

# FOREIGN MARKET CONSULTING



Danismanlik ve Tic. Ltd. Sti.

Today you are receiving our latest newsletter about recent economic and political developments in Turkey.

We would like to hear your opinions about our newsletter and about any important issues that you would like to draw our attention to. In addition, we will be pleased to inform you about the services of Foreign Market Consulting.

If you know any other people that would be interested in this free service, please forward this newsletter to him/her or provide us with the e-mail address of the interested person (to [newsletter@fmconsulting.com](mailto:newsletter@fmconsulting.com)), so that we can include him/her in our distribution list.

Best regards,

Your FMConsulting Team

**Newsletter March 2007**

## Economy

### Overview of Monthly Data

YTL-Rates	27.02.2007	31.03.2007	Change in %
YTL per Euro	1.8247	1.8472	1.23
YTL per USD	1.3860	1.3868	0.06

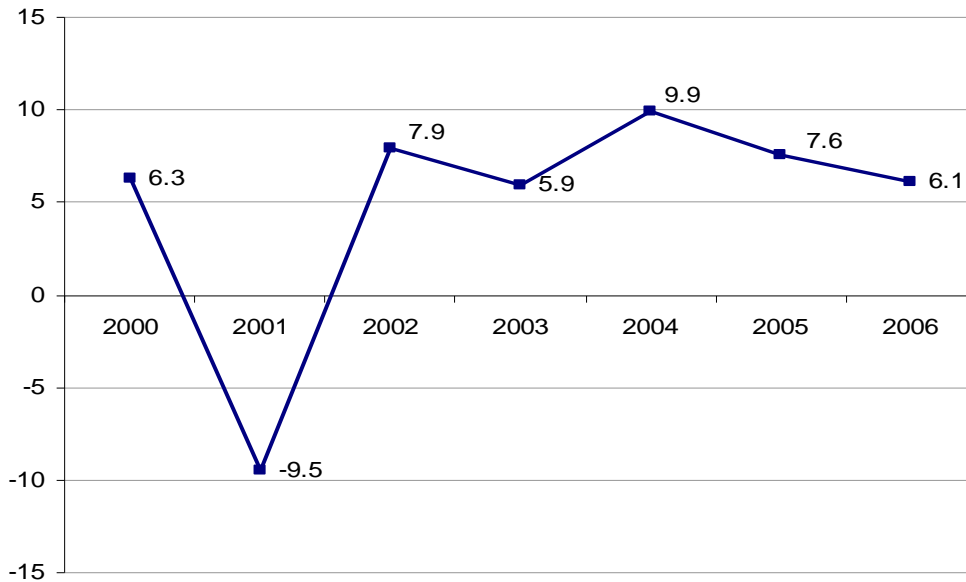
<b>Stock exchange index</b>	43,736.78	43,661	-0.17
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Inflation in %	Monthly inflation	Annual inflation
Producer prices	0.97	10.86
Consumer prices	0.92	10.92

### 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	10.02	7.6
2006	6.3	9.3	4.3	4.6	6.1

Yearly in %



### 6 % growth and USD 400 billion national income was stated in 2006

Turkey's Gross National Product (GNP) growth impetus was realized in 2006 as 6.1%, in comparison to the government's target of 5%, in excess of the market expectations.

As a result of 5 consecutive years of growth, GNP has risen up to USD 399,673 billion. Gross Domestic Revenue (GDP) has acquired growth impetus of 6.1% and exceeded USD 400 billion. 7.4% growth in industry and 19.4% growth in construction have effected GNP increase. TUIK has announced a growth of 4.6% for the 4th quarter in 2006 and revised 9.3% growth for 2nd quarter which it was previously announced as 8.8%. Revised growth for 3rd quarter was 4.3%, which was previously announced as 3%. In 2006, GNP/per person has risen up to USD 5,477. State's expenditures were increased 9.6% and consumer spending increased by 5.2% in 2006.

