17.8%. The vast majority of direct capital transfers – US\$10bn 600mn or 88.2% – originated from the 26 member states of the European Union.

The Top 5 of direct capital transfers (January-November 2011, million US\$)

Turkish capital went to...		Foreign capital came from...	
France	530	Spain	2,226
Netherlands	370	Austria	2,172
Azerbaijan	258	Belgium	1,466
Switzerland	149	Netherlands	1,294
Luxembourg	101	France	944
Total	2,234	Total	12,023

January 13, 2012

Unemployment again over 9%

According to Institute of Statistics data, unemployment in Turkey slightly increased again in October. At 9.1%, the unemployment rate was 0.3% up from the month before, though 2.1% lower than in October 2010. The number of registered jobless rose to 2,454,000 persons, some 56,000 more than in September but still 337,000 less than a year ago. The non-agricultural unemployment rate was put at 11.6%, and youth unemployment at 17.4%. Rural unemployment fell to 5.3%, a 1.1% decline over the same month of the previous year, while urban joblessness dropped to 11.1% (-2.5%).

January 17, 2012

Nielsen report confirms Turkey as Europe's growth leader

Nielsen's 'European Growth Report' says that Turkey has been able to assert its regional leadership role with regard to fast-moving consumer goods in the 3rd quarter of 2011. The report, published quarterly by the renowned marketing research firm, examines the market dynamics of the various retail channels. Both in terms of sales figures and in terms of the quantity of goods, Turkey outperformed the other European countries. While in Western Europe nominal growth dropped from 5.2% to 4.5% against the 2nd quarter, it went up from 12.7% to 13% in Turkey. Apart from Belgium and Norway, Turkey was the only country to register any considerable quantitative growth, at 5%, while in 13 of 21 European countries there was even negative growth. The apparent lack of consumer confidence in Europe did not affect Turkey's retail sector, whose sales increased by 9%.

January 18, 2012

Record imports cancel out unprecedented export gains

Turkey's imports soared by 29.8% in 2011 to total a record US\$240bn 833mn. At the same time the country's export volume, too, reached a level unprecedented in the history of the Republic: US\$134bn 954mn also signified an increment of 18.5% over 2010. Due to the growing import surplus, however, the country's foreign trade deficit exceeded the 100-billion-dollar mark for the first time ever. Surging 47.7% from the previous year, the deficit rose to US\$105bn 879mn. This brought the export-import ratio down to 56%, which is the lowest level since 2001.

Development of Turkey's trade deficit in recent years (billion US\$)

	Exports	Imports	Deficit
2007	107.3	170.1	-62.8
2008	132.0	202.0	-69.9
2009	102.1	140.9	-38.8
2010	113.9	185.5	-71.7
2011	135.0	240.8	-105.9

February 1, 2012

Exports up 10% in January

According to Turkish Exporters' Association TIM, Turkey's exports reached US\$10bn 554mn in January, a 10 % increase over the same month of the 2011. The sector with the largest export share (US\$1bn 609mn) was once more the automotive industry, while the jewellery industry recorded the largest gains (+223%). In terms of provinces, exports from Manisa, Ankara and Gaziantep picked up the most. While exports to the EU member states decreased by 1%, exports to Africa grew 23%. The ranking of the most important export countries remained unchanged: As usual, Germany took 1st place, ahead of Iraq and the UK.

February 1, 2012

Turkey's dependence on energy imports has heightened

National Statistical Institute data have revealed that Turkey's energy imports went up 40.56% in 2011, thus increasing even sharper than total imports (+29.8%). The country had to spend US\$54bn 113mn on its energy imports, which amounts to approximately 40% of its export revenue. The share of energy in total imports mounted to 22.46%. By contrast, Turkey's crude oil imports only increased 7% in the course of last year, to slightly over 18 million tons. The main crude oil suppliers were Iran, Iraq and the Russian Federation. The country's energy imports, surpassing the 50-billion-dollar mark for the first time, contributed greatly to the widening of its trade gap.

