

FEBRUARY PRICE DEVELOPMENTS



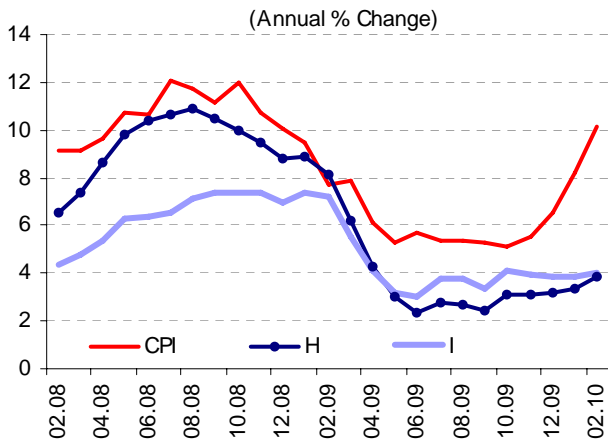
Central Bank of Turkey

March 4, 2010

SUMMARY...

In February, consumer prices rose by 1.45 percent, pushing inflation up by 1.94 percentage points to 10.13 percent year-on-year. As predicted in previous bulletins, the increase in annual inflation was largely attributable to temporary factors such as higher unprocessed food prices, tax adjustments and the low base effect from a year earlier, and did not lead to a general deterioration in pricing behavior. In fact, price hikes in food and tobacco added 1.62 percentage points to the monthly CPI in February, while the rate of change in prices of other goods and services remained close to the February averages of previous years. Having soared on adverse weather conditions in February, vegetable prices are likely to see a partial correction in March. On balance, inflation may actually start falling by late 2010 and early 2011.

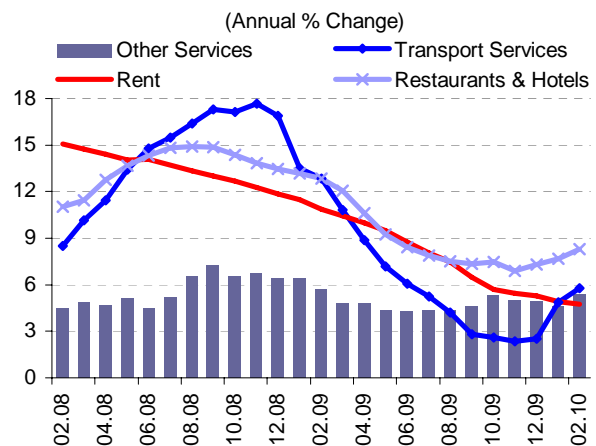
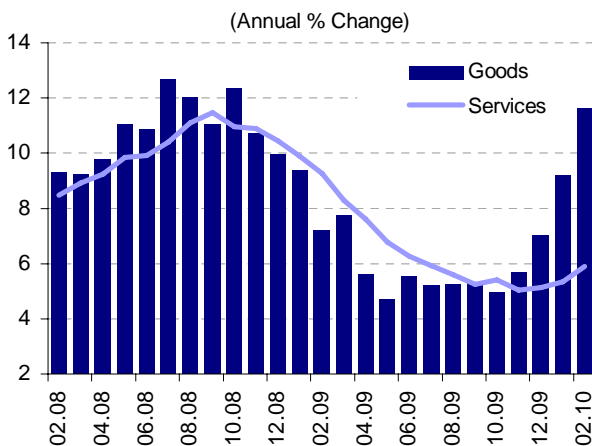
...EVALUATIONS...



In February, consumer prices were up 1.45 percent, driving inflation up by 1.94 percentage points to 10.13 percent year-on-year. The rate of increase in the CPI index excluding energy, unprocessed food, alcoholic beverages, tobacco and gold (SCA-H) amounted to 3.89 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) increased slightly month-on-month to 4.05 percent year-on-year.

The slump in aggregate demand, triggered by the global economic downturn in 2009, and the resulting tax cuts on some goods, aimed to stimulate domestic demand, brought the rate of change in core price indicators down to historic lows during the first half of 2009. Therefore, core inflation indices may trend slightly upwards until mid-2010 due to base effects, but continue to hover below the target throughout the year.

Prices were up 1.79 and 0.48 percent, respectively, in goods and services. Accordingly, annual inflation rose to 11.64 and 5.91 percent in goods and services, respectively.



