



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

YTL-Rates	28.02.2011	31.03.2011	Change in %
TL pro Euro	2.2132	2.1927	-0.9262
TL pro USD	1.6005	1.5437	-3.5488

Stock exchange index	61.149,40	64.618,26	5.6727
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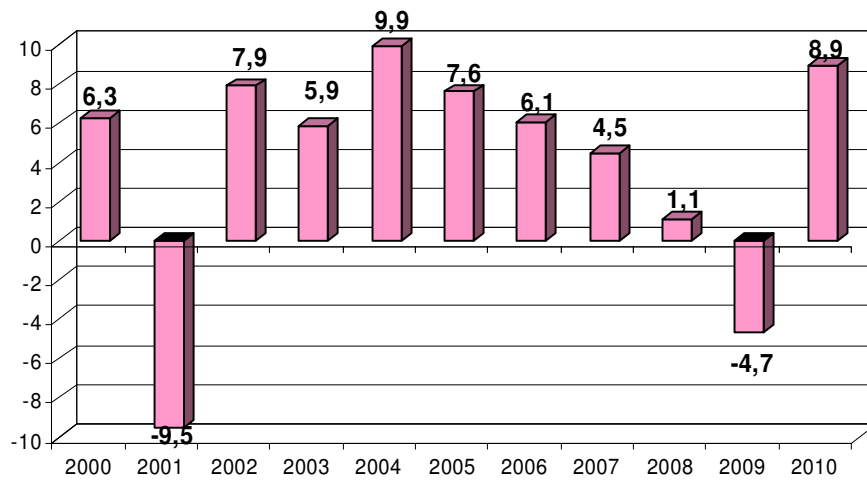
Inflation in %	Monthly inflation	Annual inflation
Producer prices	1.22	10.08
Consumer prices	0.42	3.99

Growth Rates

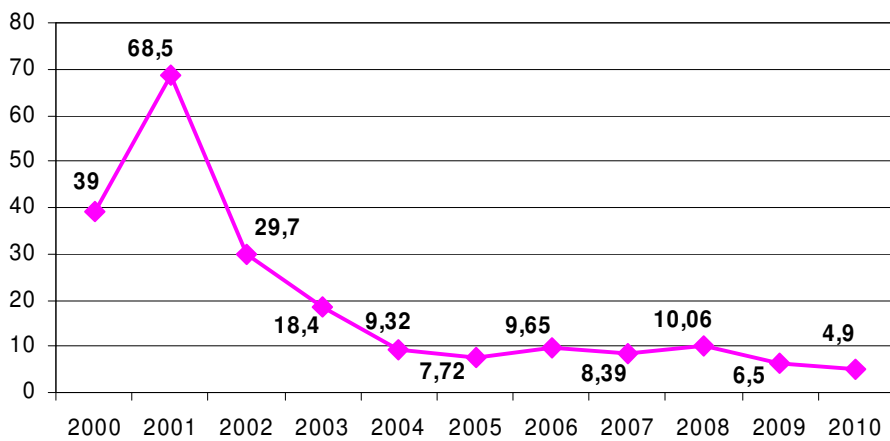
Economic Growth Rates (%)					
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Yearly
2000	4.2	5.4	7.2	7.8	6.3
2001	-3.3	-12.3	-9.1	-12.3	-9.5
2002	0.6	10.4	8.0	11.8	7.9
2003	7.4	3.6	5.6	7.2	5.9
2004	13.9	15.7	8	6.6	9.9
2005	7.5	4.7	8.0	10.0	7.6

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	5.5	9.2	8.9

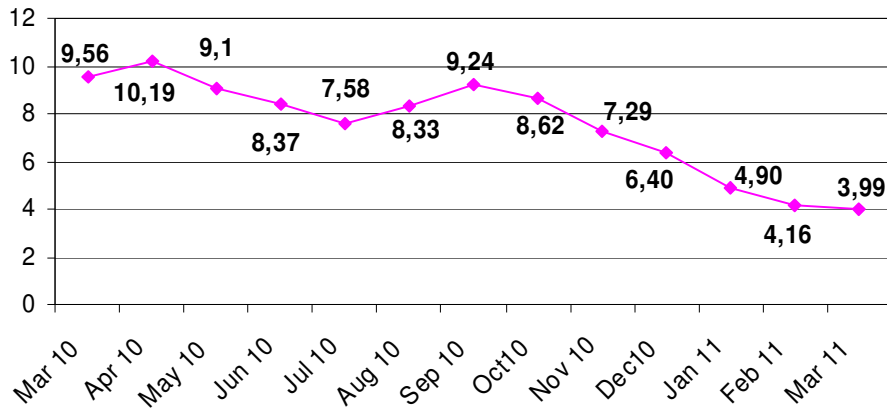
Growth Rates (%)



