

MARCH PRICE DEVELOPMENTS



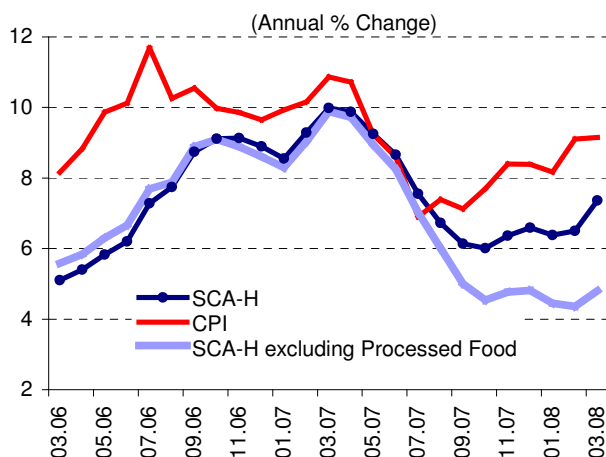
Central Bank of Turkey

4 April 2008

SUMMARY...

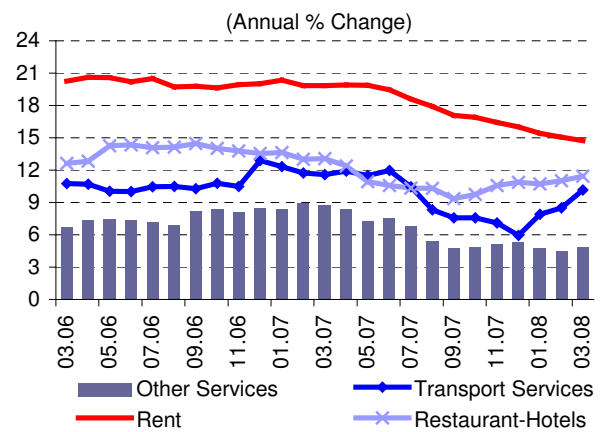
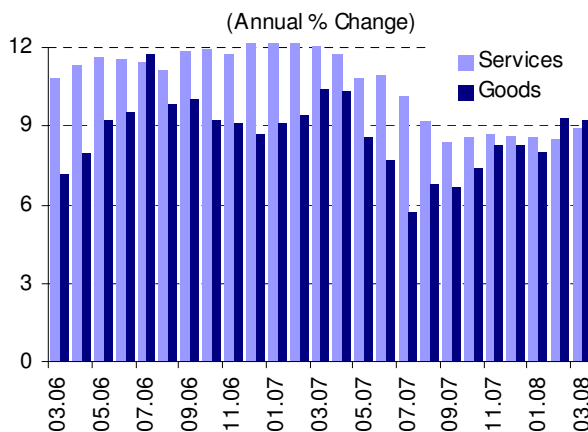
In March, consumer prices rose by 0.96 percent, pushing annual inflation up to 9.15 percent. Despite the partial correction in unprocessed food prices, the sizeable increase in processed food prices curbed the downtrend in food inflation. Moreover, the recent depreciation of the Turkish lira also put pressure on inflation. Although rents have remained on a downward trend, services inflation tipped to rise amid increasing prices for catering and transport services. Therefore, leading indicators of inflation were revised upward. In sum, soaring food and energy prices plus heightened global uncertainties delay disinflation. The lagged effects of exchange rate shifts might continue to have a negative impact on leading indicators of inflation in the short run. Yet, the continued slowdown in domestic demand suggests that inflation will ease again in the medium term.

...EVALUATIONS...



In March, consumer prices rose by 0.96 percent, bringing annual inflation up to 9.15 percent. The sharp increase in processed food prices and higher prices for clothing were the key drivers of inflation. The annual growth rate of the CPI index (SCA-H) excluding energy, unprocessed food, alcoholic beverages, tobacco products and gold amounted to 7.36 percent. With a further exclusion of processed food prices, the index still increased on a year-on-year basis, though at a subdued rate, owing to exchange rate shifts.

Prices of goods and services were up 0.98 and 0.90 percent, respectively. Annual inflation increased to 8.93 percent in services, and decreased to 9.22 percent in goods.



The cumulative rise in energy and food prices caused annual services inflation to accelerate in March. Prices for transport services were up 1.47 percent mainly on increased public transport fares, while prices for restaurants-hotels were up 1.21 percent, driven higher by elevated prices of catering services. Rent inflation remained on a steady downward trend, but the annual rate of growth in prices for recreation-culture and education picked up in March.

