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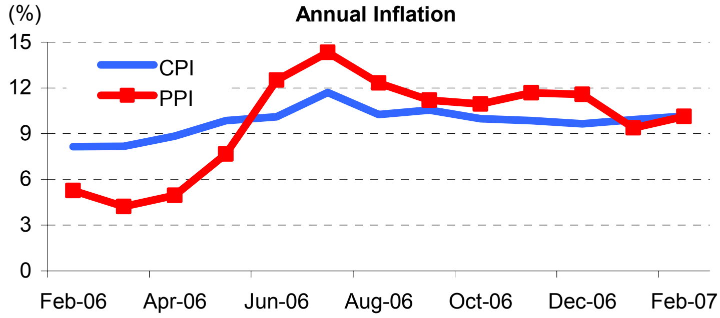
	CPI		PPI	
(%)	***2006***	***2007***	***2006***	***2007***
February	*0.22*	*0.43*	*0.26*	*0.95*
January - February	*0.97*	*1.44*	*2.22*	*0.89*
Annual	*8.15*	*10.16*	*5.26*	*10.13*
Annual Average	*8.03*	*9.92*	*5.04*	*10.08*

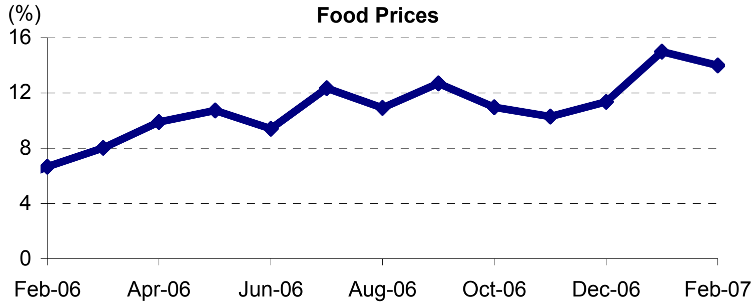
CPI increased by 0.43% in February.

In February 2007, compared to the previous month, **CPI and PPI increased by 0.43% and 0.95%**, respectively. According to the Reuters' Survey, markets' monthly inflation expectations were 0.35% in CPI and 0.27% in PPI. On the other hand, according to the CBRT's Survey of Expectations, CPI inflation was expected as 0.50%.



Price increases in food sector continued to be influential in CPI.

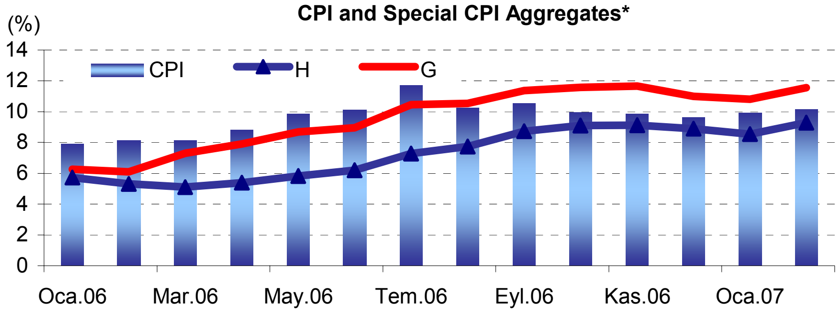
The increase in food prices, mainly due to the unprocessed food, continued to be influential in CPI. Despite a slowdown, annual price increases in food prices kept their high level. Besides, alcoholic beverages and tobacco, housing and transportation sectors also made a high contribution to the CPI. On the other hand, the decrease in clothing sector prices due to the global competition conditions and seasonal factors continued to limit the increase in CPI.



The graph indicates annual % changes.

The slowdown in core inflation halted.

The analysis of the core inflation indicators revealed that the CPI excluding unprocessed food products' prices increased by only 0.13%. Seasonal products had a positive impact on inflation in February. Although recent data did not point out a revival in domestic demand, regarding the annual changes the halt in the slowdown in core inflation indicator "ÖKTG-H index" was noteworthy.



