

FEBRUARY PRICE DEVELOPMENTS



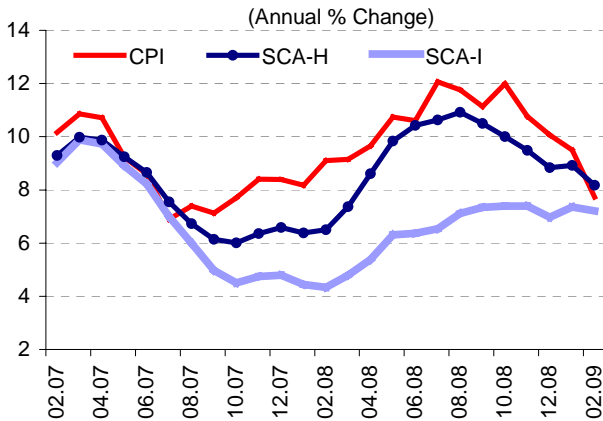
Central Bank of Turkey

March 4, 2009

SUMMARY...

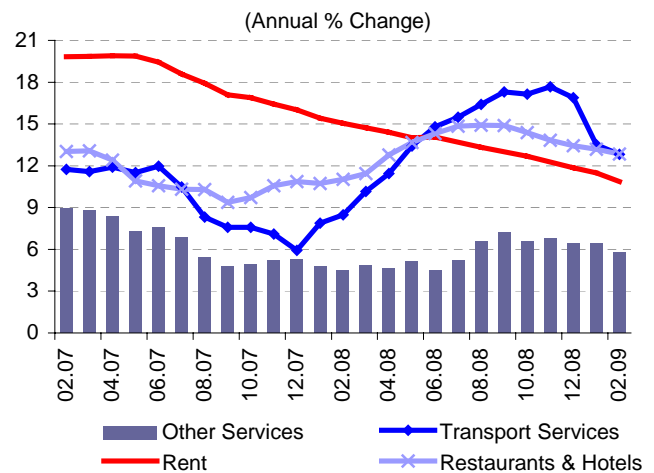
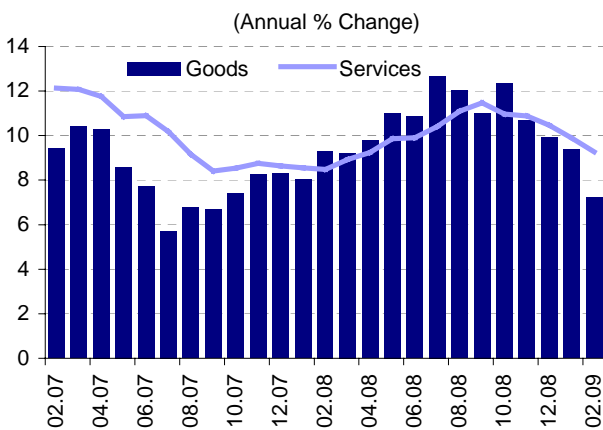
In February, consumer prices decreased by 0.34 percent, bringing inflation down to 7.73 percent year-on-year. The short-run exchange rate pass-through remained considerably weak, and changes in oil and other commodity prices continued to support disinflation. In addition, the rate of increase in unprocessed food prices decelerated markedly. Annual inflation in services prices and other key price indicators continued to slide, suggesting that inflation remained on a downward trend. On balance, inflation is expected to edge further down in the upcoming period.

...EVALUATIONS...



In February, consumer prices fell by 0.34 percent, pushing annual inflation down to 7.73 percent. The CPI index excluding energy, unprocessed food, alcoholic beverages, tobacco products and gold (SCA-H) was significantly down from January to 8.17 percent year-on-year in February. With a further exclusion of processed food prices, the index (SCA-I) was down 0.15 points to 7.21 percent year-on-year.

Prices of goods and services decreased by 0.44 and 0.05 percent, respectively. Annual inflation dropped to 7.21 percent in goods and 9.27 percent in services.



Annual services inflation fell 0.62 percentage points from January to 9.27 percent in February. Plunging world oil prices brought annual inflation in transport prices further down, while annual inflation in catering prices continued to move downward on weaker domestic demand and lower processed food prices. Having been the major driver of annual services inflation in 2008, transport and catering prices are expected to help bring inflation further down in coming months. Moreover, rent inflation continued to fall in February, down to 10.87 percent year-on-year. The group also saw a drop in other items, such as recreation and culture, education, and communication. On balance, amid lower costs and weaker domestic demand, annual services inflation is expected to edge down further in the upcoming period.

