

JANUARY PRICE DEVELOPMENTS



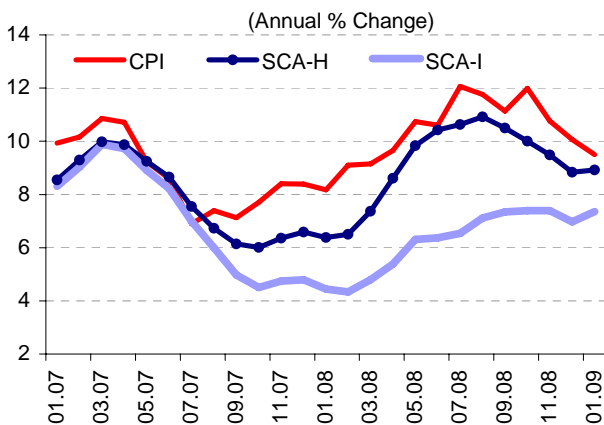
Central Bank of the Republic of Turkey

February 4, 2009

SUMMARY...

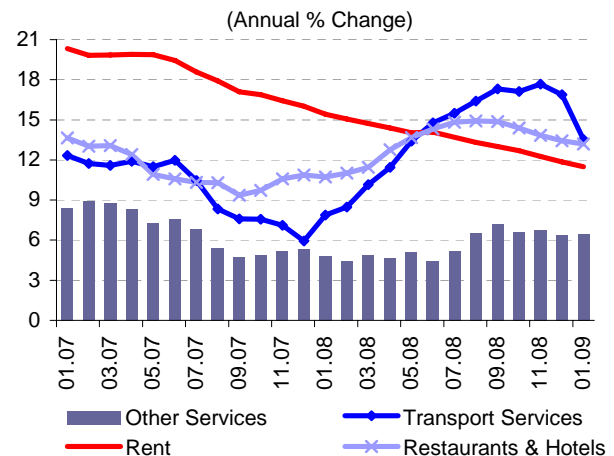
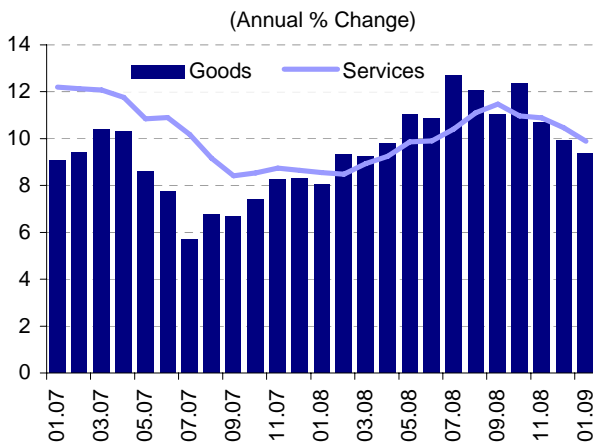
In January, consumer prices increased by 0.29 percent, whereas inflation dropped to 9.50 percent year-on-year. The short-run exchange rate pass-through was significantly weak, and changes in oil and other commodity prices continued to help bring inflation down. Being significantly lower than its historical averages in December due to earlier-than-expected winter discounts, clothing prices saw some rebound in January, which had a temporary adverse impact on core inflation indicators. In addition, annual services price changes decelerated markedly, as expected, suggesting that inflation remained on a downward trend. On balance, inflation is expected to edge further down in the upcoming period.

...EVALUATIONS...



In January, consumer prices rose by 0.29 percent, whereas inflation went down to an annual rate of 9.50 percent. The CPI index excluding energy, unprocessed food, alcoholic beverages, tobacco products and gold (SCA-H) barely increased to 8.92 percent year-on-year. With a further exclusion of processed food prices, the index (SCA-I) was up 0.39 percentage points to 7.36 percent year-on-year on rebounding clothing prices.

Prices of goods and services increased by 0.18 and 0.59 percent, respectively. Annual inflation dropped to 9.37 percent in goods and 9.89 percent in services.



Annual services inflation was down 0.57 percentage points to 9.89 percent in January. Slumping world oil prices brought transport prices down by a cumulative 3.4 percentage points year-on-year, while catering prices continued to move downward on weaker domestic demand and lower processed food prices. Rent inflation eased further by 0.4 percentage points in January, to 11.49 percent year-on-year. The rate of increase in services prices is expected to edge down further in coming months.