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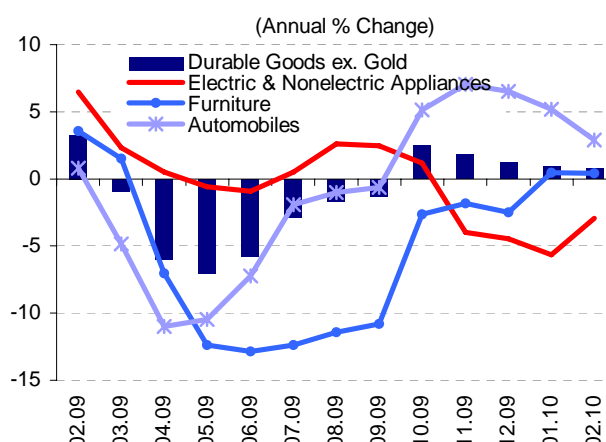
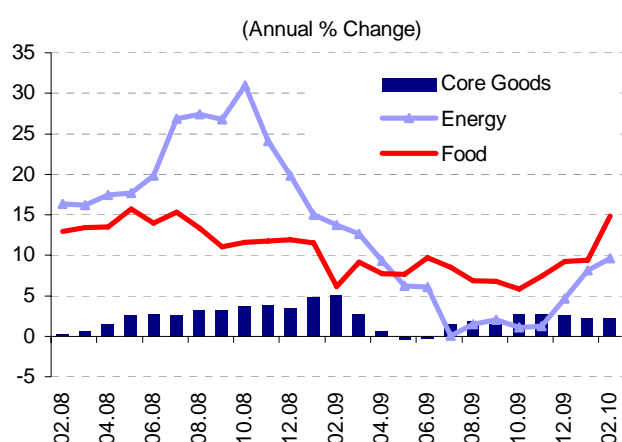


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Annual services inflation picked up in February owing to higher transport and catering prices and the low base from a year ago. The recent increase in energy and food prices appears to be another driver. On the other hand, the annual rate of increase in rents continued to fall steadily.

Energy prices were up 0.53 percent in February on rising bottled gas and auto LPG prices. Meanwhile, annual energy inflation rose by 1.47 percentage points to 9.60 percent on the back of both soaring prices and the low base from the massive reduction in natural gas prices in February 2008. Base effects are expected to have further upward pressure on annual energy inflation in coming months.



The spillover of the tobacco tax changes into February drove prices of alcoholic beverages and tobacco products up by 3.72 percent, which added 0.2 percentage points to CPI inflation in February, as predicted a month earlier.

Annual inflation in core goods (goods excluding food, alcoholic beverages, tobacco and gold) fell slightly to 2.17 percent. February discounts on clothing have been more moderate than in 2009, while the annual inflation in durable goods (excluding gold) continued to decline.

	Monthly Percentage Change		Annual Percentage Change	
	February 2010	February 2009	February 2010	February 2009
CPI	1.45	-0.34	10.13	7.73
1. Goods	1.79	-0.44	11.64	7.21
Energy	0.53	-0.82	9.60	13.74
Unprocessed Foods	9.55	0.85	28.47	0.63
Processed Food	0.90	-0.68	3.58	11.49
Goods excl. Energy and Food	-0.42	-0.68	9.93	5.20
Core Goods	-1.49	-1.36	2.17	5.05
Durable Goods	0.05	1.40	1.45	6.10
ex. Gold	0.08	0.23	0.79	3.28
Semi-Durable Goods	-1.08	-1.79	7.07	10.08
Non-Durable Goods	4.24	0.01	17.97	5.64
2. Services	0.48	-0.05	5.91	9.27
Rents	0.28	0.43	4.75	10.87
Restaurants and Hotels	1.17	0.59	8.28	12.85
Transport	0.63	-0.22	5.76	12.83
Other	0.20	-0.49	5.36	5.75