February 2, 2012

Politics

Tens of thousands pay Denktash their last respects

Greatly mourned also in Turkey, Rauf Denktash, the legendary and extremely popular leader of the Turkish Cypriots, was laid to his final rest. The founder of the Turkish Republic of Northern Cyprus (TRNC) passed away on January 13, shortly before his 88th birthday. Ten of thousands of residents lined the streets of Lefkosa (Nicosia) to get a last glimpse of his coffin, which was draped in the flags of both TRNC and Turkey, and to pay their final respects. Following the religious ceremony in Selimiye Mosque, Denktash's funeral cortege proceeded to Republic Park, where a mausoleum will be built for him. The entire leadership of Turkey participated in the state funeral, most notably President Gül, Prime Minister Erdogan, and Chief of Staff Özel, but also representatives of many different political parties and associations. Since the TRNC is internationally isolated, no foreign heads of state attended.

January 16/18, 2012

Urban transformation to take place in 4 stages

The Turkish government intends to initiate concrete steps in order to accomplish the "urban transformation" which Prime Minister Recep Tayyip Erdogan had announced in the face of the devastating earthquake in Eastern Turkey. A draft law has now been brought before the Council of Ministers, according to which the modernization of the country's not earthquake-proof building stock is to take place in 4 stages. The first of the stages involves identifying the structures at risk. The second stage provides for consent with the inhabitants or, where required, legal expropriation. The third stage is the vacation and demolition of the buildings, while in the fourth stage new housing is created. Experts point to the fact that effectively half of Turkey's entire housing stock needs to be renewed; in Istanbul alone 1.5 million buildings may be in question. This process might well take several decades and cost 100-400 billion US dollars. To make the case, the Ministry of the Environment and Urban Development, which is in charge of the project, has an annual budget of merely 929 million TL.

January 18, 2012

Legal reform to ease the burden of courts and enforcement offices

Turkey's Minister of Justice Sadullah Ergin has presented the third package of the comprehensive legal reform. Following changes in the Enforcement and Bankruptcy Law, over 2 million out of a total of 12.7 million actions of enforcement currently pending with Turkish courts will be discontinued immediately. In the future, minor debt enforcement cases are whenever possible to be settled without foreclosure proceedings; as a general rule, there will be no seizure of household items anymore. Public prosecutors and courts of law will not have to deal with minor offences any longer. The reform package provides for profound changes also in the areas of administrative and penal law. For instance, further control of corruption is to be achieved by introducing threats of drastic punishment for officials taking bribes.

January 19, 2012

Stricter rules for foreigners' residence in Turkey

As of February 1, 2012, the amended Article 3 of the Turkish Residence Act shall come into force. From now on the stay of those foreigners who do not have a residence permit in Turkey will be limited to a maximum of 90 days within a 180-day period of their last entry. This means that the practice of non-visa-bound foreigners leaving the country within 90 days with a new 90-day period

starting with their next entry is being abandoned. Foreigners who want to stay in Turkey longer must apply for an appropriate visa or a residence permit. Foreigners who already reside in Turkey (e.g. pensioners) can apply for a residence permit locally within 90 days of their entering the country. Citizens of many Group B countries (i.e. countries that are neither EU nor OECD members) have recently been issued touristic residence permits for a minimum of 6 months.

Other Topics

More cars sold in Turkey than ever

Turkey's car trade closed the year 2011 with a new sales record. According to the Turkish Association of Automobile Distributors (ODD), a total of 864,439 motor vehicles – 593,519 passenger cars (+16.43%) and 270,920 light commercial vehicles (+7.88%) – were sold, 13.1% more than in the previous record year of 2010 (760,913 units). However, the market contracted by 11.75% in the last quarter of the year. Sales figures are expected to decline by around 10% in the coming year. In 2011, ODD again presented its most successful members with “Gladiator” awards. The top-selling passenger car brand in Turkey was Renault, its model Clio Symbol being a huge success, while Ford led the ranking for light commercial vehicles, owing to its bestseller Tourneo Connect.

