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FOREWORD



The impact of the global financial crisis on the world economy continued to prevail in 2012 although four years elapsed after its occurrence. Several countries, including, mainly the United States and the developed economies of Eurozone, have not yet overcome the macroeconomic and financial problems they have experienced.

The post-crisis rise seen in growth rates in 2010 could not be preserved in 2011 and 2012. The global economy demonstrated a stagnant outlook due to emerging problems and uncertainties. The recovery in the world production and trade volume remained limited, reflecting the troubles, mainly originating from the Eurozone.

The Turkish economy shrank in 2009, feeling the negative effects of the crises like other country economies. However, the outlook was much stable compared to several other countries due to the monetary and finance policy adopted and the strong banking industry. As a result, the effect of the external shocks caused by the global economic downturn on our economy remained relatively limited. Turkey managed to exit the crisis much earlier and with a higher growth rate than several other countries, and attained a growth rate of 9%. The high rate growth dynamics achieved in the period 2010-2011 created a domestic demand which is based on private sector consumption and investment expenditures.

However, the external balance deteriorated quickly after the domestic demand based growth in 2011, and the ratio of current account deficit to the gross domestic product reached 10 percents. Seeing that such a condition caused by fragility could not be sustained, steps were taken to balance the composition of

growth between domestic and foreign demand starting from mid 2011. So a soft landing was experienced in economy.

Turkey tried to preserve the economic balance caused by stagnancy and the political and economic problems prevailing in the European economies in 2012.

The growth rate started to decline from the second quarter of 2011, reflecting the effect of the balancing policies adopted at home and the slowdown trend of the global economy. This trend continued until the end of 2012. Therefore, the high rate growth seen in the last two years was replaced by a limited growth of 2.2%.

This low rate growth which was perceived as a sharp fall was driven by the slowdown in domestic demand. The slowdown in domestic demand was driven by a contraction in private sector consumption and investment expenditures. The increase in foreign demand and consequentially, the positive development in export had positive reflections on growth.

The slowdown in domestic demand, the stagnancy in foreign exchange rates, and the increase in international commodity except energy had positive impact on inflation. Therefore, the consumer price index inflation was 6.2%, the lowest year-end figure in the last 44 years.

The finance policy adopted and the high rate economic growth caused budget income to rise in 2010 and 2011, and the borrowing requirement of the public sector to shrink. The slowdown in the increase rate of tax income driven by slowing economic activity in 2012, and the increase in budgetary expenses, including particularly interest expenditures, led to a decline in central administration budget balance.

The slowdown in consumption and investment demand caused import to contract. Despite the problems in our conventional export markets, market diversity achieved by turning towards the countries in Africa, Middle-East, Pacific and Latin America bolstered the rise in export. This trend had a curative effect on the current account balance, a basic risk element in foreign trade balance and economy. It has been a promising development that current account deficit shrank for the first time as the result of an economic policy, not as the result of a post-crisis event. However, the current account deficit is still high. So long as the current account deficit problem remains unsolved, it will not be easy to sustain high rate growth.

The unemployment rate that reached 14% in 2009 with the effect of the global crisis started to drop in 2010 with signs of recovery in economy and the impact of the employment package introduced. The unemployment rate declined to 9.2% in 2012, the lowest level seen after 2001.

When we look at 2013, we expect that 2013 will be a better year than 2012 in terms of growth, employment, export and inflation, taking into account that the relative recovery in the global economic environment will continue, the oil prices will preserve the current level, and the extent to which the political stress in the neighboring countries affect Turkey will not be wider than its current state.

We anticipate that we will have a sounder corporate structure that will give way for a higher sustainable growth in the upcoming years if the structural reforms in tax, law and employment, which have, for the time being, been deferred, are completed.

I hope that this Economic Report 2012 which provides a detailed outlook of the economic and social development in the world is beneficial for you.

M. Rifat HİSARCIKLIOĞLU

President

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AUTHORS

Murat AYDIN	Acting Director, Economic Reporting and Statistics Department
Sevil UYGUR	Expert, Economic Reporting and Statistics Department
Serpil MERT	Expert, Economic Reporting and Statistics Department
Sema KAYNAK	Expert, Economic Reporting and Statistics Department
Aytaç ALEMDAR	Assistant Expert, Economic Reporting and Statistics Department

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SYMBOLS AND ABBREVIATIONS

SYMBOLS

	: No information and/or no calculation can be made.
-	: No information
..	: Turkish Lira
\$	: US Dollar
€	: Euro
m ²	: Square meter
m ³	: Cubic meter
Ha	: Hectare
GWh	: Gigawatt hour (GWh= 1 billion KWh)
KHa	: Global Hectare
Km ²	: Square kilometer
KWh	: Kilowatt hour
MW	: Million watts
Sm ³	: It is a value expressed as a standard cubic meter (Sm ³ at 15 degrees centigrade and 1 . atmosphere pressure
bbl	: Barrel (1 bbl = 159 liters)
lb	: 1 lb = 0,4536 Kg
log	: Logarithmic value
MT	: Metric Ton
Max	: Maximum value
Min	: Minimum value
cts	: Cents
Year (X) = 100	: It is the year taken as the basis for index studies
P80/P20	: The ratio of the highest 20 percent of income recipients to that of the lowest 20 percent . of income recipients.
2011/'12	: The school year starting in 2011 and ending in 2012.
000	: A value coded with a thousand.
000 000	: A value coded with a million.
109	: A value coded with a billion.
Person/Km ²	: Population density
‰	: A thousandth.

ABBREVIATIONS

EU	: European Union
USA	: United States of America
ADNKS	: Address Based Population Registration System
R&D	: Research and Development
ASEAN	: Association of South-east Asian Nations
BDDK	: Banking Regulation and Supervision Agency
CIS	: Commonwealth of Independent States
BOTAŞ	: Pipeline and Petroleum Transport Corporation
BRIC	: Brazil, Russia, India, China

Nec	: Not elsewhere classified
GIS	: Geographical Information Systems
CiF	: Cost, insurance and freight
MDPI	: Multi Dimensional Poverty Index
CSGB	: Ministry of Labor and Social Security
DIS	: Direct Income Support
DHMI	: State Airports Authority
IPR	: Inward Processing Regime
DSİ	: State Hydraulic Works
FXDA	: Foreign Exchange Deposit Account
EB	: Ministry of Economy
ECB	: European Central Bank
EDI	: Economic Diversity Index
EFTA	: European Free Trade Association
ECO	: Economic Cooperation Organization
EMRA	: Energy Market Regulation Agency
EUROSTAT	: European Union Statistics Office
EÜAŞ	: Electricity Generation Company
FoB	: Free on Board
CU	: Customs Union
GEM	: Global Entrepreneurship Monitor
GNP	: Gross National Product
GDP	: Gross Domestic Product
G-20	: The Group of 20
G-7	: The Group of 7
HM	: Undersecretariat of Treasury
IFC	: International finance Institution
ILO	: International Labor Organization
IMF	: International Monetary Fund
NUTS	: Nomenclature of Territorial Unit for Statistics
IIF	: International Institute of Finance
OIC	: Organization of the Islamic Conference
HDI	: Human Development Index
İMKB	: Istanbul Stock Exchange
İŞKUR	: Turkish Employment Agency
EDB	: Ease of Doing Business
KB	: Ministry of Development
PCGNP	: Per Capita Gross National Product
VAT	: Value Added Tax
BSEC	: Black Sea Economic Cooperation
PEP	: Pre-accession Economic Program
KİK	: Public Tender Law
KİS	: Public Sector Employer Unions
SEE	: State Economic Enterprise
GCI	: Global Competitiveness Index
MB	: Ministry of Finance
MEB	: Ministry of National Education
MİG's	: Main Industrial Groups
MF	: Mutual Fund
NACE	: Static Classification of Economic Activities in the European Union
OECD	: Organization For Economic Cooperation and Development

OPEC	: Organization of Oil Exporting Countries
MTP	: Medium Term Program
MTFP	: Medium Term Financial Plan
PA	: Privatization Administration
SCT	: Special Consumption Tax
OSP	: Official Statistics Program
ROM	: Reserve Option Mechanism
SB	: Ministry of Health
SDR	: Special Drawing Rights
SEDI	: Socio-economic Development Index
SGK	: Social Security Institution
PPP	: Purchasing Power Parity
ICR	: Industry Capacity Report
SPK	: Capital Markets Board
NGO	: Non-Governmental Organizations
TBB	: The Banks Association of Turkey
TCDD	: State Railways of the Republic of Turkey
TCMB	: Central Bank of Republic of Turkey
TEİAŞ	: Turkish Electricity Transmission Company
TEPAV	: Turkish Economy Policies Research Foundation
THY	: Turkish Airlines
TİSK	: Confederation of Employer Unions of Turkey
TKB	: Development Bank of Turkey
TMSF	: Saving Deposit Insurance Fund
TOBB	: Union of Chambers and Commodity Exchanges of Turkey
CPI	: Consume Price Index
TURKSTAT	: Turkish Statistics Institute
UN	: United Nations
UNDP	: United Nations Development Program
PPI	: Producer Price Index
WB	: World Bank
WEF	: World Economic Forum
WHO	: World Health Organization
WTO	: World Trade Organization
IF	: Investment Fund
FX	: Foreign Exchange



CHAPTER I

WORLD ECONOMY

GENERAL EVALUATION

2012 has been a very hard year for the world both in political and economic terms. It can be said that the economic problems experienced by the Eurozone significantly marked the world economy in 2012. The European economy that weakened with corporate weaknesses such as the fragile structure of the banking sector, the lack of integrity in its audit mechanisms and lack of good governance, had to tackle structural problems such as decreased competitive power, ageing population, decreasing employment and unemployment emerging as a major issue, and the increase in social security gaps. It is stated that problems that placed the European economy in such a difficult situation are attributable to the inability to finance properly the recently increasing debts and the use of consolidation due to the huge size of debts.

In USA, one of the most important economies of the world, it may be said that year 2012 is a year of recovery in general. Owing to the measures taken, USA had a better year compared to the developed countries in Europe, and preserved its stability in policy with the re-election of the existing government. However, the concerns about a “fiscal cliff” which have been recently raised caused the US Congress to take important decisions. The Senate approved, after long discussions, the draft that contained measure policies designed to eliminate two major problems, i.e. cuts in the US budget which were projected to be put into effect, and the approaching expiry of the tax discounts introduced recently, and this has been one of the prominent major decisions taken recently.

In general, such problems have driven the growth rates down world-wide. Although international institutions revised down their future growth estimations for several countries, particularly due to the economic problems in Europe, it is expected that growth rates will turn upwards based on the assumption that the production potentials of the countries will be improved with the measures to be taken in the upcoming years.

IMF anticipates that global economic growth will be around 3.6% in 2013, whereas growth will be in the range of 4% - 4.6% in 2017. The variation in the volume of total goods and service exports in the world until 2017 is estimated to remain below the annual average variation between 1990 and 2008.

The idea that EU and USA demonstrated similar performances in their failure to resolve the economic problems after global crisis 2008 is widely recognized today.

The global economic crisis that emerged in 2008 changed its phase in 2012, and continued its effects on all world countries. It is possible to regard the year 2012 as a year when various measures

were put into effect in an effort to defer potential collapses that might be financially experienced by the states. While budget deficits widened in the developed countries, public debt stocks reached historical high levels. During this process, the central banks of the developed countries had to print and circulate high amount of banknotes in order to provide liquidity to the banks that were bothered by problems, on the one hand, and to finance the public deficits, on the other hand.

In fact, the European distrust that had been prevailing for a while and the European criticism attributed that distrust are based on the reality that Europe failed to manage the crisis well and effectively. Solutions could only be launched only after some damages occurred because relevant authorities remained most of the time indecisive and ineffective in the management of the economic crisis and against the problems, they were reluctant to adopt long-term approaches, they often focused on short-term problems, and short-term solutions were achieved after long discussions and political bargaining. The failure to develop the ability to solve structural problems, the basic formula for a life without problems and tension, and to produce long-term strategies for structural problems against the evident problems brought together a deadlock.

One of the fundamental problems in USA is the inability to establish the financial balance. The most important problem is the discussion over variations of conventional solutions such as increase of tax income, limitation of public expenditures, and slowing down debt dynamics, and the imposition of a time limitation for the reconciliation path. The insufficiency of the measures taken against such economic problems in USA and Europe stands as a very significant issue in terms of the future of the world economy.

When we look at the trends seen globally in the last decade, we observe that several things has changed, dependency on unsustainable trends increased and aggravated the problems, and fundamental principals that had vital importance were consumed rapidly. Unless solutions are produced for trends that are not sustainable on a macro level and for the problems that are aggravated, we may face a heavy price that cannot be paid.

At the end of the four years after the global economic crisis, economists are saying that only a partial recovery is possible. In addition, it may be said that unemployment decreased in USA and the housing market revived, but these are short-term recoveries, and long-term unemployment rate is still high, and the decline in the export markets continues.

The year 2012 has been a year when declines and halts were seen in the growth rates of developing countries. Although the growth rate of China stood at 7.8% down 1.5 points over a year ago, it remains quite high above that of the other countries. BRIC countries, the popular states (Brazil, Russia, India and China) in the eyes of the world, experienced a standstill. Even in Brazil that showed a significant performance of growth in the recent years was 1.5% in 2012, while the growth rates of other BRIC countries ranged between 0.0% and 2.0%.

The economic crises suffered change the attitude of the nations, regions or unions against the global economic situation. For example, the 2008 global economic crisis caused a feeling of distrust and pessimism in the world economy. The effects of the global economic crisis spread quickly, and had a great impact on the whole world. In order to overcome such quickly spreading crises, dynamic rather than static approaches should be adopted in eliminating uncertainties for the finance markets and the macro economy.

Employment is one of the areas mostly affected of the 2008 global economic crisis. In country economies, unemployment emerges as a structural problem. As stated in the Global Employment Trends 2012 report of the International Labor Organization (ILO), unemployment rate remained

high even in developed economies, rising from 8.5% in 2011 to 9.1% in 2012. According to IMF data in the Eurozone, unemployment rate climbed to 11.2% in 2012. Unemployment rate in 2-7 countries fell from 7.7% in 2011 to 7.5% in 2012. The unemployment rate in China, a prominent country among the developing countries, stood at 4.15 remaining unchanged compared to 2011.

According to ILO data, there are 73.8 million unemployed young people in the world. While unemployment rate of the total young population was 12.7% in 2012, the same rate was 17.5% in the developed countries. The lowest young unemployment rate was seen in the Eastern Asia with 9.5% in 2012.

1. AN OVERVIEW OF WORLD ECONOMY

Showing signs of recovery starting with 2010 compared to the previous years, the world economy demonstrated a promising picture for the upcoming years with an apparent increase in growth rates. The world economy that recorded a growth of 5.8% in the first quarter of 2010 saw a declaration in growth rates in the third and fourth quarters, but continued its positive growth at 5.5%, 3.7% and 4.7%, respectively, and closed the year with an annual growth of 5.1%. The negative impact of the crisis of Greece at the beginning of 2011 was reflected on the Eurozone in a short time, and affected the countries of the Zone which mostly consisted of developed countries, and thus slowed down the progress of economy globally. Particularly due to the deterioration of the financial structure across the Zone, the problems in the banking sector had an adverse effect on the productions of the companies, which had to take measures in order to cure their financial structures. As they failed to make production, several companies had to dismiss workers, which, in turn, sparked a rise in unemployment rates. In addition to these problems, the global growth rate in 2011 was lower than that in 2010, and the growth rate falling to 3.9% annually stood at 3.6%, 3.5%, 4.1% and 2.4% in the first, second, third and fourth quarters of 2011, respectively.

The post-crisis rise seen in growth rates in 2010 could not be preserved in 2011 and 2012. The global economy demonstrated a stagnant outlook due to emerging problems and uncertainties in 2012. The spilling of Eurozone problems over to other countries has been the most important cause of this stagnancy. In addition, problems such as budget deficit reaching enormous dimensions and inability in financing the debts were experienced when no functional solution was produced for the effects of the crisis on the banking systems in the Eurozone and USA. Negative factors such as the inconsistency of the policies pursued by the governments and political indifferences over the problems in the Eurozone, and the change of focus with the presidency election process in USA are prominent as factors that triggered such stagnancy.

In the World Economic Outlook report published by the International Money Fund (IMF) in October 2012, it was anticipated that the world economy could see a growth rate of 3.3% in 2012. This estimation was revised to 3.2% 0.1 points down in January 2013. This situation may be interpreted as the expectation of a lower-than-expected growth of economy in 2012. When country groups are concerned, the growth in developed economies of the world was anticipated to be 1.3% in 2012, and the growth rate was not revised in the revised report. While IMF's estimation of growth rates for emerging and developing country groups was 5.3% in October, it was reduced to 5.1%, 0.2 points down according to the revised results (See Table 1, Graph 1, and Graph 2)

Table 1. Economic Outlook Through Selected Variables

Country Groups ⁽¹⁾ , Countries, Categories	2010	2011	2012
	National Income Growth Rates		
World production	5,1	3,9	3,2
Developed country economies	3,0	1,6	1,3
USA	2,4	1,8	2,3
Germany	4,0	3,1	0,9
Japan	4,5	-0,6	2,0
Canada	3,2	2,6	2,0
Emerging and developing country economies	7,4	6,3	5,1
China	10,4	9,3	7,8
India	10,1	7,9	4,5
ASEAN-5 ⁽²⁾	7,0	4,5	5,7
Mexico	5,6	3,9	3,8
South Africa	2,9	3,5	2,3
Commodity Prices (\$) Rate of Change			
Oil ⁽³⁾	27,9	31,6	1,0
Non-fuel (average based on world commodity export weights)	26,3	17,8	-9,8
Consume Price Index			
Developed country economies	1,5	2,7	2,0
Emerging and developing country economies ⁽⁴⁾	6,1	7,2	6,1
LIBOR Interest Rate ⁽⁵⁾			
US\$ based deposit interest rates	0,5	0,5	0,7
Euro based deposit interest rates	0,8	1,4	0,6
Japanese Yen based deposit interest rates	0,4	0,3	0,3

Source: IMF, World Economic Outlook, January 2012.

(1): Country groups used by IMF. For IMF's country groups classification See, Annex 3.

(2): Includes Indonesia, Malaysia, Philippines, Thailand and Vietnam.

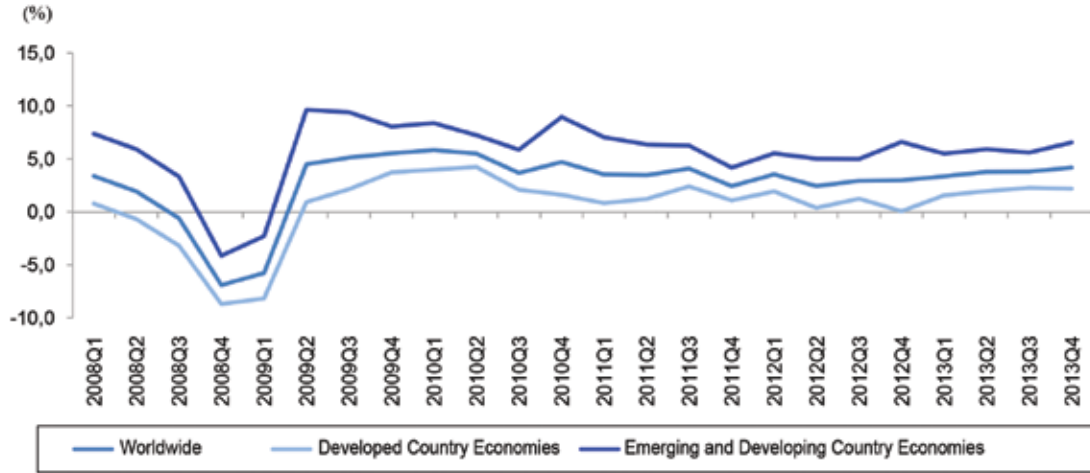
(3): Means crude oil average prices of U.K. Brent, Dubai and West Texas Intermediate.

(4): In quarterly estimates and projections, 80% of the emerging and developing countries have been taken into account.

(5): Interest rate asked by banks to lend unsecured debt in the London Interbank money market. Shows semi-annual rates for USA and Japan, and quarterly rates for Eurozone Countries.

Note: Projections are given for 2012.

As mentioned before, the economic recession seen in the Zone has been the most important factor intensifying the deceleration of growth in the developed countries group which mostly consists of Eurozone countries. It is noteworthy that as the year 2012 started, financial and monetary policy measures for recovery were taken in the Zone economy which was shaken by the crisis in Greece the previous year. The choice of Greece to tighten its consumption and increase savings as a country and reconstructing its debts, which it hardly pays, in a longer term, were seen as important developments. However, towards the mid-year, these measures taken and the austerity policies did not create an optimistic environment, and the Zone economy started a gradual collapse.



Source: IMF, World Economic Outlook, January 2013.

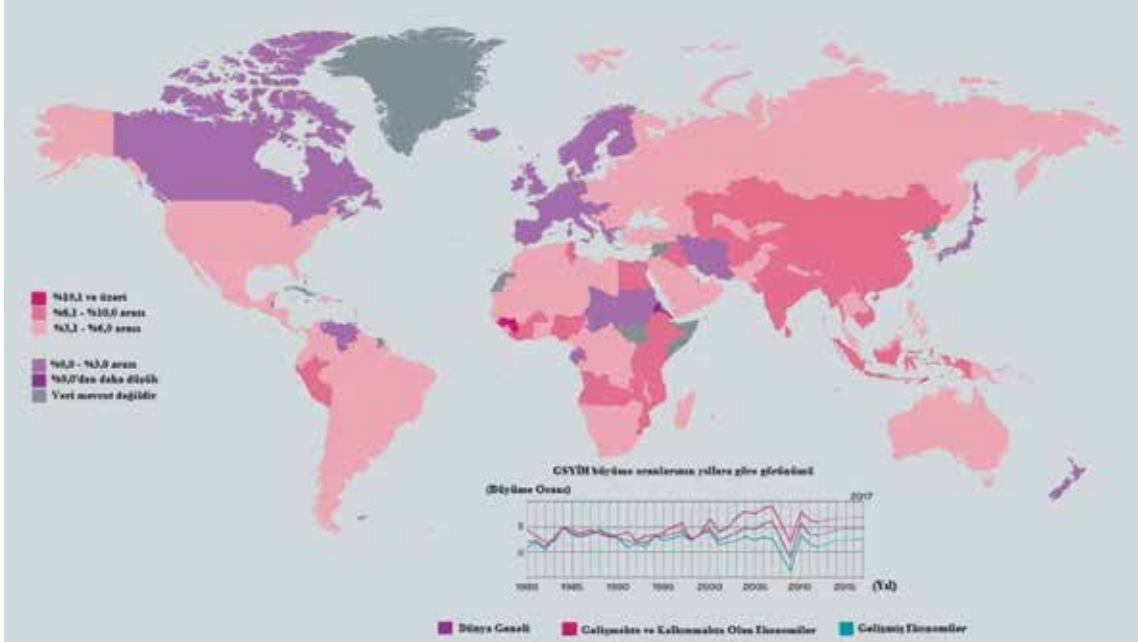
Graph 1. Gross Domestic Product Growth Rates by Years and Quarters

With the second half of the year, the uncertainty of global risks triggered by problems in the Middle East had negative impact on the Zone economy in the macroeconomic sense. In this process, stagnancy was even observed in the German economy, whose industry was built on very sound foundations. The debt crisis suffered by the Eurozone countries compelled international rating agencies to reassess the credit ratings for these countries. Throughout the year, Spain, Italy and Ireland, other countries of the Eurozone apart from Greece, saw dramatic increases in debt burden (Total Debt Stock/GDP). The international rating institution Fitch reduced Greece's credit rating to CCC, which prevented its ability to demand loans from international markets significantly. Along with the credit rating problems, Greece suffered a multiplicity of uncertainties in the political and financial sense, giving rise to a pessimistic view about economy in the country. In addition to Greece, Spain was another country of the Eurozone that had problems in the banking industry and increased unemployment which stood out as important factors that created pressure in the economic cycle. In general, those countries of the Zone that were unable to pay their debts did not only lose credibility in seeking loans, but also started to show high deficits in the balance of payments due to the financial problems they had been suffering from.

The positive mood in the US economy which was felt in the beginning of 2012 did not prove much sustainable as time passed, but was much positive than that in the Eurozone thanks to the measures taken. As a matter of fact, the best sign of this fact is the 2012 growth rate of the country which stood at 2.3% up 0.5 points over a year ago.

The basic problem of the economies of emerging and developing countries in 2012 is the reduction in demand. Due to the debt payment problems of the rest of the world and the financial discipline policies applied by most of the countries, the emerging and developing economies which consisted of countries whose economy predominantly relied on export were prevented from making production and opening to the external markets. China, the most important country among them and with the highest surface area, was estimated by IMF to have a growth of 7.8% in 2012, 1.5 points down over a year ago. In the period ahead, with the reduction of the exports of China which is the greatest exporter of the world, it is expected that investments will drop, and problems associated with such drop will affect the other countries as a chain reaction.

The Chinese government has put into effect a series of applications in order to revive their economy which saw a decline in growth rates in the last three years. The Chinese government aims to reduce policy interest rates and encourage investments has launched various infrastructure projects. Through these projects which would particularly contribute to the transportation sector in the long-term, the aim was to contribute to economic growth indirectly. Along with policies such as the interest deduction applied for the revival of domestic demand, and promoting household consumption, the decline in the growth rate is expected to slow down in a sense in the upcoming period. However, the negative impact which the problems experienced in developed economies will have on exports stands out as the most important risk factor for the coming period.



Source: IMF

Note: In the calculation of growth rates of GDP in 2012, the projected values of GDP 2012 were used.

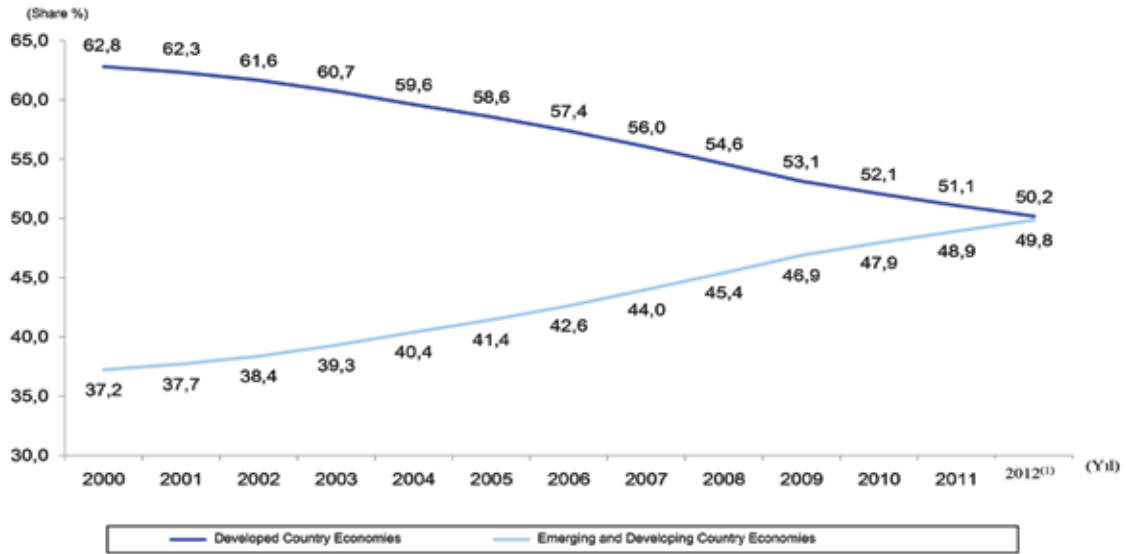
Graph 2. World-wide Gross Domestic Product Growth Rates in 2012

Apart from China, a serious decline was seen in 2012 in the economic growth of India being one of the emerging and developing economies. India's economy grew by 7.9% in 2011, while the growth in 2012 was 4.5%, down 3.4 percentage points. The increase in the country's budget deficit, the reduced foreign investments to the country, the stagnancy in production, the price increases in goods and services as well as the government's unresponsiveness to such negativities and delay in taking an action for a certain period of time are seen as the real causes of the financial adversities.

In Latin America, Brazil, one of the region's most important economies, curbed its growth forecasts in the year, but the government took steps to implement several incentive policies in order to raise the rate of growth in future periods. Planning to make an infrastructure spending as enormous as \$ 50 billion the government put into practice several policies such as promoting the encouragement of the industrial sector, privatization of ports, and reduction of energy costs with a view to increasing domestic demand. The reduced demand for Brazilian products in recent years has forced the government to take such measures.

When the ratio which the amount of production of both country groups by years bears to the

production of the current global economy is analyzed, it is observed that the share of developed economies is reduced, and the share of emerging and economies increased. In particular, since 2008 when the global economic crisis first occurred, the production shares of both country groups represented a monotonically increasing and monotonically decreasing series of change, and the difference between the rates dropped back to only 0.4 points in 2012. This is particularly influenced by the moderate increase in the production of developed countries in the recent period due to the problems originating from Eurozone and US, and the approximation of the production amount of emerging and developing countries which had a higher growth than the developed countries to the production amount of the developed countries (See, Graph 3).



Source: IMF, World Economic Outlook, October 2012.

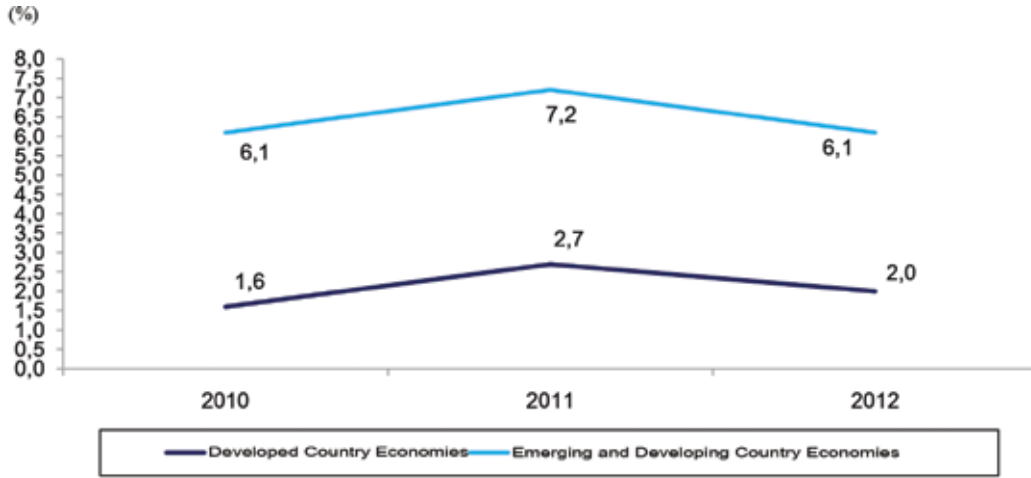
(1.): Projected data for 2012 have been used.

Note: According to the purchasing power parity, these are rates within the global GDP.

Graph 3. Outlook of Seismic Change in Global Economy by Years

While the annual inflation rates did not exhibit much change in the advanced economies with the first quarter of 2012, it continued to decline in emerging and developing economies. The drop in commodity prices was the most important factor in the reduction of consumer prices in this quarter.

With the second quarter of 2012, the financial crunch experienced by the banking sector in Spain and the debt crisis troubling the Eurozone triggered a downward move in inflation expectations. However, the apparent increases in product prices in the agricultural sector toward the mid year caused an expectation that inflation rates would increase globally. When the year-end rates of change of the global inflation rates are analyzed, it is observed that advanced economies declined to 2.0, down 0.7 points whereas emerging and developing economies dropped to 6.1%, down 1.1 points compared to 2012 (See Graph 4).



Source: IMF, World Economic Outlook, January 2013.

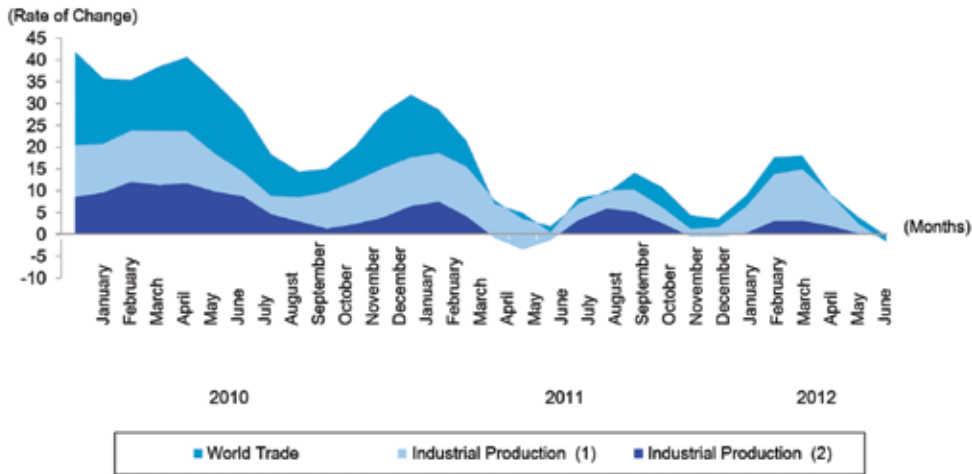
Graph 4. Consumer Price Index Rate of Change for Developed and Emerging/Developing Economies by Years

The rates of change of the volume of world trade which fell down to negative values in 2009 with the global crisis took an upward direction in 2010. In 2011, the world trade volume continued to increase despite a slowdown in the rate of increase due to problems particularly in Europe, but showed a stagnant look in 2012. The most important factors that dropped the volume of trade were the fact that the Eurozone which confronted the debt crisis diminished its spending, and the export resources of the emerging and developing economies were reduced. According to the IMF's World Economic Outlook Report dated January 2013, the growth rate of the global trade volume which was 5.9% in 2011 dropped to 2.8% in 2012, down 3.1 points. When the import and export indicators which made up the trade volume are examined in detail, the exports of the advanced economies decreased 2.1% down 3.5 points, and the export of the emerging and developing economies rose by 3.6% up 3.0 points over a year ago. In the case of imports, there are upward changes at rates of 1.2% and 6.1% in the advanced economies, and emerging and developing economies, respectively. Compared to the last year, when import increase rates are analyzed, it is noteworthy that the imports of the advanced economies increased 3.4 points, whereas the imports of the emerging and developing economies declined by 2.3 points. These results show that the foreign trade volume shrank in advanced economies more than in emerging and developing economies in 2012 because of the significant downward change in both export and import (See, Table 2 and Graph 5).

Table 2. World Trade Volume Rates of Change

Components	2010	2011	2012
World trade volume (commodity and service trading)	12,6	5,9	2,8
Export			
Developed country economies	12,0	5,6	2,1
Emerging and developing country economies	13,7	6,6	3,6
Import			
Developed country economies	11,4	4,6	1,2
Emerging and developing country economies	14,9	8,4	6,1

Source: IMF, World Economic Outlook, January 2013.



Source: IMF, World Economic Outlook, October 2012.

(1): This is the rate of change of the industrial production of the emerging and developing country economies

(2): This is the rate of change of the industrial production of the advanced economies

Graph 5. Global Industrial Production and World Trade Volume Rates of Change by Years and Months
(Annualized Quarterly Percent Change)

1.1 Economic Indicators for Selected Countries

1.1.1 Global Competitiveness Index

In the globalizing world economy, competitiveness has become a concept the importance of which is increasing every day. With the emergence of new technologies, the differentiation of production methods, and the shift in trade strategies towards new markets, countries that are able to adapt to the conditions of competition can overcome difficulties, and demonstrate a higher competitive power. In order to carry out production in highly risky and costly environment as in a crisis environment and to operate in various areas, countries must have a high degree of competitiveness.

Competitiveness shows the power of an economy to produce goods and services that meet the demands of national and international markets under free trade and market conditions. In today's

world where economic globalization is felt intensively, the extent to which countries can adapt to such an environment is measured by the competitiveness concept. In this context, every year reports are prepared about competitiveness by the World Economic Forum, and shared with the public.

In 2004, a Global Competitiveness Index (GCI) was created, and the countries are now compared according to the value of this index. Therefore, countries can internationally compare themselves to other countries, see their strengths and weaknesses, review the policies they have been implementing, take new decisions, and put them into practice.

When the recent GCI data are examined, Switzerland stands in the first place with 5.7, 5.7, and 5.6 points in all three periods, respectively, in the context of competitiveness. In other words, Switzerland is the country that best meets the terms of competitiveness.

When GCI is assessed for selected countries in the period 2012-2013, Switzerland is followed by Singapore with 5.7 points, Sweden, Germany and USA with 5.5 points. The countries listed in the lowest ranks in terms of competitiveness are Pakistan with 3.5 points, Kenya with 3.7 points, and Namibia and Lebanon with 3.9 points.

Our country has been listed in 2012-2013 GCI in the 43rd place among 144 countries with 4.5 points. When GCI performance is analyzed according to years, our country was ranked 61st among 139 countries in the period 2010-2011, and 59th among 142 countries included in the index in the period 2011-2012. Our country has been one of the countries that had positive development in GCI since 2010, and has climbed 18 steps up in the ranking from 2010 to 2012.

According to the evaluation in the Global Competitiveness Report in order to determine the most serious problem faced when doing business, the top 7 most serious problems when doing business in 4 of the 7 selected countries, including Turkey, cover the "tax rates". The most serious problem faced when doing business in 16 countries has been the "inefficient government bureaucracy". The most important problem faced when doing business is "inflation" in 4 countries, "restrictive regulations on workforce" in 3 countries, "instable policies" in 2 countries, and "tax legislation" in 1 country.

When the most important problem faced when doing business by the respondents to the survey in the two countries with the highest GCI score is analyzed, one out of every four respondents in Singapore see "inflation" as the most important problem, whereas 12.8;% of the respondents in Switzerland see "inefficient government bureaucracy" as the most important problem.

While the respondents to the survey in our country describe "tax rates" as the first most important problem when doing business at a rate of 13.2%, and "inefficient government bureaucracy" in the second place at a rate of 10.3%, "foreign exchange regulations" in the third place at a rate of 10.0%, "tax legislation" in the fourth place at a rate of 8.3%, "restrictive regulations on workforce" in the fifth place at a rate of 5.5%, "instable policies" in the sixth place at a rate of 5.4%, and "inflation" in the last place at a rate of 3.4% (See Table 3).

Table 3. Global Competitiveness Indicators

Region	Country	Global Competitiveness Index (GCI)						Rate of Some Most Important Factors Faced When Doing Business (4)						
		GCI 2011-2012 Ranking ⁽¹⁾	GCI	KREE 2010-2011 Sıralaması ⁽²⁾	KREE 2010-2011 Skoru	KREE 2009-2010 Sıralaması ⁽³⁾	KREE 2009-2010 Skoru	Tax Rates	Inefficient Government Bureaucracy	Tax Legislation	Foreign Exchange Regulations	Restrictive Regulations on Workforce	Instable Policies	Inflation
		GCI 2010-2011 Score Ranking ⁽²⁾	GCI	GCI	5,4	6	5,4							
Eastern Asia and Pacific	Japan	2011-2012 Score Ranking (2)	2010-2011 Score Ranking (2)	GCI	5,4	6	5,4	20,1	13,9	7,1	0,8	9,6	19,9	0,3
	Singapore	2010-2011 Score Ranking (3)	2009-2010 Score Ranking (3)	GCI	5,6	3	5,5	3,3	2,5	2,0	3,8	20,2	1,5	24,7
	Republic of Korea	2009-2010 Score	2009-2010 Score	Tax	5,0	22	4,9	5,2	13,4	6,2	1,5	9,3	18,3	5,1
Western Europe	Germany	Legislation	Inefficient Government Bureaucracy	Tax Rates	Instable Policies	Inflation	5,4	12,0	7,7	18,1	1,6	16,7	7,3	2,3
	Switzerland	1	5,7	1	5,7	1	5,6	6,7	12,8	10,5	9,1	12,7	9,6	1,1
	Sweden	4	5,5	3	5,6	2	5,6	17,5	7,5	11,0	5,1	15,4	2,0	1,5
Eastern Europe and Central Asia	Czech Republic	39	4,5	38	4,5	36	4,6	8,4	15,1	9,2	0,6	7,6	6,6	0,8
	Slovenia	56	4,3	57	4,3	45	4,4	9,5	18,0	6,5	0,4	15,1	4,1	1,0
	Turkey	43	4,5	59	4,3	61	4,2	13,2	10,3	8,3	10,0	5,5	5,4	3,4
North America	USA	7	5,5	5	5,4	4	5,4	14,1	15,0	10,8	2,7	7,1	6,5	7,1
	Canada	14	5,3	12	5,3	10	5,3	9,4	16,4	9,1	1,4	8,7	3,5	2,3
Middle East and North Africa	Israel	26	5,0	22	5,1	24	4,9	11,5	23,2	5,8	3,1	9,6	5,6	1,9
	Lebanon	91	3,9	89	3,9	92	3,9	0,7	16,2	1,7	0,0	2,4	9,9	4,6
	Jordan	64	4,2	71	4,2	65	4,2	11,4	8,8	7,0	0,4	11,5	8,8	7,5
Latin America and Caribbeans	Mexico	53	4,4	58	4,3	66	4,2	3,9	14,2	9,0	0,4	9,3	1,7	1,3
	Panama	40	4,5	49	4,4	53	4,3	4,4	15,8	3,1	1,3	7,7	3,7	8,0
	Costa Rica	57	4,3	61	4,3	56	4,3	5,8	21,2	6,9	2,3	5,3	3,9	2,9
Sub-Saharan Africa	South Africa	52	4,4	50	4,3	54	4,3	0,7	16,4	0,7	1,3	18,5	6,1	0,6
	Republic Namibia	92	3,9	83	4,0	74	4,1	5,0	9,7	3,9	1,3	10,3	1,3	4,6
	Kenya	106	3,7	102	3,8	106	3,6	11,0	5,6	2,3	2,9	1,4	4,4	13,9
Selected Countries That Recorded Growth Recently	China	29	4,8	26	4,9	27	4,8	8,1	9,7	5,7	4,2	2,2	9,9	10,2
	Indonesia	50	4,4	46	4,4	44	4,4	3,3	15,4	5,1	5,2	6,8	5,4	5,6
	Malaysia	25	5,1	21	5,1	26	4,9	6,6	13,8	4,1	1,8	8,4	4,3	7,6
	Philippines	65	4,2	75	4,1	85	4,0	6,0	17,2	7,7	1,3	6,0	9,2	3,0
	Thailand	38	4,5	39	4,5	38	4,5	1,8	14,7	1,9	0,6	1,2	15,8	4,7
	Cambodia	85	4,0	97	3,9	109	3,6	4,1	11,8	5,9	1,9	1,2	3,1	3,9
	Vietnam	75	4,1	65	4,2	59	4,3	5,5	4,7	6,0	3,5	0,0	8,8	14,5
	India	59	4,3	56	4,3	51	4,3	1,9	12,7	6,2	0,7	5,7	7,6	7,5
	Sri Lanka	68	4,2	52	4,3	62	4,2	15,7	9,9	14,6	4,0	5,7	9,3	10,8
	Pakistan	124	3,5	118	3,6	123	3,5	2,0	12,3	1,0	1,5	0,7	11,6	8,1

Source: World Economic Forum, The Global Competitiveness Report, 2012-2013.

(1): The Report includes 144 countries.

(2): The Report includes 142 countries.

(3): The Report includes 139 countries.

(4): To enable comparisons with the previous report, the same structure has been preserved in the most problematic factors confronted when doing business.

Note: The same countries have been selected to represent the regions in order to enable a comparison with the previous report.

1.1.2 International Ease of Doing Business Index

The International Finance Corporation (IFC), an affiliate of the World Bank examines since 2003 the factors that may affect the investment environment directly in regard to the countries included in the scope, and publishes a Ease of Doing Business (EDB) Report accordingly. In accordance with this report, the scores deserved by the countries in terms of the relevant factors and the rankings among the countries included in the report are determined, and the results are disclosed to the public.

The EDB reports generally include several indicators such as company establishments that can affect an investment project, information about employment and licensing process, tax policies, various indicators related to protection of investors, indicators related to the commencement of work in an enterprise and its duration, the terms of fulfillment of various conditions imposed by the state, international trade, tax payment results, liquidation of an enterprise, and costs thereof.

There are 10 basic indicators in EDB reports in relation to investment. Subject to these basic indicators, the aim is to strengthen investment environment and make it more transparent, and to inform governments to implement various reforms with a view to facilitating implementation of projects.

10 basic indicators in EDB:

- “Starting a Business Index”,
- “Dealing with Licenses and Construction Permits Index”,
- “Getting Electricity”,
- “Registering Property Index”,
- “Getting Credit Index”,
- “Protecting Investors Index”,
- “Paying Taxes Index”,
- “Trading Across Borders Index”,
- “Enforcing Contracts Index”,
- “Resolving insolvency”.

EDB index is calculated on a country basis based on 10 basic indicators and using a certain calculation methodology, and countries that are included in the index are ranked according to the index score.

In this report, 5 indicators among 10 indicators have been addressed. In 2012, Singapore is the first country among 183 countries that are included in the index according to EDB value. According to the EDB performance among the selected countries, Singapore is followed by US which is in the 4th rank, Republic of Korea which is in the 8th rank, Canada which is in the 13th rank and Sweden which is in the 14th rank.

Among the selected countries, the countries where doing business is hardest, Cambodia is in the 138th rank, Philippines is in the 136th rank, India is in the 132nd rank, Indonesia is in the 129th rank, and Costa Rica is in the 121st rank.

When we look at the number of reforms introduced in order to overcome obstacles before ease of doing business, we see that Republic of Korea, Slovenia, Mexico, South Africa and Malaysia have made 3 reforms, Switzerland, Czech Republic, Turkey, Israel, Jordan, Costa Rica and Sri Lanka have made 2 reforms, Canada, Lebanon, Panama, Namibia, Kenya, Indonesia, Philippines, Thailand, Cambodia, Vietnam, and India have made 1 reform. Among the selected countries, Japan, Singapore, Germany, Sweden, USA, China and Pakistan that are not listed above, have not made any reforms.

While our country is listed in the 71st rank according to EDB performance in 2012, it has climbed 10 ranks up in the “starting a business” index and listed in the 61st rank. The average number of transactions which a company has to be complete in order to start a business is 6, and this figure is 2 times the number of transactions in Singapore. In order for a company to start a business in our country, it needs to spend 6 days, which is again 2 times the period one has to spend in Singapore. While the cost for a company to start a business in Turkey is equal to 11.2% of the per capita income, the capital required to start a new business is 8.7% of the per capita income in our country.

In “protecting the investor index”, the performance of our country dropped 4 steps down, and our country was listed in the 65th rank. It may be said that the deficit is too high, managers of the companies are least accountable for their faults, the shareholders have the least influence over the transactions performed in the company, and the investors are moderately protected.

In “paying taxes” index, the performance of our country has slightly deteriorated, falling 8 steps down, and placing it in the 79th rank. The companies in our country need to pay taxes 15 times in a year, they spend 9 days to pay their taxes, and they have to pay 41.1% of their profits as taxes.

Our country declined to 80th rank falling 9 steps down in EDB in terms of “trading across borders”.

In “resolving insolvency index”, our company is ranked in the 120th place. It is seen that companies starting a new business in our country went bankrupt in 3.3 years on average, the cost of insolvency equaled to 15.0% of the asset value of the company, and the recovery rates of the insolvent companies are around 22.3%.

1.1.3 International Entrepreneurship Indicators

The purpose of the 2012 Global Entrepreneurship Report published by the Global Entrepreneurship Monitor (GEM) consortium is to determine the entrepreneurship activities of the countries in general, to evaluate the role of entrepreneurship in economic development, to identify the actors that support entrepreneurship or give rise to differences between countries.

In GEM’s 2012 report, entrepreneurs that operate in various sectors have been evaluated in respect of 67 country economies. The potential entrepreneurs in these countries have been examined in various aspects such as perception of opportunity and capacity, willingness to become an entrepreneur, and viewing entrepreneurship as a career opportunity.

In 2012, Namibia is the country where the “perception of entrepreneurial opportunity” is highest with a rate of 75.0%. For the first time included in the scope of the index in 2012, Namibia attracts attention with such a high perception of opportunity for entrepreneurship. Sweden, being the country with the highest perception of entrepreneurial opportunity with a rate of 71.5% the previous year has fallen to the 2nd rank with a rate of 66.0% this year. Sweden is followed by Costa Rica in the third rank with 47.0%, Mexico and Thailand in the fourth rank with 45.0%.

When the countries selected in respect of “perception of entrepreneurial capacity” in 2012, the countries in the first five places are Namibia in the first rank with 74.0%, followed by Costa Rica with 63.0, Mexico with 62.0%, USA with 56.0%, and Slovenia with 51.0%. Namibia is listed the first in the perception of entrepreneurial opportunity, and perception of entrepreneurial capacity.

Among the countries selected in respect of “willingness to become entrepreneurs”, Namibia holds the first rank with a rate of 45.0% as with the two indicators above, and is followed by Costa Rica in the second rank with 33.0%, and Pakistan in the third rank with 25.0%.

While Thailand holds the highest value with 76.0% among the selected countries in respect of “those viewing entrepreneurship as a career opportunity”, and is followed by Republic of South Africa with 74.0%, and Namibia with 73.0%.

In 2012, Namibia holds the highest “new entrepreneurship rate” with 11.05, and followed by Costa Rica in the second rank with 10.0%, USA and Thailand in the third rank with 9.0% (see Table 4).

Table 4. Brief Entrepreneurship Indicators for Selected Countries

Region	Country	Perception of Entrepreneurial Opportunity	Perception of Entrepreneurial Capacity	Willingness to Become Entrepreneurs (2)	Rate of Those Viewing Entrepreneurship as a Career Opportunity (3)	Media Interest in Entrepreneurship	New Entrepreneurship Rate	Rate of Owning a Business
Eastern Asia and Pacific	Japan	6,0	9,0	2,0	30,0	53,0	2,0	2,0
	Singapore	23,0	27,0	16,0	50,0	77,0	8,0	4,0
	Republic of Korea	13,0	27,0	13,0	59,0	68,0	3,0	4,0
Western Europe	Germany	36,0	37,0	6,0	49,0	49,0	4,0	2,0
	Switzerland	36,0	37,0	7,0	44,0	57,0	3,0	3,0
	Sweden	66,0	37,0	11,0	...	...	5,0	2,0
Eastern Europe and Central Asia	Czech Republic(4)							
	Slovenia	20,0	51,0	13,0	53,0	51,0	3,0	3,0
	Turkey	40,0	49,0	15,0	67,0	57,0	7,0	5,0
North America	USA	43,0	56,0	13,0	...	...	9,0	4,0
	Canada (4)							
Middle East and North Africa	Israel	31,0	29,0	13,0	59,0	47,0	3,0	3,0
	Lebanon (4)							
	Jordan (4)							
Latin America and Caribbeans	Mexico	45,0	62,0	18,0	56,0	38,0	8,0	4,0
	Panama	38,0	43,0	12,0	...	...	7,0	3,0
	Costa Rica	47,0	63,0	33,0	72,0	79,0	10,0	5,0
Sub-Saharan Africa	South Africa	35,0	39,0	12,0	74,0	73,0	4,0	3,0
	Namibia	75,0	74,0	45,0	73,0	82,0	11,0	7,0
	Kenya (4)							
Selected Countries Showing Recent Growth	China	32,0	38,0	20,0	72,0	80,0	5,0	7,0
	Indonesia (4)							
	Malaysia	36,0	31,0	13,0	46,0	62,0	3,0	4,0
	Philippines (4)							
	Thailand	45,0	46,0	19,0	76,0	84,0	9,0	11,0
	Cambodia (4)							
	Vietnam (4)							
	India (4)							
	Sri Lanka(4)							
	Pakistan	46,0	49,0	25,0	66,0	51,0	8,0	3,0

Source: Global Entrepreneurship Monitor, 2012.

(1): As a calculation on a variable basis cannot be performed in some countries selected for the table, these variables have been shown with “...”.

(2): It denotes the rate of willingness to become entrepreneurs individually in the three years ahead. This rate is directly proportional to total entrepreneur activity (TEA).

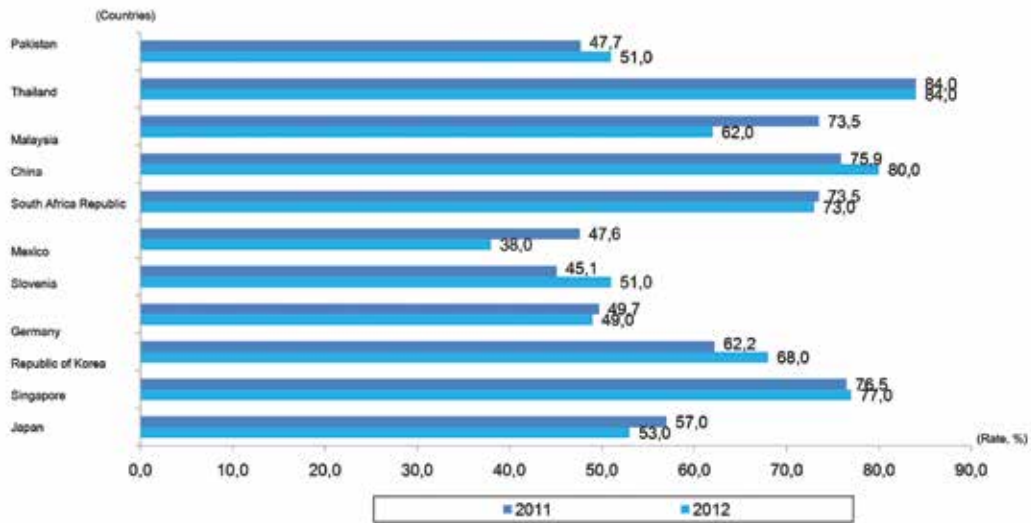
(3): It is the ratio of people who believe that entrepreneurship is a good career choice as the level of economic development decline.

(4): The relevant country has not been included in the 2012 report.

Note: The same countries have been selected to represent the regions in order to enable a comparison with the previous report.

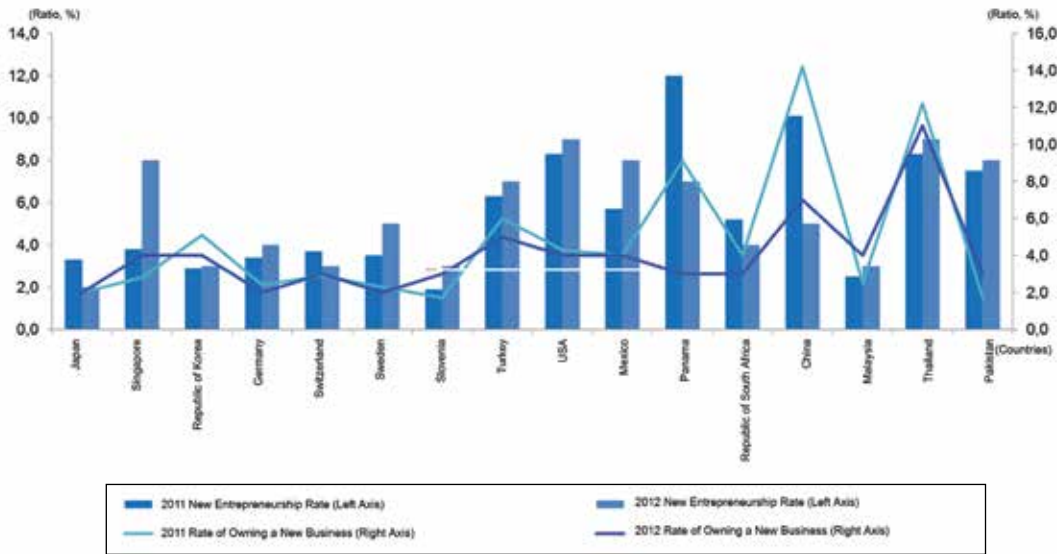
Japan which was included in the selected countries in 2012 is placed in the last rank in the perception of entrepreneurial opportunity with 6.0%, in the perception of entrepreneurial capacity with 9.0%, and in the willingness to become entrepreneurs with 2.0%. Japan holds the lowest value with 2.0% in the rate of new entrepreneurships in terms of viewing entrepreneurship as a perception of opportunity. The rate of owning a new business in 2012 in Japan is 2.0%, and Japan shares the last rank with Germany and Sweden.

When we look at the table in terms of our country, we see that the perception of entrepreneurial opportunity which was 32.4% has climbed to 40.0%, but is quite far from the countries on top of the list. Perception of entrepreneurial capacity is 49.0%, and the willingness to become entrepreneurs is as quite low as 15.0%. Rate of those viewing entrepreneurship as a career opportunity is as quite high as 67.0%. The rate of new entrepreneurships in our country in 2012 is 7.0%, while the rate of owning a new business is only 5.0% (see Graph 6, Graph 7, and Graph 8).



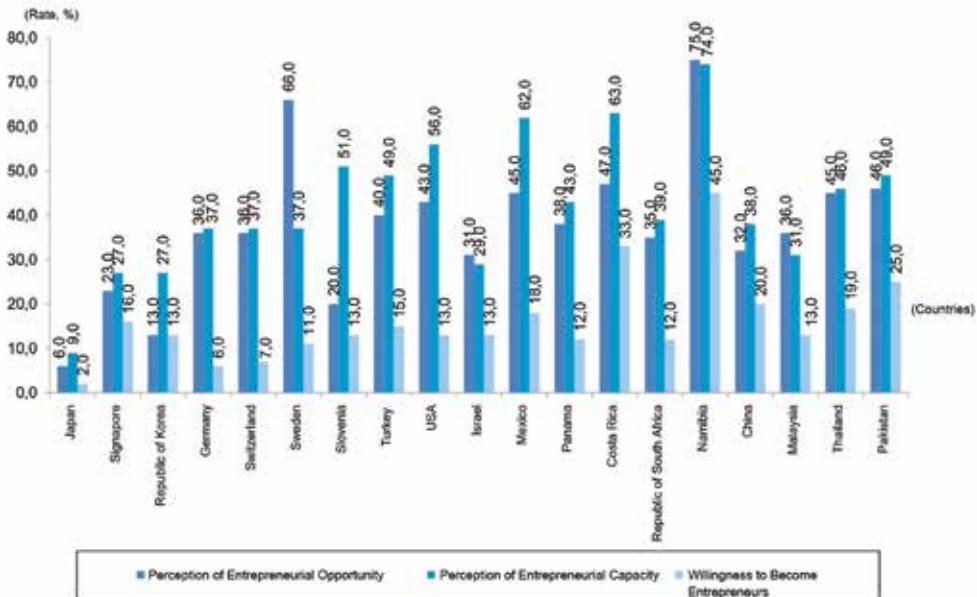
Source: Global Entrepreneurship Monitor, 2012.

Graph 6. Media Interest in Entrepreneurship by Selected Countries in 2011 and 2012



Source: Global Entrepreneurship Monitor, 2012.

Graph 7. New Entrepreneurship and New Business Ownership Rate by Selected Countries for Years 2011 and 2012



Source: Global Entrepreneurship Monitor, 2012.

Graph 8. Entrepreneurship Indicators for Selected Countries in 2012

1.1.4 Overheating Indicators for G-20 Economies

In the World Economic Outlook report published by IMF in October 2012, indicators which might affect the economic process in 2012 have been examined for G-20 countries. Indicators which are categorized as domestic, external and financial include output level for countries, output deficit, unemployment, inflation, trade amount, capital flow, current accounts, credit growth, house prices, stock prices, financial balance and real interest rates.

When the output values relating to production trend in G-20 countries are examined, the current term production values of Argentina, Brazil, Saudi Arabia, India, Indonesia, and China are higher than 0.025 times their production values prior to the crisis, whereas the current term production value of USA, United Kingdom, France, Italy, Canada, Japan, Turkey, Australia, South Africa, Mexico, Republic of Korea and Russia are lower than 0.025 times their pre-crisis production values. Only Germany has a current term production output which is equal to the output prior to the crisis.

Output deficit which is defined as the deviation of the output of an economy from the potential level is an important indicator in determining the level of inflationary pressure in economy. In other words, output gap shows the difference between the potential production which an economy can achieve with its capacity and technology and the actual production performed. The fact that there is an output gap in an economy shows that there is a positive growth in terms of the national product in that country. If an output gap exists, then inflationary concerns extinguish, but otherwise, austerity policies need to be applied. When viewed in this context, in those countries where the output gap is shown in blue color, the current term value is lower than 0.025 times the standard deviation of the pre-crisis average value, and the current year value of the output gap in yellow color is equal to 0.025 times the standard deviation of the pre-crisis average value, and is higher than 0.025 times where it is shown in red color. Accordingly, only Germany has a current term output gap in 2012, which is equal to 0.025 times the standard deviation of the pre-crisis average.

When the results relating to unemployment are examined, the current term unemployment value in USA, United Kingdom, France, Italy, Canada, Japan, Turkey, Mexico, and China is lower than 0.5 time the standard deviation of the pre-crisis average unemployment. The current term unemployment value in Australia, Republic of South Africa, Indonesia and Republic of Korea is higher than 1.5 times the standard deviation of the pre-crisis average unemployment. The current term unemployment value in Germany, Argentina, Brazil and Russia is between 0.5 and 1.5 times the standard deviation of the pre-crisis average unemployment.

In the evaluation related to inflation, it is striking that inflation is lower than 5.0% in USA, France, Germany, Italy, Japan, Turkey, Australia, Republic of South Africa, Brazil, Mexico, Saudi Arabia, Indonesia, Republic of Korea, and China. In Canada and Russia, inflation is between 5.0% and 9.0%, and is higher than 10.0% in the United Kingdom and India.

When trade and capital indicators shown under the external indicators are examined, current term value of trade in Japan, Republic of Korea, and China is between 0.5 - 1.5 times the standard deviation of the pre-crisis average, whereas the current term value of Italy, Japan, Brazil, Indonesia, and China in respect of capital flow is between 0.5 - 1.5 times the standard deviation of the pre-crisis average.

The current term unemployment value in terms of current accounts in France, Canada, Japan, Republic of South Africa, India and Republic of Korea is higher than 2.5 times the standard deviation of the pre-crisis average. In summary, the current value of external indicators is higher than 1.5

times the standard deviation of the pre-crisis average in 2 countries, but lower than 0.5 times the standard deviation in 14 countries.

While the current term value of credit growth shown under the financial indicators heading is higher than 1.5 times the standard deviation of the pre-crisis average in Brazil, it is between 0.5 – 1.5 times the standard deviation in 9 countries, and lower than 0.5 times the standard deviation in 9 countries. The current value of the financial indicators is between 0.5 – 1.5 times the standard deviation of the pre-crisis average in 2 countries, but lower than 0.5 times the standard deviation in 17 countries.

The financial balance in the selected countries increased in 7 countries, decreased in 4 countries, and remained unchanged in 6 countries. Real interest rates dropped in 11 countries, and remained constant in 8 countries.

When inflation and unemployment indicators of our country are analyzed, it is seen that the current value of both indicators ranges between 0.5 – 1.5 times the standard deviation of the pre-crisis average. The year 2012 value of trade and current accounts, which are among the external indicators, are higher than 1.5 times the standard deviation of the pre-crisis average, while the capital flow ranges between 0.5 – 1.5 times the standard deviation. The year 2012 value of the credit growth, a financial indicator, is between 0.5 - 1.5 times the standard deviation of the pre-crisis average. While the financial balance of our country spiked in 2012, real interest rates remained unchanged (See Table 5).

1.1.5 Gross Domestic Product Growth Rates

In 2012, when the financial problems originating from the Eurozone became significant, it was observed that growth rates dropped compared to previous years as most countries had problem in paying their debts and faced difficulties in making production. According to the World Economic Outlook report published by IMF, when the estimated growth rates for selected countries are analyzed, 21 out of 30 countries had a decreasing trend in growth rates in 2012 compared to the previous year.

According to IMF projections, Turkey has been the country with the highest decrease in growth rate compared to the previous year with 5.5 points in 2012. IMF projected that Turkey that showed an outstanding growth performance such as 8.5% would record a growth of 3.0% in 2012. The countries which are expected to show maximum decrease in GDP growth rates among the selected countries after Turkey in 2012 are India with a decrease of 3.4 points, Singapore and Slovenia with 2.8 points, and Czech Republic with 2.7 points. However, Thailand is expected to record a growth which is 5.5 points higher, and Japan 2.6 points higher in 2012 than that of the previous year.

While the country which is expected to exhibit the highest growth in 2012 among 30 countries is Panama with 8.5%, it is followed by China with 7.8%, Sri Lanka with 6.8%, Cambodia with 6.5%, and Indonesia with 6.0%. Among the countries which are expected to show the lowest growth are Switzerland with 8.0‰, Germany with 9.0‰, and Sweden with 1.2‰. It is anticipated that Slovenia and Czech Republic economies will see a contraction of 2.2% and 1.0%, respectively (See, Table 6).

IMF has also anticipated the direction of annual change regarding consumer price indices, purchasing power parity and unemployment rate for selected countries. Accordingly, consumer price index, purchasing power parity and unemployment rate in Singapore, Czech Republic, Republic of South Africa and Pakistan in 2012 will demonstrate an upward change compared to the previous year. 28 out of 30 countries selected, the change of consumer price index is expected to be in the upward direction. This shows that the prices of consumption products have increased due to the increase in internal demand. In addition, it is estimated that the purchasing power parity of 29 countries will tend to increase compared to the previous year, and three of them will be Switzerland, Czech Republic and Slovenia, members of EU. It may be said that employment may be affected negatively in these countries due to the negative atmosphere created by the debt crisis, the financial distress and the stagnancy in production.

According to IMF's 2012 projections for our country, it is noteworthy that the growth rate will be 3.0%, and with this projection, our country will see the most important decrease compared to the previous year.

Table 6. Gross Domestic Product Growth Rates for Selected Countries

Region	Country	Growth Rates			Points Difference compared to the Previous Year	
		2011 ⁽¹⁾	2012 ⁽²⁾		2011	2012
Eastern Asia and Pacific	Japan	4,5	-0,6	2,0	-5,1	2,6
	Singapore	14,8	4,9	2,1	-9,9	-2,8
	Republic of Korea	6,3	3,6	2,7	-2,7	-0,9
Western Europe	Germany	4,0	3,1	0,9	-0,9	-2,2
	Switzerland	3,0	1,9	0,8	-1,1	-1,1
	Sweden	5,9	4,0	1,2	-1,9	-2,8
Eastern Europe and Central Asia	Czech Republic	2,7	1,7	-1,0	-1,0	-2,7
	Slovenia	1,2	0,6	-2,2	-0,6	-2,8
	Turkey	9,2	8,5	3,0	-0,7	-5,5
North America	USA	2,4	1,8	2,3	-0,6	0,5
	Canada	3,2	2,6	2,0	-0,6	-0,6
Middle East and North Africa	Israel	5,7	4,6	2,9	-1,1	-1,7
	Lebanon	7,0	1,5	2,0	-5,5	0,5
	Jordan	2,3	2,6	3,0	0,3	0,4
Latin America and Caribbeans	Mexico	5,6	3,9	3,8	-1,7	-0,1
	Panama	7,6	10,6	8,5	3,0	-2,1
	Costa Rica	4,7	4,2	4,8	-0,5	0,6
Sub-Saharan Africa	South Africa Republic	2,9	3,5	2,3	0,6	-1,2
	Namibia	6,6	4,9	4,0	-1,7	-0,9
	Kenya	5,8	4,4	5,1	-1,4	0,7
Selected Countries Showing Recent Growth	China	10,4	9,3	7,8	-1,1	-1,5
	Indonesia	6,2	6,5	6,0	0,3	-0,5
	Malaysia	7,2	5,1	4,4	-2,1	-0,7
	Philippines	7,6	3,9	4,8	-3,7	0,9
	Thailand	7,8	0,1	5,6	-7,7	5,5
	Cambodia	6,1	7,1	6,5	1,0	-0,6
	Vietnam	6,8	5,9	5,1	-0,9	-0,8
	India	10,1	7,9	4,5	-2,2	-3,4
	Sri Lanka	7,8	8,3	6,8	0,5	-1,5
	Pakistan	3,1	3,0	3,7	-0,1	0,7

Source: IMF, World Economic Outlook, January 2013.

(1): As the figures are updated by IMF, it may differ from the figures of the previous publication of the report.

(2): It is a projection value.

Note: The same countries have been selected to represent the regions in order to enable a comparison with the previous report.

In 2012, the rate of change of the consumer price index and purchasing parity of our country is expected increase, and the unemployment rate is expected to decrease (See Table 7).

Table 7. Shift of Variation in Macro Size Variables for Selected Countries in 2012 vs. 2011

Region	Country	Direction of Variable Change ⁽¹⁾			
		Growth Rate	Consume Price Index	Purchasing Power	Unemployment Rate
Eastern Asia and Pacific	Japan	↑	↓	↑	↓
	Singapore	↓	↑	↑	↑
	Republic of Korea	↓	↑	↑	↓
Western Europe	Germany	↓	↑	↑	↓
	Switzerland	↓	↓	↑	↑
	Sweden	↓	↑	↑	→
Eastern Europe and Central Asia	Czech Republic	↓	↑	↑	↑
	Slovenia	↓	↑	↓	↑
	Turkey	↓	↑	↑	↓
North America	USA	↑	↑	↑	↓
	Canada	↓	↑	↑	↓
Middle East and North Africa	Israel	↓	↑	↑	↓
	Lebanon	↑	↑	↑	...
	Jordan	↑	↑	↑	→
Latin America and Caribbeans	Mexico	↓	↑	↑	↓
	Panama	↓	↑	↑	↓
	Costa Rica	↑	↑	↑	↓
Sub-Saharan Africa	South Africa Republic	↓	↑	↑	↑
	Namibia	↓	↑	↑	...
	Kenya	↑	↑	↑	...
Selected Countries Showing Recent Growth	China	↓	↑	↑	→
	Indonesia	↓	↑	↑	↓
	Malaysia	↓	↑	↑	→
	Philippines	↑	↑	↑	→
	Thailand	↑	↑	↑	→
	Cambodia	↓	↑	↑	...
	Vietnam	↓	↑	↑	→
	India	↓	↑	↑	...
	Sri Lanka	↓	↑	↑	→
	Pakistan	↑	↑	↑	↑

Source: IMF, World Economic Outlook, October 2012 and January 2013.

(1): The direction of change shown by the relevant variable in 2012 compared to the previous year.

...: No change was observed as there exists no 2012 data for the relevant variable.

1.1.6 Consumer Price Index

While the world consumer prices index tended to decrease in emerging and developing economies in the first quarter of 2012, it did not demonstrate a significant change in advanced economies. The constant increase of foreign exchange rates since the beginning of the new year has been a determinant for the consumer prices to shift upward. In the second quarter, a downward change in consumer prices was seen in advanced, emerging and developing economies along with the decrease in commodity prices. However, the European Central Bank (ECB) took measures to revive economy to abate the debt crisis suffered in the Eurozone, giving rise to increase in consumer prices through the year. In the third quarter, inflation rates in the developed economies increased slightly, while the inflation rates in the emerging and developing economies remained relatively unchanged. The sale of cars which increased in USA in this period raised inflation significantly, and the consumer prices saw the highest rise of the last three years. In the Eurozone, the money raised by ECB who opened a bond purchase bidding to raise funds for the purpose of reviving European economy had a positive impact on the market, invoking an increase in the demand for goods and services, which, in turn, drove the consumer prices up. In the last quarter of the year, general and core inflation rates showed a decrease in both advanced economies and emerging and developing economies. In this period, the decrease seen in commodity prices triggered the decline in inflation rates.

In line with these developments, when the data from IMF's World Economic Outlook are examined, 2012 consumer price index in the selected countries is estimated to decline by 2.0% and 5.0% in Japan and Switzerland, respectively, and to increase in the other 28 countries compared to the previous year. The consumer price indices of India, Pakistan and Sri Lanka, emerging and developing economies, are expected to record high increases as 13.0%, 11.3%, and 10.1%, respectively. It is estimated that the consumer prices in China will exhibit a limited increase such as 2.8% whereas the consumer prices in Germany, USA and Sweden will increase by 2.15, 1.6%, and 9.0%, respectively (See Table 8).

Table 8. Year-End Consumer Price Index and Rates of Change for Selected Countries

Region	Country	Consume Price Index ⁽¹⁾			Değişim Oranı	
			2011 ⁽²⁾	2012 ⁽³⁾	2011	2012
Eastern Asia and Pacific	Japan	99,9	99,6	99,4	-0,3	-0,2
	Singapore	104,4	110,2	114,3	5,6	3,7
	Republic of Korea	101,0	105,2	107,5	4,2	2,2
Western Europe	Germany	110,0	112,5	114,9	2,3	2,1
	Switzerland	100,0	99,3	98,8	-0,7	-0,5
	Sweden	112,3	112,8	113,8	0,4	0,9
Eastern Europe and Central Asia	Czech Republic	115,5	118,3	122,0	2,4	3,1
	Slovenia	114,9	117,3	119,3	2,1	1,7
	Turkey	181,9	200,9	213,9	10,4	6,5
North America	USA	220,9	227,6	231,3	3,0	1,6
	Canada	117,8	120,9	122,9	2,6	1,7
Middle East and North Africa	Israel	101,8	104,0	106,1	2,2	2,0
	Lebanon	115,6	119,1	131,2	3,0	10,2
	Jordan	128,7	132,9	138,7	3,3	4,4
Latin America and Caribbeans	Mexico	99,7	103,6	107,7	3,9	4,0
	Panama	150,8	160,3	170,3	6,3	6,2
	Costa Rica	143,1	149,9	157,4	4,8	5,0
Sub-Saharan Africa	South Africa Republic	181,9	193,0	203,2	6,1	5,3
	Namibia	187,3	200,8	213,1	7,2	6,1
	Kenya	193,1	229,0	245,1	18,6	7,0
Selected Countries Showing Recent Growth	China	133,8	139,3	143,2	4,1	2,8
	Indonesia	125,2	129,9	136,4	3,8	5,0
	Malaysia	101,2	104,2	106,3	3,0	2,0
	Philippines	122,5	127,6	133,5	4,2	4,6
	Thailand	108,9	112,8	118,1	3,6	4,7
	Cambodia	138,2	145,0	151,6	4,9	4,6
	Vietnam	221,6	261,8	273,5	18,1	4,5
	India	185,0	197,0	222,6	6,5	13,0
	Sri Lanka	147,2	154,4	170,0	4,9	10,1
	Pakistan	259,9	294,5	327,7	13,3	11,3

Source: IMF, World Economic Outlook, October 2012.

(1): It is the year-end consumer price index value.

(2): As the figures are updated by IMF, it may differ from the figures of the previous publication of the report.

(3): It is a projection value.

Note: The same countries have been selected to represent the regions in order to enable a comparison with the previous report.

When the rates of change recorded by countries in the consumer prices index the previous year are compared in terms of absolute values and direction of change, it is noteworthy that the rates of decline in Japan and Switzerland slowed, and preserved the downward trend, and in the rest of the countries, the rates of change which had an upward trend in 2011 preserved the same trend in 2012. Kenya which showed an increase of 18.6% increase in the consumer price index in 2011 is estimated to record and increase of 7.0% in 2012 which represents a drop by 11.6 points, and the highest deviation among the selected countries. Another striking result is observed in Vietnam. In 2012, the consumer prices in Vietnam are expected to increase by 4.5%, down 13.6 points over a year ago. It is estimated that the consumer price index in India will reach 13.0% in 2012 up 6.9

points over a year ago, and in Sri Lanka it will reach 10.1% up 5.2 points.

When the consumer price index estimates of IMF regarding our country are analyzed, the index increase rate which was 10.4% in 2011 is estimated to be 6.5% in 2012 down 3.9 points. The fact that the consumer price index in 2012 stood at 6.2% on an annual basis is the evidence that the reliability of IMF estimates are quite high.

1.1.7 Purchasing Power Parity

Purchasing Power Parity (PPP) is an important indicator which removes differentiation between the price levels among countries, and enables to compare per capita national income of the countries in a certain period, and to get much meaningful results.

When we analyze the rates of change of the per capita income values as per PPP are analyzed for countries in line with the results shown in the World Economic Outlook Report published by IMF in October 2012, we see that China is the country that enjoyed the highest increase in 2012 compared to the previous year. In China, per capita income which was US\$ 8.387 in 2011 increased 9.0% and reached US\$ 9.146 in 2012. Among the selected countries, the other countries which showed the highest increase in per capita income in 2012 are respectively Panama with 8.5%, Sri Lanka with 7.8%, Cambodia with 7.1%, Thailand with 6.6% and Indonesia with 6.3%.

It is striking that the rates of increase in per capita national income in 2011 are higher in emerging and developing economies. On the other hand, the country which had the lowest rate of increase in per capita income in 2012 has been the Czech Republic with 4.0%. With this rate of increase, per capita income in the Czech Republic which was US\$ 27.063 in 2011 increased to US\$ 27.165 in 2012. Additionally, only in Slovenia among the selected countries, per capita national income showed a downward trend by decreasing 7.0% in 2012 compared to the previous year. In Slovenia, per capita income which was US\$ 28.843 in 2011 declined back to US\$ 28.648 in 2012.

While among the selected countries the three countries which had the highest per capita national income in 2012 were Singapore with US\$ 60,883, USA with US\$ 49,802, and Switzerland with US\$ 45,286, the three countries which had the lowest per capita national income were Kenya with US\$ 1,807, Cambodia with US\$ 2,399, and Pakistan with US\$ 2,876 (See Table 9).

When per capita national income figures according to PPP in 2012 are analyzed, per capita national income of Singapore which has the highest figure is 34 times higher than per capita national income of Kenya. In other words, according to PPP, a person in Singapore earns an income which is equal to 34 times that earned by a person in Kenya.

Tablo 9. Seçilmiş Ülkeler İçin Satın Alma Gücü Paritesine Göre Kişi Başına Milli Gelir

Region	Country	PCNI according to PPP (\$)			Rate of Change	
		2010 ⁽¹⁾	2011 ⁽¹⁾	2012 ⁽²⁾	2011	2012
Eastern Asia and Pacific	Japan	34.241	34.748	36.179	1,5	4,1
	Singapore	56.709	59.710	60.883	5,3	2,0
	Republic of Korea	29.717	31.221	32.431	5,1	3,9
Western Europe	Germany	36.173	38.077	39.059	5,3	2,6
	Switzerland	43.157	44.452	45.286	3,0	1,9
	Sweden	38.474	40.705	41.750	5,8	2,6
Eastern Europe and Central Asia	Czech Republic	26.122	27.063	27.165	3,6	0,4
	Slovenia	28.111	28.843	28.648	2,6	-0,7
	Turkey	13.294	14.393	15.029	8,3	4,4
North America	USA	46.811	48.328	49.802	3,2	3,0
	Canada	39.155	40.519	41.507	3,5	2,4
Middle East and North Africa	Israel	30.102	31.467	32.212	4,5	2,4
	Lebanon	15.169	15.523	15.884	2,3	2,3
	Jordan	5.767	5.907	6.044	2,4	2,3
Latin America and Caribbeans	Mexico	13.977	14.653	15.300	4,8	4,4
	Panama	12.707	14.097	15.266	10,9	8,3
	Costa Rica	11.337	11.923	12.559	5,2	5,3
Sub-Saharan Africa	South Africa Republic	10.541	10.970	11.302	4,1	3,0
	Namibia	7.016	7.451	7.814	6,2	4,9
	Kenya	1.681	1.741	1.807	3,6	3,8
Selected Countries Showing Recent Growth	China	7.553	8.387	9.146	11,0	9,0
	Indonesia	4.353	4.666	4.958	7,2	6,3
	Malaysia	15.293	16.240	16.942	6,2	4,3
	Philippines	3.920	4.080	4.264	4,1	4,5
	Thailand	9.226	9.399	10.023	1,9	6,6
	Cambodia	2.068	2.239	2.399	8,3	7,1
	Vietnam	3.143	3.359	3.545	6,9	5,5
	India	3.403	3.663	3.851	7,6	5,1
	Sri Lanka	5.157	5.664	6.103	9,8	7,8
	Pakistan	2.702	2.786	2.876	3,1	3,2

Source: IMF, World Economic Outlook, October 2012.

(1): As the figures are updated by IMF, it may differ from the figures of the previous publication of the report.

(2): It is a projection value.

Note: The same countries have been selected to represent the regions in order to enable a comparison with the previous report.

1.2 Social Indicators for Selected Countries

In this section, various social indicators are given for selected countries, and evaluations are made with comparisons over years.

1.2.1 International Human Development Index and Relevant Indicators

The Human Development Report which has been prepared by the United Nations Development Program (UNDP) since 1990 is an internationally recognized prestigious report that evaluates the performance of all world countries in terms of human development. Although there had been

different approaches towards method in the Human Development Report over time, a standard approach has been adopted in 2000. One of the most important indicators in the report is the Human Development Index (HDI).

HDI is basically comprised of three components. The basic components of the index are life expectancy at birth, education and per capita income. The fact that HDI is calculated with a simple method enables its area of use to expand.

The index value varies between 0 and 1. Countries are divided into four groups by UNDP according to index value.

The upper and lower limit values of the groups are:

<u>Index Value</u>	<u>Category Definition</u>
0,304-0,534	Low
0,535-0,710	Medium
0,711-0,796	High
0,797-1,000	Very High

According to UNDP's 2013 Human Development Report, the countries that have very high human development in 2012 are the countries included in the developed country category. USA has the highest index value with 0.937 among the selected countries and is ranked the 3rd among 186 countries included in the HDI. Germany which is ranked the 5th among 186 countries with an index value of 0.920 is followed by Sweden which is ranked the 7th with 0.916, Switzerland which is ranked the 9th with 0.913, and Japan which is ranked the 10th with 0.912. 11 out of 30 countries that have been selected according to 2012 HDI are countries with a "medium" human development. These countries are Jordan, Republic of South Africa, Namibia, China, Indonesia, Philippines, Thailand, Cambodia, Vietnam, India and Pakistan. HDI value which is calculated worldwide is 0.694, and based on this index value, the world stands in the "medium" category.

Turkey is included in the "high" category with an index value of 0.722 according to 2012 HDI ranking. Although Turkey which had an index value of 0.699 in 2011 raised its score by 0.023 this year, its ranking remained unchanged from the previous year. While this result shows an improvement in HDI parameters of our country, it may be interpreted that the ranking has not changed as the performance of the other countries were better than that of ours.

When the average schooling rates of the selected countries in 2012 are analyzed, it is seen that USA takes the lead with the highest average schooling rate which is 13.3 years, and is followed by Czech Republic and Canada with 12.3 years, Germany with 12.2 years, and Israel with 11.9 years. Among these countries the countries with the lowest schooling rate are India with 4.4 years, Pakistan with 4.9 years, Vietnam with 5.5 years, and Cambodia and Indonesia with 5.8 years.

Our country with an average schooling rate of 6.5 years has a schooling rate which is only above Kuwait and Oman and equivalent to Tunisia among the 47 countries which are placed in the "high" category.

On a country level, when P80/P20 measure which is the ratio of the highest 20 percent of income recipients to that of the lowest 20 percent of income recipients is analyzed, then, among the selected countries, Sweden has the highest fair distribution of income with a ratio of 4.0, followed by Pakistan with 4.2, and Germany with 4.3. Conversely, the countries which have the highest inequitable distribution of income are the Republic of South Africa with 25.3, Namibia with 21.8 and

Panama with 17.1. The P80//20 ratio of our country in 2012, which though dropped by 0.1 point over a year ago, stands at a quite critical level as 7.9.

When Gini coefficient which is a widely-used measure to identify equitable distribution of income for selected countries in 2012 is analyzed, the three countries where this coefficient is lowest, i.e. where the income is distributed most equitably are Sweden with 25.0, Germany with 28.3 and Pakistan with 30.0. The countries where the coefficient is highest, i.e. where the income is distributed inequitably are Namibia with 63.9, Republic of South Africa with 63.1, Panama with 51.9, and Costa Rika with 50.7. Considering that the Gini coefficient of our country is 39.0, it is hard to say that income is distributed equitably.

Women's participation rate in the labor force, an important indicator of human development concept, is highest in Cambodia with 79.2%. among the selected countries in 2012. It is followed by Vietnam with 73.2%, China with 67.7%. The countries where women's participation rate in the labor force is lowest are Jordan with 15.6%, Lebanon with 22.6%, and Pakistan with 22.7%. The fact the women's participation rate in the labor force were higher than the other country groups has been an important factor in the development achieved recently by the countries that demonstrated growth in terms of human development and the relevant indicators.

The women's participation rate in the labor force in our country is 28.1%, and is quite close to the values of those countries with the lowest rate. In this respect, our country only surpasses Iran, Algeria, Tunisia and Saudi Arabia among the 47 countries along with which it is placed under the same group in terms of HDI.

Gases which threaten the earth with global warming and are released to the atmosphere in high doses also with the effect of industrialization recently crease a "greenhouse effect", and give rise to adverse conditions. Canada is the country among the selected countries which has the highest greenhouse gas emission with 4.7 tons, followed by Namibia with 4.4 tons and USA with 3.7 tons. The countries among the selected countries which have the lowest greenhouse gas emission are Lebanon with 0.4 tons, Jordan with 0.5 tons and Sri Lanka with 0.6 tons.

In our country, this rate is 1.4 tons, and has the same value with Singapore and Panama among the selected countries.

One of the environmental factors is the forest area of the countries. While Sweden is the country with the highest forest area with 68.7% among the selected countries, it is followed by Japan with 68.5%, and Republic of Korea with 63.0%. In our country this rate is 14.7% and is quite low.

The three countries with the smallest forest area among the selected countries are Jordan with 1.1%, Pakistan with 2.2%, and Singapore with 3.3%. This value has been calculated as 31.1% for the world.

According to these summary parameters regarding the HDI, while HDI figure improved by only 0.012 points over a year ago, average schooling rate rose from 7.4 years to 7.5 years with a 0.1 point increase, gross schooling rate in primary education increased 1.0 points and reached 107.9, and greenhouse gas emission per capita remained fixed with 1.7 tons.

Although the performance of our country compared to the previous year demonstrated a rise of 0.023 in HDI, its ranking among 186 countries remained unchanged as the other countries exhibited better performance. The average schooling year did not change, but gross schooling rate in primary education climbed from 99.3% to 102.0, and the Gini coefficient which shows equitable distribution of income declined by 0.7 points compared to the previous year, reflecting a better dist-

tribution of income, and P80/P20 measure improved by 0.1 points. Although the women's participation rate in the labor force increased 4.1 points, it may be said that there is still a deep inequality between genders in terms of participation in the labor force (See Table 10).