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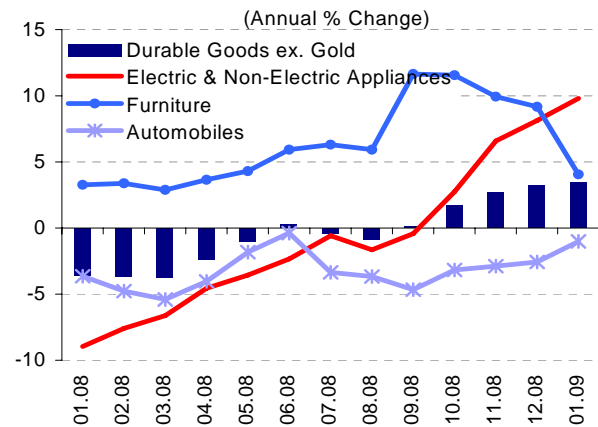
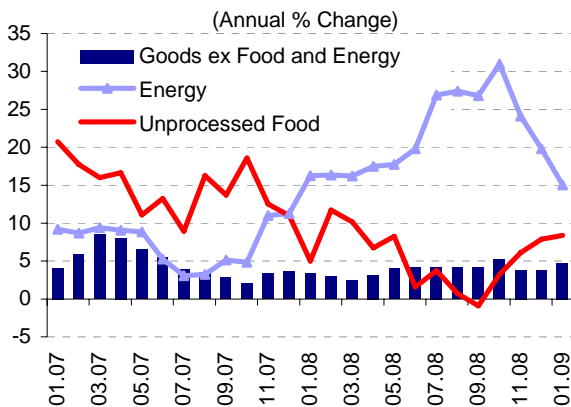


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Energy prices rose by 0.58 percent. Solid fuel and bottled gas prices remained on the decline. Accordingly, energy price inflation dropped by a cumulative 16 percentage points to 15.02 percent year-on-year in three months. The reduction in natural gas rates, due in February, is expected to push CPI inflation down by 0.3 percentage points, suggesting a further decline in annual energy price inflation.

Prices of goods excluding energy and food were up 1 percentage point from December to 4.74 percent year-on-year on the back of clothing and durable goods price developments. Given the earlier-than-expected sale season in January, clothing prices decreased at a less marked pace than a year ago (by 8.23 percent). Early arrivals of new season clothes may cause some temporary movements in annual inflation over the upcoming period. In the durables group (excl. gold), annual inflation continued to rise, albeit at a modest pace.



Prices for durable goods (excl. gold) increased slightly to an annual rate of 3.46 percent. After a drastic slowdown in the second half of 2008, automobile prices jumped by 3.02 percent in January on account of the weakening of the Turkish lira, but remained well below their year-ago levels. Exchange rate changes continued to put upward pressure on prices of electric and non-electric appliances. Meanwhile, furniture prices dropped further by 1.69 percent for the fifth consecutive month. On balance, given the softening in domestic and foreign demand, exchange rate changes continued to have a relatively less pronounced impact on prices of durable goods than in previous periods.

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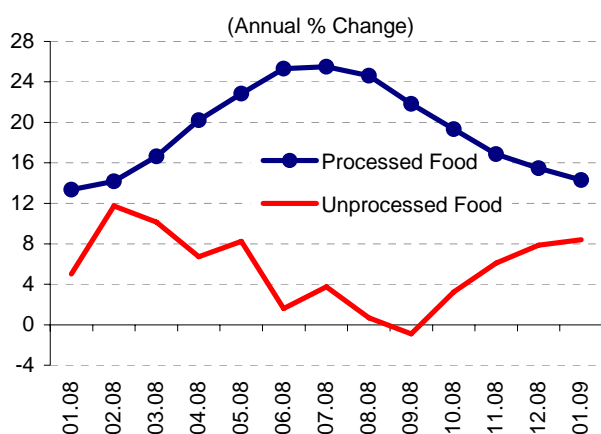