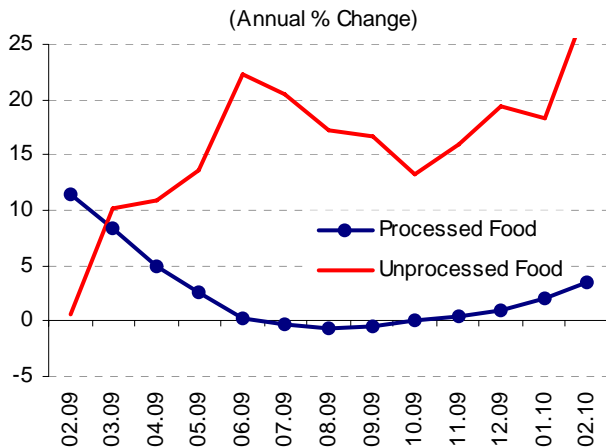
Source: TURKSTAT, CBRT

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In the unprocessed food category, prices jumped by 9.55 percent in February amid rising vegetable prices, as noted in the latest Summary of the Monetary Policy Committee Meeting. Thus, the annual rate of increase in unprocessed food prices rose by about 10 percentage points. Meanwhile, meat prices continued to soar, having a more dramatic impact on processed food prices.

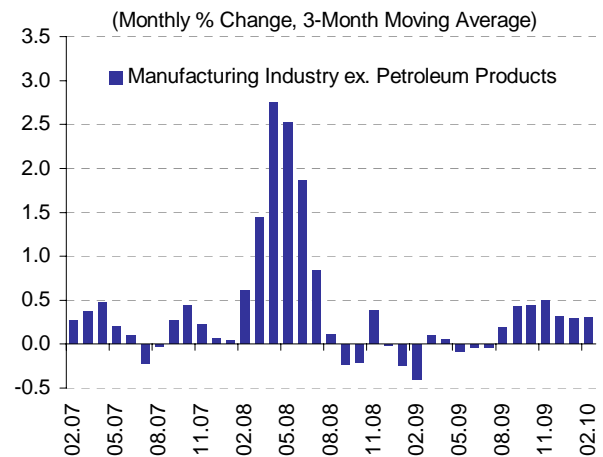
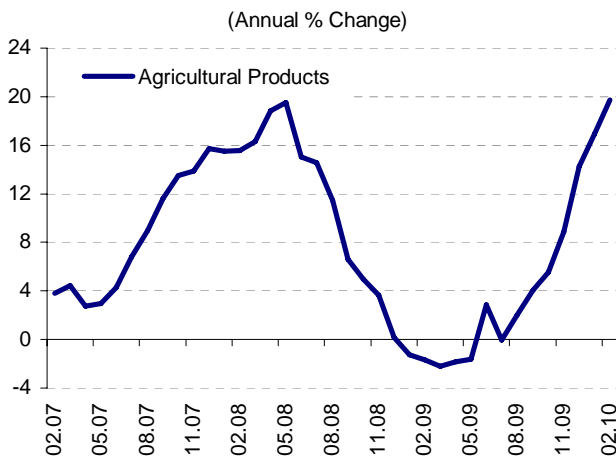
As a result, the annual inflation in food and non-alcoholic beverages climbed to 14.84 percent. Having increased markedly on adverse weather conditions in February, vegetable prices are likely to see a partial correction in March.

In sum, price hikes in food and tobacco added 1.62 percentage points to the monthly CPI in February, while the rate of change in prices of other goods and services remained close to February averages of previous years.

...PPI...

In February, producer prices increased by 1.66 percent month-on-month, driving annual PPI inflation up to 6.82 percent. Agricultural prices were up 4.04 percent month-on-month, causing inflation in this category to rise at its fastest pace year-on-year since 2004.

Manufacturing industry prices were modest in February. Producer prices for petroleum products dropped by 0.83 percent, whereas manufacturing industry prices excluding petroleum products increased by 0.47 percent, bringing inflation in this category up to 2.74 percent year-on-year.