Table 10. International Human Development Index and Selected Basic Indicators

Region	Country	2012 HDI	2012 HDI Rank No	(2012-2011) HDI Rank No. Difference	Average Schooling Year ⁽¹⁾	Gross Schooling Rate (Primary Education) Rank Number (2002-2011)	HDI Rank Number, excluding Income – HDI Rank Number (2012)	P80/P20 Measure ⁽²⁾	Gini Coefficient ⁽³⁾	Women's participation rate in the labor force ⁽³⁾	Greenhouse Gas Emission per Capita (Ton) ⁽⁴⁾	Forest Area Ratio (Ratio to Total Area) ⁽⁵⁾
Worldwide		0,694	...	...	7,5	107,9	...	...	...	...	1,7	31,1
Eastern Asia and Pacific	Japan	0,912	10	0	11,6	103,0	11	...	...	49,4	1,0	68,5
	Singapore	0,895	18	0	10,1	101,8	-15	...	...	56,5	1,4	3,3
	Republic of Korea	0,909	12	0	11,6	104,0	15	...	...	49,2	1,2	63,0
Western Europe	Germany	0,920	5	0	12,2	102,0	10	4,3	28,3	53,0	1,9	31,8
	Switzerland	0,913	9	0	11,0	102,0	2	5,5	33,7	60,6	1,2	31,0
	Sweden	0,916	7	0	11,7	100,0	6	4,0	25,0	59,4	2,1	68,7
Eastern Europe and Central Asia	Czech Republic	0,873	28	0	12,3	106,0	10	...	...	49,6	2,1	34,4
	Slovenia	0,892	21	0	11,7	98,0	12	4,8	31,2	53,1	2,6	62,2
	Turkey	0,722	90	0	6,5	102,0	-32	7,9	39,0	28,1	1,4	14,7
North America	USA	0,937	3	1	13,3	102,0	6	8,4	40,8	57,5	3,7	33,2
	Canada	0,911	11	1	12,3	99,0	5	5,5	32,6	61,9	4,7	34,1
Middle East and North Africa	Israel	0,900	16	0	11,9	113,0	13	7,9	39,2	52,5	1,1	7,1
	Lebanon	0,745	72	0	7,9	105,0	-5	...	...	22,6	0,4	13,4
	Jordan	0,700	100	0	8,6	97,0	8	5,7	35,4	15,6	0,5	1,1
Latin America and Caribbeans	Mexico	0,775	61	0	8,5	115,0	4	11,3	48,3	44,3	1,7	33,3
	Panama	0,780	59	-1	9,4	108,0	1	17,1	51,9	49,6	1,4	43,7
	Costa Rica	0,773	62	0	8,4	110,0	12	14,5	50,7	46,4	0,9	51,0
Sub-Saharan Africa	South Africa Republic	0,629	121	-1	8,5	102,0	-42	25,3	63,1	44,0	1,9	7,6
	Namibia	0,608	128	0	6,2	107,0	-27	21,8	63,9	58,6	4,4	8,9
	Kenya	0,519	145	0	7,0	113,0	15	11,0	47,7	61,5	0,9	6,1
Selected Countries Showing Recent Growth	China	0,699	101	0	7,5	111,0	-11	9,6	42,5	67,7	1,5	21,9
	Indonesia	0,629	121	-3	5,8	118,0	-3	5,1	34,0	51,2	1,5	52,1
	Malaysia	0,769	64	-1	9,5	96,0	-7	11,3	46,2	43,8	2,4	62,3
	Philippines	0,654	114	0	8,9	106,0	11	8,3	43,0	49,7	0,8	25,7
	Thailand	0,690	103	-1	6,6	91,0	-10	7,1	40,0	63,8	1,6	37,1
	Cambodia	0,543	138	0	5,8	127,0	9	6,1	37,9	79,2	1,9	57,2
	Vietnam	0,617	127	0	5,5	106,0	9	5,9	35,6	73,2	1,3	44,5
	India	0,554	136	0	4,4	118,0	-3	4,9	33,4	29,0	0,7	23,0
	Sri Lanka	0,715	92	0	9,3	99,0	18	6,9	40,3	34,7	0,6	28,8
	Pakistan	0,515	146	0	4,9	95,0	-9	4,2	30,0	22,7	1,1	2,2

Source: UNDP Human Development Report, 2013.

(1): Year 2010 results.

(2): Year 2000-2010 results.

(3): Year 2011 results.

(4): Year 2005 results.

(5): Year 2010 results.

Note: The same countries have been selected to represent the regions in order to enable a comparison with the previous report.

...: No information

1.2.2 Unemployment Rates

In 2012, unemployment continued to be a serious item of the agenda in most regions of the world. Unemployment climbed high particularly in countries like Spain and Greece where dismissals were seen intensively as a result of the debt crisis in the Eurozone. It is striking that youth (15-24 years) unemployment rate is high above the EU average, 23.9%, in countries like Greece, Spain, Croatia, Portugal, Italy, Latvia, Bulgaria, Ireland, Hungary. In this respect, the International Labor Organization (ILO) issued warnings to prevent further unemployment in the Eurozone countries, and emphasized that 4.5 million people will supposedly become unemployed in the four years ahead unless measures are taken.

In IMF's World Economic Outlook October 2012 report, estimations of unemployment rates are provided. When the unemployment rate of the selected countries are examined, the highest unemployment rate among selected countries in 2012 is likely to be seen in the Republic of South Africa where it reached 24.4%, up 0.5 points compared to the previous year. It is estimated that among the 25 countries within the selected countries for which unemployment data exist unemployment rates compared to the previous year will drop in 10 countries, increase in 6 countries, and remain unchanged in 9 countries. Countries which are expected to have the highest decline in unemployment rates in 2012 are USA and Germany. The unemployment rate in Pakistan, where unemployment rate is expected to rise 7.7% in 2012 with a 1.7 points increase from that of the previous year, became prominent as the country with the highest increase rate among the selected countries. In 2012, the unemployment rates of countries like Switzerland and Slovenia have increased 0.6 points over a year ago and stood at 3.4%, and 8.8%, respectively. According to the estimates of ILO, unemployment rates are expected to remain unchanged from that of the previous year in 2012 in Sweden, Jordan, Panama, China, Malaysia, Philippines, Thailand, Vietnam and Sri Lanka.

When analyze the table in respect of our country, it is estimated that unemployment rate which declined to 9.8% in 2011 down 2.1 points compared to the previous year will see a 0.4 points decrease and remain at 9.4% in 2012. Our country is the country with the highest unemployment rate after South Africa and Jordan among 25 countries within the selected countries for which unemployment data exist according to ILO's estimates for 2012 (See Table 11).

Table 11. Unemployment Rates for Selected Countries

Region	Country	Unemployment Rate				
		Year			Difference	
		2011 ⁽¹⁾	2012 ⁽²⁾		2011	2012
Eastern Asia and Pacific	Japan	5,0	4,6	4,5	-0,4	-0,1
	Singapore	2,2	2,0	2,1	-0,2	0,1
	Republic of Korea	3,7	3,4	3,3	-0,3	-0,1
Western Europe	Germany	7,1	6,0	5,2	-1,1	-0,8
	Switzerland	3,5	2,8	3,4	-0,7	0,6
	Sweden	8,4	7,5	7,5	-0,9	0,0
Eastern Europe and Central Asia	Czech Republic	7,3	6,7	7,0	-0,6	0,3
	Slovenia	7,3	8,2	8,8	0,9	0,6
	Turkey	11,9	9,8	9,4	-2,1	-0,4
North America	USA	9,6	9,0	8,2	-0,6	-0,8
	Canada	8,0	7,5	7,3	-0,5	-0,2
Middle East and North Africa	Israel	8,3	7,1	7,0	-1,2	-0,1
	Lebanon	...	...	...	...	...
	Jordan	12,5	12,9	12,9	0,4	0,0
Latin America and Caribbeans	Mexico	5,4	5,2	4,8	-0,2	-0,4
	Panama	4,5	4,2	4,2	-0,3	0,0
	Costa Rica	7,3	7,7	7,5	0,4	-0,2
Sub-Saharan Africa	South Africa Republic	24,0	23,9	24,4	-0,1	0,5
	Namibia	...	...	...	...	...
	Kenya	...	...	...	...	...
Selected Countries Showing Recent Growth	China	4,1	4,1	4,1	0,0	0,0
	Indonesia	7,1	6,6	6,2	-0,5	-0,4
	Malaysia	3,3	3,1	3,1	-0,2	0,0
	Philippines	7,3	7,0	7,0	-0,3	0,0
	Thailand	1,0	0,7	0,7	-0,3	0,0
	Cambodia	...	...	...	...	...
	Vietnam	4,3	4,5	4,5	0,2	0,0
	India	...	...	...	...	...
	Sri Lanka	4,9	4,9	4,9	0,0	0,0
	Pakistan	5,6	6,0	7,7	0,4	1,7

Source: IMF, World Economic Outlook, October 2012.

(1): As the figures are updated by IMF, it may differ from the figures of the previous publication of the report.

(2): It is a projection value.

...: No information

1.2.3 Income and Expenditure Per Capita

One of the indicators which best reflects the welfare in our country is the per capita national income. In order for economic development to blossom in a country, it is a prerequisite that per capita national income is increased. When the worldwide picture is analyzed, it is seen that this figure is quite high in some emerging and developing economies, not to mention advanced economies. When the Gross National Income Per Capita (GNI Per Capita) 2012 figures for selected countries given in the United Nations Development Program (UNDP) 2013 Human Development Report are analyzed, it is seen that Singapore has the highest value with \$52,613, followed by USA with \$43,480, Switzerland with \$40,527, and Sweden with \$36,143. GNI Per Capita in Turkey is \$ 13,710.

In some countries where economic development is low, per capita national income is smaller, and therefore, standards of living are lower. In African countries which are struggling with problems of hunger and in emerging and developing economies where the population is crowded, this value remains below the world average. While the country with the lowest GNI Per Capita Score among the selected countries is Kenya with \$1,541 as in 2011, it is followed by Cambodia with \$2,095, Pakistan with \$2,566, and Vietnam with \$2,970.

When selected countries are examined in terms of total expenditure per capita, a picture which is different than the income structure is revealed. Among selected countries, Singapore stands in the first rank in terms of GNI Per Capita, but is ranked in the 10th place in terms of total expenditure per capita. While Sweden takes the first place with \$25,855 among selected countries in respect of expenditure per capita, it is followed by Switzerland and Germany in the second and third ranks with \$25,223 and \$17,633, respectively. While Kenya takes the last place an expenditure per capita of \$83 among selected countries, Pakistan and India are the other countries in the last place with \$150 and 153\$, respectively. In Turkey, annual expenditure per capita in Turkey is \$ 2,571.

It is seen that the dimension of inequity between expenditures per capita is much more serious than the inequity in GNI Per Capita, and the inequity spread in respect of expenditure per capita expands further (See Table 12).

When the difference between the GNI Per Capita and the savings per capita is analyzed, it is seen that Singapore has the highest savings per capita with \$45,941, and followed by USA in the second rank with \$ 34,414, Republic of Korea with \$ 23,627. Countries which have the lowest savings per capita are Kenya with \$ 1,355, Cambodia with \$2,0212 and Pakistan with \$ 2,416.

Table 12. Income and Expenditure Per Capita

		(\$)	
Region	Country	Per Capita Gross National Income ⁽¹⁾	Per Capita Budget Expenditure ⁽²⁾
Eastern Asia and Pacific	Japan	32.545	12.297
	Singapore	52.613	6.699
	Republic of Korea	28.231	4.604
Western Europe	Germany	35.431	17.633
	Switzerland	40.527	25.223
	Sweden	36.143	25.855
Eastern Europe and Central Asia	Czech Republic	22.067	7.330
	Slovenia	23.999	9.476
	Turkey	13.710	2.571
North America	USA	43.480	9.066
	Canada	35.369	16.658
Middle East and North Africa	Israel	26.224	8.345
	Lebanon	12.364	2.590
	Jordan	5.272	1.406
Latin America and Caribbeans	Mexico	12.947	2.090
	Panama	13.519	2.070
	Costa Rica	10.863	1.517
Sub-Saharan Africa	South Africa Republic	9.594	2.524
	Namibia	5.973	1.672
	Kenya	1.541	186
Selected Countries Showing Recent Growth	China	7.945	948
	Indonesia	4.154	541
	Malaysia	13.676	2.282
	Philippines	3.752	360
	Thailand	7.722	848
	Cambodia	2.095	83
	Vietnam	2.970	231
	India	3.285	153
	Sri Lanka	5.170	541
	Pakistan	2.566	150

KSource: UNDP Human Development Report, 2013 and CIA World Factbooks via NationMaster.

(1): 2012 results according to PPP value with 2005 fixed prices.

(2): On the website <http://www.nationmaster.com> from which consumption expenditure per capita data are collected, the year to which consumption values belong differ from country to country, and are same with the data of the previous year. In the relevant page, the budget expenditure values per capita on a country level has not been updated.

Note:

1) There may be methodological differences between the sources of data according to the countries in terms of expenditure.

2) The same countries have been selected to represent the regions in order to enable a comparison with the previous report.

1.2.4 International Poverty

Poverty is a problem which has existed and for which a solution has been sought throughout the history of humanity. In addition to poverty being an economic problem, it is recognized as a complex problem with social and ethical dimensions, transforming the types of efforts undertaken in order to eliminate or at least reduce poverty in time.

Today, humanity confronts a deep and intense poverty alongside richness. 10.0% of the world population produces 70.0% of the total goods and services, and generates 70.0% of the world income, which approximately corresponds to US\$ 30,000 per capita per annum.

On the other hand, 2.8 billion people who represent about half of the 6-billion world population live below the poverty threshold of US\$ 2 a day. 1.2 billion of this population (about one fifth) have to continue their lives below the threshold of US\$ 1 a day. In rich countries, less than 1 child in 100 children cannot reach the age of five. In poor countries, more than 5 children in 100 children cannot reach the age of five. In rich countries, 5.0% of the child population under the age of five face malnutrition problem, whereas this rate is above 50.0% in poor countries.

Although human conditions such as global wealth, global communication and technological capabilities recorded a progress in the last century which cannot be compared to the rest of history, privation and/or poverty strongly exists. In addition, the distribution of global earnings are far from being equal. The average income of the richest 20 countries is 37 times the income of the poorest 20 countries, and this difference has been doubled in the last forty years.

This maximal limit where poverty has reached in various countries can be traced from the findings of the local studies sponsored by some international institutions, not to mention the collective data published by the World Bank and UNDP.

As general trends, rural poverty has reached a climax in Asia and urban poverty has reached a climax in Latin America as a reflection of urbanization level which has already reached very high levels. On the other hand, it is anticipated that urban poverty rates will increase significantly in Asia and Africa in near future as a result of fast urbanization.

Multidimensional Poverty Index (MPI) is an index that aims to reveal poverties which a society suffers in a certain period of time. The index gives the opportunity to make comparisons between countries and regions according to micro and macro dimensional geographical limitations.

MPI considers three different components that are similar to the Human Development Indices, including living standards, health and education, and measures the degree of poverty faced by the society, and shows the average number of poor people, and the deprivations faced by the poor households. According to MPI, a household must exhibit deprivation characteristics for more than one criteria in order to be deemed "multidimensionally poor". An individual is deemed "multidimensionally poor" when he/she is "deprived" of minimum 30% of the indicator which are measured during the calculation stage of the index. The index includes factors other than income standards, such as "fresh water, fuel, access to health services" and "assets ownership" of the household.

When MPI values are analyzed on a country basis, the index does not exist for advanced economies, but emerging and developing economies, which means in a sense that it is possible to make a comparison for more homogenous groups. A high MPI value means that the ratio of population who are deprived of the criteria included in the index is higher. According to the data given in the Human Development Report 2013, the country with the highest MPI value among the selected countries is India with 0.283, followed by Pakistan with 0.264, Kenya with 0.229, Cambodia with

0.212, and Namibia with 0.187. MPI is "0" in Slovenia, 0.008 in Jordan, and 0.006 in Thailand, making them the three countries where the index value is lowest. Our country comes after China among the selected countries with a MPI value of 0.028.

When the rates of multidimensionally poor population are examined, India is ranked in the first place with a high rate such as 53.7%, followed by Pakistan in the 2nd place with 49.4%, Kenya in the 3rd place with 47.8%, Cambodia in the 4th place with 46.1%, and Namibia in the 5th place with 39.6%. The multidimensionally poor population in Turkey is 6.6%. With this rate, Turkey comes after China as is the case with the MPI value.

Among the selected countries, the rate of poverty depth which is expressed as the financial cost of saving people in poverty from poverty has reached the highest value with 27.4% in Kenya which also has the highest MPI value, followed by Namibia with 23.6% and Republic of South Africa with 22.2%. The rate of poverty depth in Turkey is 7.3%.

While the countries in the first 3 places in terms of MPI and the rate of population in MPI come from the countries that recorded growth recently and the group of Sub-Saharan African companies, the countries in the first 3 in terms of poverty depth are all Sub-Saharan African countries.

Intensity of poverty which describes the ratio of population who are poorest and must be kept away from the poverty line has been highest in India with 28.6%, followed by Pakistan with 27.4% and Kenya with 19.85. The value which Turkey takes for this indicator is 1.3%.

According to the approach which takes international poverty threshold as \$1.25 a day, the ratio of population whose daily income is below \$1.25 is as serious as 43.4%. Kenya is followed by Vietnam with 40.1%, and India with 32.7%. While about 4 out of every 10 people in Kenya have a daily income below \$1.25, 3 every out of every 10 people in Vietnam and India have a daily income below \$1.25.

The MPI figure for our country is 0.028, and places our country in the 9th rank among 17 countries for which MPI has been calculated, and the rate of population within MPI is 6.6. Poverty depth is 7.3% and intensity of poverty is 1.3%. The ratio of the population with daily income below \$1.25 is seen as "0" in our country (See Table 13).

Table 13. International Poverty Indicators

Region	Country	Multi Dimensional Poverty Index	Ratio of Population in Multidimensional Poverty	Depth of Poverty Ratio	Intensity of Poverty Ratio	Ratio of Population Below International Income Poverty Threshold
Eastern Asia and Pacific	Japan					
	Singapore					
	Republic of Korea					
Western Europe	Germany					
	Switzerland					
	Sweden					
Eastern Europe and Central Asia	Czech Republic ⁽¹⁾	0,010	3,1	0,0	0,0	...
	Slovenia ⁽¹⁾	0,000	0,0	0,4	0,0	0,1
	Turkey ⁽¹⁾	0,028	6,6	7,3	1,3	0,0
North America	USA					
	Canada					
Middle East and North Africa	Israel					
	Lebanon					
	Jordan ⁽²⁾	0,008	2,4	1,3	0,1	0,1
Latin America and Caribbeans	Mexico ⁽¹⁾	0,015	4,0	5,8	0,5	1,2
	Panama					
	Costa Rica					
Sub-Saharan Africa	Republic of South Africa ⁽²⁾	0,057	13,4	22,2	2,4	13,8
	Namibia ⁽²⁾	0,187	39,6	23,6	14,7	31,9
	Kenya ⁽²⁾	0,229	47,8	27,4	19,8	43,4
Selected Countries Showing Recent Growth	China ⁽¹⁾	0,056	12,5	6,3	4,5	13,1
	Indonesia ⁽²⁾	0,095	20,8	12,2	7,6	18,1
	Malaysia					
	Philippines ⁽²⁾	0,064	13,4	9,1	5,7	18,4
	Thailand ⁽¹⁾	0,006	1,6	9,9	0,2	0,4
	Cambodia ⁽²⁾	0,212	46,1	21,4	17,0	22,8
	Vietnam ⁽²⁾	0,017	4,2	7,9	0,7	40,1
	India ⁽¹⁾	0,283	53,7	16,4	28,6	32,7
	Sri Lanka ⁽¹⁾	0,021	5,3	14,4	0,6	7,0
	Pakistan ⁽²⁾	0,264	49,4	11,0	27,4	21,0

KSource: UNDP, Human Development Report, 2013.

(1) : It has been calculated by estimation based on questionnaires carried out between 2002-2006, with the assumption that PPP is daily \$1.25.

(2): It has been calculated by estimation based on questionnaires carried out between 2007-2011, with the assumption that PPP is daily \$1.25.

Note: 1) The same countries have been selected to represent the regions in order to enable a comparison with the previous report.

2) Shaded areas show that the countries have been excluded in the calculation of the relevant variables.

2. INTERNATIONAL COMMODITY MARKETS

Year 2002 has been a year when negativities originating from Europe and USA continued. The adversities caused by the crisis affected trade structures of the countries directly, forcing several countries to implement financially cautious and deliberate policies. Particularly, countries like Greece, Portugal, Ireland, Spain, and Italy reviewed their financial policies, and benefited from the European Financial Stability Fund. The ratio of the debt stocks of these countries hardly beaten by the crisis to the GDP has taken values much below the 60% boundary determined by the Maastricht Criteria which members of EU are obliged to meet, and unemployment rates reached double digits. The trade structure between Europe in general, including the countries struggling with the debt crisis, and the rest of the world also deteriorated, which, in turn, affected the commodity markets.

The civil disturbances that occurred in the Middle East and the Arab World in 2011 drove oil prices up. Oil prices that remained high during the year did not change much in 2012, and the problems seen in the region, especially in Syria, was one of the factors which kept the prices at such level.

On July 1, 2012, the European Union discussed an embargo on Iran. With this decision, the export of oil to European Union members from Iran and the use of insurance services by countries that imported oil from Iran at that stage of the trade have been prevented. Iran's crude oil production fell to the lowest level recently due to the said decision. In addition, the oil export of the country suffered a sharp cut. Furthermore, the problems between the workers and employers in the oil industry of Norway, which is ranked the fifth in the crude oil export in the world, brought the production to halt, and caused short-term supply problems. This naturally caused a rise in the Brent type oil prices.

When the worldwide production of agricultural products in 2012 is analyzed, the drought in Latin America in the first quarter of the year, and the very cold weather in Europe, notably in Russia, have been event which had adverse impact on production. In the second quarter of the year, the drought in USA has been another factor which increased the prices of agricultural products in the country. When the agricultural products are examined on a yearly basis in general, it is seen that agricultural prices had an upward trend in the first half of 2012, but showed a declining trend in the second half.

Although industrial metal prices showed an upward trend in the first quarter of the year, they took a decline with the downward revision of the growth rate estimates for the economies in a debt crisis. The industrial metal prices which followed a balanced progress throughout the third quarter of the year slightly increased with the effect of the increased demand owing to the signs of economic relief with subsidies announced by countries in crisis. However, it may be said that metal prices had a low progress in general throughout the year.

When the international commodity prices published in the IMF's World Economic Outlook report are analyzed, natural gas has been the product which showed the highest price increase with 13.1% in 2012 compared to the previous year, it was followed by soya bean with 11.1% and peanut with 9.1%. When the prices of metal products in 2012 are evaluated, it is seen that the prices fell 9.8% in copper, 15.7% in aluminum, 23.4% in nickel, 11.2% in zinc. The spot price of oil increased 1.0% compared to the previous year, and rose from \$104.0 to \$105.0 per barrel. Following the 7.1% fall in natural gas prices in 2010, natural gas prices increased 28.9% in 2011, and this trend continued also in 2012 with a rise of 13.1%. Cotton which was \$103.5 with a rise of 64.9% in 2010, and \$154.6 with a rise of 49.4% in 2011, has been the product that exhibited the highest fall in 2012, dropping to \$89.2 by a decrease of 42.3% (See Table 14).

Table 14. Selected Product Prices in International Markets

(US\$)

Selected Products ⁽¹⁾	Unit of Measure ⁽²⁾	Product Prices			Rate of Change		
		2010	2011	2012	2010	2011	2012
Wheat	\$/MT	223,7	316,2	313,3	0,1	41,4	-0,9
Corn	\$/MT	186,0	291,8	298,4	12,4	56,9	2,3
Rice	\$/MT	520,6	551,7	580,2	-11,7	6,0	5,2
Soy bean	\$/MT	384,9	484,2	537,8	1,7	25,8	11,1
Peanut	\$/MT	1.239,4	1.724,0	1.880,5	24,6	39,1	9,1
Sunflower oil	\$/MT	1.186,0	1.621,8	1.489,5	13,9	36,7	-8,2
Olive oil	\$/MT	3.171,3	3.070,3	3.150,3	-9,6	-3,2	2,6
Oranges	\$/MT	1.028,4	891,1	868,0	13,1	-13,4	-2,6
Banana	\$/MT	881,4	975,9	984,3	3,9	10,7	0,9
Sugar (free market)	cts/lb	20,9	26,2	21,4	15,2	25,4	-18,3
Tea	cts/Kg	316,7	346,2	348,9	0,9	9,3	0,8
Coffee	cts/lb	84,1	116,0	110,6	9,1	37,9	-4,7
Cotton	cts/lb	103,5	154,6	89,2	64,9	49,4	-42,3
Wool (23 micron)	cts/Kg	820,1	1.209,2	1.212,6	34,1	47,4	0,3
Rubber	cts/lb	165,7	218,5	153,2	90,1	31,9	-29,9
Leather	cts/lb	72,0	82,0	83,2	60,5	13,9	1,5
Aluminum	\$/MT	2.173,0	2.400,6	2.022,8	30,2	10,5	-15,7
Copper	\$/MT	7.538,4	8.823,5	7.958,9	45,9	17,0	-9,8
Nickel	\$/MT	21.810,0	22.909,1	17.541,7	48,6	5,0	-23,4
Zinc	\$/MT	2.160,4	2.195,5	1.950,0	30,3	1,6	-11,2
Natural gas (Russia)(3)	\$/000 m ³	296,0	381,5	431,3	-7,1	28,9	13,1
Oil (spot)	\$/bbl	79,0	104,0	105,0	27,8	31,6	1,0

Source: IMF Primary Commodity Prices Database.

(1): Products which have a certain weight in the global commodity market have been selected.

(2): lb=0.4536 Kg, bbl (barrel)=159 lt, cts: cents, MT: Metric Ton, m³: cubic meter, Kg: Kilogram.

(3): Russian natural gas in Germany.

KWith the effect of the global crisis the commodity price index saw a sharp decline in 2009, partially recovering in 2010, and continued with mild increases in 2011. In 2012, there was a downward trend in most of the index components. The total commodity price index in 2012 declined by 3.1% compared to the previous year, and the non-petroleum commodity price index decreased 9.8%, food and beverages price index by 3.7%, industrial inputs price index by 15.5%, agricultural raw material price index by 12.6%, and metal products price index by 16.85.

Despite this, the energy prices index increased 7.0%, and the petroleum price index increased 1.0%. When the rates of change of the indices are analyzed in terms of the quarters of 2012, all the index components increased in the first quarter, but the increase was replaced by a decrease at varying rates in the second, third and fourth quarters.

Therefore, in the fourth quarter, the industrial inputs price index increased 2.9%, agricultural raw material price index increased 4.0%, and metal products price index increased 4.3%, and all other index components closed the last quarter with a decrease (See Table 15).

Table 15. World Commodity Price Indices

(2005=100) (US \$)

Components	World Commodity Price Indices						
	2012						
	2010	2011	2012 ⁽¹⁾	1. Period	2. Period	3. Period	4. Period ⁽¹⁾
Total commodity price index	152,2	192,2	186,2	195,2	184,2	183,4	182,1
Non-fuel commodity price index	160,9	189,5	170,9	172,7	170,1	170,9	170,0
Food and drinks price index	151,9	181,3	174,6	169,3	170,1	182,6	176,4
Industrial inputs price index	169,9	197,8	167,2	176,1	170,0	159,0	163,6
Agricultural raw material price index	125,1	153,5	134,1	135,6	136,6	131,9	132,4
Metal products price index	202,3	229,7	191,0	205,4	194,2	178,5	186,1
Energy price index	147,1	193,8	195,2	208,4	192,4	190,8	189,1
Oil price index	148,5	195,9	197,9	211,9	193,9	193,7	192,3
Rates of Change Compared to the Period of the Previous Year							
Total commodity price index				5,9	-5,6	-0,4	-0,7
Non-fuel commodity price index				2,9	-1,5	0,5	-0,5
Food and drinks price index				2,1	0,5	7,3	-3,4
Industrial inputs price index				3,6	-3,5	-6,5	2,9
Agricultural raw material price index				0,5	0,7	-3,4	0,4
Metal products price index				5,1	-5,5	-8,1	4,3
Energy price index				7,5	-7,7	-0,8	-0,9
Oil price index				9,0	-8,5	-0,1	-0,7
Rates of Change Compared to Previous Year							
Total commodity price index	26,1	26,3	-3,1				
Non-fuel commodity price index	26,4	17,8	-9,8				
Food and drinks price index	11,8	19,4	-3,7				
Industrial inputs price index	43,1	16,4	-15,5				
Agricultural raw material price index	33,2	22,7	-12,6				
Metal products price index	48,2	13,5	-16,8				
Energy price index	25,9	31,7	0,7				
Oil price index	27,8	31,9	1,0				

Source: IMF Primary Commodity Prices Database.

(1): It is a projection value.

33. PROJECTIONS OF INTERNATIONAL INSTITUTIONS

International institutions that estimate certain variables for the purpose of evaluating the situation of global economy in the upcoming years and to shape the economic policies to be applied in the future act as a guiding light for the decision makers of many countries with the estimations they make. The adversities suffered particularly by the Eurozone in 2011 and 2012 arouse curiosity about the direction, dimension, and reflections of economic developments likely to occur in the future. Particularly, the leading economies of Europe that are in a critical situation due to decreased production and increased unemployment rates have become fragile due to their debt stocks, and have to take important decisions about the policies they will pursue in the period ahead. As a matter of fact, the exit of USA from the fiscal cliff and its ability to overcome potential nuisance likely to be met hereafter reveal the importance of the policies to be followed by decision makers for the future.

Thanks to the creation of the Financial Stability Fund in EU and monetization by the European Central Bank and the central banks of some other EU countries somehow relieved the regional economies for a while, but in the long term, serious policies must be applied to find a final solution to the problems.

In this section, estimations of IMF, OECD and WB about GDP growth rates, CPI rates of change, and unemployment rates for 2013, 2014, and 2015 are given.

3.1 Gross Domestic Product Projections

The fact that production remained low in 2012 due to the problems which were carried forward from the previous year and particularly the problems originating from Europe had a negative impact on the regional economies in many aspects. The decreased growth rates led to stagnancy in the world both in terms of foreign trade and the labor force. International organizations had to revise their estimations downwards for the upcoming years due to such negative and unexpected developments. According to the estimates of OECD, among the selected countries China will demonstrate the highest growth in GDP in 2013 with 8.5, and it will be followed by Indonesia with 6.3%, and India with 5.9%. Germany is expected to be the country with the lowest growth with 6.0%, whereas Slovenia is expected demonstrate a contraction of 2.1%.

When the estimations of OECD regarding the growth rates of selected countries in 2014, it is estimated that China will demonstrate the highest growth in GDP in 2013 with 8.9%, followed by India with 7.0% in the second place, and Indonesia with 6.5% in the third place.

According to the revised estimates of IMF for the year 2013, China will demonstrate the highest growth in GDP with 8.2%, and it will be followed by Panama with 7.5%, and Cambodia and Sri Lanka with 6.7%. According to IMF, in 2014, China will show the highest growth rate in GDP with 8.5%, followed by Cambodia with 7.2%, and Panama with 6.8%. According to IMF's GDP growth rate estimations for 2015, China is expected, as was the case in the previous year, to be placed in the first place with 8.5%, followed by Cambodia with 7.4% in the second place, and Vietnam with 6.8% in the third place.

According to the estimates of WB for the year 2013, China will demonstrate the highest growth in GDP with 8.4%, and it will be followed by Panama with 7.5%, and Sri Lanka with 6.8%. According to the year 2013 estimates, among the selected countries, Japan is estimated to demonstrate the lowest growth rate, and this estimation regarding Japan does not change in 2014 and 2015.

According to WB's GDP growth rate estimation for 2014, China is expected to take the lead with 8.0% and will not change its position in 2015, suffering, however, a decline of 0.1% in growth rate compared to 2014, and fall to 7.9%. While Sri Lanka takes the second place with 7.1% which represents a 0.3 points increase from the previous year estimate, the growth rate in 2015 will be 7.2%, up 0.1 points compared to 2014, and it will preserve its second place among the selected countries.

When the growth rate estimations of OECD for GDP are analyzed, our country will show a growth of 4.1% in 2013. Our country which is ranked in the fourth place in terms of expected growth among selected countries in 2013 is estimated to demonstrate a growth rate of 5.2% in 2014 according to the estimations of OECD, and to preserve its fourth place in terms of GDP growth rate.

According to IMF's growth rate estimations, our country is estimated to have a growth rate of 3.5% in 2013, which is equivalent to that of Jordan and Mexico among the selected countries. The growth rate in 2014 is expected to be 4.0% up 0.5 points compared to the previous year, and 4.3% in 2015, up 0.3 points.

According to the WB's estimates, the growth rate of our country will be 4.0% in 2013, and become 4.5% and 5.0% in 2014 and 2015, respectively, with an increase of 0.5 points in each year.

Significant differences are prominent between the estimates of OECD, IMF and WB as regards the GDP growth rate of our country (See Table 16).

3.2 Consumer Price Index Projections

When OECD's estimations for the year-end CPI rates of change are analyzed, only Japan among 12 countries appears to demonstrate a downward change in CPI at the rate of 5.0%. Among the 12 countries, Turkey is expected to be the country to demonstrate the highest annual rate of change in PPI both in 2013 and 2014. According to the estimates of OECD for our country, CPI rate of change is expected to be 6.9% in 2013, and 6.1% in 2014. According to 2013 estimates, Turkey is followed by Mexico with a rate of change of 3.6% in the second place, and by Republic of Korea with 2.7% in the third place. In 2014, CPI is expected to demonstrate a change of 3.3% in Mexico, and 3.0% in the Republic of Korea. According to these results, the three countries which have the highest rate of change in CPI in 2013 and 2014 remain the same.

When the estimates of IMF regarding CPI rates of change are examined, Pakistan takes the first place with 11.8% among 30 countries in 2013, followed by India in the second place with 9.3%, and Sri Lanka in the third place with 7.2%. It is expected that the lowest CPI rate of change will be seen in Japan with 3.0%. When IMF's estimations of CPI for 2014 are compared to the estimates for 2013, 7 of the 30 countries will see a rise, 17 countries will see a decrease, and 6 countries will see no change. Pakistan is expected to take the first place in CPI rate of change with 12.0% in 2014 and 2015.

From IMF's estimates, it is striking that the upward variation in Japan which is 3.0% in 2013 rises to 2.6% increasing by 8.7 folds in 2014, and the rates of change remain unchanged in Republic of Korea, Sweden, Canada, Israel, Lebanon, and Philippines.

It is striking that the CPI rate of change for our country which is estimated by OECD as 6.9% in 2013 is estimated by IMF as 5.7% 1.2 points lower for the same year. CPI rate of change which is estimated as 6.1% by OECD in 2014 is estimated to be 5.0% by IMF. It is seen that there is a 1.1 point different between the estimates of OECD and IMF regarding the year 2014.

Table 16. Predictions of International Institutions Regarding Gross Domestic Product Growth Rates, Consumer Price Index Rates of Change and Unemployment Rates for Selected Countries

Bölge	Ülke	GSYH Büyüme Hızı ⁽¹⁾						TÜFE Değişim Oranı ⁽²⁾						İşsizlik Oranları ⁽³⁾					
		Ekonomik İşbirliği ve Kalkınma Teşkilatı (OECD)			Dünya Bankası (WB)			Ekonomik İşbirliği ve Kalkınma Teşkilatı (OECD)			Uluslararası Para Fonu (IMF)			Ekonomik İşbirliği ve Kalkınma Teşkilatı (OECD)			Uluslararası Para Fonu (IMF)		
		2013 ⁽²⁾	2014 ⁽²⁾	2015	2013 ⁽²⁾	2014 ⁽²⁾	2015	2013 ⁽²⁾	2014 ⁽²⁾	2015	2013 ⁽²⁾	2014 ⁽²⁾	2015	2013 ⁽²⁾	2014 ⁽²⁾	2015	2013 ⁽²⁾	2014 ⁽²⁾	2015
Doğu Asya ve Pasifik	Japonya	0,7	0,8	...	1,2	1,1	1,2	1,5	...	...	0,3	2,6	2,0	4,4	4,3	...	4,4	4,5	4,4
	Singapur	...	...	...	2,9	3,6	3,7	...	...	...	4,9	3,5	2,7	...	...	...	2,1	2,1	2,1
	Kore Cumhuriyeti	3,1	4,4	...	3,6	4,0	4,0	...	...	...	3,0	3,0	3,0	3,6	3,4	...	3,3	3,3	3,3
Batı Avrupa	Almanya	0,6	1,9	...	0,9	1,4	1,4	...	...	...	1,9	2,1	2,1	5,5	5,7	...	5,3	5,2	5,2
	İsviçre	1,1	2,3	...	1,4	1,8	1,9	...	...	...	0,5	1,0	1,0	4,1	4,0	...	3,6	3,3	3,2
	İsveç	1,9	3,0	...	2,2	2,5	2,6	...	...	...	2,0	2,0	2,0	7,9	7,6	...	7,7	7,0	6,5
Doğu Avrupa ve Orta Asya	Çek Cumhuriyeti	0,8	2,4	...	0,8	2,8	3,4	...	...	...	2,2	2,0	2,0	7,2	7,1	...	8,0	7,9	7,2
	Slovenya	-2,1	1,1	...	-0,4	1,7	2,1	...	...	...	1,4	2,0	2,1	9,7	9,8	...	9,0	8,7	8,3
	Türkiye	4,1	5,2	...	3,5	4,0	4,3	...	...	...	5,7	5,0	5,0	9,3	8,7	...	9,9	10,2	10,2
Kuzey Amerika	ABD	2,0	2,8	...	2,1	2,9	3,4	...	...	...	1,8	2,0	1,9	7,8	7,5	...	8,1	7,7	7,1
	Kanada	1,8	2,4	...	2,0	2,4	2,4	...	...	...	2,0	2,0	2,0	7,2	6,9	...	7,3	7,1	6,9
Orta Doğu ve Kuzey Afrika	İsrail	2,9	3,9	...	3,2	3,6	3,7	...	...	...	2,0	2,0	2,0	7,4	6,9	...	7,0	6,5	6,5
	Lübnan	...	...	...	2,5	4,0	4,0	...	...	...	2,0	2,0	2,0	...	...	...	...	...	...
	Ürdün	...	...	...	3,5	4,0	4,5	...	...	...	4,2	3,1	2,9	...	...	...	12,9	12,9	12,9
Latin Amerika ve Karayipler	Meksika	3,3	3,6	...	3,5	3,5	3,3	...	...	...	3,3	3,0	3,0	5,0	4,9	...	4,8	4,5	4,5
	Panama	...	...	...	7,5	6,8	6,3	...	...	...	5,5	4,5	4,0	...	...	...	4,2	4,2	4,2
	Kosta Rika	...	...	...	4,3	4,4	4,5	...	...	...	5,0	4,5	4,5	...	...	...	6,5	6,0	5,5
Sahra-Altı Afrika	Güney Afrika Cumhuriyeti	3,3	4,0	...	3,0	3,9	4,1	...	...	...	5,3	4,9	4,8	...	...	...	24,7	24,5	24,1
	Namibya	...	...	...	4,1	4,2	4,2	...	...	...	5,7	5,2	4,5	...	...	...	...	...	...
	Kenya	...	...	...	5,6	6,4	6,2	...	...	...	7,0	5,0	5,0	...	...	...	...	...	...
Çin	Çin	8,5	8,9	...	8,2	8,5	8,5	...	...	...	3,1	3,0	3,0	...	...	...	4,1	4,1	4,1
	Endonezya	6,3	6,5	...	6,3	6,5	6,6	...	...	...	5,1	4,8	4,5	...	...	...	6,1	6,0	5,5
	Malezya	...	...	...	4,7	5,0	5,0	...	...	...	2,4	2,5	2,5	...	...	...	3,0	3,0	3,0
Son Dönemde Büyüme	Filipinler	...	...	...	4,8	5,0	5,0	...	...	...	4,0	4,0	4,0	...	...	...	7,0	7,0	7,0
	Tayland	...	...	...	6,0	4,5	4,5	...	...	...	1,9	3,3	1,4	...	...	...	0,7	0,7	0,7
	Kaydeden Seçilmiş Ülkeler	...	...	...	6,7	7,2	7,4	...	...	...	4,6	4,0	3,0	...	...	...	...	...	...
Hindistan	Vietnam	...	...	...	5,9	6,4	6,8	...	...	...	5,6	5,3	5,0	...	...	...	4,5	4,5	4,5
	Hindistan	5,9	7,0	...	6,0	6,4	6,7	...	...	...	9,3	6,6	5,7	...	...	...	...	...	...
	Sri Lanka	...	...	...	6,7	6,5	6,5	...	...	...	7,2	6,0	6,0	...	...	...	4,9	4,9	4,9
Pakistan	Pakistan	...	...	...	3,3	3,5	3,5	...	...	...	11,8	12,0	12,0	...	...	...	9,2	10,7	12,0

(1): As the data throughout the report belong to the last three years, estimations belong to the future three years.

(2): They show the rates of change regarding the year-end values of the consumer price index.

(3): As the figures are updated by the relevant institutions, they may differ from the figures of the previous report data.

Note: The same countries have been selected to represent the regions in order to enable a comparison with the previous report.

...: No information

3.3 Unemployment Rate Projections

According to unemployment rate estimates made by OECD regarding 12 of the 30 countries, Slovenia will have the highest unemployment rate with 9.7% in 2013, followed by our country with 9.3%. The unemployment rate foreseen for USA is 7.8% in 2013, and USA takes the fourth rank after Sweden where unemployment rate is estimated to be 7.9%. In 2013, unemployment rates in Czech Republic and Canada will be 7.2%. It is expected that the lowest unemployment rate will be seen in Republic of Korea with 3.6% in 2013.

The countries which are estimated to occupy the first three places in employment rate in 2014 are Slovenia with 9.8%, Turkey with 8.7%, and Sweden with 7.6%, and the differences compared to the previous year estimates are 0.1 points up, 0.6 points down, and 0.3 points down, respectively.

According to IMF's 2013 estimates, the highest unemployment rate among the selected countries will be seen in the Republic of South Africa with 24.7%, and this country will take the leading position with 24.5% and 24.1% in 2014 and 2015, respectively. It is estimated that Republic of South Africa will be followed by Jordan in the second place with an unemployment rate of 12.9% which remains unchanged in each of the three years. In 2014, unemployment rates tend to increase in 3 countries, decrease in 12 countries and remain constant in 10 countries compared to the estimates for the previous year. In 2015, unemployment rates in 25 countries are expected to increase in 1 country, decrease in 10 countries and remain constant in 14 countries compared to the previous year. According to IMF's estimates there are 10 countries where unemployment rates remained unchanged between 2013 and 2015, and these countries are Singapore, Republic of Korea, Jordan, Panama, China, Malaysia, Philippines, Thailand, Vietnam and Sri Lanka.

While 2013 unemployment estimate of OECD for our country is 9.3%, the estimate falls to 8.7% down 0.6 points in 2014. IMF anticipates that the unemployment rates in our country will be 9.9% in 2013, remain unchanged 10.2% in 2014 and 2015.

While there is a difference of 0.6 points between the estimates of OECD and IMF regarding the unemployment rates in our country in 2013, this difference rises to 1.5 points in 2014. OECD estimates that unemployment rate in our country in 2014 will decrease compared to the previous year whereas IMF estimates that it will take an increasing trend.

PART II.

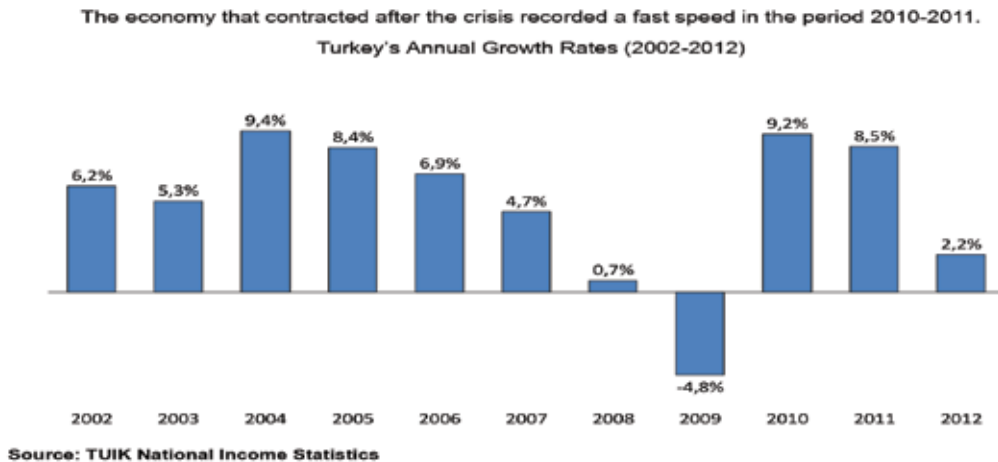
TURKISH ECONOMY

GENERAL EVALUATION

Although the Turkish economy was one of the economies that shrank most rapidly during the crisis, it has been one of the countries that recovered the most rapidly after the crisis. While the stability measures that were taken in the Eurozone in the first half of 2011 in order to exit the crisis fed the global risk appetite, it speeded up the flow of global capital to developing countries particularly starting from June. From the second quarter of the year, the Central Bank of the Republic of Turkey increased the liquidity supplied to the market, lowered credit costs, and caused interest rates to decrease.

Financial and monetary policies applied since the crisis to date increased the share of long term resources within the capital flows, and the economy has been relatively cooled down. On 5 November 2012, Turkey's credit rating was raised to the investment grade for the first time since 1994.

The economy that contracted after the crisis recorded a fast speed in the period 2010-2011.



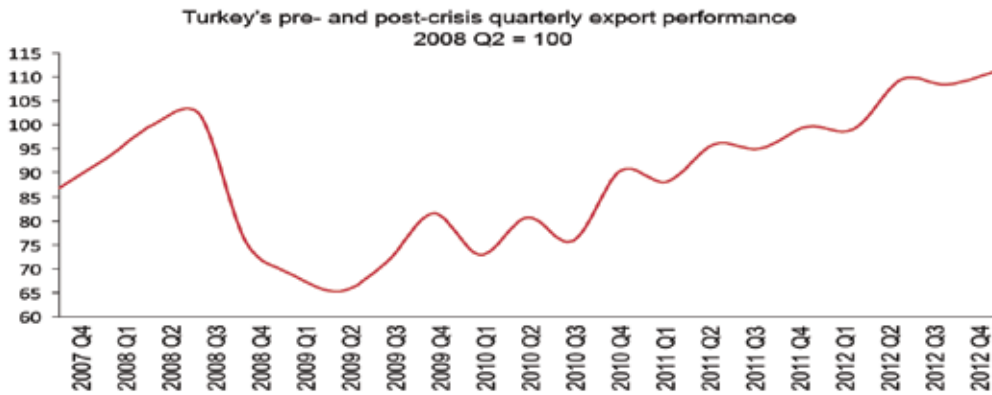
Domestic Product (GDP) reached US\$ 786 billion with a 1.6% increase in 2012. Turkish economy which is 17th economy of the world in 2011 according to the estimates of IMF became the 16th biggest economy of the world in 2012 owing to the rise in GDP. Production industry, storage and

communication, and commercial services account for 17.4%, 15.7% and 13.7% of the GDP, respectively. In 2012 GDP per capita climbed to US\$ 10,504 up 0.4 points. The moderate progress of commodity prices other than agricultural products in 2012, continued stability of foreign exchange rates and the slowdown in economy had a positive effect on inflation while public adjustments on energy prices had a negative impact on inflation, and inflation dropped to 6.16%, the lowest value in the last 44 years.

While production increased rapidly after the crisis, the same rate of increase could not be captured in export. Turkey could be able to reach the pre-crisis export level only in the second quarter of 2012, and at the end of year 2012, it increased its total exports by 15.5% compared to the pre-crisis period.

Turkey could reach the export level of the pre-crisis period just in the first quarter of 2012.

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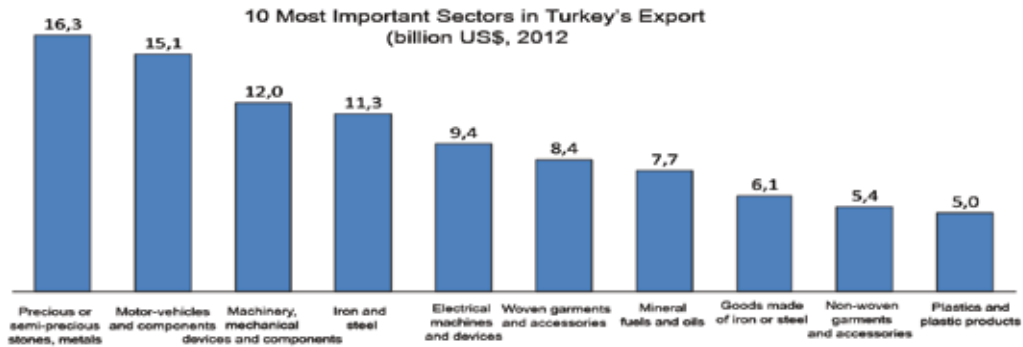


Source: TURKSTAT and TEPAV calculations

In 2012, Turkey's total exports climbed to US\$ 152.6 billion with a 13.1% increase compared to the previous year, while its import declined to US\$ 236.5 billion with a 1.8% decrease. The slowdown in the world economy seen in 2012 affected European Union which is an important market for Turkey, and the shrinkage in the said market posed a serious problem for the Turkish exporters. While the total exports to 27 EU countries were US\$ 62.3 billion in 2011, this amount declined to US\$ 59.2 billion with a 5% decrease in 2012. The share of EU countries in Turkey's exports declined from 46.2% in 2011 to 38.8% in 2012. The reduced share of EU was partially set off with the increased share of the South African and Middle East markets. Turkish exporters that realized an export of US\$ 6.7 billion to North African countries in 2011 increased this figure to US\$ 9.4 billion in 2012. In the same period, the export to the Near and Middle east saw an increase by 52.1%, climbing from US\$ 27.9 billion to US\$ 42.5 billion.

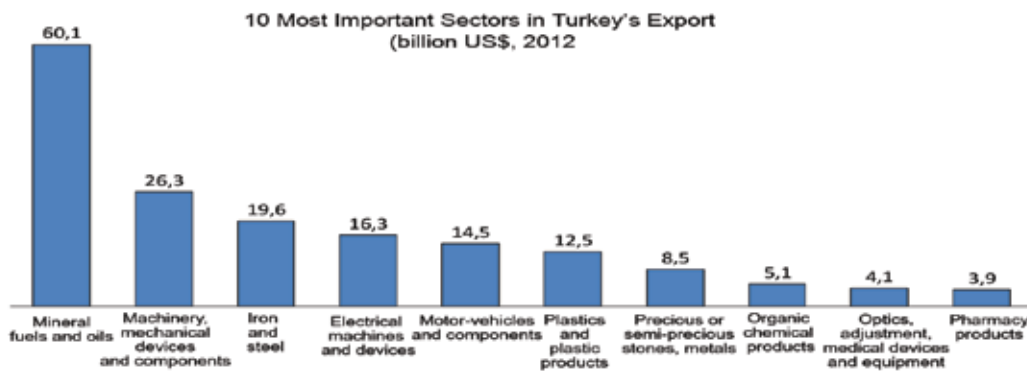
The most important items in Turkey's export in 2012 are precious and semi-precious stones, metals and pearls, motor-vehicles and their accessories, machines, mechanical devices and components thereof. The sectors where import volume is highest are mineral fuels and oils, machinery, mechanical devices and their components, and also iron and steel.

The sectors where export has been highest are precious and semi-precious stones, motor-vehicles and the machinery sectors.

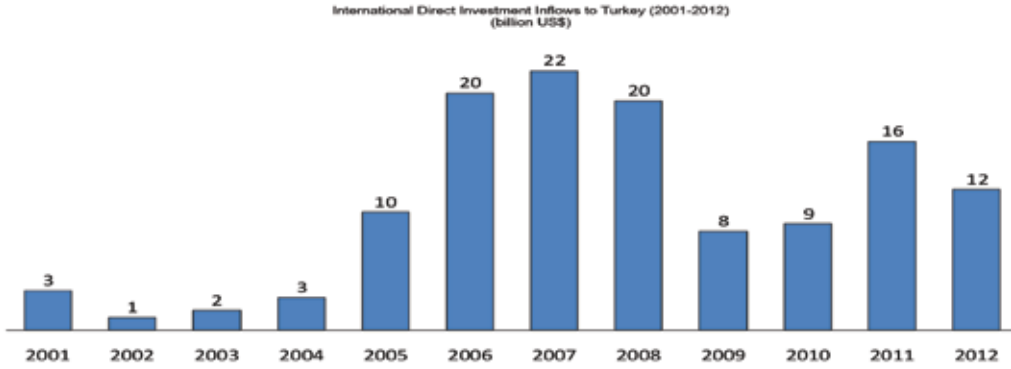


Source: TURKSTAT Foreign Trade Statistics, 2012

The sectors where import is highest are mineral fuel, machinery and iron-steel industries.



The Turkish economy could not reach the pre-crisis performance in direct foreign investment inflows after the crisis. Direct foreign investment inflows are not only important for triggering economic revival and potential increased quality, but also increasing the rate of long-term resources in the financing of the current account deficit. The worries underlying the finance of the current account deficit in Turkey in the aftermath of the crisis are the reduction of its share in the finance of the long term resources, and the outflow of capital from Turkey. With the impact of the financial distress suffered in developed countries, there has been a 22.8% decrease in direct foreign capital inflow. The direct foreign investments which decreased during the crisis recovered after the crisis, but could not reach the pre-crisis values.



Source: Ministry of Economy of Republic of Turkey International Direct Investment Bulletin

In 2012, international direct investment in Turkey was US\$ 12.4 billion. This amount is 22.8% lower than the international direct investment in 2011. While US\$ 9.8 billion of this amount is international direct capital, US\$ 2.6 billion has been derived from real estate investments.

The sector where net capital inflow was highest was the production industry with US\$ 4.3 billion, and almost half of the capital inflow in the production industry sector was seen in foodstuff and tobacco imports. The second sector where net capital inflow has been highest were financial intermediary institution, the third sector with the highest net capital inflow was the construction sector. In 2012, 71.3% of the net capital inflow to Turkey was derived from EU countries. Among the EU countries, UK, Austria and Holland were the countries that sent the highest capital to Turkey.

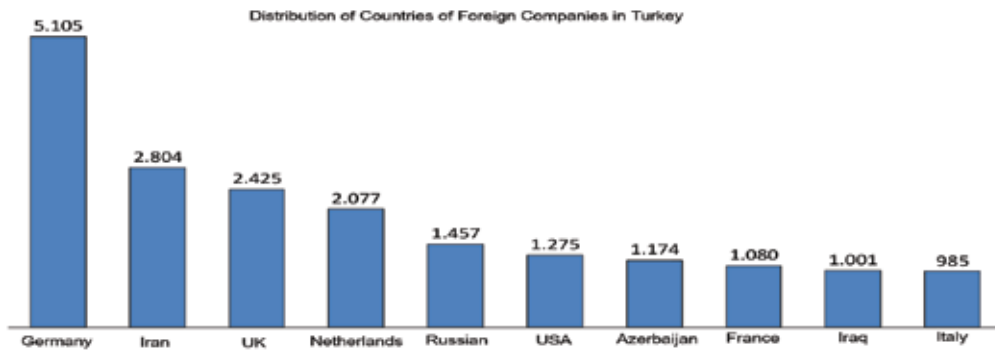
In 2012, there were 2,828 newly established companies, 153 companies with a foreign subsidiary, and 50 companies with international capital which opened branches in Turkey. A decline of 30.2% per annum was seen in the number of companies with international capital compared to 2011. This decline was reflected to all sub-sectors, and the number of companies with foreign capital operating in all sectors decreased.

The types of establishment which demonstrated the highest decline in 2011 in terms of the number of companies are subsidiaries. While there were 625 foreign capital subsidiaries in Turkey in 2011, this number was reduced to 153 in 2012. Mining and quarrying sector was the sector where the number of companies diminished most compared to the previous year.

When the distribution of countries of more than 32 thousand foreign capital companies established in Turkey between the years 1954 and 2012 is analyzed, Germany takes the lead with 5,158 companies. Germany is followed by Iran with 2,872 companies, UK with 2,446 companies, and Holland with 2,105 companies.

60 percent of the foreign capital companies in Turkey have been established with the capital of the first ten countries that invested most in Turkey.

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Source: List of Foreign Capital Companies Operating in Turkey as of 31.12.2012 according to TR Ministry of Economy

In 2012, 4,129 and 236 incentive certificates were issued in Turkey to domestic companies and foreign companies, respectively. The amount of investment planned by the domestic capital was recorded as ₺ 51 billion and by foreign capital as ₺ 6.8 billion. With these investments, 149 thousand people will have jobs. 15 thousand of these jobs will be provided by investments made by foreign capital, and 134 thousand will be provided by investments made by domestic capital.

Production sector is the industry where highest employment will be created and the highest fixed capital investment will be made in the scope of investment incentives given in 2012. With 2,597 incentive certificates given Turkey-wide in the production area, jobs will be created for 77 thousand people, and ₺ 27 billion fixed capital investment will be made. With a total of 1,157 incentive certificates given in the services sector, jobs will be created for 58 thousand people, and ₺ 15.2 billion fixed capital investment will be made. The third sector where fixed investment amount is highest is the energy sector with an investment amounting to ₺ 12.7 billion, and is followed by the mining sector in the third place where 8 thousand new jobs are planned to be created.

According to TOBB data, the number of companies established decreased 27.2% in 2012 compared to the previous year, the number of companies liquidated decreased 12.6%, and the number of companies closed down increased 8.4%. Despite this, the number of real person commercial enterprises established in 2012 increased 11.6% compared to the previous year, and the number of real person commercial enterprises closed down decreased 22.4%.

In 2012, 38,886 new companies, 877 cooperative societies and 67,455 real person commercial enterprises were established Turkey-wide. However, 16,564 companies, and 1,904 cooperative societies were liquidated, 14,203 companies, 1,899 cooperative societies and 31,919 real person commercial enterprises were closed down.

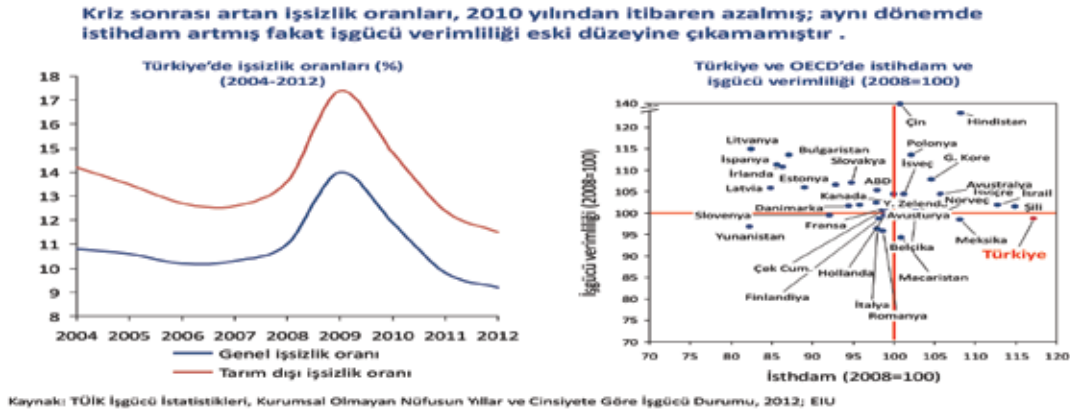
27.4% of the companies and 35.5% of the real person commercial enterprises established in 2012 were incorporated in the commercial services sector. 16.5% of the companies established and 20.7% of the real person commercial enterprises were incorporated in the construction industry, whereas 15.6% of the companies and 11.6% of the real person enterprises were incorporated in the production sector.

In 2013, 3,703 foreign capital companies were established in total. 496 of these companies started activities as joint stock companies and 3,207 of them were founded as limited liability companies. While the total capital of the joint stock companies which have foreign shareholders was ₺ 1.6 billion, the ratio of foreign capital in these companies was reported to be 66% on average. While the total capital of the limited liability companies which have foreign shareholders was ₺ 670 million, the ratio of foreign capital in these companies was reported to be 77% on average.

A fluctuation similar to that in the other sectors of the economy was observed in the labor force markets after the crisis, and a recovery was seen in the labor force markets in 2012. In 2012 when 50.0% of the population aged 15 and above joined the labor force, total labor force in Turkey reached 27.3 million with an increase of 613 thousand people.

Jobs were provided to 711 new employees further to the previous year, and the employed population reached 24.8 million. The employment rate in 2012 was recorded as 45.4%. Annual unemployment rate dropped from 9.8% in 2011 to 9.2% down 0.6 points, while the number of unemployed was found to be 2.5 million. Although increases in employment were achieved in Turkey, the gains in labor force efficiency are not at a sufficient level.

Unemployment rates which increased after the crisis decreased after 2010; in the same period employment raised, but labor force efficiency could not reach the old level.



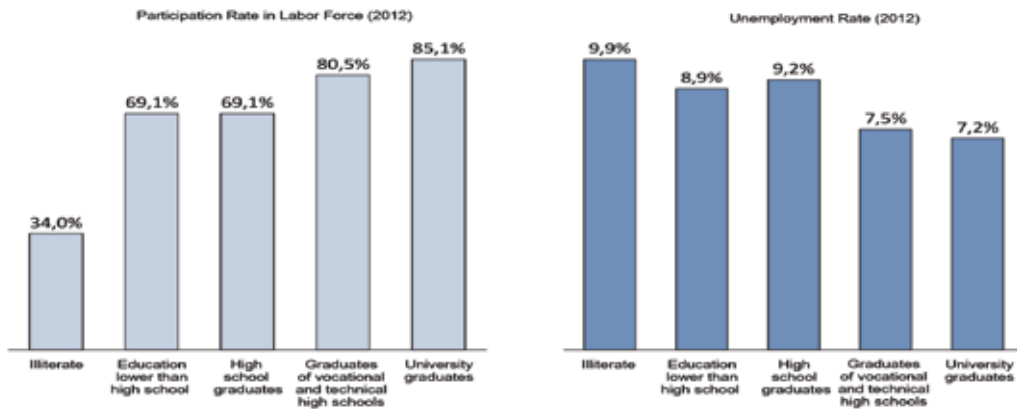
One of the most important problems of the labor force markets in Turkey is the gender inequality in participation in the labor force and sectoral distribution of the labor force. Women's rate of participation in the labor force was 42% of that of men in 2012. While women's participation rate in the labor force is far from that of men, the low employment rate of women is another problem. The underlying causes are the unrecorded employment of women in agriculture or households. However, with the development of economy and the increased importance of the services sector, it is anticipated that women's participation rate in the labor force and the employment rates will increase.

24.6% of the employment in Turkey is still provided by the agricultural sector. Sectors which account for the highest employment after agriculture are production industry with 17.8%, commercial services sector with 14.1% and construction industry with 6.9%. However, the sectoral distribution of employment varies between men and women.

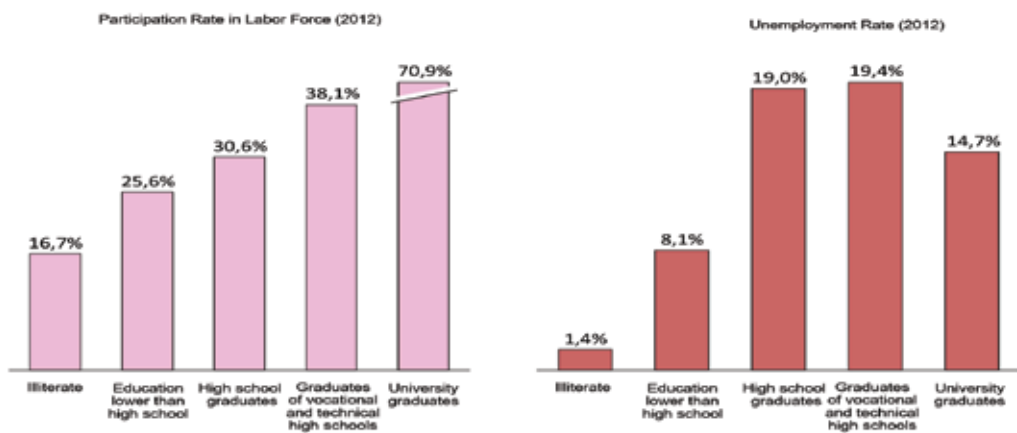
Production industry enjoys the highest share with 19.5% in the employment of men, followed by agriculture with 18.4%, and commercial services sector with 15.7%. While agriculture takes the first place in the employment of women with 39.3%, it is followed by the production industry with 13.8%, and commercial services sector with 10.3%.

As education level increases, participation rate in the labor force increases. It is seen that the highest participation rate in the labor force in 2012 belongs to university graduates with 79.1%. University graduates are respectively followed by graduates of vocational and technical high schools with 64.6%, high school graduates with 51.9%, labor force with degrees lower than high school with 47.6%, and illiterate labor force with 19.7%.

While men's participation rate in the labor force increases with education level, there is a reverse correlation between unemployment rate and education level.



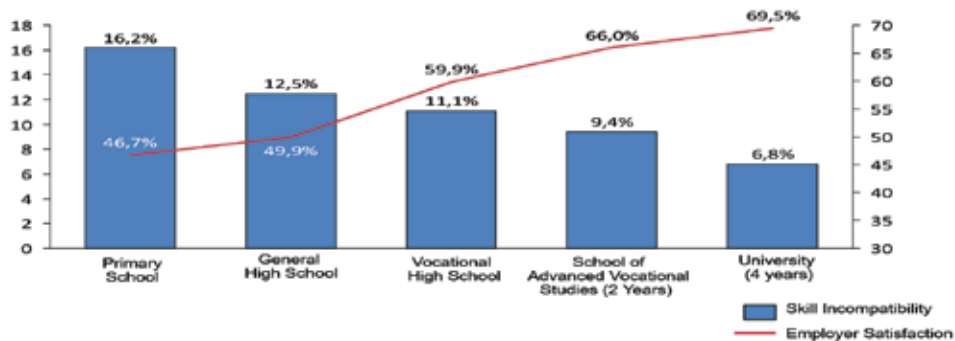
Source: TURKSTAT Labor Force Statistics, Labor Force Status According to Educational Level, 2012



Source: TURKSTAT Labor Force Statistics, Labor Force Status According to Educational Level, 2012

The low educational level of the labor force in Turkey and the increased expectations of employers from the employees to preserve competitive power under changing global circumstances have caused skill incompatibility a major problem in the labor force market. According to several researches conducted, skill incompatibility decreases and the employer's satisfaction of his employees increases as educational level increases.

As educational level increases, skill incompatibility decreases, and employer satisfaction rises.



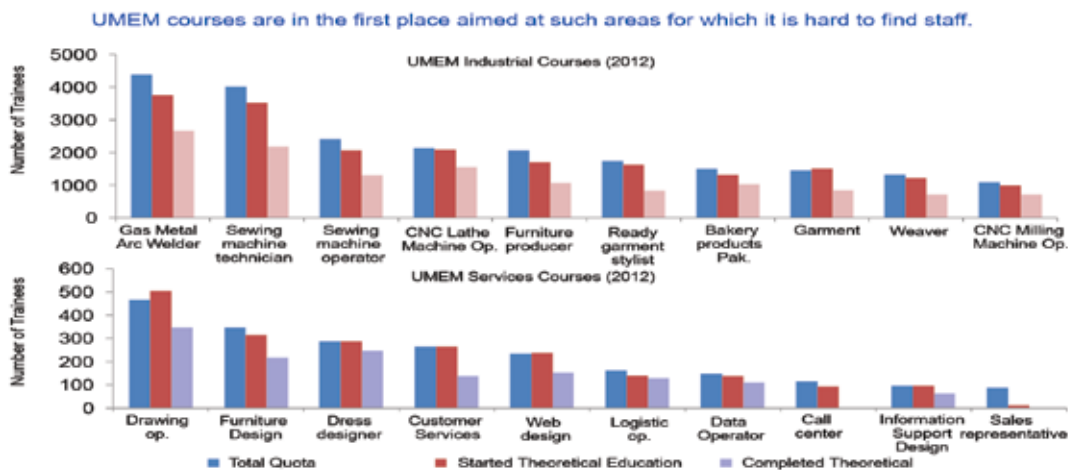
Source: UMEM Need Questionnaires

Started after the protocol signed between the Ministry of Industry and Social Security (ÇSGB), Ministry of National Education (MEB), İŞKUR, TOBB and TOBB Economy and Technology University (TOBB-ETU) in June 2010, the Specialized Profession Acquisition Centers Project (UMEM Beceri'10 Project) is a first-time initiative for Turkey in several aspects. With the projects, employers have been involved much more in the professional training processes. It increased on a local level the impact of chambers and commodity exchanges on the labor force markets, and contributed to the development of a culture of doing business jointly in Turkey.

At the beginning of the project, 19 pilot cities were identified, surveys were carried out with more than 5000 companies operating in the production sector in these cities. In the beginning of May 2012, UMEM project has been expanded to cover the services and agricultural sectors, and accordingly more surveys were carried out with 3500 companies in 5 pilot cities. In accordance with the results of the needs analyses, the first courses were opened in the cities.

In order to continue the needs analysis and monitor the system actually, a website was prepared to serve at the address www.beceri.org.tr, and the companies were allowed to specify their staff needs over this site. To date, a total of 7,080 companies reported demands for about 90 thousand employees. In order to meet the demands of the companies, courses were opened in 80 cities and trainees were trained.

In the scope of the UMEM Project which differentiated with the courses opened in line with the requirements of the industrialists, several courses were organized and many trainees graduated. While the courses with the highest attendance space in the area of industry were gas metal arc welding, sewing machine and sewing machine operator courses, the first there courses with the highest attendance space in the area of services were drawing operator, furniture designer and clothing designer courses. While the occupancy rate for the quotas of these courses was above 80%, the ratio of people who completed the theoretical training successfully exceeds 80% in some courses. Professional courses in the design of which the industrialists are involved and which are intended to fill the gaps in the market are also preferred by the unemployed.



Source: UMEM Statistics, 2012

1. DEVELOPMENTS IN TURKISH ECONOMY

1.1 Gross Domestic Product

Turkish economy was affected from the developments in the world economy both during and after the global crisis like the other country economies. However, Turkey exited the crisis much rapidly and with a higher growth rate compared to the other advanced and emerging economies. The most important reason of this fact is that the basic balances of the Turkish economy are generally sounder and stronger.

In line with the slowing effect in the global economy in 2012, Turkey's economic growth started to decline. The negative developments in the global economy, the deepening crisis in the European Union, the increasing geopolitical tensions in our region, and the high oil prices reflected on our country and deteriorated the expectations. The domestic demand significantly contracted, private sector consumption and notably investment expenditures dropped sharply.

While there occurred an increase of 3.3% in GDP in the first quarter of 2012 in terms of fixed prices, a contraction of 2.9%, 1.6% and 1.4% was seen in the second, third and fourth quarters, respectively. GDP growth rates showed a regular decline tendency in terms of fixed prices from the first quarter of 2012 until the last quarter. This development which occurred in the quarter naturally reflected to the entire year.

The high growth rates achieved in economy in 2010 and 2011 halted sharply in 2012, and only a growth of 2.2% compared to the previous year could be achieved. Therefore, it remained behind the expected growth which was initially estimated as 4.0% according to the soft landing scenario, but was revised to a lower level as 3.2. The 2.2% limited growth which was assessed as a soft landing by the economy administration in general but as a sharp fall by the markets was driven by the increase in the foreign demand, and thus, the favorable development which was seen in exports.

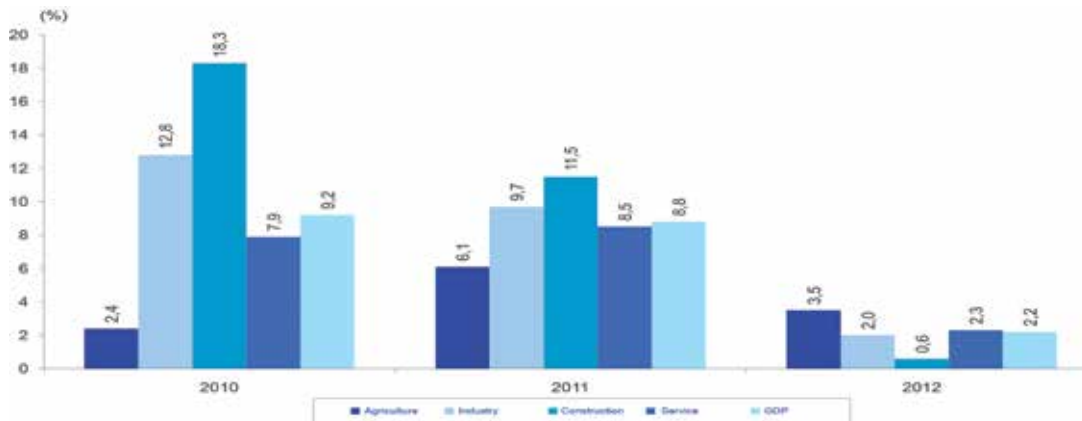
In terms of the main sectors, when GDP is analyzed with current prices, it is estimated that all sectors will experience growth. The sector where the highest growth was seen was the agricultural sector with 3.5%. Among the main sectors, the construction sector was the sector which enjoyed the highest growth rate. The construction sector which recorded the highest growth with 11.5% with the effect of revival in domestic demand in 2011 could only grow by 6.0% with a sharp shrinkage driven by the stagnancy in economy in 2012. The growth rates were realized as 2.0% in the industrial sector, and as 2.6% in the service sector (See Table 17, Graph 9).

Table 17. Gross Domestic Product with Fixed Prices

(According to Lines of Economic Activity and 1998 Basic Prices)

Lines of economic activity	Value (000 ₺)			Ratio within the Total			Rate of Change		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Agriculture, hunting and forestry	9.703.312	10.303.391	10.665.987	9,2	8,9	9,1	2,4	6,2	3,5
Fishery	296.117	301.389	310.824	0,3	0,3	0,3	1,7	1,8	3,1
Mining and quarrying	795.179	826.026	832.457	0,8	0,7	0,7	4,7	3,9	0,8
Production industry	25.606.668	28.156.849	28.679.899	24,2	24,4	24,4	13,6	10,0	1,9
Electricity, gas, vapor, hot water production and distribution	2.184.157	2.376.320	2.459.481	2,1	2,1	2,1	7,3	8,8	3,5
Construction	5.996.258	6.688.257	6.727.587	5,7	5,8	5,7	18,3	11,5	0,6
Wholesale and retail trading	13.480.057	14.988.441	15.001.805	12,7	13,0	12,7	13,6	11,2	0,1
Hotels and restaurants	1.958.749	2.149.068	2.221.365	1,8	1,9	1,9	0,3	9,7	3,4
Transportation, storage and communication	15.414.012	17.039.210	17.579.364	14,6	14,8	14,9	10,6	10,5	3,2
Activities of financial intermediary institutions	12.521.036	13.722.619	14.155.055	11,8	11,9	12,0	6,8	9,6	3,2
House ownership	5.111.048	5.202.722	5.290.573	4,8	4,5	4,5	1,8	1,8	1,7
Real estate, leasing and business activities	3.902.456	4.267.187	4.550.803	3,7	3,7	3,9	7,6	9,3	6,6
Public administration and defense, compulsory social security	3.213.346	3.338.781	3.455.713	3,0	2,9	2,9	0,5	3,9	3,5
Training	2.059.719	2.164.283	2.257.756	1,9	1,9	1,9	0,6	5,1	4,3
Health affairs and social services	1.283.421	1.351.168	1.423.298	1,2	1,2	1,2	1,2	5,3	5,3
Other social, public and individual service activities	1.607.462	1.634.631	1.644.951	1,5	1,4	1,4	1,0	1,7	0,6
Households with domestic staff	167.832	180.966	191.048	0,2	0,2	0,2	5,4	7,8	5,6
Total sectors	105.300.829	114.691.307	117.447.963	99,4	99,6	99,7	9,1	8,9	2,4
Indirectly measured financial intermediary services	8.323.627	9.359.556	9.675.179	7,9	8,1	8,2	12,0	12,4	3,4
Tax – subsidy	8.908.442	9.842.973	9.980.909	8,4	8,5	8,5	13,1	10,5	1,4
Gross Domestic Product (with Buyer prices)	105.885.644	115.174.724	117.753.693	100,0	100,0	100,0	9,2	8,8	2,2

Source: TURKSTAT

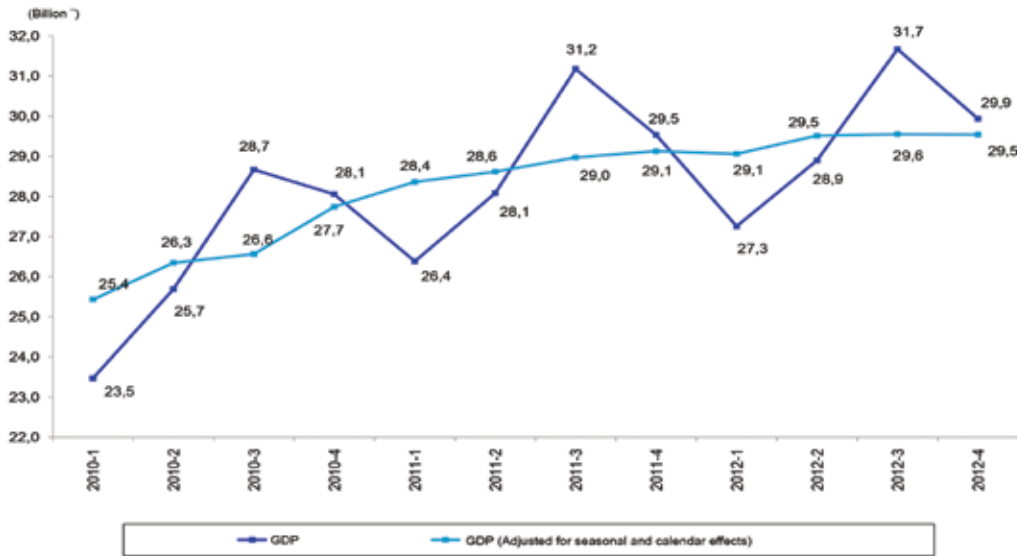


Source: TURKSTAT.

Graph 9. Gross Domestic Product Growth Rates (As per 1998 Basic Prices)

When GDP is examined with fixed prices according to the lines of economic activity, it is seen that the lines of activity achieved high growth rates in 2010 and 2011 driven by the lessened effects of the crisis and earlier-than-expected recovery in the economic activities. In 2012, the growth in economy continued, but lost speed. While the highest growth was seen in the real estate leasing and business activities with 6.6% in 2012, it was followed by households employing domestic staff with 5.6%, health affairs and social services with 5.3%, and training activities with 4.3% (See, Table 19).

GDP with fixed prices excluding seasonal and calendar effect was ₺ 29.1 billion in the first quarter, ₺ 29.5 billion in the second quarter, ₺ 29.6 billion in the third quarter and ₺ 29.5 billion in the fourth quarter of 2012. While unadjusted GDP increased 1.36% in the last quarter of 2012 compared to the same quarter of the previous year, GDP adjusted for seasonal and calendar effect was 1.37% (See, Graph 10)



Source: TURKSTAT.

Graph 10. Gross Domestic Product with Fixed Prices

In 2012, GDP with current prices grew by 9.2% and reached ₺1,416,817 million, of which ₺112,635 million was provided by the agricultural sector, ₺273,789 million was provided by the industrial sector, ₺61,807 million was provided by the construction sector, and ₺815,225 million was provided by the services sector (See Table 18).

The share of the agricultural sector within the GDP with current prices fell to 7.9%, down 0.1 point, the share of the industrial sector fell to 19.3%, down 0.6 points, the share of the construction sector fell to 4.4% down 0.1 point, and the share of the service sector rose to 57.5% up 1.2 points in 2012 compared to the previous year (See Table 19, Graph 11).

Table 18. Gross Domestic Product with Current Prices

(According to Lines of Economic Activity and 1998 Basic Prices)

Lines of Economic Activity	Value (000 ₺)			Ratio within the Total			Rate of Change		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Agriculture, hunting and forestry	90.721.877	101.300.415	109.808.173	8,3	7,8	7,8	17,8	11,7	8,4
Fishery	2.017.144	2.334.837	2.826.839	0,2	0,2	0,2	13,4	15,7	21,1
Mining and quarrying	15.785.419	19.132.941	21.103.549	1,4	1,5	1,5	10,9	21,2	10,3
Production industry	172.112.147	210.674.183	220.338.730	15,7	16,2	15,6	18,7	22,4	4,6
Electricity, gas, vapor, hot water production and distribution	25.454.991	28.767.958	32.347.039	2,3	2,2	2,3	11,6	13,0	12,4
Construction	45.669.500	57.751.314	61.806.870	4,2	4,5	4,4	24,9	26,5	7,0
Wholesale and retail trading	120.869.437	155.908.297	172.624.220	11,0	12,0	12,2	16,8	29,0	10,7
Hotels and restaurants	25.589.583	30.027.794	33.314.240	2,3	2,3	2,4	7,9	17,3	10,9
Transportation, storage and communication	144.427.539	175.665.163	197.988.665	13,1	13,5	14,0	13,5	21,6	12,7
Activities of financial intermediary institutions	40.501.622	40.575.763	46.987.214	3,7	3,1	3,3	-5,1	0,2	15,8
House ownership	123.028.927	129.264.974	137.712.834	11,2	10,0	9,7	4,9	5,1	6,5
Real estate, leasing and business activities	52.742.758	60.939.380	70.472.362	4,8	4,7	5,0	16,8	15,5	15,6
Public administration and defense, compulsory social security	46.090.339	52.248.858	60.359.334	4,2	4,0	4,3	11,7	13,4	15,5
Training	36.802.652	42.717.217	49.197.843	3,3	3,3	3,5	15,7	16,1	15,2
Health affairs and social services	17.939.458	19.384.533	21.783.979	1,6	1,5	1,5	9,1	8,1	12,4
Other social, public and individual service activities	18.696.622	21.379.890	22.074.406	1,7	1,6	1,6	16,3	14,4	3,2
Households with domestic staff	2.097.000	2.379.620	2.709.704	0,2	0,2	0,2	13,5	13,5	13,9
Total sectors	980.547.016	1.150.453.139	1.263.456.003	89,2	88,7	89,2	13,4	17,3	9,8
Indirectly measured financial intermediary services	19.419.336	17.323.639	22.389.995	1,8	1,3	1,6	-10,5	-10,8	29,2
Tax – subsidy	137.671.668	164.583.710	175.750.793	12,5	12,7	12,4	25,4	19,5	6,8
Gross Domestic Product (with Buyer prices)	1.098.799.348	1.297.713.210	1.416.816.801	100,0	100,0	100,0	15,4	18,1	9,2

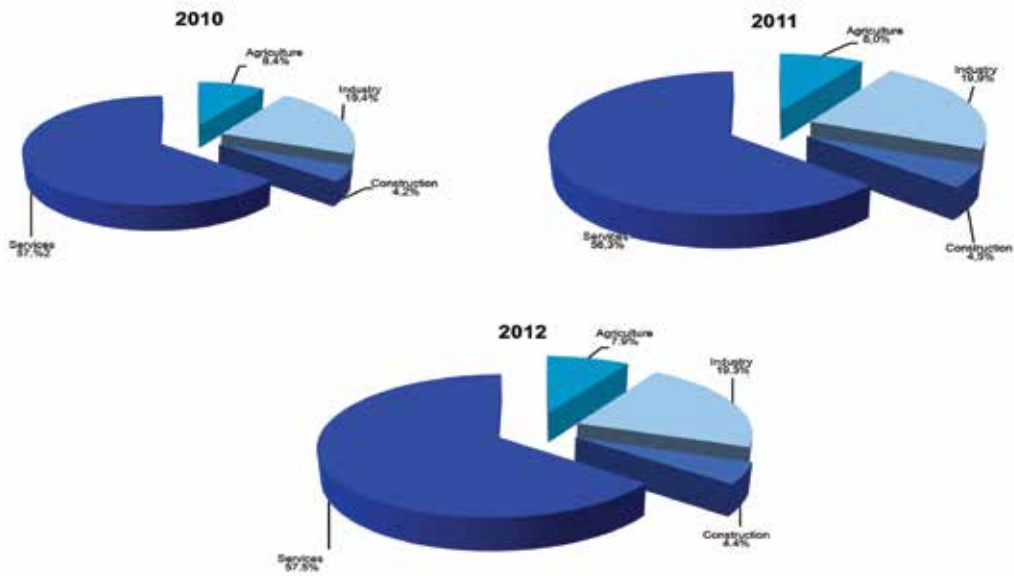
Source: TURKSTAT.

Table 19. Sectoral Shares in Gross Domestic Product

Sektörler	(with Current Prices %)		
	2010	2011	2012
Agriculture	8,4	8,0	7,9
Industry	19,4	19,9	19,3
Construction	4,2	4,5	4,4
Service ⁽¹⁾	57,2	56,3	57,5
GDP	100,0	100,0	100,0

Source: TURKSTAT.

(1): Indirectly measured financial intermediary services, and tax – subsidies are not included in the services.



Source: TURKSTAT.

Graph 11. Sectoral Distribution of Gross Domestic Product (with Current Prices)

The 2.2% growth in GDP in 2012 was contributed by the production industry sector with 0.5 points, agricultural sector with 0.3 points, and the construction sector with 0.03 points. Other important contributions are from transportation, storage and communication with 0.5 points, financial intermediary institutions with 0.4 points, real estate leasing and business activities with 0.3 points, public administration and defense , and compulsory social security activities with 0.1 point (See Table 20).

Table 20. Sectoral Contributions to Gross Domestic Product

(According to Lines of Economic Activity and 1998 Basic Prices, Points)

Lines of Economic Activity	GDP (000 ₺)			Sectoral Contributions (Points)		
	2010	2011	2012	2010	2011	2012
Agriculture, hunting and forestry	9.703.312	10.303.391	10.665.987	0,23	0,57	0,31
Fishery	296.117	301.389	310.824	0,01	0,00	0,01
Mining and quarrying	795.179	826.026	832.457	0,04	0,03	0,01
Production industry	25.606.668	28.156.849	28.679.899	3,16	2,41	0,45
Electricity, gas, vapor, hot water production and distribution	2.184.157	2.376.320	2.459.481	0,15	0,18	0,07
Construction	5.996.258	6.688.257	6.727.587	0,96	0,65	0,03
Wholesale and retail trading	13.480.057	14.988.441	15.001.805	1,67	1,42	0,01
Hotels and restaurants	1.958.749	2.149.068	2.221.365	0,01	0,18	0,06
Transportation, storage and communication	15.414.012	17.039.210	17.579.364	1,52	1,53	0,47
Activities of financial intermediary institutions	12.521.036	13.722.619	14.155.055	0,82	1,13	0,38
House ownership	5.111.048	5.202.722	5.290.573	0,10	0,09	0,08
Real estate, leasing and business activities	3.902.456	4.267.187	4.550.803	0,29	0,34	0,25
Public administration and defense, compulsory social security	3.213.346	3.338.781	3.455.713	0,02	0,12	0,10
Training	2.059.719	2.164.283	2.257.756	0,01	0,10	0,08
Health affairs and social services	1.283.421	1.351.168	1.423.298	0,02	0,06	0,06
Other social, public and individual service activities	1.607.462	1.634.631	1.644.951	0,02	0,03	0,01
Households with domestic staff	167.832	180.966	191.048	0,01	0,01	0,01
Total sectors	105.300.829	114.691.307	117.447.963	9,02	8,87	2,39
Indirectly measured financial intermediary services	8.323.627	9.359.556	9.675.179	0,92	0,98	0,27
Tax – subsidy	8.908.442	9.842.973	9.980.909	1,06	0,88	0,12
Gross Domestic Product (with Buyer prices)	105.885.644	115.174.724	117.753.693	9,16	8,77	2,24

Source: TURKSTAT.