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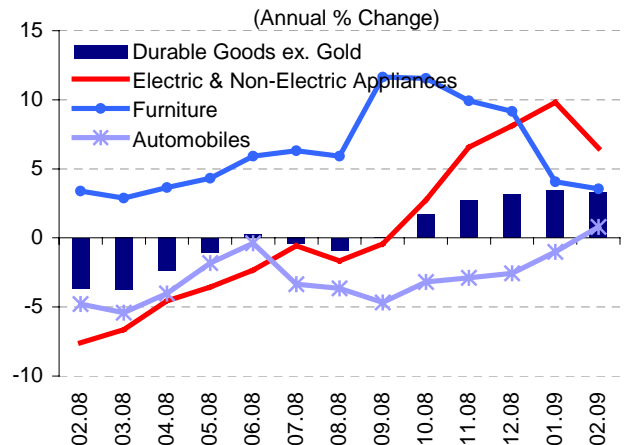
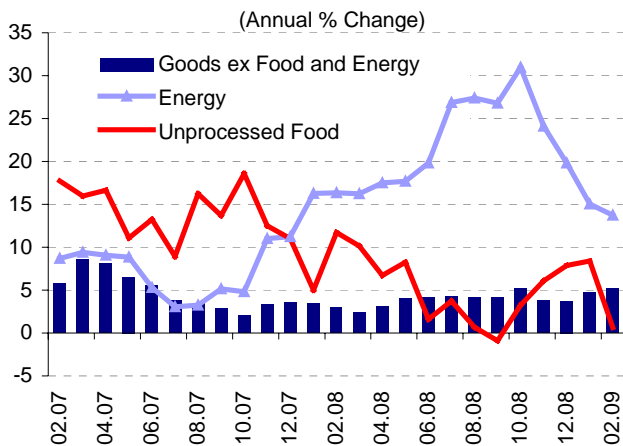


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Energy prices dropped by 0.82 percent in February, bringing the group's inflation down to 13.74 percent year-on-year. The main driver of this decline was a 15.51 percent cutback in natural gas rates, effective February 1, which also put significant downward pressure on consumer prices, as stated in our previous reports. However, bottled gas and fuel prices soared at a record pace on exchange rate movements.

Annual inflation in prices of goods excluding energy and food were up 0.46 points from January to 5.20 percent in February on the back of rising clothing and gold prices. Clothing prices decreased at a less marked pace in February than a year ago (by -5.58 percent), which, as we stated before, was driven by the early launch of discounts. Gold prices continued to rise sharply for the third consecutive month, up 14.67 percent in February, which added about 0.1 points to CPI inflation. Yet, in the durables group (excl. gold), annual inflation went down, albeit at a modest pace.



Annual inflation in prices for durable goods (excl. gold) dropped by 0.18 percentage points from January to 3.28 percent in February. Automobile prices rose by a stunning 2.26 percent in February due to the lagged impact of the weakening of the Turkish lira, but were flat with the year-ago level despite the run-up in two months. Prices of electric and non-electric appliances fell by 2.57 percent, whereas prices of white goods, a sub-category, slumped by a dramatic 5.56 percent. Meanwhile, furniture prices remained virtually unchanged in February after six straight monthly decreases. In sum, given the softening in domestic and foreign demand and the decline in import prices, exchange rate changes continued to have a relatively less pronounced impact on prices of durable goods than in previous periods.

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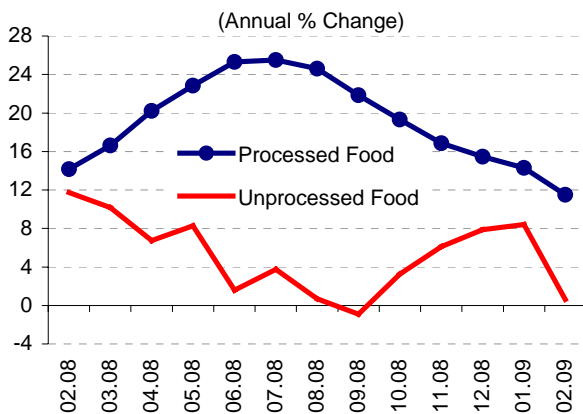