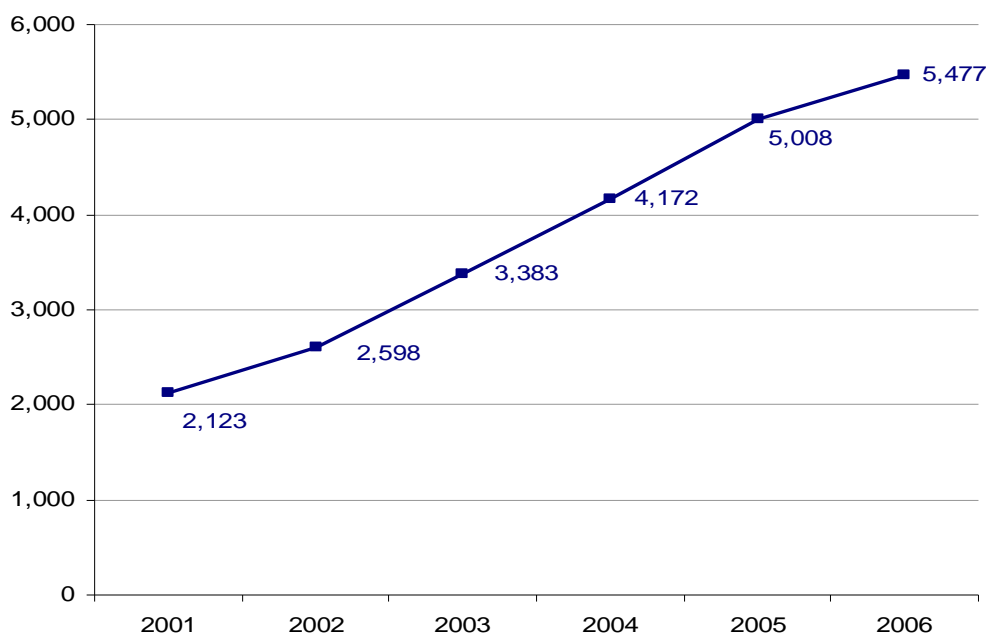
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**Year** **GNP (USD) per person**

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<b>2001</b>	<b>2,123</b>
<b>2002</b>	<b>2,598</b>
<b>2003</b>	<b>3,383</b>
<b>2004</b>	<b>4,172</b>
<b>2005</b>	<b>5,008</b>
<b>2006</b>	<b>5,477</b>

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### **Industrial Production in January**

The industrial sector achieved its best performance in January with 14.8% production increase since June 2004. The production increases of 16.2% in mining sector, 15.4% in manufacture sector and 10.35% in electricity, gas and water sector were achieved in January.

<b>Sector %</b>	<b>Increase in January 2007 (%)</b>	<b>Increase in January 2006 (%)</b>
Total Industry	14.8	-5.2
Mining	16.2	-0.8
Manufacture Industry	15.4	-7.0
Electricity, Gas and Water	10.3	7.9

### **Unemployment in Turkey**

Turkey continues to be listed in top ranks in relation to unemployment rates, among the developing countries. As related to unemployment, Turkey was placed in 4th rank in 2005 with an unemployment rate of 10.2% within the group constituted by 30 member countries of Economical Cooperation and Development Organization (OECD) and Brazil, Indonesia and Russia, have found themselves in 5th rank in 2006, while the unemployment rate went down to 9.9%. In OECD, Turkey's rank has not changed in 2006 and Turkey became the 3rd country with its unemployment rate.

### **Bernardin: Turkey and France Should Establish Mediterranean Union**

Jean-Francois Bernardin, President of the Trade and Industry Chamber Assembly of France (ACFCI) proposed that France and Turkey should form a "Mediterranean Union". Bernardin said; "We can establish a genuine economical cooperation between France and Turkey within Europe-Mediterranean concept". Bernardin has indicated that Turkey is not known well enough in France and not in correct manner. They intend to cooperate with Turkish business environment for such promotion.

