



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

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Best regards,

Your FMConsulting Team

Newsletter December 2009

Economy

Overview of Monthly Data

YTL-Rates	30.11.2009	31.12.2009	Change in %
TL pro Euro	2.2405	2.1707	-3.11
TL pro USD	1.4897	1.5130	1.56

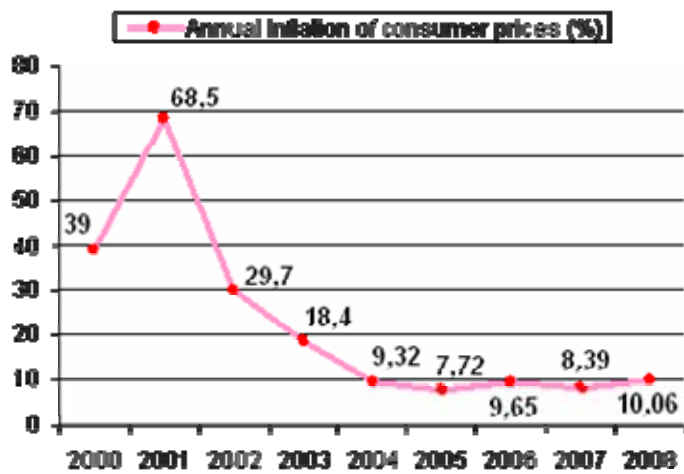
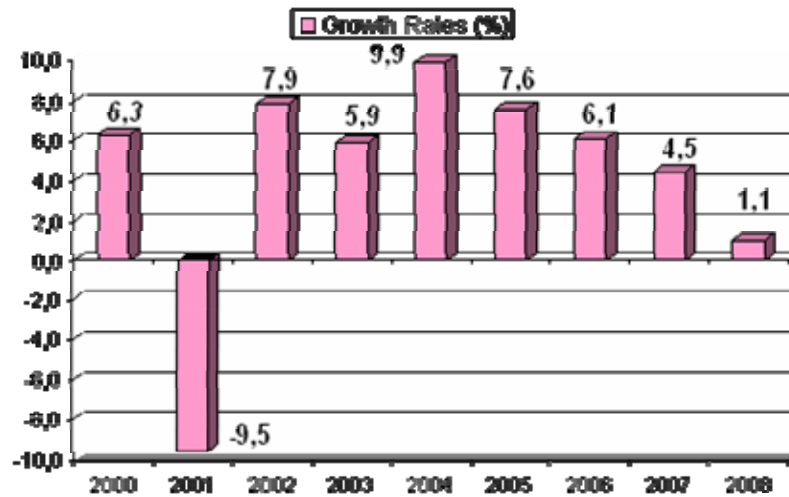
Stock exchange index	45,350	52,825	16.48
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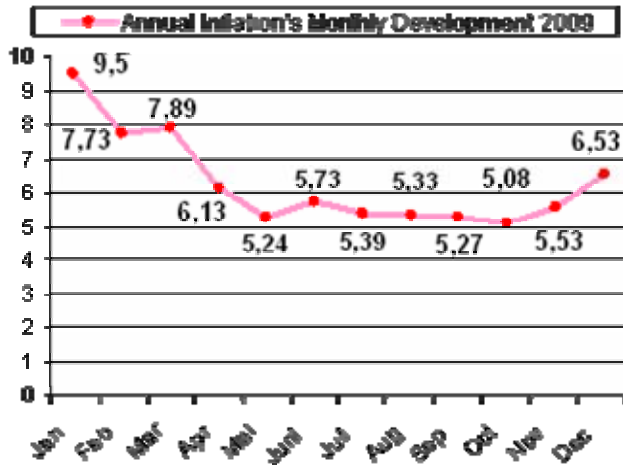
Inflation in %	Monthly inflation	Annual inflation
Producer prices	0.66%	5.93%
Consumer prices	0.53%	6.53%

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	10.0	7.6
2006	6.3	9.3	4.3	4.6	6.1
2007	6.7	3.9	2.0	3.4	4.5
2008	6.6	1.9	0.5	-6.2	1.1
2009	-14.3	-7			





Inflation still on the rise

Turkey's inflation rate continues to rise. In November, inflation was at its highest level in 18 months on the basis of the producer price index (ÜFE). The recent phasing-out of temporary tax breaks for durables also had a lasting effect on consumer prices. The inflation rate on a TÜFE (Consumer Price Index) basis is heading to 6.5% for the overall year. In November clothing, shoes, food and beverages topped the list of spending categories affected by inflation.