While the resident household consumption expenditures within GDP decreased 7.0% compared to the previous year according to the method of expenditure with fixed prices, the final consumption expenditures of the state increased 5.7%. While the export of goods and services increased 17.2%, the import of goods and services almost remained the same with that of 2011. The public sector fixed capital investments which decreased 2.2% in 2011 increased 8.9% in 2012 with the effect of the 41.2% increase in machinery-equipment investments. Private sector fixed capital investments decreased 4.5% driven by the 6.6% shrinkage in machinery-equipment investment (See, Table 21).

Table 21. Gross Domestic Product according to the Expenditures Method

(As per 1998 Basic Prices)

Expenditure Components	Value (000 ₺)			Ratio within the Total			Rate of Change		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Gross Domestic Product	105.885.644	115.174.724	117.753.693	100,0	100,0	100,0	9,2	8,8	2,2
Resident household consumption	73.174.350	78.796.580	78.223.981	69,1	68,4	66,4	6,7	7,7	-0,7
Resident and non-resident households domestic consumption	76.651.527	82.518.321	82.600.128	72,4	71,6	70,1	5,9	7,7	0,1
(Old) Non-resident households domestic consumption	4.208.987	4.357.465	4.916.183	4,0	3,8	4,2	-4,9	3,5	12,8
Resident household foreign consumption	731.810	635.723	540.035	0,7	0,6	0,5	8,1	-13,1	-15,1
Final consumption expenditures of the state	11.325.193	11.854.890	12.534.181	10,7	10,3	10,6	2,0	4,7	5,7
Salary, wage	5.172.463	5.376.746	5.569.524	4,9	4,7	4,7	1,2	3,9	3,6
Purchase of goods and services	6.152.730	6.478.144	6.964.657	5,8	5,6	5,9	2,7	5,3	7,5
Gross fixed capital formation	25.270.576	29.826.287	29.075.469	23,9	25,9	24,7	30,5	18,0	-2,5
Public sector	4.419.507	4.321.032	4.706.933	4,2	3,8	4,0	17,7	-2,2	8,9
Machinery-equipment	886.697	821.969	1.160.958	0,8	0,7	1,0	12,2	-7,3	41,2
Construction	3.532.810	3.499.063	3.545.975	3,3	3,0	3,0	19,1	-1,0	1,3
Private sector	20.851.069	25.505.255	24.368.537	19,7	22,1	20,7	33,6	22,3	-4,5
Machinery-equipment	14.165.993	17.705.531	16.536.073	13,4	15,4	14,0	42,8	25,0	-6,6
Construction	6.685.076	7.799.724	7.832.464	6,3	6,8	6,7	17,7	16,7	0,4
Stock changes (1)	281.357	21.150	-1.468.376	0,3	0,0	-1,2	-	-	-
Export of goods and services	25.500.932	27.509.654	32.232.372	24,1	23,9	27,4	3,4	7,9	17,2
(Old) Import of goods and services	29.666.764	32.833.837	32.843.935	28,0	28,5	27,9	20,7	10,7	0,0

Source: TURKSTAT.

(1): Stock changes have been calculated according to the residue method, and cover statistical error margin.

According to expenditures with current prices, the consumption of resident households in GDP increased 7.5% in 2012 compared to the previous year. While the domestic consumption of the resident and non-resident households which are included in this consumption item increased 8.0%, and the domestic consumption of the non-resident households increased 14.9%, the foreign consumption of the resident households decreased 9.7%. The final consumption expenses of the state increased 15.8% in 2012 compared to the previous year, and reached ₺ 209,199 million (See, Table 22).

Public sector fixed capital investments increased 11.4% whereas machinery and equipment investments increased 40.4%. While private sector machinery and equipment fixed capital investments decreased 4.7% in 2012 compared to the previous year, construction investments increased 8.3%, and in line with the rates of change of these components, the private sector capital investments decreased at the rate of 5.0%.

Table 22. Gross Domestic Product according to the Expenditures Method

(Cari Fiyatlarla)

Expenditure Components	Value (000 ₺)			Ratio within the Total			Rate of Change		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Gross Domestic Product	1.098.799.348	1.297.713.210	1.416.816.801	100,0	100,0	100,0	15,4	18,1	9,2
Resident household consumption	787.752.785	923.836.192	992.745.173	71,7	71,2	70,1	15,7	17,3	7,5
Resident and non-resident households domestic consumption	819.223.624	965.772.137	1.042.950.171	74,6	74,4	73,6	14,7	17,9	8,0
(Old) Non-resident households domestic consumption	38.723.122	50.108.683	57.583.714	3,5	3,9	4,1	-2,9	29,4	14,9
Resident household foreign consumption	7.252.283	8.172.738	7.378.716	0,7	0,6	0,5	13,1	12,7	-9,7
Final consumption expenditures of the state	157.513.643	180.707.807	209.198.629	14,3	13,9	14,8	12,5	14,7	15,8
Salary, wage	87.344.368	100.906.381	117.305.225	7,9	7,8	8,3	15,2	15,5	16,3
Purchase of goods and services	70.169.275	79.801.427	91.893.404	6,4	6,1	6,5	9,3	13,7	15,2
Gross fixed capital formation	207.815.565	283.163.196	287.681.698	18,9	21,8	20,3	29,3	36,3	1,6
Public sector	43.406.876	49.075.197	54.684.506	4,0	3,8	3,9	22,8	13,1	11,4
Machinery-equipment	6.656.300	7.347.602	10.318.242	0,6	0,6	0,7	7,0	10,4	40,4
Construction	36.750.576	41.727.595	44.366.264	3,3	3,2	3,1	26,2	13,5	6,3
Private sector	164.408.689	234.087.999	232.997.192	15,0	18,0	16,4	31,1	42,4	-0,5
Machinery-equipment	108.677.222	157.848.369	150.411.054	9,9	12,2	10,6	35,1	45,2	-4,7
Construction	55.731.467	76.239.630	82.586.138	5,1	5,9	5,8	24,0	36,8	8,3
Stock changes (1)	6.707.721	22.528.412	-357.420	0,6	1,7	0,0	-	-	-
Export of goods and services	233.045.907	311.148.042	374.615.845	21,2	24,0	26,4	4,9	33,5	20,4
(Old) Import of goods and services	294.036.273	423.670.438	447.067.124	26,8	32,6	31,6	26,4	44,1	5,5

Source: TURKSTAT.

(1): Stock changes have been calculated according to the residue method, and cover statistical error margin.

According to the expenditures method, the growth of GDP was driven negatively by resident households consumption by 0.5 points, final consumption expenditures of the state positively by 0.6 points, fixed capital investments negatively by 0.7 points, export of goods and services by positively by 4.1 points, and import of goods and services positively with 0.01 points (See, Table 23).

Table 23. Contributions to Gross Domestic Product according to the Expenditures Method

(With 1998 Prices, Points)

Expenditure Components	GDP (000 ₺)			Contributions to GDP (Points)		
	2010	2011	2012	2010	2011	2012
Gross Domestic Product	105.885.644	115.174.724	117.753.693	9,16	8,77	2,24
Resident household consumption	73.174.350	78.796.580	78.223.981	4,72	5,31	-0,50
Resident and non-resident households domestic consumption	76.651.527	82.518.321	82.600.128	4,44	5,54	0,07
(Old) Non-resident households domestic consumption	4.208.987	4.357.465	4.916.183	-0,23	0,14	0,49
Resident household foreign consumption	731.810	635.723	540.035	0,06	-0,09	-0,08
Final consumption expenditures of the state	11.325.193	11.854.890	12.534.181	0,23	0,50	0,59
Salary, wage	5.172.463	5.376.746	5.569.524	0,06	0,19	0,17
Purchase of goods and services	6.152.730	6.478.144	6.964.657	0,16	0,31	0,42
Gross fixed capital formation	25.270.576	29.826.287	29.075.469	6,10	4,30	-0,65
Public sector	4.419.507	4.321.032	4.706.933	0,68	-0,09	0,34
Machinery-equipment	886.697	821.969	1.160.958	0,10	-0,06	0,29
Construction	3.532.810	3.499.063	3.545.975	0,58	-0,03	0,04
Private sector	20.851.069	25.505.255	24.368.537	5,41	4,40	-0,99
Machinery-equipment	14.165.993	17.705.531	16.536.073	4,38	3,34	-1,02
Construction	6.685.076	7.799.724	7.832.464	1,04	1,05	0,03
Stock changes (1)	281.357	21.150	-1.468.376	2,50	-0,25	-1,29
Export of goods and services	25.500.932	27.509.654	32.232.372	0,87	1,90	4,10
(Old) Import of goods and services	29.666.764	32.833.837	32.843.935	5,25	2,99	0,01

Source: TURKSTAT.

(1): Stock changes have been calculated according to the residue method, and cover statistical error margin.

GDP per capita increased 0.4% in 2012 with current GDP prices, reaching \$10,504, and in terms of Turkish Lira by 7.9%, reaching ₺ 18,227. GDP per capita with current prices increased 1.0% in 2012 compared to the previous year, and rose from ₺1,577 to ₺1,557 (See, Table 24).

Table 24. Per Capita Gross Domestic Product

Years	Population ⁽¹⁾ (000 People)	With Current Prices ⁽²⁾				With Fixed Prices	
		Turkish Lira (₺)	Rate of Change	(\$ US	Rate of Change	Turkish Lira (₺)	Rate of Change
2010	73.003	15.051	13,8	10.022	17,1	1.450	7,7
2011	73.950	17.549	16,6	10.466	4,4	1.557	7,4
2012	74.855	18.927	7,9	10.504	0,4	1.573	1,0

Source: TURKSTAT.

(1): Results based on the Address Based Population Registration System.

(2): GDP per capita figures have been calculated in proportion to the mid-year population.

1.2 Sectoral Developments

1.2.1 Agriculture

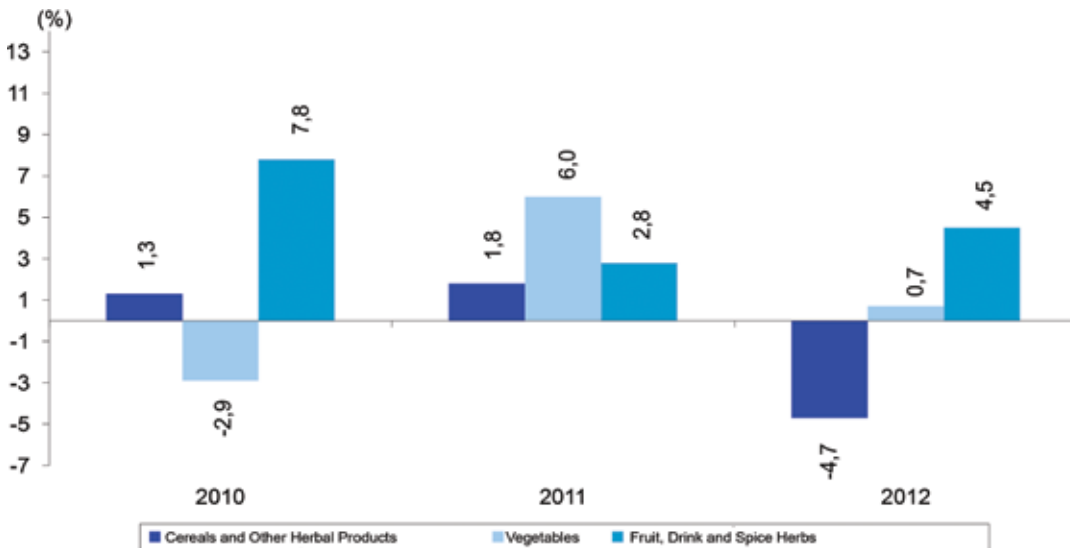
In 2012, meteorological factors affected agricultural production negatively, and particularly as a result of drought suffered by the central and eastern parts of the country, losses were incurred in some products. In some regions, production amounts increased owing to the favorable climatic conditions.

The added value of the agricultural sector increased 5.2%, 3.6%, 2.7%, and 4.3% in the first, second, third and fourth quarter of 2012, respectively, compared to the same quarters of the previous year.

Therefore, the added value of the agricultural sector increased 3.5% in 2012 compared to 2011. When this growth rate is compared to the growth rate in 2011, there is a decrease of 2.7 points.

Total production of cereals and other herbal products which increased 1.3% and 1.8% in 2010 and 2011, respectively, saw a decrease of 4.7% in 2012. While the production of agricultural products increased 7.5% in 2011 compared to the previous year due to favorable weather conditions, it fell by 5.2% in 2012 with the effect of the sharp decline seen in efficiency due to the drought in Central Anatolia in particular compared to the previous year. While the only product in the agricultural products group whose production increased compared to the previous year was corn, the production of wheat (total) decreased 7.8%, the production of barley decreased 6.6%, and the production of rice in the husk fell 2.2% (See Table 25, Graph 12).

The production amount of potato, legumes, edible roots and stems group decreased 1.0% in 2011 and increased 4.0% in 2012. While the highest production rises in the potato, legumes, edible roots and stems group were seen in 2012 in the production of red and green lentils with 7.9%, the increases in chickpea production and potato production were 6.3% and 3.9%, respectively, Sweet potato production saw a considerable decline such as 23.4%, whereas white beans production fell by 3.0%.



Source: TURKSTAT.

Graph 12. Herbal Production Rates of Change by Years

Table 25. Cereals and Other Herbal Products Production Amounts

(Ton)

Cereals and Other Herbal Products	Production			Rate of Change		
	2010	2011	2012	2010	2011	2012
Cereals	32.748.550	35.202.073	33.377.430	-2,5	7,5	-5,2
Wheat (Total)	19.674.000	21.800.000	20.100.000	-4,5	10,8	-7,8
Barley	7.250.000	7.600.000	7.100.000	-0,7	4,8	-6,6
Corn (Grains)	4.310.000	4.200.000	4.600.000	1,4	-2,6	9,5
Rice	860.000	900.000	880.000	14,7	4,7	-2,2
Other	654.550	702.073	697.430	-3,3	7,3	-0,7
Potato, legumes, edible roots and stems	5.784.264	5.780.950	6.013.514	4,6	-0,1	4,0
Potato	4.513.453	4.613.071	4.795.122	2,6	2,2	3,9
Chickpea	530.634	487.477	518.000	-5,7	-8,1	6,3
Lentil (Red)	422.000	380.000	410.000	53,4	-10,0	7,9
Beans (White)	212.758	200.673	200.000	17,4	-5,7	-0,3
Sweet potato	34.930	35.010	26.815	26,0	0,2	-23,4
Lentil (Green)	25.400	25.952	28.000	-6,4	2,2	7,9
Other	45.089	38.767	35.577	-19,9	-14,0	-8,2
Oily seeds	1.659.767	1.699.151	1.764.921	20,7	2,4	3,9
Sunflower	1.320.000	1.335.000	1.370.000	24,9	1,1	2,6
Colza (Canola)	106.450	91.239	110.000	-6,5	-14,3	20,6
Peanut	97.310	90.416	122.780	8,0	-7,1	35,8
Soy	86.540	102.260	122.114	125,1	18,2	19,4
Poppy (Seed)	36.910	44.000	3.844	7,9	19,2	-91,3
Other	12.557	36.236	36.183	-69,5	188,6	-0,1
Tobacco	53.018	45.435	80.000	-37,6	-14,3	76,1
Sugar beet	17.942.112	16.126.489	15.000.000	3,9	-10,1	-7,0
Other fodder plants (except straw and shells)	132.970	127.114	125.610	-8,7	-4,4	-1,2
Fodder beet	132.970	127.114	125.610	-8,7	-4,4	-1,2
Raw plants used in textile	2.150.013	2.580.020	2.320.006	24,6	20,0	-10,1
Cotton (Unseed)	2.150.000	2.580.000	2.320.000	24,6	20,0	-10,1
Other	13	20	6	160,0	53,8	-70,0
Plants used in perfumery, pharmacy and similar areas, and fodder plant seeds	157.454	150.999	110.014	-6,8	-4,1	-27,1
Vetch	121.676	107.844	104.342	-10,5	-11,4	-3,2
Poppy (Capsule)	33.555	40.979	3.497	7,9	22,1	-91,5
Other	2.223	2.176	2.175	10,1	-2,1	0,0
Total	60.628.148	61.712.231	58.791.495	1,3	1,8	-4,7

Source: TURKSTAT.

Yağlı tohumlar grubu üretimi 2010 yılında %20,7 oranında yüksek bir artış gösterirken, 2011 yılında hız keserek %2,4; 2012 yılında da %3,9 oranlarında artış göstermiştir. Yağlı tohumlar grubu üretiminde en yüksek artış oranını %35,8 ile yer fıstığı gösterirken, bunu %20,6 oranı ile kolza (kanola), %19,4 oranı ile soya ve %2,6 oranı ile ayçiçeği üretimi izlemiştir. 2011 yılında %19,2 oranında artışa sahip olan haşhaş (tohum) üretiminde, 2012 yılında %91,3 ile çok yüksek bir oranda düşüş olmuştur.

2010 ve 2011 yıllarında düşüş eğilimi sergileyen tütün üretiminde 2012 yılında %76,1 oranında yüksek bir artış olmuştur. Hayvan pancarı üretimi 2010 yılından bu yana gösterdiği azalış yönlü değişimini 2012 yılında %1,2 oranı ile devam ettirmiştir. Kota uygulanan şeker pancarı üretiminde ise 2011 yılında görülen %10,1 oranındaki azalış yönlü değişim %7,0 oranı ile 2012 yılında da devam etmiştir. Tekstilde kullanılan ham bitkilerin en önemli bölümünü oluşturan kütü pamuk üretimi

Tobacco production which had a declining tendency in 2010 and 2011 increased 76.1% in 2012. Fodder beet production continued its declining trend which it maintained since 2010 with a drop of 1.2% in 2012. The sugar beet production subject to a quota continued its declining trend by falling 10.1% in 2011 and 7.0% in 2012. Unseed cotton which represented an important part of the raw plants used in textile increased 20.0% in 2011, but fell 10.1% in 2012. The decreasing trend in the production of plants used in perfumery, pharmacy and similar areas and the production of fodder seeds which started in 2010 constantly gained speed, and reached a climax with 27.1% in 2012. While the production of poppy (capsule), in particular, which is included under this group, had an increasing trend in 2010 and 2011, it had a dramatic fall of 91.5% in 2012, driving a decrease in the production of plants used in perfumery, pharmacy and similar areas and the production of fodder plants.

While vegetables production decreased 2.9% in 2010, it had a slight decrease of 6.0% in 2011 and 7.0% in 2012. The production of stem and root vegetables group which increased 9.7% in 2011 decreased 11.2% in 2012 compared to the previous year. Only the production of carrots which is included in this group increased 18.6%, the other vegetable groups fell. The highest declines were seen in the onion production with 22.1%, radish production with 7.5%, and leek production with 6.8% (See, Table 26)

Table 26. Vegetables Production Amounts

Vegetables	Production (Ton)			Rate of Change		
	2010	2011	2012	2010	2011	2012
Stem and root vegetables	3.121.698	3.425.622	3.040.692	-1,0	9,7	-11,2
Onion (Dry)	1.900.000	2.141.373	1.668.356	2,7	12,7	-22,1
Carrots	533.253	602.078	714.280	-10,2	12,9	18,6
Leek	244.812	246.144	229.359	-2,5	0,5	-6,8
Onion (Spring)	165.478	153.823	150.928	-2,2	-7,0	-1,9
Radish	139.543	142.024	131.375	-1,4	1,8	-7,5
Other	138.612	140.180	146.394	-6,7	1,1	4,4
Vegetables grown for their fruit	21.219.750	22.424.786	23.004.689	-3,3	5,7	2,6
Tomato	10.052.000	11.003.433	11.350.000	-6,5	9,5	3,1
Watermelon	3.683.103	3.864.489	4.022.296	-3,3	4,9	4,1
Cucumber	1.739.191	1.749.174	1.741.878	0,2	0,6	-0,4
Melon	1.611.695	1.647.988	1.688.687	-4,0	2,3	2,5
Eggplant	846.998	821.770	799.285	3,8	-3,0	-2,7
Pepper (Long green)	816.901	879.846	910.725	8,5	7,7	3,5
Pepper (for pepper paste)	782.173	730.493	748.422	11,7	-6,6	2,5
Bean	587.967	614.948	621.036	-2,6	4,6	1,0
Pepper (sweet green)	387.626	364.930	383.213	0,9	-5,9	5,0
Other	712.096	747.715	739.147	0,7	5,0	-1,1
Other vegetables not elsewhere classified	1.655.747	1.697.054	1.707.325	-2,0	2,5	0,6
Cabbage (Round headed)	491.228	498.073	481.511	-3,2	1,4	-3,3
Lettuce (iceberg)	226.144	217.378	205.463	-3,2	-3,9	-5,5
Spinach	218.291	221.632	222.225	-3,1	1,5	0,3
Cauliflower	158.579	162.134	169.097	1,0	2,2	4,3
Lettuce (Cabbage)	131.952	138.466	145.019	-6,8	4,9	4,7
Cabbage (Red)	118.170	121.824	133.234	3,5	3,1	9,4
Cabbage (Leaf)	81.953	88.466	85.023	-1,8	7,9	-3,9
Parsley	56.332	54.956	56.614	-3,1	-2,4	3,0
Cultivated mushroom	21.559	27.058	33.750	10,6	25,5	24,7
Other	151.539	167.067	175.389	2,1	10,2	5,0
Total	25.997.195	27.547.462	27.752.706	-2,9	6,0	0,7

Source: TURKSTAT.

The production amount of vegetables grown for their fruit slipped in 2012 compared to 2011 and only increased 2.6%. The highest production increases in the group of vegetables that are grown for their fruits were seen in the sweet green pepper with 5.0%, watermelon with 4.1%, long green pepper with 3.5%, while the production of eggplants and cucumber decreased 2.75 and 4.0%, respectively.

The production amount of the group of other vegetables not elsewhere classified only increased 6.0% in 2012. The highest rate increases in the other vegetables group were seen in the production of cultivated mushroom with 24.7%, red cabbage with 9.4%, and cabbage lettuce with 4.7%. Vegetables which decreased compared to the previous year were iceberg lettuce with 5.5%, leaf cabbage with 3.9%, and round headed cabbage with 3.3%.

The rate of increase in fruit production which was 2.8% in 2011 compared to the previous year climbed to 4.5% in 2012. While the production amount of grapes which had an important share within the fruits group decreased 2.6% in 2012, the production amount of the other fruits and nuts group increased 7.3%. While the total production of banana, fig, avocado and kiwi increased 4.8% in 2012, the production of other vegetables increased 11.3% and the production of citrus fruit fell by 3.8%. Only mandarin within the citrus fruit group increased 3.0%, while the highest rate of production in the other fruits group was shown by pomegranate with 44.8%, followed by apricot with 16.9%, strawberry with 16.3%, and pear with 14.6%. All the fruits included in the other fruits group had an increasing trend in 2012 (See Table 27).

The production of olives and other nuts showed an increase by 7.0% in 2011, and by 14.0% in 2012. The production of hazelnuts which fell by 28.3% due to tiredness of the trees in 2011 saw a rise of 53.5% in 2012. While the production of peanuts in the nuts group increased 33.9% in 2012, the production amount of olives increased 4.0%.

The production amount of medicinal plants decreased 10.2% in 2011 compared to the previous year, and increased 4.0% in 2012. Among the selected medicinal plants, the production of red pepper increased 2.1% and the production of cumin increased 5.4%. The production amount of tea decreased 5.7% in 2011 compared to the previous year, and increased 1.5% in 2012.

Table 27. Fruits Production Amounts

Fruit, Drink and Spice Herbs	Production (Ton)			Rate of Change		
	2010	2011	2012	2010	2011	2012
Grape	4.255.000	4.296.351	4.185.126	-0,2	1,0	-2,6
Other fruits and nuts	12.130.745	12.697.125	13.625.816	0,1	4,7	7,3
Banana, fig, avocado, kiwi (Total)	492.777	497.556	521.439	4,0	1,0	4,8
Fig	254.838	260.508	275.002	4,3	2,2	5,6
Banana	210.178	206.501	207.727	2,8	-1,7	0,6
Other	27.761	30.547	38.710	11,7	10,0	26,7
Citrus fruit (Total)	3.572.376	3.613.766	3.475.024	1,7	1,2	-3,8
Oranges	1.710.500	1.730.146	1.661.111	1,2	1,1	-4,0
Mandarin	858.699	872.251	874.832	1,5	1,6	0,3
Lemon	787.063	790.211	710.211	0,4	0,4	-10,1
Other	216.114	221.158	228.870	11,5	2,3	3,5
Other fruits (Total)	5.629.881	5.980.455	6.657.999	-5,7	6,2	11,3
Apple	2.600.000	2.680.075	2.888.985	-6,6	3,1	7,8
Apricot	450.000	650.000	760.000	-31,9	44,4	16,9
Peach	539.403	545.902	611.165	-1,4	1,2	12,0
Cherry	417.905	438.550	470.887	0,1	4,9	7,4
Pear	380.003	386.382	442.646	-1,1	1,7	14,6
Strawberry	299.940	302.416	351.834	2,7	0,8	16,3
Plum	240.806	268.696	300.046	-2,0	11,6	11,7
Sour cherry	194.989	182.234	186.443	1,2	-6,5	2,3
Pomegranate	208.502	217.572	315.150	22,0	4,4	44,8
Other	298.333	308.628	330.843	8,0	3,5	7,2
Olive and other nuts (Total)	2.435.711	2.605.348	2.971.354	12,4	7,0	14,0
Olive	1.415.000	1.750.000	1.820.000	9,6	23,7	4,0
Hazelnut	600.000	430.000	660.000	20,0	-28,3	53,5
Walnut	178.142	183.240	203.212	0,5	2,9	10,9
Pistachio	128.000	112.000	150.000	56,5	-12,5	33,9
Other	114.569	130.108	138.142	-1,7	13,6	6,2
Medicinal plants	224.041	201.150	202.048	-3,9	-10,2	0,4
Red pepper	186.272	162.125	165.527	-5,4	-13,0	2,1
Cumin	12.587	13.193	13.900	-13,4	4,8	5,4
Other	25.182	25.832	22.621	15,5	2,6	-12,4
Tea	1.305.566	1.231.141	1.250.000	18,3	-5,7	1,5
Total	17.915.352	18.425.767	19.262.990	7,8	2,8	4,5

Source: TURKSTAT.

Agricultural Support Payments

As was the case with the previous years, public intervention in agricultural areas, and support of the agricultural sector activities continued in 2012. In this framework, the rate of increase of the subsidies exhibits a declining trend since 2010. Agricultural subsidy payments which increased 25.2% in 2010 demonstrated an increase of 18.8% in 2011, and 10.1% in 2012, reaching 7.777 million. Whilst the highest rate in the agricultural subsidy payments in 2012 was seen in the environmental protection of agricultural areas with 100.0% as was the case in the previous years, it was followed by certified seed and sapling use subsidy at a rate of 51.2%, and livestock breeding subsidy payments at a rate of 26.3% (See, Table 28).

Table 28. Agricultural Subsidy Payments

Payments (1)	(with Current Prices)								
	Value (000 ₺)			Ratio within the Total			Rate of Change		
	2010	2011	2012 ⁽²⁾	2010	2011	2012	2010	2011	2012
Area based agricultural subsidy payments	2.056	2.189	2.430	64,9	6,5	11,0	34,6	31,0	31,2
DIS	0	0	0	-	-	-	0,0	0,0	0,0
Area based additional payments (Organic agriculture, good agriculture, earth analysis)	81	150	172	523,1	85,2	14,7	1,4	2,1	2,2
Diesel oil	512	508	581	9,2	-0,8	14,4	8,6	7,2	7,5
Fertilizer	622	621	695	4,4	-0,2	11,9	10,5	8,8	8,9
Use of certified seed and sapling	90	86	130	5,9	-4,4	51,2	1,5	1,2	1,7
Protection of agricultural areas for environmental purposes (ÇATAK)	9	17	34	50,0	88,9	100,0	0,2	0,2	0,4
Hazelnut	652	709	710	-	8,7	0,1	11,0	10,0	9,1
Alternative product payments	9	8	8	125,0	-11,1	0,0	0,2	0,1	0,1
Tobacco	8	7	0	100,0	-12,5	-100,0	0,1	0,1	0,0
Hazelnut	1	1	8	-	-	-	0,0	0,0	0,1
Compensating payments	81	90	100	9,5	11,1	11,1	1,4	1,3	1,3
Potato ward subsidy	8	8	0	-27,3	-	-	0,1	0,1	0,0
Tea cutting compensation and costs	73	82	100	15,9	12,3	22,0	1,2	1,2	1,3
Differential payment support services ⁽³⁾	2.056	2.504	2.400	2,4	21,8	-4,2	34,6	35,4	30,9
Payments for products with supply deficits	923	1.292	1.510	11,7	40,0	16,9	15,5	18,3	19,4
Cereals	996	1.039	707	-1,2	4,3	-32,0	16,7	14,7	9,1
Tea	115	149	148	1,8	29,6	-0,7	1,9	2,1	1,9
Pulses (dried beans, chickpeas, lentils)	22	23	35	-	-	-	0,4	0,3	0,5
Livestock breeding subsidy payments	1.158	1.728	2.183	27,5	49,2	26,3	19,5	24,5	28,1
Rural development oriented agricultural supports ⁽⁴⁾	304	249	309	23,1	-18,1	24,1	5,1	3,5	4,0
Agricultural insurance support services	80	239	290	31,1	198,8	21,3	1,3	3,4	3,7
Aid payments for farmers affected by disasters	137	0	0	372,4	-100,0	-	2,3	0,0	0,0
Other agricultural supports	30	42	45	-82,9	40,0	7,1	0,5	0,6	0,6
GAP Action Plan rural development and livestock breeding supports ⁽⁵⁾	126	114	120	68,0	-9,5	5,3	2,1	1,6	1,5
Total	5.947	7.065	7.777	25,2	18,8	10,1	100,0	100,0	100,0

Source: Ministry of Development.

(1): 2010-2011 relevant institution budget final account data.

(2): Realization estimate

(3): It is given for unseed cotton, olive oil, sunflower, soy bean, canola, safflower and grain corn.

(4): Of the budget amount " 52.3 million and " 159 million are the amounts of TKDK grants for 2011 and 2012, respectively.

(5): " 96.6 million of the year 2010 amount was intended for GAP-EP – Rural Development and Livestock Breeding Projects, whereas " 29 million thereof was for DAP Livestock Breeding Support. " 92.7 million of the year 2011 amount was intended for GAP-EP – Rural Development and Livestock Breeding Projects, whereas " 21.2 million thereof was for DAP Livestock Breeding Support. " 66.6 million of the year 2012 amount was intended for GAP-EP – Rural Development Projects, whereas " 31 million thereof was for DAP EP-Livestock Breeding Project, and " 22.4 million was for DAP Livestock Breeding Support.

The highest shares within the agricultural subsidy payments for 2012 were for payments to area based agricultural support payments with 31.2% corresponding to " 2,430 million, differential payment support services with 30.9% corresponding to " 2,400 million, livestock breeding support payments with 28.1% corresponding to " 2,183 million, and products with a supply deficit with 19.4% corresponding to " 1,510 million.

1.2.2 Industry

The added value of the industrial sector increased 3.1%, 3.6%, 1.5%, and decreased 3.0% in the first, second, third and fourth quarter of 2012, respectively, in terms of fixed prices, compared to the same quarters of the previous year. Throughout 2012, the industrial sector added value increased 2.0%. As regards sub-sectors, the added values of the production industry sector, mining and quarrying sector, and energy sector increased 1.9%, 8.0%, and 3.5%, respectively (See Table 29).

Table 29. Industrial Sector Added Value Rates of Change

Sectors	(As per 1998 Basic Prices)		
	2010	2011	2012
Mining	4,7	3,9	0,8
Production industry	13,6	10,0	1,9
Electricity, gas and water	7,3	8,8	3,5
Total industry	12,8	10,0	2,0

Source: TURKSTAT.

While the share of the industry sector within GDP was 19.9% in 2011, it declined to 19.3% in 2012. As regards sub-sectors, the shares of the production industry sector, energy sector and mining sector were 15.6%, 2.3%, and 1.5%, respectively, and whilst the share of the production sector decreased, and the share of the electricity, gas and water sector increased compared to the previous year, the share of the mining sector remained unchanged (See, Table 30).

Table 30. Ratio of Industrial Sector Added Value to GDP

Sectors	(with Current Prices)		
	2010	2011	2012
Mining	1,5	1,5	1,5
Production industry	15,2	16,2	15,6
Electricity, gas and water	2,4	2,2	2,3
Total industry	19,1	19,9	19,3

Source: TURKSTAT.

The production of the industrial sector exhibited an increase which was to a large extent subject to domestic demand, driven also by the deferred domestic demand after the global economic crisis. However, the measures intended to compensate the high domestic demand led to an important slowdown in the industrial sector production in 2012. The uninterrupted growth which lasted for 32 months in the industrial sector since December 2009 came to an end in August 2012. While the domestic demand entered a phase of slowdown, the greatest contribution to industrial production was made by foreign demand at a time when the problems relating to economy, particularly, EU, our biggest export market, continued to exist.

The year 2012 has been a year when the increasing domestic demand and contracting foreign demand were started to be balanced, and the domestic demand entered a process of decline. Therefore, the industrial production which increased 13.1% in 2010 when a strong recovery was seen after the global crisis increased 8.9% in 2011 down 4.2 points, and by 2.3% in 2012 down 6.6 points. (See Table 31).

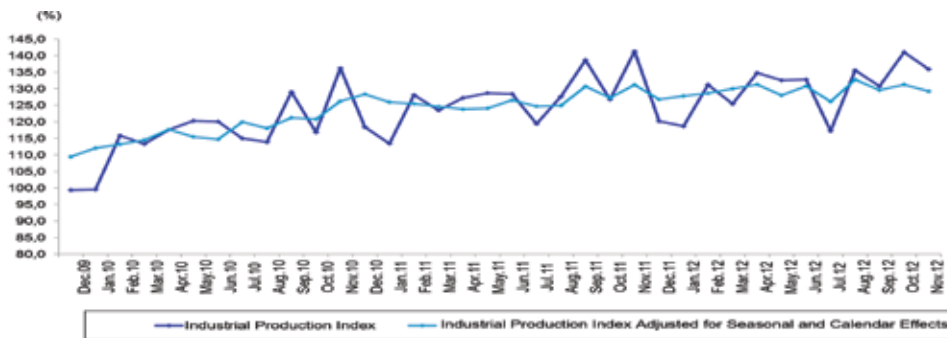
Table 31. Industrial Production Index By Sectors

(2005=100)

Sectors	Industrial Production Index			Rate of Change		
	2010	2011	2012	2010	2011	2012
Mining and quarrying	127,5	131,3	133,6	2,1	3,0	1,8
Production industry	114,3	124,8	127,3	14,4	9,2	2,0
Electricity, gas and water	129,8	141,0	147,6	8,3	8,6	4,7
Total industry	116,4	126,8	129,7	13,1	8,9	2,3

Source: TURKSTAT.

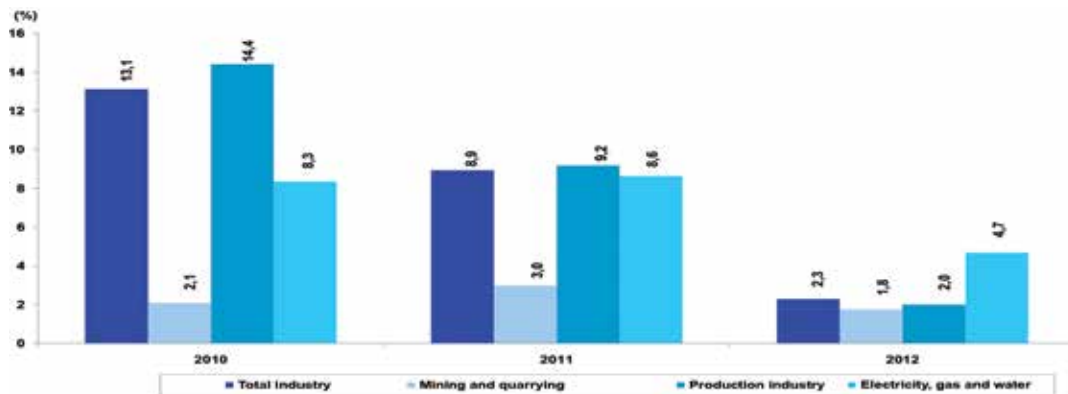
While the increase in the industrial production on an annual average basis had in 2012 a rise of 2.3% which was quite below that of the previous year, the annual increase rate as per the index value adjusted for seasonal and calendar effects was 2.3%, and it was seen that the seasonal and calendar effects on the industrial production index were insignificant (See Graph 13).



Source: TURKSTAT.

Graph 13. Industrial Production Index Not Adjusted by Months and After Adjusted for Seasonal and Calendar Effects (2005=100)

In 2012, the production of the mining and quarrying sector, the production industry sector, electricity, gas and water sector increased 1.8%, 2.0%, and 4.7%, respectively. When sub-sectors are analyzed in 2012, the rates of increase of the industrial production index compared to the previous year were a 1.2 points decrease in the mining and quarrying sector, a 7.2 points fall in the production sector, and a 3.9 points decrease in the electricity, gas, vapor, and air-conditioner production and distribution sector (See Graph 14).



Source: TURKSTAT.

Graph 14. Industrial Production Rates of Change by Years on a Sectoral Basis

When the industrial production index is analyzed according to the main industrial groups, the production of intermediate goods increased 2.4%, the production of consumer non-durables increased 4.0%, and the energy increased 3.2%, whereas the production of capital goods decreased 5.0%. No change occurred compared to the previous year in the production of consumer durables. When compared to the total ratios in 2011, the rates of change in 2012 remained quite behind, and the direction of change in the production of capital goods which demonstrated the highest increase in 2011 with 18.6% turned downward with 5.0% in 2012 (See Table 32).

Table 32. Industrial Production Index By Main Industrial Groups

(2005=100)

Main Industrial Groups	Production Index			Rate of Change		
	2010	2011	2012	2010	2011	2012
Intermediate goods production	118,9	128,7	131,8	16,9	8,2	2,4
Consumer durables production	127,1	143,3	143,3	13,8	12,7	0,0
Consumer non-durables production	109,5	114,2	118,8	5,8	4,3	4,0
Energy	122,5	131,5	135,7	6,2	7,3	3,2
Capital goods production	113,2	134,2	133,5	25,8	18,6	-0,5
Total industry	116,4	126,8	129,7	13,1	8,9	2,3

Source: TURKSTAT.

1.2.2.1 Mining and Quarrying

The added value of the mining and quarrying showed a negative change of 6.0% in the first quarter, a positive change of 3.1% in the second quarter and a positive change of 5.0% in the third quarter, and a negative change of 5.1% in the last quarter of 2012 compared to the same quarters of the previous year. The added value of the sector in total only grew by 8.0% in 2012 compared to 2011.

The production of the mining and quarrying sector which increased 3.0% in 2011 continued to increase, but with a slower trend, in 2011, and closed the year 2012 with a rate of increase of 1.8% annually. The rate of change in the mining and quarrying production index adjusted for seasonal and calendar effects increased 1.5%, while the seasonal and calendar effect caused a decrease of 0.3 points according to the unadjusted index.

Within the mining and quarrying sub-sectors, the production of the metal ores mining sub-sector decreased 16.4% and the other mining and quarrying production increased 2.5%, while the charcoal and lignite extraction sub-sector production decreased 5.4%, and crude oil and natural gas extraction sub-sector production decreased 2.0%. When rates of change of the industrial production index of the sub-sectors of the mining and quarrying sector in the previous year are compared to the results of the year 2012, the most important variations are in the metal ores mining sub-sector which rose by 8.8 points, and in the charcoal and lignite extraction sub-sector which decreased 10.5 points (See Table 33).

Table 33. Mining and Quarrying Sub-sectors Production Index

(2005=100)

Sub Sectors (NACE Rev. 2)	Production Index			Rate of Change		
	2010	2011	2012	2010	2011	2012
Charcoal and lignite extraction	120,4	126,6	119,8	-9,5	5,1	-5,4
Crude oil and natural gas extraction	107,4	101,1	99,1	3,6	-5,8	-2,0
Metal ores mining	206,2	221,9	258,2	10,6	7,6	16,4
Other mining and quarrying	122,1	126,8	130,0	11,0	3,9	2,5
Total (Mining and quarrying)	127,5	131,3	133,6	2,1	3,0	1,8

Source: TURKSTAT.

1.2.2.2 Manufacturing Industry

The added value of the production sector increased 2.9%, 3.5%, decreased 1.1%, and remained unchanged in the first, second, third and fourth quarters of 2012, respectively, compared to the same quarters of the previous year. As of the end of the year, the added value of the production industry increased 1.9% compared to the previous year.

The production industry index which increased 9.2% in 2011 annually demonstrated an increase by 2.0% in 2012, down 7.2 points. The sector which showed an increasing trend from January to August 2012 had an unsteady progress in terms of the direction of rates of change from August to the year-end. The highest rate of increase in the industrial production index within 2012 was seen in November with 13.3%, whereas the highest rate of decrease was seen in 5.9% in October (See Table 34).

The industrial production index adjusted for seasonal and calendar effects in 2012 showed an increase of 1.8% over a year ago, and the difference with the unadjusted index was 0.1 point. While the production industry index showed an increase of 2.0% compared to the previous year according to the unadjusted values, it is observed that the seasonal and calendar effects caused a decrease of 0.1 point over the index value.

Table 34. Manufacturing Industry Sub-sectors Production Index

(2005=100)

Sub Sectors (NACE Rev. 2)	Production Index			Rate of Change		
	2010	2011	2012	2010	2011	2012
Manufacture of foodstuff	120,5	128,0	130,5	7,3	6,2	1,9
Manufacture of drinks	119,9	121,7	127,7	8,1	1,5	5,0
Manufacture of tobacco products	100,6	97,8	117,3	-13,3	-2,7	20,0
Manufacture of textile products	88,2	88,2	92,0	12,7	0,0	4,4
Manufacture of garments	92,4	91,8	93,2	8,2	-0,6	1,5
Manufacture of leather and related products	109,5	117,9	118,0	17,8	7,7	0,1
Manufacture of wood, wooden products, and mushroom products	207,7	246,4	306,7	28,6	18,7	24,4
Manufacture of paper and paper products	122,8	133,6	138,9	9,2	8,8	4,0
Printing and duplication of recorded media	127,0	147,7	150,0	0,2	16,3	1,6
Manufacture of coke and refined petroleum products	89,9	96,1	96,5	6,3	6,8	0,4
Manufacture of chemicals and chemical products	123,6	130,5	130,7	15,9	5,6	0,1
Manufacture of basic pharmacy products and pharmacy-related materials	146,0	158,6	174,7	-0,9	8,7	10,1
Manufacture of rubber and plastic products	121,0	135,0	129,8	20,3	11,6	-3,9
Manufacture of other non-metallic mineral products	111,3	118,8	115,9	14,7	6,8	-2,5
Main metal industry	115,4	123,3	132,5	10,4	6,8	7,5
Manufacture of fabrication metal products (except machinery and equipment)	114,5	131,9	140,1	19,7	15,1	6,2
Manufacture of computers, electronic and optical products	69,8	79,6	80,7	34,9	14,1	1,3
Manufacture of electrical equipment	154,6	182,0	176,0	27,2	17,7	-3,3
Manufacture of machinery and equipment not elsewhere classified	113,2	138,2	142,0	32,6	22,1	2,8
Manufacture of motor-vehicles, trailers, and semi-trailers	117,9	136,8	129,3	33,3	16,0	-5,5
Manufacture of other transportation vehicles	117,3	152,9	196,5	-7,2	30,3	28,5
Manufacture of furniture	136,2	166,3	151,5	4,9	22,1	-8,9
Other manufactures	163,9	173,8	185,0	11,7	6,0	6,4
Installation and repair of machinery and equipment	100,0	108,1	105,5	2,6	8,0	-2,4
Total (Manufacture)	114,3	124,8	127,3	14,4	9,2	2,0

Kaynak: TÜİK.

While the highest rate increase within the production industry sub-sectors in 2012 was seen in the other transportation vehicles production sub-sector with 28.5% as was the case in the previous year, and it was followed by the production of wood, wooden and mushroom products with 24.4%, and production of tobacco products with 20.0%. The highest decline in the production industry sub-sectors was seen in the furniture production sector annually. The furniture production sector which showed a dramatic increase of 22.1% in the previous year suffered a decrease of 8.9% in 2012. The capacity usage ratio which declined to 65.3% in 2009 after the crisis, it rose to 72.6% in 2010, and 75.4% in 2011. The capacity usage rate dropped to 74.2% with the effect of slowing economy in 2012 (See Table 35).

Table 35. Capacity Usage Rates by Sectors

Sub Sectors (NACE, Rev.2)	2011	2012	(By Weighted Average)	
			Variation (Points)	
			2011	2012
Manufacture of foodstuff	70,2	71,7	0,0	1,5
Manufacture of drinks	65,8	66,6	-1,7	0,8
Manufacture of tobacco products	67,6	66,1	-9,6	-1,5
Manufacture of textile products	76,6	78,0	-0,8	1,4
Manufacture of garments	76,4	77,8	1,0	1,4
Manufacture of leather and related products	70,3	69,7	5,0	-0,6
Manufacture of wood, wooden products, and mushroom products	77,6	75,8	1,1	-1,8
Manufacture of paper and paper products	76,9	77,3	1,5	0,4
Printing and duplication of recorded media	71,8	69,2	-4,0	-2,6
Manufacture of coke and refined petroleum products	75,3	76,6	9,5	1,3
Manufacture of chemicals and chemical products	82,6	80,5	2,2	-2,1
Manufacture of basic pharmacy products and pharmacy-related materials	74,7	70,6	2,4	-4,1
Manufacture of rubber and plastic products	76,2	72,1	3,1	-4,1
Manufacture of other non-metallic mineral products	78,7	76,3	3,4	-2,4
Main metal industry	77,9	77,6	1,1	-0,3
Manufacture of fabrication metal products (except machinery and equipment)	70,7	71,0	4,4	0,3
Manufacture of computers, electronic and optical products	76,8	76,1	1,5	-0,7
Manufacture of electrical equipment	78,0	77,5	5,1	-0,5
Manufacture of machinery and equipment not elsewhere classified	75,0	75,1	6,1	0,1
Manufacture of motor-vehicles, trailers, and semi-trailers	76,4	70,7	6,6	-5,7
Manufacture of other transportation vehicles	71,4	73,1	4,4	1,7
Manufacture of furniture	72,6	69,8	2,1	-2,8
Other manufactures	59,7	57,1	7,2	-2,6
Installation and repair of machinery and equipment	76,1	76,4	6,9	0,3
Total (Manufacture)	75,4	74,2	2,8	-1,2

Source: Central Bank of Republic of Turkey.

While the highest capacity usage rate in the production industry sub-sectors in 2012 was seen in the manufacture of chemicals and chemical products sector with 80.5% as was the case in 2010 and 2011, it was followed by the manufacture of textile products with 78.0%, and the manufacture of garments with 77.8%. The sub-sectors which had the lowest capacity usage rate in 2012 were other productions with 57.1%, manufacture of tobacco products with 66.1%, manufacture of 'rinks with 66.6%.

While the total production industry capacity usage rate declined by 1.2 points in 2012 compared to the previous year, the highest decline by sub-sectors was seen in the manufacture of motor-vehicles, trailers, and semi-trailers with 5.7 points. The manufacture of basic pharmacy products and pharmacy-related materials and the manufacture of rubber and plastic products were the other sectors where the highest decrease in the capacity usage rates was seen with 4.1 points compared to 2011. The sector where the capacity usage rate showed the highest increase compared to the previous year was the manufacture of other transportation vehicles with 1.7 points, followed by the manufacture of foodstuffs with 1.5 points.

While the capacity usage rates on a product group basis slid from 74.5% to 73.6% in the consumer durables group, from 77.% to 76.1% in the intermediate goods group, from 74.9% to 72.3% in the

investment goods group, they increased from 72.1% to 72.9% in the consumer non-durables, from 72.5% to 73.0% in the consumption goods, and from 69.4% to 70.% in the foodstuff and drinks group. While the investment goods were the group of goods where the capacity usage rates decreased most compared to the previous year, the group of goods which enjoyed the highest increase in the capacity usage rates was the foodstuff and drinks group (See Table 36).

Table 36. Capacity Usage Rates by Commodity Groups

Groups of Goods (NACE, Rev.2)	2011	2012	(By Weighted Average)	
			Variation (Points)	
			2011	2012
Consumer durables	74,5	73,6	3,7	-0,9
Consumer non-durables	72,1	72,9	0,3	0,8
Consumables	72,5	73,0	0,8	0,5
Foodstuff and drinks	69,4	70,4	-0,9	1,0
Intermediate goods	77,7	76,1	1,8	-1,6
Investment goods .	74,9	72,3	6,1	-2,6

Source: Central Bank of Republic of Turkey.

Industry Capacity Report Statistics

The industry capacity report is a certificate showing the production power of all public and private sector institutions which carry out industrial production, effective for 3 years following the approval date. For the purpose of identifying the industrial production power of a country and shedding light on its strategic plans and programs, capacity reports are drawn up, setting out, in addition to the communication details of the companies, their annual production capacities, equipment pools, raw materials, capacity calculations, capital and employment details.

In Turkey, the responsibility for publishing Industrial Capacity Report Statistics under an Official Statistics Program (RIP) has been vested in the Union of the Chambers and Commodity Exchanges of Turkey (TOBB) to provide statistics about the enterprises that carry out activities only in the industrial sector. TOBB has been announcing Industrial Capacity Report Statistics annually since 2011.

According to the Industrial Capacity Report Statistics 2012, the number of industrial capacity reports which have been issued in the last three years and continue to be valid as of the end of 2012 is 77,631. The number of capacity reports which were current in 2012 has increased 9,436 compared to the number of capacity reports which were current in 2011. 2,434,185 people are employed in total in the companies that have received these capacity reports as of the date such reports were issued. When the classes which are created according to the number of employees are analyzed, 39.9% reports which were current in 2012 belonged to companies with 1-9 employees, 46% to companies with 10-49 employees, 6.4% to companies with 50-99 employees, 5.1% to companies with 100-249 employees, and 2.2% to companies with 250 and more employees.

When the distribution of companies which obtained an industrial capacity report in 2012 based on the employee population classes is analyzed according to the number of employees at the time of receipt of the report, the number of employees in the companies with 1-9 employees

comprised 5.7% of the total number of employees, companies with 10-40 employees comprised 28.2% of the total number of employees, companies with 50-99 employees comprised 11.8% of the total number of employees, companies with 100-249 employees comprised 20.3% of the total number of employees, and companies with 250 and more employees comprised 34.0% of the total number of employees. Companies with 250 and more employees that obtained 2.25 of the industrial capacity reports which were current in 2012 correspond to 34.0% of the total number of employees.

While the activity group which had the highest number of industrial capacity reports which were current in 2012 according to the number of main activity groups was the manufacture of foodstuff with 14.9% it was followed by the manufacture of fabrication metal products with 9.6%, the manufacture of textile products with 8.4%, the manufacture of machinery and equipment not elsewhere classified with 7.4%. Among the activity groups which had the least number of the current capacity reports were the forestry and industrial and wood fuel production activity with 2 capacity reports, fishing and aquaculture with 6 reports, and the manufacture of tobacco products with 15 capacity reports. When the number of capacity reports current in 2012 are compared to those of the previous year, it is noteworthy that the highest difference is seen in the manufacture of foodstuff, and entrepreneurs who were engaged in the installation and repair of machinery owned by the companies, fishery and aquaculture, manufacture of tobacco products, extraction of crude oil and natural gas, forestry and manufacture of industrial and wood fuel did not have new capacity reports issued in 2012, or there were decreases in the number of current reports compared to the previous year due to the expired reports in 2012 (See Table 37).

Industrial Capacity Report Statistics on a Regional Basis

According to Level 3 of the NUTS, Istanbul is ranked the first among the provinces with the highest number of capacity reports in 2012, followed by Bursa in the second place with 4,577 capacity reports, Ankara in the third place with 4,194 reports, Izmir in the fourth place with 4,122 capacity reports, and Konya in the fifth place with 2,484 capacity reports.

When analyzed in terms of the number of employees, Istanbul is ranked the first with 481,575 employees, followed by Bursa in the second place with 212,161 employees, Izmir in the third place with 167,978 employees, Kocaeli in the fourth place with 141,597 employees, and Ankara in the fifth place with 135,345 employees. When the foreign capital ownership of the companies are analyzed, the number of current industrial capacity report with the highest foreign capital was 170 from Izmir, followed by 165 reports from Kocaeli, 136 reports from Bursa, 118 reports from Istanbul (See Table 38).

The capacity reports which were current in 2012 were categorized in 4 classes according to the technology groups based on the approaches recommended by the European Union Statistics Office (EUROSTAT). It is seen that industrial capacity reports rather concentrated on enterprises having the lowest technology, and the rate of receipt of industrial capacity reports fell with the transition to the high technology classes. 47.4% of the industrial capacity reports that were current in 2012 were in the low technology group, 30.4% were in the medium-low technology group, 20.7% were in the medium-high technology group, and 1.6% were in the high technology group. When compared to 2011, it is seen that the share of the medium-low technology group and the medium-high technology group increased, the share of the high technology group increased, and the share of the low technology group remained unchanged (See Table 39).

Table 37. Industrial Capacity Report Numbers by Main Activity Groups

Activities (NACE Rev. 2)	Number of Capacity Reports ⁽¹⁾		Difference (B-A)	Ratio to the Total	
	2011 (A)	2012 (B)		2011	2012
Manufacture of foodstuff	10.414	11.565	1.151	15,27	14,90
Manufacture of fabrication metal products (except machinery and equipment)	6.443	7.453	1.010	9,45	9,60
Manufacture of textile products	5.906	6.526	620	8,66	8,41
Manufacture of machinery and equipment not elsewhere classified	4.990	5.764	774	7,32	7,42
Manufacture of rubber and plastic products	4.572	5.315	743	6,70	6,85
Manufacture of other non-metallic mineral products	4.113	4.680	567	6,03	6,03
Manufacture of garments	3.872	4.379	507	5,68	5,64
Manufacture of chemicals and chemical products	2.873	3.191	318	4,21	4,11
Other mining and quarrying	2.665	3.021	356	3,91	3,89
Manufacture of furniture	2.386	2.742	356	3,50	3,53
Main metal industry	2.054	2.375	321	3,01	3,06
Manufacture of electrical equipment	1.893	2.257	364	2,78	2,91
Manufacture of wood, wooden products and mushroom products (except furniture); manufacture of objects woven with reed, straw and similar materials	1.599	1.813	214	2,34	2,34
Manufacture of motor-vehicles, trailers, and semi-trailers	1.581	1.771	190	2,32	2,28
Office management, office support and business support activities	1.563	1.761	198	2,29	2,27
Catering activities	1.427	1.614	187	2,09	2,08
Other manufactures	1.158	1.334	176	1,70	1,72
Manufacture of paper and paper products	1.071	1.231	160	1,57	1,59
Printing and duplication of recorded media	1.054	1.200	146	1,55	1,55
Collection, treatment and disposal of waste, recovery of materials	965	1.186	221	1,42	1,53
Manufacture of leather and related products	961	1.094	133	1,41	1,41
Manufacture of computers, electronic and optical products	721	852	131	1,06	1,10
Manufacture of coke and refined petroleum products	503	541	38	0,74	0,70
Wholesale, retail trade and repair of motor-vehicles and motorcycles	482	518	36	0,71	0,67
Manufacture of drinks	480	500	20	0,70	0,64
Manufacture of other transportation vehicles	428	490	62	0,63	0,63
Other service activities	306	420	114	0,45	0,54
Herbal and animal production, hunting and related service activities	262	357	95	0,38	0,46
Metal ores mining	252	293	41	0,37	0,38
Charcoal and lignite extraction	245	278	33	0,36	0,36
Production and distribution of electricity, gas, vapor, and aeration systems	230	253	23	0,34	0,33
Installation and repair of machinery and equipment	203	185	-18	0,30	0,24
Wholesale trading (except motor-vehicles and motorcycles)	172	176	4	0,25	0,23
Computer programming, consulting and relevant activities	132	156	24	0,19	0,20
Manufacture of basic pharmacy products and pharmacy-related materials	130	150	20	0,19	0,19
Storage and auxiliary activities for transportation		140	140		0,18
Crude oil and natural gas extraction	36	27	-9	0,05	0,03
Manufacture of tobacco products	25	15	-10	0,04	0,02
Fishery and aquaculture	21	6	-15	0,03	0,01
Forestry, industrial and fuel wood production	7	2	-5	0,01	0,00
Total	68.195	77.631	9.436	100,00	100,00

Source: Union of Chambers and Commodity Exchanges of Turkey.

(1): As it was first published in 2011 in the scope of the Official Statistics Program, only the statistics for the years 2011-2012 are available.

Note: 1. Because an industrial capacity report belongs to more than one activity group, the total figure may be different than the other table data.

2. It is the number of capacity reports issued between 2010-2012 that were current as of the end of 2012.

Table 38. Industrial Capacity Report and Total Number of Employees by Provinces

(2012 Yılı)

Province Code	NUTS Level – 3	Number of Capacity Reports	Number of Foreign ;Capital Capacity Reports	Province Code	NUTS Level – 3	Number of Capacity Reports	Number of Foreign ;Capital Capacity Reports		
TR621	Adana	1.513	48.304	11	TR812	Karabük	149	9.285	
TRC12	Adıyaman	228	8.144		TR522	Karaman	214	14.327	
TR332	Afyonkarahisar	828	16.154	3	TRA22	Kars	99	1.614	
TRA21	Ağrı	68	1.808		TR821	Kastamonu	228	9.242	
TR712	Aksaray	239	8.238	4	TR721	Kayseri	1.239	56.825	2
TR834	Amasya	190	7.338	1	TR711	Kırıkkale	139	6.737	1
TR510	Ankara	4.194	135.345	42	TR213	Kırklareli	305	21.787	15
TR611	Antalya	1.112	26.687	32	TR715	Kırşehir	105	4.163	
TRA24	Ardahan	49	425		TRC13	Kilis	68	903	4
TR905	Artvin	74	5.057	1	TR421	Kocaeli	1.898	141.597	165
TR321	Aydın	743	24.298	6	TR521	Konya	2.484	55.459	9
TR221	Balıkesir	927	31.229	9	TR333	Kütahya	397	23.411	4
TR813	Bartın	121	7.503		TRB11	Malatya	614	20.980	1
TRC32	Batman	152	4.880		TR331	Manisa	1.350	78.917	19
TRA13	Bayburt	21	675		TRC31	Mardin	226	4.583	
TR413	Bilecik	264	16.791	14	TR622	Mersin	1.163	29.473	2
TRB13	Bingöl	81	1.232		TR323	Muğla	575	13.054	9
TRB23	Bitlis	49	887		TRB22	Muş	86	2.454	
TR424	Bolu	287	16.032	9	TR714	Nevşehir	232	7.803	4
TR613	Burdur	401	9.287	3	TR713	Niğde	174	6.703	
TR411	Bursa	4.557	212.161	136	TR902	Ordu	250	10.060	3
TR222	Çanakkale	357	12.730	5	TR633	Osmaniye	241	10.211	
TR822	Çankırı	130	7.334	4	TR904	Rize	260	15.531	2
TR833	Çorum	469	16.053		TR422	Sakarya	748	42.383	22
TR322	Denizli	1.391	60.705	11	TR831	Samsun	610	17.490	3
TRC22	Diyarbakır	440	12.790		TRC34	Siirt	55	1.710	
TR423	Düzce	362	25.313	13	TR823	Sinop	139	4.922	
TR212	Edirne	283	13.377	3	TR722	Sivas	354	11.288	5
TRB12	Elazığ	322	7.940		TRC21	Şanlıurfa	565	11.564	3
TRA12	Erzincan	112	2.957	2	TRC33	Şırnak	70	1.723	
TRA11	Erzurum	173	5.253	3	TR211	Tekirdağ	1.315	110.666	79
TR412	Eskişehir	777	44.753	17	TR832	Tokat	257	8.017	3
TRC11	Gaziantep	2.009	75.038	1	TR901	Trabzon	448	12.527	4
TR903	Giresun	143	5.627	1	TRB11	Tunceli	45	832	
TR906	Gümüşhane	98	2.033		TR334	Uşak	562	17.827	7
TRB24	Hakkari	68	1.384		TRB21	Van	195	4.978	
TR631	Hatay	668	29.137	17	TR425	Yalova	181	6.041	2
TRA23	Iğdır	43	615	1	TR723	Yozgat	167	5.757	
TR612	Isparta	308	8.304	2	TR811	Zonguldak	345	32.460	1
TR100	İstanbul	16.341	481.575	118					
TR310	İzmir	4.122	167.978	170					
TR632	Kahramanmaraş	671	35.510	3	Toplam		63.937	2.434.185	1.011

Source: Union of Chambers and Commodity Exchanges of Turkey.

Note: It is the information given in the capacity reports issued between 2010-2012 that were current as of the end of 2012.

Table 39. Industrial Capacity Report Numbers by Technology Groups

Technology Groups	Number of Capacity Reports		Difference (B-A)	Ratio within the Total	
	2011 (A)	(A) 2012		2011	2012
High technology	1.538	1.046	-492	2,6	1,6
Medium-high technology	12.129	13.919	1.790	20,2	20,7
Medium-low technology	17.913	20.451	2.538	29,8	30,4
Low technology	28.488	31.893	3.405	47,4	47,4
Total	60.068	67.309	7.241	100,0	100,0

Source: Union of Chambers and Commodity Exchanges of Turkey.

Note: 1. It is the number of the capacity reports issued between 2010-2012 that were current as of the end of 2012.

2. As the number of enterprises may be more than one, the number of total capacity reports on a technology group basis may be different than that in the other tables.

1.2.2.3 Construction

The construction sector is a very important sector in the development of economy as it provides added value without consuming the own resources of a country, and allows to create high employment, and brings foreign exchange through foreign contracting services. While the state has always been the biggest employer of the construction sector, there has been an increase in the private sector construction investment in the recent years.

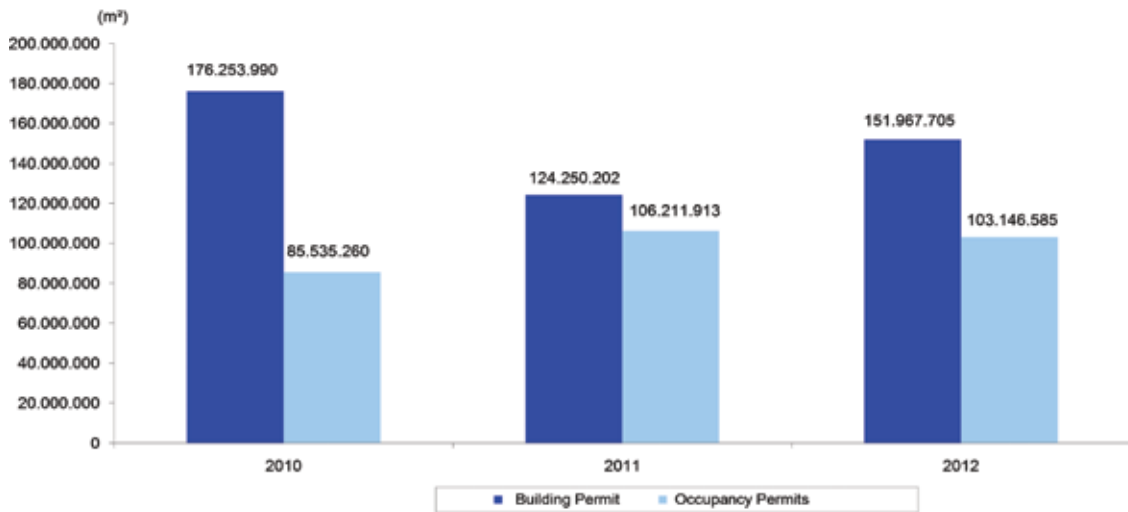
In the construction sector which is affected negatively from the global crisis and has suffered contraction since the third quarter of 2011, this trend appears to continue in line with the slowdown in economy in the first half of 2012. In the building permits which show the construction supply started in 2012, there appears an increase compared to 2011, but the number of building permits which shows the completed constructions decreased.

The building permits issued by the municipalities and showing the status of the planned constructions, whose number decreased in 2011, increased in by 22.3% in 2012 in terms of surface area, and rose from 124,250 thousand m² to 151,968 thousand m². Based on the purpose of use of the building for which building permits were issued, the highest rate of increase in 2012 in terms of surface area was seen in the construction of wholesale and retail buildings with 47.5%, followed by hotels, and similar buildings with 35.1%, office (workplace) buildings with 27.0%, and residential building with two or more flats with 20.1%. Among the buildings for which building permits were issued in 2012 residential buildings with two or more flats take the lead with 71.2% in terms of their share in the total building area. However, the ratio of the surface area of the residential buildings with two and more flats to the total building surface area started to decline constantly from 2010 to 2012, and decreased 5.0 points. Residential buildings with two and more flats were followed by wholesale and retail buildings with 5.7%, industrial buildings and depots with 4.5%, office (workplace) buildings with 4.1%, residential buildings with one flat with 2.7%, and hotels, and similar buildings with 2.4%. While the surface area of the residential buildings was 3.1 time the surface area of the other buildings in 2011, it declined to 2.8 times in 2012 (See, table 40, Graph 15).

Table 40. Building Construction Areas by Building Permits and Purpose of Use of Buildings

Purpose of Use of the Building	2010	2011	2012	Rate of Change			Ratio within the Total		
				2010	2011	2012	2010	2011	2012
Residential buildings with one flat	4.823.995	3.696.799	4.058.975	28,5	-23,4	9,8	2,7	3,0	2,7
Residential buildings with two and more flats	134.263.122	90.164.604	108.251.890	81,0	-32,8	20,1	76,2	72,6	71,2
Hotels and similar buildings	2.996.644	2.705.054	3.654.227	103,0	-9,7	35,1	1,7	2,2	2,4
Office (workplace) buildings	4.805.785	4.912.101	6.237.109	37,9	2,2	27,0	2,7	4,0	4,1
Wholesale and retail trading buildings	7.638.493	5.871.968	8.658.975	47,5	-23,1	47,5	4,3	4,7	5,7
Industrial buildings and depots	7.386.044	6.011.773	6.846.680	67,1	-18,6	13,9	4,2	4,8	4,5
Others	14.339.907	10.887.903	14.259.849	73,7	-24,1	31,0	8,1	8,8	9,4
Total	176.253.990	124.250.202	151.967.705	75,0	-29,5	22,3	100,0	100,0	100,0

Source: TURKSTAT.



Source: TURKSTAT.

Graph 15. Construction Areas of the Buildings with Building Permits and Building Occupancy Permits by Years

One of the most important indicators of construction statistics is the occupancy permits which are issued by the relevant municipalities for buildings which have been previously licensed and completed. In 2012, the realizations in the building occupancy permits appear to exhibit a reverse trend. The total construction area of buildings for which occupancy permits have been issued by the municipalities in 2011 increased 24.2%, reaching 106,212 thousand m2, whereas such area decreased 103.147 thousand m2, falling 2.9% in 2012.

In terms of purposes of use of buildings for which occupancy permits were issued in 2012, there occurred an increase of 10.0% in the construction area of industrial buildings and depots and an increase of 9.9% in the construction area of office (workplace) buildings, while there occurred a decline in the construction area of other building types. The highest rate of decrease was seen in the hotels and similar buildings with 19.5% in 2011, followed by residential buildings with one flat with 9.2%, wholesale and retail trade buildings with 7.2%, and residential buildings with two and more flats with 3.3%.

Table 41. Building Construction Areas by Occupancy Permits and Purpose of Use of Buildings

Purpose of Use of the Building	2010	2011	2012	(m ²)					
				Rate of Change			Ratio within the Total		
				2010	2011	2012	2010	2011	2012
Residential buildings with one flat	4.028.365	4.487.748	4.074.865	-8,6	11,4	-9,2	4,7	4,2	4,0
Residential buildings with two and more flats	59.120.782	76.092.049	73.545.294	5,5	28,7	-3,3	69,1	71,6	71,3
Hotels and similar buildings	1.677.598	2.650.387	2.134.662	-23,8	58,0	-19,5	2,0	2,5	2,1
Office (workplace) buildings	2.522.687	3.308.139	3.637.028	-4,9	31,1	9,9	2,9	3,1	3,5
Wholesale and retail trading buildings	6.448.365	7.125.975	6.614.771	-25,8	10,5	-7,2	7,5	6,7	6,4
Industrial buildings and depots	5.677.632	5.909.326	6.498.283	-4,7	4,1	10,0	6,6	5,6	6,3
Others	6.059.831	6.638.289	6.641.682	-58,6	9,5	0,1	7,1	6,3	6,4
Total	85.535.260	106.211.913	103.146.585	-9,6	24,2	-2,9	100,0	100,0	100,0

Source: TURKSTAT.

Among the buildings for which occupancy permits were issued in 2012 residential buildings with two or more flats take the lead in terms of their share in the total building area as was the case in the previous years. Residential buildings with two and more flats which enjoyed the highest share with 71.3% among the total occupancy permits in 2012 were followed by wholesale and retail buildings with 6.4%, industrial buildings and depots with 6.3%, residential buildings with one flat with 4.0%, and office (workplace) buildings with 3.5%, and hotels, and similar buildings with 2.1%.

House Sales Statistics

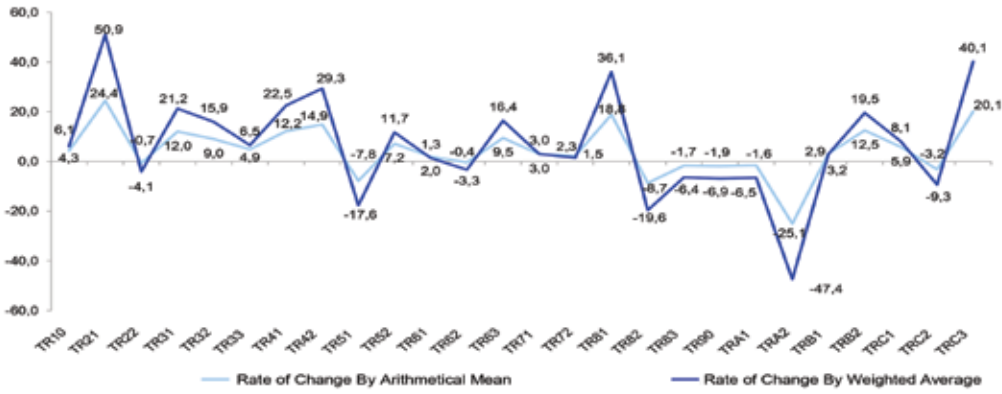
House sales in Turkey do not exhibit a regular trend, and shows a wavy path by years. When the 12 quarterly periods between 2010 and 2012 are considered, the highest sale of houses in Turkey took place in the IVth quarter of 2012. The pessimistic events that took place particularly in the US house (mortgage) market and the deepest economic crisis of the last decade which followed thereafter led the individuals in our country to purchase houses, not because they needed it, but as a means of investment. In 2010, the purchasing decisions were deferred due to the effects of the crisis, resulting in house sales to fall dramatically compared to the previous year. In 2011 and 2012, house sales in Turkey tended to increase annually although they varied periodically.

While there occurred 96,092 sales Turkey-wide in the first quarter of 2012, this figure climbed to 106,035, up 10.3 percent in the second quarter, but dropped to 103,543, down 2.4% in the third quarter, and increased to 125.815 with a significant rise of 21.5% in the last quarter. While the house sales increased 17.3% compared to the previous year in 2011, reaching 419,000, the figure rose by only 3.0%, reaching 431,485 in 2012 (See Table 42, Graph 16).

Table 42. Number of Houses Sold by Years and Quarters according to NUTS Level-2

Region Code	NUTS Level – 2	2010				2011				2012			
		I st Quarter	II nd Quarter	IV th Quarter	Total	I st Quarter	II nd Quarter	IV th Quarter	Total	I st Quarter	II nd Quarter	IV th Quarter	Total
TR10	İstanbul	18.994	21.485	16.320	77.721	18.768	22.343	18.494	83.854	20.778	23.040	19.422	87.484
TR21	Tekirdağ, Edirne, Kırklareli	760	1.061	1.030	4.110	1.016	1.468	1.456	5.661	1.366	1.672	1.897	7.043
TR22	Balkesir, Çanakkale	822	1.033	1.058	4.031	1.086	1.376	1.297	5.256	1.123	1.264	1.313	5.220
TR31	Izmir	5.038	5.014	4.567	19.922	5.028	6.063	5.231	22.864	5.684	6.185	5.483	25.612
TR32	Aydın, Denizli, Muğla	1.805	1.835	1.785	7.458	1.720	2.138	2.035	8.260	2.197	2.113	2.102	9.004
TR33	Manisa, Afyon, Kütahya, Uşak	1.745	1.858	1.843	7.664	1.905	2.225	2.408	9.109	1.927	2.178	2.559	9.556
TR41	Bursa, Eskişehir, Bleick	5.425	5.261	5.770	22.182	5.304	6.882	6.682	26.344	6.819	6.443	7.605	29.547
TR42	Kocaeli, Sakarya, Düzce, Bolu, Yalova	1.462	1.851	1.738	7.260	2.327	3.432	3.681	13.705	3.345	3.914	3.920	15.745
TR51	Ankara	16.348	15.814	13.867	62.006	15.705	18.026	16.720	69.207	14.306	15.976	15.138	63.803
TR52	Konya, Karaman	2.581	2.557	3.019	11.480	2.729	3.228	3.589	13.194	2.889	3.450	3.913	14.143
TR61	Antalya, Isparta, Burdur	5.583	5.882	5.229	22.426	5.896	6.499	5.951	26.035	6.423	6.801	5.904	26.543
TR62	Adana, Mersin	4.282	4.493	4.019	17.773	4.860	5.591	4.876	21.406	5.159	5.599	4.722	21.323
TR63	Hatay, K Maraş, Osmaniye	1.539	1.592	1.560	6.543	1.791	2.439	2.277	8.846	2.044	2.370	2.509	9.683
TR71	Kırıkkale, Aksearay, Niğde, Nevşehir, Kırşehir	1.830	1.810	2.357	8.235	1.904	2.173	2.721	9.510	1.979	2.079	2.892	9.793
TR72	Kayseri, Sivas, Yozgat	2.929	3.638	3.745	14.444	3.478	4.139	4.566	17.068	3.577	4.186	4.526	17.455
TR81	Zonguldak, Karabük, Bartın	401	480	459	1.936	521	689	686	2.558	600	824	665	951
TR82	Kastamonu, Çankırı, Sinop	572	576	533	2.294	555	699	711	2.701	451	544	688	784
TR83	Samsun, Tokat, Çorum, Amasya	3.005	2.782	3.241	12.171	3.440	3.619	3.871	15.112	3.241	3.298	3.952	4.369
TR90	Trabzon, Ordu, Giresun, Rize, Artvin, Gümüşhane	1.886	1.913	1.927	8.178	2.114	2.334	2.257	9.274	1.918	2.204	2.269	7.711
TRA1	Erzurum, Erzincan, Bayburt	431	505	546	2.173	517	781	721	2.962	488	638	723	1.067
TRA2	Ağrı, Kars, Iğdır, Ardahan	201	226	285	1.111	772	453	424	2.175	309	360	413	548
TRB1	Malatya, Elazığ, Bingöl, Tunceli	2.343	2.548	2.742	10.887	2.603	2.830	3.326	12.343	2.444	3.112	3.307	12.734
TRB2	Van, Muş, Bitlis, Hakkarı	310	310	335	1.334	374	472	460	395	242	491	496	684
TRC1	Gaziantep, Adıyaman, Kilis	2.708	2.546	2.846	11.103	3.088	3.309	3.517	13.794	3.062	3.397	3.534	14.603
TRC2	Şanlıurfa, Diyarbakır	2.341	2.635	2.238	10.452	3.000	3.335	3.036	12.976	2.965	3.044	2.723	12.561
TRC3	Mardin, Batman, Şırnak, Siirt	516	565	638	2.447	570	765	761	3.085	766	853	868	1.228
TR	Türkiye	85.857	90.270	83.697	357.341	91.071	107.308	101.754	419.000	96.092	106.035	103.543	125.815

Source: TURKSTAT.



Source: TURKSTAT.

Graph 16. Rate of Change of House Sales according to Arithmetical and Weighted Averages in 2012 as per NUTS Level - 2.

Although the number of house sales in the first three quarters of 2012 approximated to that in the same period of the previous year, it demonstrated a significant increase in the fourth quarter, compared to the same quarter of the previous year. The house sales in 2012 increased 5.5% in the first quarter, decreased 1.2% in the second quarter, increased 1.8% in the third quarter, and increased 5.8% in the last quarter, compared to the same quarters of the previous year.

When the number of house sales for the 12 quarters between 2010 and 2012 are analyzed according to NUTS Level - 2, it is seen that Istanbul region which accommodates the highest population in Turkey saw the highest number of house sales in all quarterly periods. Particularly, the difference between Istanbul region and the Ankara region which is ranked the second seems to have grown considerably in the first two quarters of 2012, and the spread of the difference narrowed in the third quarter, and the spread widened in the last quarter.

When the total house sales in 2012 are analyzed, Istanbul region was ranked the first with 87,484 houses, followed by Ankara with 63,803 houses, Bursa, Eskişehir and Bilecik with 29,547 houses, and İzmir with 25,612 houses. Regions which saw the lowest number of house sales are Ağrı, Kars, Iğdır, Ardahan region with 1,630 houses, Van, Muş, Bitlis, Hakkari region with 1,913 houses, Kastamonu, Çankırı and Sinop region with 2,467 houses, and Erzurum, Erzincan and Bayburt region with 2,916 houses. In 2012, the highest rates of increase in house sales compared to the previous year were seen in Tekirdağ, Edirne and Kırklareli with 24.4%, Mardin, Batman, Şırnak and Siirt Region with 20.1%, and Zonguldak, Karabük, and Bartın region with 18.8%. The regions where house sales declined most compared to the previous year are Ağrı, Kars, Iğdır, Ardahan region with 25.1%, Kastamonu, Çankırı, Sinop region with 8.7%, and Ankara region with 7.8%.

The lowest number of house sales in the 8 quarters of the 12 quarterly period was seen in Ağrı, Kars, Iğdır, Ardahan region, and in Van, Muş, Bitlik, Hakkari Region in the remaining 4 quarters (See Table 43).

Table 43. Regions with Maximum and Minimum House Sales by Years and Quarters as per NUTS Level-2

Yıllar	Quarters	Name of the Region with the Highest Number of House Sales	Name of the Region with the Lowest Number of Hose Sales
2010	I st Quarter	İstanbul	Ağrı, Kars, Iğdır, Ardahan
	II nd Quarter	İstanbul	Ağrı, Kars, Iğdır, Ardahan
	III rd Quarter	İstanbul	Ağrı, Kars, Iğdır, Ardahan
	IV th Quarter	İstanbul	Van, Muş, Bitlis, Hakkari
2011	I st Quarter	İstanbul	Van, Muş, Bitlis, Hakkari
	II nd Quarter	İstanbul	Ağrı, Kars, Iğdır, Ardahan
	III rd Quarter	İstanbul	Ağrı, Kars, Iğdır, Ardahan
	IV th Quarter	İstanbul	Van, Muş, Bitlis, Hakkari
2012	I st Quarter	İstanbul	Van, Muş, Bitlis, Hakkari
	II nd Quarter	İstanbul	Ağrı, Kars, Iğdır, Ardahan
	III rd Quarter	İstanbul	Ağrı, Kars, Iğdır, Ardahan
	IV th Quarter	İstanbul	Ağrı, Kars, Iğdır, Ardahan

Source: TURKSTAT.

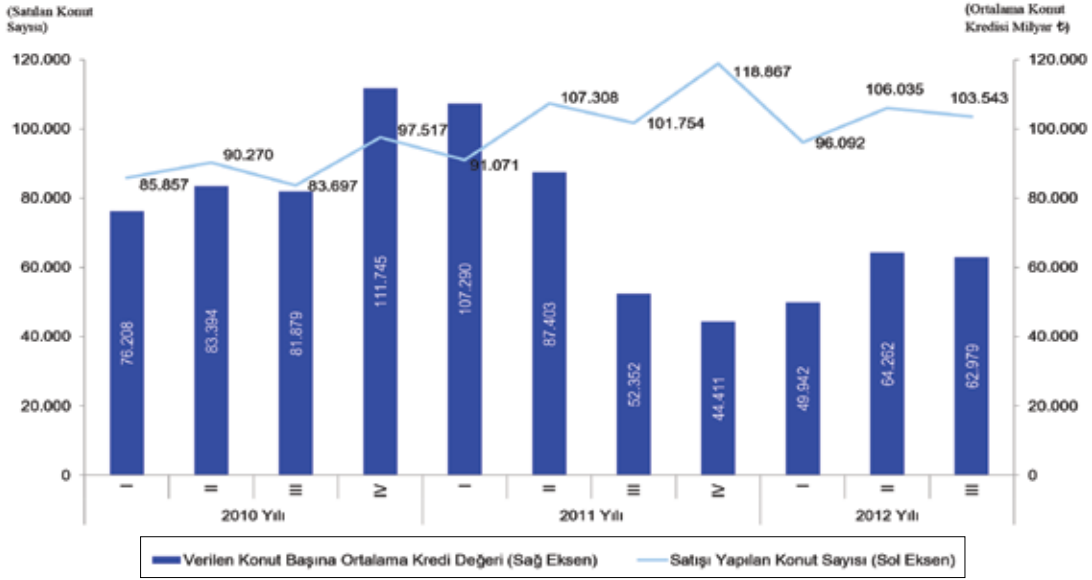
The total value of the home loans disbursed Turkey-wide, which was ₺ 4,799 million in the first quarter of 2012 increased 42.% in the second quarter compared to the previous year, reaching ₺ 6,814 million, but decreased 4.3% in the third quarter, falling to ₺ 6,521 million (See, Table 44, Graph 17).

Table 44. Number of Houses Sold in Turkey and Home Loans offered by Banks on a Quarterly Basis

Years	Quarters	Number of Houses Sold	Value of Total Home Loans Disbursed (000 000 ₺)	Rate of Change of the Total Home Loan Value versus the Previous Period	Number of Individuals Using Home Loans	Average Home Loan Value per Individual (₺)	Average Home Loan Value per House (₺)
2010	I st Quarter	85.857		-25,5	95.608	68.436	76.208
	II nd Quarter	90.270	7.528	15,1	108.017	69.693	83.394
	III rd Quarter	83.697	6.853	-9,0	97.443	70.328	81.879
	IV th Quarter	97.517	10.897	59,0	151.409	71.971	111.745
2011	I st Quarter	91.071	9.771	-10,3	135.164	72.290	107.290
	II nd Quarter	107.308	9.379	-4,0	124.631	75.254	87.403
	III rd Quarter	101.754	5.327	-43,2	75.063	70.967	52.352
	IV th Quarter	118.867	5.279	-0,9	79.175	66.675	44.411
2012	I st Quarter	96.092	4.799	-9,1	66.589	72.069	49.942
	II nd Quarter	106.035	6.814	42,0	87.843	77.570	64.262
	III rd Quarter	103.543	6.521	-4,3	85.355	76.399	62.979
	IV th Quarter						

Source: TURKSTAT, The Banks Association of Turkey.

Note: Because 2012 4Q data were not announced by the Banks Association of Turkey At the date of issuance of the report, 2012 4Q data could not be provided.



Source: TURKSTAT, The Banks Association of Turkey.

Graph 17. Number of Houses sold and Average Loan Value per House by Years and Quarters

It is noteworthy that number of house sales and home loans disbursed by the banks exhibited a parallel variation. Home loans disbursed by banks decreased 9.1% in the first quarter of 2012 compared to the same quarter of the previous year, reaching " 4,799 million, and increased 42.0% in the second quarter, reaching " 6,814 million, and declined to " 6,521 million with a 4.3% drop in the third quarter.

As a natural result of this process, the number of individuals benefiting from home loans decreased 15.9% in the first quarter, increased 31.9% in the second quarter, decreased 2.8% in the third quarter, falling from 87,843 to 85,355. According to the data given by the Banks Association, home loans per individual in the third quarter of 2012 decreased 1.5% compared to the previous quarter, and declined from "77,570 to " 76,399. Average loan value per house in the third quarter of 2012 decreased 2.0% compared to the previous quarter, and declined from "64,262 to " 62,979.

1.2.2.4 Energy

The added value of the energy sector increased 8.4%, 6.0%, 4.6%, and decreased 2.5% in the first, second, third and fourth quarters of 2012, respectively, compared to the same quarters of the 2011. In 2012 the added value of the energy industry increased 3.5% compared to the previous year.

The average energy sector production index which increased 8.6% in 2011 saw an increase of 4.7% in 2012 despite a drop of 3.9 points (See Table 45)

Table 45. Energy Sector Production Index

(2005=100)		
Years	Production Index	Rate of Change
2010	129,8	8,3
2011	141,0	8,6
2012	147,6	4,7

Source: TURKSTAT.

The electric energy production continued its increasing trend in 2012, and grew by 6.8% compared to 2011, and rose from 229,395 GWh to 245,000 GWh. When the distribution of the electrical energy generation by resources is analyzed in terms of year 2012 estimates, 44.7% of the generation is expected from natural gas thermal power plants, 24.9% from hydraulic power plants, 14.3% from lignite thermal power plants, 11.8% from hard coal thermal power plants, 2.6% from geothermal-wind power plants, 1.5% from fuel thermal power plants, and 2.0% from biogas-waste and other thermal power plants (See Table 46, Graph 18).

