

APRIL PRICE DEVELOPMENTS



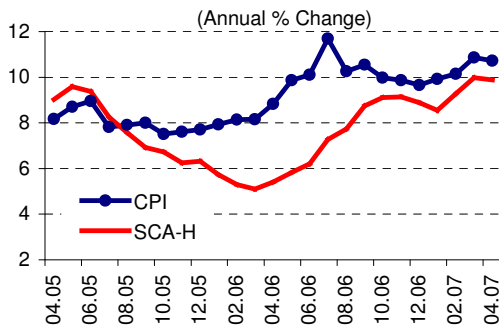
The Central Bank of the Republic of Turkey

4 May 2007

SUMMARY...

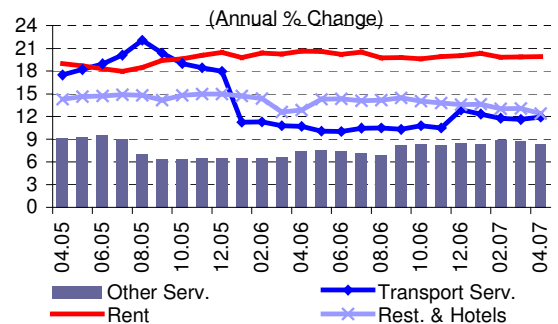
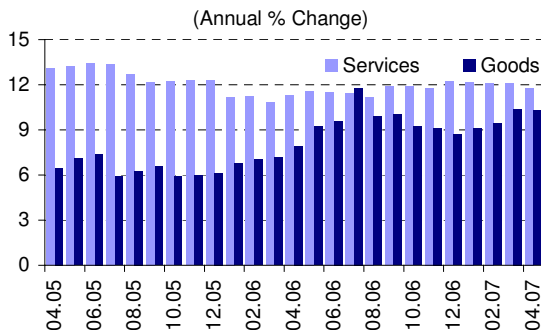
In April, consumer prices rose by 1.21 percent and annual inflation was realized as 10.72 percent. Despite the deceleration in the price increase of durable goods and services, the decline in the annual inflation was limited due to high increase in clothing prices. Risks regarding unprocessed food and oil prices still persist. Yet, the disinflation process is expected to continue in the upcoming months.

...EVALUATIONS...



Annual inflation dropped to 10.72 percent in April. The annual increase of the Special CPI Aggregate excluding energy, unprocessed food products, alcoholic beverages, tobacco products and gold (SCA-H) slightly declined despite the high rate of increase in clothing prices.

In April, while goods prices and services prices rose by 1.42 percent and 0.59 percent, respectively, annual inflation in both groups fell.



Annual inflation in services group dropped to its lowest level since September 2006. In the first four months of 2007, monthly increases in services prices were below the figures of the same period in 2006. In April, annual increase of rents did not display a significant change, whereas prices of transport services increased slightly. Annual inflation in restaurants and hotels group declined by 1.14 percentage points in the last four months and the annual increase of package holiday prices slowed down remarkably. Services inflation is expected to keep its gradual decline in the upcoming period.

Seasonal fluctuations in clothing-footwear and unprocessed food prices continue to be a determining factor on monthly price developments.

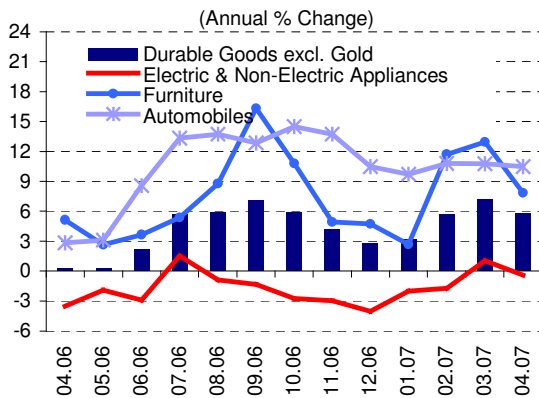
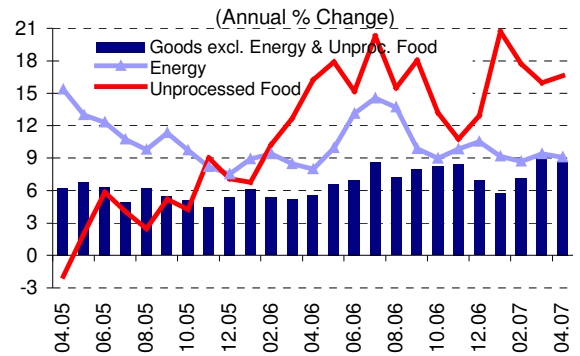
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Notwithstanding the annual decrease in energy prices in April, the slowdown process was interrupted by the re-start of the upward trend in fuel oil prices with a 6.13 percent increase in the last two months. Although prices of the clothing and footwear group increased highly, annual inflation in goods excluding energy and unprocessed food dropped to 8.74 percent owing to the significant decline in durable goods prices.



