



Please find below our latest newsletter covering 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

Economy

Overview of Monthly Data

YTL-Rates	28.10.2010	30.11.2010	Change in %
TL pro Euro	1.9841	1.9841	-1.0685
TL pro USD	1.4370	1.4370	4.8225

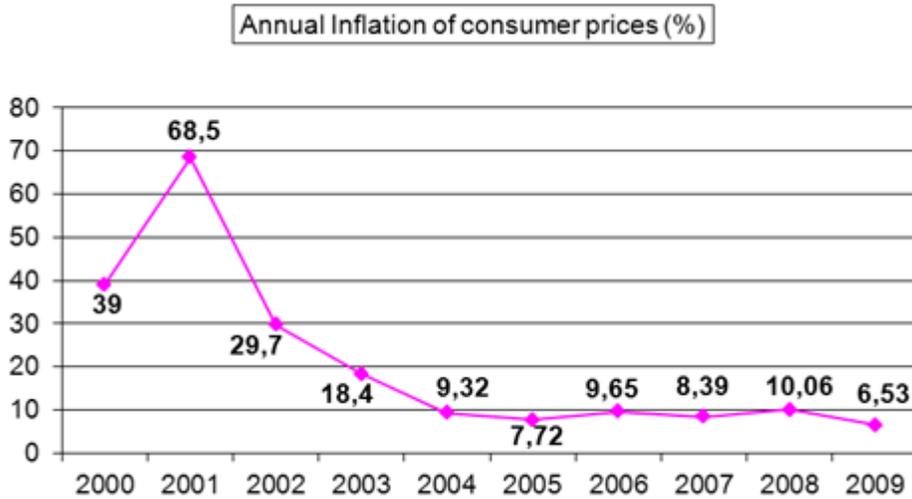
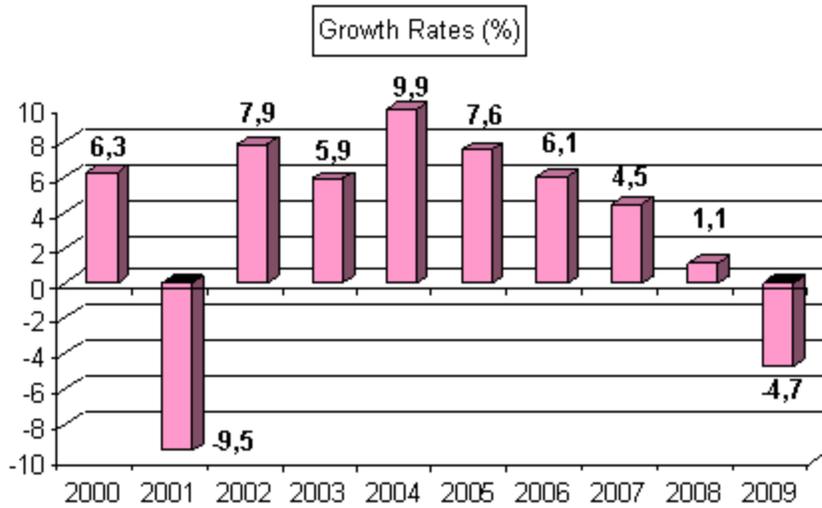
Stock exchange index	68,588.51	64,072.20	-6.5846
----------------------	-----------	-----------	---------

Inflation in %	Monthly inflation	Annual inflation
Producer prices	-0.31%	8.17%
Consumer prices	0.03%	7.29%