### **Capital Entry in Value of USD 1.5 Billion Shall be Ensured**

The accelerated capital entry into Turkey during the recent years continues in 2007 too. Although 2007 is the election year in Turkey. Investment banks and economists are expecting a foreign capital entry in value of USD 18 billion this year and it seems that approximately a monitorial entry of USD % 1.5, which is equivalent to 8.5% of the total value will be ensured in March by means of several projects. USD 832 million through the sales of IETT land in Levent, approximately USD 620 million through Garanti Pension shares sales to Eureko from Holland and USD 81 million through sales of 58.2% of Ray Sigorta (Ray Insurance) to TBIH from Austria constitute the figure.

### **Monthly Record in Export: USD 8.9 Billion**

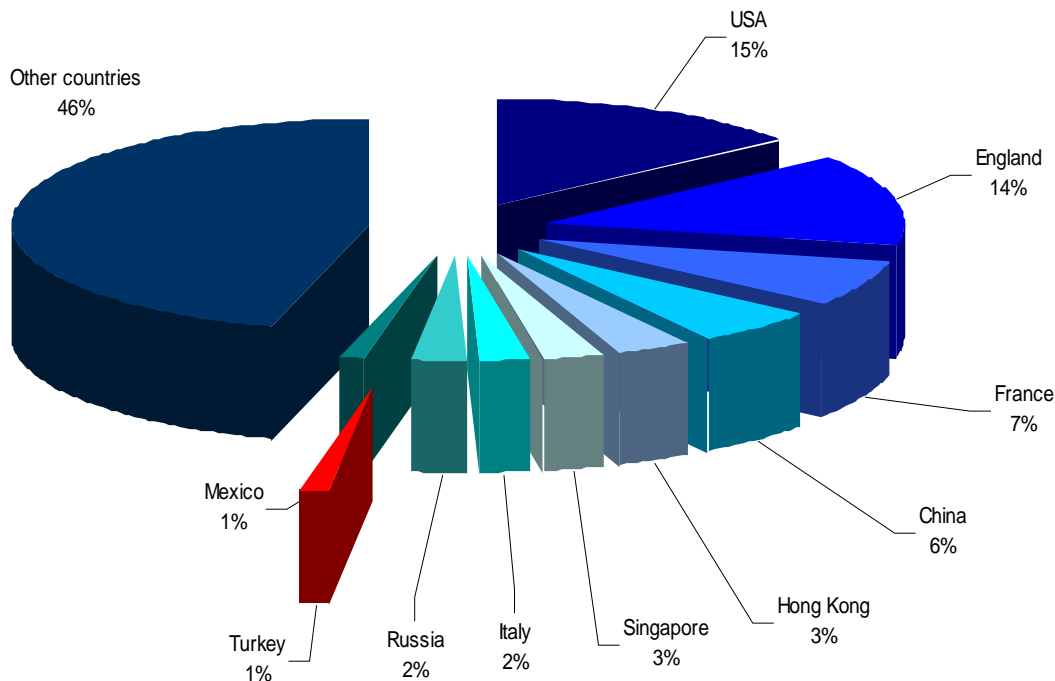
Turkey's export figure in March was USD 8.935 billion and thus has reached its highest monthly figure in the history. Annually export has exceeded USD 90.4 billion. Regarding to exportation in March, the highest increase was in machinery and parts with 46.12% while decrease was observed for hazelnuts & hazelnut products, olives & olive oil and tobacco sectors. Oguz Satici, President of Exporters Assembly of Turkey, emphasized that automotive sector's exportation in first quarter of the year has exceeded USD 4.3 billion. He said that; "Our automotive industry is progressing on the way to be global and now this sector has to be supported". And Ali Boga, Foreign Trade Under secretariat, Export General Manager indicated that export increase for 75 days covering the period January 1st – March 15th was 29% in comparison to the same period of last year and he stated that Turkey's annual export shall exceed USD 100 billion, if annual export increase reaches 17%. Boga further emphasized that USD 20 billion in export is already exceeded and USD 80 billion is left to reach the target. He said; "We are now pretty well ahead of the aim".