Prices of durable goods excluding gold fell by 0.75 percent due to the appreciation of New Turkish lira and the slowdown in domestic demand, bringing the annual inflation in this group down by 1.35 percentage points compared to the previous month. April price developments for all subgroups of durable consumption goods present a favorable outlook. Especially, prices of the electric and non-electric appliances displayed a notable decline by 2.73 percent in April, which was triggered by the fall in prices of white goods and technology-intensive imported goods.

| | Monthly Percentage Change | | Annual Percentage Change | |
|---|---------------------------|-------------|--------------------------|--------------|
| | April 2007 | April 2006 | April 2007 | April 2006 |
| CPI | 1.21 | 1.34 | 10.72 | 8.83 |
| 1. Goods | 1.42 | 1.52 | 10.30 | 7.93 |
| Energy | 0.44 | 0.73 | 9.08 | 7.96 |
| Unprocessed Food | 1.62 | 1.05 | 16.63 | 16.25 |
| Goods excl. Energy and Unprocessed Food | 1.66 | 1.92 | 8.74 | 5.61 |
| Durable Goods | -0.59 | 2.06 | 6.90 | 6.03 |
| Durable Goods excl. Gold | -0.75 | 0.52 | 5.84 | 0.24 |
| Semi-Durable Goods | 3.31 | 2.94 | 8.51 | 4.34 |
| Non-Durable Goods | 0.73 | 0.44 | 12.36 | 11.01 |
| 2. Services | 0.59 | 0.87 | 11.76 | 11.29 |
| Rent | 1.06 | 1.03 | 19.89 | 20.62 |
| Restaurants and Hotels | 0.54 | 1.15 | 12.40 | 12.84 |
| Transport Services | 0.54 | 0.26 | 11.91 | 10.70 |
| Other Services | 0.43 | 0.84 | 8.33 | 7.39 |

Source: TÜRKSTAT, CBRT.

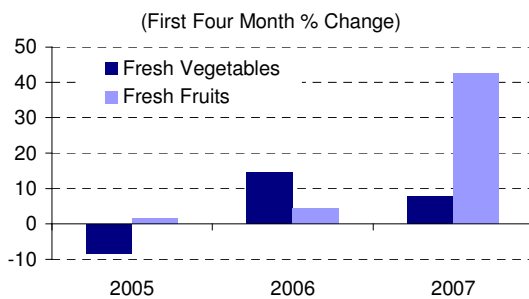
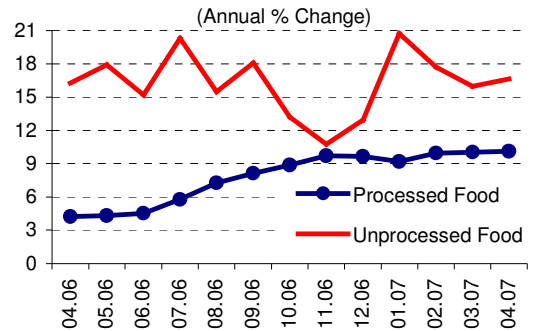
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The ongoing high-rated rise of 16.63 percent in unprocessed food prices led to a high level annual inflation in the food and non-alcoholic beverages group. The unfavorable trend in unprocessed food prices in the first four months of the year can be attributed to high-rated increases in fresh fruit and vegetable prices.

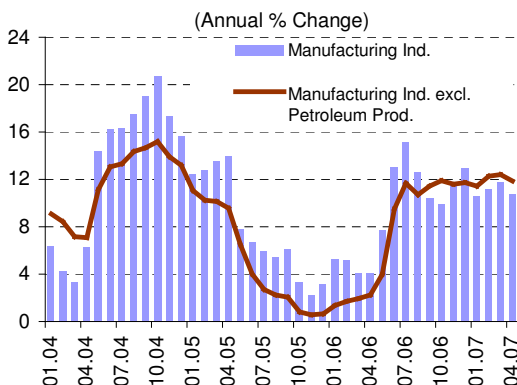


A detailed analysis of price developments reveals that in the January-April fruit prices recorded the highest rate of increase in its history with 2003 base year index period contrary to the relatively favorable developments in vegetable prices compared to 2006. Fruit prices, which rose by 3 percent on average in the first four months of 2005 and 2006, soared by 42.52 percent in the same period of 2007.

Fresh fruit prices, which displays high-rated seasonal increases in May and June, are currently considered to pose a risk to unprocessed food prices and thus to the consumer prices inflation. Nevertheless, the annual inflation in unprocessed food prices gets moderated thanks to the price developments in the bread and grain sub-group.

In April, clothing and footwear prices increased by 11.31 percent. As a result of this high-rated increase, the annual inflation in this group rose to 6.22 percent. Influential in the said development were the recent cost-oriented increases in prices of clothing manufacturing industry. These developments indicate that in 2007 the contribution of clothing and footwear to disinflation might remain limited compared to the last two years.

