

MARCH PRICE DEVELOPMENTS



The Central Bank of the Republic of Turkey

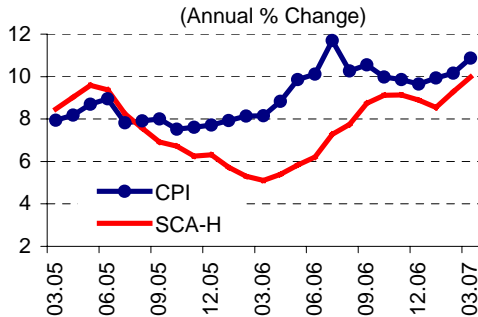
4 April 2007

SUMMARY OUTLOOK...

Annual inflation was realized as 10.86 percent in March. Due to the low base in the first quarter of last year, annual inflation in the goods group increased, while the price increases in the services group maintained their level of the previous month. Consequently, the annual growth of the special CPI aggregates rose.

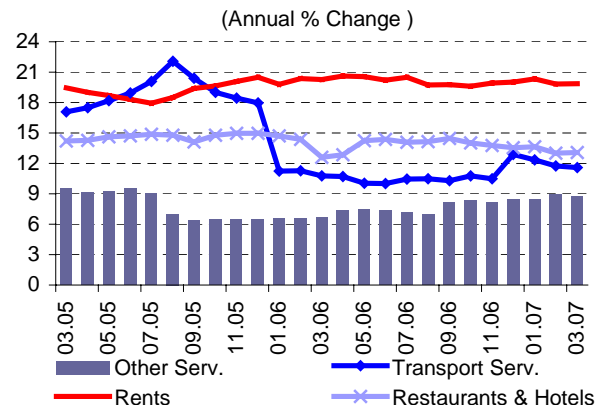
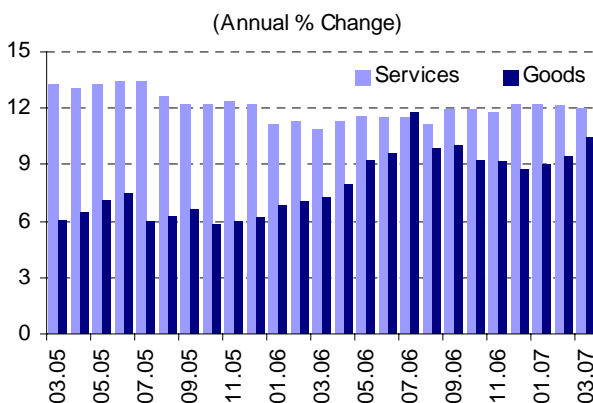
This increase – foreseen in last month’s price developments report – is believed to be temporary and to be replaced by a gradual decline in inflation starting from the coming months.

...EVALUATIONS...



Annual inflation climbed in the first quarter of the year due to the low base in the same period of last year and became 10,86 percent by March. The annual increase of the Special CPI Aggregate excluding energy, unprocessed food products, alcoholic beverages, tobacco products and gold (SCA-H), rose to 9.98 percent also largely due to the base effect.

In March, goods group prices rose by 1.07 percent and services group prices by 0.49 percent. While annual inflation surged in the goods group, it retained its course around 12 percent in the services group.



Analysis of the services group prices shows that there has not been a remarkable change in the annual inflation of rents, restaurants-hotels and transportation services compared to the previous month. The annual increase in the other services group prices moderately eased as a result of the developments in the education and health services.

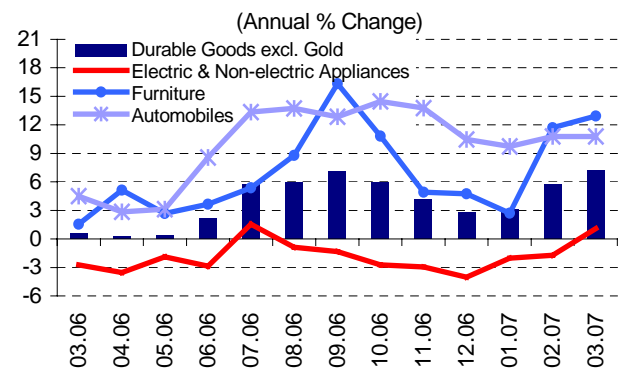
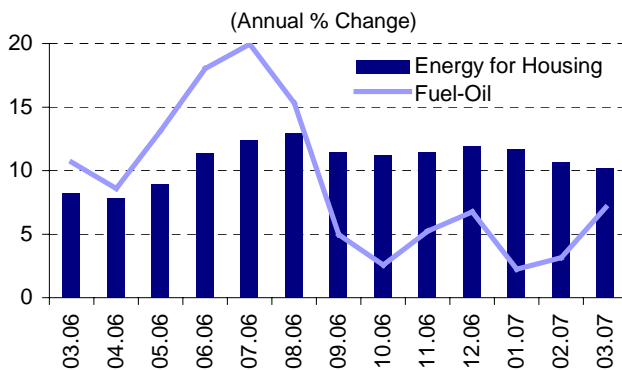
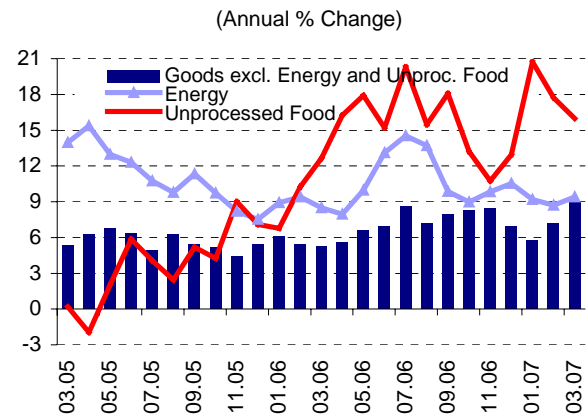
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Analysis of the March price developments in the goods group reveals that the decline in the annual inflation of unprocessed food continues. In the energy group, while the increase in fuel oil gained momentum in line with the developments in the international oil market, the annual increase in the energy item of the housing group declined. The inflation in the goods group excluding energy and unprocessed food rose by 3.3 percentage points during the last two months to become 9.01 percent. This increase stemmed from the developments in tobacco products, clothing-footwear and durable goods group prices.