Annual Inflation of Consumer Prices (%)



Annual Inflation's Monthly Development 2010-11 (%)



Reversal of trend in direct investments

The month of January on balance reported a drain of capital from Turkey for the first time in 8 years. This is mainly due to the huge increase in investments of Turkish individuals and companies abroad, which amounted to almost 17 times of the January 2010 level. Ever since the AKP took over government, the surplus of direct investments from abroad had been regarded as the main instrument for financing the country's current account deficit. It had increased continuously since 2002 (US\$939mn) – to US\$1.2bn in 2003, in excess of US\$2bn in 2004, and approx. US\$9bn in 2005 – and peaked in the years 2006 (US\$19.3bn) and 2007 (around US\$20bn). Subsequently it dropped again to approx. US\$17bn in 2008, and under US\$7bn in 2009, reaching US\$7bn 154mn last year. This translates to a monthly average of US\$596.2mn in 2010, with a range of between US\$278mn and US\$1.6bn per month.

Direct investments (million US\$)

	January 2010	January 2011
Turkish investments abroad (net)	-38	-672
Direct investments by foreigners	432	402
Capital	284	316
Inflow	285	320
Outflow	-1	-4
Repayment of loans from foreign partners	-2	-54
Real estate purchases	150	140
Sum total	394	-270

March - 2011

8.9% economic growth in 2010

According to the latest growth figures published by the Turkish Statistical Institute, Turkey attained a gross domestic product of US\$204bn 766mn (at current prices) in the 4th quarter of 2010. This comes down to a growth rate of 9.2%, while on a full-year basis the GDP increased 8.9% to reach US\$735bn 828mn. The per capita income rose to US\$10,079 as compared to US\$8,590 in 2009, thus approaching again the pre-crisis level of US\$10,440 in 2008, when the GDP was US\$742.1bn. The largest growth of any industry was in the construction trade

(+17.1%), trailed by fishery (+14.2%), the manufacturing industry (+13.6%), and the wholesale & retail business (13.3%). While Turkey's hotel and catering industry reported the lowest growth rate, at 0.3%, not a single industry posted negative growth.

March - 2011

11.4% unemployment in December

In December, Turkey's unemployment rate increased 0.4 percentage points over the previous month, while compared to the same month of the previous year there was a 2.1% improvement. This is the result of a projection carried out by Turkey's Statistical Institute, based on a survey of 36,472 sample households with 97,161 members. The statistics reveal that the number of persons out of work has dropped by 432,000 to around 2,929,000 as compared with December 2009, when the share of unemployed stood at 13.5%. In the same period, the working population increased by over 1.2 million, to about 22,665,000, a rate of 48.4% (+0.8%). There was a remarkable increase in the labour participation rate of the female population, from 23.5% before to 27.6% after the crisis, as opposed to the male labour force whose participation rate only slightly rose from 70.1% to 70.8%. This goes to show that an increasing number of women in Turkey are compelled to work in order to assure the livelihood of their families.

March - 2011

Trade deficit continues to grow despite rising exports

In February, Turkey's exports rose to over US\$10.1bn, a 22.2% plus over the same month of 2010. However, this increase in exports did not suffice to keep pace with imports which continued to rise notwithstanding the contrary development of the foreign exchange rate, to 48.7% over 44.3% in January. As a result, the foreign trade deficit reached US\$7bn 407mn, 110.9% more than in the same month of the previous year. The year 2010 had already closed with a record trade deficit of US\$71bn 559mn.