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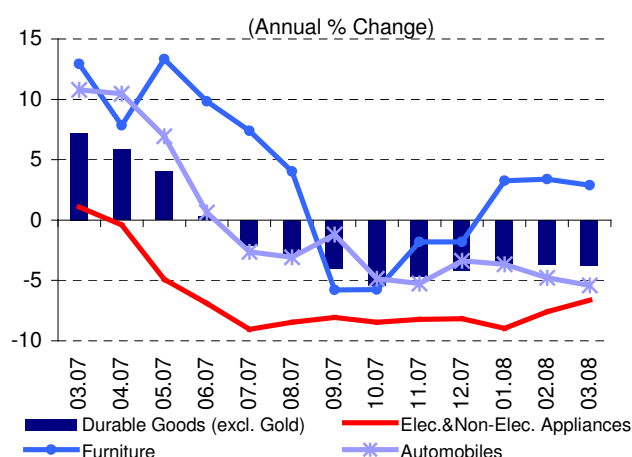
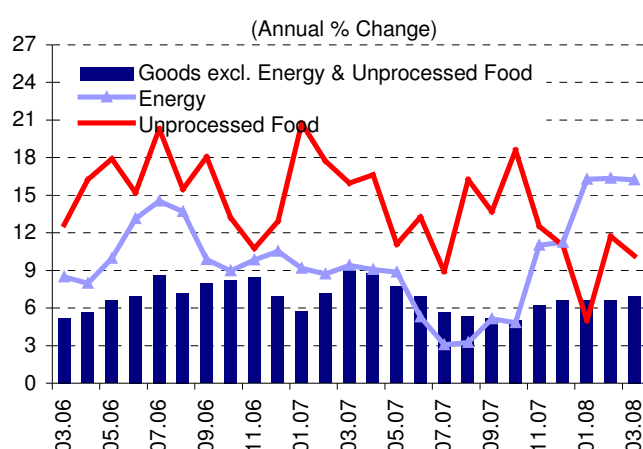


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Energy prices increased by 0.98 percent due to rising fuel prices. The price of crude oil on world markets that surpassed the 100 US-dollar per barrel level during March and the recent weakening of the Turkish lira pushed prices of fuel products up by a significant 3.23 percent in March. Risks to energy prices are still a challenge.

The year-on-year increase in prices of goods excluding energy and unprocessed food amounted to 6.96 percent. The sharp rise in the annual rate of increase in prices for processed food, gold, clothing and footwear had a limited impact on the group's annual inflation rate because of the base effect that lowered the alcoholic beverage and tobacco inflation. Clothing and footwear prices, which had seen a seasonal downturn in March thus far, rose by 1.80 percent this year, pushing annual inflation rate to 3.67 percent. Moreover, with the rise in March, the gold price growth totaled 25.5 percent for the first quarter of the year.



The annual inflation rate for durables (excluding gold) were down by a slight 0.1 percent from February. After a steady downward trend since March 2007, prices of electric and non-electric appliances have been up for two months in a row in response to exchange rate changes, while prices of automobiles went down.

	Monthly Percentage Change		Annual Percentage Change	
	March 2008	March 2007	March 2008	March 2007
CPI	0.96	0.92	9.15	10.86
1. Goods	0.98	1.07	9.22	10.40
Energy	0.98	1.10	16.21	9.39
Unprocessed Food	-0.85	0.56	10.16	15.98
Goods excl. Energy and Unprocessed Food	1.57	1.23	6.96	9.01
Durable Goods	0.83	0.21	-1.22	9.74
Durable Goods excl. Gold	0.15	0.26	-3.77	7.19
Semi-Durable Goods	1.05	0.66	10.24	8.13
Non-Durable Goods	0.98	1.55	11.36	12.04
2. Services	0.90	0.49	8.93	12.07
Rent	0.70	0.99	14.73	19.85
Restaurants and Hotels	1.21	0.83	11.44	13.07
Transport Services	1.47	-0.06	10.16	11.59
Other Services	0.65	0.26	4.86	8.77

Source: TURKSTAT, CBRT.

