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

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Your FMConsulting Team

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▶▶ Economy

Overview of Monthly Data

TL-Rates	30.11.2012	31.12.2012	Change in %
TL pro Euro	2.3225	2.3565	1.4639
TL pro USD	1.7860	1.7862	0.0111

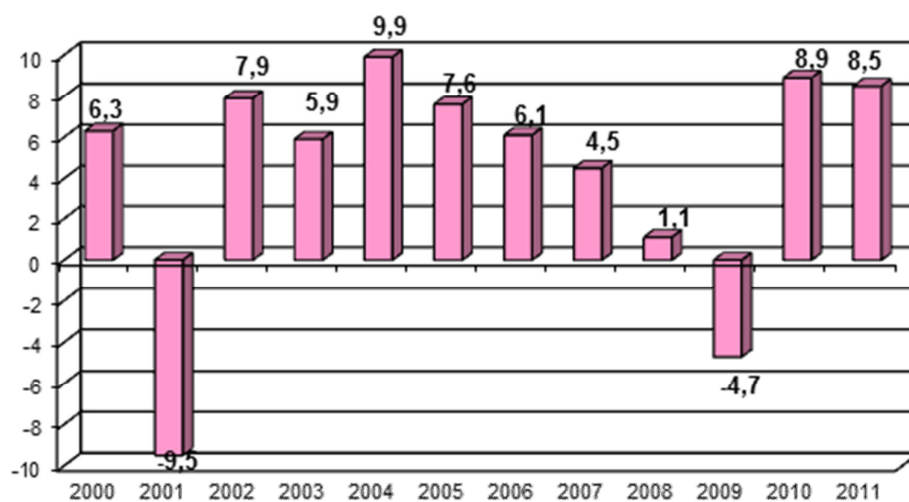
Stock exchange index	72.484,50	78.208,40	7.8967
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Inflation in %	Monthly inflation	Annual inflation
Producer prices	-0.12	2.45
Consumer prices	0.38	6.16

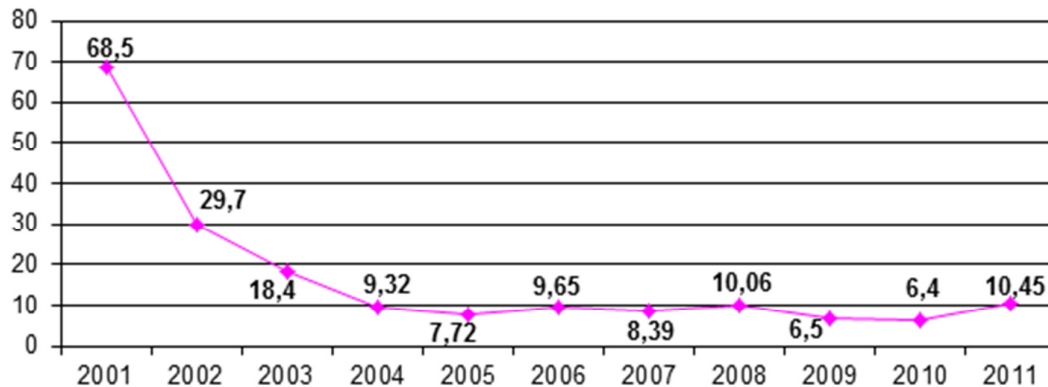
Growth Rates

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	5.2	8.5
2012	3.4	3.0	1.6		

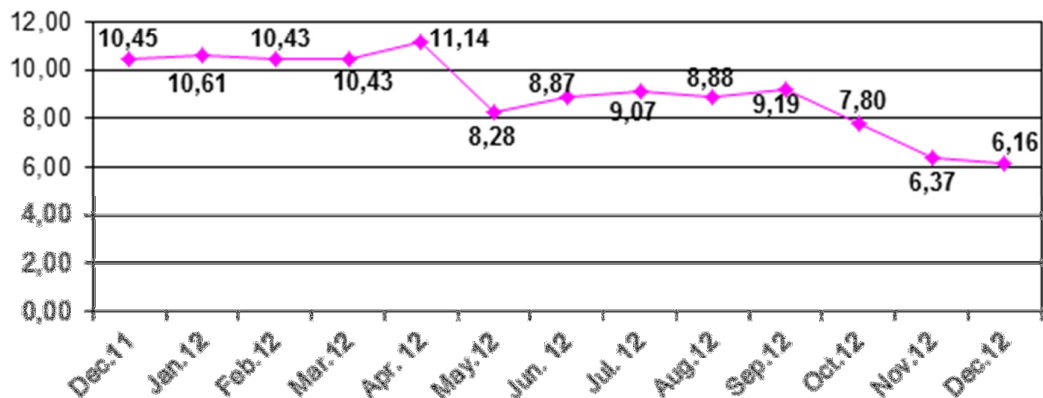
Growth Rates (%)