Turkey's top 5 industries by exports (1000 US\$)

	Industry	February 2010	February 2011	Share
1)	Automotive	1,435,069	1,615,440	15.89%
2)	Iron & steel	801,247	1,304,984	12.84%
3)	Clothing & ready wear	1,139,707	1,303,744	12.83%
4)	Chemicals	835,821	1,194,891	11.76%
5)	Electrics/Electronics	709,005	744,713	7.33%
	Total	8,184,445	10,164,614	100%

Turkey's top 10 export partners (1000 US\$)

	Country	February 2010	February 2011
1)	Germany	860,324	1,099,279
2)	Italy	556,814	648,892
3)	Great Britain	473,056	605,476
4)	France	525,528	527,414
5)	Iraq	417,457	523,281
6)	Russian Federation	306,865	482,615
7)	UAE	137,181	377,086

8)	USA	267,223	366,665
9)	Spain	295,622	333,319
10)	Iran	193,859	331,765
	Total	8,184,445	10,164,614

March / April - 2011

Turkish companies turn out strong for CeBIT

Turkey was this year's official partner country of the world's largest IT fair CeBIT in Hannover, Germany. The amazing progress that the country has made in recent years has not gone unnoticed by international manufacturers. For them, Turkey with its young, technology-hungry population is one of the fastest growing markets – while as recently as 5 years ago only one out of 10 Turkish households had a computer, it is one in three today. And according to a study conducted by Ericsson, the Turks are world champions in the use of mobile phones. However, the country does not only want to be regarded as consumers of technology, but also wants to present itself with its own innovative strength. This is why in addition to 92 exhibiting companies also high-ranking government and business representatives from Turkey turned out in large numbers for the opening of the CeBIT.

March - 2011

No positive trend in income structure

The results of the 2010 Household Survey conducted by Turkey's Statistical Institute indicate increasing inequality in the distribution of income. Turkey's Gini coefficient has slightly increased in 2009, from 0.405 in the previous year to 0.415. The analysis shows that even after the economic crisis has been overcome, the number of unemployed is unlikely to drop below 3 million again. The ever-widening income gap and increasing impoverishment of the low-income layers of the population will be the greatest social challenges of the future. In addition, the regional divide within Turkey also constitutes a big problem. While in 2009 the average equivalent household income in the Istanbul area was TL12,795, it was only TL4,655 in Southeast Anatolia.

March - 2011

Politics

Erdogan warns in vain against military intervention in Libya

Turkey's head of government, Recep Tayyip Erdogan, has warned against military intervention in the countries of North Africa and the Middle East that are currently affected by political unrest. In his opening speech of the "Leaders of Change Summit" conference in Istanbul, which brought together politicians, intellectuals, economists and experts for religion, Erdogan claimed that the Western and Northern countries were driven too much by their own vested interests, and that it would be wrong to hinge the support for democracy on petrol. Erdogan emphasized that democratic change in those countries was overdue, and that their people were entitled to it – now, not later. Turkey, he said, could serve as a model and take on the role of mediator for the entire region.

March - 2011

Turkey calls on Germany to relax visa requirements

Turkish prime minister Erdogan has once more demanded the relaxation of visa requirements for Turkish businesspeople. At the occasion of his visit to this year's CeBIT, Erdogan told Chancellor Angela Merkel that it was time for a new approach to the visa issue on the part of the EU. Germany, he said, was the country that knew best what a great contribution to the European economy Turkey would be able to make. His counterpart replied that her government was willing to again hold talks with the Turkish government in this matter. She declared that her country would have to handle the existing regulations more flexibly in order to take the dynamic development of Turkey's economy into account.

March - 2011

Freedom of the press threatened in Turkey

Again several oppositional journalists have been arrested within the scope of criminal investigations against the alleged putschist organisation "Ergenekon". While Turkish Journalists' Association TGC spoke of an assault on the freedom of the press and an increasing climate of fear, the president of the bar association in Ankara claimed that the house searches carried out were unlawful. The president of Turkey's influential entrepreneurs' association TÜSIAD voiced her concern given the lack of transparency and efficiency of the judicial system. The European Parliament issued a resolution strongly condemning the methods employed by the Turkish law enforcement authorities. The international press also expressed its serious concern. The prestigious *Financial Times*, for instance, ran an editorial captioned "Turkey needs to stop the intimidation of its media", which reported of "alarming authoritarian tendencies" within the ruling party.

