

MARCH PRICE DEVELOPMENTS



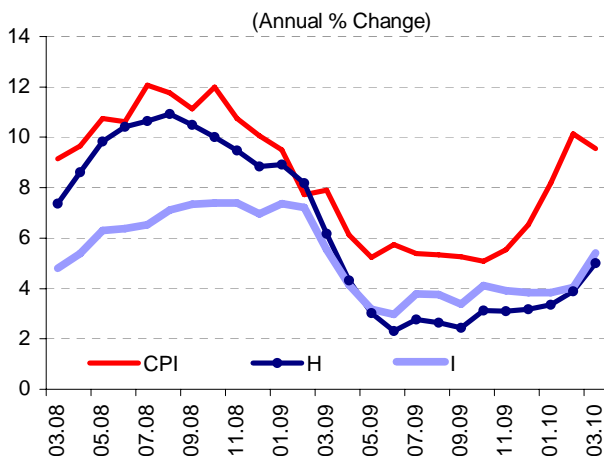
Central Bank of Turkey

April 6, 2010

SUMMARY...

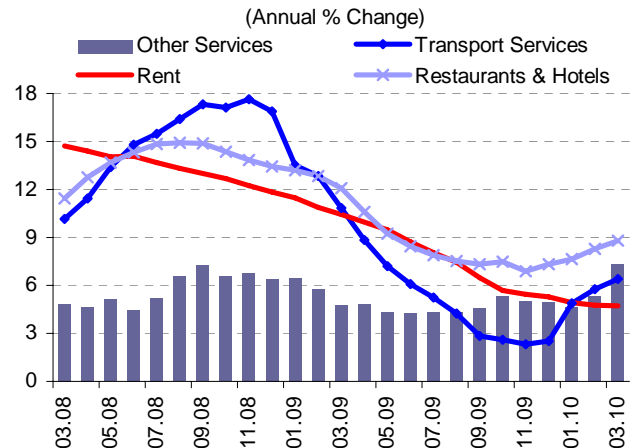
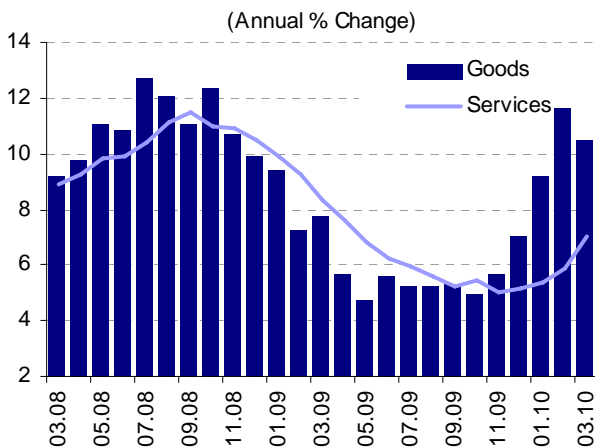
In March, consumer prices rose by 0.58 percent, while inflation was down 0.57 percentage points to 9.56 percent year-on-year. After a steep increase in February driven by adverse weather conditions, vegetable prices saw some correction in March, as predicted. The rise in the annual rate of increase in prices of core goods and services was largely attributable to the low base effect from a year earlier. The core CPI indices H and I increased due to the low base effect from last year's tax incentives. Prices of services were up on higher call rates. On balance, inflation is expected to fluctuate in coming months and start falling by the final quarter of 2010 with the waning of temporary factors.

...EVALUATIONS...



In March, consumer prices were up 0.58 percent, while inflation fell by 0.57 percentage points to 9.56 percent year-on-year. The rate of increase in the CPI index excluding energy, unprocessed food, alcoholic beverages, tobacco and gold (SCA-H) rose to 5.01 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) accelerated to 5.41 percent year-on-year. These increases were mainly driven by the low base effect resulting from last year's tax cuts.

Prices were up 0.43 and 1.03 percent, respectively, in goods and services. Accordingly, annual inflation slowed to 10.47 percent in goods and jumped to 7.01 percent in services.



Annual services inflation continued to soar in March owing to higher transport and catering prices. Rising food and energy prices had a greater cumulative impact on prices of services. Moreover, the hike in landline call rates brought services inflation up by 0.6 percentage points in March. Meanwhile, the annual rate of increase in rents continued to slow, albeit more modestly.