(*) Annual Change
G: CPI excluding energy, alcoholic beverages and tobacco products, other goods with administered prices and indirect taxes, unprocessed food products
H: CPI excluding unprocessed food products, energy, alcoholic beverages and tobacco products, and gold.

Higher than expected increase in PPI…

In addition to the continuing price increases in the agricultural sector, the increase in food prices due to seasonal factors and the upward trend in clothing sector before the new season led the PPI to be realized above expectations by 0.95%. It is worth mentioning that while the clothing sector's contribution to the CPI was positive, the clothing sector recorded one of the highest increases in the PPI index by 6.16%. This reflects that the positive contribution of the clothing sector to CPI may diminish in the coming months. However, the slowdown in domestic demand may limit this effect.

We estimate 0.85% CPI and 1.10% PPI inflation in March.

In March, we expect that the decline in clothing prices might decelerate while the price increases in food and housing would persist. In addition, price increases in the communication group due to the telephone conversation prices would influence CPI. The Special Consumption Tax rate increase on tobacco products might affect CPI also in March. On the PPI side, the course of TRY and the recent rise in oil prices may be influential. **In this context, we estimate 0.85% CPI and 1.10% PPI inflation in March.**

CBRT stresses the importance of the fiscal discipline.

CBRT evaluated the outlook regarding the course of public expenditures and incomes policy as risk factors for inflation targeting. CBRT reiterated similar cautions in the minutes of the Monetary Policy Committee (MPC) meeting on February,15, when the interest rates were kept unchanged at 17.5% for the seventh time in a row.

It is expected that CBRT would maintain its cautious stance and an interest rate cut would be likely only in the last quarter of the year, due to the budget realizations in January which increased concerns over fiscal discipline. Inflation expectations which are still well above the targets also necessitate keeping the tight monetary stance. Despite the CBRT's expectation that the disinflation trend will become more discernible starting from the second quarter, uncertainties in the risk perception and liquidity conditions in the international markets, as experienced recently, would have adverse effects on inflation.

INFLATION (%)

	PRODUCER PRICE INDEX (2003=100)				CONSUMER PRICE INDEX (2003=100)			
	Monthly Inflation	Year-to-Date Inflation	Annual Inflation	Annual Average Inflation	Monthly Inflation	Year-to-Date Inflation	Annual Inflation	Annual Average Inflation
January 2006	1.96	1.96	5.11	5.45	0.75	0.75	7.93	8.07
February 2006	0.26	2.22	5.26	5.04	0.22	0.97	8.15	8.03
March 2006	0.25	2.48	4.21	4.49	0.27	1.25	8.16	8.05
April 2006	1.94	4.46	4.96	4.09	1.34	2.60	8.83	8.11
May 2006	2.77	7.36	7.66	4.27	1.88	4.53	9.86	8.21
June 2006	**4.02**	**11.68**	**12.52**	**4.97**	**0.34**	**4.88**	**10.12**	**8.32**
July 2006	**0.86**	**12.64**	**14.34**	**5.82**	**0.85**	**5.76**	**11.69**	**8.64**
August 2006	-0.75	11.80	12.32	6.49	-0.44	5.30	10.26	8.84
September 2006	-0.23	11.54	11.19	7.06	1.29	6.65	10.55	9.05
October 2006	0.45	12.04	10.94	7.76	1.27	8.01	9.98	9.25
November 2006	-0.29	11.72	11.67	8.60	1.29	9.40	9.86	9.44
December 2006	-0.12	11.58	11.58	9.34	0.23	9.65	9.65	9.60
January 2007	-0.05	-0.05	9.37	9.68	1.00	1.00	9.93	9.76
February 2007	0.95	0.89	10.13	10.08	0.43	1.44	10.16	9.92
March 2007 (E)	**1.10**	**2.00**	**11.06**	**10.64**	**0.85**	**2.30**	**10.79**	**10.14**

(E) Estimate