March - 2011

Other Topics

Lee Cooper goes Anatolia

Following one and a half years of negotiations, Kipas Holding, which hails from the city of Kahramanmaraş in Southeast Anatolia, has succeeded in acquiring the regional production and distribution rights for the brand "Lee Cooper". Apart from Turkey the area covered by the licence also extends to countries such as Russia, Syria, Iraq, and the Turkic Republics. Founded in London in 1908, "Lee Cooper" is Europe's longest established denim brand. With an initial investment of US\$20mn, Kipas plans to open 10 brand stores in Turkey's big cities before the winter season, and a total of 40 by the end of 2012.

March - 2011

Discounter BIM posts record sales

Sales of Turkey's largest chain of discount stores, Birlesik Magazalar A.S. (BIM), soared by 24% in 2010. With over 3,000 outlets, the company generated revenues in excess of TL6.5bn, with net profits increasing by 15% to TL245.6mn. In the current year BIM aims to open 350 new stores in Turkey, while 40 more discount stores are scheduled in Morocco, which is their only international operation so far. This is based on the assumption that the political situation in this country will

remain reasonably stable. There are concrete plans for an expansion to Saudi Arabia, with ongoing negotiations regarding a joint venture. Alternatively the company is also considering extending its operations into countries such as Egypt, Lebanon, and Syria.

March - 2011

Big leap for Vodafone Turkey

Vodafone has mastered the crisis and firmly established itself as Turkey's second-largest mobile service provider. Following the December 2005 US\$4bn plus takeover of the company, which in 1994 had been founded under the name of "Telsim" by the Uzan clan, Vodafone had initially failed to achieve the results it had hoped for. Also under the new CEO Serpil Timuray, who assumed this office in January 2009 when she was not even 40 years old, it was an uphill struggle at first. But in the meantime, Vodafone Turkey has started to reap the fruits of its sustained investments. The number of subscribers increased from 2.3 to 4.1 million in the past two years, with the market share on revenue basis reaching 26.4%. The final quarter of 2010 saw a stunning growth of 31.7%, far above the sector average of 5.6%.

March - 2011

Turkey's tallest building inaugurated

The – by far – tallest building of Turkey is called "Sapphire of Istanbul" and beckons from the district of 4th Levent. Standing at 261 m (including aerial), it is also Europe's tallest building – notabene: outside of Moscow. The 243 m skyscraper boasts 56 upper storeys, with 10 more underground. It accommodates 177 luxury apartments, 60 percent of which have already sold at prices of between 7,000 and 12,000 US dollars per square metre. The panorama terrace at an altitude of 236 m is certain to become a tourist attraction, generating additional revenue. Also the 46,000 sq.m shopping centre located in the lower storeys with its 130 stores is expected to draw some 15 million visitors per year. The construction costs, excluding the land, are put at 250 million US dollars. Nahit Kiler, Chairman of the Board of principal Kiler Holding, calculates that the costs will have been redeemed as early as in 7 years.

March - 2011

Shopping Fest Istanbul under way

Up until April 26, Istanbul will be the region's ultimate bargain hunting destination for 40 days and 40 nights. Initially 750,000 visitors from abroad were expected to turn out for the first "Shopping Fest" in the Turkish metropolis. Due to the political upheaval in several Arab and North African countries, the organizers is now hoping for an extra 150,000 or so "shopping refugees" and an additional turnover of up to 500 million US dollars. Also the visa exemption for Russian citizens, which shall be effective as of April 17, is sure to make an impact, too. Istanbul hotels are already 100 percent booked out especially since the event coincides with multiple holidays (Easter, Passover and Nowruz).

March - 2011

Former stadium grounds to turn into real estate venture

A mega-project with 3 commercial and residential towers is to be built on the grounds of a disused stadium in the Istanbul business district of Mecidiyeköy. For this purpose, a consortium of 3

Turkish construction companies intends to invest TL1bn (around €450mn). Ali Sami Yen, the legendary home ground of Turkey's record-holding football champions Galatasaray, is set to be demolished before the end of the year. The financially ailing club has already moved in January to its state-of-the-art, €160mn stadium at the outskirts of the city.

April - 2011

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