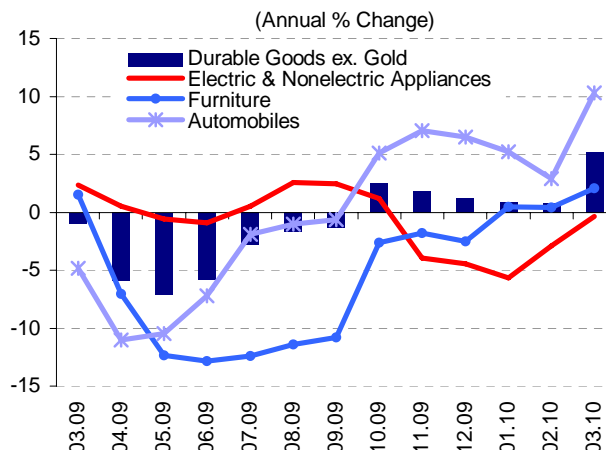
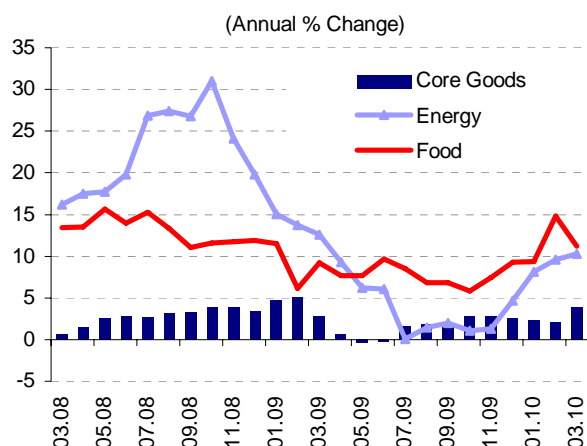
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Energy prices were up 0.56 percent in March on higher fuel prices and tap water rates, while bottled gas and solid fuel prices declined slightly. Annual energy inflation rose by 0.66 percentage points to 10.26 percent on the back of the low base effect from a year earlier. Base effects are expected to have further upward pressure on annual energy inflation in coming months.



Annual inflation in core goods (excluding food, energy, alcoholic beverages, tobacco and gold) increased by about 1.6 percentage points to 3.79 percent, largely due to the base effect resulting from the tax cuts on certain durable goods in 2009. Moreover, having been on an uptrend since November 2009, annual clothing inflation amounted to 4.44 percent in March.

	Monthly Percentage Change		Annual Percentage Change	
	March 2010	March 2009	March 2010	March 2009
CPI	0.58	1.10	9.56	7.89
1. Goods	0.43	1.49	10.47	7.75
Energy	0.56	-0.04	10.26	12.59
Unprocessed Foods	0.97	8.58	19.47	10.20
Processed Food	0.28	-0.08	3.95	8.30
Goods excl. Energy and Food	0.19	-0.01	10.15	4.23
Core Goods	0.13	-1.44	3.79	2.72
Durable Goods	0.47	-3.30	5.41	1.75
ex. Gold	0.23	-3.95	5.17	-0.95
Semi-Durable Goods	0.50	0.08	7.52	9.02
Non-Durable Goods	0.37	3.92	13.94	8.72
2. Services	1.03	-0.01	7.01	8.29
Rents	0.28	0.32	4.72	10.45
Restaurants and Hotels	0.98	0.50	8.80	12.07
Transport	0.30	-0.32	6.41	10.83
Other	1.61	-0.27	7.36	4.78