### **Turkey Took Ninth Place Regarding to Foreign Capital Entry**

In 2006, Turkey took a net share of USD 17.1 billion from total direct foreign capital

investment in value of USD 1.2 trillion realized worldwide. Therefore it was indicated that Turkey attracts most foreign capital in recent years among the other countries which has upgraded five ranks and placed as 9th. It is expected that increase for Turkey's share obtained from direct foreign capital investment shall continue within this year too. In 2006, 10 countries have shared 55% of direct foreign capital investments. The highest investment was realized in USA as USD 177.3 billion. England and France have followed it.

Foreign Investments (Billion USD)			
Country	2005	2006	Share (%)
USA	99,4	177,3	14,4
England	164,5	169,8	13,8
France	63,6	88,4	7,2
China	72,4	70,0	5,7
Hong Kong	35,9	41,4	3,4
Singapore	20,1	31,9	2,6
Italy	20,0	30,0	2,4
Russia	14,6	28,4	2,3
Turkey	9,7	17,1	1,4
Mexiko	18,1	16,5	1,3
<b>10 countries total</b>	<b>518,3</b>	<b>670,8</b>	<b>54,5</b>
<b>Other countries</b>	<b>398,0</b>	<b>558,9</b>	<b>45,5</b>
<b>World</b>	<b>916,3</b>	<b>1229,7</b>	<b>100,0</b>



### **Record Increase for Foreigners in Turkish Portfolio**

Annual real interest expectation, which was determined as 9.4% in Central Bank polls, shows that Turkish bonds (DIBS = state domestic loan securities = SDLS) are still attractive. In high interest – low rate of exchange ambience occurred after last year's May-June undulation, foreign funds have started purchasing intensively and Turkish state domestic loan securities are still attractive for domestic and foreign investors. Foreigners SDLS portfolio has increased 95% during the period of June 2006 - 23 February 2007 and reached up to YTL. 21.1 billion.

## **Politics**

### **Women Say “We Go for Management Too”**

Women have celebrated World Women's Day on March 8th with the power and hope based on their increasing influence, particularly in world of business. Women now wish to take place in the decision mechanisms in every field of life actively and particularly in politics. Women in Turkey are started to be elected as president for several business organizations and they have a list of demands for woman quota and place in top ranks on list of candidates for 2007 elections carry priority among those demands. Women, who had accomplished to acquire a lot of rights such as; rights for electing and to be elected long before the women in western countries, are now unable to take role in business life in sufficient manner. Ratio for representation in parliament is 4.4%. The rate for women's participation in work power is 24.9% in Turkey where there is no woman governor and woman undersecretary. Despite to all incitements, including micro credits, only 12.5% of entrepreneurs in Turkey are woman.

### **Call from Financial Times newspaper for Erdogan**

British economy newspaper Financial Times draws attention to approaching presidential election and makes a call for Prime Minister Recep Tayyip Erdogan for not to nominate himself as candidate for presidency. Financial Times argues that Erdogan has not shown sufficient effort that he will realize his duty to protect country's vulnerable constitutional regularity which is the most basical responsibility of the president. Further, Financial Times states that Erdogah has tried to designate a person for the Central Bank as president last year, who was the president of a bank which refuses interest and carries out operations with islamic finance institutions and further estimates that if Erdogan becomes president, conflicts on turban, which is already prohibited in universities and public buildings will exacerbate ever so much.

## **Further Topics**

### **Sabancı Takes Verbund as Partner to Enerjisa**

In December, Sabancı Holding and Austrian Verbund have concluded an agreement based on equal partnership and decided to direct their cooperation to a mutual investment. Verbund shall become partner to Sabancı by participating in Enerjisa with 49.99% against USD 326.2 million. Selahattin Hakman, The President of Sabancı Holding Energy Group has stated that they will establish hydroenergy, gas, coal and wind powerhouses with minimum capacity of 5000 megawatt and they will participate in privatizations for distribution and production together.