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	Monthly Percentage Change		Annual Percentage Change	
	February 2009	February 2008	February 2009	February 2008
CPI	-0.34	1.29	7.73	9.10
1. Goods	-0.44	1.56	7.21	9.31
Energy	-0.82	0.30	13.74	16.35
Unprocessed Foods	0.85	8.64	0.63	11.73
Processed Food	-0.68	1.82	11.49	14.16
Goods excl. Energy and Food	-0.68	-1.12	5.20	2.99
Durable Goods	1.40	0.95	6.10	-1.83
ex. Gold	0.23	0.40	3.28	-3.66
Semi-Durable Goods	-1.79	-1.64	10.08	9.82
Non-Durable Goods	0.01	3.97	5.64	12.00
2. Services	-0.05	0.52	9.27	8.48
Rents	0.43	0.99	10.87	15.06
Restaurants and Hotels	0.59	0.90	12.85	11.02
Transport	-0.22	0.40	12.83	8.49
Other	-0.49	0.18	5.75	4.45

Source: TURKSTAT, CBRT.



Unprocessed food prices rose at a more modest pace in February than a year earlier, and the group's annual inflation was down to 0.63 percent on falling fresh fruit and vegetable prices driven by favorable weather conditions and weaker foreign demand. Meanwhile, processed food prices dropped by 0.68 percent month-on-month to 11.49 percent year-on-year amid falling bread prices. Accordingly, annual inflation in prices of food and nonalcoholic beverages fell by 5.4 percentage points to 6.16 percent.

...PPI...

Producer prices were up 1.17 percent in February, whereas PPI inflation was down to 6.43 percent year-on-year. The downtrend in prices of agricultural products that started in mid-2008 continued in February. Recently, prices of agricultural products have sunk below their year-ago level.

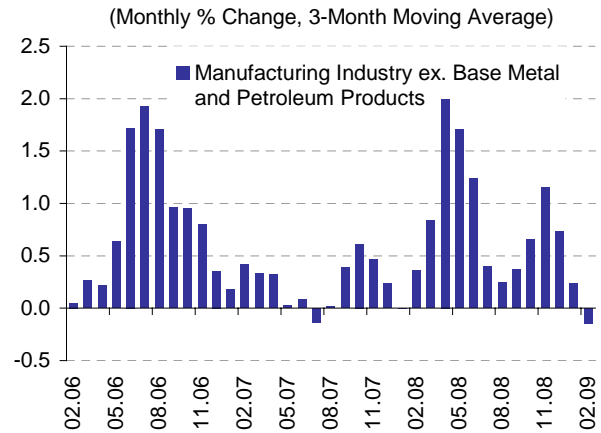
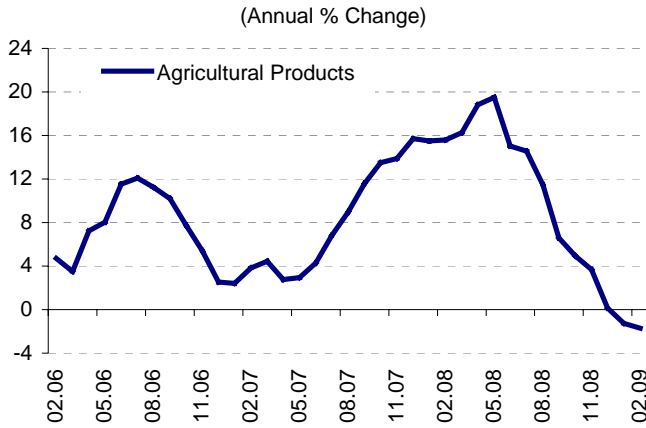
Manufacturing industry prices increased by 0.33 percent in February. Manufacturing industry prices for petroleum products jumped by 4.41 percent, while those excluding petroleum products barely changed from January.

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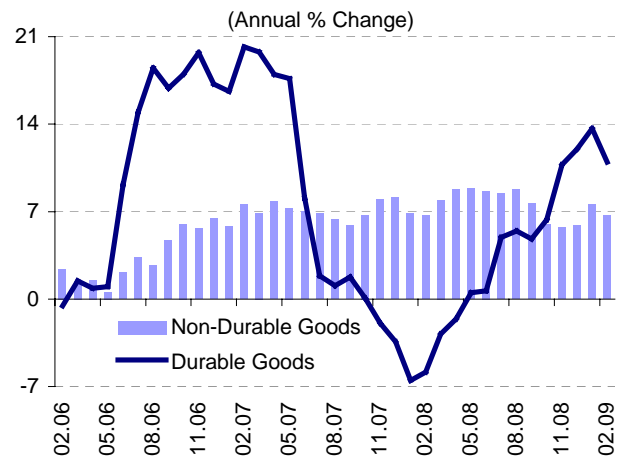
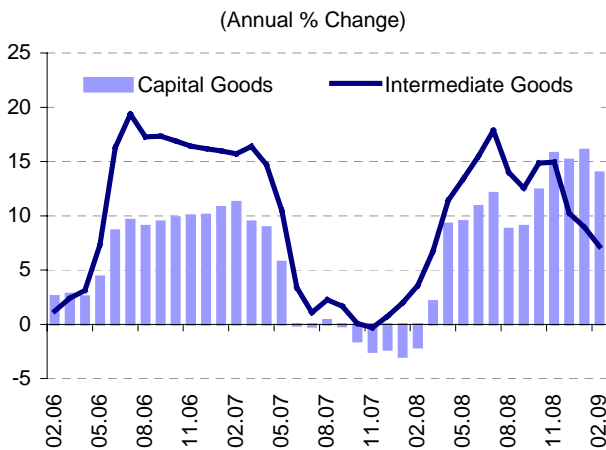


