

Sectoral tonnage up by 13% in 2012...

33%

Over the last five years, the sector's output has increased by 33% on a tonnage basis.

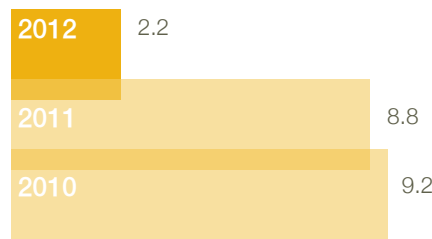
The Turkish economy and the sector in 2012

Driven by capacity increases as well as by demand, the Turkish tissue paper sector's output rose by 13% in 2012.

2.2%

The Turkish economy grew by 2.2% in 2012.

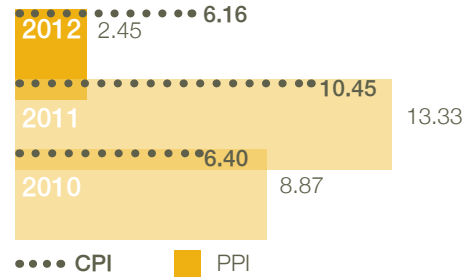
GDP Growth Rate - Fixed Prices (%)



The Turkish economy grew by 2.2% in 2012.

After growing by 8.8% year-on in 2011, the Turkish economy grew by only 2.2% in 2012.

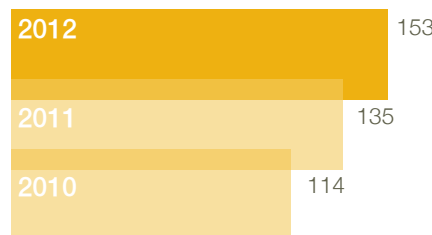
Inflation (%)



Inflation appears to be in decline.

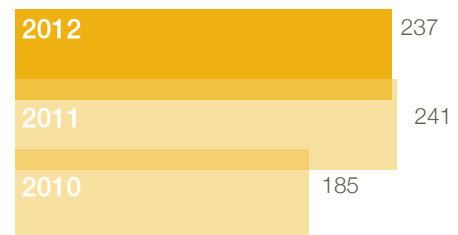
In the twelve months to end-2012, the consumer price index (CPI, 2003 = 100) increased by 6.16%. During the same period, the producer price index (PPI) plummeted from 13.33% to just 2.45%.

Exports (USD billion)



Increases in exports impacted favorably on economic indicators. Turkey's total exports increased by 13.1% in value in 2012 and reached USD 153 billion while imports were

Imports (USD billion)



down slightly by 1.8% year-on and amounted to USD 237 billion. The country's terms of trade (TOT) ratio, which was 56.0% at end-2011 rose to 64.5% as of end-2012.

Source: TurkStat, CBT, Undersecretariat of Treasury

Sectoral Review

The Turkish tissue paper industry continued to grow in 2012.

Driven by capacity increases as well as by demand, the Turkish tissue paper sector's output rose by 13% on a tonnage basis in 2012. By the same measure, the sector's output has increased by 33% over the last five years.

The Turkish tissue paper sector:

- keeps a close watch on current progress in technology,
- makes use of advanced production methods,
- is distinguished by its substantial export potential.

Supported by its inherent strengths, the Turkish tissue paper sector was the scene of significant turnover growth in 2012. At a time when many other sectors were suffering from the persistent effects of the global economic crisis, the consumer products segment of the Turkish tissue paper market experienced a 14.3% year-on rate of growth in its turnover, which reached TL 920 million in value by end-2012. This performance was achieved at a time when consumer and producer prices increased by 16.16% and 2.45% respectively.

Looking at turnover rises on a product category basis, we see that the biggest gains took place in toilet paper (49.0%) and paper towels (24.7%). The napkins group by contrast grew by a much slower 6% in the twelve months to end-2012.

The tissue paper industry's installed production capacity increased by 11% year-on in 2012 and reached 630,500 tons.

The Turkish tissue paper market exported 152,410 tons of goods in 2012 and imported 7,106 tons.

Tissue paper consumption levels in Turkey remain below those prevailing in many western European countries.

Per capita tissue paper consumption in Turkey was 2.8 kgs in 2006; although it has increased since then, it was still only 5 kgs in 2012. That is considerably less than half of the 13.8 kgs consumed in many western European countries and well below current consumption rates even among countries in Turkey's immediate vicinity.

Looking at worldwide performance, we see that the global market for tissue paper has been increasing by an average of 3% a year over the last five years and that per capita consumption of tissue paper products amounts to 3.9 kgs.

The sector harbors strong growth potential for players who have the ability to keep a close eye on markets and to invest in new technologies while reducing their production costs.

The currently low level of per capita tissue paper consumption in Turkey is what encourages investors to exploit the untapped potential and that implies the need to undertake investments in new manufacturing capacity. Such investments have the ability to expand the market but they also mean that oversupply will be exerting downward pressure on prices for some time to come.

The sector continues its efforts to reduce both its energy and its shipping costs as these are responsible for a substantial portion of its overall outlays.

Technologies and developments that allow waste paper to be used more efficiently rank high on the agenda of issues that will be occupying the sector's attentions and shaping its future course.