Table 46. Distribution of Electrical Energy Generation by Energy Resources

	(GWh)																	
Years	Thermal												Hydraulic		Geothermal -Wind		Grand Total	
	Hard Coal		Lignite		Liquid Fuel		Natural Gas		Biogas – Waste and Other		Total Thermal							
	Quantity	Ratio within the Total	Quantity	Ratio within the Total	Quantity	Ratio within the Total	Quantity	Ratio within the Total	Quantity	Ratio within the Total	Quantity	Ratio within the Total	Quantity	Ratio within the Total	Quantity	Ratio within the Total	Quantity	Ratio within the Total
2010	19.104	9,0	35.942	17,0	2.180	1,0	98.144	46,5	458	0,2	155.828	73,8	51.796	24,5	3.584	1,7	211.208	100,0
2011	27.348	11,9	38.870	16,9	903	0,4	104.048	45,4	469	0,2	171.638	74,8	52.339	22,8	5.418	2,4	229.395	100,0
2012 ⁽¹⁾	29.000	11,8	35.000	14,3	3.700	1,5	109.500	44,7	500	0,2	177.700	72,5	61.000	24,9	6.300	2,6	245.000	100,0

Source: Ministry of Development

(1): Realization estimate

In 2012, total electrical energy consumption is estimated to be 246,500 GWh. Consumption per capita raised from 3,144 KWh to 3,292 KWh up 5.7%. While 2,900 GWh electrical energy was exported in 2012, 4,400 GWh electricity was imported (See Table 47).

In 2012, hydraulic electrical energy installed power increased 14.6% compared to the previous year, reaching 21,627 MW, whereas thermal electrical energy installed power increased 2.5%, reaching 34,901 MW. In 2012, the share of thermal power and hydraulic power generation within the total electrical energy generation were 72.8% and 27.2%, respectively.

Table 47. Developments in Electrical Energy Generation and Consumption

Years	Electrical Energy Installed Power (MW)				Total Amount	Production (GWh)				Total Amount	Import	Export	Amount Consumed (GWh)	Consumption Per Capita (KWh)
	Termik ⁽²⁾		Hidrolik ⁽³⁾			Termik ⁽²⁾		Hidrolik ⁽³⁾						
	Quantity	Ratio within the Total	Quantity	Ratio within the Total		Quantity	Ratio within the Total	Quantity	Ratio within the Total					
2010	32.373	65,4	17.151	34,6	49.524	156.496	74,1	54.712	25,9	211.208	1.144	1.918	210.434	2.883
2011	34.045	64,3	18.866	35,7	52.911	172.332	75,1	57.063	24,9	229.395	4.556	3.645	230.306	3.114
2012 ⁽¹⁾	34.901	61,7	21.627	38,3	56.528	178.300	72,8	66.700	27,2	245.000	4.400	2.900	246.500	3.292

Source: Ministry of Development

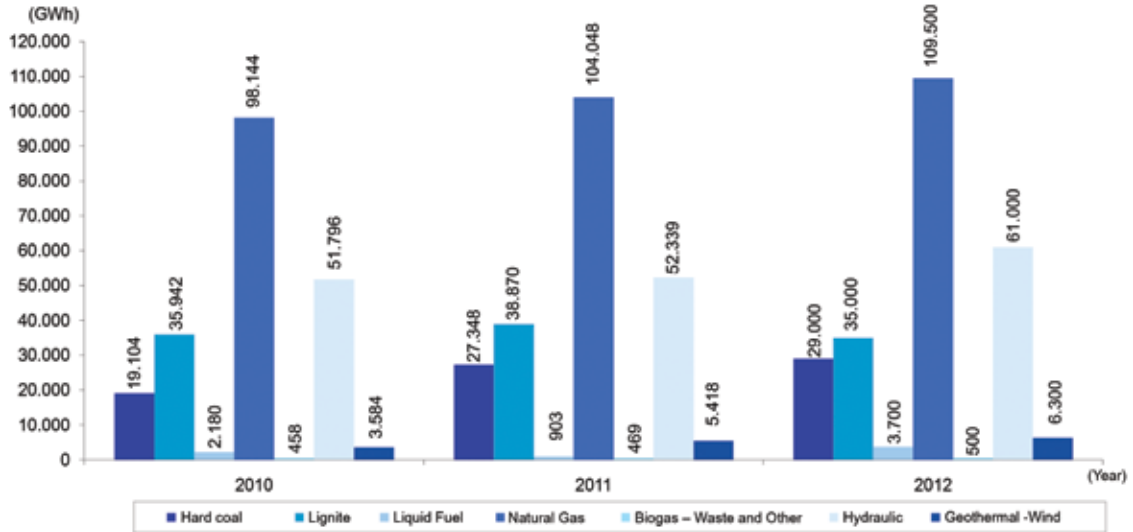
(1): Realization estimate

(2): Geothermal included.

(3): Wind included.

In 2012 a decline of 20.4 and 3.4% was seen in electrical energy import and export, respectively.

In line with the growth in economy, the demand for energy, which is one of the most important inputs of economy, and particularly of industry, is constantly rising. Because the energy requirement of our country is highly dependent on imported natural gas and is included among the first 10 countries in terms of import of natural gas, there exists a risk in the security of energy supply.



Source: Ministry of Development.

Graph 18. Distribution of Electrical Energy Generation by Years on an Energy Resource Basis

1.2.3 Services

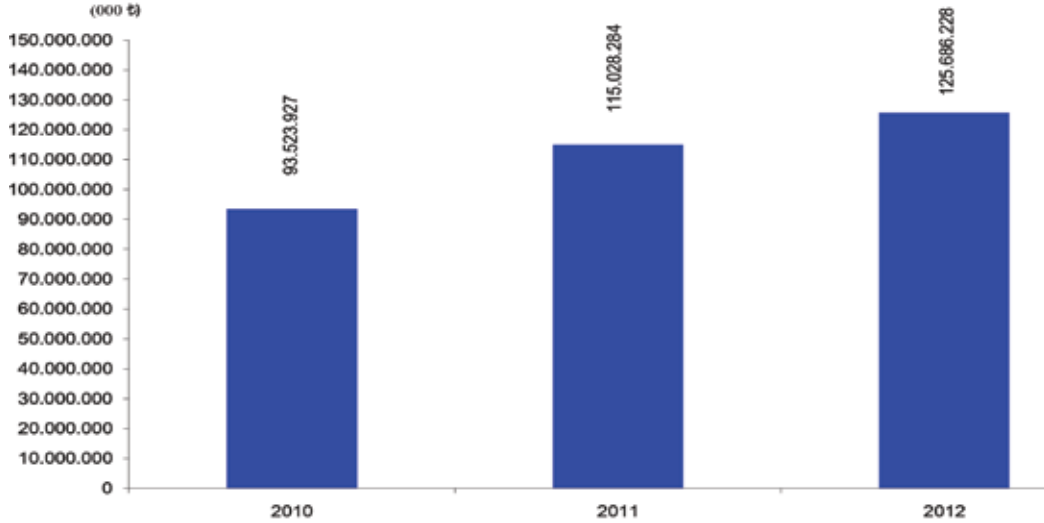
1.2.3.1 Commodity Exchanges and Companies

While the volume of transactions of the commodity exchanges increased 22.4% in 2010 and 23.0% with a 0.6 points increase in 2011, it dramatically lost speed in 2012, and increased 9.3%, dropping 13.7 points. In 2012, the volume of transactions of the commodity exchanges climbed from 115,028 million to 125,686 million. In real terms, the volume of commodity exchanges which increased 11.4% in 2011 only increased 2.9% in 2012 (See Table 48, Graph 19).

Table 48. Volume of Transactions of the Commodity Exchanges

Years	Volume of Transactions		CPI (2003=100) Annual Rate of Change	Volume of Transactions Real Rate of Change
	(000 ₺)	Rate of Change		
2010	93.523.927	22,4	6,4	15,1
2011	115.028.284	23,0	10,5	11,4
2012	125.686.228	9,3	6,2	2,9

Source: Union of Chambers and Commodity Exchanges of Turkey



Source: Union of Chambers and Commodity Exchanges of Turkey

Graph 19. Volume of Transactions of the Commodity Exchanges by Years

In terms of selected commodity exchanges, Istanbul Commodity Exchange continued to take the lead in the volume of transactions in 2012 as in the previous years, and was ranked in the first place with 14,092 million, rising by 32.2% compared to the previous year. Istanbul Commodity Exchange was followed by the commodity exchange of Izmir with 6,901 million, Adana with 5,474 million, Şanlıurfa with 5,197 million. The share of Istanbul Commodity Exchange, Izmir Commodity Exchange, Adana Commodity Exchange, and Şanlıurfa Commodity Exchange within the total volume of transactions of the commodity exchanges in 2012 were 11.2%, 5.5%, 4.4% and 4.1%, respectively. The commodity exchanges that demonstrated the highest rate of increase in 2012 in terms of volume of transactions were Kahramanmaraş with 83.5%, Kızıltepe with 58.9%, Adana with 44.4% and Diyarbakır with 39.3%. In 2012, the volume of transactions slid by 15.6% in Ordu Commodity Exchange, 8.4% in Samsun Commodity Exchange, 4.8% in Gaziantep Commodity Exchange (See Table 49).

Table 49. Commodity Exchange Volumes of Transactions for Selected Provinces and Counties

Selected Provinces and Counties ⁽¹⁾	Rank No	Volume of Transactions (000 ₺)			Ratio within the Total			Rate of Change		
		2010	2011	2012	2010	2011	2012	2010	2011	2012
İstanbul	1	9.937.955	10.661.294	14.092.471	10,6	9,3	11,2	16,0	7,3	32,2
İzmir	2	5.108.855	6.461.610	6.901.108	5,5	5,6	5,5	31,3	26,5	6,8
Adana	3	3.038.057	3.790.659	5.474.302	3,2	3,3	4,4	10,1	24,8	44,4
Şanlıurfa	4	3.394.616	4.190.381	5.196.872	3,6	3,6	4,1	34,0	23,4	24,0
Konya	5	3.630.674	4.718.379	5.188.036	3,9	4,1	4,1	18,1	30,0	10,0
Gaziantep	6	3.616.480	5.361.464	5.104.168	3,9	4,7	4,1	46,1	48,3	-4,8
Sakarya	7	2.875.563	3.169.189	3.816.841	3,1	2,8	3,0	52,0	10,2	20,4
Ankara	8	2.692.349	3.124.291	3.150.973	2,9	2,7	2,5	36,8	16,0	0,9
Bandırma	9	1.558.051	2.397.961	2.882.893	1,7	2,1	2,3	37,1	53,9	20,2
Mersin	10	2.491.871	2.757.807	2.805.832	2,7	2,4	2,2	23,1	10,7	1,7
Tekirdağ	11	1.438.712	1.989.736	2.605.916	1,5	1,7	2,1	14,1	38,3	31,0
Diyarbakır	12	1.678.042	1.633.613	2.275.389	1,8	1,4	1,8	17,2	-2,6	39,3
Düzce	13	1.326.409	1.822.519	2.209.490	1,4	1,6	1,8	6,3	37,4	21,2
Afyonkarahisar	14	1.558.119	1.948.566	2.104.973	1,7	1,7	1,7	19,8	25,1	8,0
Balıkesir	15	1.506.531	1.630.508	1.849.795	1,6	1,4	1,5	9,8	8,2	13,4
Kızıltepe	16	1.070.067	1.095.850	1.741.075	1,1	1,0	1,4	-9,3	2,4	58,9
Samsun	17	1.347.102	1.894.873	1.734.758	1,4	1,6	1,4	34,1	40,7	-8,4
Kahramanmaraş	18	824.274	943.039	1.730.648	0,9	0,8	1,4	35,8	14,4	83,5
Manisa	19	939.841	1.315.844	1.619.582	1,0	1,1	1,3	5,4	40,0	23,1
Ordu	20	1.364.939	1.898.532	1.603.140	1,5	1,7	1,3	20,4	39,1	-15,6
Total ⁽²⁾		93.523.927	115.028.284	125.686.228	100,0	100,0	100,0	22,4	23,0	9,3

Source: Union of Chambers and Commodity Exchanges of Turkey.

(1): Provinces and counties listed in the first 20 according to the volume of transactions of the commodity exchange in 2012

(2): Total volume of transactions in all commodity exchanges for the relevant year

Statistics of Companies Established, Closed Down

In 2012, a sum of 106,341 companies were established including 4,057 joint stock companies, 34,765 limited liability companies, 56 unlimited companies, 8 limited partnerships and 67,455 sole proprietorships. The number of companies established increased 6.6% in 2012 compared to 2011. Limited partnerships were the type of company which enjoyed the highest rate of increase with 7000.0% in terms of the number of companies established in 2012 compared to the previous year, whereas the number of limited companies decreased 31.1%. In 2012, a sum of 46,122 companies were closed down including 1,626 joint stock companies, 12,439 limited liability companies, 132 unlimited companies, 6 limited partnerships and 31,919 sole proprietorships. Joint stock companies were the type of company which suffered the highest rate of closure with 16.2% in 2012 compared to the previous year, whereas the number of limited partnerships closed down decreased 40.0%. In 2012, 877 new cooperative societies were established, while 1,899 cooperative societies closed down (See Table 50).

Table 50. Number of Companies and Cooperative Societies Established, Closed Down, Increased Capital, and Liquidated

Type of Company	Status	2010	2011	2012	Rate of Change		
					2010	2011	2012
Joint stock company	Established	2.808	2.931	4.057	23,2	4,4	38,4
	Increased Capital	8.556	5.499	5.828	32,3	-35,7	6,0
	Liquidated	1.091	1.352	1.397	-6,1	23,9	3,3
	Closed Down	1.276	1.399	1.626	4,9	9,6	16,2
Limited liability company	Established	47.606	50.448	34.765	16,3	6,0	-31,1
	Increased Capital	40.171	20.931	26.676	67,2	-47,9	27,4
	Liquidated	12.011	15.381	15.107	-2,0	28,1	-1,8
	Closed Down	9.976	11.549	12.439	10,6	15,8	7,7
Unlimited company	Established	10	25	56	-9,1	150,0	124,0
	Liquidated	43	42	54	2,4	-2,3	28,6
	Closed Down	147	147	132	-7,5	0,0	-10,2
Limited partnership	Established	1	1	8	-50,0	0,0	700,0
	Liquidated	0	1	6			500,0
	Closed Down	8	10	6	-27,3	25,0	-40,0
Sole proprietorship	Established	50.861	60.427	67.455	15,1	18,8	11,6
	Closed Down	29.864	41.129	31.919	-7,2	37,7	-22,4
Total companies	Established	101.286	113.832	106.341	15,9	12,4	-6,6
	Closed Down	41.270	54.234	46.122	-3,1	31,4	-15,0
Total cooperative societies	Established	1.550	1.033	877	34,2	-33,4	-15,1
	Liquidated	2.285	2.183	1.904	-6,5	-4,5	-12,8
	Closed Down	2.055	1.897	1.899	11,6	-7,7	0,1

Source: Union of Chambers and Commodity Exchanges of Turkey.

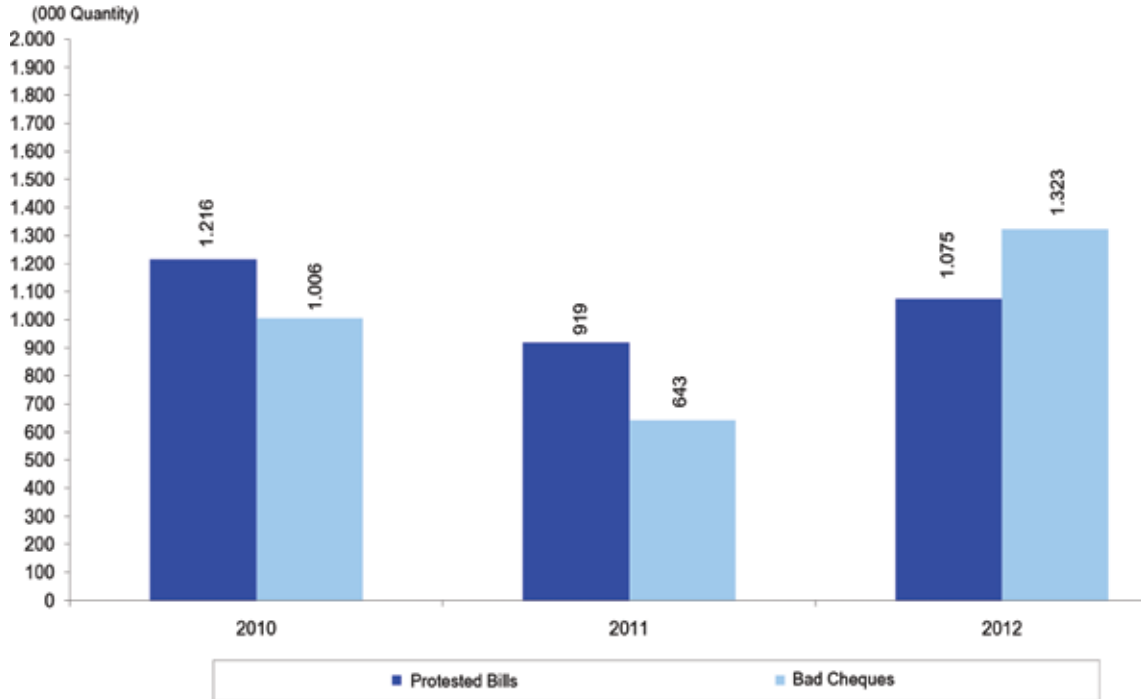
In 2012, the total number of companies established increased 6.6%, whereas the number of total companies closed down decreased 15.0%.

The number of protested bills and bad cheques which increased in 2009 driven by the crisis took a downward trend in 2010 and 2011, but took an increasing tendency in 2012. The number of protested cheques decreased 16.9% in 2012 compared to the previous year and spiked from 919 thousand to 1,075 thousand. The amount of protested bills increased 41.8% in 2012, reaching 6,949 million. The number of bad cheques which decreased 36.1% in 2011 demonstrated a dramatic rise as high as 105.8% in 2012, and jumped from 643 thousand to 1,323 thousand. The increase seen in the number of protested bills and bad cheques in 2012 was affected by the new regulations in the Cheque Law enacted on 31/01/2012 in addition to the effect of the cooling seen after the rapid growth seen after the crisis in economy (See Table 51, Graph 20).

Table 51. Protested Bills and Bad Cheques by Years

Years	Protested Bills				Bad Cheques	
	Quantity (000)	Rate of Change	Amount (000 ₺)	Rate of Change	Quantity (000)	Rate of Change
2010	1.216	-24,0	5.768.823	-25,8	1.006	-49,5
2011	919	-24,4	4.902.275	-15,0	643	-36,1
2012	1.075	16,9	6.949.204	41,8	1.323	105,8

Source: Central Bank of Republic of Turkey



Source: Central Bank of Republic of Turkey.

Graph 20. Protested Bills and Bad Cheques by Years

1.2.3.2 Tourism

The prevailing political crisis in Syria and the economic crisis in the Eurozone as well as the discounts made by the tourism operators in Spain and Italy, particularly in Greece, had all negative effects on the tourism of our country. In 2012, compared to the previous year, the number of foreign visitors departing from Turkey increased 1.7% and rose from 36,151 to 36,377 and the number of citizen arriving decreased 7.6% and slid from 6,282 to 5,803. It is necessary to think beyond the perception of sea, sand and sun which are first recalled in Turkey when tourism is concerned, and to think of alternative types of tourism for the development of the tourism sector (See Table 52).

Table 52. Number of Visitors Departing and Citizens Arriving by Years

Years	Departing Visitors	Rate of Change	(People 000)	
			Arriving Citizens	Rate of Change
2010	33.028	3,2	Citizens	17,9
2011	36.151	9,5	6.282	-4,2
2012	36.777	1,7	5.803	-7,6

Source: Central Bank of Republic of Turkey.

In the ranking of foreign visitors departing in 2012 based on their nationalities, the last five countries are Switzerland with 355 thousand, Romania with 387 thousand, Denmark with 391 thousand, Norway with 408 thousand and Poland with 432 thousand (See Table 53).

Table 53. Number of Foreign Visitors Departing Turkey by Nationality

Nationality ⁽¹⁾	Rank No.			2010	2011	2012	(People 000)		
	2011 (A)	2012 (B)	Difference (B-A)				Rate of Change		
							2010	2011	2012
CIS	1	1	0	6.015	6.629	7.193	9,1	10,2	8,5
Germany	2	2	0	4.370	4.815	5.026	-2,5	10,2	4,4
UK	3	3	0	2.681	2.593	2.470	9,6	-3,3	-4,7
Bulgaria	5	4	-1	1.449	1.488	1.498	-10,8	2,7	0,7
Netherlands	6	5	-1	1.088	1.230	1.288	-6,0	13,0	4,7
Iran	4	6	2	1.871	1.864	1.184	36,6	-0,4	-36,5
France	7	7	0	923	1.132	1.029	-1,3	22,7	-9,1
USA	9	8	-1	647	762	778	-4,2	17,7	2,1
Italy	10	9	-1	665	749	710	5,7	12,6	-5,2
Greece	11	10	-1	661	697	667	8,8	5,5	-4,4
Syria	8	11	3	891	966	646	77,9	8,4	-33,1
Sweden	13	12	-1	447	574	620	9,6	28,4	7,9
Belgium	12	13	1	545	595	613	-8,1	9,2	3,0
Iraq	19	14	-5	268	356	522	-5,6	32,9	46,4
Austria	14	15	1	498	531	504	-7,4	6,6	-5,0
Poland	15	16	1	428	488	432	2,1	14,0	-11,3
Norway	17	17	0	299	376	408	13,3	25,7	8,3
Denmark	18	18	0	314	372	391	6,2	18,5	5,1
Romania	16	19	3	357	390	387	-3,6	9,5	-0,8
Switzerland	20	20	0	273	329	355	-5,5	20,9	7,8

KSource: Central Bank of Republic of Turkey.

(1): These are the countries included in the first 20 according to 2012.

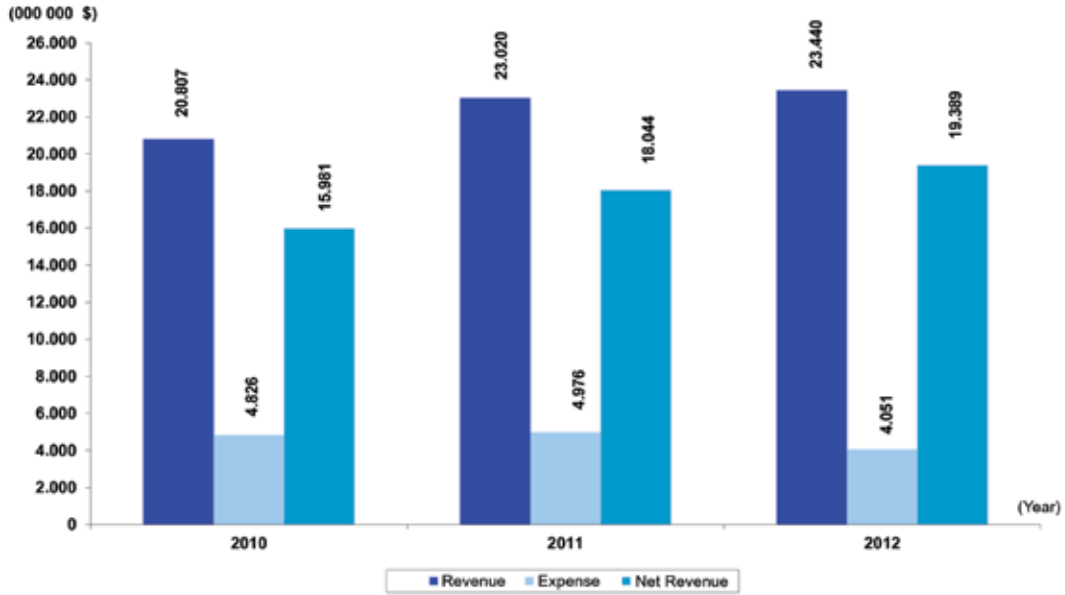
Tourism revenues which increased 10.6% in 2011 increased only 1.8% in 2012, and reached US\$ 23,440. Tourism expenses which increased 3.1% and reached US\$ 4.976 million in 2011 decreased 18.6% in 2012, and regressed to US\$ 4,051. Net tourism revenues also increased 7.5% in 2012 and rose from US\$ 18,044 million 044 to US\$ 19,389 million (See Table 54, Graph 21).

Table 54. Balance of Tourism Revenues-Expenditures and Average Expenditures by Years

Years	Revenue (000 000 \$)	Expenditure (000 000 \$)	Net Revenues (000 000 \$)	Average Expenditure Per Foreign Visitor Departing (US\$)	Average Expenditure Per Citizen (US\$)
2010	20.807	4.826	15.981	630	736
2011	23.020	4.976	18.044	637	792
2012	23.440	4.051	19.389	637	698

Source: Central Bank of Republic of Turkey, TURKSTAT

2012 yılında çıkış yapan ziyaretçi başına ortalama harcama bir önceki yıla göre değişmeyerek 637 \$ olarak gerçekleşmiştir. 2012 yılında vatandaş başına ortalama harcama bir önceki yıla göre %11,9 oranında azalış göstererek 792 \$'dan, 698 \$'a gerilemiştir.



Source: Central Bank of Republic of Turkey, TURKSTAT.

Graph 21. Tourism Revenues and Expenses by Years

1.2.3.3 Transportation

In 2012, compared to the past year, a 5.8% increase was realized in domestic passenger transports, and a 10.0% increase in passenger transports abroad, a 6.1% increase in domestic cargo transports, and a 8.7% increase was realized in cargo transports abroad (excluding the natural gas transports made through imports by the BOTAŞ with the pipeline) (See Table 49).

For years in Turkey highways have been continued to be predominant in the transports of domestic passengers and cargo, airways in the passenger transports abroad and seaways in the cargo transports, and this also continued in 2012. Despite the fact that the transport demand gradually increases, the shortage of suitable physical infrastructure for railroads and the shortage of big port infrastructures for seaways have caused the highways to bear most of the cargo and passenger transports in 2012 as was the case in the past years.

In 2011, 94.8% of the domestic passenger transports were made by highways, 1.7% by railroads and 3.3% by airways and all of the passenger transports abroad were made by airways.

In 2012 of the domestic cargo transports a 87.5% share were made by highways, 4.2% share were made by railroads, a 7.3% were made by seaways, and 7.0% share were the transports made with the pipeline. Of the cargo transports abroad, a 94.9% share was made by seaways, 1.0% by railroads, and 5.1% were made with the pipeline.

Table 55. Transportation Statistics

Transport Methods	Passenger Transport								
	(000 000 passengers-Km)			Rate of Change			Ratio within the Total		
	2010	2011	2012 ⁽¹⁾	2010	2011	2012	2010	2011	2012
Domestic									
Highways ⁽²⁾	226.913	242.265	255.590	6,8	6,8	5,5	95,2	95,1	94,8
Railroads	3.493	3.922	4.600	0,7	12,3	17,3	1,5	1,5	1,7
Airways ⁽³⁾	8.007	8.584	9.440	17,4	7,2	10,0	3,4	3,4	3,5
Total	238.413	254.771	269.630	7,0	6,9	5,8	100,0	100,0	100,0
Abroad									
Airways ⁽³⁾	39.943	50.349	55.373	19,9	26,1	10,0	100,0	100,0	100,0
Total	39.943	50.349	55.373	19,9	26,1	10,0	100,0	100,0	100,0
Transport Methods	Cargo Transport								
	(000 000 Tons-Km)			Rate of Change			Ratio within the Total		
	2010	2011	2012 ⁽¹⁾	2010	2011	2012	2010	2011	2012
Domestic									
Highways ⁽²⁾	190.365	203.072	215.256	7,9	6,7	6,0	88,1	87,6	87,5
Railroads	10.282	10.311	10.900	10,5	0,3	5,7	4,8	4,4	4,4
Seaways ⁽⁴⁾	12.583	15.978	18.055	10,3	27,0	13,0	5,8	6,9	7,3
Pipelines									
Crude Oil ⁽⁵⁾	2.743	2.520	1.766	0,0	-8,1	-29,9	1,3	1,1	0,7
Total	215.973	231.881	245.977	8,0	7,4	6,1	100,0	100,0	100,0
Abroad									
Railroads	1.018	992	780	19,1	-2,6	-21,4	0,1	0,1	0,1
Seaways ⁽⁶⁾	936.200	977.400	1.065.000	13,0	4,4	9,0	94,3	94,7	94,9
Pipelines									
Crude Oil (Transit) ⁽⁵⁾	56.038	54.242	57.028	0,0	-3,2	5,1	5,6	5,3	5,1
Total	993.256	1.032.634	1.122.808	12,2	4,0	8,7	100,0	100,0	100,0
Natural Gas (Million Sm ⁷) ⁽³⁾	38.856	38.037	41.213	8,4	-2,1	8,3	-	-	-

Source: Ministry of Development

(1): Provisional information.

(2): These are the transports made on the road network under the responsibility of the Highways General Directorate.

(3): These are the transports made only by the Turkish Airlines.

(4): These are the transport amounts calculated by the Undersecretariat of Maritime Affairs.

(5): These are only the crude oil transports.

(6): These are the estimated transports calculated, which include all of the transports made by seaways.

(7): These are the total natural gas imports made from the Russian Federation, Nigeria, Algeria, Azerbaijan and Iran and obtained from the spot market.

In 2012, 129,958 thousand passengers were transported by the airways Turkey-wide, and of these passengers, 65,549 were transported in Turkey, and 65,409 were transported abroad. While the number of passengers carried by the State Airports Administration was 115,307 thousand, of which amount 55,053 thousand traveled in Turkey and 60,254 thousand traveled abroad. In 2012, the number of passengers using the airways for their domestic trips increased 10.8% and the number of passengers using the airways for their trips abroad increased 10.2% (See, Table 56).

In 2012, 2,398 thousand tons of cargo were transported in Turkey by the airways, and of this amount, 672 thousand tons were transported domestically, and 1,725 tons were transported abroad. While the amount of cargo carried by the State Airports Administration was 2,232 thousand, of which amount 600 thousand was transported in Turkey and 1,632 thousand was transported abroad.

Table 56. Turkey-wide Passenger and Cargo Transports Made by the State Airports Administration

Airports	Passenger Transport		Rate of Change	Cargo Transports (Ton) ⁽²⁾		Rate of Change ⁽¹⁾
	2011	2012 ⁽¹⁾		2011	2012	
DHMI						
Domestic	49.537.215	55.052.925	11,1	547.038	600.114	9,7
Abroad	54.880.954	60.254.420	9,8	1.516.887	1.631.850	7,6
DHMI Total	104.418.169	115.307.345	10,4	2.063.925	2.231.964	8,1
Turkey-wide						
Domestic	58.258.324	64.548.932	10,8	617.834	672.298	8,8
Abroad	59.362.145	65.408.929	10,2	1.631.639	1.725.490	5,8
Total Turkey-wide	117.620.469	129.957.861	10,5	2.249.473	2.397.788	6,6

Source: State Airports Authority of Turkey.

(1): Provisional information.

(2): Total baggage, cargo and mail transported by the airways.

1.3 Investments

1.3 Investments

In 2012, in line with the slowdown in growth rate, the increasing trend in investments slowed. The total fixed capital investments, which experienced a 34.4% increase in 2011 realized an increase of 13.3%, in 2012, down 21.1 points. The public sector fixed capital investments increased 6.2% and rose from " 57,11 million to " 60,671 million. The private sector fixed capital investments increased 15.0% and went from " 225,580 million to " 259,511 million. The total fixed capital investments increased 13.3% and rose from " 282,691 million to " 320,181 million (See Table 57, Graph 22).

Table 57. Fixed Capital Investments

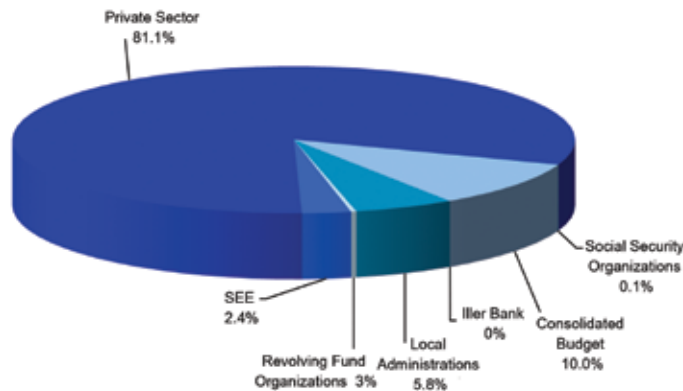
Fixed Capital Components	(With Current Prices, 000 000 ")								
				Rate of Change			Ratio within the Total		
	2010	2011	2012 ⁽¹⁾	2010	2011	2012	2010	2011	2012
:Consolidated Budget	29.215	33.590	31.889	32,3	15,0	-5,1	13,9	11,9	10,0
SEE	5.777	6.865	9.077	29,4	18,8	32,2	2,7	2,4	2,8
Operator	5.165	6.421	8.474	39,6	24,3	32,0	2,5	2,3	2,6
Organizations within the Scope of Privatization	612	444	602	-19,9	-27,5	35,6	0,3	0,2	0,2
İller Bank	150	65	66	-37,2	-56,7	1,5	0,1	0,0	0,0
Local Administrations	11.225	15.671	18.442	-4,5	39,6	17,7	5,3	5,5	5,8
Revolving Fund Organizations	621	782	882	-11,8	25,9	12,8	0,3	0,3	0,3
Social Security Organizations	76	139	315	-16,5	82,9	126,6	0,0	0,0	0,1
Funds	0	0	0	-	-	-	0,0	0,0	0,0
Unemployment Insurance Fund	0	0	0	-	-	-	0,0	0,0	0,0
Total Public Sector	47.064	57.111	60.671	19,6	21,3	6,2	22,4	20,2	18,9
Total Fixed Capital Investments	210.394	282.691	320.181	28,3	34,4	13,3	100,0	100,0	100,0
Public Sector	47.064	57.111	60.671	19,6	21,3	6,2	22,4	20,2	18,9
Private Sector	163.330	225.580	259.511	31,0	38,1	15,0	77,6	79,8	81,1

Source: Ministry of Development.

(1): Realization estimate

In 2012, within the total fixed capital investments, the share of the public sector was 18.9% and the share of the private sector was 81.1%. The decrease in the share of the public sector within the fixed capital investments, and the increasing trend of the private sector share within the fixed capital investments continued also in 2012.

Of the public sector fixed capital investments in 2012, 52.9% was realized by the general and supplementary budget organization, 15.0% by the SEEs, 0.01% by the Iller Bank, 30.4% by the local administrations, 1.5% by the revolving fund organizations and 5.0% was realized by the social security organizations.



Source: Ministry of Development

Graph 22. Distribution of Fixed Capital Investments in 2012

In 2012, within the private sector fixed capital investments, the shares of the mining, energy, tourism, education and other services increased, the shares of the agriculture, manufacturing, transportation, housing and health sectors decreased compared to the past year (see Table 58).

Table 58. Sectoral Shares in Fixed Capital Investments

Sectors	(with Current Prices)		
	2010	2011	2012 ⁽¹⁾
Private			
Agriculture	2,3	3,3	2,8
Mining	1,6	1,5	1,6
Manufacturing	38,1	42,2	40,4
Energy	5,6	4,0	6,2
Transportation	20,3	19,9	19,6
Tourism	6,3	6,2	6,7
House	17,1	14,4	13,8
Training	1,1	2,2	2,4
Health	3,1	2,4	2,2
Other Services	4,4	4,0	4,2
Private Sector	100,0	100,0	100,0
Public			
Agriculture	9,8	9,8	10,5
Mining	1,9	2,3	2,5
Manufacturing	0,8	0,7	1,1
Energy	6,5	5,7	5,8
Transportation	43,7	41,4	39,0
Tourism	0,5	0,6	0,7
House	1,5	1,7	1,5
Training	10,4	12,2	13,9
Health	4,8	5,0	5,1
Other Services	20,2	20,5	19,9
Public Sector	100,0	100,0	100,0
Total			
Agriculture	4,0	4,5	4,3
Mining	1,7	1,6	1,8
Manufacturing	29,7	34,5	32,8
Energy	5,8	4,4	6,1
Transportation	25,5	23,9	23,4
Tourism	5,0	5,1	5,5
House	13,6	12,0	11,4
Training	3,2	4,0	4,7
Health	3,4	2,9	2,8
Other Services	7,9	7,0	7,2
Total	100,0	100,0	100,0

Source: Ministry of Development.

(1): Realization estimate.

In 2012, within the private sector fixed capital investments, the most predominant sector was, like the previous year, the manufacturing sector with a share of 40.4%, and this was followed by the transportation sector with a share of 19.6%, and the housing sector with a share of 13.8%. Within the private sector, the sectors having a share of 5.0% or less for the rates of fixed capital investments were the agriculture, mining, health, education and other services.

In 2012, within the public sector fixed capital investments, the shares of only the transportation, housing and other services sectors decreased, the shares of the agriculture, mining, manufacturing, energy, tourism, education and health sectors increased compared to the past year.

In the public sector total fixed capital investments in 2012, the most predominant sectors were the transportation sector at 39.0%, the education sector at 13.9% and the agricultural sector at 10.5%. The sectors with the lowest shares were the tourism sector with 7.0%, the manufacturing sector at 1.1%, and the housing sector at 1.5%. Within the public sector, the sectors having a share of 5.0% or less for the rates of fixed capital investments were the mining, manufacturing, tourism and housing.

Regional Public Investments

The public administration prepares public investment projects and allocates budgets taking into account not only macro economic, sectoral and project priorities, but also regional and provincial priorities. Public investments largely concentrate on infrastructural areas such as irrigation, energy, and transportation, and several projects in the education, health, service and other sectors, such as schools, hospitals, small industrial sites, organized industrial sites, are combined and included in the investment program. Projects such as irrigation, dam and channels, energy transportation lines, state highways, roads, railroads, pipelines, and collective projects such as schools, hospitals, organized industrial zones, small industrial sites involve more than one provinces, and are described as various provinces.

According to NUTS Level -3, the amount of public investments which was 36,402 million in 2011 increased 22.1% in 2012, and climbed to 44,436 million. While 48.6% of the public investments in 2012 were made in various provinces covering more than one province, 51.4% were distributed over 81 provinces. In terms of provinces, the province that took the highest share from public investments in 2012 was Ankara, and it was followed by Istanbul with 5.8%, Artvin with 1.9%, and Diyarbakır with 1.8%. In 2012, compared to the past year, the high rate increases in excess of 100.0% were in public investments were seen in Ankara, Bolu and Kahramanmaraş provinces, and the highest decreases were seen in Trabzon which had demonstrated the highest increase with 67.8% in 2011 (See, Table 59).

When the public investments in 2012 are analyzed according to NUTS - Level 3 and on a sectoral basis, it is observed that public investments concentrated on the transportation-communication sector and this was followed by the education, agriculture and energy sectors. In 2012, in the distribution of public investments according to the provinces and sectors, no investments were made in the manufacturing sector in 60 provinces which represent 74.1% of the 81 provinces, and no investments were made in the tourism sector in 40 provinces which represented 49.4% of the 81 provinces. While no investments were made in the housing sector in 22 provinces corresponding to 27.2% of the 81 provinces, no investments were made in the energy sector in 5 provinces, and in the mining sector in 6 provinces. In 2012, agricultural, transportation-communication and education investments were made in all provinces. In 2012, an investment of 13,878 million was made in the transportation-communication sector, 6,491 million in the education sector, 5,852 million in

the energy sector, " 3,733 million in the health sector, and " 2,162 million in the health sector (See Table 60).

In our country, efforts have been used for years in order to increase contributions to national economy, competitive power and employment by minimizing inter-regional and intra-regional development differences through regional development policies under development plans. Some incentives are provided for purposes such as increasing the income level of underdeveloped regions, diversifying economic activities and strengthening local administrations, in particular.

In order to compensate the negative effects of the global crisis on the non-financial sector, the new incentive system introduced in 2009 was revised in 2012 by the Ministry of Economy. With the new incentive system that was put into effect with the decision of the Council of Ministers dated 15/06/2012 and No. 2012/3305, the sectors to be supported in the six regions were identified using the 2011 Social-Economic Development Index (SEDI), and gradually-increasing incentives were defined. The new incentive system consists of 4 different applications including, general incentive applications, regional incentive applications, promotion of big scale investments, and promotion of strategic investments.

The support elements to be provided in the scope of the investment incentive system have been defined as VAT exception, customs tax exemption, tax relief, insurance premium employer share support, income tax withholding support, insurance premium support, interest support, investment place allocation, and VAT refund.

In addition to regional and sectoral incentive applications, additional supports which bring more advantages to large-scale investments have been provided, and it has also been decided to support strategic investments towards the manufacture of intermediate goods or products which are highly dependent upon import.

Table 59. NUTS Level-3 Public Investments by Years (Continued)

(000 ₺)

Province Code	NUTS Level – 3	2010	2011	2012	Ratio within the Total			Rate of Change		
					2010	2011	2012	2010	2011	2012
TR621	Adana	156.430	198.521	265.061	0,5	0,5	0,6	16,1	26,9	33,5
TRC12	Adıyaman	289.442	302.114	293.123	0,9	0,8	0,7	91,3	4,4	-3,0
TR332	Afyonkarahisar	145.337	155.366	229.366	0,4	0,4	0,5	114,3	6,9	47,6
TRA21	Ağrı	121.808	280.023	268.942	0,4	0,8	0,6	40,0	129,9	-4,0
TR712	Aksaray	143.479	151.769	187.970	0,4	0,4	0,4	-1,3	5,8	23,9
TR834	Amasya	79.186	78.188	116.556	0,2	0,2	0,3	58,4	-1,3	49,1
TR510	Ankara	1.352.762	1.700.453	3.553.371	4,0	4,7	8,0	11,7	25,7	109,0
TR611	Antalya	416.980	351.452	420.393	1,2	1,0	0,9	-16,0	-15,7	19,6
TRA24	Ardahan	29.345	42.764	47.275	0,1	0,1	0,1	41,3	45,7	10,5
TR905	Artvin	590.516	664.209	849.704	1,7	1,8	1,9	28,5	12,5	27,9
TR321	Aydın	193.715	178.033	184.076	0,6	0,5	0,4	14,4	-8,1	3,4
TR221	Balıkesir	232.616	261.341	303.386	0,7	0,7	0,7	13,3	12,3	16,1
TR813	Bartın	35.999	50.661	84.973	0,1	0,1	0,2	3,3	40,7	67,7
TRC32	Batman	260.032	263.357	241.415	0,8	0,7	0,5	74,1	1,3	-8,3
TRA13	Bayburt	24.039	24.484	33.790	0,1	0,1	0,1	127,0	1,9	38,0
TR413	Bilecik	40.710	31.743	43.897	0,1	0,1	0,1	34,3	-22,0	38,3
TRB13	Bingöl	178.301	273.462	169.863	0,5	0,8	0,4	176,1	53,4	-37,9
TRB23	Bitlis	70.238	75.032	73.424	0,2	0,2	0,2	8,0	6,8	-2,1
TR424	Bolu	44.008	48.188	96.735	0,1	0,1	0,2	-37,9	9,5	100,7
TR613	Burdur	53.782	71.168	85.255	0,2	0,2	0,2	41,0	32,3	19,8
TR411	Bursa	375.961	604.127	452.297	1,1	1,7	1,0	-9,5	60,7	-25,1
TR222	Çanakkale	246.223	182.914	220.887	0,7	0,5	0,5	138,4	-25,7	20,8
TR822	Çankırı	63.012	92.431	76.642	0,2	0,3	0,2	78,3	46,7	-17,1
TR833	Çorum	72.933	88.481	109.836	0,2	0,2	0,2	23,4	21,3	24,1
TR322	Denizli	157.395	124.067	142.697	0,5	0,3	0,3	30,1	-21,2	15,0
TRC22	Diyarbakır	469.201	776.615	798.074	1,4	2,1	1,8	26,7	65,5	2,8
TR423	Düzce	176.870	84.099	76.352	0,5	0,2	0,2	201,8	-52,5	-9,2
TR212	Edirne	111.500	124.813	156.444	0,3	0,3	0,4	56,8	11,9	25,3
TRB12	Elazığ	85.849	198.831	149.298	0,3	0,5	0,3	-12,3	131,6	-24,9
TRA12	Erzincan	118.886	132.389	175.727	0,4	0,4	0,4	84,7	11,4	32,7
TRA11	Erzurum	337.293	184.219	248.984	1,0	0,5	0,6	75,3	-45,4	35,2
TR412	Eskişehir	214.054	192.438	268.816	0,6	0,5	0,6	-2,8	-10,1	39,7
TRC11	Gaziantep	263.758	274.170	360.239	0,8	0,8	0,8	41,9	3,9	31,4
TR903	Giresun	65.721	73.230	131.168	0,2	0,2	0,3	40,9	11,4	79,1
TR906	Gümüşhane	50.945	59.555	62.188	0,2	0,2	0,1	23,4	16,9	4,4
TRB24	Hakkari	77.271	81.420	120.629	0,2	0,2	0,3	56,3	5,4	48,2
TR631	Hatay	239.923	213.351	314.474	0,7	0,6	0,7	20,8	-11,1	47,4
TRA23	Iğdır	51.547	73.436	58.445	0,2	0,2	0,1	69,2	42,5	-20,4
TR612	Isparta	73.303	73.110	83.773	0,2	0,2	0,2	26,3	-0,3	14,6
TR100	İstanbul	4.079.774	2.820.020	2.559.243	12,1	7,7	5,8	13,8	-30,9	-9,2
TR310	İzmir	457.054	609.473	704.596	1,4	1,7	1,6	-7,3	33,3	15,6
TR632	Kahramanmaraş	241.148	185.492	458.777	0,7	0,5	1,0	6,8	-23,1	147,3
TR812	Karabük	42.937	73.634	88.592	0,1	0,2	0,2	100,3	71,5	20,3
TR522	Karaman	315.741	121.223	130.059	0,9	0,3	0,3	19,7	-61,6	7,3
TRA22	Kars	84.771	136.373	143.877	0,3	0,4	0,3	37,2	60,9	5,5
TR821	Kastamonu	94.435	94.054	118.268	0,3	0,3	0,3	19,7	-0,4	25,7
TR721	Kayseri	238.777	209.696	221.099	0,7	0,6	0,5	21,4	-12,2	5,4
TR711	Kırıkkale	87.110	134.854	183.619	0,3	0,4	0,4	2,8	54,8	36,2
TR213	Kırklareli	113.183	140.568	123.329	0,3	0,4	0,3	96,8	24,2	-12,3
TR715	Kırşehir	44.430	64.290	100.556	0,1	0,2	0,2	-3,4	44,7	56,4
TRC13	Kilis	89.909	96.385	56.030	0,3	0,3	0,1	81,7	7,2	-41,9
TR421	Kocaeli	175.331	188.055	217.842	0,5	0,5	0,5	-3,4	7,3	15,8
TR521	Konya	343.518	426.031	490.647	1,0	1,2	1,1	51,0	24,0	15,2
TR333	Kütahya	182.778	206.562	266.085	0,5	0,6	0,6	91,1	13,0	28,8

Tablo 59. Yıllara Göre İBBS Düzey-3 Bazında Kamu Yatırımları (Devamı)

(000 ₺)

Province Code	NUTS Level – 3	2010	2011	2012	Ratio within the Total			Rate of Change		
					2010	2011	2012	2010	2011	2012
TRB11	Malatya	167.436	180.375	165.238	0,5	0,5	0,4	13,0	7,7	-8,4
TR331	Manisa	158.839	276.494	260.034	0,5	0,8	0,6	38,6	74,1	-6,0
TRC31	Mardin	330.623	536.128	721.380	1,0	1,5	1,6	5,1	62,2	34,6
TR622	Mersin	258.671	251.198	460.100	0,8	0,7	1,0	-11,5	-2,9	83,2
TR323	Muğla	228.361	305.845	272.652	0,7	0,8	0,6	-3,7	33,9	-10,9
TRB22	Muş	76.837	89.685	115.543	0,2	0,2	0,3	38,9	16,7	28,8
TR714	Nevşehir	36.709	58.439	51.679	0,1	0,2	0,1	23,1	59,2	-11,6
TR713	Niğde	37.807	98.763	65.449	0,1	0,3	0,1	43,4	161,2	-33,7
TR902	Ordu	146.996	137.880	165.005	0,4	0,4	0,4	50,5	-6,2	19,7
TR633	Osmaniye	34.311	59.822	60.115	0,1	0,2	0,1	-8,3	74,4	0,5
TR904	Rize	75.467	95.220	112.406	0,2	0,3	0,3	6,5	26,2	18,0
TR422	Sakarya	149.062	186.944	293.606	0,4	0,5	0,7	78,3	25,4	57,1
TR831	Samsun	389.958	236.326	260.496	1,2	0,6	0,6	4,6	-39,4	10,2
TRC34	Siirt	91.646	71.686	81.028	0,3	0,2	0,2	-19,6	-21,8	13,0
TR823	Sinop	142.542	171.002	165.884	0,4	0,5	0,4	196,1	20,0	-3,0
TR722	Sivas	175.821	199.929	267.693	0,5	0,5	0,6	19,8	13,7	33,9
TRC21	Şanlıurfa	590.243	680.639	647.736	1,7	1,9	1,5	9,0	15,3	-4,8
TRC33	Şırnak	93.397	128.611	142.916	0,3	0,4	0,3	-8,2	37,7	11,1
TR211	Tekirdağ	84.758	110.698	120.266	0,3	0,3	0,3	-47,5	30,6	8,6
TR832	Tokat	69.578	97.448	117.926	0,2	0,3	0,3	-1,9	40,1	21,0
TR901	Trabzon	164.182	607.961	196.057	0,5	1,7	0,4	10,4	270,3	-67,8
TRB11	Tunceli	46.364	56.666	52.911	0,1	0,2	0,1	72,2	22,2	-6,6
TR334	Uşak	41.140	46.298	85.554	0,1	0,1	0,2	39,6	12,5	84,8
TRB21	Van	145.291	200.091	246.980	0,4	0,5	0,6	15,5	37,7	23,4
TR425	Yalova	46.480	38.365	37.078	0,1	0,1	0,1	-20,8	-17,5	-3,4
TR723	Yozgat	64.595	65.117	99.266	0,2	0,2	0,2	46,2	0,8	52,4
TR811	Zonguldak	369.615	179.329	161.085	1,1	0,5	0,4	82,6	-51,5	-10,2
	Muhtelif İller	15.314.971	16.890.594	21.590.040	45,3	46,4	48,6	27,6	10,3	27,8
	Toplam	33.834.976	36.402.298	44.436.299	100,0	100,0	100,0	23,2	7,6	22,1

Source: Ministry of Development

Table 60. Public Investments as per NUTS Level-3 and by Sectors in 2012

(000 ₺)

Province Code	NUTS Level – 3	Agriculture	Mining	Production	Energy	Transportation-Communication	Tourism	House	Training	Health	Other Public	Total Province
TR621	Adana	62.579	11.109		4.798	5.895			87.282	16.400	76.998	265.061
TRC12	Adıyaman	29.083	99.049			23.238		2.900	42.328	26.070	70.455	293.123
TR332	Afyonkarahisar	72.502	3.314	6.400	1.536	13.385	845	13.546	49.541	40.600	27.697	229.366
TRA21	Ağrı	32.560	153	10	930	39.225	50	80.894	51.351	8.100	55.679	268.942
TR712	Aksaray	9.265	15.437		2.561	118.007	2.157	830	24.350		15.363	187.970
TR834	Amasya	26.789	157		6.504	6.812			24.588	402	51.304	116.556
TR510	Ankara	59.116	233.380	49.511	43.430	1.774.033	1.001	10.945	295.959	81.452	1.004.544	3.553.371
TR611	Antalya	59.370	305	10	16.704	32.636	39.624	251	58.692	42.000	170.811	420.393
TRA24	Ardahan	1.532	233		190	2.884		152	25.760	5.602	10.922	47.275
TR905	Artvin	6.779	644	1.000	749.845	33.070		11.940	21.898	5.000	19.527	849.704
TR321	Aydın	50.808	1.783	10	33.966	1.695	2.980	1.300	40.367	15.202	35.975	184.076
TR221	Balıkesir	63.857	20.528	37.588	2.366	38.913	3.200		48.090	33.400	55.444	303.386
TR813	Bartın	8.738	13.373	10	11.000	100	5.500	800	18.448	4.650	22.364	84.973
TRC32	Batman	13.177	129.344		2.750	4.500		6.120	58.701	1.050	25.773	241.415
TRA13	Bayburt	6.748	126		320	381			21.998	1.502	2.715	33.790
TR413	Bilecik	2.407			1.500	421			26.101		13.468	43.897
TRB13	Bingöl	27.273	568		39.500	23.420		1.373	53.238	6.700	17.791	169.863
TRB23	Bitlis	6.093	164		6	5.324	3.500	1.827	32.461	5.552	18.497	73.424
TR424	Bolu	3.110				35.668	50		32.721	6.950	18.236	96.735
TR613	Burdur	29.361	1.147			1.197		130	42.303	2.500	8.617	85.255
TR411	Bursa	47.996	7.450	1.300	35.034	171.007	2.000	810	75.010	42.653	69.037	452.297
TR222	Çanakkale	64.254	10.631		46.421	15.004	14.096	750	44.204	12.802	12.725	220.887
TR822	Çankırı	26.475	1.142		1.385	3.620	2.000	120	29.559	3.900	8.441	76.642
TR833	Çorum	13.463	3.092		3.000	9.402		2.288	34.631	4.000	39.960	109.836
TR322	Denizli	28.013	2.911	12.300	124	5.468	4.760	1.912	33.263	19.150	34.796	142.697
TRC22	Diyarbakır	376.817	68.856	2	18.283	15.029		12.205	100.673	25.200	181.009	798.074
TR423	Düzce	11.621	2.000		184	1.593			29.142	17.800	14.012	76.352
TR212	Edirne	64.438	2.612		3.576	23.059	5.319		37.981	10.300	9.159	156.444
TRB12	Elazığ	14.132	1.531		23.188	19.202	50	90	35.250	19.930	35.925	149.298
TRA12	Erzincan	11.222	955		2.372	68.723		988	31.865	2.700	56.902	175.727
TRA11	Erzurum	54.765	7.503	189	6.109	17.258		6.011	55.888	27.402	73.859	248.984
TR412	Eskişehir	10.476	19.480	65.179	7.665	49.079	956	750	44.922	11.350	58.959	268.816
TRC11	Gaziantep	111.191	9.486	95	2.182	78.514		1.300	89.436	7.150	60.885	360.239
TR903	Giresun	15.071	202		2.202	7.674		6.996	38.898	16.150	43.975	131.168
TR906	Gümüşhane	18.522	201		4.790	4.156		415	28.748	3.000	2.356	62.188
TRB24	Hakkari	20.751	11.210		247	23.762		212	48.776	3.002	12.669	120.629
TR631	Hatay	43.230	107.882		28.952	24.912	752	2.000	53.171	13.300	40.275	314.474
TRA23	Iğdır	3.715	68		2	5.329		10.135	32.843	2.550	3.803	58.445
TR612	Isparta	21.561	1.883		3.385	1.671	3.050		38.273	6.650	7.300	83.773
TR100	İstanbul	23.105	21.964	29.000	136.415	1.672.526	650	1.599	293.329	51.500	329.155	2.559.243
TR310	İzmir	69.686	2.524	504	42.993	257.947	7.380	1	106.601	44.050	172.910	704.596
TR632	Kahramanmaraş	88.639	37.468		211.577	6.197			72.123	29.004	13.769	458.777
TR812	Karabük	2.095			3.280	4.253	850	119	44.234	8.152	25.609	88.592
TR522	Karaman	20.158	359		39.058	1.784			43.002	3.600	22.098	130.059
TRA22	Kars	26.174	385		750	33.594	30	10.700	34.254	19.552	18.438	143.877
TR821	Kastamonu	33.522	154		4	19.646	1.500	2.842	30.049	19.700	10.851	118.268
TR721	Kayseri	61.651	5.460		280	26.055	650	277	65.418	11.150	50.158	221.099
TR711	Kırıkkale	5.336	1.182	98.835	2.002	5.512			39.505	25.950	5.297	183.619
TR213	Kırklareli	11.099	27.300		17.762	2.056			29.954	5.600	29.558	123.329
TR715	Kırşehir	6.941	8.237		4	25.123	250	500	50.576	1.350	7.575	100.556
TRC13	Kilis	16.206	38		550	92			26.662		12.482	56.030
TR421	Kocaeli	836		14.800	4.123	2.005	3.705		72.927	6.000	113.446	217.842
TR521	Konya	206.788	5.733		22.710	25.945		276	101.796	20.500	106.899	490.647
TR333	Kütahya	21.331	52.872	20.490	48.929	6.010		45.000	47.752	9.200	14.501	266.085

Source: Ministry of Development

Tablo 60. 2012 Yılında İBBS-Düzey-3'e ve Sektörlere Göre Kamu Yatırımları (Devamı)

(000 ₺)

Province Code	NUTS Level - 3	Agriculture	Mining	Production	Energy	Transportation-Communication	Tourism	House	Training	Health	Other Public	Total Province
TRB11	Malatya	59.855	2.752			18.995			49.207	12.454	21.975	165.238
TR331	Manisa	43.260	22.098		66.619	8.128	541		40.985	39.705	38.698	260.034
TRC31	Mardin	24.058	7.270		602.794	21.197	160	1.250	42.238	2.450	19.963	721.380
TR622	Mersin	41.551	84	10	30.256	11.790	18.750		187.438	38.100	132.121	460.100
TR323	Muğla	14.395	9.522		153.995	9.560	8.339	3.679	27.508	5.000	40.654	272.652
TRB22	Muş	9.114	6.566		19.932	2.853		3.273	49.309	3.152	21.344	115.543
TR714	Nevşehir	5.570	2.167		5.004	1.188	2.000		26.877	1.000	7.873	51.679
TR713	Niğde	20.575	2.585		2	1.849		1.490	24.457	450	14.041	65.449
TR902	Ordu	3.256	144		9.877	55.872	1.000	1.688	31.275	6.533	55.360	165.005
TR633	Osmaniye	15.258	1.086		654	348			38.184	1.002	3.583	60.115
TR904	Rize	9.284	508	5.000	8.500	15.154	50	16.517	44.972	1.152	11.269	112.406
TR422	Sakarya	1.420		11.950	5.407	150.504	1.000		42.410	39.704	41.211	293.606
TR831	Samsun	53.359	246		258	20.194	1.050	3.720	70.074	13.650	97.945	260.496
TRC34	Siirt	171	13.388		52	4.088		215	38.559	850	23.705	81.028
TR823	Sinop	18.419	1.780			92.133		950	24.481	500	27.621	165.884
TR722	Sivas	59.476	13.938	4.750	82.057	21.163	3.842	687	52.948	4.650	24.182	267.693
TRC21	Şanlıurfa	409.465	6.281		42.357	6.356	3.624	776	86.166	25.102	67.609	647.736
TRC33	Şırnak	5.250	11.351		2.456	31.072		317	43.504	508	48.458	142.916
TR211	Tekirdağ	2.150	9.405		8	11.180		500	44.680	23.500	28.843	120.266
TR832	Tokat	29.786	142		11.671	7.031		300	40.372	14.050	14.574	117.926
TR901	Trabzon	24.964	565	29	4	11.506	8.011	2.759	47.054	16.700	84.465	196.057
TRB11	Tunceli	174	72		202	1.613		4.095	29.706	900	16.149	52.911
TR334	Uşak	9.824	137		4	4.265		256	24.944	32.150	13.974	85.554
TRB21	Van	24.751	286	11.368	1.459	17.749	1.100	3.101	74.540	29.394	83.232	246.980
TR425	Yalova	400			1.680	1.042	550		28.363	365	4.678	37.078
TR723	Yozgat	13.809	14.203		4	4.952		600	36.764	4.000	24.934	99.266
TR811	Zonguldak	12.740	54.104		6.259	8.557		2.878	28.627	10.050	37.870	161.085
	Muhtelif İller	2.817.631	74.135	167.750	1.043.979	8.543.245	137.517	189.490	2.218.602	1.027.100	5.370.591	21.590.040
	Toplam	5.852.392	1.208.400	538.050	3.732.935	13.877.595	294.439	479.845	6.491.136	2.161.600	9.797.895	44.434.287

Source: Ministry of Development

In the light of the data revised according to the new incentive system, the amount of fixed investments subject to an incentive certificate exhibited a very high increase as high as 109.0% in 2010, and showed a decrease of 12.8% in 2011, and an increase of 2.4% in 2012. The fixed investments subject to an incentive certificate climbed from " 56,408 million in 2011 to " 57,771 million in 2012 (See Table 61).

Table 61. Investment Incentive Certificates by Sectors

Sectors	Number of Certificates			Fixed Investments (000 000 ₺)			Number of People Employed		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Agriculture	496	256	126	3.105	1.614	797	15.088	7.132	3.101
Mining	262	290	287	2.013	1.464	2.211	5.837	5.949	8.124
Production industry	2.341	2.490	2.597	34.100	22.801	26.975	76.893	68.860	76.938
Energy	162	212	198	9.350	15.571	12.564	3.003	4.620	3.503
Service	1.082	1.254	1.157	16.094	14.958	15.224	54.568	42.243	57.832
Total	4.343	4.502	4.365	64.663	56.408	57.771	155.389	128.804	149.498
Rate of Change									
Agriculture	433,3	-48,4	-50,8	695,6	-48,0	-50,6	529,2	-52,7	-56,5
Mining	87,1	10,7	-1,0	95,0	-27,2	51,0	58,0	1,9	36,6
Production industry	56,0	6,4	4,3	194,1	-33,1	18,3	51,8	-10,4	11,7
Energy	44,6	30,9	-6,6	-3,6	66,5	-19,3	50,9	53,8	-24,2
Service	97,4	15,9	-7,7	95,4	-7,1	1,8	91,4	-22,6	36,9
Total	81,4	3,7	-3,0	109,0	-12,8	2,4	78,1	-17,1	16,1
Ratio within the Total									
Agriculture	11,4	5,7	2,9	4,8	2,9	1,4	9,7	5,5	2,1
Mining	6,0	6,4	6,6	3,1	2,6	3,8	3,8	4,6	5,4
Production industry	53,9	55,3	59,5	52,7	40,4	46,7	49,5	53,5	51,5
Energy	3,7	4,7	4,5	14,5	27,6	21,7	1,9	3,6	2,3
Service	24,9	27,9	26,5	24,9	26,5	26,4	35,1	32,8	38,7
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Source: Ministry of Energy

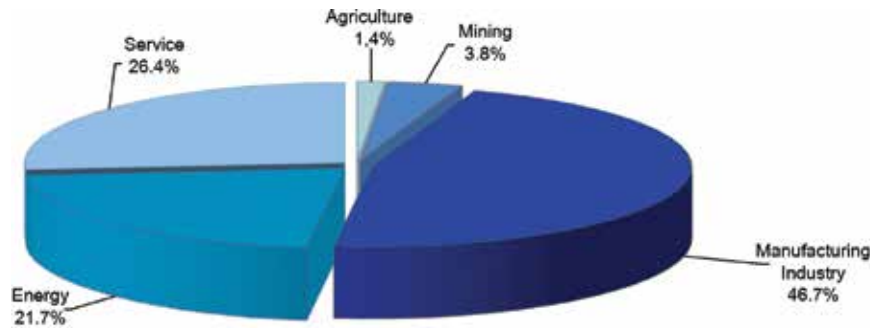
Note: With a decision dated 15.06.2012 the Council of Ministers put into effect a new incentive system, and as a result of change of methodology, the data of the investment incentive certificates were revised.

In 2012, the incentives given in the agricultural sector decreased 50.6% and fell to ₺ 797 million. The incentives given in the energy sector decreased 19.3% and fell to ₺ 12,564 million. The incentives given in the mining sector increased 51.0% and rose to ₺ 2,211 million. The incentives given in the manufacturing sector increased 18.3% and climbed to ₺ 26,975 million, and the incentives given in the service sector increased 1.8% and rose to ₺ 15,224 million.

Within the fixed investments subject to an incentive certificate in 2012, the manufacturing industry takes the first place with 46.7%, followed by the service sector with 26.4%, the energy sector with 21.7%, the mining sector with 3.8%, and the agricultural sector with 1.4%. While the share of the agricultural, energy, and service sectors within the total investment incentives decreased in 2012 compared to 2011, the share of the mining and manufacturing industry increased (See, Graph 23).

In 2012, it was aimed to create jobs for 149,498 people with a total of 4,365 investment incentive certificates. The aim was to employ 76,938 which represent more than half in the manufacturing industry, 57,832 which represent 38.7% in the service sector, 8,124 which represent 5.4% in the mining sector, 3,503 which represent 2.3% in the energy sector, and 3,101 which represent 2.1% in the agricultural sector.

Of the investments subject to incentive certificates in 2012, 73.0% were allocated to completely new investments, 20.1% to extensional investments, and 6.9% to other investments. While the value of 2,721 incentive certificates issued in 2012 for new investments was ₺ 42,173 million, the value of incentive certificates issued for extensional investments was ₺ 11,588 million, and the value of incentive certificates issued for other investments was ₺ 4,009 million (See Table 62).



Source: Ministry of Energy

Graph 23. Sectoral Shares within the Fixed Investment Incentives in 2012

Of the 149,498 people who were planned to be employed according to the investment incentive certificates in 2012, it was planned to employ 76.7% in completely new investments, 19.5% in extensional investments, and 3.7% in other investments.

In 2012, compared to the previous year, the highest increase in the number of investment incentive certificates was seen in extensional investments with 13.6%, and in completely new investments with 6.75 in terms of the amount of fixed investment, and again in the extensional investments with 24.9% in terms of the number of personnel planned to be employed.

Table 62. Investment Incentive Certificates by Nature

Nature of Investment	Number of Certificates			Fixed Investments (000 000 ₺)			Number of People Employed		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Completely new investment	2.928	3.013	2.721	45.506	39.513	42.174	110.290	100.226	114.730
Extensional	945	1.052	1.195	13.309	12.372	11.588	27.834	23.387	29.219
Other	470	437	449	5.848	4.523	4.009	17.265	5.191	5.549
Total	4.343	4.502	4.365	64.663	56.408	57.771	155.389	128.804	149.498
Rate of Change									
Completely new investment	117,4	2,9	-9,7	139,6	-13,2	6,7	104,0	-9,1	14,5
Extensional	36,6	11,3	13,6	87,4	-7,0	-6,3	35,4	-16,0	24,9
Other	32,4	-7,0	2,7	20,6	-22,7	-11,4	36,5	-69,9	6,9
Total	81,4	3,7	-3,0	109,0	-12,8	2,4	78,1	-17,1	16,1
Ratio within the Total									
Completely new investment	67,4	66,9	62,3	70,4	70,0	73,0	71,0	77,8	76,7
Extensional	21,8	23,4	27,4	20,6	21,9	20,1	17,9	18,2	19,5
Other	10,8	9,7	10,3	9,0	8,0	6,9	11,1	4,0	3,7
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Source: Ministry of Energy

Note: With a decision dated 15.06.2012 the Council of Ministers put into effect a new incentive system, and as a result of change of methodology, the data of the investment incentive certificates were revised.

Regional Investments

According to the incentive law re-arranged by the Ministry of Economy, regions were classified under six groups taking into account socio-economic development levels. Within the fixed investment incentive certificate issued in 2012 amounting to " 57.771 million, the 1st region took the first place 42.8% and " 24.749 million, the 2nd region took the second place with 16.2% and " 9.362 million, the 3rd region took the third place with 13.2% and " 7.633 million, the 4th region took the fourth place with 10.7% and " 6,198 million, the 6th region took the fifth place with 7.5% and " 4.342 million, and the 5th region took the sixth place with 7.4% and " 4,265 million. The various regions which cover more than one province took a share of 2.1% from the investment incentives with " 1,223 million. In 2012, compared to the previous year, the highest increase in the incentives issued was seen in the 6th region with 50.2%, followed by the 1st region and the 3rd region with 12.2% and 8.4%, respectively. Compared to the past year, the incentives issued showed a decrease of 10.% in the 2nd region, 8.5% in the 4th region, and 2.3% in the 5th region. With the incentive certificates issued, it was planned to create employment for 59,656 people in the 1st region, 17,168 people in the 3rd region, 17,056 people in the 4th region, 12,018 people in the 5th region, and 22,210 people in the 6th region (See Table 63, Graph 24).

The fixed investment amount of the total 4,365 incentive certificates issued according to the support classes in the new incentive system introduced in 2012 was " 57,771 million, and with these incentive certificates, it was aimed to create jobs for 149,498 people. Of the investment incentive certificates, " 6,793 million corresponding to 11.8% was given to foreign capital investments, " 50,977 million corresponding to 88.2% was given to domestic capital investments.

Table 63. Investment Incentive Certificates by Regions

Regions ⁽¹⁾	Number of Certificates		Fixed Investments (000 000 ")				Rate of Change	Empl Number of People				Rate of Change
	2011	2012	2011		2012			2011		2012		
			Investment Value	Ratio within the Total	Investment Value	Ratio within the Total		Number of Persons	Ratio within the Total	Number of Persons	Ratio within the Total	
1 st Region	1.465	1.575	22.060	39,1	24.749	42,8	12,2	51.380	39,9	59.656	39,9	16,1
2 nd Region	909	756	10.503	18,6	9.362	16,2	-10,9	25.718	20,0	21.226	14,2	-17,5
3 rd Region	682	708	7.044	12,5	7.633	13,2	8,4	16.167	12,6	17.168	11,5	6,2
4 th Region	597	511	6.775	12,0	6.198	10,7	-8,5	14.581	11,3	17.056	11,4	17,0
5 th Region	450	347	4.364	7,7	4.265	7,4	-2,3	12.044	9,4	12.018	8,0	-0,2
6 th Region	386	458	2.890	5,1	4.342	7,5	50,2	8.746	6,8	22.210	14,9	153,9
Various Region	13	10	2.773	4,9	1.223	2,1	-55,9	168	0,1	164	0,1	-2,4
Total	4.502	4.365	56.408	100,0	57.771	100,0	2,4	128.804	100,0	149.498	100,0	16,1

Source: Ministry of Energy

1st Region: 8 provinces including Ankara, Antalya, Bursa, Eskişehir, İstanbul, İzmir, Kocaeli, Muğla,

2nd Region: 13 provinces including Adana, Aydın, Bolu, Çanakkale, Denizli, Edirne, Isparta, Kayseri, Kırklareli, Konya, Sakarya, Tekirdağ, Yalova,

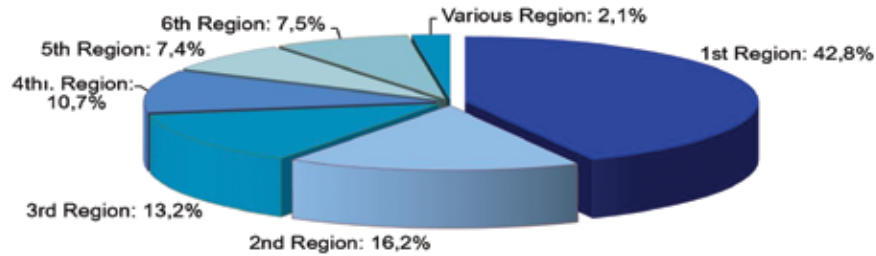
3rd Region: 12 provinces including Balıkesir, Bilecik, Burdur, Gaziantep, Karabük, Karaman, Manisa, Mersin, Samsun, Trabzon, Uşak, Zonguldak,

4th Region: 17 provinces including Afyonkarahisar, Amasya, Artvin, Bartın, Çorum, Düzce, Elazığ, Erzincan, Hatay, Kastamonu, Kırıkale, Kırşehir, Kütahya, Malatya, Nevşehir, Rize, Sivas,

5th Region: 16 provinces including Adıyaman, Aksaray, Bayburt, Çankırı, Erzurum, Giresun, Gümüşhane, Kahramanmaraş, Kilis, Niğde, Ordu, Osmaniye, Sinop, Tokat, Tunceli, Yozgat,

6th Region: 15 provinces including Ağrı, Ardahan, Batman, Bingöl, Bitlis, Diyarbakır, Hakkari, Iğdır, Kars, Mardin, Muş, Siirt, Şanlıurfa, Şırnak, Van.

Note: With a decision dated 15.06.2012 the Council of Ministers put into effect a new incentive system, and as a result of change of methodology, the data of the investment incentive certificates were revised.



Source: Ministry of Energy

Graph 24. Share of Regional Investment Incentives in 2012

Of the incentives given to foreign capital investments, 1.702 million are covered by regional applications, 2.532 million are covered by large-scale applications, and 2.559 are covered by general incentive applications. Of the incentives given to domestic capital investments, 20.003 million are covered by regional applications, 1.125 million are covered by large-scale applications, 23,249 million are covered by general applications, and 6,600 million are covered by first-time strategic investments. Compared to 2011, the fixed investment amount of the investment incentive certificates issued in 2012 decreased 29.1% in the case of foreign capital investments, and increased 8.9% in the case of domestic capital investments (See Table 64).

Table 64. Investment Incentive Certificates by Support Classes

Support Class and Category	Number of Certificates			Fixed Investment (000 000")			Number of People Employed		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Yabancı Sermaye									
Regional	111	81	111	2.033	1.434	1.702	8.909	5.331	7.455
Large-scale	7	3	11	2.444	1.220	2.532	3.355	1.124	4.813
General	97	137	114	3.246	6.927	2.559	4.741	3.612	2.997
Total	215	221	236	7.723	9.581	6.793	17.005	10.067	15.265
Domestic capital									
Regional	1.932	1.503	1.970	22.885	12.959	20.003	85.049	56.110	88.081
Large-scale	13	5	8	17.750	5.238	1.125	2.968	1.758	1.112
General	2.183	2.773	2.150	16.306	28.631	23.249	50.367	60.869	44.240
Strategic Investment			1			6.600			800
Total	4.128	4.281	4.129	56.940	46.827	50.977	138.384	118.737	134.233
Grand Total	4.343	4.502	4.365	64.663	56.408	57.771	155.389	128.804	149.498
Foreign Capital Rate of Change									
Regional	170,7	-27,0	37,0	18,6	-29,4	18,7	83,5	-40,2	39,8
Large-scale	-22,2	-57,1	266,7	-35,1	-50,1	107,6	-9,9	-66,5	328,2
General	-15,7	41,2	-16,8	-50,9	113,4	-63,1	-42,3	-23,8	-17,0
Total	30,3	2,8	6,8	-36,1	24,1	-29,1	1,2	-40,8	51,6
Domestic Capital Rate of Change									
Regional	306,7	-22,2	31,1	391,1	-43,4	54,4	210,0	-34,0	57,0
Large-scale	85,7	-61,5	60,0	1.601,7	-70,5	-78,5	241,5	-40,8	-36,7
General	25,0	27,0	-22,5	23,9	75,6	-18,8	19,5	20,9	-27,3
Strategic Investment									
Total	85,2	3,7	-3,6	201,9	-17,8	8,9	96,4	-14,2	13,1
Grand Total	81,4	3,7	-3,0	109,0	-12,8	2,4	78,1	-17,1	16,1
The Share of Foreign Capital within the Total									
Regional	2,6	1,8	2,5	3,1	2,5	2,9	5,7	4,1	5,0
Large-scale	0,2	0,1	0,3	3,8	2,2	4,4	2,2	0,9	3,2
General	2,2	3,0	2,6	5,0	12,3	4,4	3,1	2,8	2,0
Total	5,0	4,9	5,4	11,9	17,0	11,8	10,9	7,8	10,2
The Share of Domestic Capital within the Total									
Regional	44,5	33,4	45,1	35,4	23,0	34,6	54,7	43,6	58,9
Large-scale	0,3	0,1	0,2	27,4	9,3	1,9	1,9	1,4	0,7
General	50,3	61,6	49,3	25,2	50,8	40,2	32,4	47,3	29,6
Strategic Investment	0,0	0,0	0,0	0,0	0,0	11,4	0,0	0,0	0,5
Total	95,0	95,1	94,6	88,1	83,0	88,2	89,1	92,2	89,8
Grand Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Source: Ministry of Energy

In 2012, of the new employment planned to be created with investment incentives given to the foreign capital, it is estimated that 5.0% will be in the regional class, 3.2% in the large-scale class, 2.0% in the general support class. Of the new employment to be created with the regional investment incentive certificates given to the domestic capital, 58.9% of the employment will be created in regional investments, 7.0% will be created in large-scale investments, 29.6% will be created in general investments, and 5.0% will be created in strategic investments.

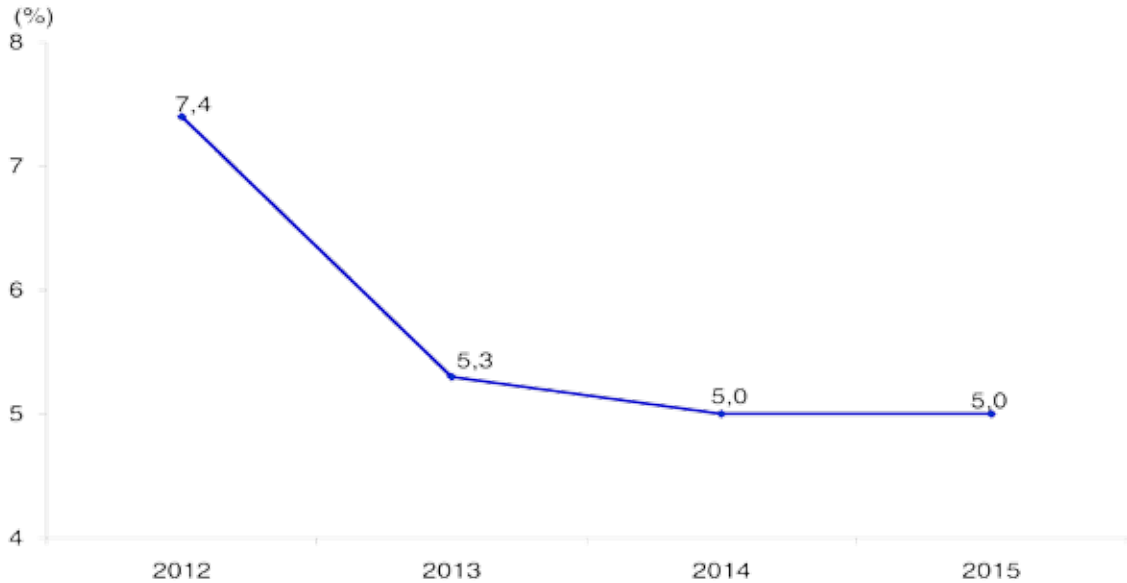
1.4 Monetary and Financial Developments

1.4.1 Inflation

1.4.1.1 Consumer Price Index

The inflation targeting regime applied by the Central Bank of Republic of Turkey (TCMB) since 2006 was revised at the end of 2010. With the new arrangement, a new monetary policy was designed, pursuing price stability and market stability.

In 2012, the policy remained unchanged in that, where a deviation of more than 2 percentage points is seen in the year-end target of the Consumer Price Index as of the ends of quarterly periods within the year, the reasons of the deviation and the measures which have been taken and must be taken to reach the target would be disclosed by TCMB through the Inflation Report, and where the actual inflation remains outside the range of uncertainty at the end of the year, an open letter would be written to the Government.



Source: Ministry of Energy

Graph 25. Medium Term Program Inflation Rate Estimates for 2012-2015

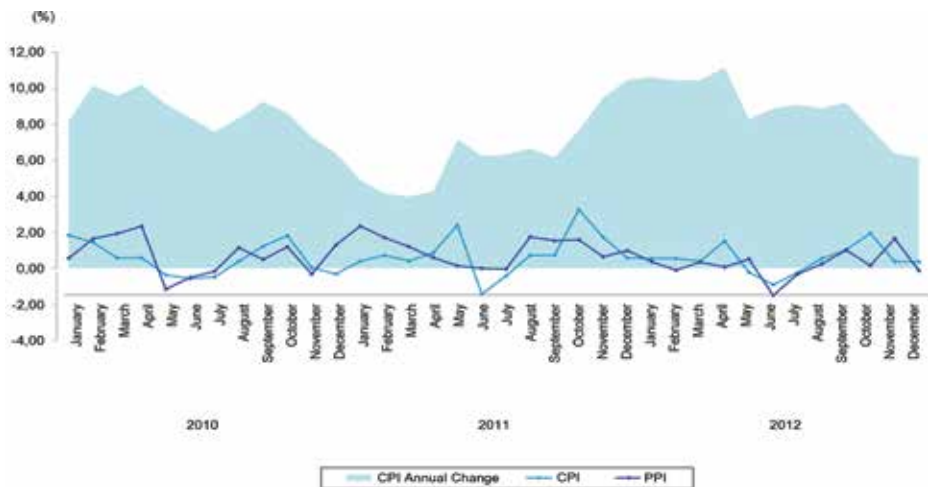
The inflation target for 2012 was determined as 5.0% in line with the agreement reached with the government in the preparation process of the 2012-2014 Medium Term Program (MTP). Subject to the adjustments in energy prices in the 2013-2015 MTP published on the Official Journal in October 2012, the inflation target for the year-end 2012 was raised to 7.4%, and the inflation target was estimated as 5.3% for 2013, and as 5.0% for 2014 and 2015 with a 0.3 points fall (See Graph 25).

While the target for consumer inflation in 2012 was realized 1.2 points above the inflation target which was 5.0%, it remained within the uncertainty range (See Table 65, Graph 26).

Table 65. Consumer Price Index By Main Expenditure Groups

Main Expenditure Groups	2010		2011		2012	
	Index	Rate of Change	Index	Change oranı	Index	Rate of Change
Twelve-Month Average Consumer Price Index						
Food & Non-Alcoholic Beverages	186,20	10,58	197,82	6,24	214,46	8,41
Alcoholic Beverages and Tobacco	292,38	34,77	302,81	3,57	345,25	14,01
Clothing and footwear	124,58	4,55	132,76	6,57	143,61	8,17
Housing, water, electricity	208,02	6,28	220,06	5,79	245,26	11,45
Furniture, household appliances	142,28	2,20	153,36	7,79	167,39	9,15
Health	127,57	0,72	128,40	0,65	130,11	1,33
Transportation	170,95	9,63	188,00	9,98	202,36	7,64
Communication	112,10	-0,24	112,61	0,46	116,18	3,17
Entertainment and culture	145,95	2,31	148,20	1,54	156,45	5,57
Training	185,87	5,39	195,96	5,43	207,77	6,03
Restaurants and hotels	229,07	9,47	247,51	8,05	270,16	9,15
Various Goods and Services	191,69	6,99	216,16	12,76	244,24	12,99
General	178,40	8,57	189,95	6,47	206,84	8,89
Year-End Consumer Price Index						
Food & Non-Alcoholic Beverages	189,17	7,02	212,26	12,21	220,53	3,90
Alcoholic Beverages and Tobacco	290,30	24,66	344,00	18,50	347,38	0,98
Clothing and footwear	131,77	4,74	142,28	7,98	153,91	8,17
Housing, water, electricity	213,37	5,91	230,86	8,20	257,11	11,37
Furniture, household appliances	144,60	3,27	160,56	11,04	170,02	5,89
Health	127,84	0,57	128,27	0,34	130,43	1,68
Transportation	174,14	6,78	195,42	12,22	206,24	5,54
Communication	111,46	-3,22	114,22	2,48	120,96	5,90
Entertainment and culture	144,31	-2,32	153,68	6,49	156,73	1,98
Training	189,52	4,25	201,79	6,47	211,50	4,81
Restaurants and hotels	237,63	9,76	257,12	8,20	281,06	9,31
Various Goods and Services	198,37	5,51	232,38	17,14	252,51	8,66
General	181,85	6,40	200,85	10,45	213,23	6,16

Source: TURKSTAT.



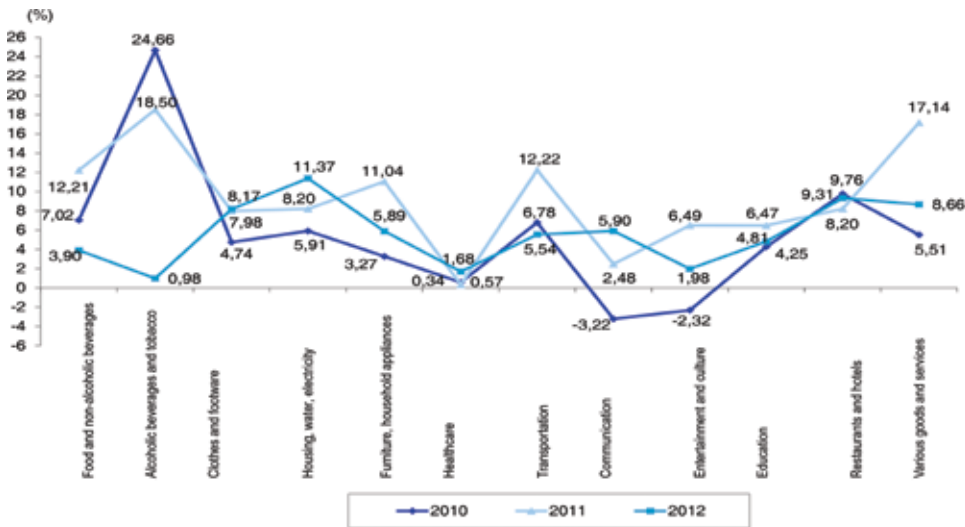
Source: TURKSTAT.

Graph 26. CPI and PPI Monthly Rates of Change

CPI annual rate which recorded a horizontal progress of 10.0% in the first quarter of 2012 climbed to 11.1%, driven by the increase in the seasonal averages of the prices of the clothing and footwear group in April, and the effect of the adjustments to the electricity and natural gas prices. This rate represented the highest annual change in 2012, and the index rate of change dropped to single digits after April (See Graph 27).

Consumer prices annual inflation declined back to 8.9% in June. This development was predominantly driven by the positive progress of the oil and unprocessed food prices which were more favorable than assumptions. The inflation which realized at 9.1% in July decreased 8.9% down 0.2 points compared to the previous month, retreating back to the level in June, but the inflation was above the seasonal normal levels. The rise in oil prices and the increasing trend in food prices partially contributed to an inflation rate above the seasonal normal levels.

As a result of the financial measures taken subject to the budget developments in September, the special consumption tax charged over fuel, automobile and alcoholic beverages increased, raising inflation to 9.2%.



Source: TURKSTAT.

**Graph 27. Rates of Change in the Consumer Price Index by Main Expenditure Groups
(by the End of Year)**

The annual inflation rates which declined to 6.0% in November and December 2012 were affected by the base effect which occurred to the increase in unprocessed food prices below the seasonal averages and the inflation rates which were above the seasonal normals in the same months of the previous year.

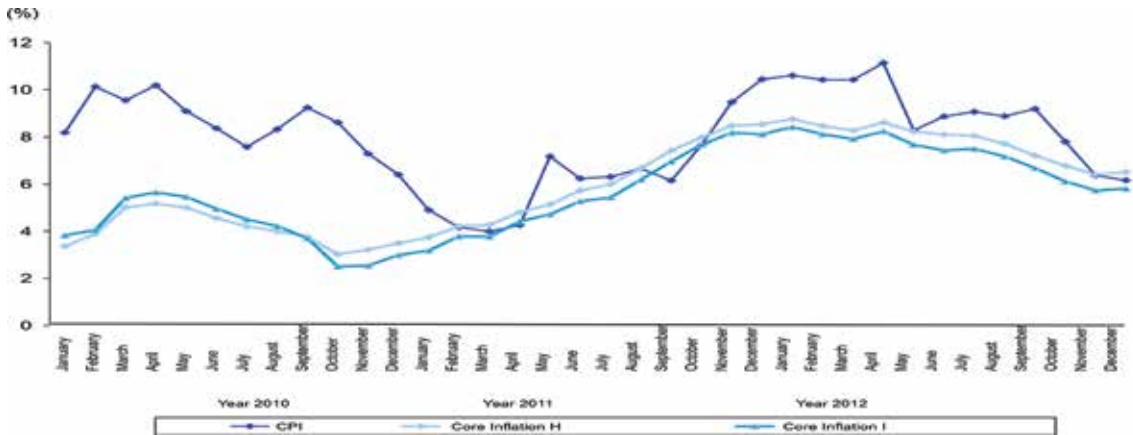
The consumer price inflation dropped 4.3 points and fell to 6.2% in 2012, which was the lowest value of the last 44 years on an annual basis.