Annual Inflation of Consumer Prices (%)



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



Holidays put brakes on export increase

Turkey's export figures slightly receded in October, dropping 2.1% over the same month of the previous year to around US\$11.8bn. According to Turkish Exporters' Association TIM this was attributable to two additional days off due to the Islamic Feast of Sacrifice and Turkey's National Day. Not considering the holidays, however, the positive trend is seen to continue. In the first 10 months of the year, exports totalled US\$124.8bn (+2.1%), the main export destinations being Germany, Iraq and Great Britain as before. The industry with the highest exports was chemicals and chemical products with US\$1bn 655mn, a 23.3% increase over October 2011, closely followed by the automotive industry, which contracted by 7.33% to US\$1bn 635mn. The steel industry (US\$1bn 355mn) ranked third ahead of clothing & ready-wear (US\$1bn 289mn), with electrics, electronics, machinery and IT (US\$989mn) in fifth place. Agricultural exports diminished by 3.43% as compared to last October to US\$1bn 704mn.

(November 7, 2012)

New incentives spark investments

The new incentive system which the Turkish government introduced in June is beginning to make an impact. The number of incentive certificates rose by 48% against the same month

of 2011, and total sponsored investments reached TL5.1bn, up 46%. Public sponsorship created 12,725 jobs, marking a 60.9% increase. In particular the 6th incentive zone – which comprises the disadvantaged provinces in the country's southeast – boomed, boosting its share from 5% to 20%, while the shares of the 1st and 2nd zone dropped from 51% to 32% and from 18% to 8%, respectively. On the whole, though, the incentives volume in the past 10 months fell short of last year's level.

(November 12, 2012)

Central Bank sends strong signals regarding exchange and interest rate policy

Erdem Basci, President of Turkey's Central Bank, declared that the Turkish Lira has reached the point of overvaluation. If this trend were to continue until the end of the year, interest rates would have to be lowered moderately, he said, adding that in case of a further increase in value, additional instruments could be employed, too. The central bank head's comments raised expectations in the November meeting of the Monetary Policy Committee that both the upper and the lower limit of the interest rate corridor may be lowered soon. Basci also stated that his institution is cooperating with the banking supervisory body BDDK and the financial administration on a joint project to promote long-term deposits. However, this was supposed to be a surprise, and to be announced later.

(November 13, 2012)

Turkey has the fastest-growing gold reserves

Turkey has increased its gold reserves by 180 tons within just one year. This stunning 160% increment gave the country the fastest-growing gold reserves in the world, making it climb 11 spots at a time in the ranking of countries with the largest gold reserves to rank 16 as of the end of October. Since gold is regarded as a "safe haven" on the global market, the country has recently put a focus on increasing its holdings of gold. They now amount to 302.4 tons, initially having grown from 116.1 tons in the 3rd quarter to 195.3 tons in the 4th quarter of 2011. Also Turkey is the only country where gold is accepted as mandatory provision, this measure having been introduced by Turkey's Central Bank to provide additional liquidity to the banks and get the people's hidden gold assets into the economic system. At the same time, Turkey's exports of gold in the first 9 months of 2012 soared by 343% in terms of value while imports remained at practically the same level. Last but not least, Turkey now ranks among the leading countries in the field of scrap gold processing.