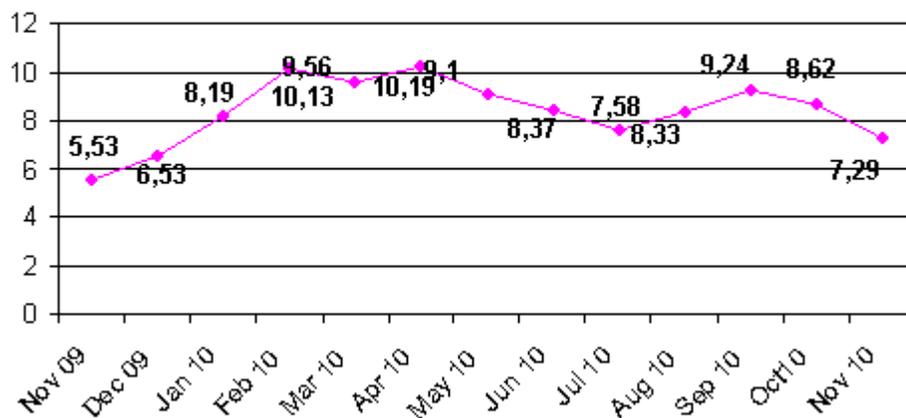
Growth Rates

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	11.7	10.3			



Annual Inflation's Monthly Development 2009-10 (%)



Inflation on the rise again – tomato prices skyrocketing

According to the Turkish Statistical Institute, inflation rose for the third month in a row in October, the consumer price index (TÜFE) by 1.83%, and the producer price index (ÜFE) by 1.21%. On an annual basis, this comes to an inflation rate of 8.62% by consumer and 9.92% by producer prices. The inflation target of 7.5% set by the Turkish government has proved to be too optimistic. The commodity groups with the highest price increase in October were clothing & shoes (+7.63%) and food & beverages (+4.52%). Consumers were hit especially hard by the extreme price hike for tomatoes, which are regarded as basic foodstuffs in Turkey – they were a staggering 112.1% more expensive than in September.

NOVEMBER-2010

Turkey is world's 15th largest economy

The Turkish cabinet has made considerable upward adjustments to the national income statistics for 2010 in the light of data released by the International Monetary Fund (IMF). Since purchasing power parity (US\$/TL) was corrected from 1.159 to 0.982, Turkey's PPP-adjusted per capita income is now being quoted as US\$15,392 instead of US\$13,038. This made the country jump from 63rd to 54th place in the world ranking. On the same lines, the Gross Domestic Product improved to approx. US\$1bn 119mn, from US\$948bn. Consequently Turkey outperformed Indonesia and climbed one rank to become the world's 15th largest economy.

NOVEMBER-2010

Turkey's exports at record level in October

October became the first month since September of 2008 in which exports of the Turkish economy exceeded the 10-billion-dollar mark, a threshold of huge psychological importance. Exporters were enthusiastically delighted with the fact that for the first time in the history of the Turkish Republic this mark has been reached in a month of October. Growth was once again driven by the country's automotive industry,

which registered exports of US\$1bn 696mn, followed by clothing & ready-wear (US\$1bn 367mn) and iron & steel (US\$1bn 177mn). The sectors with the highest gains over the previous year were mining (+67.99%) and leather & leather goods (+49.74%), while other than ship & yacht building (-59.73%) and olives & olive oil (-30.44%), the only sector to suffer losses was cut flowers (-2.57%). However, in November exports dropped again to around US\$9.5bn. According to State Minister Zafer Caglayan who is in charge of the economy, the official target for total exports in 2010 remains standing at US\$111.7bn.

Exports of the Turkish economy in October/November 2010 (in billion US\$)

Sectors	October 2010	Change over Oct. 09	12-month period	November 2010	Change over Nov. 09
I. Agriculture	1,513,738	+8.44%	14,699,447	1,388,416	+7.04%
a) Crop products	1,142,033	+7.13%	10,928,791	1,044,836	+5.91%
b) Animal products	97,605	+24.74%	914,221	84,434	+19.55%
c) Wood & forest products	274,100	+8.93%	2,856,435	259,145	+8.02%
II. Industry	8,917,274	+7.39%	91,315,801	7,803,164	+7.30%
a) Process. agric. products	915,101	+13.66%	8,835,030	806,957	+9.78%
b) Chemical products	1,148,526	+11.95%	11,924,449	1,169,261	+37.26%
c) Industrial products	6,853,647	+5.89%	70,556,321	5,826,946	+2.49%
III. Mining	359,380	+67.99%	3,604,683	261,015	+8.05%
Total	10,790,392	+8.84%	111,632,354	9,452,995	+7.28%

Turkey's top 10 provinces by exports (as of October 2010)