In 2012, the favorable progress experienced by the unprocessed food prices which decline at the end of the year, and the international commodity prices except agriculture throughout the year as well as the stability in foreign exchange rates and the slowdown in domestic demand were effective in the decline of the inflation. While the service inflation increased at a limited phase, the pressures on cost and demand relived, and the basic inflation indicators demonstrated a downward trend throughout the year. Particularly, the public price and tax adjustments in energy were factors which had adverse impact on inflation.

The rates of change seen in the main expenditure groups including clothing and footwear, housing, water, electricity, restaurants and hotels, and various goods and services throughout Turkey at the end of the year did not exhibit a change above the rate of change of the CPI general index. Apart from these, the rates of change in the price index in the food and non-alcoholic beverages, alcoholic beverages, and tobacco, furniture, household appliances, health, transportation, communication, entertainment, culture and education main expenditure groups remained below the rate of change of the CPI general index.

In 2012, the highest price increase as of the end of the year was experienced by the housing, water, electricity expenditure group with 11.37%, whereas the lowest price increase was experienced by the alcoholic beverages and tobacco group with 9.8%. When the year 2012 annual rates of change are compared to the annual rates of change of the past year on an expenditure group basis, alcoholic beverages and tobacco took the first place with 18.5% in 2011, and the same expenditure group showed the highest deviation, exhibiting the lowest increase in 2012. The various goods and services expenditure group which took the second place with an increase rate of 17.1% in 2011 was ranked the third in 2012 with an increase of 8.7%.

Basic (core) inflation indicators which enable to monitor the annual inflation data much accurately had a high progress in 2011, but entered a downward trend since May 2012. A core inflation indicator, the core price indicator H (except unprocessed food, energy, alcoholic beverages, tobacco products) increased 8.2% in May 2012 compared to the same month of the previous year, entered a declining tendency after May, and regressed to 6.5% in December (See Graph 28).



Source: TURKSTAT.

Graph 28. Annual Inflation Rates According to the Same Month of the Previous Year

Another leading indicator of inflation, the I price indicator (except energy, food and non-alcoholic beverages, alcoholic beverages, tobacco products and gold) showed a trend parallel to the H core inflation. The I price indicator showed a slight increase at 7.5% in July 2012, but entered a declining trend in August which lasted until the year-end, and increased 5.8% in December compared to the same month of the previous year.

As the reflections of the depreciation of Turkish Lira lost speed, the annual inflation in the basic inflation indicators continued to fall throughout the year, and both indicators decreased more than 2 points compared to year-end 2011. The highest annual increase observed in the index was seen

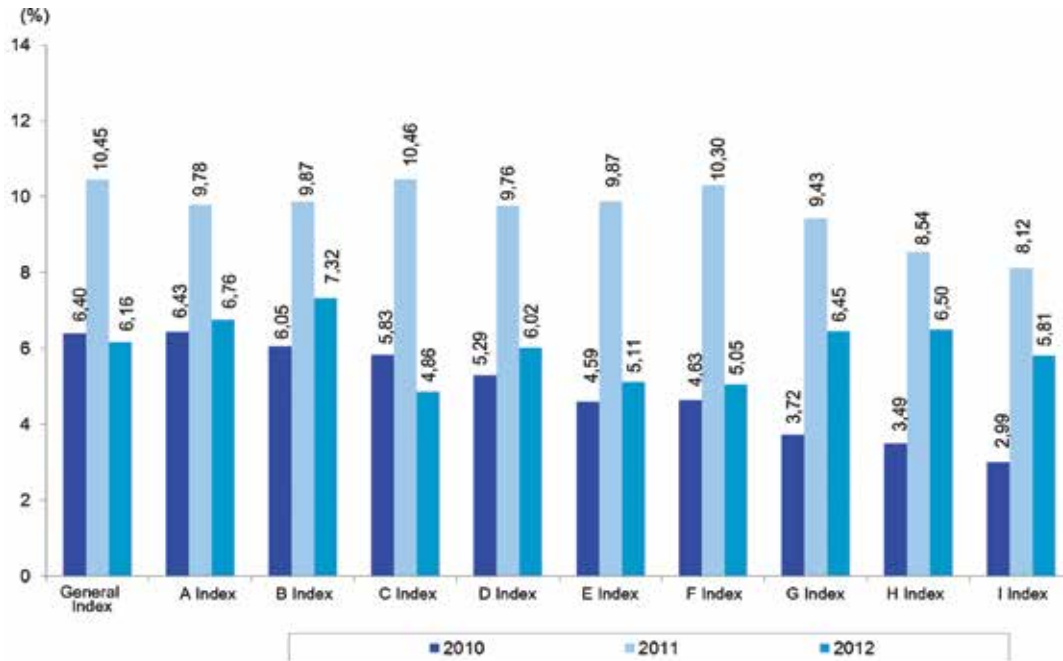
at 3.7% in the core price indicator B which excluded unprocessed food products. Looking at the annual rates of change of index in 2011, the C core price indicator excluding energy takes the first place with 10.5%, the F core price indicator excluding energy, alcoholic beverages and tobacco products, excluding products having administered prices and excluding indirect taxes takes the second place with 10.3%, and the E price indicator excluding energy and excluding alcoholic beverages and tobacco products follows with 9.9%. The core price indicators included in the first three places in 2012 were the B core price indicator with 7.3%, the A core price indicator excluding seasonal products with 6.8%, the H core price indicator excluding unprocessed food products, energy, alcoholic beverages, tobacco products and gold with 6.5% (see Table 66, Graph 29).

Table 66. Consumer Price Index by Special Scopes and Groups

(2003=100)

Group/Scope	2010		2011		2012	
	Index	Rate of Change	Index	Rate of Change	Index	Rate of Change
Twelve-Month Average Consumer Price Index						
A Excluding seasonal products	183,35	8,30	195,53	6,65	212,86	8,86
B Excluding unprocessed food products	174,73	7,14	186,54	6,76	203,62	9,15
C Excluding energy	175,30	8,24	185,84	6,01	201,10	8,21
D (B) and (C)	170,34	6,45	180,99	6,25	196,21	8,41
E (C) and excluding alcoholic beverages and tobacco products	169,39	6,55	179,92	6,21	193,87	7,76
F (E) and excluding products having administered prices and excluding indirect taxes	175,59	6,29	186,81	6,39	201,62	7,93
G (F) and (B)	169,63	3,74	181,14	6,79	195,78	8,08
H (D) and excluding alcoholic beverages, tobacco products and gold	161,22	4,05	171,06	6,10	184,29	7,74
I (C) and excluding food and non-alcoholic beverages, alcoholic beverages, tobacco products and gold	158,64	4,13	167,62	5,66	179,70	7,21
Year-End consumer Price Index						
A Excluding seasonal products	186,77	6,43	205,04	9,78	218,90	6,76
B Excluding unprocessed food products	178,56	6,05	196,18	9,87	210,54	7,32
C Excluding energy	178,08	5,83	196,71	10,46	206,27	4,86
D (B) and (C)	173,43	5,29	190,36	9,76	201,82	6,02
E (C) and excluding alcoholic beverages and tobacco products	172,40	4,59	189,42	9,87	199,10	5,11
F (E) and excluding products having administered prices and excluding indirect taxes	178,77	4,63	197,18	10,30	207,14	5,05
G (F) and (B)	173,29	3,72	189,63	9,43	201,86	6,45
H (D) and excluding alcoholic beverages, tobacco products and gold	164,29	3,49	178,32	8,54	189,91	6,50
I (C) and excluding food and non-alcoholic beverages, alcoholic beverages, tobacco products and gold	161,26	2,99	174,35	8,12	184,48	5,81

Source: TURKSTAT.



Source: TURKSTAT.

Graph 29. Rates of Change in the Consumer Price Index with Specified Scope (by the End of Year)

CPI at Regional Level

When the annual rates of increase of the year 2012 CPI figures as per NUTS Level -2 are analyzed, it is seen that the highest annual increase rate was experienced by Tekirdağ, Edirne, Kırklareli region at 7.2%, followed by Manisa, Afyonkarahisar, Kütahya, Uşak region in the second place at 6.7%, and İstanbul region in the third place with 6.8%, and Malatya, Elazığ, Bingöl, Tunceli region in the fourth place with 6.7%.

When the rates of increase in the main expenditure groups as per NUTS Level-2 are analyzed as of the year-end, the highest price increase was experienced in İstanbul region in the housing, water, electricity expenditure group with 11.3%, whereas the lowest price increase was experienced in the alcoholic beverages and tobacco main expenditure group with 9.3%.

In Tekirdağ, Edirne and Kırklareli region, the highest price increase was seen with 13.5% in the housing, water, electricity main expenditure group, whereas the lowest price increase was seen in the health expenditure group with 8.8%.

In Balıkesir and Çanakkale region, the highest price increase was seen in the housing, water, electricity main expenditure group with 10.6%, whereas the lowest price increase was seen in the health main expenditure group with 1.5%.

In İzmir region, the highest price increase was seen in the restaurants and hotels main expenditure group with 11.3%, whereas the lowest price increase was seen in the health main expenditure group with 1.8%.

In the other regions, the housing, water and electricity were the main expenditure group which had the highest rate of price increase in general, whereas the alcoholic beverages and tobacco were the main expenditure group which had the lowest rate of price increase. The education, entertainment and culture main expenditure groups are among the expenditure groups which showed a decrease in general.

Among the main expenditure groups, the biggest increase was seen in Manisa, Afyonkarahisar, Kütahya, Uşak region in the housing, water, electricity main expenditure group with 15.6%, and the highest decrease was seen in Bursa, Eskişehir, Bilecik region in the education expenditure group with 2.9% (See Table 67).

Table 67. Main Expenditure Groups with Maximum and Minimum Increase or Maximum Decrease at Year-End as per NUTS Level-2 by Years

Region Code	2 NUTS - LEVEL	General Index Rate of Change (%)	Highest Increase		Lowest Increase or Highest Decrease	
			Main Expenditure Group	Rate of Change	Main Expenditure Group	Rate of Change
2011 Yılı						
TR10	İstanbul	9,81	Alcoholic Beverages and Tobacco	18,01	Health	0,39
TR21	Tekirdağ, Edirne, Kırklareli	10,16	Alcoholic Beverages and Tobacco	17,99	Health	0,24
TR22	Balıkesir, Çanakkale	10,62	Alcoholic Beverages and Tobacco	19,18	Health	-0,70
TR31	İzmir	10,15	Alcoholic Beverages and Tobacco	18,54	Health	0,49
TR32	Aydın, Denizli, Muğla	10,87	Alcoholic Beverages and Tobacco	18,87	Health	0,52
TR33	Manisa, Afyon, Kütahya, Uşak	10,20	Various Goods and Services	19,37	Health	1,08
TR41	Bursa, Eskişehir, Bilecik	9,88	Alcoholic Beverages and Tobacco	18,60	Health	0,25
TR42	Kocaeli, Sakarya, Düzce, Bolu, Yalova	10,86	Alcoholic Beverages and Tobacco	19,02	Health	1,12
TR51	Ankara	10,65	Alcoholic Beverages and Tobacco	17,94	Health	0,41
TR52	Konya, Karaman	9,89	Alcoholic Beverages and Tobacco	18,89	Entertainment and Culture	-5,44
TR61	Antalya, Isparta, Burdur	9,95	Alcoholic Beverages and Tobacco	18,11	Health	-0,38
TR62	Adana, Mersin	11,02	Alcoholic Beverages and Tobacco	18,70	Health	-0,11
TR63	Hatay, K.Maraş, Osmaniye	11,35	Various Goods and Services	22,07	Health	-0,27
TR71	Kırıkkale, Aksaray, Niğde, Nevşehir, Kırşehir	12,05	Various Goods and Services	21,05	Health	-0,51
TR72	Kayseri, Sivas, Yozgat	11,74	Various Goods and Services	19,90	Health	-0,41
TR81	Zonguldak, Karabük, Bartın	11,14	Alcoholic Beverages and Tobacco	19,02	Health	1,65
TR82	Kastamonu, Çankırı, Sinop	11,55	Various Goods and Services	22,36	Health	0,29
TR83	Samsun, Tokat, Çorum, Amasya	11,09	Alcoholic Beverages and Tobacco	18,78	Health	0,17
TR90	Trabzon, Ordu, Giresun, Rize, Artvin, Gümüşhane	11,05	Various Goods and Services	28,05	Health	0,29
TRA1	Erzurum, Erzincan, Bayburt	12,07	Various Goods and Services	22,88	Health	-0,33
TRA2	Ağrı, Kars, Iğdır, Ardahan	11,79	Various Goods and Services	22,92	Health	-1,06
TRB1	Malatya, Elazığ, Bingöl, Tunceli	11,49	Various Goods and Services	20,12	Health	-0,53
TRB2	Van, Muş, Bitlis, Hakkari	10,77	Various Goods and Services	19,69	Health	0,06
TRC1	Gaziantep, Adıyaman, Kilis	11,68	Alcoholic Beverages and Tobacco	19,72	Health	-1,20
TRC2	Diyarbakır, Şanlıurfa	11,75	Various Goods and Services	20,50	Health	-1,25
TRC3	Mardin, Batman, Şırnak, Siirt	11,20	Various Goods and Services	20,46	Health	-1,05
2012 Yılı						
TR10	İstanbul	6,78	Housing, water, electricity	11,33	Alcoholic Beverages and Tobacco	0,93
TR21	Tekirdağ, Edirne, Kırklareli	7,23	Housing, water, electricity	13,53	Health	0,88
TR22	Balıkesir, Çanakkale	6,15	Housing, water, electricity	10,56	Health	1,51
TR31	İzmir	6,03	Restaurants and hotels	11,28	Health	1,82
TR32	Aydın, Denizli, Muğla	5,10	Housing, water, electricity	9,81	Training	1,67
TR33	Manisa, Afyonkarahisar, Kütahya, Uşak	6,99	Housing, water, electricity	15,56	Health	1,17
TR41	Bursa, Eskişehir, Bilecik	6,26	Housing, water, electricity	12,78	Training	-2,93
TR42	Kocaeli, Sakarya, Düzce, Bolu, Yalova	6,08	Housing, water, electricity	12,46	Entertainment and culture	-1,81
TR51	Ankara	6,35	Housing, water, electricity	11,80	Alcoholic Beverages and Tobacco	0,80
TR52	Konya, Karaman	5,92	Housing, water, electricity	13,91	Alcoholic Beverages and Tobacco	0,24
TR61	Antalya, Isparta, Burdur	6,15	Housing, water, electricity	11,18	Alcoholic Beverages and Tobacco	1,61
TR62	Adana, Mersin	5,82	Various Goods and Services	11,37	Alcoholic Beverages and Tobacco	0,10
TR63	Hatay, K.Maraş, Osmaniye	5,46	Housing, water, electricity	11,61	Alcoholic Beverages and Tobacco	0,61
TR71	Kırıkkale, Aksaray, Niğde, Nevşehir, Kırşehir	5,86	Housing, water, electricity	11,25	Entertainment and culture	-0,34
TR72	Kayseri, Sivas, Yozgat	5,70	Housing, water, electricity	11,24	Training	-0,95
TR81	Zonguldak, Karabük, Bartın	6,12	Housing, water, electricity	12,30	Training	-1,66
TR82	Kastamonu, Çankırı, Sinop	5,61	Housing, water, electricity	11,94	Training	-0,20
TR83	Samsun, Tokat, Çorum, Amasya	5,90	Housing, water, electricity	12,49	Entertainment and culture	0,38
TR90	Trabzon, Ordu, Giresun, Rize, Artvin, Gümüşhane	6,18	Housing, water, electricity	11,11	Alcoholic Beverages and Tobacco	0,39
TRA1	Erzurum, Erzincan, Bayburt	5,59	Housing, water, electricity	12,07	Entertainment and culture	0,14
TRA2	Ağrı, Kars, Iğdır, Ardahan	6,18	Transportation	9,28	Alcoholic Beverages and Tobacco	0,11
TRB1	Malatya, Elazığ, Bingöl, Tunceli	6,71	Housing, water, electricity	12,91	Alcoholic Beverages and Tobacco	0,64
TRB2	Van, Muş, Bitlis, Hakkari	5,67	Various Goods and Services	13,09	Alcoholic Beverages and Tobacco	0,14
TRC1	Gaziantep, Adıyaman, Kilis	6,24	Housing, water, electricity	12,93	Entertainment and culture	0,16
TRC2	Diyarbakır, Şanlıurfa	5,43	Housing, water, electricity	11,36	Alcoholic Beverages and Tobacco	0,49
TRC3	Mardin, Batman, Şırnak, Siirt	5,28	Housing, water, electricity	11,70	Entertainment and culture	-0,10

Source: TURKSTAT.

1.4.1.2 Producer Price Index

The Producer Price Index (PPI) annual increase rate which demonstrated an increase basically subject to the developments in the international commodity prices and foreign exchange in 2011 started to decrease with the deceleration of such effects in 2012. Throughout 2012, PPI annual inflation recorded a downward progress, and fell to 2.5%, the lowest level since November 2009, and limited the cost-oriented pressure on the consumer prices during the year.

For the first time after May 2011, PPI dropped to a single digit figure with a 9.2% increase in February 2012 compared to the same month of the previous year, driven by the decrease in agricultural prices and appreciation of the Turkish Lira. As the slowdown in economic activities became significant, the annual increase of PPI was driven back to 7.7% in April, and stood at 8.1% in May. The downward trend in PPI continued from May to year-end compared to the same month of the past year.

The annual growth in PPI which followed a downward trend with the relief of the pressures on cost saw 6.4% in June, the lowest level since January 2010, and the fall in the inflation rate was predominantly driven by the quick decline in the prices of the agricultural group. This development was influenced by the downward trend of the industrial raw material prices.

The downward trend in the increase rate of PPI halted slightly in November 2012, and PPI inflation which was 2.6% in October rose to 3.6% in November. The electricity, gas production and distribution prices which increased with the rise in the price of the natural gas used in the natural gas cycle plants had impact on the increase of the monthly PPI, and the decline in the agricultural and hunting group partially compensated the increase of PPI.

The decline in the manufacture of food products and the prices of main metal industry and agricultural sector in December 2012 influenced the decline of PPI. The price increases in other transportation vehicles and clothing materials limited the decline in PPI.

Subject to these developments, PPI fall from 13.3% to 2.5%, in 2012, down 10.9 points, compared to the previous year-end.

When PPI is analyzed according to the sectors as of the end of 2012, the prices of the agricultural sector decreased 4.2%, and the rate of increase of the prices of the industrial sector dropped from 13.9% to 3.8%. The rate of increase of the prices of the mining sector which is included in the industrial sector dropped from 19.8% to 5.5%, and the rate of increase of the prices of the manufacturing industry declined from 14.6% to 1.3%, and that of the energy sector rose from 6.4% to 23.6%. The historical decline in the manufacturing industry was affected by the fall of the oil and main metal prices (See Graph 30, Graph 31).

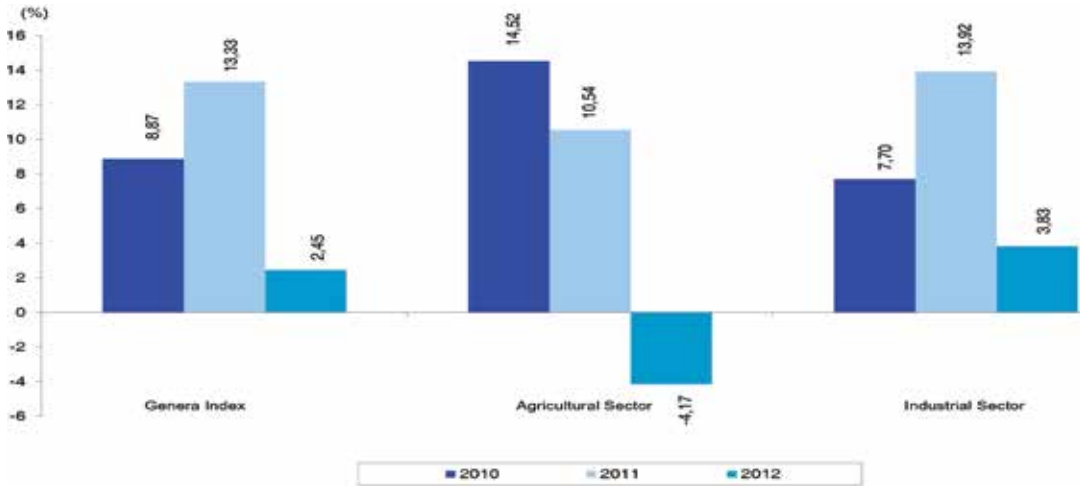
According to the twelve-month averages the rate of change of PPI which was 11.1% in 2011 declined to 6.1% in 2012, down 5.0 points. The agricultural sector prices increased 6.0%, industrial sector prices increased 6.1% (See Table 68).

Table 68. Producer Prices Index By Sectors

(2003=100)

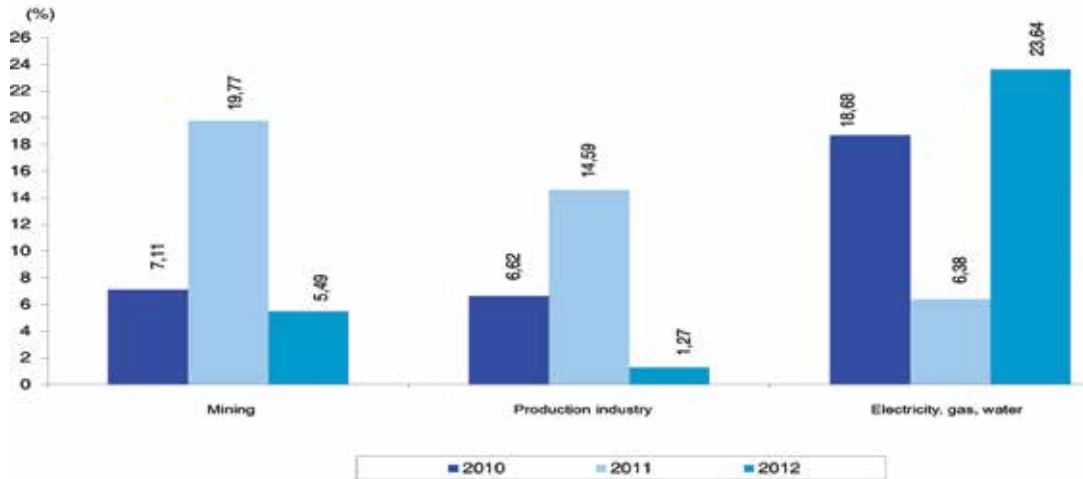
Sectors	Annual Average Producer Price Index					
	2010		2011		2012	
	Index	Rate of Change	Index	Rate of Change	Index	Rate of Change
Oniki Aylık Ortalama Üretici Fiyatları Endeksi						
Agricultural sector	199,09	19,92	209,77	5,37	222,45	6,04
Industrial sector	169,31	6,15	190,19	12,33	201,80	6,11
Mining	225,69	9,27	263,03	16,54	288,76	9,78
Production industry	165,50	6,02	187,55	13,32	197,79	5,46
Electricity, gas, water	189,41	3,59	194,75	2,82	215,17	10,49
Genera index	174,61	8,52	193,96	11,09	205,78	6,09
Yıl Sonu Üretici Fiyatları Endeksi						
Agricultural sector	201,95	14,52	223,23	10,54	213,93	-4,17
Industrial sector	175,45	7,70	199,87	13,92	207,52	3,83
Mining	233,02	7,11	279,08	19,77	294,40	5,49
Production industry	171,16	6,62	196,13	14,59	198,63	1,27
Electricity, gas, water	200,19	18,68	212,97	6,38	263,32	23,64
Genera index	180,25	8,87	204,27	13,33	209,28	2,45

Source: TURKSTAT.



Source: TURKSTAT.

Graph 30. Rates of Change in the Producer Price Index (by the End of Year)



Source: TURKSTAT.

Graph 31. Rates of Change in the Industrial Sector Producer Price Index (by the End of Year)

1.4.2 Money, Bank

TCMB has been applying the inflation targeting regime which aims to guarantee price stability since 2006. However, the global crisis which emerged in 2008 and still continues worldwide thought with limited effects has led our country to seek alternative policies like the other countries. TCMB used a combination of different tools in its monetary policy since the ends of 2008 when the global crisis deepened, and implemented policies to limit the negative effects of the crisis on the lines of economic activity.

The years 2010 and 2011 were a time of recovery for the global economy, but the recovery in the global economic activities could not reach the desired level in 2012. The problems experienced by the public finance of the United States, the stagnancy in the economy of the Eurozone, and the uncertainties about the future continued to pose a global risk. Particularly, the uncertainty surrounding the developed countries forced the developing countries to make structural changes against financial risks, and apply different economic policies. Starting from 2010, TCMB integrated the financial stability into the inflation targeting regime which it had been applying, and started applying a new combination of policies.

In the face of the increased risk appetite worldwide particularly in the recent years and the activity in the capital movements, it is of utmost importance to strengthen the resilience of the economy. The rapid growth of loans in 2010, the overvaluation of Turkish Lira and the degenerative trend in the balance of payments urged TCMB to focus on the minimization of macro financial risks. While aiming to reach financial stability, TCMB takes into account the macro risks which are likely to arise in the operation of the financial sector. In the scope of the new monetary policy, it has started to use policy tools such as the interest rate corridor, policy interest rate, and liquidity managements. With the new monetary policy, the growth rate in loans was slowed starting from the late 2010, whereas the foreign exchange rate was caused to act much compatibly with the fundamentals of economy.

As a result of a more-than-expected rise in the inflation in the last quarter of 2011, monetary tightening was initiated starting from October in order to prevent such situation from having a negative impact on medium term inflation estimations and outlook. When a double-digit inflation expectation above 10.0% occurred at the end of 2011, TCMB announced its monetary policy to be applied in

exceptional periods effective from 29 December 2011, and applied monetary tightening measures for a temporary period, and terminated such application on 10 January 2012.

Sticking to its purpose of reaching and maintaining financial stability, TCMB continued its monetary policy applications in 2012 in the framework of its inflation targeting regime. The inflation target for 2012 was determined as 5.0% in cooperation with the government. The uncertainty range which provided the basis for the accountability obligation of TCMB was preserved at plus minus 2 points as in the past years. In other words, where inflation deviates for more than 2.0% from the year-end target as of the quarterly periods within the year, the reason of the deviation and the measures to be taken will be announced, and if actual inflation proves to be outside the uncertainty range, an open letter will be written to the Government.

The stabilization of economy started to become significant starting from the beginning of 2012. Despite positive developments in the risk taking appetite in the global markets in the first quarter of 2012, TCMB announced that it would continue its cautious stance due to the upward risks in cost items. Taking into account the decisions of developed countries to sustain their monetary expansion policies, it reduced the upper limit of the interest rate corridor in February. At the same time, for the purpose of preventing the adverse effects of the increases in oil prices and other cost components on the inflation estimates, it implemented 5 additional monetary tightening measures between 22 March - 4 June 2012. Starting from the mid-2012, the monetary policy gradually took much supportive position, and the liquidity injected to the market increased starting from June, and the average funding cost was gradually decreased.

TCMB lowered the upper limit of the interest rate corridor in September and October when the European Central Bank limited the global risk-taking appetite with its decisions, and the reserve option mechanism was started to be used effectively.

The increase in the global risk-taking appetite in the last quarter of 2012, particularly, the relative recovery in the risk perceptions towards Turkey improved the capital inflows. In line with it, the loans demonstrated a more-than-expected rise, and the Turkish Lira appreciated. For this reason, TCMB slightly reduced the policy interest rate and took steps to narrow required reserves with a view to counter-acting the creation of risks on financial stability due to the increase of capital inflows in December.

In 2012, the basic determinant of the interest in the money and loan markets was TCMB. While the stabilization process in the domestic demand continued and slowed own as anticipated, the contribution of net exports to the growth increased. However, the Monetary Policy Board announced that the uncertainties as regards the global economy continued and it would preserve the flexibility of the monetary policy despite the fact that the developments experienced in the last quarter of the year improved the risk perceptions in the financial markets. In this framework, it kept policy interest rate at 5.75%, and the overnight borrowing interest rate at 5.0% until December.

At its meeting held on 18 December 2012, the Board declared that capital inflows gained speed, and for the purpose of balancing the risks regarding financial stability, it would be appropriate to sustain macro cautionary measures. In this scope, it reduced the policy interest rate 25 base points, and determined it as 5.50% (See Table 69).

Table 69. 2012 Monetary Policy Board Interest Decisions

Monetary Policy Board Meeting Dates	Interest Decision	Overnight Borrowing	Policy Interest Rate ⁽¹⁾
24 January 2012	.No change made	5,00	5,75
21 February 2012	.No change made	5,00	5,75
27 March 2012	.No change made	5,00	5,75
18 April 2012	.No change made	5,00	5,75
29 May 2012	.No change made	5,00	5,75
21 June 2012	.No change made	5,00	5,75
19 July 2012	.No change made	5,00	5,75
16 August 2012	.No change made	5,00	5,75
18 September 2012	.No change made	5,00	5,75
18 October 2012	.No change made	5,00	5,75
20 November 2012	.No change made	5,00	5,75
18 December 2012	Dropped 0.25 Points	5,00	5,50

Source: Central Bank of Republic of Turkey.

(1): The Central Bank started to use 1-week repo auction interest rate as its policy interest rate starting from 18 May 2010.

While the monetary policy implementations realized during the year the money in circulation, which is a sub-item of the M1 money supply increased 10.6% compared to 2011 and rose to " 54,566 million. The sight " deposits increased 15.5;% and rose to " 75,304 million. The sight foreign exchange deposits (FX) increased 10.8% and rose to " 37,535 million. When it is taken into account that the CPI increased 6.2% in 2012, then in real terms the money in circulation showed an increase of 4.1%, the sight " deposits of 8.8%, and the sight foreign exchange deposits showed an increase of 4.3%. Thus, the narrowly defined M1 money supply, with 12.8% increase rose to " 167,405 million, and grew 6.2% in real terms (See Table 70, Graph 32).

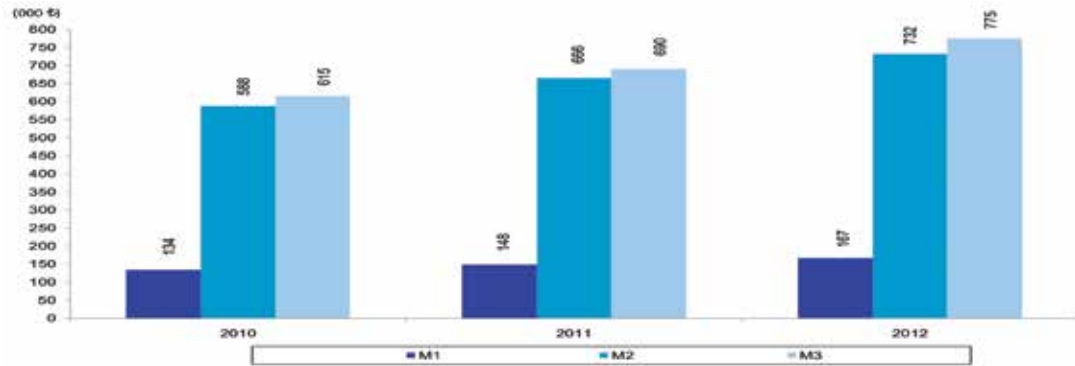
Table 70. Money Supplies

Components ⁽¹⁾	2010	2011	2012	Rate of Change		
				2010	2011	2012
M1	133.884.898	148.455.145	167.404.833	25,1	10,9	12,8
Money in circulation	44.368.280	49.347.189	54.565.770	29,4	11,2	10,6
Sight deposits (")	59.611.531	65.220.312	75.304.164	33,2	9,4	15,5
Sight deposits (FX)	29.905.087	33.887.644	37.534.900	6,7	13,3	10,8
M2	587.814.547	665.642.351	731.770.695	19,0	13,2	9,9
Time deposits (")	330.176.675	359.639.744	400.391.910	23,8	8,9	11,3
Time deposits (FX)	123.752.974	157.547.462	163.973.952	2,8	27,3	4,1
M3	615.088.260	690.089.286	774.651.721	18,1	12,2	12,3
Repo	3.946.153	3.890.683	7.033.800	9,6	-1,4	80,8
Money market funds	23.327.561	20.556.252	17.289.299	1,2	-11,9	-15,9

Source: Central Bank of Republic of Turkey.

(1): The data is as of the last Friday of the year.

FX: Foreign exchange.



Source: Central Bank of Republic of Turkey.

Graph 32. Money Supplies by Years

In 2012, the time deposits, which are a sub-item of the M2 money supply, increased 11.3% and rose to ₺ 330,177 million, whereas the time foreign exchange deposits increased 4.1% and went up to ₺ 163,974 million. The M2 money supply, under the high rate of increase in time Turkish Lira deposits, increased 9.9% and became ₺ 731,771 million. A 3.5% increase in real terms occurred in the M2 money supply. The M3 money supply increased 12.3% and rose to ₺ 774,652 million and increased 5.7% in real terms.

The total Turkish Lira deposits in banks increased 12.8% and rose to ₺ 470,711 million in 2012. The total foreign exchange deposits (FXDA) increased 3.5% and went up to ₺ 186,935 million. Thus, the total deposits in deposit banks increased 10.0% and became ₺ 657,646 million. In real terms, there was an increase of 6.3% in the Turkish Lira deposits and a 2.5% decrease in the foreign exchange deposit accounts. The real increase in total deposits was 3.6% (See Table 71, Graph 33).

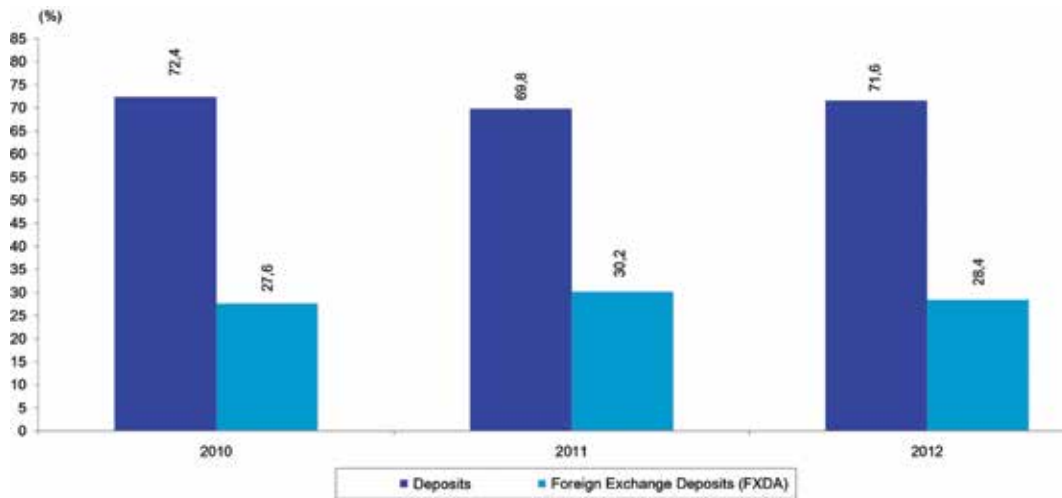
Table 71. Deposit in Deposit Banks

Deposits ^{(1); (2)}	2010	2011	2012	Ratio within the Total			Rate of Change		
				2010	2011	2012	2010	2011	2012
Turkish Lira deposits	380.516.588	417.299.158	470.711.329	72,4	69,8	71,6	24,7	9,7	12,8
Tasarruf mevduatı	237.404.486	264.557.567	286.296.940	45,2	44,2	43,5	20,7	11,4	8,2
Vadeli	214.228.444	239.403.040	257.286.191	40,8	40,0	39,1	19,1	11,8	7,5
Vadesiz	23.176.042	25.154.527	29.010.749	4,4	4,2	4,4	38,0	8,5	15,3
Ticari mevduat	92.031.769	94.105.625	119.531.895	17,5	15,7	18,2	38,9	2,3	27,0
Vadeli	69.598.846	68.789.440	89.233.584	13,2	11,5	13,6	40,6	-1,2	29,7
Vadesiz	22.432.923	25.316.185	30.298.311	4,3	4,2	4,6	33,8	12,9	19,7
Resmi mevduat	25.860.002	32.100.775	35.555.169	4,9	5,4	5,4	22,1	24,1	10,8
Vadeli	14.268.602	20.768.147	22.672.561	2,7	3,5	3,4	25,0	45,6	9,2
Vadesiz	11.591.400	11.332.628	12.882.608	2,2	1,9	2,0	18,8	-2,2	13,7
Diğer mevduat	25.220.331	26.535.191	29.327.325	4,8	4,4	4,5	19,6	5,2	10,5
Vadeli	21.868.963	21.959.558	24.757.626	4,2	3,7	3,8	21,0	0,4	12,7
Vadesiz	3.351.368	4.575.633	4.569.699	0,6	0,8	0,7	11,3	36,5	-0,1
Foreign exchange (FXDA) deposits	144.790.004	180.688.895	186.934.962	27,6	30,2	28,4	3,9	24,8	3,5
Vadeli	116.825.625	149.156.291	152.226.567	22,2	24,9	23,1	3,4	27,7	2,1
Vadesiz	27.964.379	31.532.604	34.708.395	5,3	5,3	5,3	6,0	12,8	10,1
Total deposits	525.306.592	597.988.053	657.646.291	100,0	100,0	100,0	18,2	13,8	10,0

Source: Central Bank of Republic of Turkey

(1): They are the total and foreign exchange deposit of depositors settled in Turkey.

(2): The data is as of the last Friday of the year.



Source: Central Bank of Republic of Turkey.

Graph 33. Rate of TL Deposits and Foreign Exchange Deposits in the Deposit Banks

The savings deposits which had the highest share within the total deposits increased 8.2% and rose to ₺ 286,297 million. The commercial deposits increased 27.0% and rose to ₺ 119,532 million. The official deposits increased 10.8% and rose to ₺ 35,555 million and the other deposits increased 10.5% and became ₺ 29,327 million. In 2012, the share of the Turkish lira deposits within the total deposits increased 1.8 points compared to the previous year and became 71.6%, whereas the ratio of commercial deposits increased 2.5 points and became 18.2%. The ratio of official deposits remained unchanged at 5.4%, and its share within the total deposits decreased 0.7 points and fell to 43.5%. The ratio of FXDA within the total deposits decreased 1.8 points in 2012 compared to the previous year, and became 28.4%.

The credit expansion which started in 2010 as a result of the expansionary monetary policies adopted after the global economic crisis was taken under control with the new money policy measures applied in the last quarter of the year by TCMB, and showed a slowing trend starting from the second quarter of 2011. While this slowdown continued in 2012, the loan demand revived and reaccelerated after the significant all of loan interests in the last quarter of the year. Similarly, the loans extended to the real sector showed a slowing trend starting from the second quarter of 2012 with the effect of the slowdown in economic activities and the deferral of the investment demands driven by deteriorating expectations, and significantly recovered after November. In line with the fall in consumer loan interest rates, there was a recovery trend up to the third quarter of the year, a limited slowdown in the third quarter, and again an growth trend in the last quarter of the year. While the significant rises observed in the home loans had impact on the consumer loans in the last quarter of the year, the increases in the car were affected limitedly.

The loans of the deposit banks increased 17.6% and rose to ₺ 661,738 million and increased 10.7% in real terms at the end of 2012. Commercial and individual loans increased 18.8% and rose to ₺ 625,582 million. The specialized loans decreased %1.0 and declined to ₺ 36,155 million. The agricultural loans within the specialized loans increased 5.8% and rose to ₺ 19,956 in 2012. The loans to tradesmen and artisan increased 4.4% and went up to ₺ 12,180 million. The home loans increased 5.3% and rose to ₺ 1,259 million. The specialized loans other than these increased 28.5% and became 2,761 million (See Table 72).

Table 72. Bank Loans

Bank Loans ⁽¹⁾⁽²⁾	Bank Loan Values (000 ₺)			Rate of Change		
	2010	2011	2012	2010	2011	2012
Deposit bank loans	420.642.948	562.680.360	661.737.545	43,7	33,8	17,6
Commercial and individual loans	392.519.342	526.494.317	625.582.283	44,0	34,1	18,8
Specialized loans	28.123.606	36.186.043	36.155.262	40,4	28,7	-0,1
Agricultural loans	16.680.463	21.180.906	19.955.957	76,7	27,0	-5,8
Loans to tradesmen and artisans	8.768.269	11.661.540	12.179.671	9,5	33,0	4,4
Home loans	1.153.709	1.194.951	1.258.742	-2,6	3,6	5,3
Other	1.521.165	2.148.646	2.760.892	8,6	41,3	28,5
Development and investment bank loans	15.122.170	22.157.297	29.408.548	17,8	46,5	32,7
Export credit bank of Turkey	2.082.147	4.418.656	9.383.406	6,8	112,2	112,4
Other	13.040.023	17.738.641	20.025.142	19,8	36,0	12,9
Domestic net credit volume	435.765.118	584.837.657	691.146.093	42,7	34,2	18,2

Source: Central Bank of Republic of Turkey

(1): It includes domestic loans.

(2): The data is as of the last Friday of the year.

The loans of the development and investment banks increased 32.7% in 2012 and rose to "29,409 million. Within this, the loans of the Export Credit Bank of Turkey which preserved its high growth rate of 2011 also in 2012 increased 112.4% and rose to " 9,383 million, whereas the loans of other development and investment banks increased 12.9% and went up to " 20,025 million.

Connected to these developments, the volume of net domestic credit increased 18.2% in 2012 and rose to " 691,146 million and increased 11.3% in real terms.

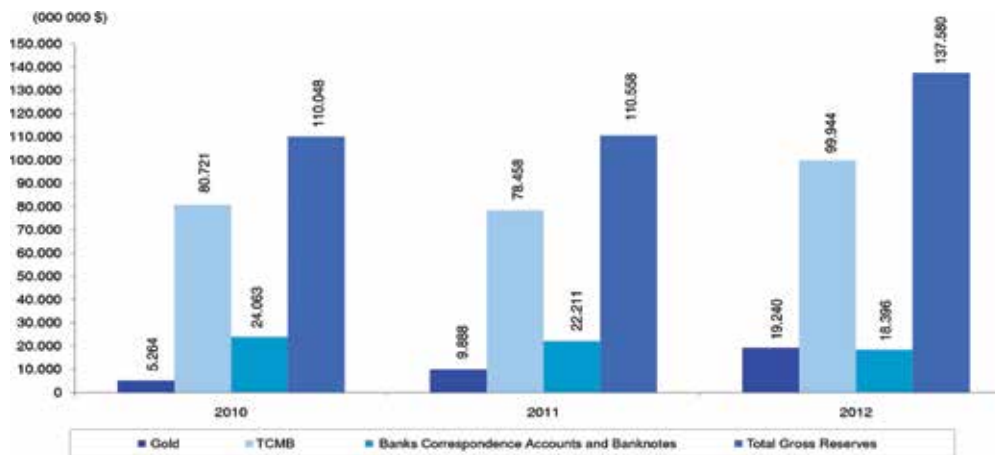
The gross foreign exchange reserves which had decreased in 2011 increased 17.6% in 2012 and rose to US\$ 118,340 million, the gold reserves had a record increase of 96.4% and rose to "19,240 million. Subject to these changes, the gross international reserves increased 24.4% and became \$ 137,580 million (See Table 73, Graph 34).

Table 73. International Reserves

							(000 000 \$)
Years	Gold	Gross Foreign Exchange Reserves			Gross International Reserves	Overdrafts	Net International Reserves
		Central Bank	Banks Correspondence Accounts and Banknotes	Total			
2010	5.264	80.721	24.063	104.784	110.048	1	110.047
2011	9.888	78.458	22.211	100.669	110.558	1	110.557
2012	19.240	99.944	18.396	118.340	137.580	0	137.580

Source: Central Bank of Republic of Turkey

The ratio of imports covered by TCMB foreign exchange reserves was realized at the level of 5.2 months in 2010, 3.9 months in 2011, and 5.1 months in 2012. A decrease started in imports together with the contraction of domestic demand in 2012. The decrease in imports caused a rise in the average monthly ratio of imports covered by the existing foreign exchange compared to the previous year.



Source: Central Bank of Republic of Turkey

Graph 34. International Reserves

Table 74. Central Bank Reserves and Import Coverage Ratio

(000 000 \$)

Years	TCMB Foreign Exchange Reserves	Import	Average Monthly Import	Rate of Foreign Exchange Reserves Covering Average Monthly Imports
2010	80.721	185.544	15.462	5,2
2011	78.458	240.842	20.070	3,9
2012	99.944	236.537	19.711	5,1

Source: Central Bank of Republic of Turkey, TURKSTAT

The number of banks acting in the Turkish banking sector which was 44 in 2011 increased 2.3% and rose to 45 in 2012. In the banking sector, in which deposit banking is predominant a total 45 banks engaged in activities with 32 deposit banks and 13 development and investment banks. Of the deposit banks, 3 are composed of banks in the public sector, 11 are in the private sector, 17 are foreign, and 1 bank is within the scope of the Savings Deposit Insurance Fund. Of the development and investment banks, 3 are composed of banks in the public sector, 6 are in the private sector and 4 banks are foreign capital banks. Of the total banks 71.1% are composed of deposit banks and 28.9% are composed of development and investment banks (See Table 66). While the share of the deposits banks within the total banks increased compared to 2011, the share of the development and investment banks decreased (See Table 75).

The total number of branches in the banking sector increased 4.1% in 2012 and rose to 10,234. The number of state-owned deposit bank branches increased 5.8% and rose to 3,079. The number of privately-owned deposit bank branches increased 3.2% and rose to 5,100. The number of foreign deposit bank branches increased 3.8% and rose to 2,012. The number of bank branches thus increased 4.1% and rose to 10,192. The number of branches of the public, private and foreign capital development and investment banks did not change in 2012.

The number of persons working in the banking system which were 181,418 in 2011 increased 2.6% and rose to 186,120. The number of persons working in the state-owned deposit banks increased 2.7%. The number of persons working in the foreign savings banks increased 4.7%. The number of persons working at the bank within the scope of the Fund decreased 7.0%. In 2012, the number of persons working at the public capital development and investment banks decreased 2.0%. The number of persons working at the foreign private capital development and investment banks decreased as high as 51.1%, whereas the number of persons working at the private capital development and investment banks increased 34.6%.

Table 75. Number of Banks, Branches and Personnel in the Turkish Banking System

Banks	Number of Banks			Number of Branches			Number of Personnel		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Deposit Banks	32	31	32	9.423	9.792	10.192	173.134	176.576	181.218
State-Owned Banks	3	3	3	2.744	2.909	3.079	47.235	50.239	51.587
Privately-Owned Banks	11	11	11	4.582	4.944	5.100	83.633	89.047	90.612
Banks Transferred to the SDIF	1	1	1	1	1	1	252	243	226
Foreign Banks	17	16	17	2.096	1.938	2.012	42.014	37.047	38.793
Development and Investment Banks	13	13	13	42	42	42	5.370	4.842	4.902
Kamu Sermayeli Bankalar	3	3	3	22	22	22	4.043	3.619	3.610
Özel Sermayeli Bankalar	6	6	6	15	16	16	969	810	1.090
Yabancı Sermayeli Bankalar	4	4	4	5	4	4	358	413	202
Total	45	44	45	9.465	9.834	10.234	178.504	181.418	186.120

Bankalar	Ratios within the Total								
	Number of Banks			Number of Branches			Number of Personnel		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Deposit Banks	71,1	70,5	71,1	99,6	99,6	99,6	97,0	97,3	97,4
State-Owned Banks	6,7	6,8	6,7	29,0	29,6	30,1	26,5	27,7	27,7
Privately-Owned Banks	24,4	25,0	24,4	48,4	50,3	49,8	46,9	49,1	48,7
Banks Transferred to the SDIF	2,2	2,3	2,2	0,0	0,0	0,0	0,1	0,1	0,1
Foreign Banks	37,8	36,4	37,8	22,1	19,7	19,7	23,5	20,4	20,8
Development and Investment Banks	28,9	29,5	28,9	0,4	0,4	0,4	3,0	2,7	2,6
Kamu Sermayeli Bankalar	6,7	6,8	6,7	0,2	0,2	0,2	2,3	2,0	1,9
Özel Sermayeli Bankalar	13,3	13,6	13,3	0,2	0,2	0,2	0,5	0,4	0,6
Yabancı Sermayeli Bankalar	8,9	9,1	8,9	0,1	0,0	0,0	0,2	0,2	0,1
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Banks	Rates of Change								
	Number of Banks			Number of Branches			Number of Personnel		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Deposit Banks	0,0	-3,1	3,2	4,9	3,9	4,1	3,6	2,0	2,6
State-Owned Banks	0,0	0,0	0,0	8,5	6,0	5,8	5,3	6,4	2,7
Privately-Owned Banks	0,0	0,0	0,0	4,4	7,9	3,2	1,7	6,5	1,8
Banks Transferred to the SDIF	0,0	0,0	0,0	0,0	0,0	0,0	-3,4	-3,6	-7,0
Foreign Banks	0,0	-5,9	6,3	1,6	-7,5	3,8	5,9	-11,8	4,7
Development and Investment Banks	0,0	0,0	0,0	-4,5	0,0	0,0	0,6	-9,8	1,2
Kamu Sermayeli Bankalar	0,0	0,0	0,0	0,0	0,0	0,0	-2,9	-10,5	-0,2
Özel Sermayeli Bankalar	0,0	0,0	0,0	0,0	6,7	0,0	15,1	-16,4	34,6
Yabancı Sermayeli Bankalar	0,0	0,0	0,0	-28,6	-20,0	0,0	7,8	15,4	-51,1
Total	0,0	-2,2	2,3	4,9	3,9	4,1	3,5	1,6	2,6

Source: The Banks Association of Turkey.

1.4.3 Capital Market

In 2012 the value of private securities issued increased 3.3% compared to 2011 and rose from ₺ 91,079 million to ₺ 94,060 million. All the securities issued were formed of securities issued by the private sector. In 2012, the public sector did not issue treasury bills and privatization bonds, and as no data was generated by the Capital Markets Board (SPK) in respect of the issue of government bonds after November 2011, the issue of public sector securities is shown as zero in the table (See, Table 76, Graph 35).

Table 76. Public Sector Permits for Issuing Securities

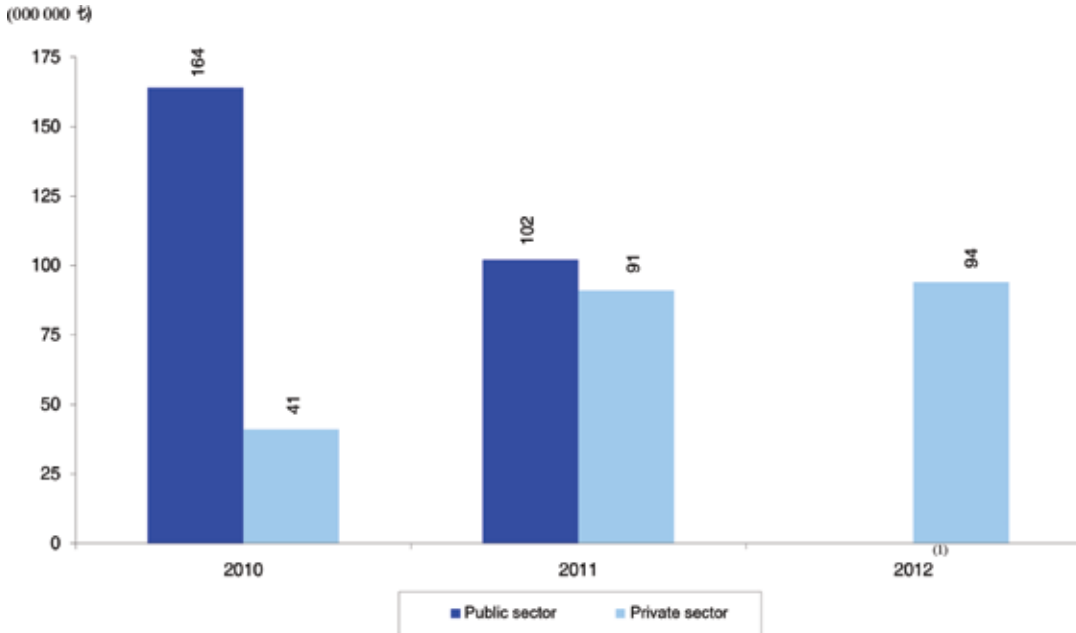
(000 000 ₺)

Components	Value			Ratio within the Total			Rate of Change		
	2010	2011	2012 ⁽¹⁾	2010	2011	2012	2010	2011	2012
Public sector									
Government Bonds	146.877	101.647	0	71,5	52,5	0,0	9,6	-30,8	
Treasury bills	17.543	725	0	8,5	0,4	0,0	-9,3	-95,9	
Privatization bonds	0	0	0	0,0	0,0	0,0			
Private sector									
Shares	11.410	7.941	8.081	5,6	4,1	8,6	156,2	-30,4	1,8
Bonds	2.533	5.123	25.975	1,2	2,6	27,6	1704,1	102,2	407,1
Commercial papers	105	0	434	0,1	0,0	0,5	110,0	-100,0	
Asset backed securities	0	192	698	0,0	0,1	0,7			263,7
Bank bills and bank guaranteed bills	1.100	1.861	4.006	0,5	1,0	4,3	1000,0	69,2	115,3
Mutual fund participation certificates	10.753	34.766	15.766	5,2	18,0	16,8	-53,7	223,3	-54,7
Retirement fund participation certificates	15.150	39.850	38.400	7,4	20,6	40,8	5,2	163,0	-3,6
Foreign mutual fund participation certificates	0	283	0	0,0	0,1	0,0			
Asset guaranteed securities	0	422	700	0,0	0,2	0,7			65,9
Lease certificates	0	641	0	0,0	0,3	0,0			
Total	205.471	193.451	94.060	100,0	100,0	100,0	5,0	-5,9	-51,4

Source: Capital Markets Board

(1): The relevant data for the public sector are not published since 11th month of 2011 by the relevant institution.

The issues of the private sector which increased 121.9% in 2011 slowed down in 2012 and showed a limited increase of 3.3%. The issues of the public sector securities which were ₺ 91,079 million in 2011 rose to ₺ 94,060 million in 2012. This development was driven by the increases in the issues of asset backed securities, bank bills, and bank guaranteed bills. In 2012, of the issues of private sector securities, a ₺ 8,081 million portion representing 8.6% was formed of shares, a ₺ 25,957 million portion representing 27.6% was formed of bonds, a ₺ 434 million portion representing 5.0% was formed of commercial papers, a ₺ 698 million portion representing 7.0% was formed of asset backed Securities, a portion of ₺ 4,006 million representing 4.3% was formed of bank bills and bank guaranteed bills, a ₺ 15,766 million portion representing 16.8 was formed of mutual fund participation certificates, a 38,400 million portion representing 40.8% was formed of retirement fund participation certificates, a ₺ 700 million portion representing 7.0% was formed of asset guaranteed securities. In 2012, no foreign mutual fund participation certificates and lease certificates were issued.



Source: Capital Markets Board

(1): No data on the issues of public sector securities were published in 2012.

Graph 35. Permits for Issuing Securities by the Public and Private Sector by Years

As of months in 2012, the issues of private sector securities were the most in May at " 32,436 million. This was followed by the issues made in December at "9,829 million and the issues made in October at "9,829 million. The months when the most intensive issues of shares were made were March, June, May and December. The months when the most intensive issues of bonds were made were October, December, September and April. The months when the most intensive issues of bank bills and bank guaranteed bills were made were November, July, December and April. The months when the most intensive issues of mutual fund participation certificates were made were August, May, January and February. The months when the most intensive issues of retirement fund participation certificates were made were May, December, March, April and November (See Table 77).

The volume of transactions of securities in the secondary markets which increased 21.1% in 2010 increased 22.5% in 2011, and only increased 5.0% in 2012 and rose to "1,556,121 million. This increase stemmed to a great extent from the increase in volume of transactions of public sector treasury bills despite the decrease in the sale of public sector securities compared to 2011 (See Table 78).

Table 77. Public Sector Permits for Issuing Securities

Years	Months	Shares	Bonds	Commercial Papers	Asset Backed Securities	Bank Bills and Bank Guaranteed Bills	Mutual Fund Participation Certificates	Retirement Fund Participation Certificates	Foreign Mutual Fund Participation Certificates	Asset Guaranteed Securities	Lease Certificates	Grand Total	Change of Rate of Rate Compared to Previous Year	Change of Rate Compared to Same Month of the Previous Year	(000,000 ₺)
2010	I	1.102	30	80	-	0	130	200	-	-	-	1.542	99,7	-99,7	-99,7
	II	99	100	0	-	100	100	0	-	-	-	399	-74,1	-99,9	-99,9
	III	504	0	0	-	0	280	0	-	-	-	784	96,5	-99,7	-99,7
	IV	1.250	80	0	-	400	200	0	-	-	-	1.930	146,2	-99,7	-99,7
	V	1.429	100	25	0	0	35	0	-	-	-	1.589	-17,6	-100,0	-100,0
	VI	499	0	0	-	0	963	100	-	-	-	1.562	-1,7	-99,9	-99,9
	VII	211	1.871	0	-	0	50	1.700	-	-	-	3.832	145,4	-99,9	-99,9
	VIII	157	20	0	-	0	3.020	0	-	-	-	3.197	-16,6	-99,9	-99,9
	IX	100	0	0	-	300	2.500	0	-	-	-	2.900	-9,3	-99,8	-99,8
	X	1.350	0	0	-	100	1.150	10.400	-	-	-	13.000	348,3	-97,7	-97,7
	XI	1.840	282	0	-	100	2.200	2.000	-	-	-	6.421	-50,6	-100,0	-100,0
2011	XII	2.869	51	0	-	100	125	750	-	-	-	3.894	-39,4	-99,8	-99,8
	Toplam	11.410	2.533	105	-	1.100	10.753	15.150	-	-	-	41.050	-	-	-
	I	714	755	0	-	100	330	1.000	0	0	0	2.899	-25,6	88,0	88,0
	II	217	0	0	0	0	3.300	0	0	0	0	3.517	21,3	781,6	781,6
	III	6	770	0	0	0	280	0	0	0	0	1.056	-70,0	34,7	34,7
	IV	713	1.235	0	0	0	724	0	0	0	0	2.671	153,0	38,4	38,4
	V	1.818	795	0	0	250	130	0	0	0	0	2.992	12,0	88,3	88,3
	VI	180	0	0	0	100	3.000	30.000	0	0	0	33.280	1.012,2	2031,1	2031,1
	VII	419	100	0	0	480	410	0	0	0	0	1.409	-95,8	-63,2	-63,2
	VIII	601	1	0	0	270	19.605	3.000	0	237	0	23.477	1.566,7	634,3	634,3
	IX	193	0	0	0	200	747	0	0	0	0	1.140	-95,1	-60,7	-60,7
	X	604	60	0	192	190	5.000	0	0	0	641	6.046	430,5	-53,5	-53,5
2012	XI	2.476	1.082	0	0	35	0	2.050	283	184	0	5.926	-2,0	-7,7	-7,7
	XII	2	326	0	0	236	1.240	3.800	0	0	0	5.604	-5,4	43,9	43,9
	Toplam	7.941	5.123	0	192	1.861	34.766	39.850	283	422	641	91.079	-	-	-
	I	218	1.037	60	198	194	1.700	900	0	0	0	4.307	-23,2	48,6	48,6
	II	363	230	0	0	77	1.700	0	0	115	0	2.485	-42,3	-29,3	-29,3
	III	3.988	107	0	0	184	200	1.600	0	0	0	6.079	144,6	475,8	475,8
	IV	147	2.163	15	180	482	1.260	1.000	0	0	0	5.247	-13,7	96,4	96,4
	V	960	54	0	0	295	2.010	29.000	0	117	0	32.436	518,2	984,0	984,0
	VI	975	659	0	20	0	1.050	0	0	0	0	2.704	-91,7	-91,9	-91,9
	VII	302	1.544	0	0	600	264	0	0	0	0	2.711	0,2	92,4	92,4
	VIII	16	220	0	0	16	6.435	0	0	0	0	6.687	146,7	-71,5	-71,5
	IX	97	2.684	15	300	419	0	900	0	0	0	4.414	-34,0	287,4	287,4
2013	X	138	8.121	330	0	140	150	950	0	0	0	9.829	122,7	62,6	62,6
	XI	360	1.415	10	0	1.050	997	1.000	0	467	0	5.301	-46,1	-10,6	-10,6
	XII	516	7.743	4	0	549	0	3.050	0	0	0	11.862	123,8	111,7	111,7
	Toplam	8.081	25.975	434	698	4.006	15.766	38.400	0	700	0	94.060	-	-	-

Source: Capital Markets Board

Table 78. Volume of Transactions in Secondary Markets

(000 000 ₺)

Public/Private Sector	Value			Ratio within the Total			Rate of Change		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Public sector	629.293	853.789	932.794	49,7	55,1	59,9	11,8	35,7	9,3
Government Bonds	594.084	848.926	926.535	47,0	54,8	59,5	10,8	42,9	9,1
Treasury bill	35.209	4.863	6.259	2,8	0,3	0,4	33,2	-86,2	28,7
Private sector	635.663	695.330	623.327	50,3	44,9	40,1	32,0	9,4	-10,4
Shares	635.663	695.330	623.327	50,3	44,9	40,1	32,0	9,4	-10,4
Total	1.264.956	1.549.118	1.556.121	100,0	100,0	100,0	21,1	22,5	0,5

Source: Capital Markets Board

The secondary sales of public sector securities increased 9.3% and became ₺932,794 million. The secondary sales of private sector securities decreased 10.4% and fell to ₺623,327 million.

The share of the public sector securities within the total secondary market transactions increased from 55.1% to 59.9% in 2012 compared to 2011, whereas the share of the private sector securities decreased from 44.9% to 40.1%.

Istanbul Stock Exchange

The continued spreading of the global economic stagnancy and the European financial crisis in 2011, the adversities in the advanced economies, notably USA, had negative impact on the worldwide future expectations, and the lack of trust felt by the investors culminated in the decrease of capital movements and shrinkage of the stock markets. These global developments affected the IMKB negatively, and IMKB=100 Index closed the year at 51,226.6 with a loss of 22.3% compared to 2010.

At the beginning of 2012, although WB and IMF reduced global growth estimates with the deterioration of economic activity, the global stock markets experienced rises with the positive effect of the company balance-sheets disclosed, notably in USA. The IMKB=100 Index was affected of the global positive mood, and with the increased expectations that TCMB would cut interests, the index rose further. While the credit ratings of the European countries were decreased, the European Central Bank (ECB) intervened in the markets on 29 February 2012 and injected € 530 billion of liquidity into the banking system, and in Turkey, the Central Bank Monetary Policy Board narrowed the interest rate corridor, reduced overnight lending interest rate from 12.5% to 11.5%, and thus the IMKB-100 Index continued its climbing trend in February and March.

Despite the measures taken, the increased concern as regards the future of the European debt crisis and the effect of the profit sales in IMKB caused the index to decrease in April. Despite the increased concern over the approximating election process in Greece and the interventions in the required reserves to increase amount of liquidity injected by TCMB into the markets, IMKB=100 index continued its fall in May.

The IMKB = 100 Index started to rise again in June, to a large extent driven by the raise of Turkey's credit rating and the announcement of a positive outlook by the international rating institution Moody's, and a positive atmosphere was created in the markets.

In August the international rating institution Fitch announced that the credit rating could be raised to “investment grade” if inflation in Turkey continues to decline in line with the targets, and the current account deficit falls to sustainable levels, and with the continued recovery in current account deficit, the IMKB=100 Index continued its rise. Despite the positive developments that supported the domestic and foreign markets in September, the expectation that the year 2012 budget targets would not be achieved, and the increase in the prices of fuel, alcoholic beverages, natural gas and electricity led to increased profit sales in the IMKB, and the IMKB=100 Index showed a decline.

With the continued decline of the current account deficit, TCMB reduced interest rates and the international rating institution Fitch raised Turkey's rating to “investment grade” in 5 November 2012, and thus, the IMKB-100 Index took an upward trend again in the last quarter of the year. Therefore, the IMKB=100 Index increased 52.6% in 2011 compared to 2011 year-end and closed at 78,208.4 points (See Table 79).

The total traded value decreased 10.4% in 2012 compared to 2011, and slid from ₺695,338 million to ₺623,333 million. As of months, the month with the highest traded value was realized in November at ₺68,873 million, and the lowest trade value was realized in August at ₺38,319 million.

As of months in 2012, the month with the highest real change in the total traded value of the IMKB was realized in November at 53.2% and this was followed by January at 27.9% and February at 20.6%. As of months, the highest decrease in the total traded value was realized in August at 14.2% in real terms.

Table 79. Istanbul Stock Exchange

Year	Month	Traded Value ⁽¹⁾ (000 ₺)	İMKB Index (January 1986 =100)		Consume Price Index (2003=100)		Volume of Transactions Monthly Rates of Change		Volume of Transactions Annual Rates of Change	
			Index Value	Index Value	Index Value	Monthly Rate of Change	Nominal	Real	Nominal	Real
2010	January	60.478.001	54.650,6	174,1	1,8		22,0	19,8	143,1	138,7
	February	57.936.927	49.705,5	176,6	1,4		-4,2	-5,6	193,2	189,0
	March	57.174.511	56.538,4	177,6	0,6		-1,3	-1,9	126,2	124,9
	April	57.764.710	58.959,1	178,7	0,6		1,0	0,4	48,5	47,6
	May	53.885.419	54.384,9	178,0	-0,4		-6,7	-6,4	11,2	11,6
	June	41.140.854	54.839,5	177,0	-0,6		-23,7	-23,2	-12,7	-12,2
	July	40.782.685	59.866,8	176,2	-0,5		-0,9	-0,4	-8,4	-8,0
	August	35.336.611	59.972,6	176,9	0,4		-13,4	-13,7	-31,8	-32,1
	September	48.288.745	65.774,4	179,1	1,2		36,7	35,0	21,0	19,5
	October	59.017.025	60.404,3	182,4	1,8		22,2	20,0	16,3	14,2
	November	51.425.090	65.350,9	182,4	0,0		-12,9	-12,9	23,8	23,8
	December	73.090.897	66.004,5	181,9	-0,3		42,1	42,6	47,4	47,9
2011	January	76.933.328	63.278,1	182,6	0,4		5,3	4,8	27,2	26,7
	February	69.144.733	61.283,9	183,9	0,7		-10,1	-10,8	19,3	18,5
	March	83.332.098	64.434,5	184,7	0,4		20,5	20,0	45,8	45,1
	April	72.175.418	69.250,1	186,3	0,9		-13,4	-14,1	24,9	23,9
	May	64.869.842	63.046,0	190,8	2,4		-10,1	-12,2	20,4	17,5
	June	50.513.691	63.269,4	188,1	-1,4		-22,1	-21,0	22,8	24,6
	July	41.907.669	62.295,7	187,3	-0,4		-17,0	-16,7	2,8	3,2
	August	53.617.737	53.946,1	188,7	0,7		27,9	27,0	51,7	50,6
	September	55.987.134	59.693,4	190,1	0,8		4,4	3,6	15,9	15,1
	October	50.338.561	56.061,5	196,3	3,3		-10,1	-12,9	-14,7	-17,4
	November	39.669.090	54.517,8	199,7	1,7		-21,2	-22,5	-22,9	-24,2
	December	36.848.251	51.266,6	200,9	0,6		-7,1	-7,6	-49,6	-49,9
2012	January	47.407.774	57.171,3	202,0	0,6		28,7	27,9	-38,4	-38,7
	February	57.477.794	60.721,2	203,1	0,6		21,2	20,6	-16,9	-17,3
	March	59.977.644	62.423,0	204,0	0,4		4,3	3,9	-28,0	-28,3
	April	56.442.513	60.010,4	207,1	1,5		-5,9	-7,3	-21,8	-23,0
	May	50.254.434	55.099,3	206,6	-0,2		-11,0	-10,8	-22,5	-22,4
	June	47.709.089	62.543,5	204,8	-0,9		-5,1	-4,2	-5,6	-4,7
	July	44.397.684	64.259,5	204,3	-0,2		-6,9	-6,7	5,9	6,2
	August	38.318.682	67.368,0	205,4	0,6		-13,7	-14,2	-28,5	-28,9
	September	43.440.396	66.396,7	207,6	1,0		13,4	12,2	-22,4	-23,2
	October	44.775.440	72.529,0	211,6	2,0		3,1	1,1	-11,1	-12,8
	November	68.873.352	73.058,5	212,4	0,4		53,8	53,2	73,6	73,0
	December	64.258.131	78.208,4	213,2	0,4		-6,7	-7,1	74,4	73,7

Source: Istanbul Stock Exchange, Capital Markets Board, TURKSTAT.

(1): It is the traded value in the national market.

While the IMKB was among the fastest growing exchanges in 2012, this growth was substantially driven by the increased number of foreign investors. The number of domestic investors who had a share portfolio in 2012 in the IMKB decreased 9.9% in compared to 2011, and fell to 1,080,262, whereas the number of foreign investors increased 7.4% and rose to 8,304. In 2012, the portfolio value of domestic investors in IMKB increased 37.5% and became ₺ 72,676 million, whereas the portfolio value of the foreign investors increased 61.8% and became ₺ 140,529 million. Here, the noteworthy change here is that the number of foreign investors increased 7.4% in 2012 compared to the previous year, while the portfolio value of the foreign investors demonstrated a dramatic increase of 61.8%. Therefore, compared to 2011, the total number of investors investing in IMKB decreased 8.0% in 2012, whereas the total portfolio value of the investments increased 52.6% (See Table 80).

Table 80. Number of Investors and Portfolio Value in Istanbul Stock Exchange

Nationality of the Investor	Number of Investors		Rate of Change	Portfolio Value (000 000 ₺)		Rate of Change
	2011	2012		2011	2012	
Domestic	1.090.059	1.080.262	-0,9	52.860	72.676	37,5
Foreign	7.732	8.304	7,4	86.850	140.529	61,8
Total	1.097.791	1.088.566	-0,8	139.710	213.205	52,6

Source: Central Registry Agency

When the first countries within the foreign investors investing in Istanbul Stock Exchange ranked according to the portfolio value are analyzed, USA takes the first place with 1,302 investors and a portfolio of \$46,027 million, UK takes the second place with 518 investors with a portfolio of \$ 25,939 million, and Luxembourg takes the third place with 335 investors with a portfolio of \$10,339 million. In 2012, the total portfolio value of the foreign investors in our country was \$140,529 million, and the countries ranked in the first 10 places represent 78.4% of the foreign portfolio value with a portfolio of \$110,108 million. The portfolio value of the foreign investors in the first 10 represent 51.6% of the total portfolio value in 2012 (See Table 81).

Table 81. Top Ten Countries as Foreign Investors in Istanbul Stock Exchange

					(Year 2012)
Countries	Number of Investors	Ratio within the Total	Portfolio Value (000 000 ₺)	Ratio within the Total	
United States of America	1.302	0,1	46.027	21,6	
UK	518	0,0	25.939	12,2	
Luxemburg	335	0,0	10.339	4,8	
Netherlands	81	0,0	4.816	2,3	
Norway	21	0,0	4.699	2,2	
Ireland	130	0,0	4.479	2,1	
France	70	0,0	4.037	1,9	
Saudi Arabia	16	0,0	3.747	1,8	
Greece	49	0,0	3.113	1,5	
Singapore	7	0,0	2.911	1,4	
Total 10 Countries	2.529	0,2	110.108	51,6	
Other Countries	5.775	0,5	30.421	14,3	
Grand Total	1.088.870	100,0	213.205	100,0	

Source: Central Registry Agency.

1.4.4 Public Finance

The finance policy was used with the monetary policy during the global crisis in order to restore trust and stability in economy. With the effect of the policies adopted and the soundness of the measures in the economy, Turkey exited the crisis relatively earlier than many other countries. The tight fiscal policy and the recovery trend in economy affected the public sector income and public sector borrowing requirement positively in 2010 and 2011.

In 2012, the recovery in the global economy could not reach the sufficient level, and the basic macroeconomic and financial problems continued in the advanced economies and the Eurozone. The restrictions in the capacity of the public finances of the advanced economies to support growth and the uncertainties in policy stood out as elements that slowed the recovery in the global economy. Particularly, the continued problems regarding the public finance in USA, and the high budget deficits seen in the Eurozone, combined with the high indebtedness rates, continued to pose risk for the global economy.

In our country, the finance policy was carried out in 2012 again with fiscal discipline in accordance with the Medium Term Program (MTP) and the Medium Term Financial Plan (MTFP), however subject to the slowdown in the economic activity, the slowdown in the increase rate of tax incomes and the increase of non-interest expenditures partially caused deterioration in the public finance balance.

The upward trend in the general government revenues, though decelerated, continued in 2012. The general government revenues which increased 21.2% in 2011 lost speed in 2012, and rose to ₺ 530,687 million with a rise of 12.3% (Se, Table 82).

Table 82. General Government Revenues

(At Current Prices, 000 000 ₺)

Revenues	2010	2011	2012 ⁽¹⁾	Rate of Change			Ratio within the Total Revenues			Ratio to GDP		
				2010	2011	2012	2010	2011	2012	2010	2011	2012
Taxes	216.109	260.262	286.117	22,7	20,4	9,9	55,4	55,1	53,9	19,7	20,1	20,2
Vasitasız	61.295	76.012	85.530	7,0	24,0	12,5	15,7	16,1	16,1	5,6	5,9	6,0
Vasitalı	147.422	175.155	190.891	30,7	18,8	9,0	37,8	37,1	36,0	13,4	13,5	13,5
Servet	7.392	9.095	9.696	22,0	23,0	6,6	1,9	1,9	1,8	0,7	0,7	0,7
Non-tax normal revenues	19.447	23.836	27.449	1,3	22,6	15,2	5,0	5,0	5,2	1,8	1,8	1,9
Factor income	60.749	65.395	80.430	2,2	7,6	23,0	15,6	13,8	15,2	5,5	5,0	5,7
Social funds	89.514	118.858	135.332	26,4	32,8	13,9	23,0	25,2	25,5	8,2	9,2	9,6
Total	385.819	468.352	529.328	18,5	21,4	13,0	99,0	99,1	99,7	35,1	36,1	37,4
Privatization revenues	3.924	4.117	1.359	-10,2	4,9	-67,0	1,0	0,9	0,3	0,4	0,3	0,1
Total revenues	389.743	472.469	530.687	18,1	21,2	12,3	100,0	100,0	100,0	35,5	36,4	37,5

Source: Ministry of Development, TURKSTAT

(1): Realization estimate

Tax revenues, which form more than half of the general government revenues, increased 9.9% in 2012 and became ₺ 286,117 million. In 2012, the non-tax normal revenues increased 15.2% and rose to ₺ 27,449 million. The factor income increased 23.0%, and rose to ₺ 80,430 million, whereas the social funds increased 13.9% and climbed to ₺ 135,332 million.

The share of the revenue components within the general government revenues from 2011 to 2012 were as follows: taxes fell from 55.1% to 53.9% and privatization revenues fell from 9.0% to 3.0%. The non-tax normal revenues increased from 5.0% to 5.2%, factor income from 13.8% to 15.2% and the social funds went from 25.2% to 25.5%.

In 2012, the ratio of general government revenues to GDP increased 1.1 points compared to the previous year and rose to 37.5%. The ratio of tax revenues increased 0.1 points and went up to 20.2%. The ratio of non-tax normal revenues increased 0.7 points and rose to 5.75. The ratio of social funds increased 0.4 points and rose to 9.6%. The ratio of privatization revenues increased 0.2 points and declined to 1.0%.

The general government expenditures which increased 12.9% in 2011 increased 16.0% in 2012, and rose to ₺ 553,516 million. The current expenditures increased 16.3% and became ₺ 251,041 million. The general government fixed capital investments which increased 14.4% in 2011 increased 15.2% in 2012, and rose to ₺ 49,672 million. In 2012, the public sector stocks decreased 5.9%, compared to the previous year and fell to ₺ 176 million. Thus, the general government investment expenditures which increased 15.4% in 2011 increased 15.1% in 2012, and rose to ₺ 49,848 million. The general government transfer expenditures which increased 10.4% in 2011 increased 16.0% in 2012, and rose to ₺ 252,627 million. The current transfers which constitute a large portion of the transfer expenditures, increased 17.3% in 2012 and rose to ₺ 241,403 million. The capital transfers showed a decrease of 6.2% and regressed to ₺ 11,224 million (See Table 83).

The current expenditures that had a 45.3% share within the general government expenditures in 2011 rose to 45.4% in 2012 and the share of investment expenditures regressed from 9.1% to 9.0%. The share of transfer expenditures slid from 45.7% to 45.6%, whereas the ratio of non-interest expenditures remained unchanged at 90.9%.

Table 83. General Government Expenditures

(At Current Prices, 000 000 ₺)

Expenditures	2010	2011	2012 ⁽¹⁾	Rate of Change			Ratio within the Total Expenditures			Ratio to GDP		
				2010	2011	2012	2010	2011	2012	2010	2011	2012
Current expenditures	187.871	215.946	251.041	11,3	14,9	16,3	44,4	45,3	45,4	17,1	16,6	17,7
Investment expenditures	37.545	43.322	49.848	19,6	15,4	15,1	8,9	9,1	9,0	3,4	3,3	3,5
Fixed capital	37.712	43.136	49.672	19,9	14,4	15,2	8,9	9,0	9,0	3,4	3,3	3,5
Change in stock	-167	187	176	351,4	-212,0	-5,9	0,0	0,0	0,0	0,0	0,0	0,0
Transfer expenditures	197.317	217.801	252.627	8,5	10,4	16,0	46,7	45,7	45,6	18,0	16,8	17,8
Current transfers	184.540	205.841	241.403	7,2	11,5	17,3	43,7	43,1	43,6	16,8	15,9	17,0
Capital transfers	12.777	11.960	11.224	33,3	-6,4	-6,2	3,0	2,5	2,0	1,2	0,9	0,8
Non-interest expenditures	373.009	433.459	503.002	13,9	16,2	16,0	88,2	90,9	90,9	33,9	33,4	35,5
Total expenditures	422.734	477.070	553.516	10,7	12,9	16,0	100,0	100,0	100,0	38,5	36,8	39,1

Source: Ministry of Development, TURKSTAT

(1): Gerçekleşme tahmini.

The ratio of general government expenditures to the GDP in 2012 increased 2.3 points compared to the previous year and rose to 39.1%. The ratio of the current expenditures increased 1.1 points and rose to 17.7%, the ratio of investment expenditures increased 0.2 points and rose to 3.5% whereas the ratio of transfer expenditures increased 1.0 points and rose to 17.8%.

1.4.4.1 Central Government Budget

Although a time period as long as four years have elapsed after the global crisis, its effects have not yet been eliminated completely, and problems encountered in the public finances of advanced economies, including Eurozone in particular, combined with the problems stemming from the weak banking system, continued to affect the country economy negatively. Because the global risks continued to be significant worldwide, tight monetary and finance policies were preserved.

Compared to many countries, Turkey showed a successful performance in terms of budget discipline in 2011. With the more-than-expected growth of economy and the effect of the increased domestic demand as well as the increases in tax revenues and the regulation regarding restructuring of certain public receivables, additional revenues were obtained, and budget deficit reduced.

In 2012, the rapid growth seen in the economy in 2010 and 2011 was replaced by a slower growth. This slowdown in economy affected the revenues negatively, causing expenditures to exceed the targets.

It was targeted that the central government budget expenditures would be ₺ 350,948 million and budget revenues would be ₺ 329,85 million in 2012. Thus, it was envisaged that the budget balance would produce a deficit of ₺ 21,104 million and that the non-interest surplus would be ₺ 29,146 million.

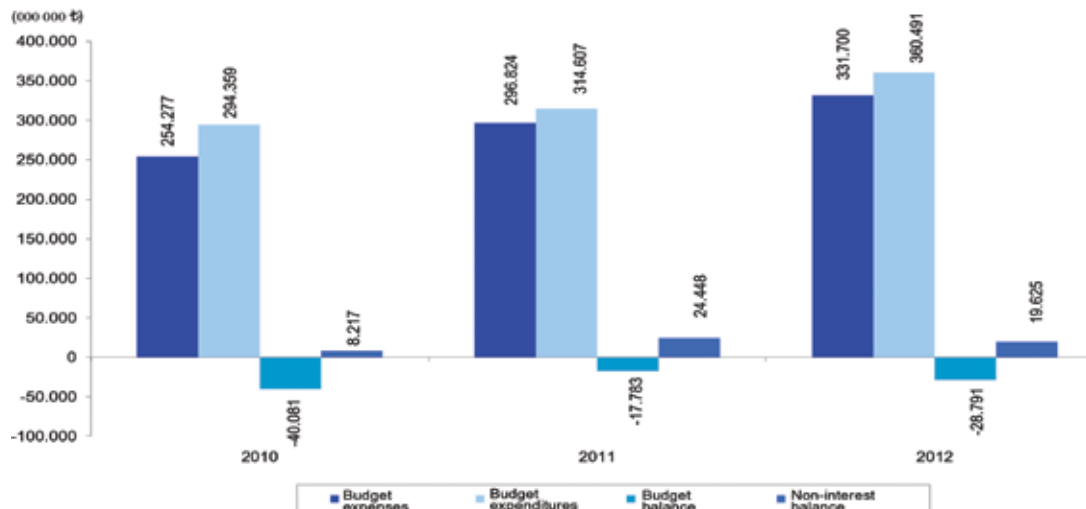
In line with the deceleration of the economic activity, the slowdown in the increase rate of tax revenues and the increases in expenditures associated with the financing of social security deficits, including particularly, personnel expenses, and the increases in the tax expenses, and the reduction in the revenues obtained with the restructuring of some public receivables compared to the previous year were among the factors that resulted in the deterioration of the budget performance in 2012. The downward change in the interest expenditures observed in 2011 was reversed in 2012, and replaced by an increase, and the increase in expenses except interest caused the expenditures to exceed the revenues, expanding the budget deficit. As a result of these developments, the central government budget expenses at the end of 2012 increased 11.7% and rose to ₺ 331,700 million, whereas budget expenses increased 14.6% and rose to 360,491 million ₺. The central government budget non-interest surplus decreased 19.7% compared to 2011, and declined from ₺24,448 million to ₺19,625 million, whereas the total budget deficit climbed from ₺17,783 million to ₺28,791 million with a rise as high as 61.9%. The ratio of budget revenues to cover the expenses which was 94.3% in 2011 fell to 92.0% in 2012 (See Table 84).

Table 84. Realization of Central Government Budgets

Components	2010	2011	2012	(At Current Prices, 000 000 ₺)					
				Rate of Change			Ratio to GDP		
				2010	2011	2012	2010	2011	2012
Budget expenditures	294.359	314.607	360.491	9,7	6,9	14,6	26,8	24,2	25,4
Expenditures excluding interest	246.060	272.375	312.075	14,4	10,7	14,6	22,4	21,0	22,0
Interest expenditures	48.299	42.232	48.416	-9,2	-12,6	14,6	4,4	3,3	3,4
Budget expenses	254.277	296.824	331.700	18,0	16,7	11,7	23,1	22,9	23,4
Budget balance	-40.081	-17.783	-28.791	-24,0	-55,6	61,9	-3,6	-1,4	-2,0
Non-interest balance	8.217	24.448	19.625	1767,4	197,5	-19,7	0,7	1,9	1,4

Source: Ministry of Finance, TURKSTAT

Connected to these changes, the expenses were 9,543 million above the target, whereas the revenues were 1,855 million above the target. The central government budget deficit was 7,687 million above the targeted value, whereas the non-interest balance was 9,521 million below the target (See Graph 36).



Non-interest balance.

Graph 36. Realization of Central Government Budgets

In 2012, the ratio of the central government budget revenues to the GDP rose from 22.9% to 23.4%, whereas the ratio of the central government budget expenditures to the GDP rose from 24.2% to 25.4%. The ratio of the central government budget deficit to the GDP rose from 1.4% to 2.0%, whereas the ratio of the central government budget surplus to the GDP declined from 1.9% to 1.4%.

1.4.4.1.1 Incomes

While a general decline was seen in the budget income items in 2012, the rates of increase were significantly reduced in the corporate tax, income tax, inward value added tax as well as the customs tax and the value added tax over imports compared to the previous year as a result of the shrinkage in domestic demand and the decline in imports.

The budget revenues were affected positively in the last quarter of the year as a result of increases in the special consumption taxes over motor-vehicles, and the tax amounts over alcoholic beverages and the fees for land registry transactions in the framework of the financial measures that were put into effect in September to increase revenues. In 2012, the decrease of the additional income derived in the scope of the regulation on "Restructuring of Public Receivables" had a negative impact on the revenue performance. The increases in the recorded employment and fees supported the increase of income tax. With the effect of these changes the budget revenues were realized above the targets though the rate of increase fell.

The general government incomes which increased 16.7% in 2011 lost speed in 2012, and rose to 331,700 million with a rise of 11.7%, and was 1,885 million above the target (See, Table 85).

Tax revenues which had the highest share within the central government budget revenues increased 9.8% and became 278,751 million. Thus, the budget revenues were realized 1,074 million above the target level of 277,677 million.