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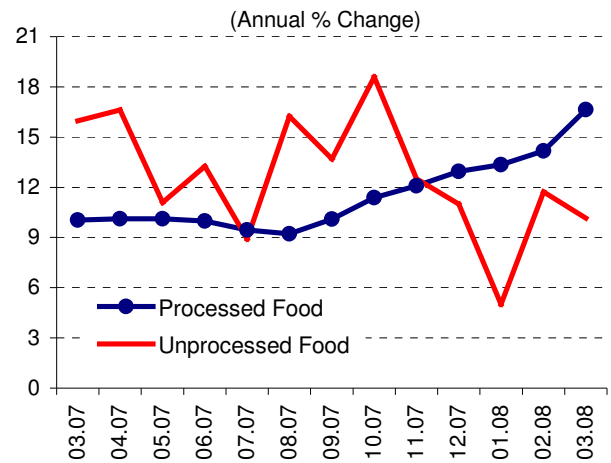


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Unprocessed food prices decreased by 0.85 percent in March thanks to a partial correction (by -6.41 percent) in vegetable prices that increased rapidly during January and February. However, the 7.10 percent jump in fruit prices has dampened the favorable impact of the vegetable price correction. The first-quarter trend in unprocessed food prices has remained nearly unchanged from the comparable period in 2007. The less-adverse weather and rainfall conditions, as compared with the previous year, suggest that unprocessed food prices might be relatively low during the remainder of the year.

Processed food prices, which have been surging since mid-2007, continued to rise in March, recording the highest monthly increase of 2.86 percent since base year 2003. The 20.14 percent annual rate of increase in bread and cereals prices, coupled with continued price increases of other processed food items, added to inflationary pressures on food prices.



Not only the cumulative impact of the steep rise in processed food and energy prices but also the depreciation of the Turkish lira put upward pressure on special CPI indicators, driving all indicators higher in annual terms.

...PPI...

PPI increased by 3.17 percent in March to 10.50 percent per annum, mainly on rising prices of agricultural and industrial products that contributed 0.16 and 3.01 percentage points, respectively, to the index's performance. Prices of refined petroleum products increased by 13.34 percent whereas manufacturing industry prices excluding petroleum products were up 2.77 percent in response to exchange rate changes. Base metal prices continued to climb in March, up 14.51 percent from February. Besides, prices of food and textiles have also increased dramatically.

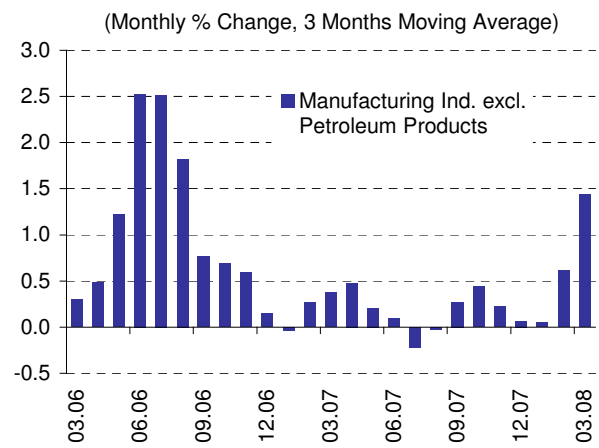
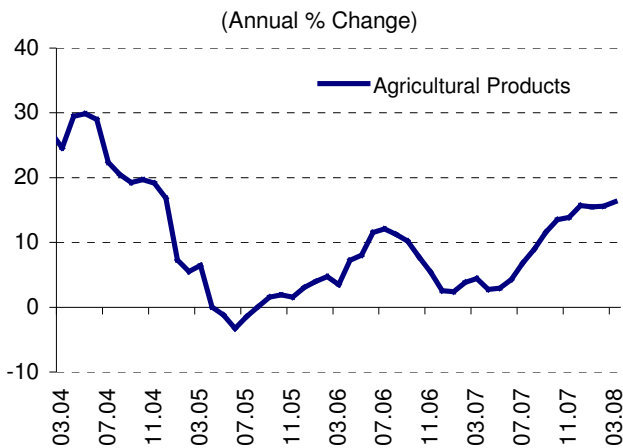
Prices of agricultural products were up 16.28 percent from March 2007 and the group's annual inflation rate has remained almost unchanged for the past three months.