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	Monthly Percentage Change		Annual Percentage Change	
	January 2009	January 2008	January 2009	January 2008
CPI	0.29	0.80	9.50	8.17
1. Goods	0.18	0.70	9.37	8.04
Energy	0.58	4.77	15.02	16.26
Unprocessed Foods	3.47	2.96	8.41	5.01
Processed Food	-0.16	0.84	14.31	13.36
Goods excl. Energy and Food	-1.21	-2.14	4.74	3.38
Durable Goods	1.72	1.63	5.63	-2.07
ex. Gold	1.29	1.03	3.46	-3.63
Semi-Durable Goods	-1.78	-0.62	10.24	9.80
Non-Durable Goods	1.22	1.38	9.82	9.48
2. Services	0.59	1.11	9.89	8.55
Rents	0.75	1.08	11.49	15.43
Restaurants and Hotels	0.78	1.00	13.19	10.72
Transport	-0.76	2.18	13.52	7.89
Other	0.91	0.85	6.46	4.78

Source: TURKSTAT, CBRT.

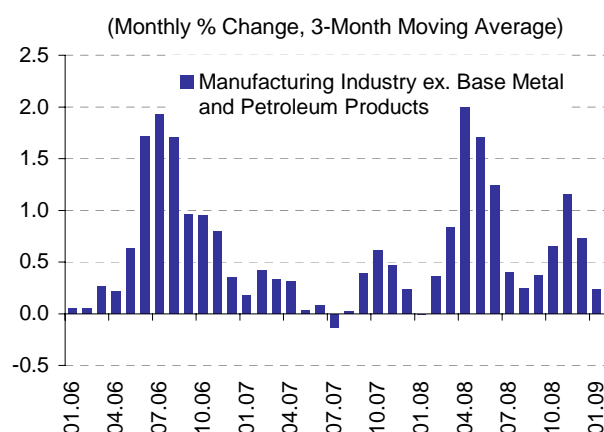
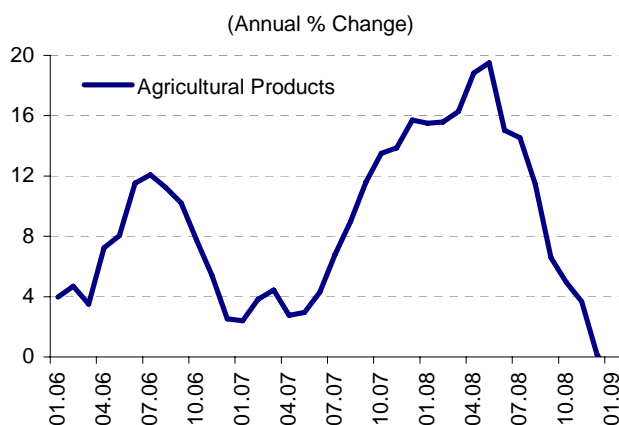


Unprocessed food prices surged by 3.47 percent month-on-month to 8.41 percent year-on-year amid skyrocketing vegetable prices. Processed food prices, however, went further down, by 0.16 percent month-on-month to 14.31 percent year-on-year. Accordingly, prices of food and non-alcoholic beverages fell to an annual rate of 11.51 percent. Inflation in processed food prices is expected to slow further in coming months.

...PPI...

Producer prices were up 0.23 percent in January, whereas PPI inflation was down to 7.90 percent year-on-year. The downward trend in annual agricultural price inflation since the second half of 2008 continued in January and prices declined to a level lower than a year ago.

Prices for petroleum products decreased by 3.12 percent, while prices for base metals increased by 2.19 percent. The PPI index for manufacturing industries excluding petroleum products and base metals remained virtually unchanged.