### **German interest to real estate in Turkey increases**

Turkey is in the first 4 countries among the others where Germans aimed purchasing real estate for holiday, out of their country. According to the results of a poll taken by Foundation for Investigation Center of Turkey (FICT) in Germany, 14% of Germans have positive opinion to purchase real estate in Turkey. In 2005, the rate of Germans visited Turkey to spend their holiday minimum once, has reached to 35% and every 1 of 10 German has interest to purchase real estate for holiday in Turkey according to the survey.

### **Investment From Multi-Tukmall to Turkey**

Multi-Tukmall has announced that they will invest EURO 5 billion in Turkey for real estate projects until 2012. Otto Nagel, Chairman of the Board of Directors of Multi-Tukmall has indicated that Turkey has regained its power like in the times of Ataturk and woken up from hibernation and it will have a huge attraction for foreign capital in the upcoming 5 years. He has indicated that 1/3rd of EURO 5 billion investments will be made for land costs.

### **Scotiabank Plans to Provide Financement for Trade in Turkey**

Scotiabank which is indicated as one of the biggest financial establishments in Canada and operates internationally has decided to establish a representative liaison office in Turkey. Along with the bank, Scotia Mocatta as one of the worldwide most efficient foundations in valuable metals market and Scotia Waterous, operating in energy sector will be penetrating into the region. Alberta Cefis, Scotiabank Assistant General Manager and Group President of International Banking Operations said that "Turkey is an attractive market for us with its young population and growing economy and we see Turkey as a gate to Asia. We are coming to Turkey to be at present with same time period with our customers".

### **Mapfre has Purchased Genel Sigorta**

Spanish insurance company Mapfre has announced that it has concluded an intention agreement for purchasing 80% of Genel Sigorta's (which belongs to Cukurova Group) shares for Euro 285 million. Genel Sigorta shall become a branch of Mapfre International. Mapfre is the leader in Spanish insurance market and operating in 40 countries. Mapfre managed to obtain a total income of Euro 13,600 million in 2006 and its capital in stock exchange market exceeds Euro 8,500 million.

### **Turkey Left Behind in Technology Network**

While Denmark achieved to be first in the “Technology Network Readiness Index” of the World Economic Forum (WEF), Turkey ranked 52nd. The Index evaluates countries by their information and communication technology from the point of business view together with trade and infrastructure. In the report, Sweden, Singapore, Finland and Switzerland ranked after Denmark. Turkey’s ranking dropped 4 places compared to last year.

### **Boeing Eyes Turkey**

Drew Magill, Boeing Commercial Airplanes Marketing Director, commented that Turkey had achieved a remarkable growth in aviation as a result of its economic development. Furthermore, this would continue for the next 10 years and that it would double the European average.

### **Lufthansa – THY Collective Flights Start This Summer**

Lufthansa and Turkish Airlines (THY) have concluded a code share cooperation agreement to operate flights over a number of their same respective routes. The agreement, which came into effect at the beginning of the summer timetable at the end of March 2007, will initially operate code share services for certain short haul routes, to be expanded to long haul routes at the beginning of September 2007. THY and Lufthansa claim that the cooperation, will provide passengers with harmonized timetables, a wider choice of destinations, increased frequencies, and better connections via the Frankfurt, Munich and Istanbul hubs.

### **Renault Trucks will Manufacture Trucks Together with Local Partner**

French heavy vehicle manufacturer Renault Trucks will realize their manufacturing plans in Turkey with a local partner. Renault Trucks is currently at the stage of formulating its decision on the type and number of products to be manufactured with its local partner. Production is planned to begin in 2008 initially, for 5,000 units. Renault trucks proposes to make an initial investment of circa 10 million euros to build an assembly line in Turkey for production of four of its truck models; 2/3rd of the production is planned to be exported.

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