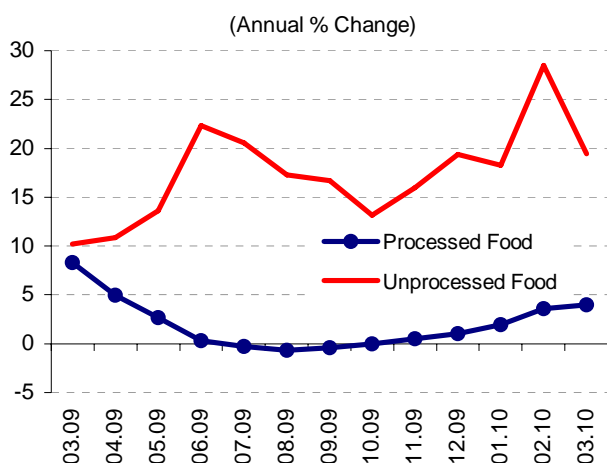
Source: TURKSTAT, CBRT

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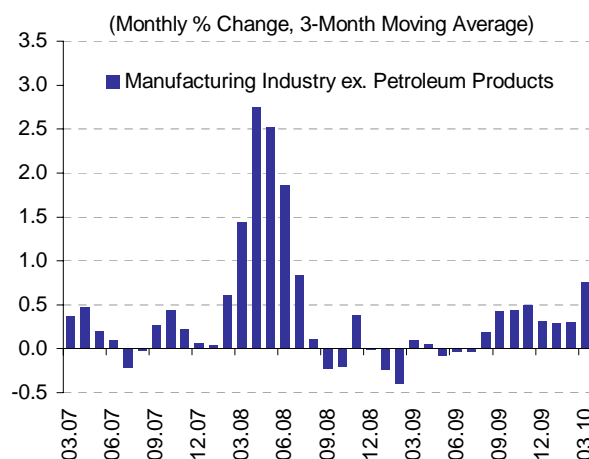
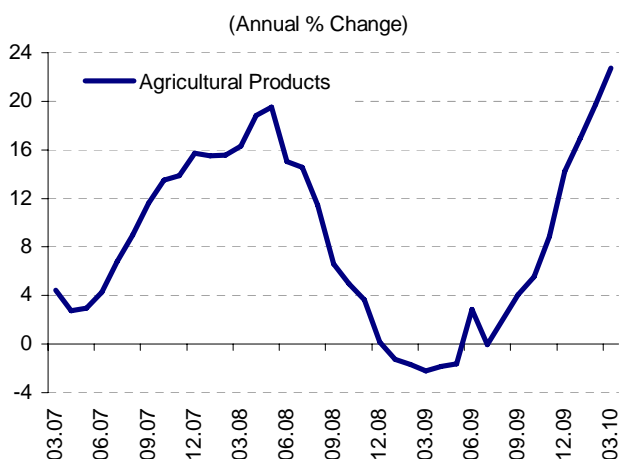


The annual rate of increase in unprocessed food prices decreased by 9 percentage points to 19.5 percent in March amid the vegetable price correction. Yet, meat prices continued to rise, albeit more slowly, reflecting higher prices for processed meat products. Therefore, annual processed food inflation continued to soar. On the other hand, prices of cheese and other dairy products started to fall again in March after having remained on a solid uptrend over the past eight months. Accordingly, annual inflation in food and non-alcoholic beverages declined to 11.21 percent.

...PPI...

Producer prices increased by 1.94 percent in March, driving PPI inflation up to 8.58 percent year-on-year. Agricultural prices were up 2.79 percent month-on-month, causing annual inflation to rise further in this category. This increase was mainly attributable to soaring producer prices for crop products, fruits, vegetables, livestock and animal products.

Changes in commodity prices (especially metal prices) and exchange rates brought manufacturing industry prices up by 1.91 percent in March, whereas manufacturing industry prices excluding petroleum products and base metals increased by only 0.86 percent.