(November 7/15/26, 2012)

"Crisis prophet": Turkey needs to find the happy medium

Istanbul-born US economist Nouriel Roubini has urged Turkey to keep sight of the structural problems of its national economy despite an upgraded credit rating. Dr Roubini, who has a reputation of being a "crisis prophet", specifically mentioned high inflation, overvaluation of the local currency, and a growing current account deficit. While according to him this demographically advantaged country is on the right track, it needs to do considerably more. He claimed that Turkey's central bank is having trouble setting a clear course, which leads to a degree of uncertainty. What caused GDP growth to drop to 3% was that the monetary policy was tightened and the economy over-heated in the previous year. Politicians must strive to find the happy medium between a healthy economic growth and balancing the current account, said Roubini, who also suggested that more funds be allocated to research & development.

(November 15, 2012)

Current account deficit continues to dwindle in September

According to data on the balance of payments, the current account deficit fell to its lowest level in 19 months in September. The past 12 months brought the total deficit to US\$55.8bn, while in the first 9 months of the year it amounted to US\$39.3bn. The deficit for September was only US\$2.7bn when a minimum US\$3bn had been expected. Some of the reasons why the current account deficit has improved are that the trade gap narrowed to 27% and the net income of the service industry increased by 10.6%. Still the deficit accounts for 7% of the GDP at present.

(November 16, 2012)

Turkish budget deficit increases ten-fold

In the first ten months of the year, the deficit of Turkey's national budget has increased ten-fold over the same period of the preceding year. While budget revenue increased 10.9% between January and October to reach TL261bn 577mn, expenditure rose by 18.1% to TL289bn 791mn. This brought the deficit to 18bn TL754mn when in the first 10 months of 2011 it had only been some TL1.7bn. The initial target of 21.1bn TL for 2012 had already been revised up to TL33.5bn. Out of the budget expenditure, around TL43.25bn were interest payments, 15.4% more than in the same period of 2011. In October the interest payments even went up 37.4% and expenditure increased by 29.2%, while revenue lagged behind at +20.8%.

(November 16, 2012)

Lowest growth in 12 quarters

Turkey's economy has grown only 1.6% (in fixed prices) in the 3rd quarter of 2012, thus accelerating its continuous demise. Therefore the 2012 growth target of 3.2%, which had already been revised downward, has become rather unrealistic. The first 9 months of the year saw a growth of only 2.6%. The outlook for 2013 is somewhat brighter: An analysis conducted by *The Economist* estimates that Turkey can look forward to a growth of 4.1%, above the global average of 3.5%. Notwithstanding all political imponderabilities, the analysts expect the per-capita income to rise to 11,840 US\$, the inflation rate to drop to 7.3%, and the ratio of budget deficit to GDP to plunge to only 1.7%.

Regression of Turkey's GDP growth (in fixed prices)

2011	1 st quarter	12.1%
	2 nd quarter	9.1%
	3 rd quarter	8.4%
	4 th quarter	5.0%
	Total	8.5%
2012	1 st quarter	3.4%
	2 nd quarter	3.0%
	3 rd quarter	1.6%
	First 9 months	2.6%

(November 23 / December 11, 2012)

New year brings higher stamp duty and modified fund levy

As of January 1st, 2013, an important amendment has come into effect: The stamp duty rate has been raised pursuant to Cabinet Decree No. 2012/4116: From now on, a stamp duty of 1.89‰ (previously 1.65‰) will be levied on tenancy agreements, and 9.48‰ (previously

8.25%) on other contracts. The amounts of the Resource Utilisation Support Fund (KKDF) levy payable on bank credits has been revised: 3% of the principal must now be paid on credits with an average maturity of up to 1 year, 1% on credits with 1 year to 2 years', and 0.5% on credits between 2 and 3 years' maturity; no charge is levied on credits with a maturity of over 3 years.

(January 2, 2013)

Politics

Bomb attack on police vehicle: 1 dead, 18 injured

Still no end is in sight to the series of bloody attacks on security forces and civilians, which mostly take place in the Kurdish settlement areas in the Southeast of Turkey. This time a car bomb was detonated next to a passing police vehicle in the district town of Semdinli (province of Hakkari), killing an 11-year-old child and wounding 18 people, two of them severely. The bombing happened in close vicinity to an open-air location where a wedding celebration was being held. The crew of the armoured vehicle escaped with minor injuries.