Prices of durable goods excluding gold displayed merely a slight increase by 0.26 percent in March. Nevertheless, similar to February, annual inflation in this group rose owing to the low base effect driven by the rapid decline in the previous year. As for sub-items, monthly inflation in the electric and non-electric appliances group remained rather limited despite the high-rated increases in white goods prices, which can be attributed to the fall in prices of other durable electric and non-electric appliances.

	Monthly Percentage Change		Annual Percentage Change	
	March 2007	March 2006	March 2007	March 2006
CPI	0.92	0.27	10.86	8.16
1. Goods	1.07	0.17	10.40	7.18
Energy	1.10	0.46	9.39	8.48
Unprocessed Food	0.56	2.07	15.98	12.64
Goods Excl. Energy and Unproc. Food	1.23	-0.50	9.01	5.22
Durable Goods	0.21	-0.91	9.74	5.07
Durable Goods Excl. Gold	0.26	-1.13	7.19	0.59
Semi-Durable Goods	0.66	-0.66	8.13	4.38
Non-Durable Goods	1.55	0.97	12.04	9.71
2. Services	0.49	0.54	12.07	10.84
Rents	0.99	0.97	19.85	20.27
Restaurants and Hotels	0.83	0.78	13.07	12.61
Transport Services	-0.06	0.07	11.59	10.75
Other Services	0.26	0.39	8.77	6.68

Source: TÜRKSTAT, CBRT.

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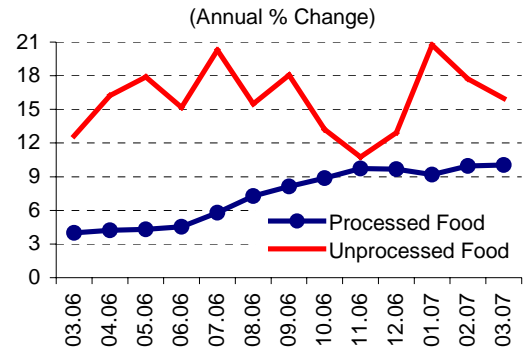


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March inflation in the unprocessed food group remained below that of the previous year, with an increase by 0.56 percent, and brought annual inflation down to 15.98 percent. This development can be attributed to the decline in other unprocessed food prices rather than vegetable and fruit prices. Continuation of the high-rated annual increase trend in prices of fresh fruits and vegetables indicates that unprocessed food prices still pose a risk to consumer prices inflation.

Annual inflation in the processed food group displayed a course similar to that of the previous month. The bread and grain sub-group, which has been recording high-rated increases since the second half of 2006, maintained this upward trend in March as well. This development can be seen as an outcome of the fall in grain production discussed in our previous reports. Meanwhile, prices of processed food excluding bread and grain did not display any significant changes in March compared to February.



The fixed Special Consumption Tax (SCT) increase in tobacco products had produced a hike in cigarette prices in the second half of February. The said development affected consumer prices at different rates in February and March (by 2.59 percent and 7.58 percent, respectively), creating an overall annual effect on the consumer inflation by about 0.5 percentage point.

In March, clothing and footwear prices declined by 0.28 percent, at a lower rate compared to the same period of the previous year. It is noticeable that while clothing prices decreased in March, footwear prices increased contrary to the seasonal trend of previous years.

Prices of transport group rose by 1.21 percent in response to the high rate of increase (4.01 percent) in the prices of fuel oil products. Automobile prices that had surged (3.24 percent) in the first two months of 2007 did not display a significant change in March, while a slight rise in prices of transport services of 0.10 percent in the first quarter of 2007 is considered to be a very positive development.