November exports reach 8.82 billion US-dollars despite Islamic holiday

Exports of cement and mineral ore rose by 14% in November

Sectors	November 2009		Dec. 2008- Nov. 2009	
	Exports (1,000 US\$)	Change (%)	Exports (1,000 US\$)	Change (%)
Motor vehicles and accessories	1,442,394	-0.18	16,213,418	-36.92
Agriculture	1,293,993	-0.19	12,965,575	-4.06
Clothing and ready-wear	1,210,675	2.58	13,077,509	-18.56
Iron and steel products	912,987	8.62	11,073,863	-43.19
Chemical substances and products	861,773	-3.56	9,348,853	-33.85
Electrics – Electronics	849,242	4.13	8,299,415	-17.09
Textiles and raw materials	514,376	-0.29	5,385,016	-22.60
Machinery and equipment	477,346	-2.38	5,330,955	-20.76
Ferrous and non-ferrous metals	441,454	8.69	4,361,923	-30.35
Ferrous and non-ferrous metals	251,594	14.03	3,020,356	-11.48
Mining products	242,717	14.42	2,357,120	-29.01
Carpets	117,356	-2.51	1,066,145	-10.02
Leather and leather goods	105,213	-0.10	1,059,887	-22.38
Precious metals and jewellery	99,563	-32.39	995,210	-34.95
Other industrial products	4,552	61.48	42,880	-36.19
TOTAL	8,825,235	1.54	94,798,125	-27.07

Annual export target likely to be missed

Current data indicates that the US\$100bn export target announced by the Turkish

government for 2009 will be missed by some margin. Likewise the target of US\$98.5bn set by Exporters' Association TIM will probably not be attained. Following the record years of 2007 and 2008, this spells a heavy setback for the Turkish export industry, in particular the automotive sector. However, there is a more optimistic outlook on 2010, as reflected in the new export target of US\$111bn.

**Exports in 2009
(January 1-December 6)**

	2008 (US\$ bn)	2009 (US\$ bn)	Change (%)
AGRICULTURE	11,451	12,049	5.2
Crop products	8,511	9,009	5.9
- Fresh fruit & vegetables	1,382	1,710	23.7
- Hazelnuts & hazelnut products	1,252	1,083	-13.5
INDUSTRY	99,760	74,787	-25.0
- Motor vehicles	22,559	15,361	-31.9
- Iron & steel products	5,571	4,118	-26.1
Total	123,220	89,087	-27.7

Volume of trade with the U.S. to increase substantially

President of the Turkish-American business association (TABA/AmCham) Ugur Terzioglu has expressed his confidence regarding the future role of the United States not only a political and military but also as trade partner of Turkey. During a visit to Washington D.C. by a Turkish delegation headed by Prime Minister Erdogan, Mr Terzioglu reported that the US administration had displayed great interest in expanding bilateral trade relations. The United States plan to establish a model partnership with Turkey, as it previously has with Mexico and Canada. US companies, among them an increasing number of SMEs, are keen on co-operating with Turkish firms to develop the markets in Eurasia and the Middle East. Hopes are that the volume of foreign trade the United States can be doubled in 2010, from US\$15bn now to US\$30bn.

No signs of improvement in unemployment figures

The Turkish labour market has still not made any significant recovery from the financial crisis. Officially 3,296,000 Turks were out of work in September, 795,000 more than in the same month of the previous year. But with some 1,850,000 jobless no longer bothering to register with the employment agency, the actual rate is put at 5,246,000. This actual jobless rate, also known as "unofficial unemployment rate", is again approaching the 20-percent mark and is expected to rise even higher in the coming year. An increasing share of the labour force – currently over 45% – is employed without social security in the "grey" or "black" labour market. Consequently, apart from structural measures, combating this labour market is the principal component of the National Employment Strategy, which is to be implemented by the end of 2010.

Unemployment rate according to months

	Unemployment rate (%)	Actual jobless rate (%)
September 08	10.7	16.4
October	11.2	17.3
November	12.6	19.1
December	14.0	21.4
Year total	11.0	17.4
January 09	15.5	23.3
February	16.1	24.1
March	15.8	23.3
April	14.9	21.8
May	13.6	19.9
June	13.0	18.9
July	12.8	18.6
August	13.4	19.3
September	13.4	19.2

Considerable range of forecasts about growth of Turkish economy

2009 and 2010 growth forecasts for Turkey (%)

Institution	Publication	Date of issue	Forecast 2009	Forecast 2010
Moody's		September 11	-5.5	2.5
IMF	World Economic Outlook	October 1	-6.5	3.7
2010 annual programme of the Turkish government	General economic targets and investments	October 17	-6.0	3.5
European Union	Eurostat	November 1	-5.8	2.8
LP Morgan	Global Economic Outlook Summary	November 6	-5.3	5.0
The Economist	Economic and Financial Indicators	November 12	-5.7	3.0
OECD	OECD Economic Outlook	November 20	-6.5	3.7
Turkish Central Bank	2nd Anticipation Survey in November	November 20	-5.6	3.2
Turkish Entrepreneurs' Association TÜSIAD	Economic Development Assessment Report	November 20	-5.9	2.7

Politics

Turkish business community condemns terrorist attack

Seven soldiers, among them six young conscripts, have been massacred in an ambush in the province of Tokat in Eastern Anatolia. This brutal act of terrorism has caused a wave of public outrage, not least within the business community. The Turkish

Confederation of Employer Associations (TISK) declared that such assaults on the country's democracy and stability are doomed to failure, whereas the Union of Chambers and Commodity Exchanges (TOBB) called upon the nation to collectively defy terrorism. Turkey's largest trade union, Türk-İs, also denounced the murderous attack in strong words, while appealing to the common sense and brotherly feelings of the Turkish people.