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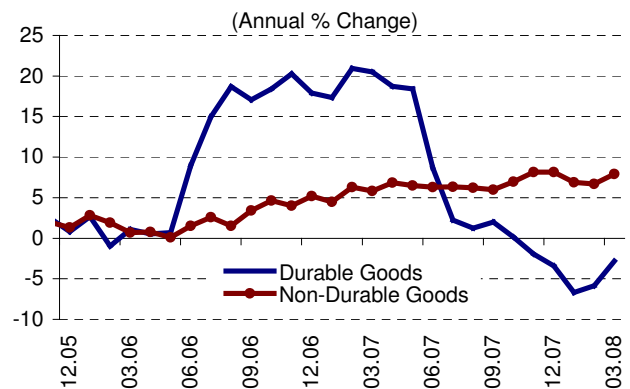
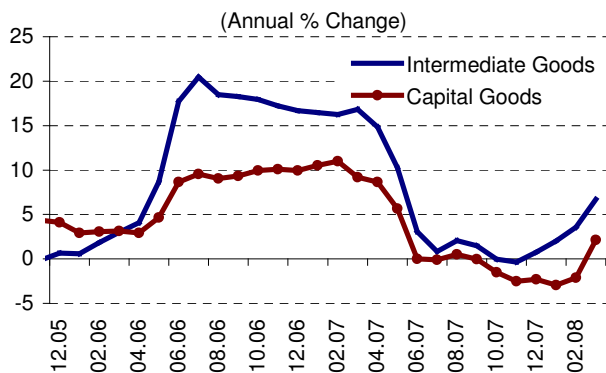


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According to a PPI analysis based on MIGS classification, prices for all items went up in March both in monthly and annual terms. Prices of intermediate goods increased due to higher prices for base metals, while prices of consumer durables soared on the back of rising furniture prices. Energy prices also saw a sharp increase in March because of the pickup in prices for coke and refined petroleum products.



PPI Developments According to MIGS Classification

Monthly Percentage Change

	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Jan-Mar*
Intermediate Goods Prices	0.44	0.27	-0.13	-0.63	0.72	0.06	-1.13	-0.64	0.53	1.18	1.66	4.30	7.28
Capital Goods Prices	-0.25	-0.64	-0.93	-0.27	0.43	-0.22	-0.59	-0.64	0.75	0.44	1.23	2.84	4.56
Durable Goods Prices	-0.49	0.44	-0.46	-2.02	1.01	0.23	-0.02	-1.17	-1.9	-2.00	0.90	2.74	1.59
Non-Durable Goods Prices	1.28	-0.38	0.2	0.13	0.13	2.13	1.88	0.84	0.14	-1.15	1.63	0.86	1.33
Energy Prices	2.12	-0.54	-1.36	1.84	2.68	-0.32	-2.94	6.68	-0.86	0.60	7.74	7.85	16.89

Source: TURKSTAT, CBRT.

* 3 Months Cumulative Increase

...TABLES

March CPI and Sub-Items (Percentage Change)					
	Weight	2008		2007	
		Monthly	Annual	Monthly	Annual
CPI	100	0.96	9.15	0.92	10.86
Food and Non-Alcoholic Beverages	28.63	1.04	13.40	0.62	12.94
Alcoholic Beverages and Tobacco	5.00	0.21	6.86	7.22	10.17
Clothing and Footwear	8.07	1.80	3.67	-0.28	4.19
Housing	16.60	0.37	14.71	0.40	12.90
Household Equipments	7.42	1.12	4.15	1.78	12.02
Health	2.54	0.08	-0.21	0.27	7.61
Transport	12.59	1.18	6.53	1.21	10.19
Communication	4.30	0.43	-1.34	-0.50	1.57
Recreation and Culture	2.81	1.30	0.09	-0.38	10.53
Education	2.24	0.39	6.39	-0.10	7.54
Restaurants and Hotels	5.64	1.21	11.44	0.83	13.07
Miscellaneous Goods and Services	4.16	2.19	9.35	0.49	11.42

Source: TURKSTAT.

March PPI and Sub-Items (Percentage Change)					
	Weight	2008		2007	
		Monthly	Annual	Monthly	Annual
PPI	100	3.17	10.50	0.97	10.92
Agriculture	19.84	0.82	16.28	0.21	4.43
Industry	80.16	3.75	9.18	1.15	12.52
Mining	1.62	3.53	17.41	-0.13	12.40
Manufacturing	73.33	3.99	9.06	0.99	11.78
Energy	5.21	0.91	8.65	3.46	22.22

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.