(November 5, 2012)

Turkey not willing to abandon EU membership perspective

At the "Financial Times Turkey Summit" in Istanbul, Deputy Prime Minister Ali Babacan stated that Turkey is intent on continuing the EU accession process under all circumstances. Regardless of all the difficulties and obstacles that need to be overcome, it would not be deterred from this goal. Babacan said that his government will be responsive to different options for membership in the European Union since this would open new doors for Turkey. According to Mehmet Simsek, the country's Finance Minister, all data indicate that the Turkish economy is gradually consolidating. In the medium term, economic growth is going to pick up again and inflation is going to decline. Up till today everybody investing in Turkey has benefited from that in the longer term, stated Simsek, adding that his country holds a large yet unused manpower potential.

(November 23, 2012)

Turkey and USA at odds over Iran embargo

The Turkish government does not appear to readily succumb to pressure from the United States for tighter compliance with the embargo against Iran. Not long ago it has transpired that Turkey is paying petrol and natural gas deliveries from Iran in gold. Economy Minister Caglayan now rebutted criticism from U.S. Senate circles that this serves to circumvent the ban on money transfers with the words: "The statements of the USA do not bind us"; the Turkish government is only bound by treaties that have been ratified by Turkey. According to vice-premier Babacan the facts are like this: "We deposit the money for the Iranian gas on a bank account in Turkey. Since Iran is unable to export this money as foreign currency, it withdraws the money from its account and uses it to buy gold, which it then exports." The Turkish government, he said, is unaware of how the export of the gold is done. Direct gold exports to Iran have soared to US\$6.4bn by September, while billions more are reported to be channelled through the UAE.

(November 29, 2012)

▶▶ Other topics

Credit insurers to get access to data

The credit insurances in Turkey are soon to receive access to vital data on the credit standing of companies. Negotiations conducted in this matter with the Credit Registration Office (KKB) – the Turkish equivalent of SCHUFA – the Association of Banks and the BDDK are about to be closed. So far, the negative KKB listings were only available to leasing and factoring companies. Belkis Alpergun, managing director of the Turkish subsidiary of market leaders Coface, expects this new practice to give an enormous boost to the entire industry. Together with the two other big credit insurance companies, Euler Hermes and Atradius, she said, Coface has led a long struggle for access to this information. Now they are confident to double both the number of customers and their turnover in 2013.

(November 22, 2012)

Turkcell makes sustainable investments in fibre optics

The latest developments and figures were presented at the Technology Summit hosted for the 3rd time by Turkey's leading mobile phone operator Turkcell. Turkcell CEO Süreyya Ciliv announced that his company has invested TL1.6bn into fibre optic technology in the past four years. Today, he said, Turkey with its infrastructure and intelligent technologies compares very favourably on a global scale when it comes to was mobile communications, fibre optics and cloud computing. Since the 3G standard was introduced 3 years ago, Ciliv said, mobile data traffic in Turkey increased 69-fold, and in the first 8 months of the year, 3 times more smartphones and tablet PCs than PCs were sold. In his lecture on "The Art of Innovation" at the summit, marketing guru Guy Kawasaki praised Turkey's internet, remarking that while Turkcell Superonline provided a data speed of 1000 MB/s in Istanbul, merely 25 MB/s were available back home in California.

(November 22/29, 2012)

Second-biggest privatisation deal in the history of Turkey

An international consortium involving Koc Holding has acquired the operating rights for both Bosphorus bridges as well as 10 motorway sections for a period of 25 years. The joint venture, in which Gözde, a Ülker Group company, holds a 20% share, with Koc Holding and Malaysian UEM Group holding a 40% share each, was awarded the contract for its highest bid of US\$5bn 720mn. In return for the upkeep and modernisation of these transport routes, the new operator will be entitled to the toll proceeds, which this year amounted to some TL800mn. Following former state petrochemical company TÜPRAS, which sold for US\$55bn also with Koc Holding involvement, this is the second-biggest privatisation transaction in the history of Turkey. The next major privatisation deal will apparently be the partial sale of public shares in Türk Telekom.

(December 18, 2012)

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