	Province (region)	Export volume (US\$)	Increase over Oct. 2009
1)	Istanbul (Marmara)	ca. 5bn	17.4%
2)	Bursa (Marmara)	ca. 1bn	14.4%
3)	Kocaeli (Marmara)	829mn	23.7%
4)	Izmir (Aegean)	682mn	7.2%
5)	Ankara (Central Anatolia)	470mn	16.9%
6)	Manisa (Aegean)	393mn	26.4%
7)	Gaziantep (SE Anatolia)	384mn	25.4%
8)	Denizli (Aegean)	209mn	ca. 10%
9)	Sakarya (Marmara)	180mn	ca. 20%
10)	Hatay (Mediterranean)	169mn	ca. 30%

Turkey's top 10 export partners (as of October 2010)

	Country	Export volume (US\$)	Share (%)
1)	Germany	1,207,834	11.2
2)	United Kingdom	738,337	6.8
3)	Italy	661,754	6.1
4)	Iraq	556,030	5.2
5)	France	532,105	4.9
6)	Russian Federation	513,449	4.8
7)	USA	378,757	3.5
8)	Iran	335,050	3.1

9)	Spain	324,835	3.0
10)	UAE	319,267	3.0
	Total	10,790,392	100.0

NOVEMBER / DECEMBER-2010

Turkey boasts 3rd fastest per capita income growth in Europe

According to IMF data, the per capita income in Turkey as per Purchasing Power Parity (PPP) has increased by 458.4% in the past 30 years. While in 1980 the average Turkish citizen earned a mere US\$2,756 per year, his per capita income improved to US\$15,392 by 2010. In 2011 the figure is estimated to increase to US\$16,126. This growth rate puts Turkey in third place among the European countries, topped only by Luxemburg (+502.4%, from US\$13,330 in 1980 to US\$80,304 in 2010) and the Republic of Ireland (+478.4%, from US\$6,711 in 1980 to US\$38,816 in 2010).

DECEMBER-2010

Turkey's trade deficit runs higher than expected

Despite the rise in exports, the trade balance deficit of the Turkish economy continues to grow rapidly due to continuously increasing imports. Although exports of approx. US\$92.7bn up to and including October meant an 11.4% improvement over the same period of the previous year, imports in the same period increased by 30.5% to reach around US\$147.8bn, causing the deficit to grow by 83.1%, to US\$55.1bn. While in the first ten months of 2009 exports covered 73.4% of imports, this ratio was only 62.7% this year. Consequently, the trade deficit for 2010 will probably increase from the US\$65.8bn target set forth in the government's medium-term economic programme to US\$70-75bn, with imports reaching US\$180-185bn by the end of the year rather than US\$177.5bn as scheduled.

DECEMBER-2010

Politics

Turkish president awarded Chatham House Prize

The renowned think tank Chatham House, formerly the Royal Institute of International Affairs, has named Abdullah Gül, President of the Republic of Turkey, "statesman of the year 2010". Gül received the prize in London from the hands of Queen Elizabeth II. In the words of Suzan Sabanci Dincer – Chairwoman of the Board of Directors at Akbank, one of the largest banks of Turkey, and also member of Chatham House's Panel of Senior Advisers – this award acknowledges President Gül's commitment to bring about stability and prosperity in the region, to implement political reforms in Turkey, and to move his country closer to the EU. In an interview with the *Financial Times*, Gül pointed out that the balance of power is increasingly shifting east. Turkey, he said, in future will have to be afforded the same importance as the BRIC countries (Brazil, Russia, India and China).

NOVEMBER-2010

Turkey not prepared to compromise in Cyprus issue

In an interview with the BBC on the occasion of the Chatham House Prize award ceremony, Turkey's President Gül cautioned against associating EU accession talks with the peace process in Cyprus. A number of EU countries, in particular Greece and Cyprus, apparently make their approval of Turkey's membership conditional on concessions in the Cyprus issue. However, Gül said, his country is not willing to so unilaterally. Meanwhile the *Financial Times*, citing UN diplomatic sources, reported that negotiations between the two populaces about the reunification of the island, which has been separated since 1974, are about to fail for good. Therefore it is believed that an official division of Cyprus into two states has come within the realms of possibility.