Table 85. Central Government Budget Revenues

Components of Central Government Budget Revenues	2010	2011	2012	Rate of Change			Ratio within the Total		
				2010	2011	2012	2010	2011	2012
A – General budget revenues	246.051	286.554	320.277	17,9	16,5	11,8	96,8	96,5	96,6
1 - Income Revenues	210.560	253.809	278.751	22,1	20,5	9,8	82,8	85,5	84,0
Taxes on income and profits	61.317	75.800	85.511	8,6	23,6	12,8	24,1	25,5	25,8
Income tax	40.392	48.807	56.493	5,1	20,8	15,7	15,9	16,4	17,0
Income tax based on return	2.056	2.759	3.016	3,5	34,2	9,3	0,8	0,9	0,9
Income tax with the simple method	265	301	301	8,5	13,6	0,1	0,1	0,1	0,1
Income tax withholding	38.866	44.324	51.744	10,8	14,0	16,7	15,3	14,9	15,6
Temporary income tax	1.205	1.423	1.432	7,3	18,0	0,7	0,5	0,5	0,4
Corporation tax	20.925	26.993	29.017	16,1	29,0	7,5	8,2	9,1	8,7
Corporation tax based on return	508	3.531	1.526	2,7	594,7	-56,8	0,2	1,2	0,5
Corporation tax withholding	228	334	242	7,2	46,2	-27,5	0,1	0,1	0,1
Temporary corporation tax	20.188	23.128	27.249	16,6	14,6	17,8	7,9	7,8	8,2
Taxes on property	5.249	6.257	7.009	12,5	19,2	12,0	2,1	2,1	2,1
Inheritance and transfer taxes	215	253	293	28,1	17,4	15,8	0,1	0,1	0,1
Motor vehicle tax	5.033	6.004	6.716	12,0	19,3	11,9	2,0	2,0	2,0
Domestic taxes on goods and services	91.736	103.381	113.836	25,4	12,7	10,1	36,1	34,8	34,3
Domestic value added tax	26.325	29.957	31.572	26,2	13,8	5,4	10,4	10,1	9,5
Special consumption tax	57.285	64.189	71.706	31,3	12,1	11,7	22,5	21,6	21,6
Taxes on petroleum and natural gas products	31.697	33.573	35.935	24,2	5,9	7,0	12,5	11,3	10,8
Motor vehicle tax	6.193	8.568	8.409	84,7	38,4	-1,9	2,4	2,9	2,5
Alcoholic beverage tax	2.868	3.856	4.643	34,4	34,5	20,4	1,1	1,3	1,4
Taxes on tobacco products	14.784	15.850	19.976	28,0	7,2	26,0	5,8	5,3	6,0
Taxes on cola drinks	221	281	276	4,3	26,9	-1,8	0,1	0,1	0,1
Taxes on consumer durables and other goods	1.521	2.058	2.467	79,1	35,3	19,9	0,6	0,7	0,7
Banking and insurance transactions tax	3.571	4.288	5.471	-10,8	20,1	27,6	1,4	1,4	1,6
Taxes on games of chance	434	528	616	9,7	21,6	16,7	0,2	0,2	0,2
Special communication tax	4.121	4.419	4.473	-3,4	7,2	1,2	1,6	1,5	1,3
Taxes on international trade and transactions	39.528	53.452	55.310	38,0	35,2	3,5	15,5	18,0	16,7
Customs taxes	3.240	4.653	5.195	31,4	43,6	11,6	1,3	1,6	1,6
Value added tax on imports	36.208	48.685	50.000	38,5	34,5	2,7	14,2	16,4	15,1
Other foreign trade revenues	80	113	115	54,6	42,5	1,4	0,0	0,0	0,0
Stamp tax	5.083	6.464	7.360	21,9	27,2	13,9	2,0	2,2	2,2
Fees	7.034	8.344	9.646	47,9	18,6	15,6	2,8	2,8	2,9
Other taxes not elsewhere classified	615	112	78	3,2	-81,9	-30,1	0,2	0,0	0,0
2- Enterprise and property revenues	9.804	9.063	13.976	-1,4	-7,6	54,2	3,9	3,1	4,2
3- Grants, donations and special revenues	966	1.068	1.577	19,6	10,7	47,6	0,4	0,4	0,5
4- Interests, shares, and fines	21.114	19.739	22.588	-8,4	-6,5	14,4	8,3	6,7	6,8
5- Capital revenues	3.376	2.530	2.049	65,1	-25,1	-19,0	1,3	0,9	0,6
6- Collection from loans	232	344	1.336	-25,8	48,5	288,0	0,1	0,1	0,4
B- Revenues from Special Budget Institutions	6.333	8.174	9.085	25,7	29,1	11,1	2,5	2,8	2,7
C- Revenues from regulatory and supervisory institutions	1.893	2.095	2.338	4,5	10,7	11,6	0,7	0,7	0,7
Total	254.277	296.824	331.700	18,0	16,7	11,7	100,0	100,0	100,0

Source: Ministry of Finance.

The share of the tax revenues within the total central government budget revenues which was 85.5% in 2011 declined to 84.0% in 2012, and the share of the income tax, which is one of the components of tax revenues, within the total central government budget revenue increased 0.6 points compared to the previous year, and became 17.0%. The share of the income tax based on return, which was listed under the income tax, and the income tax collected with the simple method, within the central government budget remained unchanged in 2012 compared to the past year. The share of income tax withholding within the total central government budget income increased in 2012, while the ratio of provisional income tax decreased compared to the previous year.

The share of taxes on the property, and their sub-components, i.e. inheritance and transfer taxes, as well as motor taxes within the central government budget income of 2012 remained unchanged compared to the previous year.

While the ratio of domestic taxes on goods and services decreased compared to the previous year, the share of special consumption tax, and taxes on games of chance to the total central government budget revenues remained same with that of the previous year, the rate of increase in the banking and insurance transactions tax, the ratio of domestic value added tax, and special consumption tax to the total central government budget revenues decreased.

Among the tax revenues, the direct taxes formed from the total of taxes on incomes, profit and capital gains and property taxes increased 12.8% and rose to ₺92,520 million. The indirect taxes formed from the domestic taxes on goods and services and the taxes on international trade and transactions increased 7.9% and rose to ₺16,146 million.

The non-tax revenues increased 23.1% in 2012 and rose to ₺52,949 million. The capital revenues among the non-tax revenues decreased 19.0% and slid to ₺2,029 million, whereas the enterprise and property revenues increased 54.2% and rose to ₺13,976 million. Donations, grants, and special revenues increased 47.6% and rose to ₺1,577 million. Interests, shares and fines increased 14.4% and rose to ₺22,588 million, and the collection from loans increased 288.0% and rose to ₺1,336 million.

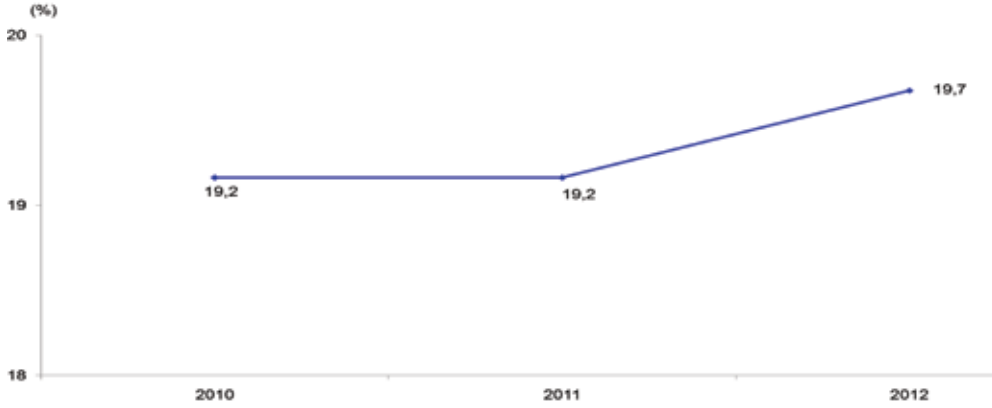
In 2012, the revenues of special budget institutions increased 11.1% and rose to ₺9,085 million. The revenues of regulatory and supervisory institutions increased 11.6% and went up to ₺2,338 million.

The ratio of the total tax revenues to the GDP, which is defined as the total tax burden, was 19.2% in 2011, and was realized at 19.7% in 2012 (See Table 86, Graph 37).

Table 86. Tax Burden and Tax Elasticity Coefficients

Indicators	2010	2011	2012
Total tax burden	19,2	19,2	19,7
Total tax elasticity	1,4	1,4	1,1
Income + corporation tax elasticity	0,6	1,0	1,4

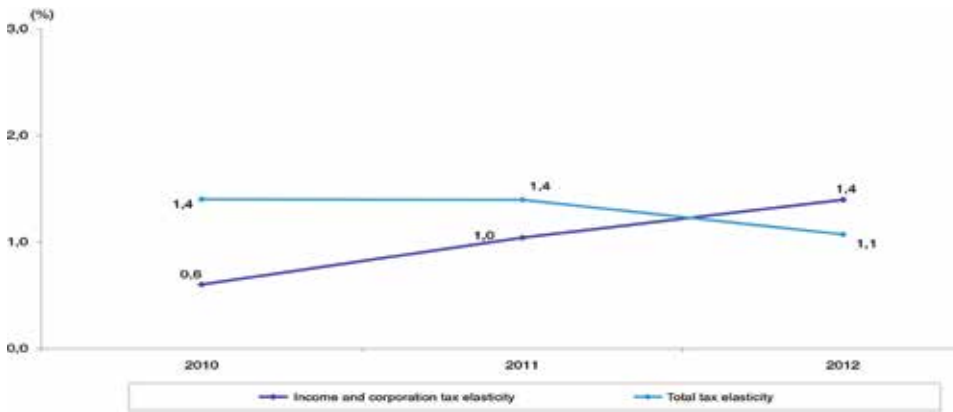
Source: Ministry of Finance, TURKSTAT



Source: TURKSTAT.

Graph 37 Tax Burden

The tax elasticity coefficient, which shows the sensitivity of the tax revenues to the changes in the GDP was 12.1% in 2010, and became 1.1% in 2012 (See Graph 38).



Source: Ministry of Finance, TURKSTAT.

Graph 38. Tax Elasticity Coefficients

1.4.4.1.2 Expenses

In 2012, the total central government budget expenditures increased 14.6% compared to 2011, and rose to ₺360,491 million and was realized at ₺9,543 million above the budget target. The non-interest expenditures increased 14.6% and became ₺312,075 million and rose ₺11,377 million above the budget estimate of ₺300,698 million.

Among the sub-expenditure items of the non-interest expenditures of the year 2012 budget, it was aimed that the personnel expenditures would be ₺81,692 million, state premium expenditures to the social security organizations would be ₺14,279 million, the purchase of goods and services would be ₺28,859 million, the current transfers would be ₺130,220 million, the capital expenditures would be ₺27,914 million, the capital transfers would be ₺4,243 million, and the lending would be

8,625 million. At the end of the year, compared to the previous year, the personnel expenditures increased 18.6% and rose to 86,455 million, the state premium expenditures to the social security organizations increased 14.6% and rose to 14,725 million. The purchase of goods and services decreased 9.0% and became 32,504 million. The current transfers increased 17.0% and rose to 129,266 million, the capital expenditures increased 10.6% and climbed to 34,185 million, and the capital transfers decreased 11.4% and became 5,970 million. The interest expenditures which decreased 12.6% in 2011 increased 14.6% in 2012, and rose to 48,416 million, and were realized 1,834 million below the budget target of 50,250 million (See Table 87).

The share of the non-interest expenditures within the central government budget expenditures which was 86.6% and the share of the interest expenditures which was 13.4% remained unchanged.

Table 87. Central Government Budget Expenditures

Components of Central Government Budget Expenditures	2010	2011	2012	Değişim Oranı			Toplam İçindeki Oranı		
				2010	2011	2012	2010	2011	2012
Expenditures excluding interest	246.060	272.375	312.075	14,4	10,7	14,6	83,6	86,6	86,6
Personnel expenditures	62.315	72.914	86.455	11,4	17,0	18,6	21,2	23,2	24,0
State premium expenditures to social security organization	11.063	12.850	14.725	53,5	16,2	14,6	3,8	4,1	4,1
Expenditures for goods and services	29.185	32.797	32.504	-2,1	12,4	-0,9	9,9	10,4	9,0
Defense and security	9.544	10.023	10.948	-1,3	5,0	9,2	3,2	3,2	3,0
Health expenditures	5.752	5.442	538	-34,6	-5,4	-90,1	2,0	1,7	0,1
General borrowing expenditures	26	201	451	-37,0	665,5	124,4	0,0	0,1	0,1
Expenditures for other goods and services	13.863	17.131	20.566	22,8	23,6	20,1	4,7	5,4	5,7
Current transfers	101.857	110.499	129.266	10,7	8,5	17,0	34,6	35,1	35,9
Duty losses	3.297	4.739	3.912	-20,3	43,7	-17,5	1,1	1,5	1,1
Treasury aids	60.323	59.353	70.188	5,9	-1,6	18,3	20,5	18,9	19,5
Treasury aids to the social security organization	1.342	1.658	1.764	31,7	23,6	6,4	0,5	0,5	0,5
Unemployment insurance fund	1.176	1.429	1.543	15,5	21,5	8,0	0,4	0,5	0,4
5 point premium support to funds	165	230	221	-	39,0	-3,9	0,1	0,1	0,1
Expenditures for health, retirement and social aids	55.039	52.833	63.684	4,5	-4,0	20,5	18,7	16,8	17,7
Treasury aids to local administrations	1.738	2.505	2.400	9,3	44,1	-4,2	0,6	0,8	0,7
Other treasury aids	2.204	2.357	2.341	33,0	7,0	-0,7	0,7	0,7	0,6
Transfers to non-profit organizations	1.084	1.391	928	28,4	28,3	-33,3	0,4	0,4	0,3
Transfers to households	1.599	2.156	2.849	25,3	34,9	32,1	0,5	0,7	0,8
Agricultural support payments	5.817	6.961	7.553	29,4	19,7	8,5	2,0	2,2	2,1
Other transfers to households	850	1.448	5.421	-17,6	70,4	274,4	0,3	0,5	1,5
Social transfers	1.610	2.255	2.922	56,7	40,1	29,6	0,5	0,7	0,8
Foreign transfers	969	1.153	1.195	34,3	19,0	3,6	0,3	0,4	0,3
Shares from revenues	26.308	31.043	34.296	22,4	18,0	10,5	8,9	9,9	9,5
Capital expenditures	26.010	30.905	34.185	29,6	18,8	10,6	8,8	9,8	9,5
Capital transfers	6.773	6.739	5.970	56,8	-0,5	-11,4	2,3	2,1	1,7
Lending	8.857	5.671	8.970	55,5	-36,0	58,2	3,0	1,8	2,5
Reserve appropriations	0	0	0				0,0	0,0	0,0
Interest expenditures	48.299	42.232	48.416	-9,2	-12,6	14,6	16,4	13,4	13,4
Domestic debt interest payments	42.148	35.064	40.702	-9,9	-16,8	16,1	14,3	11,1	11,3
Foreign debt interest payments	5.982	6.668	7.277	-5,3	11,5	9,1	2,0	2,1	2,0
Interest expenditures for discounts and short-term cash transactions	168	479	437	39,5	184,5	-8,8	0,1	0,2	0,1
Expenditures for derivative products	0	0	0				0,0	0,0	0,0
Total	294.359	314.607	360.491	9,7	6,9	14,6	100,0	100,0	100,0

Source: Ministry of Finance.

1.4.4.2 Funds

Four funds continued to be monitored in 2011 within the scope of the fund balance. These funds were the Support and Price Stabilization Fund within the budget; the Social Assistance and Solidarity Fund, the Defense Industry Support Fund and the Privatization Fund, outside the budget. The fund revenues, included within the general balance of the public sector, increased 12.7% compared to 2011 under the influence of the increase in the tax revenues and the non-tax normal revenues, and rose to ₺6,493 million, and the expenditures increased 16.3% connected to an increase in net current transfers and current expenditures and climbed to ₺5,258 million (See Table 88).

When the ratio of fund components to GDP in 2012 are analyzed, the ratio of total revenues became 5.0‰ and the ratio of total expenditures became 4.0‰.

Table 88. Fund Balance

Fund Components ⁽¹⁾	2010	2011	2012 ⁽²⁾	(At Current Prices, 000 000 ₺)		
				Ratio to GDP		
				2010	2011	2012
Total revenues	4.697	5.763	6.493	0,4	0,4	0,5
Tax revenues	4.074	5.018	5.499	0,4	0,4	0,4
Non-tax normal revenues	334	707	928	0,0	0,1	0,1
Factor income (Net)	0	39	65	0,0	0,0	0,0
Current transfers (Net)	0	0	0	0,0	0,0	0,0
Capital transfers (Net)	289	0	0	0,0	0,0	0,0
Total expenditures	4.241	4.522	5.258	0,4	0,3	0,4
Current expenditures	2.634	2.087	2.525	0,2	0,2	0,2
Factor Expenditure (Net)	3	0	0	0,0	0,0	0,0
Fixed capital investments	0	0	0	0,0	0,0	0,0
Current transfers (Net)	1.604	1.842	2.707	0,2	0,1	0,2
Capital transfers (Net)	0	594	26	0,0	0,0	0,0
Revenues-expenditures difference	456	1.241	1.235	0,0	0,1	0,1
Financing	-456	-1.241	-1.235	0,0	-0,1	-0,1
Foreign borrowing	0	0	0	0,0	0,0	0,0
Foreign debt repayment	-69	-52	-57	0,0	0,0	0,0
Domestic payables-receivables (Net)	-77	-256	-27	0,0	0,0	0,0
Change in cash-bank	-310	-933	-1.151	0,0	-0,1	-0,1

Source: Ministry of Development

(1): Excludes the Unemployment Insurance Fund.

(2): Realization estimate

1.4.4.3 Public Economic Enterprises

In 2012, the revenues of the operating state economic enterprises (SEEs) are expected to increase 1.29% and rise to ₺109,226 million and the expenditures are expected to increase 16.5% and rise to ₺10,116 million. As was the case in the past years, a significant portion of the revenues was composed of the sales yield of goods and services included under operating revenues and a significant portion of the expenditures was composed of the sales cost of goods and services collected under operating expenditures (See Table 89).

Table 89. Financing Balance of Operational SEEs

Components	(At Current Prices, 000 000 ₺)		
	2010	2011	2012 ⁽¹⁾
A. Total revenues	82.708	96.713	109.226
I. Operational income	73.646	85.151	97.937
1. Revenues from sales of goods and services	66.554	77.218	91.070
2. Other income	7.091	7.933	6.867
II. Retained funds	3.507	4.737	3.536
1. Depreciations	2.766	3.326	3.370
2. Reserves	741	1.411	166
III. Budgets and Funds	5.555	6.825	7.752
IV. Other income	0	0	0
B. Total expenditures	74.659	94.544	110.116
I. Operational expenditures	67.476	83.755	97.034
1. Sales cost of goods and services	55.589	71.902	85.779
2. Other expenditures	11.887	11.853	11.256
II. Investment expenditures	5.165	5.791	7.260
III. Increase of stock	-1.432	1.180	1.565
IV. Increase in fixed assets	537	923	1.372
V. Direct taxes	2.229	1.463	1.323
VI. Dividend payments	631	1.402	1.548
VII. Other expenditures	53	31	13
C. Borrowing requirement	8.049	2.169	-890
D. Financing	-8.049	-2.169	890
I. Change in cash-bank	-1.785	570	-426
II. Domestic borrowing (Net)	-5.346	-155	930
III. Foreign borrowing (Net)	-919	-2.584	386

Source: Ministry of Development

(1): Realization estimate

1.4.4.4 Public Sector Deficit

The public sector financing deficit that was 1,790 million in 2011 is expected to increase 23,041 million in 2012 and rise to 24,831 million. The public sector financing balance, excluding budget interest payments, which had a surplus of 40,442 million in 2011 is expected to decrease 37.1% and have a surplus of 25,419 million in 2012. The increase of the central government budget deficit and the deficits of the SEEs included in the scope of privatization and of the operational SEEs, and the increase in the budget interest payments can be listed among the most important factors in the deterioration of the public sector borrowing requirement (See Table 90).

Table 90. Public Sector Borrowing Requirement

Components	2010	2011	2012 ⁽¹⁾	(At Current Prices, 000 000 ")		
				Ratio to GDP		
				2010	2011	2012
Central government budget	40.081	17.783	28.791	3,6	1,4	2,0
SEE	-7.041	-2.810	2.002	-0,6	-0,2	0,1
Operator	-8.049	-2.169	890	-0,7	-0,2	0,1
Organizations within the scope of privatization	1.008	-641	1.112	0,1	0,0	0,1
Local administrations	-1.021	-2.525	-1.069	-0,1	-0,2	-0,1
Revolving fund	-1.425	-1.514	-359	-0,1	-0,1	0,0
Social security organizations	-346	-320	0	0,0	0,0	0,0
Unemployment insurance fund	-3.844	-7.582	-7.980	-0,3	-0,6	-0,6
Funds	-456	-1.241	-1.235	0,0	-0,1	-0,1
Borrowing requirement	25.949	1.790	24.831	2,4	0,1	1,8
Budget interest payments	48.299	42.232	50.250	4,4	3,3	3,5
Non-interest borrowing requirement	-22.350	-40.442	-25.419	-2,0	-3,1	-1,8

Source: Ministry of Development, Ministry of Finance

(1): Realization estimate

The central government budget deficit, which had the largest share within the public sector deficit in 2012, increased 61.9% compared to the previous year and rose to "28,791 million. The SEEs within the scope of privatization had a deficit of "1,112 million and the operational SEEs had a deficit of "890 million. The local administrations had a surplus of "1,069 million, the revolving funds had a surplus of "359 million, the unemployment fund had a surplus of "7,980 million, and the funds had a surplus of "1,235 million.

While the ratio of the central government budget to the GDP in 2011 was 1.4%, this ratio was 2.0% in 2012. The ratio of the budget interest payments to the GDP in 2011 was 3.3% and the ratio of non-interest borrowing requirement to the GDP was -3.1% in 2011, the ratios of the said components to the GDP in 2012 became 3.5% and -1.8%, respectively.

1.4.4.5 Privatization

In the privatization program, the purpose of privatization is described as allowing the state to withdraw from all operating areas in economy. The privatization applications are intended to minimize the influence of the state in the industrial and commercial activities in economy, as well as to form a competition based market economy, to relieve the public budget of the burden of financing SEEs, to improve the capital market, to incorporate idle savings into the economy, and use the resources to be obtained in infrastructure investments.

The privatization implementations, which started in 1984 with the application of transfers to the private sector with the objective of semi-completed facilities belonging to the public sector or of establishing a new facility in its place, accelerated as of 2006. In the recent years, the efforts have quite slowed down with the completion of a majority of the privatization of the institutions within the scope of privatization.

As of 1985, the public shares of 270 organizations, 22-semi-completed facilities, 1,021 real estate properties, 8 highways, 2 Bosphorus bridges, 116 facilities, 6 ports and the license rights to betting, gaming and lotteries and the vehicle inspection stations have been taken included in the scope of privatization. The public shares of 25 organizations and 4 real estate properties were later removed from the scope of privatization without being subjected to privatization, and were transferred for

the purpose of liquidating, consolidating with another organization not included in the scope of privatization, and terminating their legal personalities.

Within the framework of the privatization program carried out by taking the public shares of the organizations which belong to the public sector or which have public sector participation within the scope of privatization until the present day the sales/transfers of the shares or assets of 201 organizations have been made, and no public shares have remained in 191 of these organizations. Presently, there are 22 organizations within the scope and in the program of privatization. There is public sector share of over 50.0% in 11 of these organizations. Furthermore, 413 real estate properties, 51 facilities, 2 ports, 8 highways 2 Bosphorus bridges and the rights of betting, gaming and lotteries are within the scope of privatization.

A total of US\$ 3,018 million was realized in 2012 in privatization with a 122.2% rise compared to the previous year. Of this amount, US\$ 312 million was for the sales of facilities/assets and US\$ 2,520 million was for the public offering, US\$ 245 thousand was for transfers in return for payment, and ~187 million was for private placement. The amount of privatization made since 1985 to date amount to US\$ 46,096 million. According to the cumulative results between 1985 and 2011, 44.4%, 30.6% and 20.8% of the total privatization of US\$ 46,096 were derived from private placement, sale of facilities/assets, and public offerings, respectively (See Table 91).

Table 91. Privatization Transactions

(000 \$)				
Transactions	Cumulative Total (1985-2010)	2011	2012	Cumulative Total (1985-2012)
Private Placements	20.257.067	0	186.520	20.443.587
Sales of Facilities / Assets	12.429.720	1.351.961	311.745	14.093.426
Public Offerings	7.053.284	0	2.519.616	9.572.900
Sales on Istanbul Stock Exchange	1.261.054	0	0	1.261.054
Sales of Incomplete Facilities	4.369	0	0	4.369
Transfers in return for payments	713.798	6.457	245	720.500
Total	41.719.291	1.358.418	3.018.126	46.095.835

Source: Privatization Administration

1.4.4.6 Central Government Debt Stock

The problems regarding the public debt crisis in the Eurozone countries where the effects of the global crisis are still intensively felt do not seem to have been resolved completely despite the positive steps taken for a solution. In addition, problems such as the low growth rate of the US economy and the yet insufficient level of recovery in the labor force market, continue to be important issues. While several countries took important steps to decrease public deficits in 2012, the recovery in the debt stock indicators of the developed countries remained quite slow. The developing countries, including Turkey, appear to have a healthier and sound public finance compared to the developed countries.

In 2012, the objectives of the public finance program of our country were announced as borrowing predominantly in Turkish lira in accordance with strategic measures, using predominantly fixed interest instruments when borrowing in Turkish lira, thus reducing the share of bills whose interest rates are to be renewed in the next 12 months, extending the average maturity, reducing the share of bills which have less than 12 months to maturity, and keeping strong reserves. While the budget balances deteriorated in 2012 compared to 2011, the budget measures taken recently and the current low levels of public borrowing requirement have allowed the positive progress in the public debt stock indicators to continue.

Throughout 2012, the new borrowing policy applications were continued in order to increase domestic savings, to expand the investor portfolio, and to diversify financing instruments. In this

framework, lease certificates were issued for the domestic market for the first time in October 2012. Also, the issuance of revenue-indexed bills that were first issued in 2009 and the issuance of CPI-indexed bills with 10-year maturity which was started in 2010 were continued. For the purpose of expanding the government debt securities market further, regular issuance of 2.5 year and 10 year term fixed coupon bills. At the end of the year, the public debt ratios continued to decline, the borrowing maturities widened, and the share of foreign exchanged based debt instruments within the debt stock decreased.

The central government total debt stock which grew 9.5% in 2011 increased 2.6% in 2012 and was realized at ₺532,001 million. The central government domestic debt stock increased 4.8% and rose to ₺386,542 million. The foreign debt stock decreased 2.7% and dropped to ₺145,459 million. The central government total debt stock in US dollars in 2012 was realized at US\$ 298,441 million, the domestic debt stock at US\$ 216,842 million, and the foreign debt stock was realized at US\$ 81,599 million.

The share of the domestic debt stock within the central government debt stock in 2012 compared to 2011 increased from 71.1% to 72.7%, and the share of the foreign debt stock slid from 28.9% to 27.3%. The ratio of the central government total debt stock to the GDP in 2012 was realized at 37.5%, while the ratio of the domestic debt stock to the GDP was 27.3% and the ratio of the foreign debt stock to the GDP became 10.3% (See Table 92, Graph 39).

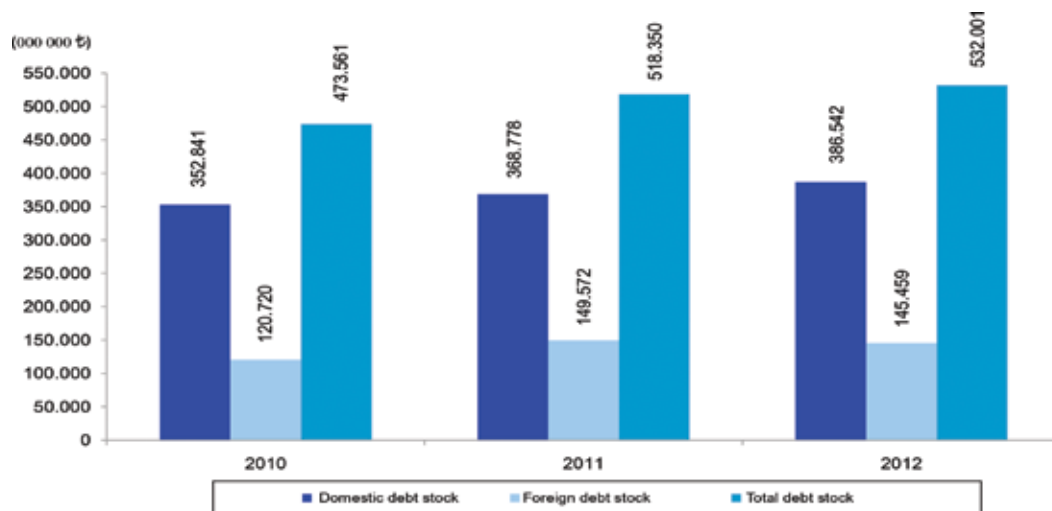
Table 92. Total Debt Stock of Central Government

Components of Debt Stock	2010	2011	2012 ⁽¹⁾	Rate of Change		
				2010	2011	2012
(000 000 ₺)						
Domestic debt stock	352.841	368.778	386.542	6,9	4,5	4,8
Foreign debt stock	120.720	149.572	145.459	8,3	23,9	-2,7
Total debt stock	473.561	518.350	532.001	7,3	9,5	2,6
(000 000 \$)						
Domestic debt stock	228.228	195.234	216.842	4,1	-14,5	11,1
Foreign debt stock	78.085	79.185	81.599	5,4	1,4	3,0
Total debt stock	306.313	274.419	298.441	4,5	-10,4	8,8
Ratio within the Total						
Domestic debt stock	74,5	71,1	72,7			
Foreign debt stock	25,5	28,9	27,3			
Total debt stock	100,0	100,0	100,0			
Ratio to GDP						
Domestic debt stock	32,1	28,4	27,3			
Foreign debt stock	11,0	11,5	10,3			
Total debt stock	43,1	39,9	37,5			

Source: Undersecretariat of Treasury

(1): Provisional data.

The rate of change in the domestic debt stock, which was 4.5% in 2011, rose to 4.8% in 2012. The total domestic debt stock increased ₺17.764 million and rose to ₺386,542 million. In 2012, a total of ₺124,720 million domestic debt was paid. Of this, 67.4% amounting to ₺84,018 million was composed of principal payments, whereas 32.6% amounting to ₺40,702 million was composed of interest payments (See Table 93).



Source: Undersecretariat of Treasury.

Graph 39. Total Debt Stock of Central Government

Table 93. Domestic Debt Stock

Years	Payments			Borrowing	Debt Stock	Rate of Change in Debt Stock
	Principal	Interest	Total			
2010	141.583	42.148	183.732	153.343	352.841	6,9
2011	97.074	35.064	132.138	164.420	368.778	4,5
2012 ⁽¹⁾	84.018	40.702	124.720	115.100	386.542	4,8

Source: Undersecretariat of Treasury

(1): Provisional data.

The annual compound real interest rate of the domestic debt stock, which was 8.7% in 2011, was 8.8% in 2012. The improvement in the maturity structure of the domestic debt stock continued in 2012. The term of the domestic debt stock which was 44.7 months in 2011, rose to 60.8 months in 2012 (See Table 94).

Table 94. Maturity Composition and Annual Compound Interest of the Domestic Debt Stock

Components	2010	2011	2012 ⁽¹⁾
Maturity (Months) ⁽²⁾	44,1	44,7	60,8
Interest (%) ⁽³⁾	8,5	8,7	8,8

Source: Undersecretariat of Treasury

(1): Provisional data.

(2): It includes domestic cash borrowing.

(3): It excludes fixed-income borrowing.

Within the total central government debt stock which was 532,000 million in 2012, the Turkish lira indexed bills payable represent 72.7%, i.e. 386,542 million, whereas foreign exchange indexed bills payable represent 27.3%, i.e. 145,459 million. Compared to 2011, the share of the bills payable in Turkish Lira increased from 70.4% to 72.7% and the share of foreign exchange indexed shares slid from 29.6% to 27.3%. Within the total debt stock, fixed-rate promissory notes constitute 59.8%, floating-rate promissory notes constitute 25.9%, and CPI-indexed promissory notes constitute 14.3%. Within TL indexed promissory notes, fixed-rate promissory notes constitute 52.2%, floating-rate promissory notes constitute 28.0%, and CPI-indexed promissory notes constitute 19.7%. Within the foreign exchange rate promissory notes, fixed-rate notes constitute 79.8%, and floating-rate notes constitute 20.2% (See, Table 95).

Table 95. Foreign Exchange/Interest Composition of the Domestic Debt Stock

(000 000 ₺)

Components ⁽¹⁾	2010			2011			2012 ⁽¹⁾		
	Stock Value	Rate within the Total Stocks	The Ratio of Relevant Section to the Total	Stock Value	Rate within the Total Stocks	The Ratio of Relevant Section to the Total	Stock Value	Rate within the Total Stocks	The Ratio of Relevant Section to the Total
Fixed	265.251	56,0	56,0	306.979	59,2	59,2	317.952	59,8	59,8
Floating	155.279	32,8	32,8	147.069	28,4	28,4	137.740	25,9	25,9
Indexed to CPI	53.031	11,2	11,2	64.302	12,4	12,4	76.309	14,3	14,3
Total debt stock	473.561	100,0	100,0	518.350	100,0	100,0	532.000	100,0	100,0
Fixed	170.322	36,0	49,0	188.707	36,4	51,7	201.866	37,9	52,2
Floating	123.994	26,2	35,7	112.025	21,6	30,7	108.367	20,4	28,0
Indexed to CPI	53.031	11,2	15,3	64.302	12,4	17,6	76.309	14,3	19,7
In Turkish Lira	347.347	73,3	100,0	365.034	70,4	100,0	386.542	72,7	100,0
Fixed	94.930	20,0	75,2	118.272	22,8	77,1	116.086	21,8	79,8
Floating	31.285	6,6	24,8	35.045	6,8	22,9	29.373	5,5	20,2
Foreign Exchange	126.214	26,7	100,0	153.317	29,6	100,0	145.459	27,3	100,0
Fixed	175.740	37,1	49,8	192.358	37,1	52,2	201.866	37,9	52,2
Floating	124.070	26,2	35,2	112.118	21,6	30,4	108.367	20,4	28,0
Indexed to CPI	53.031	11,2	15,0	64.302	12,4	17,4	76.309	14,3	19,7
Domestic debt stock	352.841	74,5	100,0	368.778	71,1	100,0	386.542	72,7	100,0
Fixed	89.511	18,9	74,1	114.620	22,1	76,6	116.086	21,8	79,8
Floating	31.208	6,6	25,9	34.951	6,7	23,4	29.373	5,5	20,2
Foreign debt stock	120.720	25,5	100,0	149.572	28,9	100,0	145.459	27,3	100,0

Source: Undersecretariat of Treasury

(1): Provisional data.

In the distribution of domestic debt stock by lenders, the share of the banking sector in 2012 compared to the previous year rose from 56.7% to 50.5%, the share of TCMB declined from 2.0% to 1.9%, and the share of the non-bank sector rose from 24.1% to 24.4%. Within the total domestic debt stock under the banking sector, the share of the public banks was 20.3%, the share of the private banks was 23.9%, the share of the foreign banks was 5.1%, the share of the development and investment banks was 1.2%, and the share of the three other than the share of development and investment banks decreased. Within the total debt stock, under the non-bank sector, the share of the legal persons was 19.8%, the share of the mutual funds was 3.9% and the share of real persons was 7.0%. Of the domestic debt stock, 76.8% belong to residents, 23.2% belong to non-residents (See Table 96).

Table 96. Distribution of Domestic Debt Stock by Lenders (1)

(000 000 ₺)

Components	2010		2011		2012 ⁽⁴⁾	
	Stock Value	Ratio within the Total	Stock Value	Ratio within the Total	Stock Value	Ratio within the Total
Banking sector	247.550	62,9	223.770	56,7	221.074	50,5
Public banks	101.164	25,7	94.886	24,0	88.988	20,3
Private banks	120.869	30,7	102.263	25,9	104.701	23,9
Foreign banks	21.632	5,5	22.356	5,7	22.343	5,1
Development and investment banks	3.885	1,0	4.265	1,1	5.042	1,2
Non-banking sector ⁽²⁾	89.060	22,6	95.239	24,1	106.701	24,4
Real persons	6.080	1,5	6.296	1,6	2.873	0,7
Legal persons	66.978	17,0	74.052	18,7	86.844	19,8
Mutual funds	16.003	4,1	14.890	3,8	16.984	3,9
TCMB ⁽³⁾	8.028	2,0	7.807	2,0	8.458	1,9
Total residents	344.638	87,5	326.816	82,7	336.233	76,8
Total non-residents	49.179	12,5	68.161	17,3	101.631	23,2
Total	393.818	100,0	394.976	100,0	437.864	100,0

Source: Undersecretariat of Treasury

(1): These are the values of government debt securities published on the Official Gazette by TCMB.

(2): It includes all real and legal persons outside the Savings Deposit Insurance Fund.

(3): It includes non-cash Government Debt Securities and amounts arising from open market transactions.

(4): Provisional data.

1.4.5 Developments in Gold Prices

The developments in gold prices in 2012 were mainly driven by the developments in the global trend, and particularly the speculative movements against inflationist expectations. Although gold failed to meet the expectations of its investors sufficiently, it continued to be a safe port in 2012. While the chronic economic problems of the Euro Zone affected future expectations negatively, the announcements of US and Chinese economies that they would apply monetary expansion policies caused gold prices which climbed in the first two months of the year to take a downward trend starting from March. Compared to 2010 and 2011, gold followed a low trend in 2012. After all these developments, the ounce price of gold which was averagely US\$ 1,310,554 in 2010 rose to US\$ 1,674,849 in 2011, and dropped to US\$ 1,669,626 in 2012 (See Table 97).

While the Cumhuriyet gold which brought a yield of 6.1% in nominal terms in 2012 caused its investors to lose 2.6% in real terms. While the gold ingot which brought a nominal yield of 6.8% in nominal terms, it caused its investors to lose 1.9% in real terms. Compared to 2011, gold appears to have lost great value, and taking into account the decreased exchange rates and the decline in interest rates, gold has been the investment instrument that brought the highest yields to its investors.

Table 97. Gold Prices

Years	Months	Cumhuriyet Gold ⁽¹⁾	Gold Ingot ⁽¹⁾	1 ounce of gold ⁽¹⁾	CPI (2003=100)		Cumhuriyet Gold		Gold Ingot	
		("/Units)	("/Gr)	(US\$/Ounce) ⁽²⁾	Index Value	Rate of Change	Nominal Rate of Change	Real Rate of Change	Nominal Rate of Change	Real Rate of Change
2010	January	354.500	52.780	1.104.310	174,1	1,8	-3,6	-5,4	-3,9	-5,7
	February	363.000	53.550	1.090.250	176,6	1,4	2,4	0,9	1,5	0,0
	March	371.000	55.200	1.110.810	177,6	0,6	2,2	1,6	3,1	2,5
	April	373.200	55.220	1.151.680	178,7	0,6	0,6	0,0	0,0	-0,6
	May	403.750	60.500	1.206.500	178,0	-0,4	8,2	8,6	9,6	10,0
	June	417.000	62.430	1.233.380	177,0	-0,6	3,3	3,9	3,2	3,8
	July	401.800	59.540	1.191.800	176,2	-0,5	-3,6	-3,2	-4,6	-4,2
	August	405.500	59.500	1.220.130	176,9	0,4	0,9	0,5	-0,1	-0,5
	September	416.330	61.630	1.270.500	179,1	1,2	2,7	1,4	3,6	2,3
	October	417.750	61.560	1.336.940	182,4	1,8	0,3	-1,5	-0,1	-1,9
	November	424.000	63.870	1.379.670	182,4	0,0	1,5	1,5	3,8	3,7
	December	461.000	68.040	1.382.420	181,9	-0,3	8,7	9,1	6,5	6,9
	Annual	429.729	63.785	1.310.554	178,4	8,6	23,5	13,8	23,6	13,9
2011	January	465.750	68.330	1.349.130	182,6	0,4	1,0	0,6	0,4	0,0
	February	473.750	70.510	1.376.250	183,9	0,7	1,7	1,0	3,2	2,4
	March	487.000	72.560	1.423.630	184,7	0,4	2,8	2,4	2,9	2,5
	April	482.000	72.500	1.455.080	186,3	0,9	-1,0	-1,9	-0,1	-0,9
	May	511.500	76.520	1.504.000	190,8	2,4	6,1	3,6	5,5	3,1
	June	529.750	78.870	1.530.370	188,1	-1,4	3,6	5,1	3,1	4,6
	July	564.800	83.700	1.568.400	187,3	-0,4	6,6	7,1	6,1	6,6
	August	683.000	100.100	1.757.700	188,7	0,7	20,9	20,1	19,6	18,7
	September	693.400	102.700	1.765.900	190,1	0,8	1,5	0,8	2,6	1,8
	October	659.300	98.200	1.678.400	196,3	3,3	-4,9	-7,9	-4,4	-7,4
	November	674.250	100.780	1.732.380	199,7	1,7	2,3	0,5	2,6	0,9
	December	664.800	98.940	1.646.400	200,9	0,6	-1,4	-2,0	-1,8	-2,4
	Annual	609.919	90.625	1.674.849	189,9	6,5	41,9	33,3	42,1	33,4
2012	January	658.750	97.870	1.657.750	202,0	0,6	-0,9	-1,5	-1,1	-1,6
	February	660.000	98.570	1.736.500	203,1	0,6	0,2	-0,4	0,7	0,1
	March	648.600	96.760	1.675.800	204,0	0,4	-1,7	-2,1	-1,8	-2,2
	April	635.750	94.950	1.650.620	207,1	1,5	-2,0	-3,4	-1,9	-3,3
	May	622.500	92.920	1.596.430	206,6	-0,2	-2,1	-1,9	-2,1	-1,9
	June	629.000	93.780	1.588.250	204,8	-0,9	1,0	2,0	0,9	1,8
	July	622.500	93.170	1.594.930	204,3	-0,2	-1,0	-0,8	-0,7	-0,4
	August	632.800	94.660	1.630.150	205,4	0,6	1,7	1,1	1,6	1,0
	September	672.250	101.720	1.766.000	207,6	1,0	6,2	5,1	7,5	6,4
	October	668.200	100.940	1.742.950	211,6	2,0	-0,6	-2,5	-0,8	-2,7
	November	663.400	99.200	1.719.450	212,4	0,4	-0,7	-1,1	-1,7	-2,1
	December	649.250	96.650	1.676.680	213,2	0,4	-2,1	-2,5	-2,6	-2,9
	Annual	646.917	96.766	1.669.626	206,8	8,9	6,1	-2,6	6,8	-1,9

Source: Central Bank of Republic of Turkey

(1): Satış fiyatlarıdır.

(2): 1 ons=31,1035 Gr'dir.

1.4.6 Developments in Exchange Rates

In 2012, the fluctuating foreign exchange rate regime continued to be implemented together with the inflation targeting in the framework of TCMB 2012 Monetary and Rate Policy. In the fluctuating foreign exchange rate regime, TCMB does not have a nominal or real exchange rate target, and does not use the foreign exchange rate as a policy tool. Foreign exchange rates are determined according to the demand and supply conditions in the market, and because it is important for a

country to have a strong foreign exchange reserve, TCMB organizes foreign exchange purchase auctions to collect reserves at times when foreign exchange supply increases compared to foreign exchange demand. Basically, the foreign exchange supply and demand are determined by the monetary and fiscal policies implemented, economic foundations, international developments and expectations.

TCMB follows the changes in global risk taking trends and portfolio movements closely, and applies policies to prevent risks on variables such as foreign exchange rate and credits which are likely to deteriorate financial stability.

In the framework set by the Monetary Policy Board, the regular foreign exchange selling auctions started on 5 August 2011 for the purpose of providing liquidity to the foreign exchange market were also continued in January 2012. On 2 January 2012, TCMB intervened in the market by selling foreign exchange to the market in the framework of monetary policy arrangements which were used in exceptional periods. In three auctions organized on 6 January 2012 and two auctions organized on 9 January 2012, a total of US\$ 250 million were sold, and no intraday selling auction was organized until the end of 2012.

With the decision of the TCMB Monetary Policy Board dated 24 January 2012, taking into account the recovery trend in current balance dynamics and the sudden changes in the global conditions, it was stated that intraday foreign exchange selling auctions were much effective than regular foreign exchange selling auctions and were much suitable for the purposes of the monetary policy, and it was announced that regular foreign exchange selling actions were terminated effective from 25 January 2012.

In May 2012, in order to support financial stability, the flexibility which allows the required reserves which need to be kept for Turkish lira obligations to be kept in foreign currency and gold was increased, and the ratios by which the required reserves can be held in foreign exchange and gold were raised. TCMB also used the Reserve Option Mechanism (ROM) which helps the banking sector to provide foreign exchange liquidity much flexibly, and increases resilience against internal and external shocks as an instrument to support monetary policy.

In 2011 TCMB purchased foreign exchange amounting to US\$ 4,650 million through foreign exchange buying auctions, and did not organize any foreign exchange buying auction in 2012. Thus, the amount of foreign exchange purchased through foreign exchange buying auctions since 2003 reached US\$ 57,151 million. In 2012, foreign exchange equal to US\$ 1,450 million were sold through foreign exchange selling auctions, and the market was intervened by selling US\$ 1,006 million (See Table 98).

Table 98 Foreign Exchange Amounts Purchased-Sold by the Central Bank

(000 000 \$)						
Years	Foreign Currency Buying	Foreign Currency Selling Auctions	Foreign Currency Buying Interventions ⁽²⁾	Foreign Currency Selling Interventions ⁽³⁾	Total Net Foreign Currency	Rate of Change in Total Net Foreign Currency Buying
2010	14.864		-	-	14.864	335,3
2011	4.650	11.210	-	525	-7.085	-147,7
2012	-	1.450	-	1.006	-2.456	-65,3
Toplam ⁽⁴⁾	57.161	13.228	21.289	2.657	62.619	

Source: Central Bank of Republic of Turkey.

(1): No foreign currency buying auction was organized in 2012.

(2): It is the total between 2003 and 2006 and appears as "0" after 2007.

(3): It is the total of 2004, 2006, 2011 and 2012.

(4): It is the cumulative total value after 2003.

While the monetary expansion policies which were introduced by countries due to the global crisis caused excess liquidity in dollar and euro and reduced interest rates, they forced investors to invest in developing countries. As the short-term capital inflows from developed countries to developing countries increased, the latter's currencies appreciated. However, concerns over global growth lessened the global risk appetite starting from the second quarter of 2011, and affected capital inflow to developing countries adversely. Due to this development, Turkish lira depreciated significantly in 2011.

Although the global problems continued to exist in 2012, the regressed risk level in developing countries, particularly, the adoption of expansionary monetary policies by several countries in the second quarter of the year caused capital inflows to gain speed. While our country was affected of these developments, the policies adopted caused the volatility in foreign exchange rates to fall.

As of the end of 2012, according to annual averages and in nominal terms, US\$ appreciated 7.3% and rose to "1.79227, the British Pound appreciated 6.1% and rose to "2.83852, the Japanese Yen appreciated 7.0% and rose to "2.24477, and the Euro depreciated 8.0% and fell to "2.30429 against the Turkish Lira (See Table 99).

Table 99. Annual Average Foreign Exchange Buying Rates

Years	US\$		Euro		British Pound		Japanese Yen	
	Rate of Exchange	Rate of Change	Rate of Exchange	Rate of Change	Rate of Exchange	Rate of Change	Rate of Exchange	Rate of Change
2010	1,49843	-3,1	1,98896	-7,5	2,31478	-4,0	1,70542	3,3
2011	1,67102	11,5	2,32329	16,8	2,67593	15,6	2,09757	23,0
2012	1,79227	7,3	2,30429	-0,8	2,83852	6,1	2,24477	7,0

Source: Central Bank of Republic of Turkey

In 2012, the US\$ which started at "1.83894 dropped to "1.75109 in February, showed a limited increase in March, and continued this trend up to the second half of the year. After rising to "1.80489 in July, the US\$ took a downward trend and closed the year 2012 with an average of "1.79227. While Euro started the year 2012 at "2.37233 against the Turkish Lira, it followed a low trend until the fluctuations in September, and demonstrated a slight increase in September. The level of the US Dollar and Euro against the Turkish Lira was affected mainly by the developments in the global economy.

In real terms, according to the consumer price index, the US Dollar depreciated 1.5% and Euro depreciated 8.9% against the Turkish Lira in 2012. When the real appreciation by month is considered in 2012, it is observed that the largest depreciation of the US Dollar was experienced in February at 5.3% and that the highest appreciation was experienced in June at 2.0%. When the same picture is considered on the basis of Euro, it is observed that the largest depreciation was experienced in January at 3.8%, and the highest appreciation was experienced in September at 3.2% (See Table 100).

Table 100. Monthly Average Foreign Exchange Buying Rates by Years and Months

Years	Months	US\$ (\$)	Euro (€)	CPI (2003=100)		\$ ve € Variation of Rates			
				Index Value	Change of Rate Compared to Previous Month	Nominal		Real	
						\$	€	\$	€
2010	January	1,46632	2,09727	174,1	1,9	-2,2	-4,4	-4,0	-6,2
	February	1,50556	2,06394	176,6	1,5	2,7	-1,6	1,2	-3,0
	March	1,52831	2,07551	177,6	0,6	1,5	0,6	0,9	0,0
	April	1,48787	1,99937	178,7	0,6	-2,6	-3,7	-3,2	-4,2
	May	1,53481	1,93951	178,0	-0,4	3,2	-3,0	3,5	-2,6
	June	1,57029	1,91805	177,0	-0,6	2,3	-1,1	2,9	-0,5
	July	1,53631	1,95610	176,2	-0,5	-2,2	2,0	-1,7	2,5
	August	1,50163	1,94183	176,9	0,4	-2,3	-0,7	-2,6	-1,1
	September	1,48892	1,94380	179,1	1,2	-0,8	0,1	-2,0	-1,1
	October	1,41846	1,97017	182,4	1,8	-4,7	1,4	-6,4	-0,5
	November	1,42953	1,96264	182,4	0,0	0,8	-0,4	0,8	-0,4
	December	1,51315	1,99929	181,9	-0,3	5,8	1,9	6,2	2,2
	Annual	1,49843	1,98896	178,4	8,6	-3,1	-7,5	-10,8	-14,8
2011	January	1,55382	2,07381	182,6	0,4	2,7	3,7	2,3	3,3
	February	1,58283	2,15965	183,9	0,7	1,9	4,1	1,1	3,4
	March	1,57467	2,20259	184,7	0,4	-0,5	2,0	-0,9	1,6
	April	1,51562	2,18690	186,3	0,9	-3,7	-0,7	-4,6	-1,6
	May	1,56416	2,24888	190,8	2,4	3,2	2,8	0,8	0,4
	June	1,59401	2,29340	188,1	-1,4	1,9	2,0	3,4	3,5
	July	1,64671	2,35284	187,3	-0,4	3,3	2,6	3,7	3,0
	August	1,74424	2,49980	188,7	0,7	5,9	6,2	5,2	5,5
	September	1,78652	2,46360	190,1	0,8	2,4	-1,4	1,7	-2,2
	October	1,82708	2,49900	196,3	3,3	2,3	1,4	-1,0	-1,8
	November	1,80378	2,44687	199,7	1,7	-1,3	-2,1	-3,0	-3,7
	December	1,85885	2,45219	200,9	0,6	3,1	0,2	2,5	-0,4
	Annual	1,67102	2,32329	189,9	6,5	11,5	16,8	4,7	9,7
2012	January	1,83894	2,37233	202,0	0,6	-1,1	-3,3	-1,6	-3,8
	February	1,75109	2,31460	203,1	0,6	-4,8	-2,4	-5,3	-3,0
	March	1,77930	2,35044	204,0	0,4	1,6	1,5	1,2	1,1
	April	1,77984	2,34322	207,1	1,5	0,0	-0,3	-1,5	-1,8
	May	1,79695	2,30524	206,6	-0,2	1,0	-1,6	1,2	-1,4
	June	1,81607	2,27466	204,8	-0,9	1,1	-1,3	2,0	-0,4
	July	1,80489	2,22220	204,3	-0,2	-0,6	-2,3	-0,4	-2,1
	August	1,78584	2,21128	205,4	0,6	-1,1	-0,5	-1,6	-1,0
	September	1,79563	2,30511	207,6	1,0	0,5	4,2	-0,5	3,2
	October	1,79414	2,32825	211,6	2,0	-0,1	1,0	-2,0	-0,9
	November	1,78545	2,29095	212,4	0,4	-0,5	-1,6	-0,9	-2,0
	December	1,77909	2,33325	213,2	0,4	-0,4	1,8	-0,7	1,5
	Annual	1,79227	2,30429	206,8	8,9	7,3	-0,8	-1,5	-8,9

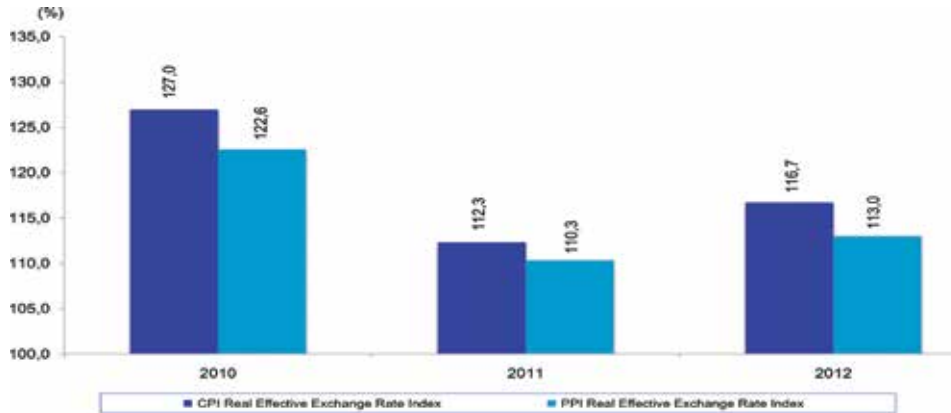
Source: Central Bank of Republic of Turkey, TURKSTAT

As a result of the changes occurring in the foreign exchange rates, as of the end of 2012, the real effective exchange rate index based on the CPI was 118.3 and the real effective exchange rate index based on the PPI was 113.4. Thus, in 2012 the foreign exchange rates appreciated 3.9% on the basis of CPI and 2.4% on the basis of PPI (see, Table 101, Graph 40).

Table 101. Real Effective Exchange Rate Indices by Years and Months

Years	Months	CPI (2003=100) Based Real Effective Exchange Rate Index	PPI (2003=100) Based Real Effective Exchange Rate Index
2010		127,0	122,6
2011		112,3	110,3
2012		116,7	113,0
2010	January	122,9	116,0
	February	124,3	118,5
	March	123,2	118,8
	April	127,6	124,5
	May	128,4	124,7
	June	127,6	124,3
	July	125,9	122,4
	August	127,2	124,5
	September	128,6	124,6
	October	131,4	125,7
	November	131,0	124,9
	December	125,7	122,0
2011	January	121,2	118,9
	February	117,4	115,8
	March	115,9	114,6
	April	118,3	115,8
	May	117,2	112,6
	June	113,3	110,4
	July	109,4	106,9
	August	103,5	102,4
	September	104,9	105,0
	October	106,7	105,5
	November	110,5	108,0
	December	109,5	108,4
2012	January	112,4	111,0
	February	115,9	113,1
	March	114,2	111,3
	April	115,9	111,5
	May	116,8	113,8
	June	117,0	114,0
	July	118,2	115,1
	August	118,8	114,8
	September	116,2	111,9
	October	117,4	111,4
	November	119,4	114,7
	December	118,3	113,4

Source: Central Bank of Republic of Turkey.



Source: TURKSTAT.

Graph 40. Real Effective Foreign Exchange Rate Indices (1995=100)

1.5 Foreign Economic Developments

1.5.1 Foreign Trade Indicators

The developments in the foreign trade indicators are largely shaped by the developments and changes in the global economy. The global economic crisis which deepened in 2009, and whose effects are still felt despite the five years that have passed caused the world trade volume to shrink, and the foreign trade of our country was affected negatively of this development. In 2011, when the foreign consumption and investment demand was strong, our import showed a high increase, and the exports started to increase, though slightly, with the start of recovery in foreign trade and the finding of new markets.

In 2012, the Turkish economy entered a slowing process, and consumption and investment demand slowed down. This development caused the import to exhibit a decreasing trend throughout 2012. Exports were affected negatively by the contracted demand caused by the economic problems in the European Union, which has been considered our most important trade partner for years. Exporters chose to trade with the countries in Africa, Middle East, Asia, Pacific and Latin America, guaranteed market diversity, and closed this gap to a large extent. The increase in the gold export to Iran was one of the most important elements that supported the increase in exports in 2012.

With the signs of recover in global economy in 2011, the exports grew 18.5% percent in 2011, and 13.1% in 2012, and in terms of value, it rose from \$134,907 million to \$152,561 million, and exceeded the pre-crisis level. While imports increased by 29.8% in 2011, they decreased 1.8% in 2012, and in terms of value, they declined from \$240,842 million to \$236,537 million.

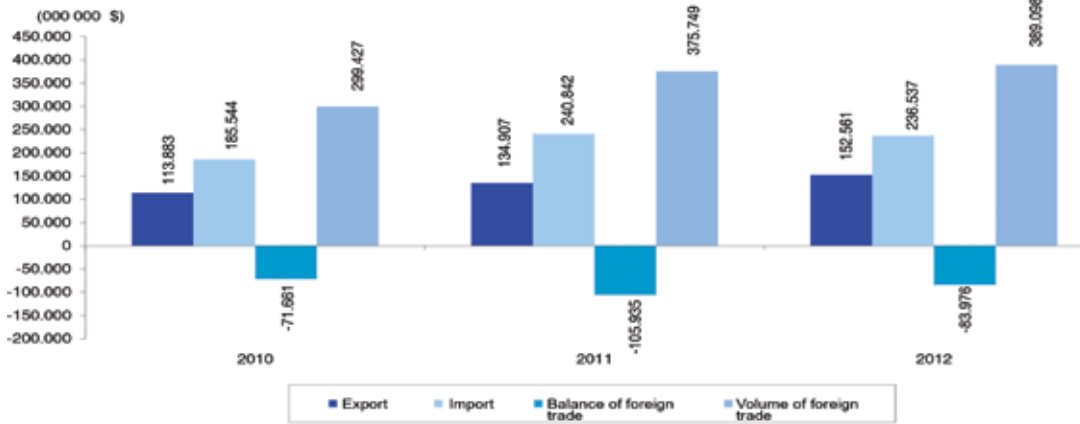
When the economy entered a rapid phase of recovery, our foreign trade volume showed an increase of 23.2% in 2010, and 25.5% in 2011, and reached \$375,749 million. With the slowdown of economy, it increased only 3.6% and became \$389,098 million. When compared to the previous year, the slowdown in the foreign trade volume was driven by the reduced rate of increase in exports and the decrease in imports.

The foreign trade deficit which saw the highest level of history by increasing 47.8% in 2011 decreased 20.7% in 2012 with the positive effect of the shrinkage in imports, and dropped back to \$83,976 million (See, Table 102, Graph 41).

Table 102. Foreign Trade Indicators

Indicators	2010	2011	2012	(000 000 \$)		
				Rate of Change		
				2010	2011	2012
Export	113.883	134.907	152.561	11,5	18,5	13,1
Import	185.544	240.842	236.537	31,7	29,8	-1,8
Volume of foreign trade	299.427	375.749	389.098	23,2	25,5	3,6
Balance of foreign trade	-71.661	-105.935	-83.976	84,8	47,8	-20,7
Ratio of balance of foreign trade to exports	61,4	56,0	64,5			

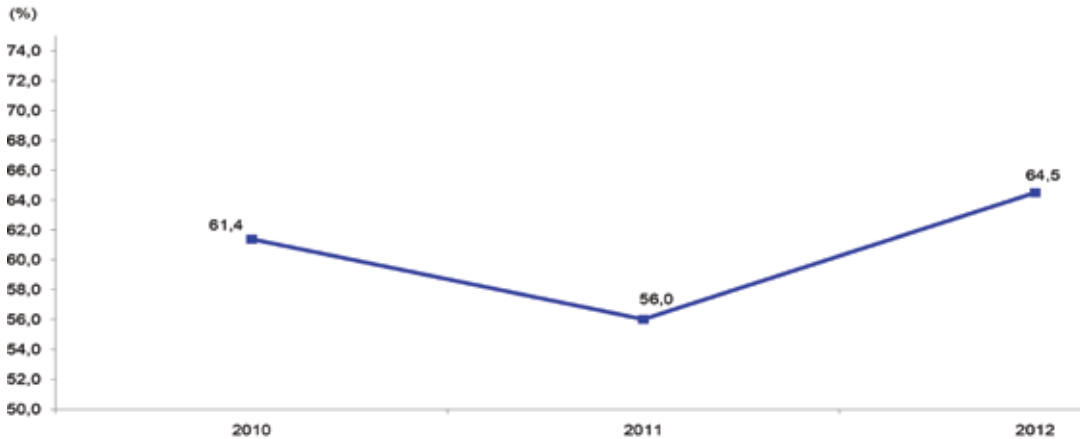
Source: TURKSTAT.



Source: TURKSTAT.

Graph 41. Foreign Trade Indicators by Years

Connected to these developments, the ratio of imports covered by exports increased 8.5 points in 2012 compared to 2011, and rose from 56.0% to 64.5% (See Graph 42).



Source: TURKSTAT.

Graph 42. Ratio of Imports Covered by Exports by Years

1.5.2 Export

The stable increasing process that started after the crisis in our exports continued in 2012. The recession continuing in the European countries affected Turkey like the other regions of the world, and our exports to EU countries, our largest export market, decreased. This decrease was tried to be compensated by contacting new markets and increasing regional and sectoral diversity in export. In 2012, it is noteworthy that the exports to the countries in Africa, Asia, Pacific, Latin America and the Middle East increased significantly.

As a result of these developments the exports which increased 13.1% in 2012 compared to the previous year rose from \$134,907 to \$152,561 million. In terms of sectors, the highest increase was seen in the exports of the production sector. The import sector which showed an increase of 13.8% compared to the previous year was realized at \$143,290 million. The mining and quarrying sector exports increased 12.7% and became \$3,162 million, the fishing sector exports increased 2.4% and reached \$190 million, the agricultural and forestry sector exports increased 5.0% and reached \$5,192 million. When the ratios of the sectors to the total export are compared to the previous year ratios, it is observed that the shares of the fishery, mining and quarrying sector remained the same, the share of the agricultural and forestry sector fell, and the share of the manufacturing sector increased (See Table 103).

Table 103. Export by Sectors

Sektörler	Export Value (\$000 000)			Ratio within the Total			Rate of Change		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Agriculture and forestry	4.935	5.167	5.192	4,3	3,8	3,4	13,5	4,7	0,5
Fishery	156	186	190	0,1	0,1	0,1	-17,5	19,2	2,4
Mining and quarrying	2.687	2.805	3.162	2,4	2,1	2,1	59,7	4,4	12,7
Manufacturing	105.467	125.963	143.290	92,6	93,4	93,9	10,5	19,4	13,8
Other	638	786	727	0,6	0,6	0,5	34,3	23,2	-7,5
Total	113.883	134.907	152.561	100,0	100,0	100,0	11,5	18,5	13,1

Source: TURKSTAT.

According to the wide economic group classification, the highest rise in exports compared to the previous year in 2012 was shown by the intermediate (raw material) goods exports which rose to \$82.706 million with an increase of 21.7%. The imports of intermediate goods which started with the crisis took an upward trend in 2010, and gained speed in 2011 with the revival of economy. This was followed by the export of consumption goods with \$55,990 million which showed an increase of 6.5%. The export of capital (investment) goods decreased 3.1%. The ratios of main commodity groups within the total exports decreased from 38.7% to 36.4%, the ratio of capital (investment) goods decreased from 10.5% to 9.0%, the ratio of intermediate (raw material) goods rose from 50.4% to 54.2% (See Table 104).

Table 104. Export by Wide Economic Group Classification

Wide Economic Group Classification	Export Value (\$000 000)			Ratio within the Total			Rate of Change		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Capital (Investment) goods	11.771	14.192	13.749	10,3	10,5	9,0	5,9	20,6	-3,1
Intermediate (Raw material) goods	56.381	67.942	82.706	49,5	50,4	54,2	13,4	20,5	21,7
Consumables	45.321	52.219	55.590	39,8	38,7	36,4	11,3	15,2	6,5
Others	410	555	516	0,4	0,4	0,3	-26,7	35,3	-6,9
Total	113.883	134.907	152.561	100,0	100,0	100,0	11,5	18,5	13,1

Source: TURKSTAT.

When the first ten chapters in the exports of 2012 are analyzed, the exports of precious or semi-precious stones, precious metals, imitation jewelry and metal coins were placed in the first rank with \$16,328 million. The ratio of this group within the total exports increased 7.9 points and rose from 2.8% to 10.7%. Motor land vehicles, tractors, bicycles, motorcycles and other land vehicles, their parts and accessories are in the second place with \$15,151 million. The exports of boilers, machinery, mechanical equipment and instruments, nuclear reactors, their parts and components are ranked the third with \$12,015 million, whereas the exports of iron and steel are ranked the fourth with \$ 11,342 million. The exports of motor land vehicles, tractors, bicycles, motorcycles and other land vehicles, their parts and accessories which were the leaders in our exports in 2010 and 2011 decreased 4.1% in 2012 compared to the previous year, and constituted the only chapter that decreased, while other chapters displayed an increase. The highest rise was seen in the exports of precious, semi-precious stones, precious metals, imitation jewelry and coins with 336.7% (See Table 105).

Table 105. The First Ten Chapters in Exports

Chapters ⁽¹⁾	Rank No.			Export Value (\$000 000)			Ratio within the Total Exports			Rate of Change		
	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
Motor land vehicles, tractors, bicycles, motorcycles and others	5	10	1	3.747	3.739	16.328	3,3	2,8	10,7	-36,8	-0,2	336,7
Boilers, Machinery and equipment, instruments, parts	1	1	2	13.813	15.803	15.151	12,1	11,7	9,9	12,7	14,4	-4,1
Iron and steel	2	2	3	9.413	11.561	12.015	8,3	8,6	7,9	15,7	22,8	3,9
Electrical machinery, equipment and parts	3	3	4	8.740	11.225	11.342	7,7	8,3	7,4	14,4	28,4	1,0
Woven garments and accessories	5	4	5	7.530	8.874	9.380	6,6	6,6	6,1	13,6	17,8	5,7
Mineral fuels, mineral oils, preparations and waxes	4	5	6	7.731	8.386	8.428	6,8	6,2	5,5	11,6	8,5	0,5
Goods made of iron or steel	7	6	7	4.469	6.539	7.707	3,9	4,8	5,1	14,0	46,3	17,9
Non-woven garments and accessories	6	7	8	4.850	5.748	6.103	4,3	4,3	4,0	6,7	18,5	6,2
Plastics and goods made of plastic	8	8	9	4.636	5.124	5.436	4,1	3,8	3,6	7,9	10,5	6,1
Edible fruits, dried fruits, citrus fruits and melon shell	10	9	10	3.717	4.580	5.016	3,3	3,4	3,3	20,1	23,2	9,5
Total export				113.883	134.907	152.561	100,0	100,0	100,0	11,5	18,5	13,1

Source: TURKSTAT.

(1): 2012 yılı ihracat değerlerine göre yapılan sıralamada, ilk 10'da yer alan fasıllardır.

1.5.3 Import

In 2012, the economic growth lost speed, and with the narrowing domestic demand, investment and consumption demand declined, and imports entered a downward phase.

Imports which increased 29.8% in 2011 compared to the previous year decreased 1.8% in 2012 and declined from \$240,842 million to \$236,537 million. At the level of sectors, the imports of the fishing sector increased 15.4% and rose to \$56 million. The imports of the mining and quarrying sector increased 13.2% and became \$42,247 million. The imports of the agricultural and forestry sector decreased 16.3% and became \$7,466 million. The imports of the manufacturing sector decreased 4.2% and fell to \$176,228 million. When the ratios of the sectors to the total export in 2012 are compared to the previous year ratios, the shares of the fishing sector remained the same, the share of the agricultural and forestry sector and the manufacturing sector fell, and the share of the mining and quarrying sector increased (See Table 106).

Table 106. Imports by Sectors

Sectors	Import Value (000 000 \$)			Ratio within the Total			Rate of Change		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Agriculture and forestry	6.457	8.895	7.446	3,5	3,7	3,1	40,6	37,8	-16,3
Fishery	33	49	56	0,0	0,0	0,0	6,5	47,6	15,4
Mining and quarrying	25.933	37.331	42.247	14,0	15,5	17,9	25,7	44,0	13,2
Manufacturing	145.367	183.930	176.228	78,3	76,4	74,5	30,9	26,5	-4,2
Other	7.754	10.636	10.560	4,2	4,4	4,5	66,9	37,2	-0,7
Total	185.544	240.842	236.537	100,0	100,0	100,0	31,7	29,8	-1,8

Source: TURKSTAT.

The increase seen in the import value according to the wide economic group classification in 2011 was replaced by a decrease in 2012. The only group which displayed an increase compared to the previous year in 2012 was the import of intermediate (raw material) goods, which increased 1.0% and reached \$174,923 million. The Imports of capital (investment) goods decreased 9.0% in 2012 compared to the previous year, and fell to \$33,924 million, and the imports of consumption goods decreased 10.1% and slid to \$26,700 million. The share of the intermediate (raw material) goods within the total imports increased in 2012 compared to the previous year, whereas, the share of capital (investment) goods and consumption goods within the total imports decreased (See Table 107).

Table 107. Imports by Wide Economic Group Classification

Wide Economic Group Classification	Import Value (000 000 \$)			Ratio within the Total			Rate of Change		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Capital (Investment) goods	28.818	37.271	33.924	15,5	15,5	14,3	34,3	29,3	-9,0
Intermediate (Raw material) goods	131.445	173.140	174.923	70,8	71,9	74,0	32,1	31,7	1,0
Consumables	24.735	29.692	26.700	13,3	12,3	11,3	28,2	20,0	-10,1
Other	5460	739	990	0,3	0,3	0,4	-17,9	35,3	34,1
Total	185.544	240.842	236.537	100,0	100,0	100,0	31,7	29,8	-1,8

Source: TURKSTAT.

Among the first 10 chapters which had the highest ratio within the total imports in 2012, mineral fuels, mineral oils and products obtained through their distillation, bituminous substances and mineral waxes take the first place with \$ 60,114 million. The imports of boilers, machinery, mechanical devices and equipment, nuclear reactor parts constitute the second chapter with the highest ratio within the total imports, and amount to \$ 26,316 million. The other chapters which have the highest ratios within the imports are the imports of iron and steel which are ranked the third with \$ 19,641 million, the imports of electrical machines and instruments, voice recording-transmitting, television displaying-voice recording devices, components, parts, and accessories which are ranked the fourth with \$ 16,280 million (See Table 108).

Table 108. The First Ten Chapters in Imports

Chapters ⁽¹⁾	Rank No.			Import Value (000 000 \$)			Ratio within the Total Imports			Rate of Change		
	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
Mineral fuels, mineral oils, preparations and waxes	1	1	1	38.497	54.118	60.114	20,7	22,5	25,4	28,7	40,6	11,1
Boilers, Machinery and equipment, instruments, parts	2	2	2	21.267	27.111	26.315	11,5	11,3	11,1	24,1	27,5	-2,9
Iron and steel	3	3	3	16.121	20.424	19.641	8,7	8,5	8,3	42,0	26,7	-3,8
Motor land vehicles, tractors, bicycles, motorcycles and others	4	5	4	14.642	16.835	16.280	7,9	7,0	6,9	19,6	15,0	-3,3
Electrical machinery, equipment and parts	5	4	5	13.419	17.184	14.514	7,2	7,1	6,1	49,5	28,1	-15,5
Plastics and goods made of plastic	6	6	6	9.730	12.579	12.505	5,2	5,2	5,3	40,1	29,3	-0,6
Pearls, precious stones and metal products, coins	13	7	7	3.037	7.022	8.530	1,6	2,9	3,6	51,6	131,2	21,5
Organic chemical preparations	8	8	8	4.400	5.504	5.065	2,4	2,3	2,1	31,7	25,1	-8,0
Pharmacy products	9	11	9	3.438	4.116	4.055	1,9	1,7	1,7	21,3	19,7	-1,5
Copper and goods made of copper	7	9	10	4.410	4.697	3.996	2,4	2,0	1,7	8,1	6,5	-14,9
Total import				185.544	240.842	236.537	100,0	100,0	100,0	31,7	29,8	-1,8

Source: TURKSTAT.

(1): 2012 yılı ithalat değerlerine göre yapılan sıralamada, ilk 10'da yer alan fasıllardır.

1.5.4 Foreign Trade on a Regional Level

In 2012, Istanbul region has the highest export value with \$ 76,670 million according to NUTS Level -1. The export of Istanbul region accounts for 50.3% of the total exports of Turkey. Istanbul region is followed by East Marmara region with \$26,806 million, and Aegean region with US\$ 17,079 million. Northeastern Anatolia region is the region with the lowest value in total exports with \$181 million (See Table 109).

Table 109. Foreign Trade Indicators in 2012 as per Nomenclature of Territorial Units for Statistics Level -1

(000 000 \$)							
Region Code	NUTS Level – 1	Export	Import	Volume of Foreign Trade	Balance of Foreign Trade	Rate of Imports Covered by Imports	Ratio of Balance of Foreign Trade to Exports
TR1	Istanbul	76.670	119.601	196.271	-42.931	64,1	-56,0
TR2	West Marmara	1.431	1.457	2.888	-26	98,2	-1,8
TR3	Aegean	17.079	17.244	34.324	-165	99,0	-1,0
TR4	East Marmara	26.806	24.322	51.127	2.484	110,2	9,3
TR5	West Anatolia	8.698	11.766	20.464	-3.068	73,9	-35,3
TR6	Mediterranean	7.428	11.210	18.637	-3.782	66,3	-50,9
TR7	Central Anatolia	2.067	2.023	4.090	44	102,2	2,1
TR8	West Black Sea	1.303	3.032	4.335	-1.729	43,0	-132,7
TR9	East Black Sea	2.077	374	2.451	1.703	555,1	82,0
TRA	Northeast Anatolia	181	180	361	2	101,0	1,0
TRB	Central Eastern Anatolia	747	227	974	520	328,6	69,6
TRC	Southeastern Anatolia	8.068	5.619	13.687	2.449	143,6	30,4
TR	Turkey ⁽¹⁾	152.561	236.537	389.098	-83.976	64,5	-55,0
Rate of Change Compared to Previous Year							
TR1	Istanbul	24,7	-3,5	5,9	-31,2	29,2	-44,9
TR2	West Marmara	4,1	-15,9	-7,1	-92,6	23,8	-92,9
TR3	Aegean	4,0	-0,7	1,6	-82,6	4,8	-83,3
TR4	East Marmara	-1,0	-10,2	-5,6	31.900,9	10,2	32.230,6
TR5	West Anatolia	8,7	-10,9	-3,5	-41,0	22,0	-45,8
TR6	Mediterranean	2,3	-3,9	-1,5	-14,1	6,4	-16,0
TR7	Central Anatolia	4,5	-9,7	-3,0	-116,9	15,7	-116,1
TR8	West Black Sea	-10,7	-6,0	-7,5	-2,1	-5,0	9,7
TR9	East Black Sea	0,8	32,5	4,6	-4,2	-23,9	-5,0
TRA	Northeast Anatolia	-12,3	12,1	-1,6	-96,1	-21,8	-95,6
TRB	Central Eastern Anatolia	7,2	-8,1	3,2	15,6	16,6	7,8
TRC	Southeastern Anatolia	16,2	3,7	10,7	60,7	12,1	38,3
TR	Turkey ⁽¹⁾	13,0	-1,8	3,5	-20,7	15,1	-29,8

Source: TURKSTAT.

(1): The data of Turkey includes confidential and ambiguous data.

In regard to import values of 2012, the same regional ranking is applicable, and Istanbul Region which accounts for 50.6% of Turkey's total import is ranked the first with \$119,601 million. Istanbul region is followed by East Marmara region with \$24,322 million, and Aegean region with US\$ 17,244 million. Northeastern Anatolia region is the region with the lowest value in total imports with \$180 million.

Subject to the import and export values and the shares within Turkey, there has been no change in ranking in the volume of foreign trade. The first three places were occupied by Istanbul region with \$196,271 million, East Marmara Region with 51,127 million \$, and Aegean region with \$34,324 million. Northeastern Anatolia has the lowest share in the volume of foreign trade with \$316 million.

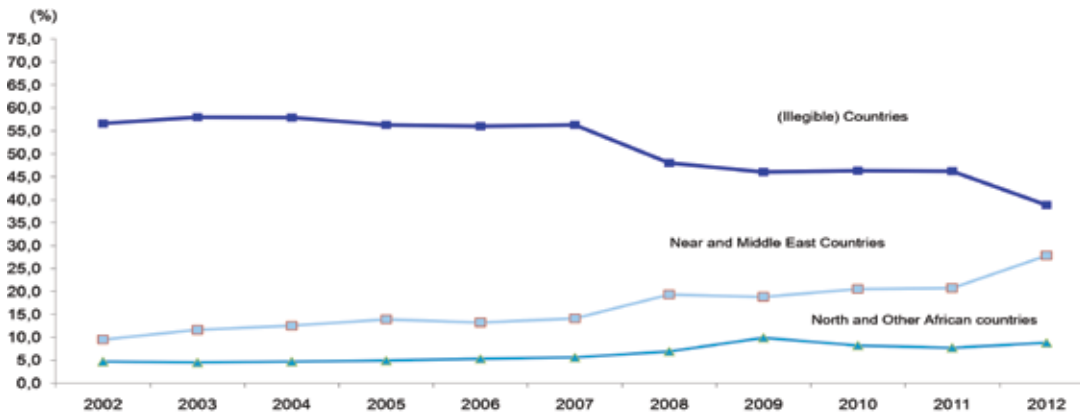
While Istanbul has the highest foreign trade deficit with \$42,931 million, it is followed by the Mediterranean region with \$3,782 million, and West Anatolian region with \$3,068 million. The region that has the highest foreign trade surplus is East Marmara region with 2,484 million.

The region where the ratio of imports covered by exports was highest is East Black Sea region with 555.1%, and Central Eastern Anatolia region and Southeastern Anatolian region were the two other regions where the ratio of imports covered by exports was high at 328.6% and 143.6%, respectively. The region where imports covered by exports were lowest is the West Black Sea region at 43.0%.

1.5.5 Foreign Trade by Country Groups

In regard to realization of foreign trade by country groups, the share of EU countries which have been the strongest export market for us for years within our exports appears to have dropped in 2012. While exports were realized at \$52,685 million to EU countries in 2010, they increased 18.3% and rose to \$ 62,347 million, and dropped 5.0% in 2012, and were reduced to \$ 59,241 million. The exports made to the Free Zones in Turkey showed a decrease of 9.8%, and became \$2,295 million. The share of EU countries within our exports, which decreased due to the stagnancy in European economies, was to a great extent compensated by exports to other countries owing to the market diversification activities. The rates of export made to the other country groups in 2012 increased 30.0% and rose to \$91,025 million. The share of exports made to the EU countries in 2012 within the total exports was 38.8%, the ratio of exports made to the Free Zones in Turkey was 1.5%, and the ratio of exports to the other countries group was 59.7% (See Graph 43).

Of the \$91,025 million exports made to the other countries group in 2012, \$14,373 million was made to the European countries not included in EU, \$13,361 million was made to African countries, \$9,636 million was made to the American countries, \$53,059 million to Asian countries, \$490 million to Australia and New Zealand, and \$ 105 million was made to the countries and regions other than the above mentioned. Within the total exports made in 2012, the share of the exports made to European Countries not members of EU within the total exports was 9.4%, the share of exports to African countries was 8.8%, the share of exports to the American countries was 6.3%, the share of exports to Asian countries was 34.8%, the share of exports to Australia and New Zealand was 3.0%, and the share of exports to other countries and regions was 1.0% (See Table 110).



Source: TURKSTAT.

Graph 43. Market Diversity in Export by Years according to the Country Groups

Table 110. Foreign Trade Indicators by Country Groups

(000 000 \$)

Country Groups	Export								
	2010			2011			2012		
	Value	Ratio within the Grand Total	Rate of Change	Value	Ratio within the Grand Total	Rate of Change	Value	Ratio within the Grand Total	Rate of Change
A- European Union Countries (EU 27)	52.685	46,3	12,1	62.347	46,2	18,3	59.241	38,8	-5,0
B. Free Zones in Turkey	2.084	1,8	6,5	2.545	1,9	22,1	2.295	1,5	-9,8
C- Other Countries	59.114	51,9	11,2	70.015	51,9	18,4	91.025	59,7	30,0
1- Other European (excluding EU)	11.373	10,0	0,5	12.976	9,6	14,1	14.373	9,4	10,8
2- African Countries	9.283	8,2	-8,6	10.334	7,7	11,3	13.361	8,8	29,3
North Africa	7.025	6,2	-5,3	6.701	5,0	-4,6	9.448	6,2	41,0
Other Africa	2.258	2,0	-17,6	3.633	2,7	60,9	3.913	2,6	7,7
3- American Countries	6.077	5,3	24,6	7.926	5,9	30,4	9.636	6,3	21,6
North America	4.242	3,7	18,5	5.459	4,0	28,7	6.673	4,4	22,2
Central America and the Caribbeans	598	0,5	-3,8	626	0,5	4,7	770	0,5	22,9
South America	1.237	1,1	82,5	1.840	1,4	48,8	2.193	1,4	19,1
4- Asian Countries	31.876	28,0	23,1	38.134	28,3	19,6	53.059	34,8	39,1
Near and Middle East	23.295	20,5	21,4	27.935	20,7	19,9	42.477	27,8	52,1
Other Asia	8.581	7,5	28,0	10.199	7,6	18,9	10.582	6,9	3,7
5- Australia and New Zealand	403	0,4	11,2	481	0,4	19,4	490	0,3	2,0
6- Other Countries and Regions ⁽¹⁾	102	0,1	-81,9	164	0,1	60,9	105	0,1	-35,7
Grand Total	113.883	100,0	11,5	134.907	100,0	18,5	152.561	100,0	13,1

	Import								
	2010			2011			2012		
	Value	Ratio within the Grand Total	Rate of Change	Value	Ratio within the Grand Total	Rate of Change	Value	Ratio within the Grand Total	Rate of Change
A- European Union Countries (EU 27)	72.180	38,9	27,7	91.128	37,8	26,3	87.446	37,0	-4,0
B. Free Zones in Turkey	878	0,5	-9,0	1.038	0,4	18,2	1.046	0,4	0,8
C- Other Countries	112.486	60,6	34,8	148.675	61,7	32,2	148.045	62,6	-0,4
1- Other European (excluding EU)	30.312	16,3	17,1	35.979	14,9	18,7	37.409	15,8	4,0
2- African Countries	4.824	2,6	22,5	6.767	2,8	40,3	5.922	2,5	-12,5
North Africa	3.098	1,7	38,4	3.342	1,4	7,9	3.309	1,4	-1,0
Other Africa	1.726	0,9	1,5	3.425	1,4	98,4	2.613	1,1	-23,7
3- American Countries	16.799	9,1	36,9	22.749	9,4	35,4	20.234	8,6	-11,1
North America	13.234	7,1	39,1	17.346	7,2	31,1	15.085	6,4	-13,0
Central America and the Caribbeans	623	0,3	30,9	903	0,4	45,0	1.069	0,5	18,3
South America	2.942	1,6	28,7	4.500	1,9	53,0	4.079	1,7	-9,4
4- Asian Countries	53.354	28,8	48,7	73.583	30,6	37,9	71.012	30,0	-3,5
Near and Middle East	13.011	7,0	82,4	20.439	8,5	57,1	21.410	9,1	4,7
Other Asia	40.343	21,7	40,3	53.144	22,1	31,7	49.602	21,0	-6,7
5- Australia and New Zealand	493	0,3	-23,9	807	0,3	63,7	861	0,4	6,7
6- Other Countries and Regions ⁽¹⁾	6.703	3,6	39,0	8.789	3,6	31,1	12.607	5,3	43,4
Grand Total	185.544	100,0	31,7	240.842	100,0	29,8	236.537	100,0	-1,8

Tablo 110. Ülke Gruplarına Göre Dış Ticaret Göstergeleri (Devamı)

(000 000 \$)

Ülke Grupları	Volume of Foreign Trade								
	2010			2011			2012		
	Value	Ratio within the Grand Total	Rate of Change	Value	Ratio within the Grand Total	Rate of Change	Value	Ratio within the Grand Total	Rate of Change
A- European Union Countries (EU 27)	124.865	41,7	20,6	153.476	40,8	22,9	146.687	37,7	-4,4
B. Free Zones in Turkey	2.962	1,0	1,4	3.583	1,0	21,0	3.342	0,9	-6,7
C- Other Countries	171.600	57,3	25,6	218.690	58,2	27,4	239.069	61,4	9,3
1- Other European (excluding EU)	41.685	13,9	12,0	48.956	13,0	17,4	51.782	13,3	5,8
2- African Countries	14.107	4,7	0,1	17.101	4,6	21,2	19.284	5,0	12,8
North Africa	10.123	3,4	4,9	10.043	2,7	-0,8	12.757	3,3	27,0
Other Africa	3.984	1,3	-10,3	7.058	1,9	77,2	6.527	1,7	-7,5
3- American Countries	22.876	7,6	33,4	30.675	8,2	34,1	29.869	7,7	-2,6
North America	17.476	5,8	33,5	22.805	6,1	30,5	21.758	5,6	-4,6
Central America and the Caribbeans	1.221	0,4	11,2	1.530	0,4	25,3	1.839	0,5	20,2
South America	4.179	1,4	41,0	6.341	1,7	51,7	6.272	1,6	-1,1
4- Asian Countries	85.230	28,5	38,0	111.717	29,7	31,1	124.070	31,9	11,1
Near and Middle East	36.306	12,1	37,9	48.374	12,9	33,2	63.887	16,4	32,1
Other Asia	48.924	16,3	38,0	63.343	16,9	29,5	60.184	15,5	-5,0
5- Australia and New Zealand	896	0,3	-11,3	1.288	0,3	43,8	1.352	0,3	5,0
6- Other Countries and Regions ⁽¹⁾	6.805	2,3	26,4	8.953	2,4	31,6	12.713	3,3	42,0
Grand Total	299.427	100,0	23,2	375.749	100,0	25,5	389.098	100,0	3,6

Source: TURKSTAT.

(1): Due to confidentiality of data, the data of countries whose information are concealed are included in the "Other Countries and Regions" group.

When the import figures for the country groups are analyzed, the imports made from the EU countries in 2012 compared to the previous year decreased 4.0%, the imports from the other countries group decreased 4.0%, whereas the imports from the Free Zones in Turkey increased 8.0%. In 2012 imports at the value of \$ 87, 446 million were realized from the EU countries, imports at the value of \$1,046 million were realized from the Free Zones in Turkey, and imports at the value of \$ 148,045 million were realized from the other countries group. When the rates of the country groups within the total imports are examined, it is observed that the rate of the imports made from the EU countries was 37.0%, the rate of the imports made from the Free Zones in Turkey was 4.0%, and the rate of the imports made from the countries in the other countries was 62.6%.

Of the \$148,045 million in imports made from the other countries group, a \$37,409 million portion was made from the other European countries excluding the EU, a \$5,922 million portion was made from the American countries, a \$71,012 million portion was made from the Asian countries, a \$861 million portion was made from Australia and New Zealand, and a \$12,607 million portion was made from other countries and regions. Within the total imports, the rate of the imports realized from the European countries excluding the EU was 2.5%, the rate of the imports realized from the American countries was 8.6%, the rate of the imports realized from the Asian countries was 30.0%, the rate of the imports realized from Australia and New Zealand was 4.0% and the rate of the imports realized from the other countries and regions was 5.3%.

