

MARCH PRICE DEVELOPMENTS



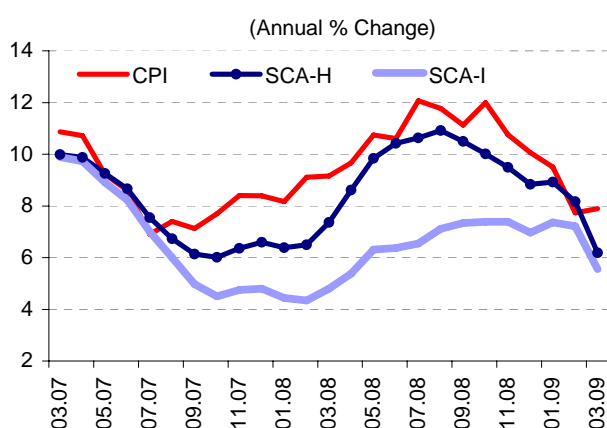
Central Bank of Turkey

April 6, 2009

SUMMARY...

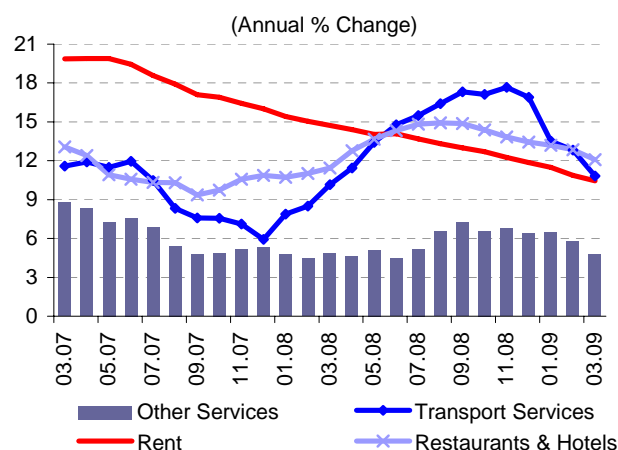
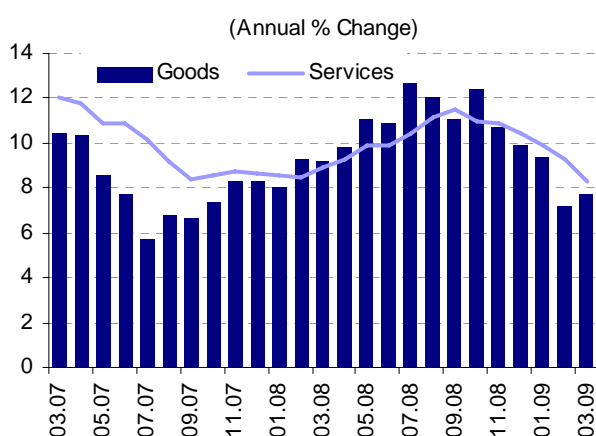
In March, consumer prices increased by 1.1 percent, bringing inflation up to 7.89 percent year-on-year on skyrocketing unprocessed food prices, as stated in MPC statements. The short-run exchange rate pass-through remained weak, while services prices softened across all subcategories. The annual rate of increase in core inflation indicators slowed, partly due to Special Consumption Tax (SCT) cuts. Yet, isolated from the effect of SCT cuts, inflation still remained on a downward trend. On balance, inflation is expected to edge further down in coming months.

...EVALUATIONS...



In March, consumer prices rose by 1.10 percent, pushing annual inflation up to 7.89 percent. The rate of increase in the CPI index excluding energy, unprocessed food, alcoholic beverages, tobacco products and gold (SCA-H) fell 2 percentage points to 6.18 percent year-on-year. With a further exclusion of processed food prices, the rate of increase in the index (SCA-I) was down 1.65 percentage points from February to 5.55 percent year-on-year in March. The decline in these special CPI aggregates resulted from both the downtrend in underlying inflation and the SCT cuts in March.

Prices increased by 1.49 percent in goods but dropped by 0.01 percent in services. Annual inflation climbed to 7.75 percent in goods and slowed to 8.29 percent in services.



The slowdown in services prices that started in the final quarter of 2008 on weaker economic activity and lower costs intensified in March, and annual services inflation dropped by about 1 percentage point. The slowdown spilled over into all subcategories of services, particularly into transport services and restaurants and hotels. Rent inflation continued to fall in March, down 0.4 percentage points to 10.45 percent year-on-year.