January 11, 2012

Construction of 3rd Bosphorus bridge to start before the end of the year

The call for bids for the construction of a third road bridge across the Bosphorus, planned under a build-operate-transfer scheme, has not rendered any result. None of the 18 domestic and foreign companies interested in building the Northern Marmara Motorway managed to present a secured financing model by the January 10 deadline. Total costs of the construction project, which also comprises more than 400 kilometres of new motorway from Adapazari to Tekirdag, are estimated at 6 billion US dollars. Following this development, Transport Minister Binali Yildirim declared that the Turkish state was going to finance the centrepiece of the project with its own funding, and that it was seeking public-private partnerships for the remaining parts of construction. A new tender for the construction of the bridge including some 65-70 kilometres of access roads, he said, will probably be issued in April, with construction to begin before the end of the year. Meanwhile, transcontinental traffic will be obstructed for the next 7-8 months due to maintenance work on the first Bosphorus bridge which had opened in 1973.

January 16/23/26, 2012

Almost 10 per cent more tourists in 2011

A total of some 31.5 million tourists – 9.9% more than the year before – visited Turkey in 2011. About a third of them entered the country via Antalya on the Turkish Riviera, and another fourth through its cultural centre, Istanbul. In December, though, 45.9% headed for Istanbul and only 14.6% for Antalya. The largest group of holidaymakers, 15.3%, came from Germany, followed by Russia (11.0%) and the UK (8.2%). Istanbul in particular proved immensely popular: Some 8 million foreigners visited the city in 2011, 16% or over a million more than in the year before. July was the month most preferred for travel, with 916.486 visitors, while only 378.380 came in January. Young people are increasingly drawn to Istanbul for reasons beyond sightseeing: The local nightlife has built a world-wide reputation, and the city on two continents has also become a popular wedding location.

January 25, 2012

Anatolia's business community set for investments in 2012

Despite the global recession, the majority of enterprises hailing from Anatolia want to continue their investments also in the current year. According to the results of a survey dubbed "The Pulse of Anatolia", conducted by economy newspaper *Dünya* among some 400 leading business representatives in 54 provinces of Turkey, almost 70% are planning production-oriented investments, 30% of which will be new investments. The ranking of preferred areas of investment is led by the food industry, followed by the automotive industry and the textile, agricultural and chemical sectors. One out of four enterprises intends to increase its capacities in 2012, with 82% of respondents saying that they have achieved their targets in 2011. The Anatolian business community's main expectations towards the government for this year are tax incentives and the restructuring of subsidy policies.

January 30, 2012

Winter weather deals blow to Turkish retail sector

The wintery conditions across Turkey have caused sales of the Turkish retail sector to slump by up to 40%. As the president of the Clothing Industry Association TGSD, Cem Negrin, announced, it was particularly the clothing sector that suffered additional profit setbacks due to the late onset of winter. He pointed out that the increased demand for winter clothing, which had experienced very slow sales up to that point, happened to coincide with the winter clearance sale where traditionally huge discounts are granted. The leather industry, too, complained about a severe cutback in profit margins. On the other hand, even though well-heated shopping centres drew large crowds due to the weather conditions, their sales also dropped by around 20%.

February 6, 2012

Sabancı cement subsidiaries to continue expansion at home and abroad

2011 was a good year for the Cement Group of Sabancı Holding, consisting of Akcansa – a joint venture with Germany's Heidelberg Cement AG – and Cimsa, which approximately holds a 20% share in the Turkish market. In 2011 Akcansa was able to boost its sales by an estimated 20-22%, with profitability even increasing by 67%, while Cimsa reported an increase in turnover of around 16%. The domestic market, with a current volume of 70 million tons per year, is expected to grow by another 4-4.5% in 2012. Cement exports of some 14 million tons in 2011 made Turkey the largest exporting country with a global share of almost 10%. However, triggered by the instable political situation in the North African and Middle Eastern countries, exports of the industry dropped by 4.5 million tons, with the Syrian market of 2.5 million tons all but collapsing. In view of this, Sabancı Cement Group with its solid capital base intends to further strengthen its dominant position in the region by way of acquisitions in the Caucasus, on the Balkans and in North Africa. The corporation also wants to step up investments in waste heat recovery technology in order to sustainably reduce energy costs.

February 8, 2012

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FOREIGN MARKET CONSULTING Ltd. Sti.

Managing Director: Peter J. Heidinger

Address:

Sumer Korusu Evleri
Kasimpati Sokak No: 25
34457 Tarabya - Istanbul
Turkey

Telephone: +90-212-36 38 052

Fax: +90-212-36 38 056

E-Mail: info@fmconsulting.info

Internet: www.fmconsulting.info

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