In April, annual inflation fell in all Special CPI Aggregates as a result of the favorable developments in prices of durable goods and services.



Producer prices increased by 0.8 percent in April. In this period, the manufacturing industry prices increased by 1 percent compared to the previous month chiefly due to price hikes in coke and refined petroleum products, clothing manufacturing and basic metal industry. Prices of coke coal and refined petroleum products increased by 4.98 percent, while the manufacturing industry prices excluding petroleum products rose by 0.57 percent.

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Analyzing the PPI by the MIGS classification, energy prices continued to increase in April due to price hikes in petroleum products, albeit at a slower pace. Although basic metal industry prices surged up, intermediate goods prices rose in a limited manner owing to the decreases in prices of other products. In the meantime, prices of capital goods and durable goods fell, while prices of non-durable goods increased especially due to the rises in clothing manufacturing prices.

| PPI Developments According to MIGS Classification | | | | | | | | | | | | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Monthly Percentage Change | | | | | | | | | | | | | |
| | Apr-06 | May-06 | Jun-06 | Jul-06 | Aug-06 | Sep-06 | Oct-06 | Nov-06 | Dec-06 | Jan-07 | Feb-07 | Mar-07 | Apr-07 |
| Intermediate Goods Prices | 2.20 | 4.43 | 6.84 | 1.55 | -0.46 | 0.62 | 0.37 | -0.34 | -0.57 | -0.08 | 0.12 | 1.24 | 0.44 |
| Capital Goods Prices | 0.24 | 2.19 | 4.66 | -0.15 | -0.17 | 0.28 | 0.91 | 0.40 | 0.53 | 1.11 | 0.34 | -1.41 | -0.25 |
| Durable Goods Prices | 1.00 | 0.73 | 8.46 | 4.16 | 1.97 | -0.50 | 1.85 | 0.94 | -0.43 | 1.43 | 0.02 | -0.48 | -0.49 |
| Non-Durable Goods Prices | 0.30 | -0.04 | 0.37 | 0.13 | 0.24 | 2.35 | 0.96 | -0.26 | 0.13 | 0.03 | 1.82 | -0.30 | 1.28 |
| Energy Prices | 6.87 | 6.70 | 9.65 | 4.11 | -4.28 | -8.60 | -2.32 | -1.80 | 1.53 | -3.82 | 0.64 | 6.04 | 2.12 |

Source: TÜRKSTAT, CBRT.

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...TABLES

| April CPI and Sub-Items (Percentage Change) | | | | | |
|---|--------|---------|--------|---------|--------|
| | Weight | 2007 | | 2006 | |
| | | Monthly | Annual | Monthly | Annual |
| CPI | 100 | 1.21 | 10.72 | 1.34 | 8.83 |
| Food and Non-Alcoholic Beverages | 28.47 | 0.94 | 13.31 | 0.61 | 9.66 |
| Alcoholic Beverages and Tobacco | 5.06 | 0.03 | 10.17 | 0.02 | 31.20 |
| Clothing and Footwear | 7.86 | 11.31 | 6.22 | 9.19 | -1.84 |
| Housing | 16.62 | 0.27 | 12.97 | 0.21 | 10.57 |
| Household Equipments | 7.22 | -0.40 | 10.87 | 0.63 | 2.26 |
| Health | 2.66 | 0.28 | 7.61 | 0.28 | -0.18 |
| Transport | 11.60 | 0.89 | 9.63 | 1.40 | 7.86 |
| Communication | 4.41 | -0.56 | 1.13 | -0.13 | 2.39 |
| Recreation and Culture | 3.16 | 0.70 | 8.73 | 2.37 | 5.95 |
| Education | 2.15 | 0.35 | 7.79 | 0.11 | 8.47 |
| Restaurants and Hotels | 6.40 | 0.54 | 12.40 | 1.15 | 12.84 |
| Miscellaneous Goods and Services | 4.39 | 0.34 | 8.63 | 2.92 | 15.13 |

Source: TÜRKSTAT

| April PPI and Sub-Items (Percentage Change) | | | | | |
|---|--------|---------|--------|---------|--------|
| | Weight | 2007 | | 2006 | |
| | | Monthly | Annual | Monthly | Annual |
| PPI | 100 | 0.80 | 9.68 | 1.94 | 4.96 |
| Agriculture | 18.17 | 0.66 | 2.77 | 2.29 | 7.25 |
| Industry | 81.83 | 0.83 | 11.39 | 1.85 | 4.34 |
| Mining | 1.49 | 1.18 | 11.85 | 1.67 | 11.80 |
| Manufacturing | 74.49 | 1.00 | 10.73 | 1.96 | 4.13 |
| Energy | 5.85 | -1.33 | 20.14 | 0.37 | 4.18 |

Source: TURKSTAT

Price Developments are published within two working days following the announcement of price statistics by the Turkish Statistical Institute (TURKSTAT). Price Developments, which include the 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.