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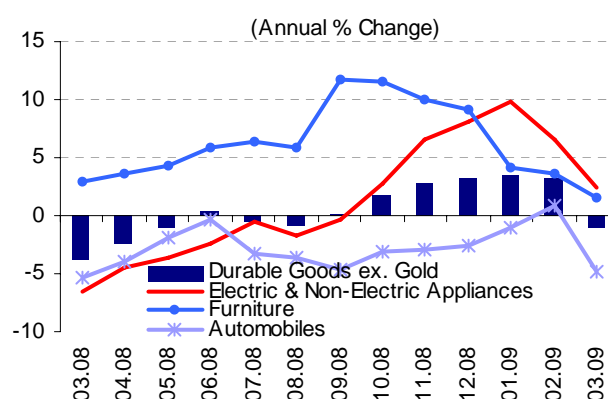
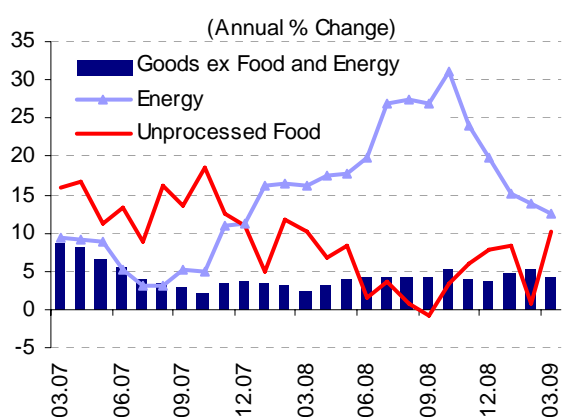


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Energy prices dropped by 0.04 percent in March, and energy price inflation went down to 12.59 percent year-on-year. The decline in prices of solid fuels since December continued into March, posting a drop of 2.80 percent. Meanwhile, prices of fuel products increased by 1.07 percent. Given the reduction in electricity rates in early April and the base effect, annual energy price inflation will continue to slide in the upcoming period.

Prices of goods excluding energy and food remained flat in March, and annual inflation in this category went down by 1 percentage point to 4.23 percent on the back of falling prices of durable goods driven by SCT cuts and slowing annual inflation in clothing and footwear prices. Yet, the 7.34 percent run-up in prices of tobacco products kept inflation from falling further in this category. Meanwhile, gold prices rose by 3.13 percent.



Prices of durable goods (excl. gold) fell by 3.95 percent month-on-month to -0.95 percent year-on-year. With the SCT reduction, prices of automobiles and white goods dropped by 6.37 and 6.85 percent, respectively. Excluding white goods, prices of electric and non-electric household appliances remained basically unchanged. Furniture prices fell 1.60 percent month-on-month to 1.51 percent year-on-year.

The tax cuts are expected to have further downward pressure on inflation in April, although falling prices of automobiles and white goods will have a weaker total effect on inflation than in March. Moreover, the VAT cut on furniture and IT products will have some impact on inflation in April. However, these temporary tax cuts will only have a short-lived positive effect on inflation.

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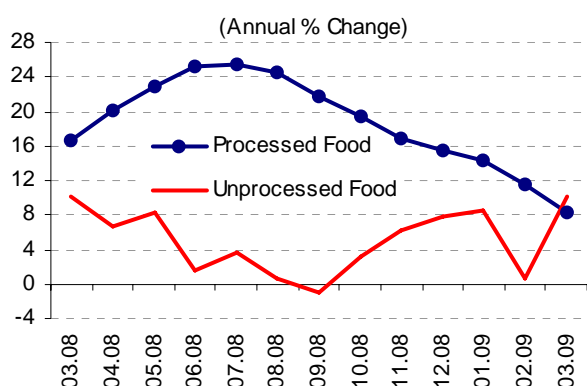