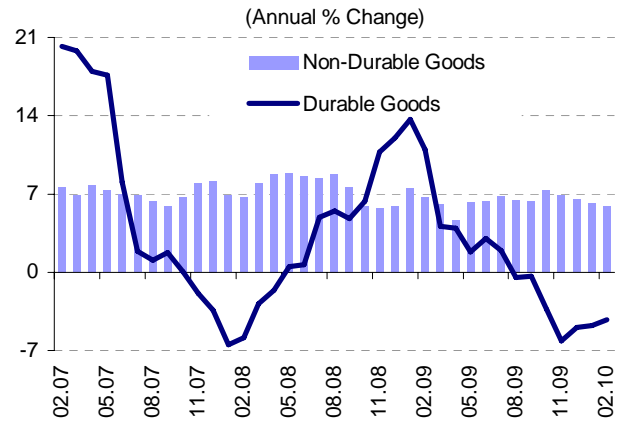
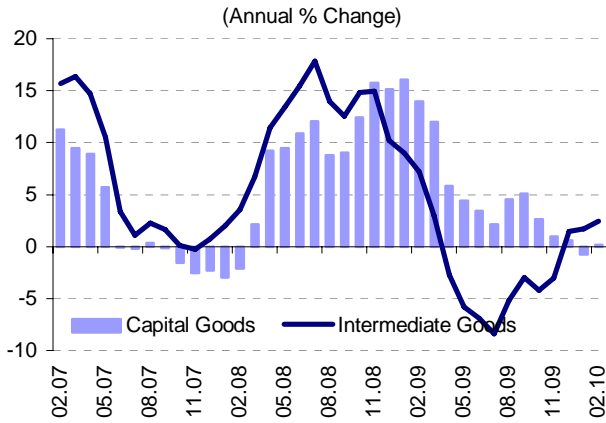
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Prices of intermediate goods increased by 0.66 percent, whereas prices of capital goods rose very modestly on higher producer prices for motor vehicles. Prices of durable goods fell month-on-month due to lower producer prices for furniture, hovering below their year-ago levels. Prices of non-durable goods were influenced by rising prices of food production, particularly meat and meat products. In sum, prices of categories other than agriculture and food production put no cost pressure on inflation in February.



Changes in PPI based on MIGS Classification

Monthly Percentage Change

	Feb.09	Mar.09	Apr.09	May.09	Jun.09	Jul.09	Aug.09	Sep.09	Oct.09	Nov.09	Dec.09	Jan.10	Feb.10	Annual
Intermediate goods	-0.02	0.21	-0.89	-1.24	0.54	-0.23	0.81	1.16	-0.41	0.63	0.89	0.28	0.66	2.42
Capital goods	-0.57	1.04	0.83	-1.75	-0.66	-0.42	-0.24	0.61	0.03	0.67	-0.15	-0.16	0.36	0.14
Durable goods	-1.47	-3.60	0.60	0.45	0.90	1.03	-0.85	-0.26	-1.63	-0.01	0.43	-0.36	-0.92	-4.24
Non-durable goods	0.81	0.29	0.75	1.19	0.06	0.40	0.13	0.91	1.23	0.20	-0.02	0.12	0.54	5.94
Energy	6.32	1.23	0.34	-3.31	3.51	-1.36	1.54	-0.54	-0.12	4.31	0.25	0.54	4.88	11.53

Source: TURKSTAT, CBRT.

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... TABLES

February CPI and Sub-Items (Percentage Change)					
	Weight	2010		2009	
		Monthly	Annual	Monthly	Annual
CPI	100	1.45	10.13	-0.34	7.73
Food and nonalcoholic beverages	27.60	5.01	14.84	0.02	6.16
Alcoholic beverages and tobacco	5.31	3.72	52.88	0.10	0.42
Clothing and footwear	7.30	-5.25	3.78	-5.58	2.10
Housing	16.83	0.39	4.58	-0.99	17.04
Household equipment	6.78	-0.11	-0.82	-1.00	7.36
Health	2.55	-0.20	1.87	0.10	2.02
Transport	13.90	0.42	9.68	1.40	2.77
Communication	4.94	0.11	3.62	-1.18	4.14
Recreation and culture	2.83	-0.57	6.24	-0.17	9.91
Education	2.48	0.02	5.93	-0.34	6.96
Restaurants and hotels	5.51	1.17	8.28	0.59	12.85
Miscellaneous goods and services	3.97	0.22	7.01	3.43	14.23

Source: TURKSTAT

February PPI and Sub-Items (Percentage Change)					
	Weight	2010		2009	
		Monthly	Annual	Monthly	Annual
PPI	100	1.66	6.82	1.17	6.43
Agriculture	17.07	4.04	19.73	1.63	-1.69
Industry	82.93	1.16	4.16	1.07	8.46
Mining	2.62	0.28	10.78	2.76	18.18
Manufacturing	72.95	0.39	5.52	0.33	4.95
Electricity, gas and water	7.36	9.14	-14.30	8.76	50.88

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.