Ban of Kurdish party sets back reconciliation efforts

The Turkish Constitutional Court has voted to ban the "Democratic Society Party" (DTP), granting an application filed by the Attorney General almost two years ago. In addition, the chairman of the only pro-Kurdish party represented in parliament, Ahmet Türk and 36 more party officials were banned from political activities for five years. The DTP was accused of serving as the political wing of the separatist terror organisation PKK. News of the verdict triggered protests and rioting mostly in the southeast of the county, resulting in several casualties. The party ban jeopardizes the efforts of the Erdogan government for reconciliation with the Kurdish segment of the population, which had only just begun. The EU expressed concern about the ban, calling it an infringement on Kurdish rights. The "Peace and Democracy Party" (BDP), which was founded last year, is now set to become a refuge for DTP supporters.

Officers allegedly plotted assassination of deputy prime minister

The permanent conflict between the army and the government in Turkey has yet again escalated. A special task force of public prosecutors and police searched the premises of the military intelligence service in Ankara and arrested eight officers. Bodyguards had intercepted two military intelligence agents near the residence of Deputy Prime Minister Bülent Arinc, who then accused the army of plotting his assassination. Military intelligence officials claimed to have observed persons suspected of stealing classified information. The army command denied the allegations which must be seen in the context of the so-called Ergenekon investigation about purported plans for a coup d'état, stating it would conduct an internal probe into the matter.

Other Topics

Turkey promotes diversification in tourism

The Turkish government intends to create further investment incentives for the tourism sector. Ertugrul Günay, Minister for Culture and Tourism, announced that the government has allocated 48 state-owned plots of land in 14 provinces for this purpose. Investors may lease those properties for 49 years on attractive terms. Lower fees are being asked for leases in the areas of spa and winter tourism as well as in priority development regions, in a bit to avoid becoming overly dependent on beach tourism on the South Coast. The minister also stated that the VAT and luxury tax on wine will be lowered in order to encourage domestic production.

Panasonic to build budget-priced household appliances in Turkey

Japan's largest electronics producer, Panasonic Corporation, is pursuing a new volume strategy in the world market. The multinational company is set to build down-market products in emerging economies such as Turkey, India, Indonesia, China, Brazil, Mexico, and Nigeria, drawing on local supplier and engineering capacities. Panasonic also intends to use idle capacities of manufacturers in Europe, where it has only recently entered the market for white goods. The corporation has begun to target low-income households in the respective domestic markets.

Dutch companies preparing for multi-billion investments in Turkey

State Minister Zafer Caglayan, who is in charge of foreign trade, has offered a positive summary of his trip to the Netherlands, where, amongst others, he conferred with managers of largest Dutch insurance group Eureko B.V. He stated that the group, which in recent years had increasingly expanded into eastern and southeastern Europe, intended to relocate their entire investments from there to Turkey, starting in 2010. The minister also reported about promising contacts with Royal BAM Group, a Europe-wide operating construction and real estate company, with regard to investment and co-operation projects.

Turkey hammers out strategy on climate change – nuclear power included

Under the aegis of the Turkish Ministry of the Environment, representatives of public institutions, civil society organisations, universities and the private sector, have drawn up a National Strategy Paper on Climate Change. The strategy includes rehabilitation of existing fossil-fuel power plants, as well as a gradual increase in the share of clean forms of energy. The share of renewables in total power production is to increase to 25% by 2020. On the other hand, there is a clear commitment to the use of nuclear power which is deemed essential to Turkey's energy needs.

Europe woos Turkish investors

Investment promotion agencies from the European countries have stepped up their efforts to attract investors from Turkey. One of those agencies is NRW Invest, the state-owned economic development agency of the federal state of North Rhine-Westphalia, which is actively working to have potent companies locate in this part of Germany. In return, it holds the promise of technology transfer, a first-rate infrastructure, and easier access to the market. There has been a substantial increase in international investments by Turkish companies recently. However, the main co-operation partner is not Germany, as one would expect, but rather the more liberal Netherlands plus the Flemish part of Belgium.

Turkish Agroindustry expanding abroad

Turkish agrobusinesses have embraced foreign countries as production bases offering, amongst other things, lower input and labour costs, large contiguous cultivation areas, and better opportunities for exports to third countries. Turkish companies are already growing rice in Russia, sunflowers in the Ukraine, tomatoes and peppers in Romania, cotton and maize in Sudan, cherries in Argentina and Japanese plums in South Africa.

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