NOVEMBER-2010

Erdogan: No departure from financial discipline

In Beirut, Turkish Prime Minister Erdogan was presented the "Award for Leadership 2010" by the Union of Arab Banks. In his acceptance speech Erdogan emphasized his view that the reduction of interest rates is an effective means to curb inflation. The success of his government's economic policy, he said, was due to the fact that it never departed from financial discipline, not even as part of election tactics. The Prime Minister invited the Arab business community to step up their investments. On the occasion of his visit he also signed an economic cooperation agreement with Lebanon which provides for special facilities in bilateral trade relations, including the establishment of a Free Trade Zone.

NOVEMBER-2010

Turkish Prime Minister delivers positive summary of NATO summit

In his latest televised address Recep Tayyip Erdogan, head of the Turkish government, appeared extremely pleased with the outcome of the NATO summit held in Lisbon on November 19/20, saying that Turkey put its mark on the meeting, particularly by making a great impact on the design of the concept that is to determine the strategic direction of NATO for the next 10-15 years. Following tough negotiations, he said, the parties agreed on a paper that thoroughly meets the need and expectations of his country. With respect to the planned missile defence system, the Turkish delegation according to Erdogan made sure that all allies receive equal protection, and that the risks and burdens involved are shared equitably. Also regarding relations between NATO and the European Union, Turkey's interests were represented effectively, stated the PM.

DECEMBER-2010

Turkish government plays down importance of "Cablegate"

Although a disproportionate share of the U.S. State Department diplomatic cables released on whistleblower website Wikileaks were sent by the American Embassy in Ankara, the Turkish government remained ostentatiously unimpressed and preferred questioning the credibility of the source. President Gül declared that diplomatic ties with

the USA were stable enough not to sustain any damage. For pragmatic reasons this will probably hold true. Indeed the sheer volume of the diplomatic dispatches goes to show that the State Department keeps a particularly wary eye on the Islamic-oriented Erdogan government and its supporters. On the other hand it becomes clear that the United States sees no feasible alternative. Evidently only parts of the political opposition take any interest in the disclosed matters. CHP leader Kilicdaroglu demanded an investigation into the claim that the Prime Minister holds several secret bank accounts in Switzerland.

DECEMBER-2010

Other Topics

Historic mega-project put in motion

Following initial bureaucratic delays, the first sod has now been turned for a motorway that is to connect the big cities on Turkey's west coast – Istanbul, Bursa and Izmir. The project involves building one of the world's longest suspension bridges across the Gulf of Izmit. The motorway project is one of the largest and most important in the history of Turkey. At the groundbreaking ceremony, Prime Minister Erdogan announced that he was going to personally renegotiate with the general contractor, a Turkish-Italian consortium, to cut the construction time from 7 down to 5 years.

OCTOBER-2010

Turkish sweep at the "Travel Oscars"

Turkish tourism enterprises once again came out highly successful at the World Travel Awards 2010, also known as "the Oscars of the travel industry". 183,000 travel professionals from 162 countries voted the Mardan Palace Hotel in Antalya the "World's Leading Luxury Hotel", while the Cornelia Diamond Resort in Belek was elected "World's Leading All-inclusive Golf Resort" and the Mövenpick Hotel in Istanbul "World's Leading City Hotel". On a European level numerous other "Travel Oscars" went to Turkey. Among others, Istanbul was voted "Europe's Leading Destination", while Turkish Airlines grabbed the title of "Europe's Leading Airline Business Class".

NOVEMBER-2010

BBVA buys joint control of Garanti Bank

The second-largest bank in Spain, Banco Bilbao Vizcaya Argentaria S.A. (BBVA), has spent a total of US\$5.8bn to acquire 24.9% of shares in Turkey's third-largest private bank Garanti Bankasi A.S., 18.6% of which were bought for around US\$3.8bn from GE Capital. Due to a strategic change of policy, the financial branch of General Electric had decided to divest all but 2.25% of its shares in Garanti Bank which it had bought in 2005 for US\$1.8bn. BBVA paid slightly more than US\$2bn to majority shareholder Dogus Holding for additional shares of 6.29% to be granted joint control. In marked contrast to the crisis-ridden US-American and European banks, Turkish banks have gained considerably in value over recent years. Between 2005 and 2010, the value of Garanti Bank increased from US\$7.6bn to US\$26.4bn, diametrically opposed to the

development of e.g. Belgian-French Dexia and German Commerzbank (from US\$25 and US\$20bn resp. in 2005 down to just US\$8 and US\$10bn resp. in 2010).