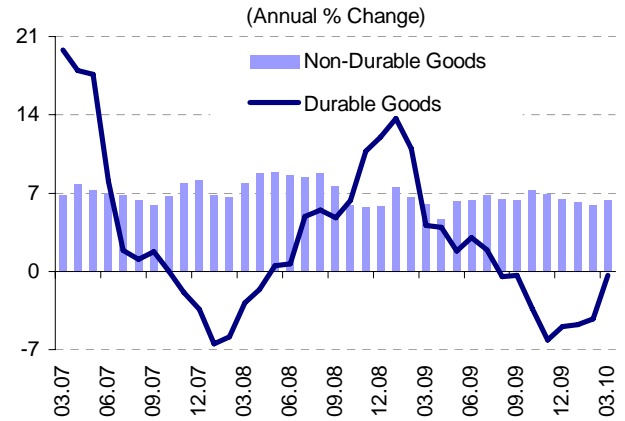
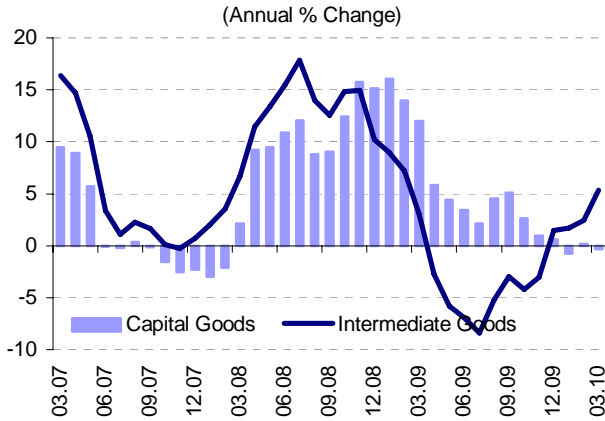
In March, prices of intermediate goods were up 3.06 percent on higher producer prices for base metals, particularly iron, whereas prices of capital goods rose by a mere 0.59 percent due to higher producer prices for metal construction materials. Meanwhile, prices of durable goods continued to hover below their year-ago levels, while prices of non-durable goods soared on rising producer prices for meat and meat products. Energy prices climbed owing to higher producer prices for refined petroleum products. Annual inflation went slightly down in capital goods, but was up across all other categories. In sum, the cost pressure from producer prices was stronger in March.

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Changes in PPI based on MIGS Classification

Monthly Percentage Change

	Mar.09	Apr.09	May.09	Jun.09	Jul.09	Aug.09	Sep.09	Oct.09	Nov.09	Dec.09	Jan.10	Feb.10	Mar.10	Annual
Intermediate goods	0.21	-0.89	-1.24	0.54	-0.23	0.81	1.16	-0.41	0.63	0.89	0.28	0.66	3.06	5.33
Capital goods	1.04	0.83	-1.75	-0.66	-0.42	-0.24	0.61	0.03	0.67	-0.15	-0.16	0.36	0.59	-0.30
Durable goods	-3.60	0.60	0.45	0.90	1.03	-0.85	-0.26	-1.63	-0.01	0.43	-0.36	-0.92	0.28	-0.38
Non-durable goods	0.29	0.75	1.19	0.06	0.40	0.13	0.91	1.23	0.20	-0.02	0.12	0.54	0.73	6.41
Energy	1.23	0.34	-3.31	3.51	-1.36	1.54	-0.54	-0.12	4.31	0.25	0.54	4.88	1.99	12.37

Source: TURKSTAT, CBRT.

... TABLES

March CPI and Sub-Items (Percentage Change)					
	Weight	2010		2009	
		Monthly	Annual	Monthly	Annual
CPI	100	0.58	9.56	1.10	7.89
Food and nonalcoholic beverages	27.60	0.62	11.21	3.91	9.18
Alcoholic beverages and tobacco	5.31	0.01	43.03	6.90	7.12
Clothing and footwear	7.30	0.69	4.44	0.07	0.36
Housing	16.83	0.20	4.92	-0.12	16.46
Household equipment	6.78	-0.45	0.19	-1.44	4.64
Health	2.55	0.04	1.89	0.02	1.95
Transport	13.90	0.73	12.72	-1.99	-0.45
Communication	4.94	3.14	7.47	-0.56	3.11
Recreation and culture	2.83	0.69	7.16	-0.17	8.32
Education	2.48	0.36	6.19	0.10	6.65
Restaurants and hotels	5.51	0.98	8.80	0.50	12.07
Miscellaneous goods and services	3.97	0.70	6.35	1.33	13.26

Source: TURKSTAT.

March PPI and Sub-Items (Percentage Change)					
	Weight	2010		2009	
		Monthly	Annual	Monthly	Annual
PPI	100	1.94	8.58	0.29	3.46
Agriculture	17.07	2.79	22.72	0.29	-2.21
Industry	82.93	1.76	5.69	0.29	4.84
Mining	2.62	-0.54	8.82	1.25	15.58
Manufacturing	72.95	1.91	7.32	0.20	1.13
Electricity, gas and water	7.36	1.11	-14.14	0.92	50.90

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.