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	Monthly Percentage Change		Annual Percentage Change	
	March 2009	March 2008	March 2009	March 2008
CPI	1.10	0.96	7.89	9.15
1. Goods	1.49	0.98	7.75	9.22
Energy	-0.04	0.98	12.59	16.21
Unprocessed Foods	8.58	-0.85	10.20	10.16
Processed Food	-0.08	2.86	8.30	16.63
Goods excl. Energy and Food	-0.01	0.92	4.23	2.40
Durable Goods	-3.30	0.83	1.75	-1.22
ex. Gold	-3.95	0.15	-0.95	-3.77
Semi-Durable Goods	0.08	1.05	9.02	10.24
Non-Durable Goods	3.92	0.98	8.72	11.36
2. Services	-0.01	0.90	8.29	8.93
Rents	0.32	0.70	10.45	14.73
Restaurants and Hotels	0.50	1.21	12.07	11.44
Transport	-0.32	1.47	10.83	10.16
Other	-0.27	0.65	4.78	4.86

Source: TURKSTAT, CBRT.



After a softening in the last two months, unprocessed food prices jumped by a striking 8.58 percent month-on-month to 10.20 percent year-on-year, largely due to fresh fruit and vegetable prices that rose at a remarkable clip (by 16.99 percent) than in February. The sharp spike in fresh fruit and vegetable prices is considered to have resulted from adverse weather conditions in March and rising foreign demand for those products.

The annual rate of increase in processed food prices continued to slow in March, and annual inflation dropped by 3.2 percentage points from a month ago to 8.30 percent in this category. Despite the decline in processed food prices, annual inflation in food and nonalcoholic beverages rose to 9.18 percent due to the steep increase in unprocessed food prices.

...PPI...

Producer prices were up 0.29 percent in March, whereas PPI inflation was down to 3.46 percent year-on-year. Prices of agricultural products increased by 0.29 percent month-on-month but continued to slow year-on-year.

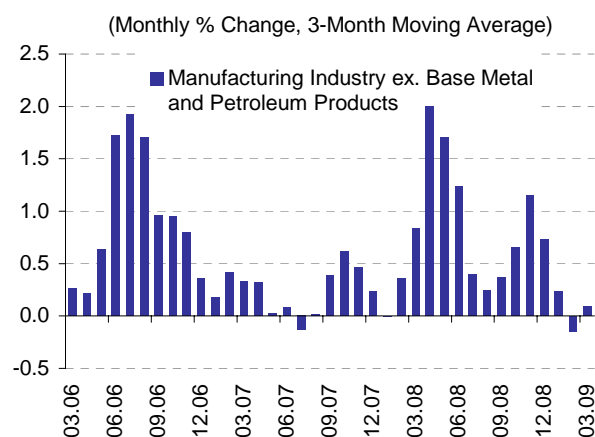
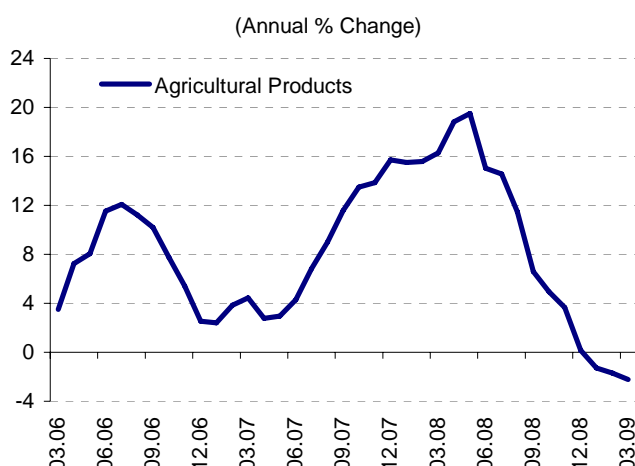
Manufacturing industry prices increased by 0.20 percent in March. Manufacturing industry prices for petroleum products rose by 1.90 percent, while those excluding petroleum products barely changed from February.