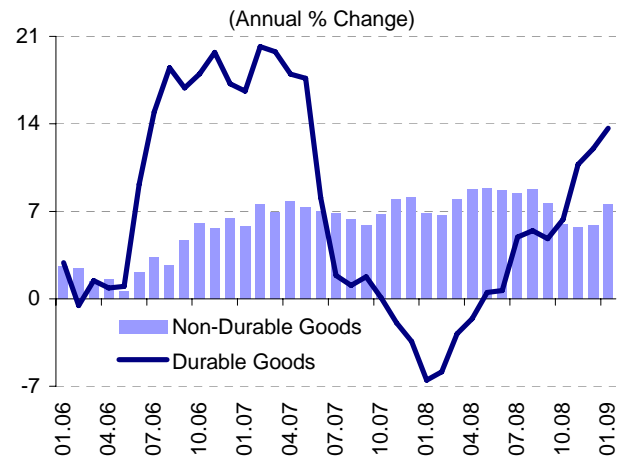
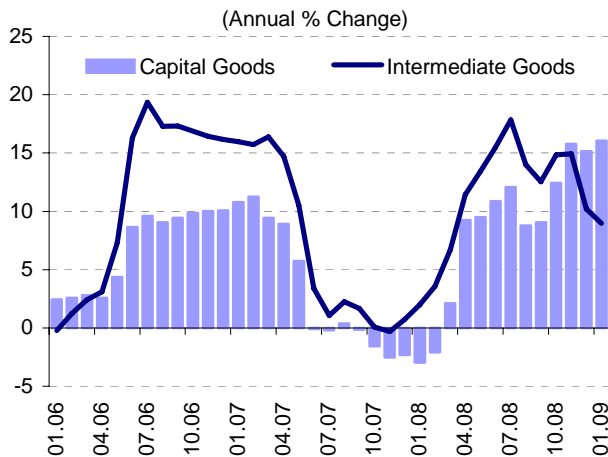
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Prices of intermediate goods barely changed month-on-month, while annual inflation rate of the group went further down. However, prices of capital goods increased by 1.23 percent in January to 16 percent year-on-year. Producer prices for durable goods continued to decrease month-on-month, but rose further year-on-year due to the low base effect.



In sum, the decline in commodity prices offset the exchange rate pass-through on producer prices, and the sector did not face a serious cost pressure.

Changes in PPI based on MIGS Classification													
Monthly Percentage Change													
	Feb.08	Mar.08	Apr.08	May.08	Jun.08	Jul.08	Aug.08	Sep.08	Oct.08	Nov.08	Dec.08	Jan.09	Annual
Prices of intermediate goods	1.66	4.30	4.90	2.03	1.69	1.42	-2.58	-1.21	0.89	-0.57	-3.60	0.04	8.97
Prices of capital goods	1.23	2.84	6.71	-0.42	0.32	0.83	-2.54	0.04	2.48	2.33	0.20	1.23	16.05
Prices of durable goods	0.90	2.74	0.75	2.60	-0.30	2.13	1.52	-0.38	1.43	2.94	-0.80	-0.56	13.64
Prices of non-durable goods	1.64	0.86	2.08	-0.33	0.02	-0.06	0.45	1.07	0.28	0.61	0.31	0.40	7.56
Energy prices	7.74	7.85	8.56	5.29	2.06	3.91	-6.19	-2.77	-0.03	-1.06	-12.18	-0.01	11.57

Sources: TURKSTAT, CBRT.

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... TABLES

January CPI and Sub-Items (Percentage Change)					
	Weight	2009		2008	
		Monthly	Annual	Monthly	Annual
CPI	100	0.29	9.50	0.80	8.17
Food and non-alcoholic beverages	28.03	1.46	11.51	1.83	9.22
Alcoholic beverages and tobacco	4.58	0.01	0.34	-0.01	17.18
Clothing and footwear	7.22	-8.23	0.64	-10.22	2.05
Housing	18.63	0.70	18.67	4.26	14.87
Household equipment	7.53	-0.29	9.38	0.61	4.71
Healthcare	2.50	0.15	1.99	0.17	0.35
Transport	12.64	0.87	1.90	1.33	6.70
Communication	4.60	0.80	5.51	1.02	-2.46
Recreation and culture	2.54	1.84	10.10	-1.05	-2.31
Education	2.47	-0.01	7.29	0.02	5.99
Restaurants and hotels	5.47	0.78	13.19	1.00	10.72
Misc. goods and services	3.79	3.23	12.34	2.61	6.98

Source: TURKSTAT

January PPI and Sub-Items (Percentage Change)					
	Weight	2009		2008	
		Monthly	Annual	Monthly	Annual
PPI	100	0.23	7.90	0.42	6.44
Agriculture	17.76	0.14	-1.27	1.58	15.48
Industry	82.24	0.25	10.20	0.13	4.39
Mining	2.20	-1.36	14.92	0.37	11.25
Manufacturing	73.75	-0.03	6.31	0.01	4.89
Energy	6.29	4.14	63.87	1.86	-3.76

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.