Compared to the previous year, the volume of foreign trade increased 3.6% in 2012, and became \$389,089 million. The volume of foreign trade was \$146,687 million with EU countries, \$3,342 million with Free Zones in Turkey, and \$239,069 million with the other countries group. In the volume of foreign trade in 2012, compared to the previous year, the highest rate of increase was shown by the other countries and regions group at 42.0%, and Near and Middle East countries group and North African countries group were the country groups that showed positive and high

rates of change at 32.1% and 27.0%, respectively.

In the volume of foreign trade by selected national and international organizations in 2012, the value of exports was \$66,346 million with Organization for Economic Cooperation and Development (OECD) countries, \$55,249 million with Organization of Islamic Conference (OIC) countries, \$18,799 million with Black Sea Economic Cooperation (BSEC) countries, \$16,799 million with Economic Cooperation Organization (ECO) countries, \$15,083 million with Commonwealths of Independent States (CIS) countries, and \$5,845 million with Turkic Republics, and \$2,601 million with European Free Trade Association (EFTA) countries. Within the total exports, the rates of export made to OECD, OIC, BSEC, ECO, CIS, Turkic Republics and EFTA countries are 43.5%, 36.2%, 12.3%, 10.95, 9.9%, 3.85, and 1.7%, respectively (See Table 111) .

Table 111. Foreign Trade Indicators by Selected National and International Organizations

(000 000 \$)

Selected National and International Organizations	Export								
	2010			2011			2012		
	Value	Ratio within the Grand Total	Rate of Change	Value	Ratio within the Grand Total	Rate of Change	Value	Ratio within the Grand Total	Rate of Change
Organization For Economic Cooperation And Development - OECD	61.492	54,0	10,1	67.114	49,7	9,1	66.346	43,5	-1,1
European Free Trade Association (EFTA)	2.416	2,1	-44,3	1.887	1,4	-21,9	2.601	1,7	37,8
Black Sea Economic Cooperation (BSEC)	14.456	12,7	17,8	17.768	13,2	22,9	18.799	12,3	5,8
Economic Cooperation Organization (ECO)	7.617	6,7	28,1	9.292	6,9	22,0	16.569	10,9	78,3
Commonwealth of Independent States (CIS)	10.288	9,0	29,3	13.377	9,9	30,0	15.083	9,9	12,8
Turkic Republics	3.921	3,4	15,4	5.040	3,7	28,5	5.845	3,8	16,0
Organization of the Islamic Conference (OIC)	32.470	28,5	13,4	37.325	27,7	15,0	55.249	36,2	48,0
Grand Total	113.883	100,0	11,5	134.907	100,0	18,5	152.561	100,0	13,1
Selected National and International Organizations	Import								
	2010			2011			2012		
	Value	Ratio within the Grand Total	Rate of Change	Value	Ratio within the Grand Total	Rate of Change	Value	Ratio within the Grand Total	Rate of Change
Organization For Economic Cooperation And Development - OECD	99.315	53,5	30,1	121.328	50,4	22,2	113.722	48,1	-6,3
European Free Trade Association (EFTA)	4.002	2,2	43,9	5.846	2,4	46,1	5.238	2,2	-10,4
Black Sea Economic Cooperation (BSEC)	32.980	17,8	19,1	38.770	16,1	17,6	41.502	17,5	7,0
Economic Cooperation Organization (ECO)	11.607	6,3	93,2	17.306	7,2	49,1	16.429	6,9	-5,1
Commonwealth of Independent States (CIS)	28.909	15,6	16,8	33.159	13,8	14,7	35.241	14,9	6,3
Turkic Republics	2.924	1,6	56,2	3.642	1,5	24,6	3.558	1,5	-2,3
Organization of the Islamic Conference (OIC)	22.201	12,0	66,2	31.418	13,0	41,5	31.690	13,4	0,9
Grand Total	185.544	100,0	31,7	240.842	100,0	29,8	236.537	100,0	-1,8
Selected National and International Organizations	Volume of Foreign Trade								
	2010			2011			2012		
	Value	Ratio within the Grand Total	Rate of Change	Value	Ratio within the Grand Total	Rate of Change	Value	Ratio within the Grand Total	Rate of Change
Organization For Economic Cooperation And Development - OECD	160.807	53,7	21,7	188.442	50,2	17,2	180.069	46,3	-4,4
European Free Trade Association (EFTA)	6.418	2,1	-9,8	7.733	2,1	20,5	7.840	2,0	1,4
Black Sea Economic Cooperation (BSEC)	47.436	15,8	18,7	56.538	15,0	19,2	60.302	15,5	6,7
Economic Cooperation Organization (ECO)	19.224	6,4	60,8	26.598	7,1	38,4	32.998	8,5	24,1
Commonwealth of Independent States (CIS)	39.197	13,1	19,8	46.536	12,4	18,7	50.324	12,9	8,1
Turkic Republics	6.845	2,3	29,9	8.682	2,3	26,8	9.403	2,4	8,3
Organization of the Islamic Conference (OIC)	54.671	18,3	30,2	68.743	18,3	25,7	86.939	22,3	26,5
Grand Total	299.427	100,0	23,2	375.749	100,0	25,5	389.098	100,0	3,6

Source: TURKSTAT.

According to 2012 import values by national and international organizations and countries, the group from which the most imports were made from the OECD countries at \$113,722 million, and this was followed by BSEC countries at \$ 41,502 million. The other groups from which imports were made are the CIS countries at \$35,241 million, the OIC countries at \$31,690 million, the BSEC countries at 16,429 million, the EFTA countries at \$5,238 million, and the Turkic Republics at \$3,558 million. The rates of import realized with these groups in 2012 within the total imports was realized at the rate of 48.1% in the OECD countries, at the rate of 17.5 in the BSEC countries, at the rate of 14.9% with the CIS countries, at the rate of 13.4% with the OIC countries, at the rate of 6.9% in the ECO countries, at the rate of 2.2% in the EFTA countries, and at the rate of 1.5% in the Turkic Republics.

The volume of foreign trade showed a 4.4% decrease in 2012 compared to the previous year and became \$180,069 million. The volume of foreign trade increased 26.5% and became \$86,929 million at the OIC countries, 6.7% and became \$60,302 million with the BSEC countries, 8.1% and became 50,324 million with the CIS countries (See Table 111).

When the first ten countries to which Turkey made the most exports, Germany is in the first place at \$13,132 million just like the previous year, and Iraq preserves its second place at \$10,830 million, Iran has risen from tenth place to the third place with \$9,923 million (See Table 112).

Table 112. The First Ten Countries to Which the Most Exports are Made

(000 000 \$)

Countries ⁽¹⁾	Rank No.			2010			2011			2012		
	2010	2011	2012	Import Value	Ratio within the Total Imports	Rate of Change	Import Value	Ratio within the Total Imports	Rate of Change	Import Value	Ratio within the Total Imports	Rate of Change
Germany	1	1	1	11.479	10,1	17,2	13.951	10,3	21,5	13.132	8,6	-5,9
Iraq	5	2	2	6.036	5,3	17,8	8.310	6,2	37,7	10.830	7,1	30,3
UK	10	10	3	3.044	2,7	50,3	3.590	2,7	17,9	9.923	6,5	176,4
Italy	2	3	4	7.236	6,4	21,9	8.151	6,0	12,7	8.701	5,7	6,7
France	9	9	5	3.333	2,9	15,1	3.707	2,7	11,2	8.177	5,4	120,6
Russian Federation	6	6	6	4.628	4,1	45,1	5.993	4,4	29,5	6.683	4,4	11,5
USA	3	4	7	6.505	5,7	10,5	7.851	5,8	20,7	6.376	4,2	-18,8
Spain	4	5	8	6.054	5,3	-2,5	6.806	5,0	12,4	6.202	4,1	-8,9
United Arab Emirates	7	7	9	3.763	3,3	16,1	4.584	3,4	21,8	5.615	3,7	22,5
Iran	8	8	10	3.536	3,1	25,5	3.918	2,9	10,8	3.721	2,4	-5,0
Total of First 10 countries				55.614	48,8	18,0	66.860	49,6	20,2	79.360	52,0	18,7
Total export				113.883	100,0	11,5	134.907	100,0	18,5	152.561	100,0	13,1

Source: TURKSTAT.

(1): They are the first 10 countries in the listing made according to 2012 export values.

Russia was in the first place in 2010 just as it was last year, within the first ten countries from which Turkey made the most imports. The amount of imports made from Russia was 11.3% of the total imports in 2012 and at the value of \$26,620 million. Germany was in the second place at \$21,400 million accounting for 9.0% of the total imports, just as it was the last year, followed by China at \$21,295 million in the third place, accounting for 9.0% of the total imports. A decrease was observed in the import values from all countries, except Russian Federation, within the first ten countries compared to the previous year. While the imports made from the Russian Federation rose 11.1%, the country the imports from which showed the highest decline was USA which preserved its fourth place with 11.9% and \$14,131 million (See Table 113).

Tablo 113. En Çok İthalat Yaptığımız İlk On Ülke

(000 000 \$)

Countries ⁽¹⁾	Rank No.			2010			2011			2012		
	2010	2011	2012	Import Value	Ratio within the Total Imports	Rate of Change	Import Value	Ratio within the Total Imports	Rate of Change	Import Value	Ratio within the Total Imports	Rate of Change
Russian Federation	1	1	1	21.601	11,6	11,1	23.953	9,9	10,9	26.620	11,3	11,1
Germany	2	2	2	17.549	9,5	24,5	22.986	9,5	31,0	21.400	9,0	-6,9
China	3	3	3	17.181	9,3	35,5	21.693	9,0	26,3	21.295	9,0	-1,8
USA	4	4	4	12.319	6,6	43,6	16.034	6,7	30,2	14.131	6,0	-11,9
Italy	5	5	5	10.140	5,5	33,5	13.450	5,6	32,6	13.344	5,6	-0,8
Iran	7	6	6	7.645	4,1	124,5	12.462	5,2	63,0	11.965	5,1	-4,0
France	6	7	7	8.177	4,4	15,3	9.230	3,8	12,9	8.590	3,6	-6,9
India	8	10	8	4.840	2,6	28,1	6.196	2,6	28,0	6.023	2,5	-2,8
South Korea	13	8	9	3.410	1,8	79,2	6.499	2,7	90,6	5.844	2,5	-10,1
Spain	9	9	10	4.764	2,6	52,8	6.298	2,6	32,2	5.660	2,4	-10,1
Total of First 10 countries				107.626	58,0	31,7	138.800	57,6	29,0	134.871	57,0	-2,8
Total import				185.544	100,0	31,7	240.842	100,0	29,8	236.537	100,0	-1,8

Source: TURKSTAT.

(1): They are the first 10 countries in the listing made according to 2012 import values.

1.5.6 Foreign Trade with Neighboring Countries

When the foreign trade values made by Turkey with neighboring countries are examined in 2012, it is observed that the exports to the neighboring countries increased 42.0% and rose to \$28,182 million, and imports increased 2.6% and reached 18,995 million.

While, among the neighboring countries, the exports to Syria fell 68.8% in 2012 due to political disturbance in the country, the exports to Greece that failed to correct its economic problems decreased 9.7%. The value of export made to other countries increased, and the highest rate increase was seen in Iran at 176.%, followed by Iraq at 30.3%, Azerbaijan at 25.3%, and Georgia at 14.8%. In 2012, 18.5% of the total exports were realized with the neighboring countries (See Table 114).

While our imports from neighboring countries increased 53.7% in 2011, the imports decelerated considerably in 2012, and increased only 2.6%. Thus, our imports from neighboring countries in 2012 rose from \$18,506 million to \$18,995 million. In 2012, the imports made from Iraq increased 71.3%, the imports from Greece increased 37.8%, the imports from Azerbaijan increased 29.8%, the imports from Bulgaria increased 11.3%, and the imports from other neighboring countries decreased. The highest rate of decrease in imports made from the neighboring countries was seen in Syria with 80.0%, and in Georgia with 42.7%.

Table 114. Foreign Trade with Neighboring Countries

(000 000 \$)

Neighboring Countries	Export								
	2010			2011			2012		
	Import Value	Ratio within the Total Imports	Rate of Change	Import Value	Ratio within the Total Imports	Rate of Change	Import Value	Ratio within the Total Imports	Rate of Change
Azerbaijan	1.550	1,4	10,7	2.064	1,5	33,2	2.587	1,7	25,3
Bulgaria	1.497	1,3	8,0	1.623	1,2	8,4	1.682	1,1	3,6
Georgia	769	0,7	0,8	1.092	0,8	42,0	1.254	0,8	14,8
Iraq	6.036	5,3	17,8	8.310	6,2	37,7	10.830	7,1	30,3
Iran	3.044	2,7	50,3	3.590	2,7	17,9	9.923	6,5	176,4
Syria	1.845	1,6	29,7	1.610	1,2	-12,7	503	0,3	-68,8
Greece	1.456	1,3	-10,7	1.553	1,2	6,7	1.403	0,9	-9,7
Total neighboring countries	16.197	14,2	17,8	19.842	14,7	22,5	28.182	18,5	42,0
Grand Total	113.883	100,0	11,5	134.907	100,0	18,5	152.561	100,0	13,1
Neighboring Countries	Import								
	2010			2011			2012		
	Import Value	Ratio within the Total Imports	Rate of Change	Import Value	Ratio within the Total Imports	Rate of Change	Import Value	Ratio within the Total Imports	Rate of Change
Azerbaijan	253	0,1	79,4	262	0,1	3,6	340	0,1	29,8
Bulgaria	1.703	0,9	52,5	2.475	1,0	45,3	2.754	1,2	11,3
Georgia	291	0,2	1,9	314	0,1	7,9	180	0,1	-42,7
Iraq	153	0,1	26,4	87	0,0	-43,1	149	0,1	71,3
Iran	7.645	4,1	124,5	12.462	5,2	63,0	11.965	5,1	-4,0
Syria	452	0,2	104,5	337	0,1	-25,4	67	0,0	-80,0
Greece	1.542	0,8	36,3	2.569	1,1	66,6	3.540	1,5	37,8
Total neighboring countries	12.039	6,5	87,4	18.506	7,7	53,7	18.995	8,0	2,6
Grand Total	185.544	100,0	31,7	240.842	100,0	29,8	236.537	100,0	-1,8
Neighboring Countries	Volume of Foreign Trade								
	2010			2011			2012		
	Import Value	Ratio within the Total Imports	Rate of Change	Import Value	Ratio within the Total Imports	Rate of Change	Import Value	Ratio within the Total Imports	Rate of Change
Azerbaijan	1.803	0,6	17,0	2.326	0,6	29,0	2.927	0,8	25,8
Bulgaria	3.200	1,1	27,8	4.098	1,1	28,1	4.436	1,1	8,2
Georgia	1.060	0,4	1,1	1.406	0,4	32,6	1.434	0,4	2,0
Iraq	6.189	2,1	18,0	8.397	2,2	35,7	10.979	2,8	30,7
Iran	10.689	3,6	96,8	16.052	4,3	50,2	21.888	5,6	36,4
Syria	2.297	0,8	39,8	1.947	0,5	-15,2	570	0,1	-70,7
Greece	2.998	1,0	8,6	4.122	1,1	37,5	4.943	1,3	19,9
Total neighboring countries	28.236	9,4	40,0	38.348	10,2	35,8	47.177	12,1	23,0
Grand Total	299.427	100,0	23,2	375.749	100,0	25,5	389.098	100,0	3,6

Source: TURKSTAT.

The volume of foreign trade of our country with neighboring countries increased 12.1% in 2012 and climbed from \$38,348 million to \$47,117 million. The share of the volume of foreign trade with the neighboring countries within the total volume of foreign trade increased 1.9 points compared to 2012, and rose from 10.2% to 12.1%. The only neighboring country at which the volume of foreign trade fell in 2012 was Syria at a rate of 70.7% as a result of considerably high declines in imports and exports.

1.5.7 Balance of Payments

The year 2012 was a year when a significant recover was recorded in the current account balance which is one of the basic risk elements of economy. In 2011, due to the rapid growth in economy in the process of exiting the global crisis, the lively domestic demand and weak foreign demand, the imports showed a faster growth than exports, and therefore the foreign account deficit and current account deficit were elevated. The increases in the production and energy prices brought together increases in imports. Starting from the last quarter of 2011, TCMB took actions to limit the increase in loan volume and to balance the foreign exchange rate with a view to controlling the deterioration in the current account balance. Thus, as the foreign exchange rate increased, the economy started to slow, and the domestic demand started to decline. As a result of these developments, a recovery was started in the foreign trade deficit and current account deficit.

With the decrease in economic activity in 2012, the increased import demand caused the downward trend in the current account deficit to continue. As the slowdown in economy was more than expected, the reduction in the imports of raw materials and intermediate goods supported the contraction in the current account deficit. In addition, the positively high rate progress in exports supported by the export of gold to Iran had a favorable impact on the foreign trade deficit and consequentially on the current account deficit.

The recovery process that started in the current account deficit in the second half of 2011 also continued in 2012. The current account which had a deficit of \$77,219 million in 2011 showed a deficit of \$48,867 in 2012, down 36.7%. The recovery in the current account deficit was to a large extent driven by the reduction in the foreign trade deficit, the fact that net revenues stemming from the balance of services increased 3,929 million up to \$21,932 million, and that the net expenditures stemming from the income balance dropped 1,247 million \$ and fell to \$6,594 million (See Table 115).

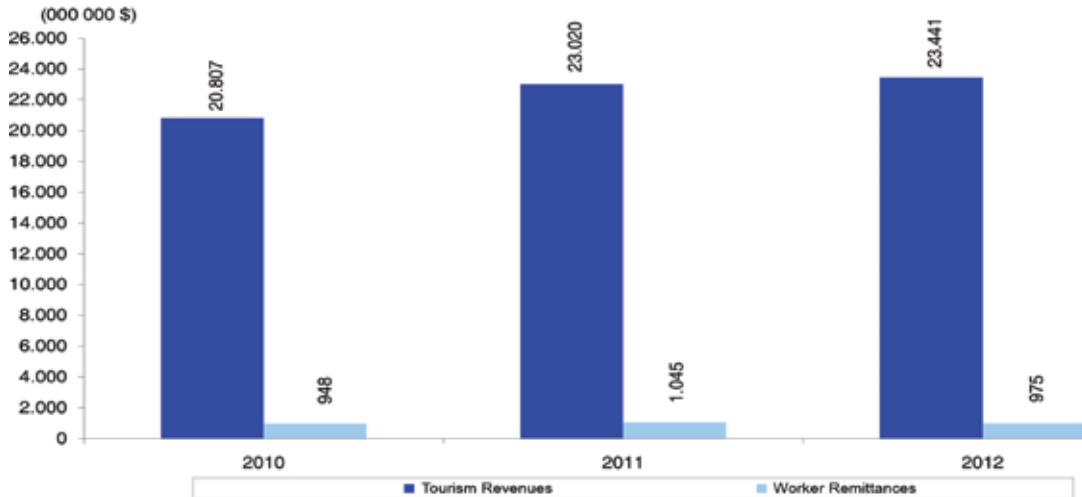
Table 115. Balance of Payments

Bileşenler	2010	2011	2012	(000 000 \$)		
				Rate of Change		
				2010	2011	2012
Current Transactions Account	-46.857	-77.219	-48.867	247,9	64,8	-36,7
Exports FoB	120.902	143.396	163.316	10,3	18,6	13,9
Imports FoB	-177.315	-232.535	-228.918	31,8	31,1	-1,6
Balance of Goods	-56.413	-89.139	-65.602	127,0	58,0	-26,4
Service Revenues	34.501	38.634	42.094	1,7	12,0	9,0
Tourism Revenues	20.807	23.020	23.441	-2,1	10,6	1,8
Other Revenues	13.694	15.614 0	18.653	8,1	14,0	19,5
Service Expenditures	-19.253	-20.631	-20.162	15,7	7,2	-2,3
Tourism Expenditures	-4.826	-4.976	-4.052	16,4	3,1	-18,6
Other Expenditures	-14.427	-15.655 0	-16.110	15,4	8,5	2,9
Balance of Goods and Services	-41.165	-71.136	-43.670	443,7	72,8	-38,6
Balance of Income: Revenue	4.477	3.952	5.033	-13,3	-11,7	27,4
Interest Revenues	1.094	1.207	2.054	-35,1	10,3	70,2
Other Revenues	3.383	2.745 0	2.979	-2,8	-18,9	8,5
Balance of Income: Expense	-11.692	-11.793	-11.627	-13,2	0,9	-1,4
Interest Expenditures	-5.508	-5.282	-5.708	-25,6	-4,1	8,1
Other Expenditures	-6.184	-6.511 0	-5.919	2,0	5,3	-9,1
Balance of Goods, Services and Revenues	-48.380	-78.977	-50.264	204,7	63,2	-36,4
Current Transfers	1.523	1.758	1.397	-36,8	15,4	-20,5
Worker Remittances	948	1.045	975	-6,5	10,2	-6,7
Other Transfers	12	-81 0	-136	-94,1	-775,0	67,9
Capital Account	-51	-25	-43	18,6	-51,0	72,0
Financial Account	59.061	66.698	67.709	483,4	12,9	1,5
Direct Investments Abroad	-1.464	-2.349	-4.086	-5,7	60,5	73,9
Direct Investments in Turkey	9.036	16.047	12.387	4,3	77,6	-22,8
Portfolio Account – Assets	-3.524	2.688	2.641	30,0	-176,3	-1,7
Portfolio Account – Obligations	19.617	19.298	38.132	567,7	-1,6	97,6
Equity Securities	3.468	-986	6.274	22,7	-128,4	-736,3
Debt Securities	16.149	20.284	31.858	14448,6	25,6	57,1
Other Investments - Assets	7.012	11.136	-1.152	-36,2	58,8	-110,3
Central Bank	4	2	2	100,0	-50,0	0,0
General Government	-29	-292	-373	-6,5	906,9	27,7
Banks	13.158	-397	2.100	105,7	-103,0	-629,0
Other Sectors	-6.121	11.823	-2.881	-232,5	-293,2	-124,4
Other Investments – Obligations	28.384	19.878	19.787	-446,1	-30,0	-0,5
Central Bank	-503	-1.915	-2.244	-39,3	280,7	17,2
General Government	3.657	2.045	-138	128,3	-44,1	-106,7
Banks	27.240	10.133	14.294	5179,1	-62,8	41,1
Other Sectors	-2.010	9.615	7.875	-78,8	-578,4	-18,1
Current, Capital and Financial Accounts	12.153	-10.546	18.799	-458,5	-186,8	-278,3
Net Error and Omissions	2.815	11.560	4.022	-32,7	310,7	-65,2
General Balance	14.968	1.014	22.821	1792,3	-93,2	2150,6
Reserve Assets	-14.968	-1.014	-22.821	1792,3	-93,2	2150,6
Official Reserves	-12.809	1.813	-20.814	11439,6	-114,2	-1248,0
International Monetary Fund Loans	-2.159	-2.827	-2.007	217,5	30,9	-29,0

Source: Central Bank of Republic of Turkey

The foreign trade balance which had a deficit of \$ 89,139 million in 2011 decreased 26.4% in 2012 and fell to \$65,602 million.

The services account surplus increased 21.8% compared to 2011 and rose to \$21,932 million. The rise in the tourism and transportation revenues was the most important component that supported the increase in the services account (See Graph 44).



Source: Central Bank of Republic of Turkey.

Graph 44. Tourism Revenues and Worker Remittances

The revenues account deficit decreased 15.9% and slid to \$6,594 million. The current transfers comprised of the worker remittances and official transfers shrank 20.5% and fell from \$1,758 million to \$1,397 million. Interest revenues increased 70.2% in 2012 and rose to \$ 2,054, whereas interest expenditures increased 8.1% and reached \$5,708 million. The worker remittances item which showed an increase of 10.2% in 2011 decreased 6.7% in 2012, and became \$975 million.

The tourism revenues which is listed under the balance of services item increased 1.8% in 2012 compared to 2011 and became \$23,441 million, and the tourism expenditures decreased 18.6% and became \$4,052 million. The tourism net revenue which was \$18,044 million in 2011 increased 7.5% and rose to \$19,389 million as a natural result of the decrease in expenses and increase in incomes in 2012. In 2012, a considerable increase could not be attained in the tourism revenues which are one of the most important items of the balance of services because of the negative political developments in the neighboring countries, and the continued economic stagnancy in the EU countries.

In addition to the continuing financial crisis in the Eurozone and the slowing trend in the global growth, the monetary expansion policies of the central banks and the excessive liquidity in the world markets caused foreign capital movements to increase globally. However, the improvement in the risk premium of Turkey affected capital inflows positively. Thus, the net capital inflow which was \$66,698 million in 2011 increased 1.5% in 2012 and rose to \$67,709 million. While the an inflow of \$8,301 occurred with (net) direct investments, the inflows from portfolio investments (net) amounted to \$40,773 million with an increase of 85.4%, and the inflows from other investments (net) amounted to \$18,635 million with a decrease of 39.9% compared to the previous year. The official reserves, which decreased \$1,813 million in 2011, decreased \$20,814 million in 2012.

The foreign financing need, which is defined as the total of the current transactions and the net error and omissions item, decreased 31.7% in 2012 compared to 2011, and declined from \$65,659 million to \$44,845 million.

1.5.8 Direct Foreign Investment

After the crisis that occurred in 2008, the recovery process in the global economy had a slower-than-expected and a fluctuating progress particularly in the developed countries. The demand in the global markets which was low in 2012 and the structural changes aimed at balancing the economy posed risk factors for investors, and investments were deferred.

The international direct investments to Turkey, which were around \$19,137 million in 2007 prior to the global crisis, dropped to \$6,238 million in 2010 with the effect of the global crisis, and rose to \$16,055 million in 2011 with the excessive liquidity in the global markets. The international direct investments inflows to Turkey showed a significant decrease in 2012 as a result of uncertainties about the future of global economy despite the favorable developments such as the relatively healthier economic balance compared to other developing countries and the increased ratings by the economy rating institutions.

In 2012, the total net capital inflow to Turkey decreased 30.5% and became %9,751 million, whereas the total net investment amount was realized at \$12,387 million along with the net real estate sales. The direct capital inflow decreased 37.9% and became \$9,968 million, and the capital outflows amounted to \$633 million. Thus, a total of \$ 12,387 million in net capital was realized in 2012 with \$9,335 million in net capital inflows, \$416 million in net other capital obtained by international investment companies from their foreign partners, and \$ 2,636 million in net real estate sales. Within the net total investment inflows in 2012, the international direct investments had a 78.7% share and the net real estate sales had a 21.3% share. While share of the net total investment inflows within the international direct capital declined compared to the previous year, the share of net real estate sales increased (See Table 116).

Table 116. Actual Inflows of International Direct Investments

							(000 000 \$)
Years	International Direct Investments					Net	Net Total Investments
	Capital		Net Other Capital ⁽¹⁾	Net	Real Estate		
	Giriş	Çıkış		Net		Total	
2010	6.238	-35	6.203	339	6.542	2.494	9.036
2011	16.055	-1.991	14.064	-30	14.034	2.013	16.047
2012 ⁽²⁾	9.968	-633	9.335	416	9.751	2.636	12.387
Rate within Net Total Investment Inflows							
2010	69,0	-0,4	68,6	3,8	72,4	27,6	100,0
2011	100,0	-12,4	87,6	-0,2	87,5	12,5	100,0
2012	80,5	-5,1	75,4	3,4	78,7	21,3	100,0

Source: Undersecretariat of Treasury

(1): It is the value of loans obtained by international capital companies from foreign partners.

(2): Provisional data.

Among the sectors, the services sector which had enjoyed the highest share in the previous year within the international direct investment inflows has been replaced by the manufacturing sector since 2011. While a majority of the investment inflows in the industrial sector consisted of investments in the manufacturing industry, a great part of the investment inflows in the services sector stemmed from the operations of the financial intermediary institutions that involved the banking operations. The agricultural sector continued to be the sector that attracted the lowest

interest from foreign investors in 2012. In 2012, of the \$9,968 million in international direct investment inflows, excluding loan amounts obtained by the international investment companies from their foreign partners (other investments) and real estate sales, 38\$ was for the agricultural sector (4.0‰), \$5,433 million was for the industrial sector (54.5%), \$3,159 million was for the service sector, \$1,338 million was for the construction sector (13.4%) (See Table 117, Graph 45).

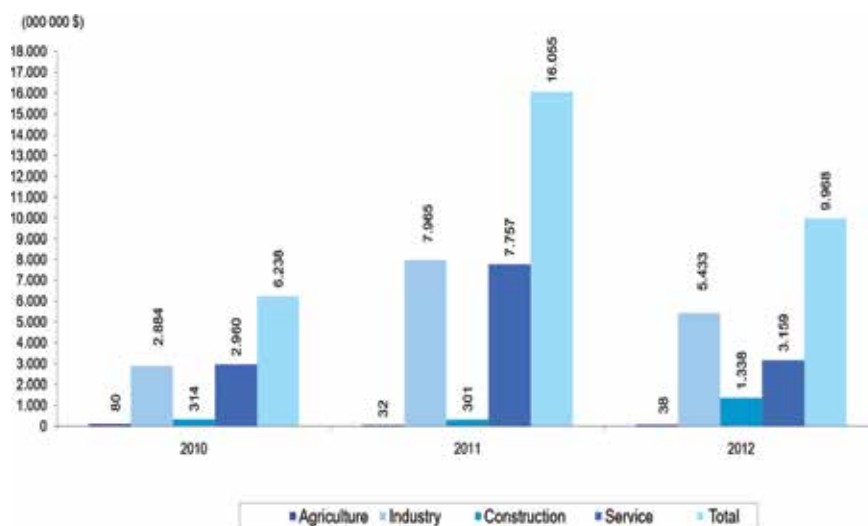
Table 117. International Direct Investment Inflows by Sectors

(000 000 \$)

Sectors	Investment Inflows			Ratio within the Total		
	2010	2011	2012 ⁽¹⁾	2010	2011	2012
Agriculture, hunting, forestry and fishery	80	32	38	1,3	0,2	0,4
Mining and quarrying	135	146	214	2,2	0,9	2,1
Production industry	923	3.573	4.331	14,8	22,3	43,4
Food products and beverages production	123	648	2.139	2,0	4,0	21,5
Textile products production	94	148	376	1,5	0,9	3,8
Manufacture of chemical substances and chemical products	120	348	516	1,9	2,2	5,2
Machinery and equipment production	64	76	32	1,0	0,5	0,3
Electrical & optical tools production	177	442	164	2,8	2,8	1,6
Manufacture of motor land vehicles, trailers, and semi-trailers	38	93	147	0,6	0,6	1,5
Other production	307	1.818	957	4,9	11,3	9,6
Electricity, gas and water	1.826	4.246	888	29,3	26,4	8,9
Construction	314	301	1.338	5,0	1,9	13,4
Wholesale and retail trading	435	709	198	7,0	4,4	2,0
Hotels and restaurants	113	122	16	1,8	0,8	0,2
Transportation, communication and storage services	182	223	125	2,9	1,4	1,3
Activities of financial intermediary institutions	1.620	5.882	1.400	26,0	36,6	14,0
Real estate, leasing and business activities	241	300	302	3,9	1,9	3,0
Health affairs and social services	112	231	545	1,8	1,4	5,5
Other social, public and individual service activities	257	290	573	4,1	1,8	5,7
Total	6.238	16.055	9.968	100,0	100,0	100,0

Source: Undersecretariat of Treasury

(1): Provisional data.



Source: Central Bank of Republic of Turkey

Graph 45. International Direct Investment Inflows by Years on a Sectoral Basis

As of sub-sectors, the sectors in which the most intensive international investment inflows occurred were the manufacturing industry with \$4,331 million, the financial intermediary institution activity with \$1,400 million, the construction activities with \$1,338 million, electricity, gas and water activities with \$888 million, other social and personal service activities with \$573 million, health affairs and social services with \$545 million .

Of the international direct investment inflows, a \$7.111 million portion representing 71.3% was from the EU countries, a \$1.784 million portion representing 17.9% was from the Asian countries, a \$611 million portion representing 6.1% was from the European Countries excluding the EU, a \$404 million portion representing 4.1% was from the USA, a 58 million \$ portion representing 6.0% was from the other countries. While the share of the EU countries and USA within the total direct international investment compared to 2011 decreased, the share of the Asian countries increased. The debt problems and stagnancy which still prevailed in the Eurozone countries and the US economy were the most important reasons of the reduced inflow of foreign capital from these countries (See Table 118, Graph 46).

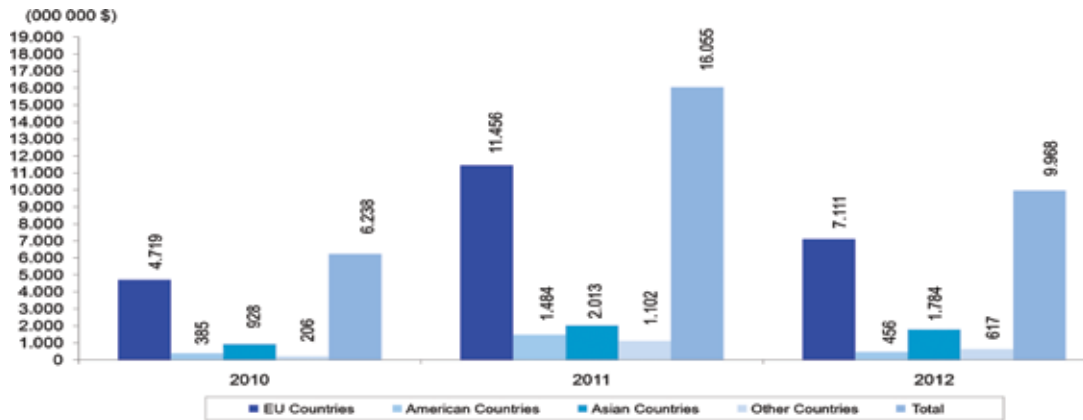
Table 118. International Direct Investment Inflows by Country Groups

(000 000 \$)

Country Groups	2010	2011	2012 ⁽¹⁾	Ratio within the Total		
				2010	2011	2012
EU Countries	4.719	11.456	7.111	75,6	71,4	71,3
Germany	597	665	532	9,6	4,1	5,3
Austria	1.584	2.418	1.491	25,4	15,1	15,0
France	623	999	99	10,0	6,2	1,0
Netherlands	486	1.425	1.176	7,8	8,9	11,8
UK	245	904	1.996	3,9	5,6	20,0
Italy	25	111	178	0,4	0,7	1,8
Other EU Countries	1.159	4.934	1.639	18,6	30,7	16,4
Other European Countries (excluding EU)	201	1.093	611	3,2	6,8	6,1
African Countries	0	0	0	0,0	0,0	0,0
USA	323	1.402	404	5,2	8,7	4,1
Canada	55	20	32	0,9	0,1	0,3
Central-South America and the Caribbeans	7	62	20	0,1	0,4	0,2
Asian Countries	928	2.013	1.784	14,9	12,5	17,9
Near and Middle East Countries	473	1.516	1.169	7,6	9,4	11,7
Gulf Countries	388	195	515	6,2	1,2	5,2
Other Near and Middle East Countries	45	1.317	654	0,7	8,2	6,6
Other Asian Countries	455	497	615	7,3	3,1	6,2
Other Countries	5	9	6	0,1	0,1	0,1
Total	6.238	16.055	9.968	100,0	100,0	100,0

Source: Undersecretariat of Treasury

(1): Provisional data.



Source: Undersecretariat of Treasury

Graph 46. International Direct Investment Inflows by Years according to Country Groups

1.1.5.9 Foreign Debt

After the crisis that started in 2008, while the EU countries are struggling with the debt problems, Turkey is one of the countries that has the lowest debt burden rate among the European countries today. With the arrangements introduced after the financial crisis in 2001 in Turkey, the banking system and recently the budget balances gained discipline, which prevented a debt crisis to occur.

The foreign debt stock which increased 4.2% in 2011 accelerated in 2012 and increased 10.7%, reaching \$ 336,863 million. In 2012, particularly the high rate of increase in the short-term foreign debt and significant rise of the short-term debts within the debt stock were a stunning development. Compared to the previous year, the short-term foreign debts increased 23.1% and reached \$100,951 million, whereas the long-term foreign debts increased 6.2% and rose to \$235,912 million. The share of the short-term debts within the total foreign debt stock which was 27.0% in 2011 rose to 30.0% in 2012, and the share of the long-term debts slid from 73.0% to 70.0% (See Table 119, Graph 47).

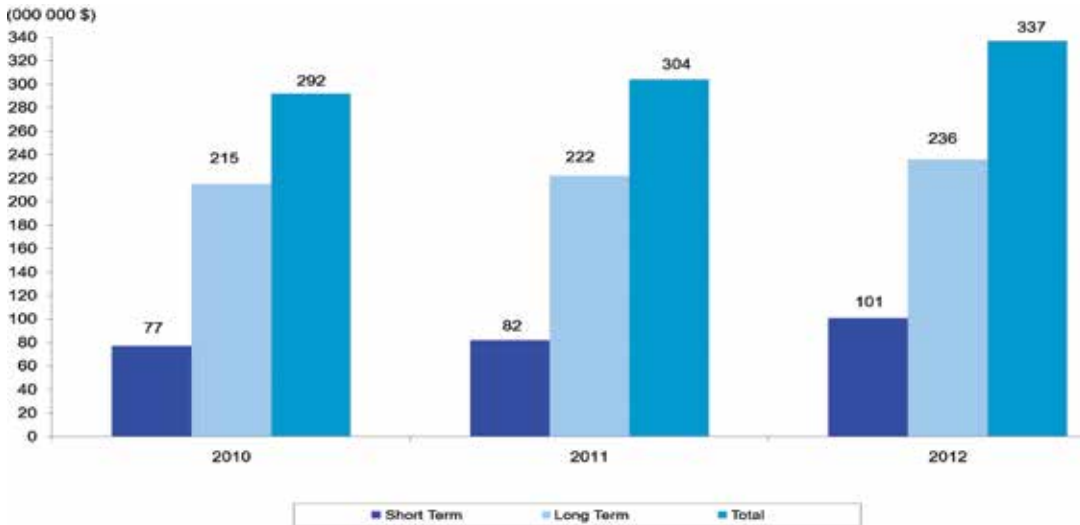
While the share of the public sector was higher within the foreign debt stock until 2005, the share of the private sector started to increase after 2005, and this increasing trend continued in 2012. The foreign debt of the private sector increased 4.8% in 2011, and along with the increased risk appetite and the signs of recovery in foreign funding capabilities, it increased 13.0% in 2012 and reached \$226,022 million. While the foreign debt of the public sector increased 5.9% in 2011, it showed a high rise of 9.3% in 2012, and climbed to \$103,117 million. In 2012, the debt of TCMB which decreased 21.8% compared to the previous year regressed to \$7,724 million.

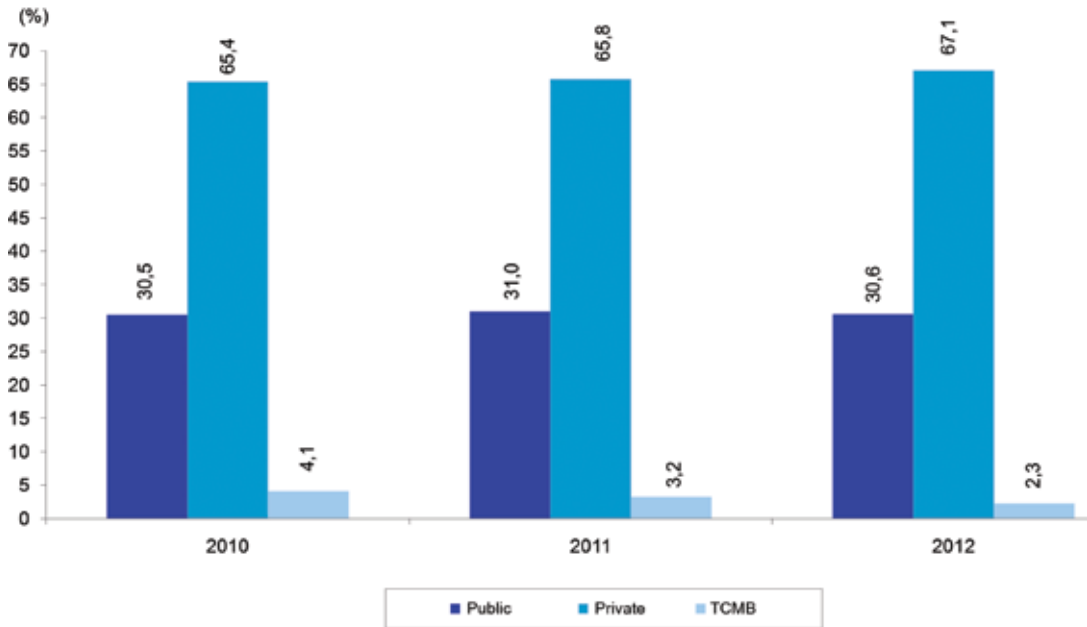
Of the public sector foreign debt in 2012, a \$92,077 million portion was composed of long-term debts and a \$11,040 million portion was composed of short-term debts. Of the private sector foreign debt, a \$137,193 million portion was composed of long term debts, and a \$88,829 million portion was composed of short-term debts (See Graph 90).

Within the total foreign debt stock in 2012, compared to the previous year, the share of TCMB slid from 3.2% to 2.3%, the share of the public sector declined from 31.0% to 30.6%, and the share of the private sector within the total debt stock rose from 65.8% to 67.1%.

Table 119. Foreign Debt Stock by Debtors

	(000 000 \$)		
Indicators	2010	2011	2012
Foreign debt stock	291.924	304.207	336.863
Rate of change	8,4	4,2	10,7
Short term	77.369	81.996	100.951
Rate of change	57,8	6,0	23,1
Ratio Within Debt Stock	26,5	27,0	30,0
Long Term	214.555	222.211	235.912
Rate of change	-2,6	3,6	6,2
Ratio Within Debt Stock	73,5	73,0	70,0
Borçlulara göre			
Short term	77.369	81.996	100.951
Public	4.290	7.013	11.040
TCMB	1.586	1.282	1.082
Private	71.493	73.701	88.829
Long Term	214.555	222.211	235.912
Public	84.786	87.293	92.077
TCMB	10.363	8.589	6.642
Private	119.406	126.329	137.193
Total public	89.076	94.306	103.117
Ratio Within Debt Stock	30,5	31,0	30,6
Total TCMB	11.949	9.871	7.724
Ratio Within Debt Stock	4,1	3,2	2,3
Total private	190.899	200.030	226.022
Ratio Within Debt Stock	65,4	65,8	67,1

Source: Undersecretariat of Treasury**Source: Undersecretariat of Treasury****Table 47. Foreign Debt Stock**



Source: Undersecretariat of Treasury

Graph 48. Distribution of Foreign Debt Stock by Debtors

Long-Term Debts Received From Abroad by the Private Sector

As the developed countries continued to apply the monetary expansion policies which they adopted to revive their economies also in 2012, there occurred excess liquidity globally. The increased liquidity was to a great extent directed to the developing countries like Turkey, which had a great potential for growth due to their relatively sounder financial structures. Thus, the private sector had the opportunity to borrow funds abroad at low cost and high amounts.

The debt of the private sector which showed a decrease of 7.3% compared to the previous year with the effect of the pressure caused by the global crisis on the borrowing capabilities in 2010 increased 5.8% in 2011, and became \$126,346 million, and increased 8.9% in 2012 and became \$137,576 million.

Of the long term debt supplied by the private sector from abroad in 2012, a \$53,145 million portion which represented 38.6% belonged to the financial sector, and a \$84,441 million portion which represented 61.4% belonged to the private sector (See Table 120).

Of the long-term debt of the financial sector, a \$ 42,351 million portion was composed of loans, a \$ 375 million portion was composed of credits considered to be foreign capital, a \$10,409 million portion was composed of bonds. Of the debt of the non-financial private sector, a \$ 76,898 million portion was composed of loans, a \$ 5,681 million portion was composed of credits considered to be foreign capital, a \$456 million portion was composed of commercial loans and a \$ 1 billion portion was composed of bonds.

The share of the non-financial private sector within the total long-term debt stock which was 62.9% in 2011 dropped 1.5 points in 2012 and slid to 61.4%. Of the non-financial loan debt supplied by the private sector from abroad on a sectoral basis, a \$50,171 million portion which represented 59.4% was supplied to the service sector, a \$33,640 million portion which represented 39.9% was supplied to the industrial sector and a \$614 billion portion which represented 7.3% was supplied to the agricultural sector. In 2012, on the basis of sub-sectors, the sector that had the most debt was the manufacturing industry sector at 26.7% and this was followed by the electricity, gas, vapor and air-conditioning production and distribution sub-sector at 10.4%.

Table 120. Long-Term Debts Received From Abroad by the Private Sector according to Sectors

(000 000 \$)

Sectors	Loan Debts			Ratio within the Total			Rate of Change		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Financial	40.227	46.889	53.135	33,7	37,1	38,6	-8,9	16,6	13,3
Banks	28.539	34.729	39.996	23,9	27,5	29,1	2,2	21,7	15,2
Non-bank financial institutions	11.688	12.160	13.139	9,8	9,6	9,6	-28,0	4,0	8,0
Non-financial	79.199	79.457	84.441	66,3	62,9	61,4	-6,4	0,3	6,3
Agricultural sector	628	630	614	0,5	0,5	0,4	39,4	0,4	-2,6
Agriculture, forestry and fishery	628	630	614	0,5	0,5	0,4	39,4	0,4	-2,6
Industrial sector	35.480	34.276	33.640	29,7	27,1	24,5	-6,8	-3,4	-1,9
Mining and quarrying	3.290	2.663	2.352	2,8	2,1	1,7	-10,3	-19,1	-11,7
Manufacturing	23.158	22.761	22.514	19,4	18,0	16,4	-9,5	-1,7	-1,1
Food, beverages and tobacco products production	4.730	4.474	4.311	4,0	3,5	3,1	-16,8	-5,4	-3,7
Manufacture of textile and garments	3.000	3.325	3.034	2,5	2,6	2,2	2,8	10,8	-8,7
Manufacture of leather and related products	85	104	129	0,1	0,1	0,1	39,7	22,3	24,7
Manufacture of wood and wooden products	245	212	288	0,2	0,2	0,2	-16,3	-13,5	35,9
Production of paper and paper products, printing and duplication of recorded media	760	640	566	0,6	0,5	0,4	-8,5	-15,8	-11,6
Manufacture of coke and refined petroleum products	551	478	1.408	0,5	0,4	1,0	17,8	-13,2	194,4
Import of chemicals, chemical products and basic pharmacy products and materials	1.745	1.730	1.897	1,5	1,4	1,4	-13,6	-0,8	9,6
Manufacture of rubber and plastic products	954	914	850	0,8	0,7	0,6	-0,1	-4,2	-7,1
Manufacture of other non-metallic mineral products	1.451	1.229	972	1,2	1,0	0,7	-21,1	-15,3	-20,9
Manufacture of main metal industry and fabrication metal products (except machinery and equipment)	3.942	3.996	3.615	3,3	3,2	2,6	-10,5	1,4	-9,5
Manufacture of machinery and equipment (not elsewhere classified)	779	565	425	0,7	0,4	0,3	-24,3	-27,5	-24,8
Manufacture of computers, electric-electronic and optical products	2.158	2.555	2.370	1,8	2,0	1,7	7,4	18,4	-7,3
Manufacture of transportation vehicles	2.569	2.343	2.322	2,2	1,9	1,7	-9,0	-8,8	-0,9
Furniture production and other manufacturing industry not elsewhere classified	190	194	327	0,2	0,2	0,2	-22,0	2,4	68,5
Electricity, gas, vapor, air-conditioner production and distribution	8.969	8.849	8.770	7,5	7,0	6,4	3,3	-1,3	-0,9
Water supply, sewerage, waste management and treatment activities	62	3	4	0,1	0,0	0,0	-59,2	-94,8	38,4
Service sector	43.092	44.551	50.187	36,1	35,3	36,5	-6,5	3,4	12,7
Construction	7.065	6.949	6.631	5,9	5,5	4,8	-8,9	-1,6	-4,6
Wholesale and retail trading	4.968	4.355	3.903	4,2	3,4	2,8	-21,0	-12,3	-10,4
Transportation and storage	9.724	11.532	12.339	8,1	9,1	9,0	7,4	18,6	7,0
Accommodation and catering activities	2.429	2.079	1.831	2,0	1,6	1,3	-18,3	-14,4	-11,9
Information and communication	5.706	6.137	6.778	4,8	4,9	4,9	-2,2	7,6	10,4
Real estate activities	3.935	3.680	3.496	3,3	2,9	2,5	0,8	-6,5	-5,0
Vocational, scientific and technical activities	6.673	7.251	10.747	5,6	5,7	7,8	-12,3	8,7	48,2
Administrative and support service activities	454	470	534	0,4	0,4	0,4	-20,0	3,5	13,7
Public administration and defense, compulsory social security	0	0	3	0,0	0,0	0,0			
Training	86	83	125	0,1	0,1	0,1	-19,9	-3,1	49,6
Human health and social service activities	805	839	798	0,7	0,7	0,6	-3,5	4,2	-4,9
Culture, art, entertainment, rehabilitation and sports	270	181	155	0,2	0,1	0,1	-33,3	-33,1	-14,4
Other service activities	976	995	2.847	0,8	0,8	2,1	32,8	2,0	186,1
Household activities as employers; Home and undifferentiated production activities for own use by households	0	0	0	0,0	0,0	0,0			
International organizations and representations	0	0	0	0,0	0,0	0,0			
Total	119.426	126.346	137.576	100,0	100,0	100,0	-7,3	5,8	8,9

Source: Central Bank of Republic of Turkey.

Within the non-financial long-term loan debt of the private sector, the debt of the agricultural sector decreased 2.6%, the debt of the industrial sector decreased 1.9%, and the debt of the service sector increased 12.7% in 2012. The highest rate of increase as of the sub-sectors of the manufacturing industry sector in the long-term credit debt of the private sector was 194.4% in the coke,

refined petroleum products manufacturing sector and this was followed by 68.5% in the furniture production sector and manufacturing industry sector not elsewhere classified, and by 38.4% in the water supply, sewerage, waste management and treatment sector. The largest decrease was realized at 24.8% in the machinery and equipment production sector. In the services sector, the educational activities showed the greatest increase at 49.6%, whereas the culture, art, entertainment, rehabilitation and sports activities show the highest decrease at 14.4%.

2. SOCIO-ECONOMIC INDICATORS

2.1. Population

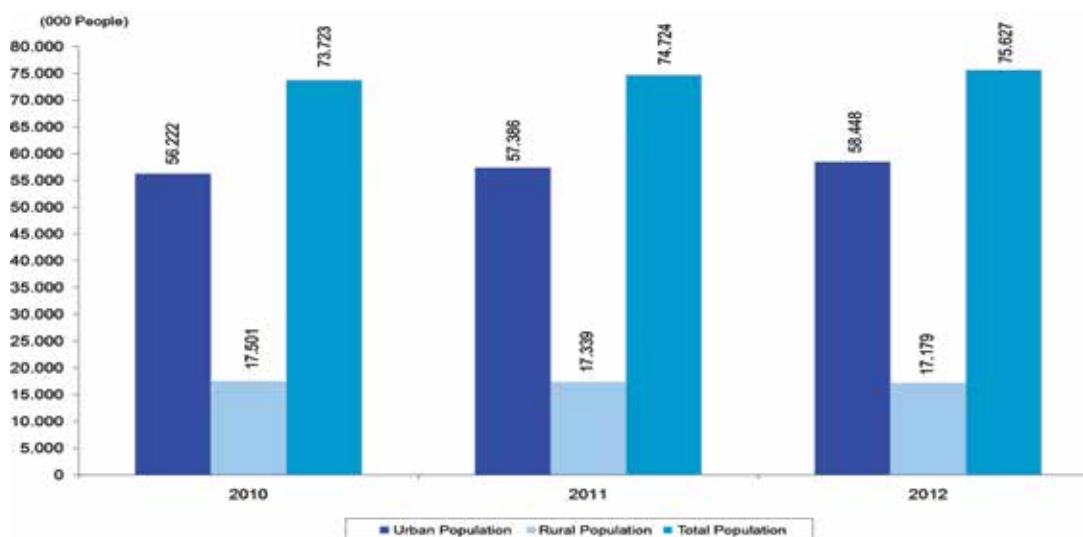
According to the 2012 Address Based Population Registration System (ADNKS) results, the total population in our country is 75,627 thousand, 50.2% of which, i.e. 37,956 thousand are male, and 49.8% of which, i.e. 37,671 thousand are female. The population per km² in our country is 98.

The urban population in our country increased 25.5‰ in 2010, and reached 56,222 thousand, and increased 20.5‰ in 2011 and reached 57,386 thousand. In 2012, the urban annual population growth rate decreased 2.16 points and slid to 18.3‰, and the urban population reached 58,448 thousand. The rural population decreased 14.4% in 2010, and fell to 17,501 thousand in 2010, decreased 9.3‰ and fell to 17,339 thousand in 2011, and dropped 9.3‰ and became 17,179 thousand in 2012. The urban population growth between the years 2010 and 2012 continued its increasing trend at rates 76.3%, 76.8%, and 77.3%, respectively (See Table 121, Graph 49).

Table 121. Urban-Rural Population and Annual Population Growth Rates

Years	Total Population	Annual Population Growth Rate (‰)	Urban			Rural		
			Population	Urban Population Rate	Annual Population Growth Rate (‰)	Population	Rural Population Rate	Annual Population Growth Rate (‰)
2010	73.723	15,89	56.222	76,3	25,49	17.501	23,7	-14,35
2011	74.724	13,49	57.386	76,8	20,49	17.339	23,2	-9,30
2012	75.627	12,01	58.448	77,3	18,34	17.179	22,7	-9,27

Source: TURKSTAT.



Source: TURKSTAT.

Graph 49. Urban and Rural Populations by Years

When population magnitudes for 2012 are analyzed according to Nomenclature for Territorial Unit for Statistics Level – 1, 18.3% of the total population live in Istanbul, with male and female populations in equal numbers. In regards to the share within the population, Istanbul region is followed in the second place by the Aegean region where 12.9% of the total population and the male population and 13.0% of the female population live, and in the third place by the Mediterranean region where 12.% of the total population live with male and female populations at equal rates, and in the fourth place by the Southeastern Anatolia region where 10.5% of the total population and the female population and 10.6% of the male population live. Northeastern Anatolia region has the lowest ratio within the total population at 2.9%, and this region represents 3.0% of the male population and 2.9% of the female population.

The gender rate which was 101 in 2012 remained constant compared to the previous year. This ratio which expresses percentage statement of the ratio of male population to female population is highest in the Central Eastern Anatolia and Northeastern Anatolia regions with 105. In other words, there are 100 females for every 105 females in these regions. The region where the gender ratio is lowest is the West Black Sea Region with 98 as was the case in the previous year. While the gender rates remained unchanged in 2012 compared to the previous year in Istanbul, Aegean, East Marmara, West Anatolia, Mediterranean, Central Anatolia, West Black Sea, East Black Sea, Central Eastern Anatolia, Southeastern Anatolia, they decreased in the West Marmara and Northeastern Anatolia regions.

When the regions are examined in terms of population density, the population density which was 2,622 in Istanbul in 2011 increased 44 persons, and reached 2,666 in 2012. Istanbul region is followed by the East Marmara region with 145 people per km² in 2012, which number increased 2 persons compared to 2011. In the third place, there is the Aegean region which only increased 1 person compared to the previous year, and rose to 110 people per km² in 2012, and this is followed in the 4th place by the Mediterranean region where population per km² increased 2 persons and rose to 109 people, and in the 5th place by the Southeastern Anatolia region where population per km² increased 2 persons and reached 106. The region where the population density was the lowest in 2012 was the Northeastern Anatolia region where population decreased 1 person, and fell to 31 people compared to the previous year.

According to the net migration values, the East Marmara region was the region that attracted the most migration in 2012 on the basis of NUTS Level – 1 with 37 thousand net migrations. The net migration rate of East Marmara Region which was 6.2‰ in 2011 declined to 5.3‰ in 2012. In terms of the net migration value, the second place is occupied by Istanbul region with 30 thousand net migrations. The net migration rate of Istanbul region fell from 9.0‰ to 2.2‰ in 2012. The third place is occupied by the West Anatolia region with 26 thousand net migrations in 2012. The net migration rate of West Anatolian region fell from 7.1‰ to 3.6‰. The regions from which people emigrated in 2012 were the Mediterranean, Central Anatolia, West Black Sea, North East Anatolia, Central Eastern Anatolia, and Southeastern Anatolia. Among these regions, Southeastern Anatolia region is the region with the highest number of emigrants with 60 thousand net migrations (See Table 122).

Table 122. Selected Indicators of Population as per Nomenclature of Territorial Units for Statistics Level -1

Years	Region Code	NUTS Level - 1	Population (000 People)		Gender Ratio		Migration (000 People)		Net Göç	Net Migration Rate (%)	Annual Population Growth Rate (%)	Population Density (Population per km2)	Total Age Dependency Rate	Rate of Young-Age Dependency (0-14 years)	Rate of Elderly Dependency (65+)
			Toplam	Erkek	Kadın		Aldığı Göç	Verdiği Göç	Net Göç						
2011	TR1	Istanbul	13.624	6.846	6.778	101	450	329	122	8,98	27,42	2.622	41,1	33,2	7,9
	TR2	West Marmara	3.210	1.634	1.576	104	106	90	16	4,95	14,46	75	41,4	26,2	15,2
	TR3	Aegean	9.688	4.844	4.844	100	192	191	1	0,13	-0,61	109	43,0	29,6	13,4
	TR4	East Marmara	6.953	3.490	3.463	101	207	165	43	6,18	16,11	143	43,2	32,1	11,2
	TR5	West Anatolia	7.163	3.565	3.598	99	235	184	50	7,05	20,49	99	44,0	33,7	10,3
	TR6	Mediterranean	9.496	4.769	4.727	101	208	219	-12	-1,24	7,67	107	49,4	39,4	10,0
	TR7	Central Anatolia	3.844	1.922	1.922	100	101	135	-34	-8,78	-1,44	42	51,4	38,7	12,7
	TR8	West Black Sea	4.477	2.217	2.260	98	135	174	-40	-8,80	-9,27	61	48,6	32,1	16,5
	TR9	East Black Sea	2.513	1.249	1.264	99	85	110	-25	-9,88	-1,25	71	49,4	32,2	17,2
	TRA	Northeast Anatolia	2.230	1.148	1.083	106	72	100	-28	-12,46	12,76	32	61,6	51,0	10,6
2012	TRB	Central Eastern Anatolia	3.710	1.901	1.809	105	103	164	-62	-16,49	16,94	48	61,8	53,1	8,7
	TRC	Southeastern Anatolia	7.816	3.948	3.868	102	152	184	-32	-4,11	29,00	104	71,6	64,4	7,2
	TR	Turkey	74.724	37.533	37.191	101	2.046	2.046	0	0,00	13,49	97	48,4	37,5	10,9
	TR1	Istanbul	13.855	6.957	6.898	101	385	354	30	2,20	16,78	2.666	40,8	32,7	8,1
	TR2	West Marmara	3.248	1.650	1.598	103	109	84	25	7,74	11,62	76	41,2	25,8	15,5
	TR3	Aegean	9.780	4.886	4.893	100	196	170	25	2,60	9,43	110	42,8	29,1	13,7
	TR4	East Marmara	7.058	3.541	3.517	101	200	163	37	5,27	15,09	145	43,1	31,7	11,4
	TR5	West Anatolia	7.253	3.606	3.648	99	204	178	26	3,62	12,46	100	43,7	33,2	10,5
	TR6	Mediterranean	9.611	4.822	4.789	101	196	207	-11	-1,09	12,06	109	49,3	39,0	10,3
	TR7	Central Anatolia	3.853	1.926	1.927	100	101	117	-16	-4,11	2,42	42	50,8	37,7	13,0
2013	TR8	West Black Sea	4.484	2.219	2.265	98	143	158	-14	-3,20	1,45	61	48,2	31,3	16,8
	TR9	East Black Sea	2.545	1.265	1.280	99	105	87	18	7,29	12,75	72	48,5	31,2	17,3
	TRA	Northeast Anatolia	2.226	1.142	1.085	105	63	98	-34	-15,35	-1,90	31	60,9	50,1	10,8
	TRB	Central Eastern Anatolia	3.756	1.925	1.832	105	112	139	-27	-7,19	12,45	48	60,5	51,8	8,8
	TRC	Southeastern Anatolia	7.958	4.017	3.941	102	128	188	-60	-7,55	18,04	106	70,6	63,3	7,4
	TR	Turkey	75.627	37.956	37.671	101	1.943	1.943	0	0,00	12,01	98	48,0	36,9	11,1

Source: TURKSTAT.

The country-wide annual population growth rate, which was 13.5‰ in 2011, decreased 1.48 points and fell to 12.0‰. According to NUTS Level – 2, the region where the annual population growth rate was highest is the Southeastern Anatolian region with 18.0‰, and this was followed by Istanbul region with 16.8‰, and East Marmara Region with 15.1‰. Northeastern Anatolian region was the only region where population decreased in 2012. The population of this region dropped 1.9‰.

When the annual population growth rates in 2012 and 2011 are compared, it is interesting that there are significant deviations in the annual population growth rates of some regions. While the annual population growth rate of Aegean region which had declining tendency in 2011, it rose 9.4‰ in 2012. The annual population growth rates were in a decreasing trend in Central Anatolian region at 1.4‰, West Black Sea Region at 9.3‰, and East Black Sea region at 1.3‰, in 2011. However, in 2012, the annual population growth rates took increasing trends in Central Anatolian Region at 2.4‰, in West Black Sea region at 1.5 ‰, and in East Black Sea Region at 12.8‰.

The total age dependency ratio which is the ratio of the population in the 0-14 years of age group and population of the 65+ age group, who remain outside the economically active population, to the population in the 15-64 years of age group who are the economically active population, decreased 0.4 points in 2012 compared to the previous year. According to NUTS Level – 2, the region which had the highest total age dependency rate is the Southeastern Anatolian region with 70.6%, and the Northeastern Anatolian region takes the second place with 60.9%, and Central Eastern Anatolia Region takes the third place with 60.5%. Istanbul region takes the last place with 40.8%. When the young-age dependency rates are examined, the first place is occupied by again the Southeastern Anatolia region with 63.3%, Central Eastern Anatolia region takes the second place with 51.8%, and the Northeastern Anatolia region takes the third place with 50.1%. The region where the young-age dependency rate was lowest is the West Black Sea region with 25.8%.

The first three regions in the elderly dependency rates are East Black Sea Region with 17.3%, West Black Sea Region with 16.8%, and the West Marmara Region with 15.5%. Southeastern Anatolia region takes the last place in the elderly dependency rate with 7.4%.

In 2012, according to NUTS Level – 3, among the cities which attracted the most migrations, Istanbul takes the first place with 30 thousand net migrations, and Ankara takes the second place with 22 thousand net migrations, and Ordu takes the third place with 21,6 thousand net migrations. In 2012, among the cities which had the most emigrants, Diyarbakır is ranked the first with 17 thousand net migrations, and this is followed by Ağrı with 15 thousand net migrations, Adana and Şanlıurfa with 13 thousand net migrations, and Muş with 11 thousand net migrations (See Table 123).

When the annual population growth rates in 2012 are examined according to NUTS Level – 3, Çankırı, Ordu and Van are the first three cities which had the highest population growth rates at 39.8‰, 37.1‰ and 28.4‰, respectively. The first three cities which had the lowest population growth rates are Yozgat, Bayburt and Zonguldak at 27.1‰, 12.2‰ and 9.6‰, respectively. It is seen that the number of cities which had negative annual population growth rates is 14, and the number of cities which had positive annual population growth rates is 67 (See Table 124).

When the population densities of the cities in 2012 are examined according to NUTS Level - 3, the first 10 cities with the highest population density per km² are Istanbul with 2,666 people, Kocaeli with 453 people, İzmir with 333 people, Gaziantep with 264 people, Bursa with 258 people, Hatay with 255 people, Yalova with 250 people, Ankara with 203 people, Sakarya with 186 people, and Zonguldak with 184 people. The cities which had the lowest population density per km² are Tunceli with 12 people, Erzincan with 19 people, and Bayburt with 20 people. The population per km² in Istanbul is 222.2 times the population per km² in Tunceli.

Table 123. Migration Data as per Nomenclature of Territorial Units for Statistics Level -3

Province Code	NUTS Level – 3	Year 2012 Population	Immigrants	Emigrants	Net Migration	Net Migration Rate (%)	Rank No According to Number of Immigrants	(2012 Yılı)
								Rank No According to Number of Emigrants
TR621	Adana	2.125.635	45.927	59.294	-13.367	-6,27	11	6
TRC12	Adıyaman	595.261	14.323	22.591	-8.268	-13,79	45	35
TR332	Afyonkarahisar	703.948	24.167	21.738	2.429	3,46	28	37
TRA21	Ağrı	552.404	12.856	27.984	-15.128	-27,02	51	27
TR712	Aksaray	379.915	10.667	12.374	-1.707	-4,48	62	57
TR834	Amasya	322.283	11.228	13.128	-1.900	-5,88	58	56
TR510	Ankara	4.965.542	160.235	137.834	22.401	4,52	2	2
TR611	Antalya	2.092.537	83.596	62.893	20.703	9,94	4	4
TRA24	Ardahan	106.643	4.923	5.986	-1.063	-9,92	79	79
TR905	Artvin	167.082	7.286	7.612	-326	-1,95	74	76
TR321	Aydın	1.006.541	32.412	29.623	2.789	2,77	18	22
TR221	Balıkesir	1.160.731	34.922	35.315	-393	-0,34	14	15
TR813	Bartın	188.436	7.145	7.330	-185	-0,98	75	77
TRC32	Batman	534.205	15.906	20.739	-4.833	-9,01	40	38
TRA13	Bayburt	75.797	3.664	4.085	-421	-5,54	81	81
TR413	Bilecik	204.116	10.387	8.118	2.269	11,18	64	74
TRB13	Bingöl	262.507	7.569	11.145	-3.576	-13,53	73	59
TRB23	Bitlis	337.253	10.998	16.886	-5.888	-17,31	61	44
TR424	Bolu	281.080	13.136	9.677	3.459	12,38	50	67
TR613	Burdur	254.341	11.473	8.497	2.976	11,77	56	72
TR411	Bursa	2.688.171	67.736	61.520	6.216	2,32	5	5
TR222	Çanakkale	493.691	23.252	14.374	8.878	18,15	29	49
TR822	Çankırı	184.406	17.050	10.609	6.441	35,55	39	62
TR833	Çorum	529.975	13.289	20.610	-7.321	-13,72	49	40
TR322	Denizli	950.557	24.446	21.992	2.454	2,58	26	36
TRC22	Dişarbakır	1.592.167	30.789	47.575	-16.786	-10,49	23	10
TR423	Düzce	346.493	10.432	10.579	-147	-0,42	63	63
TR212	Edirne	399.708	14.813	13.675	1.138	2,85	42	54
TRB12	Elazığ	562.703	17.108	18.344	-1.236	-2,19	38	41
TRA12	Erzincan	217.886	12.192	10.649	1.543	7,11	55	61
TRA11	Erzurum	778.195	22.551	33.234	-10.683	-13,63	30	18
TR412	Eskişehir	789.750	32.363	25.299	7.064	8,98	19	31
TRC11	Gaziantep	1.799.558	41.672	39.410	2.262	1,26	13	14
TR903	Giresun	419.555	18.027	17.861	166	0,40	37	42
TR906	Gümüşhane	135.216	11.166	9.001	2.165	16,14	59	70
TRB24	Hakkari	279.982	5.622	10.137	-4.515	-16,00	77	65
TR631	Hatay	1.483.674	27.260	35.139	-7.879	-5,30	25	16
TRA23	Iğdır	190.409	6.429	8.632	-2.203	-11,50	76	71
TR612	Isparta	416.663	19.731	14.330	5.401	13,05	36	50
TR100	İstanbul	13.854.740	384.535	354.074	30.461	2,20	1	1
TR310	İzmir	4.005.459	105.804	95.954	9.850	2,46	3	3
TR632	Kahramanmaraş	1.063.174	19.908	29.467	-9.559	-8,95	35	23
TR812	Karabük	225.145	13.510	8.444	5.066	22,76	48	73
TR522	Karaman	235.424	8.191	8.066	125	0,53	72	75
TRA22	Kars	304.821	9.706	16.185	-6.479	-21,03	69	46
TR821	Kastamonu	359.808	14.340	13.933	407	1,13	44	51
TR721	Kayseri	1.274.968	33.917	30.143	3.774	2,96	16	21
TR711	Kırıkkale	274.727	13.776	13.912	-136	-0,49	47	52
TR213	Kırklareli	341.218	12.548	11.232	1.316	3,86	52	58
TR715	Kırşehir	221.209	9.733	9.898	-165	-0,75	68	66
TRC13	Kilis	124.320	4.315	6.075	-1.760	-14,06	80	78
TR421	Kocaeli	1.634.691	62.966	51.561	11.405	7,00	6	8
TR521	Konya	2.052.281	51.981	48.313	3.668	1,79	7	9
TR333	Kütahya	573.421	20.550	16.702	3.848	6,73	34	45
TRB11	Malatya	762.366	24.270	28.545	-4.275	-5,59	27	24
TR331	Manisa	1.346.162	32.211	34.054	-1.843	-1,37	21	17
TRC31	Mardin	773.026	21.676	30.299	-8.623	-11,09	32	20
TR622	Mersin	1.682.848	46.721	53.523	-6.802	-4,03	10	7
TR323	Muğla	851.145	33.213	28.301	4.912	5,79	17	25
TRB22	Muş	413.260	9.914	20.646	-10.732	-25,64	67	39
TR714	Nevşehir	285.190	10.214	10.859	-645	-2,26	66	60
TR713	Niğde	340.270	12.359	13.514	-1.155	-3,39	53	55
TR902	Ordu	741.371	48.240	26.595	21.645	29,63	9	29
TR633	Osmaniye	492.135	15.343	17.340	-1.997	-4,05	41	43
TR904	Rize	324.152	12.315	13.856	-1.541	-4,74	54	53
TR422	Sakarya	902.267	28.457	23.787	4.670	5,19	24	33
TR831	Samsun	1.251.722	32.249	41.561	-9.312	-7,41	20	13
TRC34	Siirt	310.879	8.823	14.628	-5.805	-18,50	70	47
TR823	Sinop	201.311	8.277	10.371	-2.094	-10,35	71	64
TR722	Sivas	623.535	21.492	27.441	-5.949	-9,50	33	28
TRC21	Şanlıurfa	1.762.075	31.890	44.878	-12.988	-7,34	22	12
TRC33	Şırnak	466.982	11.075	14.617	-3.542	-7,56	60	48
TR211	Tekirdağ	852.321	42.155	28.042	14.113	16,70	12	26
TR832	Tokat	613.990	34.725	31.812	2.913	4,76	15	19
TR901	Trabzon	757.898	21.864	25.478	-3.614	-4,76	31	30
TRB11	Tunceli	86.276	5.171	5.404	-233	-2,70	78	80
TR334	Uşak	342.269	10.351	9.435	916	2,68	65	68
TRB21	Van	1.051.975	50.003	46.639	3.364	3,20	8	11
TR425	Yalova	211.799	11.353	9.199	2.154	10,22	57	69
TR723	Yozgat	453.211	14.646	24.525	-9.879	-21,56	43	32
TR811	Zonguldak	606.527	14.279	22.687	-8.408	-13,77	46	34
TR	Türkiye	75.627.384	2.317.814	2.317.814	0	0,00		

Source: TURKSTAT.

Table 124. Annual Population Growth Rate and Population Density in 2012 as per Nomenclature of Territorial Units for Statistics Level -3

Province Code	NUTS Level -3	Annual Population Growth Rate (%) ⁽¹⁾	Rank No. According to Population Growth Rate	Population Density	Rank No. According to Population Density	Province Code	NUTS Level -3	Annual Population Growth Rate (%) ⁽¹⁾	Rank No. According to Population Growth Rate	Population Density	Rank No. According to Population Density
TR621	Adana	7,9	40	153	13	TR632	Kahramanmaraş	8,5	37	74	33
TRC12	Adıyaman	2,2	57	85	28	TR812	Karabük	24,4	9	55	46
TR332	Afyonkarahisar	7,6	41	49	56	TR522	Karaman	6,0	49	27	73
TRA21	Ağrı	-5,6	74	48	57	TRA22	Kars	-3,1	71	30	71
TR712	Aksaray	2,9	56	50	54	TR821	Kastamonu	0,1	65	27	72
TR834	Amasya	-2,5	70	57	45	TR721	Kayseri	15,5	18	75	32
TR510	Ankara	15,1	21	203	8	TR711	Kırıkkale	-1,0	68	61	42
TR611	Antalya	23,7	10	101	23	TR213	Kırklareli	3,0	55	54	48
TRA24	Ardahan	-7,6	76	22	76	TR715	Kırşehir	0,9	63	35	65
TR905	Artvin	4,1	53	23	75	TRC13	Kilis	-1,1	69	87	27
TR321	Aydın	7,4	44	128	17	TR421	Kocaeli	20,4	12	453	2
TR221	Balıkesir	5,5	51	81	31	TR521	Konya	6,7	46	53	51
TR813	Bartın	6,1	48	91	25	TR333	Kütahya	16,1	17	48	59
TRC32	Batman	18,3	14	115	19	TRB11	Malatya	5,8	50	65	38
TRA13	Bayburt	-12,2	80	20	79	TR331	Manisa	4,5	52	103	22
TR413	Bilecik	1,3	60	47	60	TRC31	Mardin	11,7	31	88	26
TRB13	Bingöl	0,9	62	32	69	TR622	Mersin	8,9	35	109	20
TRB23	Bitlis	1,9	58	48	58	TR323	Muğla	15,2	20	66	35
TR424	Bolu	16,4	16	34	67	TRB22	Muş	-3,5	73	51	52
TR613	Burdur	15,1	22	37	64	TR714	Nevşehir	6,8	45	53	50
TR411	Bursa	13,5	26	258	5	TR713	Niğde	8,0	39	46	61
TR222	Çanakkale	14,8	23	50	55	TR902	Ordu	37,1	2	125	18
TR822	Çankırı	39,8	1	25	74	TR633	Osmaniye	13,9	25	158	12
TR833	Çorum	-8,6	78	41	62	TR904	Rize	3,5	54	83	29
TR322	Denizli	8,7	36	81	30	TR422	Sakarya	15,3	19	186	9
TRC22	Diyarbakır	13,4	27	106	21	TR831	Samsun	0,0	67	138	14
TR423	Düzce	12,6	29	135	16	TRC34	Siirt	1,3	59	57	44
TR212	Edirne	1,0	61	66	36	TR823	Sinop	-8,5	77	35	66
TRB12	Elazığ	7,4	43	67	34	TR722	Sivas	-5,6	75	22	77
TRA12	Erzincan	12,0	30	19	80	TRC21	Şanlıurfa	26,3	6	94	24
TRA11	Erzurum	-3,4	72	31	70	TRC33	Şırnak	19,4	13	65	37
TR412	Eskişehir	10,8	32	57	43	TR211	Tekirdağ	26,7	5	135	15
TRC11	Gaziantep	25,9	7	264	4	TR832	Tokat	9,3	34	62	40
TR903	Giresun	0,1	66	61	41	TR901	Trabzon	0,7	64	162	11
TR906	Gümüşhane	21,2	11	21	78	TRB11	Tunceli	14,2	24	12	81
TRB24	Hakkari	28,3	4	39	63	TR334	Uşak	7,4	42	64	39
TR631	Hatay	6,4	47	255	6	TRB21	Van	28,4	3	55	47
TRA23	Iğdır	8,2	38	53	49	TR425	Yalova	25,2	8	250	7
TR612	Isparta	13,1	28	50	53	TR723	Yozgat	-27,2	81	32	68
TR100	İstanbul	16,8	15	2 666	1	TR811	Zonguldak	-9,6	79	184	10
TR310	İzmir	10,1	33	333	3	TR	Türkiye	12,00		98	

Source: TURKSTAT.

(1): When calculating the annual population growth rates, the administrative separation structure in 2012 was taken into account.

2.1.1 Fertility Rates

In our country, crude birth rate which was 17.2‰ in 2010 fell to 16.7‰ in 2011, whereas the general fertility rate decreased 1.6 points and slid from 72.4‰ to 70.8‰. While the number of live children which a women can give birth to in her fertility period is 2.05, this number fell to 2.02 in 2011. In other words, the average number of children is 2. While the average age of mothers who give birth was 27.2 in 2010, this number increased 1 month in 2011, and reached 27.3% (See Table 125).

Table 125. Basic Fertility Indicators as per Nomenclature of Territorial Units for Statistics Level -1

Region Code	NUTS Level – 1	2010				2011			
		Crude Birth Rate (‰)	General Fertility Rate (‰)	Total Fertility Rate	Average Age for Mothers Giving Birth	Crude Birth Rate (‰)	General Fertility Rate (‰)	Total Fertility Rate	Average Age for Mothers Giving Birth
TR1	Istanbul	16,3	62,8	1,74	27,8	15,7	61,5	1,69	27,9
TR2	West Marmara	11,5	51,5	1,52	26,9	11,5	52,8	1,55	27,0
TR3	Aegean	13,3	56,8	1,64	26,9	13,1	56,9	1,64	27,1
TR4	East Marmara	14,8	60,8	1,73	27,3	14,3	59,9	1,70	27,5
TR5	West Anatolia	15,4	62,2	1,78	27,1	15,1	62,2	1,77	27,3
TR6	Mediterranean	17,7	74,4	2,15	27,1	17,2	73,2	2,11	27,2
TR7	Central Anatolia	16,7	71,6	2,06	26,2	16,2	70,9	2,03	26,4
TR8	West Black Sea	13,6	60,8	1,78	26,5	12,9	59,1	1,72	26,8
TR9	East Black Sea	13,6	60,7	1,79	27,4	13,0	59,2	1,74	27,6
TRA	Northeast Anatolia	23,1	101,0	2,92	26,5	22,3	100,7	2,84	26,6
TRB	Central Eastern Anatolia	23,4	99,8	2,92	27,1	22,4	97,9	2,80	27,1
TRC	Southeastern Anatolia	27,9	119,2	3,53	27,5	27,1	118,4	3,42	27,5
TR	Turkey	17,2	72,4	2,05	27,2	16,7	70,8	2,02	27,3

Source: TURKSTAT.

2.1.1.1 Regional Fertility Rates

According to NUTS Level – 1, the region where the crude birth rate was highest was the Southeastern Anatolian region with 27.1‰ down 0.8 points compared to the previous year, and the region where such rate was lowest was West Marmara Region with 11.5‰, which remained constant compared to the previous year. While there occurred decreases in 2011 in crude birth rate in 12 of the 11 regions compared to the previous year, only one region remained unchanged. The highest difference of decrease was shown by the Central Eastern Anatolia region with 1.0 points.

In 2011, the region where the general fertility rate was highest was the Southeastern Anatolian region with 118.4‰ down 0.8 points compared to the previous year, and the region where such rate was lowest was West Marmara Region with 52.8‰, up 1.3 points compared to the previous year. In 2011, the general fertility rate increase in West Marmara and Aegean regions compared to the previous year, it remained unchanged in West Anatolia region, and decreased in other regions. In 2011, the general fertility rates in Central Anatolia, Mediterranean, Northeastern Anatolia, Southeastern Anatolia and Central Eastern Anatolia regions are higher than the average in Turkey.

In 2011, according to NUTS Level – 1, the region where the total fertility rate was highest was the Southeastern Anatolia region with 3.42 children, and the region which had the lowest rate was West Marmara Region with 1.55 children.

2.1.2 Median Age

The median age which was 29.22 years in 2010 in our country increased 4.8 months in 2011 and rose to 29.70 years in 2011, and increased 3.7 months in 2012 and reached 30.07 years. According to the median age value between the years 2010 and 2012, the population of our country got elder by 8.5 months (See Table 126).

Table 126. Median Age on a Gender Basis by Years

Years	Male	Rate of Change	Female	Rate of Change	Total	Rate of Change
2010	28,68	1,52	29,79	1,64	29,22	1,56
2011	29,14	1,60	30,28	1,64	29,70	1,64
2012	29,49	1,20	30,65	1,22	30,07	1,25

Source: TURKSTAT.

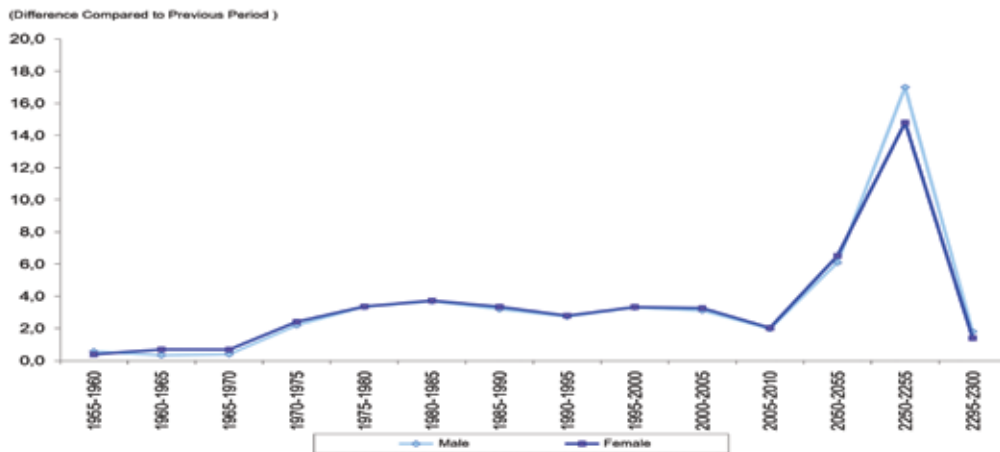
For the male population the median age which was 28.68 years in 2010 increased 4.6 months in 2011 and rose to 29.14 years in 2011, and increased 3.5 months in 2012 and reached 29.49 years. According to the median age value between the years 2010 and 2012, the male population got elder by 8.1 months.

For the female population the median age which was 29.79 years in 2010 increased 4.9 months in 2011 and rose to 30.28 years in 2011, and increased 3.7 months in 2012 and reached 30.65 years. According to the median age value between the years 2010 and 2012, the female population got elder by 8.6 months.

2.1.3 Life Expectancy at Birth

According to the projections of the United Nations, the life expectancy at birth in our country which was 47.59 between the year 1950 and 1955 rose to 72.96 between the years 2005 and 2010. Therefore, life expectancy at birth between 2005 – 2010 displayed a dramatic increase as 25 years and 4 months compared to the period between 1950 - 1955.

The life expectancy at birth between 1950 – 1955 was 45.90 years for males, and 49.27 for females. The life expectancy at birth for males and females increased over years, and increased 24 years and 8 months and was projected as 70.70 years for males and increased 26 years and was projected as 75.28 years for females for the period between 2005 – 2010. For the years between 2295 and 2300, compared to the period 1950 – 1955, it is estimated that the life expectancy at birth will increase 48 years 7 months and become 98.00 years for females, and will increase 49 years 7 months and become 95.60 years for males (See Table 127, Graph 50).



Source: TURKSTAT.

Graph 50. Differences of Life Expectancy at Birth by Years on a Gender Basis Compared to the Previous

Table 127. Life Expectancy at Birth by Years

Years	Life Expectancy at Birth (Years)			Difference from the Previous Period		
	Male	Female	Total	Male	Female	Total
1950-1955	45,90	49,27	47,59			
1955-1960	46,47	49,66	48,05	0,6	0,4	0,5
1960-1965	46,80	50,35	48,52	0,3	0,7	0,5
1965-1970	47,19	51,03	49,05	0,4	0,7	0,5
1970-1975	49,38	53,44	51,34	2,2	2,4	2,3
1975-1980	52,72	56,80	54,68	3,3	3,4	3,3
1980-1985	56,41	60,53	58,40	3,7	3,7	3,7
1985-1990	59,60	63,87	61,67	3,2	3,3	3,3
1990-1995	62,33	66,66	64,44	2,7	2,8	2,8
1995-2000	65,63	69,99	67,76	3,3	3,3	3,3
2000-2005	68,73	73,25	70,95	3,1	3,3	3,2
2005-2010	70,70	75,28	72,96	2,0	2,0	2,0
2050-2055	76,80	81,80		6,1	6,5	
2250-2255	93,80	96,60		17,0	14,8	
2295-2300	95,60	98,00		1,8	1,4	

Source: United Nations

2.1.4 Okullaşma Oranları

2.1.4 Schooling Rates

According to the formal education statistics of the Ministry of National Education, the net schooling rates in the primary education increased 0.2 points and rose from 98.6% to 98.8% for male students, and increased 0.4 points and rose from 98.2% to 98.6% for female students in 2011/12 school year compared to the previous school year (See Table 128).

Table 128. Gross and Net Schooling Rates by School Years (1)

School Year	Schooling Rate	Primary School		Secondary Education		Higher Education	
		Male	Female	Male	Female	Male	Female
2009/'10	Gross	107,1	105,9	89,1	79,0	58,1	48,5
	Net	98,5	97,8	67,6	62,2	31,2	29,6
2010/'11	Gross	107,4	107,8	94,4	84,7	62,3	54,0
	Net	98,6	98,2	68,2	63,9	33,4	32,7
2011/'12	Gross	108,2	108,7	95,7	89,3	70,6	61,7
	Net	98,8	98,6	68,5	66,1	35,6	35,4

Source: Ministry of National Education.

(1): Gross and net schooling rates are calculated according to the results of ADNKS.

The net schooling rates in the secondary education increased 0.3 points and rose from 68.2% to 68.5% for male students, and increased 2.2 points and rose from 63.9% to 66.1% for female students in 2011/12 school year compared to the previous school year.

The net schooling rates in the higher education increased 2.2 points and rose from 33.4% to 35.6% for male students, and increased 2.7 points and rose from 32.7% to 35.2% for female students in 2011/12 school year compared to the previous school year.

2.1.4.1 Regional Schooling Rates

The cities where net schooling rate for female children was lowest in the primary education during

the 2011/12 school year were Van at 86.6%, Yozgat at 93.8%, and Tokat at 94.1%, whereas the cities where net schooling rate was highest were Amasya, Bartın, and Mersin all at 100.0%. The cities where net schooling rate for male children was lowest in the primary education were Van at 89.6%, Yozgat at 94.1%, and Tokat at 94.6%, whereas the cities where net schooling rate was highest were Amasya, Bartın, Edirne, Kastamonu, and Mersin all at 100.0%.

According to the NUTS Level – 3, the cities where the total net schooling rate was lowest in the primary education during the 2011/12 school year were Van at 86.8%, Yozgat at 93.9%, and Tokat at 94.4%, whereas the cities where the total net schooling rate was highest were Amasya, Bartın, Edirne, and Mersin all at 100.0%.