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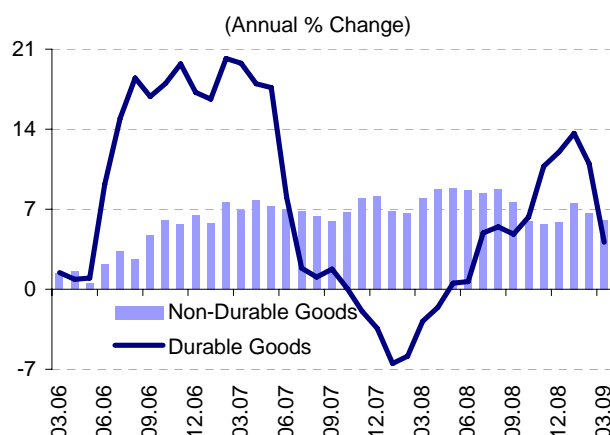
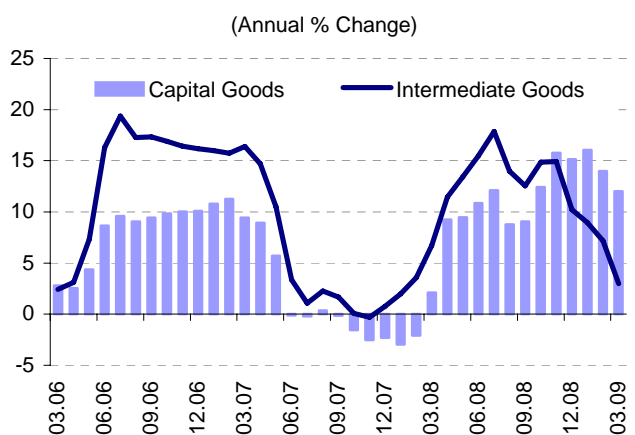


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According to the MIGS classification, prices of intermediate goods and capital goods were up 0.21 and 1.04 percent, respectively, in March. Prices of non-durable goods increased by 0.29 percent month-on-month amid rising producer prices for tobacco products and food. However, producer prices for clothing continued to fall. Moreover, prices of durable goods dropped by 3.60 percent on slowing producer prices for furniture. On an annual basis, inflation went down in all subcategories.



Changes in PPI based on MIGS Classification

Monthly Percentage Change

	Apr.08	May.08	Jun.08	Jul.08	Aug.08	Sep.08	Oct.08	Nov.08	Dec.08	Jan.09	Feb.09	Mar.09	Annual
Prices of intermediate goods	4.90	2.03	1.69	1.42	-2.58	-1.21	0.89	-0.57	-3.60	0.04	-0.02	0.21	2.97
Prices of capital goods	6.71	-0.42	0.32	0.83	-2.54	0.04	2.48	2.33	0.20	1.23	-0.57	1.04	12.00
Prices of durable goods	0.75	2.60	-0.30	2.13	1.52	-0.38	1.43	2.94	-0.80	-0.56	-1.47	-3.60	4.12
Prices of non-durable goods	2.08	-0.33	0.02	-0.06	0.45	1.07	0.28	0.61	0.31	0.40	0.81	0.29	6.08
Energy prices	8.56	5.29	2.06	3.91	-6.19	-2.77	-0.03	-1.06	-12.18	-0.01	6.32	1.23	3.36

Sources: TURKSTAT, CBRT

...TABLES

March CPI and Sub-Items (Percentage Change)					
	Weight	2009		2008	
		Monthly	Annual	Monthly	Annual
CPI	100	1.10	7.89	0.96	9.15
Food and non-alcoholic beverages	28.03	3.91	9.18	1.04	13.40
Alcoholic beverages and tobacco	4.58	6.90	7.12	0.21	6.86
Clothing and footwear	7.22	0.07	0.36	1.80	3.67
Housing	18.63	-0.12	16.46	0.37	14.71
Household equipment	7.53	-1.44	4.64	1.12	4.15
Health	2.50	0.02	1.95	0.08	-0.21
Transport	12.64	-1.99	-0.45	1.18	6.53
Communication	4.60	-0.56	3.11	0.43	-1.34
Recreation and culture	2.54	-0.17	8.32	1.30	0.09
Education	2.47	0.10	6.65	0.39	6.39
Restaurants and hotels	5.47	0.50	12.07	1.21	11.44
Miscellaneous goods and services	3.79	1.33	13.26	2.19	9.35

Source: TURKSTAT

March PPI and Sub-Items (Percentage Change)					
	Weight	2009		2008	
		Monthly	Annual	Monthly	Annual
PPI	100	0.29	3.46	3.17	10.50
Agriculture	17.76	0.29	-2.21	0.82	16.28
Industry	82.24	0.29	4.84	3.75	9.18
Mining	2.20	1.25	15.58	3.53	17.41
Manufacturing	73.75	0.20	1.13	3.99	9.06
Energy	6.29	0.92	50.90	0.91	8.65

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.