Communication group within the CPI is mostly comprised of 'telephone and telefax services' and 'telephone and telefax equipment'. Various increases and decreases in the sub item prices of telephone services (local calls, long distance calls, etc.) counterbalanced each other and net reflection of these price developments on CPI became limited. Meanwhile, prices of the telephone and telefax equipments sub-group declined remarkably, mainly in response to the high rate of decrease in mobile phone prices. As a result of these developments communication group prices dropped by 0.50 percent in March.

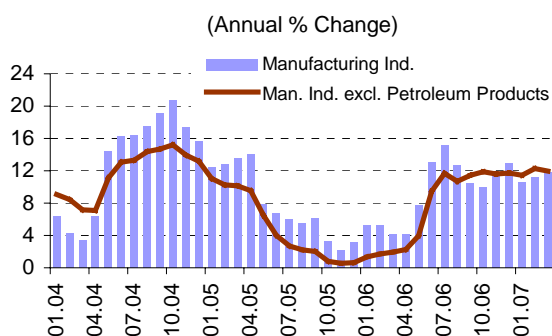
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PPI rose by 0.97 percent in March, where the agricultural and industrial sectors contributed by 0.03 and 0.94 percentage points, respectively.



During this period, manufacturing industry prices rose by 0.99 percent compared to the previous month owing to the increases in the prices of coke and refined petroleum products, basic metal industry along with the machinery-equipment manufacturing sector. While the prices of coke and refined petroleum products boosted by 9.16 percent, the rate of increase in the manufacturing industry prices excluding petroleum products slowed down and was realized as 0.16 percent.

Analyzing the PPI by the MIGS classification, energy prices display a significant increase in March. This increase has chiefly stemmed from the surge in the prices of petroleum products. Moreover, in line with the rise in the prices of basic metal and chemical products, intermediate goods prices increased as well. In the meantime, prices of durable and non-durable consumer goods, along with capital goods, fell. While the durable goods prices decreased due to the decline in furniture prices, the decline in the prices of clothing sector was the determining factor in the downward course of the non-durable goods.

PPI Developments According to MIGS Classification

Monthly Percentage Change

	Mar.06	Apr.06	May.06	Jun.06	Jul.06	Aug.06	Sep.06	Oct.06	Nov.06	Dec.06	Jan.07	Feb.07	Mar.06
Intermediate Goods Prices	0.74	2.20	4.43	6.84	1.55	-0.46	0.62	0.37	-0.34	-0.57	-0.08	0.12	1.24
Capital Goods Prices	0.23	0.24	2.19	4.66	-0.15	-0.17	0.28	0.91	0.40	0.53	1.11	0.34	-1.41
Durable Goods Prices	-0.13	1.00	0.73	8.46	4.16	1.97	-0.50	1.85	0.94	-0.43	1.43	0.02	-0.48
Non-Durable Goods Prices	0.16	0.30	-0.04	0.37	0.13	0.24	2.35	0.96	-0.26	0.13	0.03	1.82	-0.30
Energy Prices	0.32	6.87	6.70	9.65	4.11	-4.28	-8.60	-2.32	-1.80	1.53	-3.82	0.64	6.04

Source: TÜRKSTAT, CBRT

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...UPCOMING DEVELOPMENTS...

- Clothing prices are expected to display seasonal increases in April and May.

...TABLES

March CPI and Sub-Items (% Change)					
	Weight	2007		2006	
		Monthly	Annual	Monthly	Annual
CPI	100	0.92	10.86	0.27	8.16
Food and Non-Alcoholic Beverages	28.47	0.62	12.94	1.30	7.94
Alcoholic Beverages and Tobacco	5.06	7.22	10.17	0.15	31.25
Clothing and Footwear	7.86	-0.28	4.19	-2.92	-2.37
Housing	16.62	0.40	12.90	0.60	10.76
Household Equipments	7.22	1.78	12.02	-0.43	2.23
Health	2.66	0.27	7.61	0.37	0.23
Transport	11.60	1.21	10.19	0.14	8.58
Communication	4.41	-0.50	1.57	-0.76	2.29
Recreation and Culture	3.16	-0.38	10.53	-0.83	2.67
Education	2.15	-0.10	7.54	0.15	8.24
Restaurants and Hotels	6.40	0.83	13.07	0.78	12.61
Miscellaneous Goods and Services	4.39	0.49	11.42	0.20	13.02

Source: TÜRKSTAT.

March PPI and Sub-Items (% Change)					
	Ağırlık	2007		2006	
		Aylık	Yıllık	Aylık	Yıllık
PPI	100	0.97	10.92	0.25	4.21
Agriculture	18.17	0.21	4.43	-0.36	3.50
Industry	81.83	1.15	12.52	0.40	4.41
Mining	1.49	-0.13	12.40	-2.28	15.78
Manufacturing	74.49	0.99	11.78	0.48	4.12
Energy	5.85	3.46	22.22	0.16	4.14

Source: TÜRKSTAT

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