The cities where net schooling rate for female children was lowest in the secondary education during the 2011/12 school year were Van at 22.7%, Ağrı at 26.7%, and Muş at 27.3%, whereas the cities where net schooling rate was highest were Bilecik at 90.1%, Isparta at 90.0%, and Rize at 87.3%. The cities where net schooling rate for male children was lowest in the secondary education were Van at 30.5%, Ağrı at 37.0%, and Muş at 39.9%, whereas the cities where net schooling rate was highest were Bolu at 95.7%, Rize at 92.1%, Bilecik at 91.4%.

In the 2011/12 school year, the cities where the total net schooling rate in the primary education was lowest were Van at 26.7%, Ağrı at 32.1%, and Muş at 33.9%. The cities where net schooling rate was highest were Bilecik at 90.8%, Bolu at 90.3%, and Rize at 89.7% (See Table 129).

Table 129 . Gross and Net Schooling Rates by Gender as per Nomenclature of Territorial Units for Statistics Level -3

Province Code	NUTS Level -3	Schooling Rate	Primary School			Secondary Education		
			Male	Female	Total	Male	Female	Total
TR621	Adana	Gross	109,3	108,4	108,9	94,5	88,2	91,4
		Net	99,5	99,2	99,4	68,7	67,3	68,0
TRC12	Adiyaman	Gross	108,2	107,5	107,9	97,6	83,8	90,8
		Net	98,8	98,6	98,7	63,9	59,4	61,7
TR332	Afyonkarahisar	Gross	106,2	104,1	105,1	84,5	74,3	79,5
		Net	99,1	99,0	99,0	66,6	61,0	63,8
TRA21	Ağrı	Gross	110,7	112,8	111,7	54,6	40,0	47,6
		Net	98,1	99,1	98,6	37,0	26,7	32,1
TR712	Aksaray	Gross	106,9	105,5	106,2	76,9	73,0	75,0
		Net	99,5	99,1	99,3	57,3	55,9	56,6
TR834	Amasya	Gross	109,0	108,1	108,6	108,2	99,8	104,0
		Net	100,0	100,0	100,0	85,2	79,9	82,6
TR510	Ankara	Gross	106,5	107,3	106,9	109,8	106,6	108,2
		Net	99,6	99,5	99,6	81,8	84,1	82,9
TR611	Antalya	Gross	108,5	109,3	108,9	97,5	100,5	98,9
		Net	98,8	98,8	98,8	71,1	73,3	72,2
TRA24	Ardahan	Gross	105,3	104,1	104,7	75,5	76,2	75,8
		Net	99,0	98,3	98,7	58,6	60,5	59,5
TR905	Artvin	Gross	105,6	107,9	106,7	109,3	105,5	107,4
		Net	99,4	99,4	99,4	85,8	82,8	84,3
TR321	Aydın	Gross	107,4	107,7	107,5	90,7	90,6	90,6
		Net	99,5	99,6	99,6	71,5	74,6	73,0
TR221	Balıkesir	Gross	106,2	107,7	106,9	94,0	95,4	94,7
		Net	99,3	99,2	99,3	76,3	77,1	76,7
TR813	Bartın	Gross	105,1	106,1	105,6	96,6	90,7	93,6
		Net	100,0	100,0	100,0	78,3	71,0	74,7
TRC32	Batman	Gross	112,6	111,6	112,1	95,1	71,5	83,6
		Net	99,4	99,3	99,3	54,7	45,2	50,1
TRA13	Bayburt	Gross	107,3	106,2	106,8	101,0	84,3	93,0
		Net	99,1	98,1	98,6	76,7	61,6	69,5
TR413	Bilecik	Gross	106,2	107,1	106,6	112,0	107,1	109,6
		Net	98,5	98,4	98,5	91,4	90,1	90,8
TRB13	Bingöl	Gross	108,5	109,7	109,0	92,5	76,4	84,6
		Net	96,9	96,2	96,5	53,8	43,8	48,9
TRB23	Bitlis	Gross	109,3	107,9	108,6	75,1	47,0	61,7
		Net	97,9	97,1	97,5	47,3	30,6	39,4
TR424	Bolu	Gross	107,3	110,2	108,7	115,9	103,9	110,0
		Net	98,5	98,5	98,5	95,7	84,6	90,3
TR613	Burdur	Gross	105,1	103,4	104,3	97,2	95,8	96,5
		Net	96,5	96,7	96,6	80,8	80,2	80,5
TR411	Bursa	Gross	108,2	109,5	108,8	103,8	97,9	100,9
		Net	99,3	99,2	99,3	77,1	75,3	76,2
TR222	Çanakkale	Gross	109,1	110,1	109,5	101,6	98,1	99,9
		Net	99,3	99,3	99,3	83,8	81,4	82,6
TR822	Çankırı	Gross	103,8	101,3	102,6	107,8	89,4	98,8
		Net	95,7	94,7	95,2	82,1	71,3	76,8
TR833	Çorum	Gross	107,3	108,5	107,9	93,1	87,0	90,1
		Net	98,4	98,5	98,4	70,0	66,5	68,3
TR322	Denizli	Gross	106,1	106,4	106,2	92,0	93,6	92,8
		Net	98,3	98,1	98,2	73,2	76,1	74,6

Table 129 . Gross and Net Schooling Rates by Gender as per Nomenclature of Territorial Units for Statistics Level -3 (Continued)

Province Code	NUTS Level -3	Schooling Rate	Primary School			Secondary Education		
			Male	Female	Total	Male	Female	Total
TRC22	Diyarbakır	Gross	110,9	112,2	111,5	83,4	68,7	76,2
		Net	99,3	99,3	99,3	52,5	43,9	48,3
TR423	Düzce	Gross	104,8	106,8	105,8	101,7	101,8	101,8
		Net	98,8	98,6	98,7	76,5	73,1	74,8
TR212	Edirne	Gross	110,1	108,2	109,2	100,4	95,0	97,8
		Net	100,0	99,7	100,0	84,1	81,7	83,0
TRB12	Elazığ	Gross	106,9	108,1	107,5	110,4	101,5	106,1
		Net	99,1	98,6	98,9	78,2	70,8	74,6
TRA12	Erzincan	Gross	106,0	108,3	107,1	112,9	98,5	105,8
		Net	98,6	98,5	98,5	86,2	75,4	80,9
TRA11	Erzurum	Gross	105,1	107,0	106,0	85,4	69,4	77,6
		Net	97,4	97,5	97,5	58,0	46,6	52,5
TR412	Eskişehir	Gross	107,3	107,5	107,4	108,7	105,6	107,2
		Net	99,0	98,9	98,9	87,3	84,9	86,1
TRC11	Gaziantep	Gross	109,6	108,3	109,0	82,8	73,0	78,1
		Net	99,5	99,2	99,4	58,5	54,7	56,7
TR903	Giresun	Gross	105,0	104,9	105,0	105,9	99,2	102,6
		Net	98,7	98,4	98,5	84,9	78,0	81,5
TR906	Gümüşhane	Gross	103,2	102,4	102,8	89,9	85,2	87,5
		Net	97,3	96,0	96,7	69,0	64,4	66,7
TRB24	Hakkari	Gross	103,9	106,7	105,3	96,5	78,2	87,6
		Net	95,4	95,8	95,6	57,5	47,8	52,8
TR631	Hatay	Gross	105,0	105,5	105,3	85,9	81,6	83,8
		Net	98,7	98,5	98,6	65,9	63,8	64,9
TRA23	Iğdır	Gross	108,5	107,0	107,8	69,6	75,8	72,6
		Net	98,8	97,5	98,2	51,1	56,3	53,6
TR612	Isparta	Gross	106,4	106,3	106,4	108,1	108,0	108,0
		Net	99,1	99,2	99,1	87,8	90,0	88,9
TR100	İstanbul	Gross	111,6	113,2	112,4	107,0	105,7	106,4
		Net	99,7	99,4	99,5	70,7	72,1	71,4
TR310	İzmir	Gross	110,9	111,5	111,2	103,0	102,2	102,6
		Net	99,3	99,3	99,3	73,6	77,5	75,5
TR632	Kahramanmaraş	Gross	106,3	105,6	106,0	85,3	74,7	80,2
		Net	98,3	98,2	98,3	63,1	57,9	60,6
TR812	Karabük	Gross	107,7	108,5	108,1	111,2	109,0	110,2
		Net	99,5	98,9	99,2	89,3	87,0	88,2
TR522	Karaman	Gross	105,5	106,4	106,0	89,6	94,3	91,9
		Net	98,5	98,6	98,5	68,4	71,3	69,8
TRA22	Kars	Gross	104,4	104,5	104,5	67,7	60,6	64,3
		Net	97,4	97,3	97,3	47,5	45,3	46,4
TR821	Kastamonu	Gross	108,8	109,9	109,4	99,0	93,9	96,5
		Net	100,0	99,5	99,8	78,2	70,0	74,2
TR721	Kayseri	Gross	104,5	105,4	104,9	99,7	93,4	96,6
		Net	99,1	98,9	99,0	74,9	73,5	74,2
TR711	Kırıkkale	Gross	105,7	106,1	105,9	112,7	99,6	106,3
		Net	98,5	98,8	98,7	85,5	82,0	83,8
TR213	Kırklareli	Gross	107,7	107,9	107,8	103,8	97,2	100,6
		Net	99,1	99,0	99,1	85,1	82,4	83,8
TR715	Kırşehir	Gross	106,9	104,1	105,5	105,5	95,2	100,5
		Net	98,4	98,2	98,3	84,0	81,0	82,5

Table 129 . Gross and Net Schooling Rates by Gender as per Nomenclature of Territorial Units for Statistics Level -3 (Continued) Province Code

Province Code	NUTS Level -3	Schooling Rate	Primary School			Secondary Education		
			Male	Female	Total	Male	Female	Total
TRC13	Kilis	Gross	106,3	105,5	105,9	93,7	90,4	92,1
		Net	98,0	97,6	97,8	65,5	67,5	66,5
TR421	Kocaeli	Gross	108,3	110,0	109,1	116,3	107,4	112,0
		Net	99,3	98,9	99,1	80,9	77,8	79,4
TR521	Konya	Gross	106,0	105,7	105,9	86,5	85,1	85,8
		Net	98,9	98,6	98,8	64,5	64,0	64,3
TR333	Kütahya	Gross	105,7	106,0	105,8	112,5	98,7	105,8
		Net	99,2	99,1	99,2	86,3	77,0	81,8
TRB11	Malatya	Gross	106,9	106,9	106,9	114,6	104,2	109,5
		Net	98,8	98,5	98,7	80,6	76,1	78,4
TR331	Manisa	Gross	107,7	107,5	107,6	89,2	88,9	89,1
		Net	99,3	99,1	99,2	71,4	71,1	71,3
TRC31	Mardin	Gross	106,8	108,1	107,4	84,9	61,7	73,5
		Net	97,9	97,8	97,8	50,9	39,2	45,2
TR622	Mersin	Gross	109,5	109,3	109,4	92,8	89,4	91,1
		Net	100,0	100,0	100,0	70,0	68,9	69,5
TR323	Muğla	Gross	107,6	107,0	107,3	97,1	95,3	96,2
		Net	98,3	98,2	98,3	73,2	75,1	74,1
TRB22	Muş	Gross	111,5	111,9	111,7	63,8	41,8	53,3
		Net	97,9	98,8	98,3	39,9	27,3	33,9
TR714	Nevşehir	Gross	105,7	104,3	105,0	81,7	82,0	81,9
		Net	99,0	99,0	99,0	66,7	68,8	67,7
TR713	Niğde	Gross	106,0	103,8	105,0	79,3	75,4	77,4
		Net	98,6	98,1	98,4	62,2	61,1	61,6
TR902	Ordu	Gross	102,8	103,3	103,1	86,9	83,1	85,0
		Net	98,4	98,2	98,3	71,2	67,9	69,6
TR633	Osmaniye	Gross	107,8	105,1	106,5	96,3	90,4	93,4
		Net	97,2	97,1	97,2	73,5	72,0	72,8
TR904	Rize	Gross	108,7	111,3	110,0	133,9	122,8	128,4
		Net	99,6	98,8	99,2	92,1	87,3	89,7
TR422	Sakarya	Gross	106,7	109,5	108,1	103,5	100,1	101,8
		Net	99,2	98,9	99,1	76,6	72,0	74,4
TR831	Samsun	Gross	106,7	108,1	107,4	92,7	92,1	92,4
		Net	99,4	99,1	99,3	70,0	68,9	69,5
TRC34	Siirt	Gross	109,6	107,7	108,7	88,4	52,5	71,0
		Net	98,4	97,9	98,2	47,8	34,1	41,2
TR823	Sinop	Gross	109,0	109,6	109,3	97,3	94,6	96,0
		Net	99,0	98,3	98,7	75,0	71,8	73,4
TR722	Sivas	Gross	105,4	105,1	105,3	97,9	85,3	91,7
		Net	99,4	99,0	99,2	72,9	68,1	70,5
TRC21	Şanlıurfa	Gross	113,1	111,5	112,3	68,0	46,6	57,6
		Net	98,9	98,2	98,6	43,8	31,4	37,8
TRC33	Şırnak	Gross	109,9	109,6	109,8	79,7	54,2	67,5
		Net	98,7	98,2	98,4	44,8	33,3	39,3
TR211	Tekirdağ	Gross	108,2	108,8	108,5	106,0	100,7	103,4
		Net	98,7	98,6	98,6	79,6	77,5	78,6
TR832	Tokat	Gross	102,5	101,2	101,9	87,5	80,5	84,0
		Net	94,6	94,1	94,4	67,9	62,8	65,4
TR901	Trabzon	Gross	104,7	106,0	105,3	108,4	105,8	107,1
		Net	98,6	98,4	98,5	81,5	79,9	80,7

Table 129 . Gross and Net Schooling Rates by Gender as per Nomenclature of Territorial Units for Statistics Level -3 (Continued)

Province Code	NUTS Level -3	Schooling Rate	Primary School			Secondary Education		
			Male	Female	Total	Male	Female	Total
TRB14	Tunceli	Gross	105,6	105,2	105,4	110,1	109,8	109,9
		Net	97,0	96,1	96,5	77,8	81,9	79,8
TR334	Uşak	Gross	106,6	106,6	106,6	91,4	98,9	95,0
		Net	98,9	99,0	98,9	72,0	79,3	75,5
TRB21	Van	Gross	96,8	97,4	97,1	54,4	39,9	47,4
		Net	86,9	86,6	86,8	30,5	22,7	26,7
TR425	Yalova	Gross	108,5	110,4	109,4	109,4	108,4	108,9
		Net	98,8	98,7	98,7	81,7	81,8	81,8
TR723	Yozgat	Gross	100,5	99,8	100,1	83,8	75,5	79,7
		Net	94,1	93,8	93,9	64,0	59,5	61,8
TR811	Zonguldak	Gross	108,1	107,1	107,6	103,6	95,0	99,3
		Net	99,9	99,9	99,9	80,7	73,6	77,2
TR	Türkiye	Gross	108,2	108,7	108,4	95,7	89,3	92,6
		Net	98,8	98,6	98,7	68,5	66,1	67,4

Source: Ministry of National Education

2.2 Health

In 2011, the total number of hospitals in our country increased by 9.7%, compared to the previous year and reached 1,453. While the general number of hospitals increased 3.0% compared to the previous year, the number of gynecology and obstetrics hospitals decreased 20.6%. Of the 1,453 hospitals in our country in 2011, 1,304 were general hospitals, 50 were gynecology and obstetrics hospitals, 25 were ocular diseases hospitals, 74 were hospitals serving in other branches (See Table 130).

Table 130. Number of Hospitals in our Country by Years on a Branch Basis

Branches	2009	2010	2011
General hospital	1.219	1.266	1.304
Gynecology and obstetrics hospital	63	63	50
Ocular diseases hospital	24	26	25
Pulmonary diseases hospital	19	18	17
Physiotherapy and rehabilitation centers	12	14	14
Psychiatry hospitals	12	12	11
Dental hospitals	5	5	8
Pediatric diseases hospitals	6	7	6
Cardiovascular surgery services	11	11	6
Oncology hospitals	5	5	4
Bone diseases hospitals	3	3	3
Vocational diseases hospital	2	2	2
Orthopedics and traumatology hospitals	3	2	1
Leprosy Hospitals	1	1	1
Veneral diseases hospitals	1	1	1
Diabetes hospitals	2	2	0
Cardiology hospitals	1	1	0
Total	1.389	1.439	1.453

Source: Ministry of Health

In our country, there is a regular increase in the number of total health personnel over years. In 2011, the number of specialist doctors increased 3.9% compared to the previous year and reached 66,064, and the number of practitioners increased 2.3% and reached 39,712. The number of assistant doctors decreased 3.9%, and fell to 20,253. Thus, the total number of doctors increased 2.1% and rose to 126,029. The number of dentists and pharmacists decreased 1.6% compared to the previous year and became 21,099, and 26,089, respectively. The number of nurses increased 8.9% and became 124,982, whereas the number of midwives increased 3.1% and reached 51,905 (See, Table 131).

Table 131. Number of Total Health Staff in our Country by Years

Healthcare Staff	2009	2010	2011
Specialist doctors	60.655	63.563	66.064
Practitioners	35.911	38.818	39.712
Assistant doctor	22.075	21.066	20.253
Total doctors	118.641	123.447	126.029
Dentists	20.589	21.432	21.099
Pharmacists	25.201	26.506	26.089
Nurses	105.176	114.772	124.982
Midwives	49.357	50.343	51.905
Other healthcare professionals	93.550	99.302	110.862
Other staff ⁽¹⁾	197.386	198.694	209.126
Total number of staff	609.900	634.496	670.092

Source: Ministry of Health

(1): It covers the number of staff involved in the provision of services.

2.3 Work Life

2.3.1 Employment

2.3.1.1 Work Force Indicators

In 2012, the non-institutional working age population increased 2.1%, compared to the previous year and reached 54,724. Of this population 26,951 are male, and 27,773 are female (See Table 132).

In 2012, the total employed population increased 613 thousand compared to the previous year, and of this population 280 thousand were male, and 333 thousand were female. With the lessening of the effects of the crisis in 2011, additional employment was provided to 1 million 515 people. Connected with slowdown in economy, the number of those who were additionally employed remained at 711 thousand compared to the previous year, and total employment reached 24,821 thousand. Of the 711 thousand newly employed people in 2012, 375 thousand were male, and 336 thousand were female. The number of employed females is 2.4 folds higher than the number of employed females.

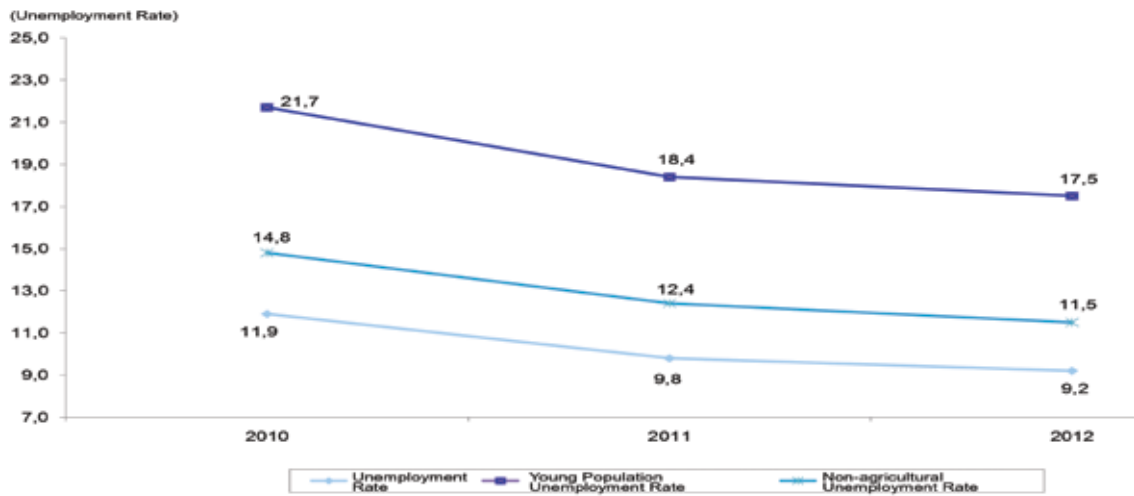
In 2012, the employment rate increased 0.4 points compared to the previous year and became 45.4%. The employment rate fell 0.1 point compared to the previous year and became 65.0% for the males, and the employment rate increased 0.7 points and reached 26.3% for the females.

In 2012, the total number of unemployed decreased 97 thousand compared to the previous year, and whereas the number of unemployed males dropped 95 thousand and the number of unemplo-

yed females dropped 2 thousand. In 2012, the unemployment rate dropped 0.6 points compared to the previous year, and declined to 9.2%. In 2012, the unemployment rate in males dropped 0.7 points compared to the previous year, and fell to 8.5%, and the unemployment rate in female dropped 0.5 points, and fell to 9.2%.

The non-agricultural unemployment rate decreased 0.9 points in 2012 compared to the previous year, and became 11.5%. In 2012, the non-agricultural unemployment dropped 0.8 points in males and 1.3 points in females compared to the previous year, there is a considerable difference such as 6.5 points between female and male non-agricultural unemployment rates.

In 2012, the young unemployment rate decreased 0.9 points compared to the previous year, and became 17.5%. The young unemployment rate in the males was 16.3% in 2012, and although this rate decreased 0.8 points compared to the previous year, it is as high as 1.9 folds the unemployment rate at age 15+. The young unemployment rate in the females was 19.9% in 2012, and although this rate decreased 0.8 points compared to the previous year, it is as high as 1.8 folds the unemployment rate at age 15+ (See Graph 51).



Source: TURKSTAT

Graph 51. Unemployment Rates by Years

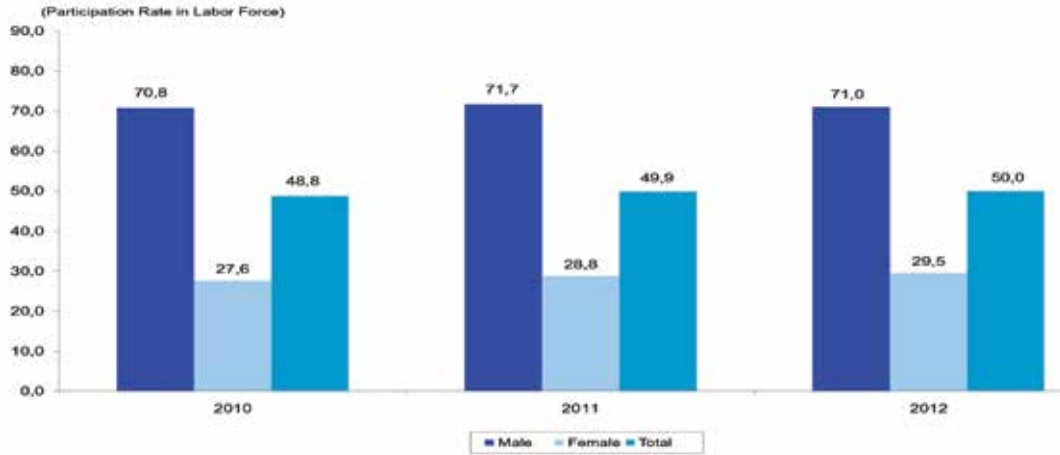
The participation rate of the non-institutional population aged 15 + in our country increased 0.1 point compared to the previous year and rose to 50.0%, and the same rate dropped 0.7 points and fell to 71.0% in the males, and increased 0.7 points and rose to 29.5% in the females (See Graph 52).

Table 132. Domestic Labor Force Market Indicators of Non-institutional Population aged 15+ by Gender

				(000 People)		
Indicators	2010	2011	2012	Change		
				2010	2011	2012
Male						
				Change (%)		
Non-institutional working age population	25.801	26.320	26.951	1,7	2,0	2,4
Labor force	18.257	18.867	19.147	2,0	3,3	1,5
Employed	16.170	17.137	17.512	5,0	6,0	2,2
Number of unemployed	2.088	1.730	1.635	-16,2	-17,1	-5,5
				Difference (Points)		
Participation rate in labor force	70,8	71,7	71,0	0,3	0,9	-0,7
Employment rate	62,7	65,1	65,0	2,0	2,4	-0,1
Unemployment rate	11,4	9,2	8,5	-2,5	-2,2	-0,7
Non-agricultural unemployment rate	13,2	10,7	9,9	-2,8	-2,5	-0,8
Young population unemployment rate ⁽¹⁾	21,0	17,1	16,3	-4,4	-3,9	-0,8
Female						
				Change (%)		
Non-institutional working age population	26.740	27.273	27.773	1,6	2,0	1,8
Labor force	7.383	7.859	8.192	7,8	6,4	4,2
Employed	6.425	6.973	7.309	9,4	8,5	4,8
Number of unemployed	959	885	883	-2,0	-7,7	-0,2
				Difference (Points)		
Participation rate in labor force	27,6	28,8	29,5	1,6	1,2	0,7
Employment rate	24,0	25,6	26,3	1,7	1,6	0,7
Unemployment rate	13,0	11,3	10,8	-1,3	-1,7	-0,5
Non-agricultural unemployment rate	20,2	17,7	16,4	-1,7	-2,5	-1,3
Young population unemployment rate ⁽¹⁾	23,0	20,7	19,9	-2,0	-2,3	-0,8
Total						
				Change (%)		
Non-institutional working age population	52.541	53.593	54.724	1,7	2,0	2,1
Labor force	25.640	26.726	27.339	3,6	4,2	2,3
Employed	22.595	24.110	24.821	6,2	6,7	2,9
Number of unemployed	3.047	2.615	2.518	-12,2	-14,2	-3,7
				Difference (Points)		
Participation rate in labor force	48,8	49,9	50,0	0,9	1,1	0,1
Employment rate	43,0	45,0	45,4	1,8	2,0	0,4
Unemployment rate	11,9	9,8	9,2	-2,1	-2,1	-0,6
Non-agricultural unemployment rate	14,8	12,4	11,5	-2,6	-2,4	-0,9
Young population unemployment rate ⁽¹⁾	21,7	18,4	17,5	-3,6	-3,3	-0,9

Source: TURKSTAT.

(1): They are the non-institutional population in the 15-24 age group

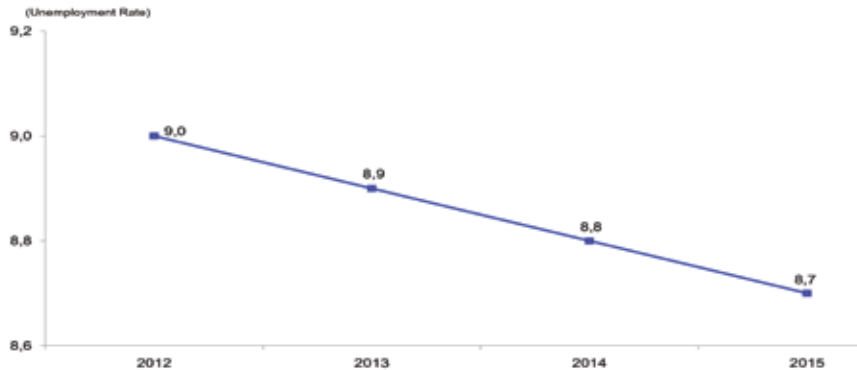


Source: TURKSTAT

Graph 52. Labor Force Participation Rates on a Gender Basis by Years

While the difference between the employment rate between the females and males and the labor force participation rates is reduced compared to the previous years, it can be said that an inequality on the part of women still exists. One of the basic reasons for the low unemployment rate for the females is that women work at agricultural enterprises as unpaid family workers in the rural areas, and work in the family companies in the urban areas.

According to the MTP, unemployment rates for the years 2012, 2013, 2014, 2015 are estimated as 9.0%, 8.9%, 8.8%, and 8.7%, respectively. The unemployment rate which was realized at 9.2% in 2012 remained only 0.2 points above the MTP estimate (See Graph 53).



Source: Ministry of Development

Graph 53. Unemployment Rates according to the Medium Term Program

2.3.1.1.1 Regional Work Force Rates

In 2012, when the labor force indicators according to NUTS Level – 3 are examined, it is observed that the highest rates in all indicators are seen in Istanbul region. 18.1% of the non-institutional working age population and the employed people, 18.5% of the people in the labor force, 22.6% of the unemployed, and 17.7% of the people not included in the labor force are in Istanbul region. In all indicators, Northeastern Anatolia region is the region with the lowest rate in Turkey. 2.5% of the non-institutional working age population and the people not included in the labor force, 2.6% of the people in the labor force, 2.7% of the unemployed, and 1.9% of the unemployed are in Northeastern Anatolia region (See Table 133).

Table 133. Labor Force Indicators of Non-institutional Population aged 15+ by Gender in 2012 as per NUTS Level-1

Region Code	NUTS Level – 1	(000 Kiş)									
		Male					Female				
		Non- Institutional Working Age Population	Number of People in the Labor Force	Number of Employed	Number of People not included in the Labor Force	Number of People not included in the Labor Force	Non- Institutional Working Age Population	Number of People in the Labor Force	Number of Employed	Number of People not included in the Labor Force	Total
TR1	Istanbul	4.962	3.648	3.281	367	1.314	4.962	1.415	1.212	203	3.537
TR2	West Marmara	1.300	910	864	46	390	1.313	424	383	40	889
TR3	Aegean	3.712	2.707	2.490	217	1.005	3.843	1.421	1.241	180	2.422
TR4	East Marmara	2.735	1.973	1.826	146	762	2.738	831	727	103	1.907
TR5	West Anatolia	2.576	1.839	1.711	128	737	2.683	720	632	88	1.963
TR6	Mediterranean	3.357	2.448	2.226	223	909	3.532	1.103	979	124	2.429
TR7	Central Anatolia	1.363	973	897	76	390	1.405	393	365	28	1.012
TR8	West Black Sea	1.662	1.130	1.068	62	532	1.754	645	598	47	1.109
TR9	East Black Sea	952	656	605	51	297	1.030	444	426	18	586
TRA	Northeast Anatolia	698	509	467	42	189	693	211	204	7	482
TRB	Central Eastern Anatolia	1.211	847	766	81	364	1.257	335	313	22	922
TRC	Southeastern Anatolia	2.422	1.506	1.311	196	916	2.572	251	228	23	2.321
TR	Turkey	26.950	19.146	17.512	1.635	7.805	27.772	8.193	7.308	883	19.579
Ratio of Regions within the Total											
TR1	Istanbul	18,4	19,1	18,7	22,4	16,8	17,8	17,3	16,6	23,0	18,1
TR2	West Marmara	4,8	4,8	4,9	2,8	5,0	4,7	5,2	5,2	4,5	4,5
TR3	Aegean	13,8	14,1	14,2	13,3	12,9	13,8	17,3	17,0	20,4	12,4
TR4	East Marmara	10,1	10,3	10,4	8,9	9,8	9,9	10,1	9,9	11,7	9,7
TR5	West Anatolia	9,6	9,6	9,8	7,8	9,4	9,7	8,8	8,6	10,0	10,0
TR6	Mediterranean	12,5	12,8	12,7	13,6	11,6	12,7	13,5	13,4	14,0	12,4
TR7	Central Anatolia	5,1	5,1	5,1	4,6	5,0	5,1	4,8	5,0	3,2	5,2
TR8	West Black Sea	6,2	5,9	6,1	3,8	6,8	6,3	7,9	8,2	5,3	5,7
TR9	East Black Sea	3,5	3,4	3,5	3,1	3,8	3,7	5,4	5,8	2,0	3,0
TRA	Northeast Anatolia	2,6	2,7	2,7	2,6	2,4	2,5	2,6	2,8	0,8	2,5
TRB	Central Eastern Anatolia	4,5	4,4	4,4	5,0	4,7	4,5	4,1	4,3	2,5	4,7
TRC	Southeastern Anatolia	9,0	7,9	7,5	12,0	11,7	9,3	3,1	3,1	2,6	11,9
TR	Turkey	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Source: TURKSTAT.

2.3.2 Regional Employment

In 2012, according to NUTS Level – 1, the region where the unemployment rate was highest was the Southeastern Anatolia region with at 12.4%, and the region which had the lowest rate was West Black Sea Region at 6.1%. The region where unemployment rate was highest was Southeastern Anatolia at 13.0% for the males, and Istanbul at 14.4% for the females. The region where unemployment rate was lowest was West Marmara region at 5.0% for the males, and East Black Sea region at 4.0% for the females (See Table 134).

Table 134. Employment and Unemployment Rates of Non-institutional Population aged 15+ by Gender in 2012 as per NUTS Level-1

Region Code	NUTS Level -1	Unemployment Rate			Unemployment Rate Male/Female)	Employment Rate			Employment Rate (Male/Female))
		Erkek	Kadın	Toplam		Erkek	Kadın	Toplam	
TR1	İstanbul	10,1	14,4	11,3	0,7	66,1	24,5	45,3	2,7
TR2	Batı Marmara	5,0	9,5	6,5	0,5	66,5	29,2	47,7	2,3
TR3	Ege	8,0	12,6	9,6	0,6	67,1	32,3	49,4	2,1
TR4	Doğu Marmara	7,4	12,4	8,9	0,6	66,8	26,6	46,7	2,5
TR5	Batı Anadolu	7,0	12,2	8,4	0,6	66,4	23,6	44,6	2,8
TR6	Akdeniz	9,1	11,2	9,8	0,8	66,3	27,7	46,5	2,4
TR7	Orta Anadolu	7,9	7,1	7,6	1,1	65,8	26,0	45,6	2,5
TR8	Batı Karadeniz	5,5	7,2	6,1	0,8	64,3	34,1	48,8	1,9
TR9	Doğu Karadeniz	7,8	4,0	6,3	2,0	63,5	41,4	52,0	1,5
TRA	Kuzeydoğu Anadolu	8,3	3,6	6,9	2,3	66,9	29,4	48,2	2,3
TRB	Ortadoğu Anadolu	9,5	6,6	8,7	1,4	63,3	24,9	43,7	2,5
TRC	Güneydoğu Anadolu	13,0	9,1	12,4	1,4	54,1	8,9	30,8	6,1
TR	Türkiye	8,5	10,8	9,2	0,8	65,0	26,3	45,4	2,5

Source: TURKSTAT.

(1): The industrial sector covers also the construction sector.

The employment rate was highest in the East Black Sea Region at 52.0%, and lowest in Southeastern Anatolia region at 30.8%. The region where employment rate was highest was the Aegean Region at 67.1% for the males, and East Black Sea region at 41.4% for the females. The region where the employment rate was lowest was Southeastern Anatolia at 13.0% and 8.9% for the males and females, respectively.

2.3.3 Sectoral Development of Employment

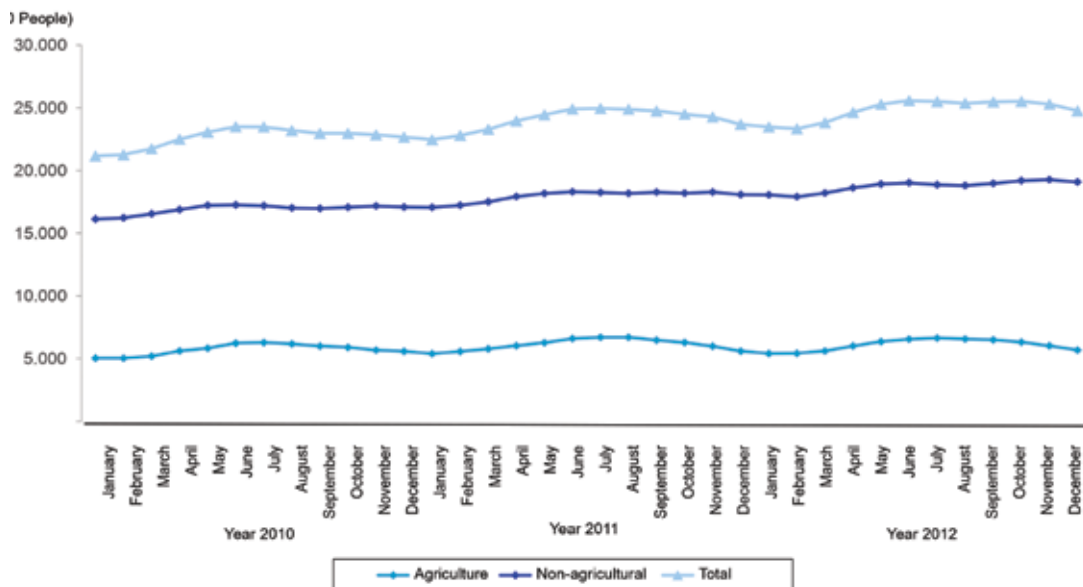
In 2012, the number of people employed in the agricultural sector Turkey-wide decreased 7.0% compared to 2011, and fell from 6,143 thousand to 6,097 thousand, and the number of people employed in the industrial sector increased 1.3% and rose from 6,380 thousand to 6,460 thousand. The number of people employed in the service sector increased 5.8% and climbed from 11,587 thousand to 12,264 thousand. Within the total employment, the share of the agricultural sector was 24.6%, the share of the industrial sector was 26.0%, and the share of the service sector was 49.4% (See Table 135, Graphs 54 and 55).

Table 135. Employment of Non-institutional Population Aged 15+ by Sectors

				(000 People)					
Sektörler	2010	2011	2012	Ratio within the Total			Rate of Change		
				2010	2011	2012	2010	2011	2012
Urban									
Agriculture	701	783	744	4,8	5,0	4,6	19,0	11,7	-5,0
Industry ⁽¹⁾	4.888	5.158	5.256	33,3	33,3	32,5	11,1	5,5	1,9
Service	9.090	9.566	10.168	61,9	61,7	62,9	2,7	5,2	6,3
Total	14.679	15.507	16.168	100,0	100,0	100,0	6,1	5,6	4,3
Rural									
Agriculture	4.981	5.360	5.353	62,9	62,3	61,9	7,1	7,6	-0,1
Industry ⁽¹⁾	1.039	1.222	1.204	13,1	14,2	13,9	5,3	17,6	-1,5
Service	1.895	2.021	2.097	23,9	23,5	24,2	5,3	6,6	3,8
Total	7.915	8.603	8.654	100,0	100,0	100,0	6,4	8,7	0,6
Turkey									
Agriculture	5.683	6.143	6.097	25,2	25,5	24,6	8,5	8,1	-0,7
Industry ⁽¹⁾	5.927	6.380	6.460	26,2	26,5	26,0	10,1	7,6	1,3
Service	10.985	11.587	12.264	48,6	48,1	49,4	3,1	5,5	5,8
Total	22.595	24.110	24.821	100,0	100,0	100,0	6,2	6,7	2,9

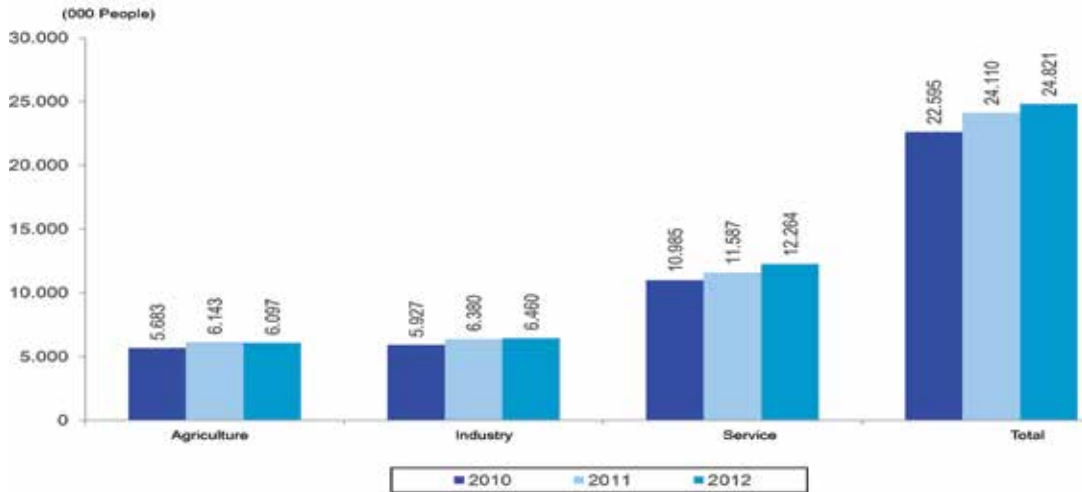
Source: TURKSTAT.

(1): The industrial sector covers also the construction sector.



Source: TURKSTAT.

Graph 54. Employment of Non-institutional Population Aged 15+ in Agricultural and Non-agricultural Sectors by Months



Source: TURKSTAT.

Graph 55. Sectoral Employment of Non-institutional Population Aged 15+ by Years

When the rates of change in the number of the people in terms of urban and rural sections are analyzed, the number of the people employed in the agricultural sector increased 5.0% in the urban segment, and decreased 1.0% in the rural segment, and became 744 thousand and 5,353 thousand, respectively. The number of the people employed in the industrial sector increased 1.9% in the urban segment compared to the previous year and reached 5,256 thousand, and decreased 1.5% in the rural segment and declined to 1,204 thousand. The number of people employed in the service sector increased 6.3% in the urban segment and rose to 10,168 thousand and increased 3.8% in the rural segment and climbed to 2,097 thousand.

Of the people employed in the urban segment, 62.9% are employed in the service sector, 32.5% are employed in the industrial sector, and 4.6% are employed in the agricultural sector. Of the people employed in the rural segment, 24.2%, 61.9%, and 13.9% are employed in the service, agricultural and industrial sectors, respectively.

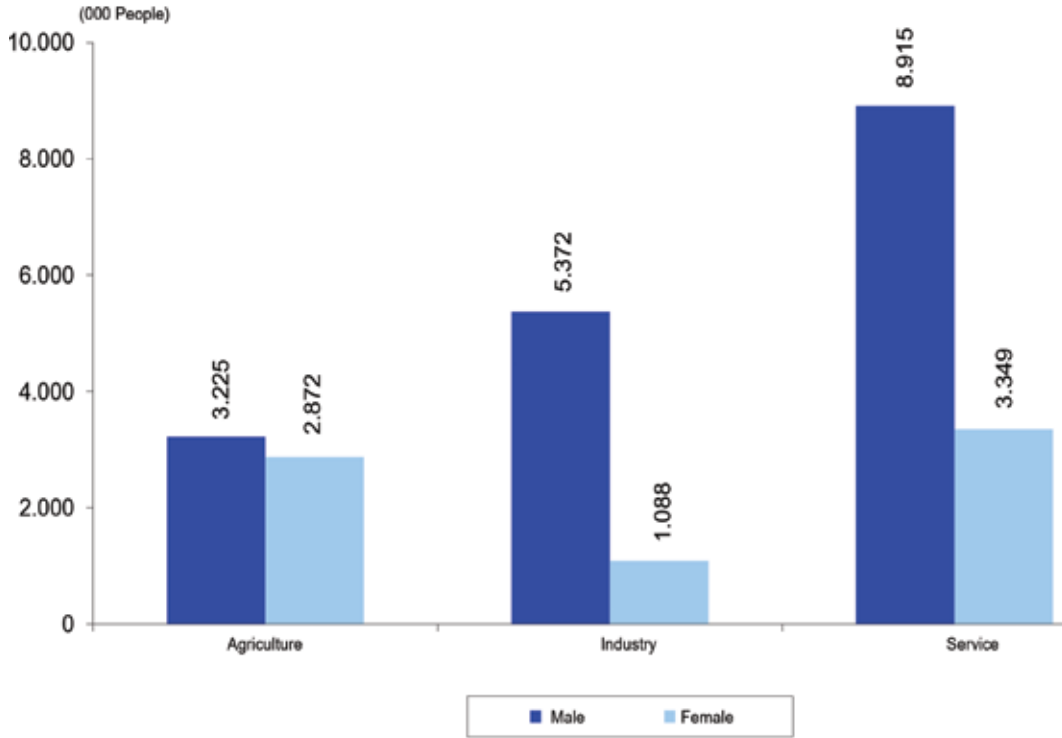
When the sectoral distribution of employment in 2012 is analyzed according to NUTS Level - 1, it is observed that the agricultural sector takes the highest value in Aegean region with 1,137 thousand, and the lowest value in Istanbul with 26 thousand. The industrial sector takes highest value in Istanbul region with 1,648 thousand and the lowest value in Northeastern Anatolia region with 86 thousand. The service sector, just like the industrial sector, takes highest value in Istanbul region with 2,819 thousand and the lowest value in Northeastern Anatolia region with 266 thousand (See Table 136, Graph 56).

Table 136. Work Sectors of Non-institutional Population aged 15+ by Gender in 2012 as per NUTS Level-1

Region Code	NUTS Level – 1	Sectors (1)	(000 People)							
			Male		Female		Total		Ratio of Employed Male Population to Female Population	Ratio of Males within the Total Employed Population
			Number	Ratio within Turkey	Number	Ratio within Turkey	Number	Ratio within the Total		
TR1	Istanbul	Agriculture	20	0,1	6	0,1	26	0,1	3,3	76,9
		Industry	1.303	7,4	345	4,7	1.648	6,6	3,8	79,1
		Service	1.958	11,2	861	11,8	2.819	11,4	2,3	69,5
		Total	3.281	18,7	1.212	16,6	4.493	18,1	2,7	73,0
TR2	West Marmara	Agriculture	185	1,1	134	1,8	319	1,3	1,4	58,0
		Industry	271	1,5	85	1,2	356	1,4	3,2	76,1
		Service	408	2,3	165	2,3	573	2,3	2,5	71,2
		Total	864	4,9	384	5,3	1.248	5,0	2,3	69,2
TR3	Aegean	Agriculture	593	3,4	544	7,4	1.137	4,6	1,1	52,2
		Industry	726	4,1	177	2,4	903	3,6	4,1	80,4
		Service	1.171	6,7	520	7,1	1.691	6,8	2,3	69,2
		Total	2.490	14,2	1.241	17,0	3.731	15,0	2,0	66,7
TR4	East Marmara	Agriculture	230	1,3	207	2,8	437	1,8	1,1	52,6
		Industry	784	4,5	186	2,5	970	3,9	4,2	80,8
		Service	812	4,6	334	4,6	1.146	4,6	2,4	70,9
		Total	1.826	10,4	727	9,9	2.553	10,3	2,5	71,5
TR5	West Anatolia	Agriculture	181	1,0	133	1,8	314	1,3	1,4	57,6
		Industry	475	2,7	72	1,0	547	2,2	6,6	86,8
		Service	1.055	6,0	427	5,8	1.482	6,0	2,5	71,2
		Total	1.711	9,8	632	8,6	2.343	9,4	2,7	73,0
TR6	Mediterranean	Agriculture	514	2,9	438	6,0	952	3,8	1,2	54,0
		Industry	541	3,1	81	1,1	622	2,5	6,7	87,0
		Service	1.171	6,7	460	6,3	1.631	6,6	2,5	71,8
		Total	2.226	12,7	979	13,4	3.205	12,9	2,3	69,5
TR7	Central Anatolia	Agriculture	268	1,5	229	3,1	497	2,0	1,2	53,9
		Industry	244	1,4	25	0,3	269	1,1	9,8	90,7
		Service	385	2,2	111	1,5	496	2,0	3,5	77,6
		Total	897	5,1	365	5,0	1.262	5,1	2,5	71,1
TR8	West Black Sea	Agriculture	341	1,9	376	5,1	717	2,9	0,9	47,6
		Industry	248	1,4	50	0,7	298	1,2	5,0	83,2
		Service	479	2,7	172	2,4	651	2,6	2,8	73,6
		Total	1.068	6,1	598	8,2	1.666	6,7	1,8	64,1
TR9	East Black Sea	Agriculture	234	1,3	335	4,6	569	2,3	0,7	41,1
		Industry	126	0,7	12	0,2	138	0,6	10,5	91,3
		Service	245	1,4	79	1,1	324	1,3	3,1	75,6
		Total	605	3,5	426	5,8	1.031	4,2	1,4	58,7
TRA	Northeast Anatolia	Agriculture	170	1,0	150	2,1	320	1,3	1,1	53,1
		Industry	79	0,5	7	0,1	86	0,3	11,3	91,9
		Service	219	1,3	47	0,6	266	1,1	4,7	82,3
		Total	468	2,7	204	2,8	672	2,7	2,3	69,6
TRB	Central Eastern Anatolia	Agriculture	230	1,3	220	3,0	450	1,8	1,0	51,1
		Industry	172	1,0	18	0,2	190	0,8	9,6	90,5
		Service	364	2,1	75	1,0	439	1,8	4,9	82,9
		Total	766	4,4	313	4,3	1.079	4,3	2,4	71,0
TRC	Southeastern Anatolia	Agriculture	259	1,5	100	1,4	359	1,4	2,6	72,1
		Industry	402	2,3	30	0,4	432	1,7	13,4	93,1
		Service	650	3,7	98	1,3	748	3,0	6,6	86,9
		Total	1.311	7,5	228	3,1	1.539	6,2	5,8	85,2
TR	Turkey	Agriculture	3.225	18,4	2.872	39,3	6.097	24,6	1,1	52,9
		Industry	5.372	30,7	1.088	14,9	6.460	26,0	4,9	83,2
		Service	8.915	50,9	3.349	45,8	12.264	49,4	2,7	72,7
		Total	17.512	100,0	7.309	100,0	24.821	100,0	2,4	70,6

Source: TURKSTAT.

(1): The industrial sector covers also the construction sector.



Source: TURKSTAT.

Graph 56. Work Sectors of Non-institutional Population Aged 15+ by Gender in 2012

2.3.4 State of Employees at Work

In 2012, within the non-institutional population aged 15+, 15,619 thousand are employed as waged, salaried and casual workers, 5,933 thousand are employers or self-employed people, and 3,268 thousand are unpaid family workers.

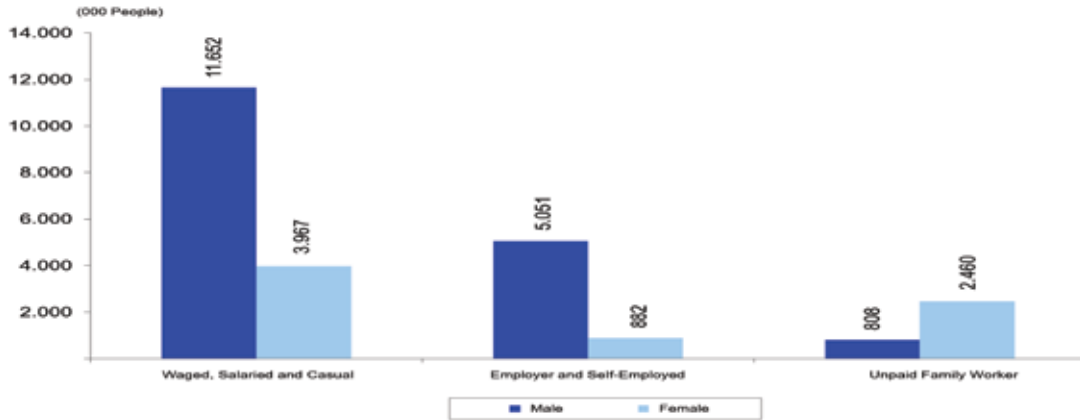
In the evaluation of employment according to the status at work, the waged, salaried and casual workers take highest value in Istanbul region with 3,681 thousand and the lowest value in Northeastern Anatolia region with 283 thousand. Employers and self-employed people take highest value in the Aegean region with 936 thousand and the lowest value in Northeastern Anatolia region with 195 thousand. Unpaid family workers take highest value in the Aegean region with 647 thousand and the lowest value in Istanbul region with 51 thousand. From these data, it is observed that the waged, salaried and casual workers are concentrated most in Istanbul region, whereas the employers, self-employed entrepreneurs, and unpaid family workers are concentrated most in the Aegean region (See Table 137, Graph 57).

Table 137. Work Status of Non-institutional Working Population aged 15+ by Gender in 2012 as per NUTS Level-1

(000 People)

Region Code	NUTS Level – 1	Status at Work	Male		Female		Total		Ratio of Employed Male Population to Female Population	Ratio of Males within the Total Employed Population
			Number	Ratio within Turkey	Number	Ratio within Turkey	Number	Ratio within the Total		
TR1	Istanbul	Waged, salaried and casual	2.620	15,0	1.061	14,5	3.681	14,8	2,5	71,2
		Employer and self-employed	642	3,7	117	1,6	759	3,1	5,5	84,6
		Unpaid family worker	18	0,1	33	0,5	51	0,2	0,5	35,3
		Total	3.280	18,7	1.211	16,6	4.491	18,1	2,7	73,0
TR2	West Marmara	Waged, salaried and casual	525	3,0	207	2,8	732	2,9	2,5	71,7
		Employer and self-employed	295	1,7	38	0,5	333	1,3	7,8	88,6
		Unpaid family worker	43	0,2	138	1,9	181	0,7	0,3	23,8
		Total	863	4,9	383	5,2	1.246	5,0	2,3	69,3
TR3	Aegean	Waged, salaried and casual	1.526	8,7	622	8,5	2.148	8,7	2,5	71,0
		Employer and self-employed	825	4,7	111	1,5	936	3,8	7,4	88,1
		Unpaid family worker	139	0,8	508	7,0	647	2,6	0,3	21,5
		Total	2.490	14,2	1.241	17,0	3.731	15,0	2,0	66,7
TR4	East Marmara	Waged, salaried and casual	1.352	7,7	477	6,5	1.829	7,4	2,8	73,9
		Employer and self-employed	412	2,4	71	1,0	483	1,9	5,8	85,3
		Unpaid family worker	63	0,4	179	2,4	242	1,0	0,4	26,0
		Total	1.827	10,4	727	9,9	2.554	10,3	2,5	71,5
TR5	West Anatolia	Waged, salaried and casual	1.251	7,1	449	6,1	1.700	6,8	2,8	73,6
		Employer and self-employed	405	2,3	59	0,8	464	1,9	6,9	87,3
		Unpaid family worker	55	0,3	125	1,7	180	0,7	0,4	30,6
		Total	1.711	9,8	633	8,7	2.344	9,4	2,7	73,0
TR6	Mediterranean	Waged, salaried and casual	1.418	8,1	487	6,7	1.905	7,7	2,9	74,4
		Employer and self-employed	700	4,0	146	2,0	846	3,4	4,8	82,7
		Unpaid family worker	107	0,6	346	4,7	453	1,8	0,3	23,6
		Total	2.225	12,7	979	13,4	3.204	12,9	2,3	69,4
TR7	Central Anatolia	Waged, salaried and casual	515	2,9	115	1,6	630	2,5	4,5	81,7
		Employer and self-employed	298	1,7	50	0,7	348	1,4	6,0	85,6
		Unpaid family worker	85	0,5	201	2,8	286	1,2	0,4	29,7
		Total	898	5,1	366	5,0	1.264	5,1	2,5	71,0
TR8	West Black Sea	Waged, salaried and casual	563	3,2	190	2,6	753	3,0	3,0	74,8
		Employer and self-employed	418	2,4	70	1,0	488	2,0	6,0	85,7
		Unpaid family worker	88	0,5	339	4,6	427	1,7	0,3	20,6
		Total	1.069	6,1	599	8,2	1.668	6,7	1,8	64,1
TR9	East Black Sea	Waged, salaried and casual	284	1,6	82	1,1	366	1,5	3,5	77,6
		Employer and self-employed	291	1,7	143	2,0	434	1,7	2,0	67,1
		Unpaid family worker	29	0,2	200	2,7	229	0,9	0,1	12,7
		Total	604	3,4	425	5,8	1.029	4,1	1,4	58,7
TRA	Northeast Anatolia	Waged, salaried and casual	236	1,3	47	0,6	283	1,1	5,0	83,4
		Employer and self-employed	174	1,0	21	0,3	195	0,8	8,3	89,2
		Unpaid family worker	57	0,3	135	1,8	192	0,8	0,4	29,7
		Total	467	2,7	203	2,8	670	2,7	2,3	69,7
TRB	Central Eastern Anatolia	Waged, salaried and casual	446	2,5	85	1,2	531	2,1	5,2	84,0
		Employer and self-employed	243	1,4	34	0,5	277	1,1	7,1	87,7
		Unpaid family worker	77	0,4	193	2,6	270	1,1	0,4	28,5
		Total	766	4,4	312	4,3	1.078	4,3	2,5	71,1
TRC	Southeastern Anatolia	Waged, salaried and casual	916	5,2	144	2,0	1.060	4,3	6,4	86,4
		Employer and self-employed	349	2,0	21	0,3	370	1,5	16,6	94,3
		Unpaid family worker	47	0,3	63	0,9	110	0,4	0,7	42,7
		Total	1.312	7,5	228	3,1	1.540	6,2	5,8	85,2
TR	Turkey	Waged, salaried and casual	11.652	66,5	3.967	54,3	15.619	62,9	2,9	74,6
		Employer and self-employed	5.051	28,8	882	12,1	5.933	23,9	5,7	85,1
		Unpaid family worker	808	4,6	2.460	33,7	3.268	13,2	0,3	24,7
		Total	17.512	100,0	7.309	100,0	24.821	100,0	2,4	70,6

Source: TURKSTAT.



Source: TURKSTAT.

Graph 57. Work Status of Non-institutional Employed Population Aged 15+ by Gender in 2012

2.3.5 Collective Labor Agreement and Fees

In 2012, the number of collective labor agreements as well as the workplaces and workers covered by such agreements decreased 20.5%, 52.0%, and 45.2%, respectively, compared to the previous year. Of the total 231,872 workers covered by the collective labor agreements, 103,103 which correspond to 44.5% work in the public sector, 128,769 which correspond to 55.5% work in the private sector (See Table 138).

Table 138. Workplaces and Number of Workers Covered by Collective Labor Agreement

Floating	2010		2011		2012 ⁽¹⁾	
	Number	Rate of Change	Number	Rate of Change	Number	Rate of Change
Number of agreements made	1.662	-16,7	1.939	16,7	1.541	-20,5
Number of workplaces	9.033	-21,8	14.057	55,6	6.746	-52,0
Number of Workers						
Public	166.294	-42,4	141.979	-14,6	103.103	-27,4
Private	172.377	-20,3	280.823	62,9	128.769	-54,1
Total	338.671	-32,9	422.802	24,8	231.872	-45,2
Ratio of Workers						
Public	49,1		33,6		44,5	
Private	50,9		66,4		55,5	
Total	100,0		100,0		100,0	

Source: Ministry of Labor and Social Security

(1): The information is provisional.

As with 2011, no lockout took place in 2012. When the strikes in 2012 are examined, no strike took place in the public sector, 8 strikes took place in the private sector. 768 workers participated in 8 strikes in the private sector, and 36,073 workdays were lost (See Table 139).

Table 139. Strike Applications

Sector	Number of Strikes Occurred		Number of Workers Participated in the Strikes			Workdays Lost			Rate of Change of the Workdays Lost		
	2010	2011	2010	2011		2010	2011	2012 ⁽¹⁾	2010	2011	2012 ⁽¹⁾
Public	0	0	0	406	0	0	2.030	0	0		
Private	10	9	8	402	557	768	35.732	13.273	36.073	-87,7	-62,9
Total	11	9	8	808	557	768	37.762	13.273	36.073	-87,0	-64,9

Source: Ministry of Labor and Social Security

(1): The information is provisional.

In 2012, the net worker wages covered by the collective labor agreements in the public sector increased 7.3% compared to the previous year and rose to 2,570.1 ₺/month, the labor force cost increased 7.2% and rose to 4,766.7 ₺/month, and the worker wages decreased 1.4% in real terms, and the labor force cost increased 1.0% in real terms.

As the year 2012 data for the private sector have not yet been announced, the net worker wages increased 11.6% in nominal terms compared to the previous year and rose to 1,855.7 ₺/ month, and the labor force costs increased 11.6% in nominal terms and reached 3,406.3 ₺/ month according to the year 2011 data. In 2011, the worker wages net received in real terms and labor force costs in the private sector increased 4.8% and 5.0% in real terms compared to the previous year (See Table 140).

Table 140. Developments in Worker Salaries covered by the Collective Labor Agreement

							("/Month)
Years	Net Received			Labor Force Cost			
	Wage ⁽¹⁾	Nominal Increase Rate	Real Increase ⁽²⁾ Rate	Value	Nominal Increase Rate	Real Increase ⁽³⁾ Rate	
Public Sector ⁽⁴⁾							
2010	2.210,47	4,6	-3,6	4.179,40	6,9	-1,5	
2011	2.394,58	8,3	1,7	4.448,48	6,4	-4,2	
2012	2.570,12	7,3	-1,4	4.766,69	7,2	1,0	
Private Sector ⁽⁵⁾							
2010	1.662,85	8,9	0,3	3.052,19	7,2	-1,2	
2011	1.855,74	11,6	4,8	3.406,25	11,6	0,5	
Public Sector/Private Sector							
2010	1,33			1,37			
2011	1,29			1,31			

Source: Public Sector Employer Unions, Confederation of Employer Unions of Turkey, Ministry of Development, TURKSTAT

(1): For single employees, the net wage received includes the minimum living allowance.

(2): In the calculation of the real increase in the net wage received, TURKSTAT's 2003 basic year Consumer Price Index was used.

(3): In the calculation of the real increase in the labor force cost, TURKSTAT's 2003 basic year Producer Price Index was used.

(4): Municipalities were excluded.

(5): As the year 2012 data for the private sector were not announced at the time of preparation of the report, the relevant data could not be presented.

As the private sector data in the scope of collective labor agreement were not published at the time of preparation of the report, the public sector and private sector comparisons are based on 2011 data. In 2011, the worker wages in real terms increased 1.7% and 4.8% in the public and private sectors, respectively. From these data, it is seen that the increase rate in the worker wages of the private sector was 2.8 times the increase rate in the worker wages of the public sector. In 2011, the labor force costs in real terms decreased 4.2% and increased 5.0% in the public and private sectors, respectively.

In 2012, the daily legal gross minimum wage was established as 29.6 for people aged above 16, and as 25.4 for people aged below 16 in the first half of the year, and as 31.4 for people aged above 16, and as 26.9 for people aged below 16 in the second half of the year. The monthly gross minimum wage was increased 5.9% and established as 886.5 for people aged above 16,

and as ₺760.5 for people aged below 16 in the first half of the year, and as ₺940.5 for people aged above 16, and as ₺805.5 for people aged below 16 in the second half of the year (See Table 141),

As the private sector data in the scope of collective labor agreement were not published at the time of preparation of the report, the public sector and private sector comparisons are based on 2011 data. In 2011, the worker wages in real terms increased 1.7% and 4.8% in the public and private sectors, respectively. From these data, it is seen that the increase rate in the worker wages of the private sector was 2.8 times the increase rate in the worker wages of the public sector. In 2011, the labor force costs in real terms decreased 4.2% and increased 5.0% in the public and private sectors, respectively.

In 2012, the daily legal gross minimum wage was established as ₺29.6 for people aged above 16, and as ₺25.4 for people aged below 16 in the first half of the year, and as ₺31.4 for people aged above 16, and as ₺26.9 for people aged below 16 in the second half of the year. The monthly gross minimum wage was increased 5.9% and established as ₺886.5 for people aged above 16, and as ₺760.5 for people aged below 16 in the first half of the year, and as ₺940.5 for people aged above 16, and as ₺805.5 for people aged below 16 in the second half of the year (See Table 141),

Table 141. Daily and Monthly Gross Minimum Wages by Years

Years	Periods ⁽¹⁾	Gross Wage for People aged above 16		Rate of Change Compared to Previous Period	Rate of Change Compared to the Same Period of the Previous Year	Gross Wage for People aged below 16		Rate of Change Compared to Previous Period	Rate of Change Compared to the Same Period of the Previous Year
		Daily	Monthly			Daily	Monthly		
2010	1. Six months	24,3	729,0	5,2	9,5	20,7	621,0	5,3	9,5
	2. Six months	25,4	760,5	4,3	9,7	21,6	648,0	4,3	9,9
2011	1. Six months	26,6	796,5	4,7	9,3	22,7	679,5	4,9	9,4
	2. Six months	27,9	837,0	5,1	10,1	23,9	715,5	5,3	10,4
2012	1. Six months	29,6	886,5	5,9	11,3	25,4	760,5	6,3	11,9
	2. Six months	31,4	940,5	6,1	12,4	26,9	805,5	5,9	12,6

Source: Ministry of Labor and Social Security

In 2012, compared to the previous year, the minimum wage increased 5.9% for people aged above 16, and 6.3% for people aged below 16 in the first half of the year, and increased 6.1% for people aged above 16, and as %5.9 for people aged below 16 in the second half of the year,

In 2012, the net received average civil servant salary increased 13.7% in nominal terms, and rose to ₺1,909.7 per month in nominal terms, and the average salary cost increased 13.1% and reached ₺2,512.5 per month. In real terms, the net average state servant salary increased 4.5%, and the average salary cost increased 6.6% (See Table 142).

Table 142. Nominal and Real Changes in Civil Servant Salaries

Years	Net Salary ⁽¹⁾			Salary Cost		
	Weighted Average Salary (2)	Nominal Artış Oranı	Reel Artış Oranı ⁽³⁾	Ortalama Maaş Maliyeti	Nominal Artış Oranı	Reel Artış Oranı ⁽⁴⁾
2010	1.483,45	7,0	-1,4	1.983,76	7,0	-1,4
2011	1.679,03	13,2	6,3	2.221,36	12,0	0,8
2012	1.909,70	13,7	4,5	2.512,52	13,1	6,6

Source: Ministry of Finance, TURKSTAT, Ministry of Development

(1): For single employees., the average net salary includes the minimum living allowance.

(2): Excludes the family benefit, state of emergency compensation, additional compensation payable for regions prioritized in development, overtime works payable over the highest civil servant salary, and payment out of the Income Administration Development Funds, and includes lodging compensation. The weighted average of all classes have been calculated.

(3): It shows the real change compared to the previous year. In the calculation of the real increases, TURKSTAT's 2003 basic year Consumer Price Index was used.

(4): It shows the real change compared to the previous year. In the calculation of the real increases, TURKSTAT's 2003 basic year Producer Price Index was used.

3. 2023 TARGETS AND TURKEY

The 63 targets, which have been listed under five main headings, set by the government for 2023, the 100th Anniversary of the Republic of Turkey, aim to increase the importance of Turkey in the world economy, to elevate Turkey to a leading position, to create a livable environment for citizens, and to establish a strong community that exists under advanced democracy. Accordingly, it is aimed to strengthen the social structure and carry Turkey to a stronger position in the international arena on the one hand, and to sustain economic growth on the other hand.

The national income per capita in Turkey reached 50% of the average in the European Union in 2011. The economic targets set under the 2023 targets call for a faster growth and various structural transformations in economy. With the changes in the economy policy, it is possible that Turkey may become one of the biggest 10 economies of the world in 10 years, its economic size may reach US\$ 2 trillion, and per capita national income may exceed US\$ 25 thousand, and exports may reach US\$ 500 billion.

The two countries that displayed a performance similar to the economic growth which Turkey plans to realize are Japan and South Korea. The present national income per capita in Turkey is equal to the per capita national income of Japan in 1954 and of South Korea in 1982. Japan managed to double its national income in 13 years and South Korea in 14 years. To that end, both countries set economic targets, and then designed and implemented economic policies to reach those targets. The example set by these two countries are important as they show that it is possible for Turkey to attain its 2023 targets. However, the economy policies that will enable to reach 2023 targets must be designed properly and consistently, and the policies must not be conceded. In this direction, the actions to be taken can be listed under three headings: These are:

- To re-design the industrial and technological policies to encourage entrepreneurship in Turkey and innovation in the companies.
- To introduce policies which promote to develop the levels of skill of the labor force and to encourage women to enter the business life.
- To strengthen the institutional structure.

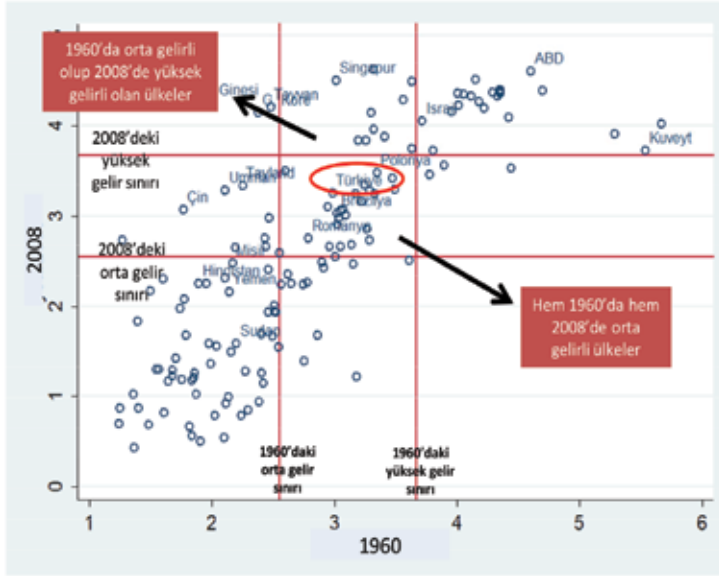
The fast transformation which the world economy undergoes recently requires a similar transformation in the Turkish manufacturing sector. The international production chains have enabled several products to be manufactured globally, and the added value which the countries derive from such chains have led to changes. While the countries with advanced manufacturing industries realize those steps of the production chains where more added value is produced such as R&D and design, the rest of the countries can take part in those production processes which require lower costs and which have less added value. In the present global production chains, it is important that Turkish companies are involved in production steps with higher added value, and a transformation which will serve such purpose is encouraged.

Although Turkey is recently transiting from a low technology production structure to a medium technology production structure, the share of the high technology within the total exports is still low. In the European Union, which is the biggest export market for Turkey and which is integrated most strongly into the production chains, the category in which Turkey is strongest is the low technology products, however, the fastest growth is experienced in the medium technology products. While Turkey's export basket has been successfully diversified recently, the same degree of success has not been attained in the development of sophistication.

It is not possible to reach the export sophistication level of the developed countries without increasing the share of high technology products in the production and export basket. In order to realize such an increase, a modern industry and technology policy which is supported by education policies must be adopted. A potential increase in export sophistication will increase Turkey's competitive power, and reduce the risk of remaining in the medium income level.

Türkiye orta gelir seviyesinde kalmıştır, bunu değiştirmek için imalat sanayisinde dönüşüm şarttır.

Ülkelerin 1960 ve 2008 gelirlerine göre bulundukları gelir sınıflaması (Kişi başına gelirin logaritması)



Kaynak: Dünya Bankası Kalkınma Göstergeleri, TEPAV Hesaplamaları

The medium-income trap which Turkey is face to face is a serious issue. In order to avoid this problem and to expand economy, a serious transformation in the manufacturing industry is necessary. Countries like Taiwan, Singapore, South Korea which had a medium income level in 1960s and have a high income level today have attained success by transforming their manufacturing industries. In order to increase technological level in the manufacturing industry, Turkey has to investigate the production structures of the countries it wishes to liken to, and design the transformation of its manufacturing industry accordingly.

Identifying the prominent sectors of the manufacturing industry and executing research and development activities in these sectors are among the main activities which will facilitate the attainment of our 2023 targets. For this purpose, mechanisms that will enable to improve basic sciences and to commercialize the inventions in these areas so that they can be used in the manufacturing industry must be designed. As the machinery, chemical products, and pharmaceutical production which are mainly dominated by developed countries provide inputs to the other sectors in the manufacturing industry, such sectors must be supported by incentives.

After the crisis, the share of our manufacturing industry in the European Union Market did not change, but the share in the Middle East and North Africa increased. This supported the recovery of exports after the 2008 financial crisis. However, the transformation of the manufacturing

industry in the last 20 years is directly affected from our economic relations with EU. While Turkey had an export basket which was based on natural resources and agriculture, today our export basket resembles the export baskets of the countries that became members of the EU in 2000s. This is mainly because Turkish companies managed to integrate into the production chains in the EU. Therefore, the European Union is not only a big export market for Turkey, but also an important factor for the transformation of its manufacturing industry. In this connection, the transformation of the manufacturing industry must be underpinned by policies which enhance access the markets as in the developed EU countries and USA.

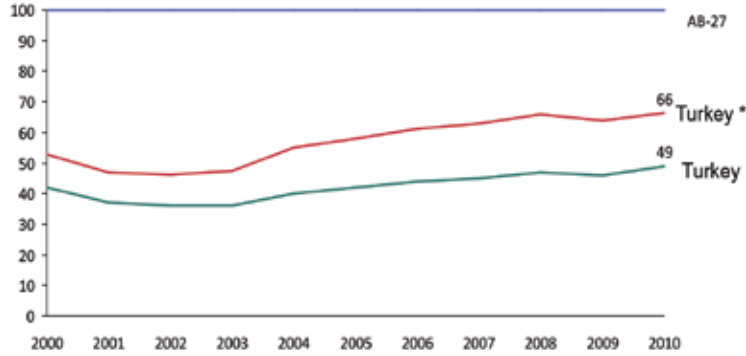
One of the most important restrictions which slow the transformation of the Turkish manufacturing sector is the low educational level. In Turkey, the average education period is still 6.5 years. With this educational level, Turkey is one of the countries among the OECD countries in which the employees' educational level is poor. The ageing population in developed countries offers an important demographic opportunity window for countries which have a young population like Turkey. The increase of the period of compulsory education to 8 years first and then to 12 years with the reforms in the education system will lead to the improvement of the average educational period in years. However, the quantitative increase in education must be accompanied by the increase in quality.

The fact that the average educational period in Turkey and the employees' educational level are low makes it difficult to deploy the technological infrastructure required to reach the 2023 targets and also has a negative impact on the global competitiveness of our companies. In order to reverse this situation, it is necessary to increase the quality of education received by young people, and to take measures designed to improve the skill sets of the employees. Therefore, the incompatibility between the skills which employers seek in their employees and the qualifications which the employees have will be reduced, and it will be possible to walk towards the targets collectively. The UMEM Beceri'10 Project which the Union of Chambers and Commodity Exchanges of Turkey carries out in cooperation with the ministries, TOBB Economy and Technology University is a very important step taken in the area of vocational education. This project forms a basis to increase educational level and raise quality, to improve the qualifications of the employees, to elevate the general quality of production and to increase the sophistication of export. The improvements in the educational quality are necessary also to transform the production pattern.

One of the most important problems in Turkey and one of the greatest obstacles before the attainment of 2023 targets is the low participation of women in work life. In 2012, the participation rate in the labor force was 71% for men, and 29.55 for women. With this rate, Turkey is ranked in the last place among the OECD countries. Turkey is below the OECD average in terms of female entrepreneurs. The share of female entrepreneurs within the female employees is 2% in the OECD and 1% in Turkey. However, the participation of women in the labor force and in the business life is one of the most important factors that will enable to increase national income. The supports lent by TOBB to the Women Entrepreneurs Board and the entrepreneurship of women are important steps taken in this area.

Deficiencies and problems in the corporate infrastructure prevent the transformation in the manufacturing industry, and make it difficult to reach 2023 targets. The structure of the tax system promotes the black economy. This situation discourages high quality industrial activities virtually all of which are recorded activities, and hinders the transformation strategy.

Had the women's participation rate in the labor force been equal to the average of EU-27, our income could achieve 70 percent of EU.

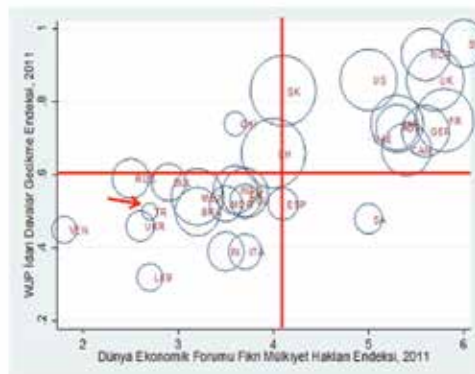


Source: TURKSTAT, EUROSAT

The red line is the hypothetical income curve where women's participation rate in the labor force is equal to the average of EU-27.

Another important problem related to corporate infrastructure is the insufficiently effective judicial system. Turkey is currently a company that imports intellectual and industrial property rights. However, in order for the industrial transformation to be successful, measures must be taken to support Turkey to become an exporter in that area. Under the current circumstances, the length of solution of lawsuits hinder the protection of intellectual property rights and the creation of production processes in the manufacturing industry which are based on design and use advanced technology. Activities based on high technology and innovation can be realized through ecosystems where property rights are protected. To create and improve such an ecosystem, an effective dispute resolution mechanism must be designed and applied. In the recent years, important steps have been taken in this area, but various problems in practice slow down the transformation in the industry.

Adalet sisteminin etkin işlediği, fikri ve sınai mülkiyet haklarının korunduğu ülkelerde ileri teknoloji ürünlerin toplam ihracattaki payı yüksektir.



İdari Davalar Gecikme Endeksi, davaların hızlı sonuçlandırıldığı ülkelerde 1'e yaklaşılmaktadır. Fikri Mülkiyet Hakları Endeksi, bu hakların iyi korunduğu ülkelerde 6'ya yaklaşılmaktadır. Balonların büyüklüğü, ülkelerin ileri teknoloji gerektiren ürün ihracatlarının toplam ihracatlarındaki payını temsil etmektedir.

Kaynak: World Justice Project Rule of Law Index, World Economic Forum Competitiveness Report, Kalınma Göstergeleri

If industry and technology policies which will enable the transformation of the manufacturing industry and the improvements in the corporate infrastructure are supported by the improvement of the labor force skill set, Turkey may attain its 2023 targets, and be ranked among the biggest 10 economies of the world. Turkey has the potential to realize its targets in 10 years, and in this con-

nection, the pre-planning of the steps and policies to be implemented in cooperation with the public and private sectors will be essential elements that will take our country to these targets.

Annex

Selected Economic and Social Indicators for the Period 2007 – 2012

I. ECONOMIC INDICATORS	2007	2008	2009	2010	2011	2012
GROSS DOMESTIC PRODUCT						
At Current Prices (Million ₺)	843.178	950.534	952.559	1.098.799	1.297.713	1.416.817
At Current Prices (Million \$)	648.754	742.094	616.703	731.608	773.980	786.293
At Fixed Prices (Million ₺)	101.255	101.922	97.003	105.886	115.175	117.754
GROWTH RATE (As per 1998 basic prices, %)						
Agriculture	-6,7	4,3	4,3	2,4	6,1	3,5
Industry	5,8	0,3	0,3	12,8	9,7	2,0
Construction	5,7	-8,1	-8,1	18,3	11,5	0,6
Service ⁽¹⁾	6,4	2,3	2,3	7,7	8,8	2,6
GDP	4,7	0,7	0,7	9,2	8,8	2,2
GDP-SECTORAL DISTRIBUTION (at Current Prices, %)						
Agriculture	7,6	7,6	8,3	8,4	8,0	7,9
Industry	20,0	19,8	19,1	19,4	19,9	19,3
Construction	4,9	4,7	3,8	4,2	4,5	4,4
Service ⁽¹⁾	57,0	57,8	59,5	57,2	56,3	57,5
PRODUCTION						
Agricultural added value (As per 1998 basic prices, Million ₺)	9.047	9.434	9.769	9.999	10.605	10.977
Industrial added value (As per 1998 basic prices, Million ₺)	27.131	27.212	25.333	28.586	31.359	31.972
Manufacturing industry production index	114,4	112,7	99,9	114,3	124,8	127,3
Manufacturing industry capacity usage rate	80,2	76,7	65,2	72,6	75,4	74,2
INVESTMENT						
Fixed capital investments (At current prices, Million ₺)	183.416	192.093	163.986	211.330	286.629	319.042
Public	32.525	39.061	39.173	47.003	53.247	61.832
Private	150.891	153.033	124.813	164.326	233.382	257.210
Investment incentive certificates (Number)	2.813	3.036	2.366	4.304	4.484	4.355
Agriculture	99	95	90	496	256	126
Mining	123	134	139	262	290	287
Manufacturing	1.701	2.015	1.482	2.361	2.490	2.597
Energy	92	137	112	162	212	198
Service	798	655	543	1.082	1.254	1.157
PRICE MOVEMENTS						
Annual average (Rates of change according to twelve monthly averages)						
PPI rate of change	6,31	12,72	1,23	8,52	11,09	6,09
CPI rate of change	8,76	10,44	6,25	8,57	6,47	8,89
Year-end (Rate of change according to December previous year)						
PPI rate of change	5,94	8,11	5,93	8,87	13,33	2,45
CPI rate of change	8,39	10,06	6,53	6,40	10,45	6,16
CASH-BANK (Million ₺)						
M1	77.675	83.381	107.051	133.885	148.455	167.405
M2	345.028	434.205	494.024	587.815	665.642	731.771
M3	370.078	458.384	520.674	615.088	690.089	774.652
Credit stock	222.833	278.396	305.478	435.765	584.838	691.146
Deposits	314.042	396.625	444.534	525.307	597.988	657.646
CAPITAL MARKET						
Volume of transactionsV(Million ₺)	387.777	332.615	482.534	636.321	695.338	623.333
Istanbul Stock Exchange Index	55.538	26.864	52.825	66.004	51.267	78.208
PUBLIC FINANCE						
Central government budget (Million ₺)						
Revenues	190.360	209.598	215.458	254.277	296.824	331.700
Expenses	204.068	227.031	268.219	294.359	314.607	360.491
Budget balance	-13.708	-17.433	-52.761	-40.081	-17.783	-28.791
Non-interest balance	35.045	33.229	440	8.217	24.448	19.625

(1): Indirectly measured financial intermediary services, and tax – subsidies are not included in the services.

	2007	2008	2009	2010	2011	2012
Central government debt stock	333.485	380.320	441.509	473.561	518.350	532.001
Domestic debt stock (Million ₺)	255.310	274.827	330.005	352.841	368.778	386.542
Foreign debt stock (Million ₺)	78.175	105.493	111.504	120.720	149.572	145.459
Domestic debt stock (Million ₺)	255.310	274.827	330.005	352.841	368.778	386.542
Bonds	114.193	94.030	98.165	141.583	97.074	84.018
Bills	41.540	44.516	46.762	42.148	35.064	40.702
Privatization transactions (Million \$)	4.259	6.297	2.275	3.085	1.358	3.018
FOREIGN EXCHANGE RATES (Annual average)						
₺/Dollar (Buying)	1,30126	1,29789	1,54679	1,49843	1,67102	1,79227
₺/Euro (Buying)	1,77790	1,89864	2,15003	1,98896	2,32329	2,30429
BALANCE OF PAYMENTS (Million \$)						
Balance of goods	-46.852	-53.021	-24.850	-56.413	-89.139	-65.602
Ihracat FoB	115.361	140.800	109.647	120.902	143.396	163.316
İthalat FoB	-162.213	-193.821	-134.497	-177.315	-232.535	-228.918
Current account balance	-38.335	-41.534	-13.470	-46.837	-77.219	-48.867
Worker remittances	1.209	1.431	1.014	948	1.045	975
Tourism revenues	18.487	21.951	21.250	20.807	23.020	23.441
INTERNATIONAL RESERVES (Gross, Million \$)	111.017	116.897	112.232	110.048	110.558	137.580
DIRECT FOREIGN CAPITAL (Million \$)						
Capital (Net)	18.394	14.712	6.170	6.203	14.064	9.335
Other capital (Net)	727	2.111	711	339	-30	416
Real estate (Net)	2.926	2.937	1.782	2.494	2.013	2.636
Total (Net)	22.047	19.760	8.663	9.036	16.047	12.387
Foreign debt stock (Million \$)	250.328	281.045	269.223	291.924	304.207	336.863
Short term	43.148	52.522	49.020	77.369	81.996	100.951
Long Term	207.180	228.523	220.203	214.555	222.211	235.912
Public	73.525	78.288	83.464	89.076	94.306	103.117
TCMB	15.801	14.066	13.377	11.949	9.871	7.724
Private	161.002	188.691	172.383	190.899	200.030	226.022
IİND SOCIAL INDICATORS	2007	2008	2009	2010	2011	2012
POPULATION						
Total population	70.586.256	71.517.100	72.561.312	73.722.988	74.724.269	75.627.384
Annual population growth rate (%)		13,10	14,50	15,88	13,49	12,01
Urban population	49.747.859	53.611.723	54.807.219	56.222.356	57.385.706	58.448.431
Ratio of urban population to the total population	70,5	75,0	75,5	76,3	76,8	77,3
Rural population	20.838.397	17.905.377	17.754.093	17.500.632	17.338.563	17.178.953
Ratio of rural population to the total population	29,5	25,0	24,5	23,7	23,2	22,7
Population density	92	93	94	96	97	98
Total age dependency rate	50,4	49,5	49,3	48,9	48,4	48,0
Rate of young-age dependency (0-14 years)	39,7	39,3	38,8	38,1	37,5	36,9
Rate of elderly dependency (65+ years)	10,7	10,2	10,5	10,8	10,9	11,1
Crude birth rate (‰)	18,3	18,2	17,5	17,2	16,7	
Total fertility rate (Number of children)	2,16	2,15	2,08	2,05	2,02	
Average age for mothers giving birth	26,7	26,8	26,9	27,2	27,3	
Median age	28,3	28,5	28,8	29,2	29,7	30,1
Net primary education schooling rate (Total)	90,1	97,4	96,5	98,2	98,4	98,7
Net secondary education schooling rate (Total)	56,5	58,6	58,5	65,0	66,1	67,7

Selected Economic and Social Indicators for the Period 2007 – 2012 (Continued)

	2007	2008	2009	2010	2011	2012
EMPLOYMENT						
Non-institutional working age population (Thousand people)	49.994	50.772	51.686	52.541	53.593	54.724
Number of people in the labor force (Thousand people)	23.114	23.805	24.748	25.641	26.725	27.339
Number of employed people (Thousand people)	20.738	21.194	21.277	22.594	24.110	24.821
Agriculture	4.867	5.016	5.240	5.683	6.143	6.097
Industry	5.545	5.682	5.385	5.927	6.380	6.460
Service	10.326	10.495	10.650	10.986	11.586	12.266
Number of unemployed (Thousand people)	2.377	2.611	3.471	3.046	2.615	2.518
Number of people not included in the labor force (Thousand people)	26.879	26.967	26.938	26.901	26.867	27.385
 Employment (Ratio within the Total)	100,0	100,0	100,0	100,0	100,0	100,0
Agriculture	23,5	23,7	24,6	25,2	25,5	24,6
Industry	26,7	26,8	25,3	26,2	26,5	26,0
Service	49,8	49,5	50,1	48,6	48,1	49,4
 Participation rate in labor force	46,2	46,9	47,9	48,8	49,9	50,0
Employment rate	41,5	41,7	41,2	43,0	45,0	45,4
Unemployment Rate	10,3	11,0	14,0	11,9	9,8	9,2
Non-agricultural unemployment rate	12,6	13,6	17,4	14,8	12,4	11,5
Young population unemployment rate	20,0	20,5	25,3	21,7	18,4	17,5
 Number of employed people according to status at work						
Waged, salaried and casual	12.534	12.937	12.770	13.762	14.876	15.619
Employer and self-employed	5.575	5.573	5.638	5.750	5.931	5.933
Unpaid family worker	2.628	2.684	2.870	3.083	3.303	3.268