NOVEMBER-2010

Nestlé continues to invest in Turkish production base

One of the multinational corporations that has been investing successfully in Turkey for years is Swiss-based Nestlé, the largest consumer packaged goods company in the world. In its chocolate factory in Karacabey near Bursa, the Turkish Nestlé subsidiary produces not only for the domestic market, but also for export to the Middle East and to Europe. According to managing director Devrim Cöbek, the company increased its exports fourfold in the last 3 years, with new investments of US\$10-12mn a year enabling it to meet 99% of domestic demand, too. Cöbek pointed out that the Turkish market is going to continue expanding for quite some time to come. While Germans for instance consume 11.4 kg of chocolate per year on average, Turks lag behind with only 1.5 kg. Currently sales of Nestlé confectionery in Turkey are doubling every 3 years or so.

NOVEMBER-2010

Turkey soon to overcome dependence on steel imports

Striving to reduce its dependence on steel imports, Turkey has been making huge investments in its domestic production capacity for about a decade now. In the period 2001-2008 Turkish crude steel production increased from 14.3 million to 26.8 million tons, signifying an enormous growth rate of over 87% which made Turkey rank second only to China on a global scale. Today the total crude steel production capacity amounts to some 49 million tons a year, of which 36 million tons are long products and 13 million tons flat-rolled steel. By 2013 Turkey is expected to be no longer dependent on steel imports, but rather become an exporting country itself. This is bad news mainly for Russia and Ukraine, which will be forced to look for new sales markets elsewhere.

NOVEMBER-2010

U.S. power company enters Turkish energy market

One of the world's leading power companies, AES Corporation, has acquired 49.6% of shares in their subsidiary Entek from Aygaz, a Koc Group company. The AES Corporation, a U.S. power generation and distribution company with a total of 40,000 MW installed capacity in 29 countries, invested US\$136mn in this strategic acquisition. In the 5 years to come, AES intends to build Entek into one of Turkey's top 5 energy providers. The CEO of AES, Paul Hanrahan, underscored the outstanding investment opportunities the Turkish market offers. After all, he said, Turkey is expected to become the world's 10th largest economy by the year 2050. On the other hand, Koc intends to invest another US\$4-5bn in its energy business by 2015 to augment its installed capacity to 3,000 MW.

DECEMBER-2010

Sales index of Turkish shopping centres peaks

Judging by the sales index of shopping centres in Turkey, Turkish consumers are already past the crisis. The index increased by 24% (Istanbul 25%, Anatolia 19%) over the previous year and by 12% (Istanbul 13%, Anatolia 8%) over September to reach 130 points on a national average, the highest level since 3 years. However, Nihat Sandikcioglu, Secretary General of the Association of Shopping Centre Investors (AYD), complained about the ongoing pricing pressure which means that while sales are booming, the profit margin tends to decrease.

DECEMBER-2010

Foreign Market Consulting Ltd. Sti. does not give any guarantee with respect to the correctness of individual figures and statements.

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
- Business Partner Search
- Outsourcing Projects
- Company Foundation
- Recruitment Projects
- Employee Administration
- Marketing Activities
- Sales Support
- Office Services
- Management
- Financial Services

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

This newsletter is for general information purposes only. The views expressed in this newsletter are not necessarily those of Foreign Market Consulting Ltd Sti. Foreign Market Consulting Ltd Sti has taken all reasonable measures to ensure that the material contained in this newsletter is correct. However, Foreign Market Consulting Ltd Sti gives no warranty and accepts no responsibility for the accuracy or the completeness of the material. Readers are advised not to rely solely on this information when making any decision. Readers should seek independent advice before making any decision. Foreign Market Consulting Ltd Sti reserves the right at any time to make changes as it deems necessary.