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Prices of intermediate goods remained basically unchanged month-on-month, while prices of capital goods and durable goods decreased by 0.57 and 1.47 percent, respectively. However, prices for non-durable goods increased by 0.81 percent due to rising producer prices for food and clothing. Yet, annual inflation in all sub-categories dropped remarkably in February.



In sum, the decline in commodity prices continued to offset the exchange rate pass-through on manufacturing industry prices, and consumer prices did not face a serious cost pressure from producer prices.

Changes in PPI based on MIGS Classification

Monthly Percentage Change

	Mar.08	Apr.08	May.08	Jun.08	Jul.08	Aug.08	Sep.08	Oct.08	Nov.08	Dec.08	Jan.09	Feb.08	Annual
Prices of intermediate goods	4.30	4.90	2.03	1.69	1.42	-2.58	-1.21	0.89	-0.57	-3.60	0.04	-0.02	7.17
Prices of capital goods	2.84	6.71	-0.42	0.32	0.83	-2.54	0.04	2.48	2.33	0.20	1.23	-0.57	13.98
Prices of durable goods	2.74	0.75	2.60	-0.30	2.13	1.52	-0.38	1.43	2.94	-0.80	-0.56	-1.47	10.97
Prices of non-durable goods	0.86	2.08	-0.33	0.02	-0.06	0.45	1.07	0.28	0.61	0.31	0.40	0.81	6.69
Energy prices	7.85	8.56	5.29	2.06	3.91	-6.19	-2.77	-0.03	-1.06	-12.18	-0.01	6.32	10.11

Sources: TURKSTAT, CBRT

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... TABLES

February CPI and Sub-Items (Percentage Change)					
	Weight	2009		2008	
		Monthly	Annual	Monthly	Annual
CPI	100	-0.34	7.73	1.29	9.10
Food and non-alcoholic beverages	28.03	0.02	6.16	5.05	12.93
Alcoholic beverages and tobacco	4.58	0.10	0.42	0.02	14.34
Clothing and footwear	7.22	-5.58	2.10	-6.93	1.55
Housing	18.63	-0.99	17.04	0.39	14.75
Household equipment	7.53	-1.00	7.36	0.86	4.83
Healthcare	2.50	0.10	2.02	0.07	-0.02
Transport	12.64	1.40	2.77	0.54	6.56
Communication	4.60	-1.18	4.14	0.12	-2.25
Recreation and culture	2.54	-0.17	9.91	0.00	-1.57
Education	2.47	-0.34	6.96	-0.03	5.87
Restaurants and hotels	5.47	0.59	12.85	0.90	11.02
Misc. goods and services	3.79	3.43	14.23	1.73	7.53

Source: TURKSTAT

February PPI and Sub-Items (Percentage Change)					
	Weight	2009		2008	
		Monthly	Annual	Monthly	Annual
PPI	100	1.17	6.43	2.56	8.15
Agriculture	17.76	1.63	-1.69	2.06	15.58
Industry	82.24	1.07	8.46	2.69	6.45
Mining	2.20	2.76	18.18	-0.08	13.26
Manufacturing	73.75	0.33	4.95	1.64	5.91
Energy	6.29	8.76	50.88	18.12	11.39

Source: TURKSTAT

Price Developments are published within one working day, following the announcement of price statistics by the Turkish Statistical Institute (TURKSTAT). Price Developments, which include CBRT's initial remarks on the inflation figures of the previous month, aim to contribute to a sounder interpretation of monthly inflation developments by the public during the period between the announcement of official price statistics and the Monetary Policy Committee meeting.