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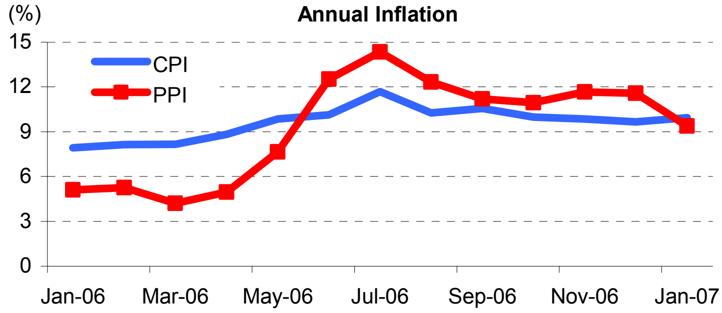
	CPI		PPI	
(%)	*2006*	*2007*	*2006*	*2007*
January	*0.75*	*1.00*	*1.96*	*-0.05*
Annual	*7.93*	*9.93*	*5.11*	*9.37*
Annual Average	*8.07*	*9.76*	*5.45*	*9.68*

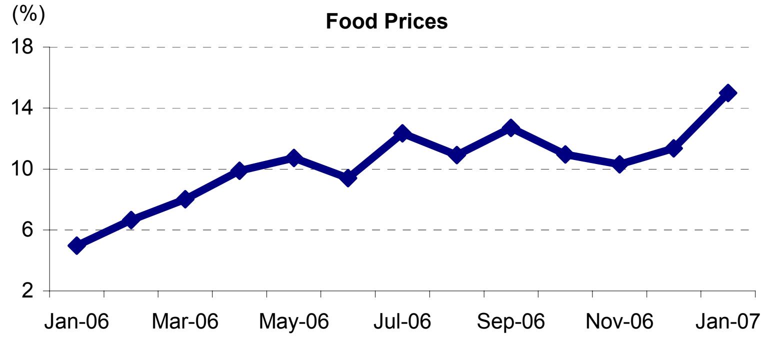
CPI was realized above expectations in January.

In January 2007, compared to the previous month, CPI increased by 1.00% while PPI decreased by 0.05%. According to the Reuters' Survey, markets' monthly inflation expectations were 0.35% in CPI and -0.24% in PPI. On the other hand, according to the CBRT's Survey of Expectations, CPI inflation was expected as 0.54%.



Price increases in food sector were influential in the higher than expected CPI.

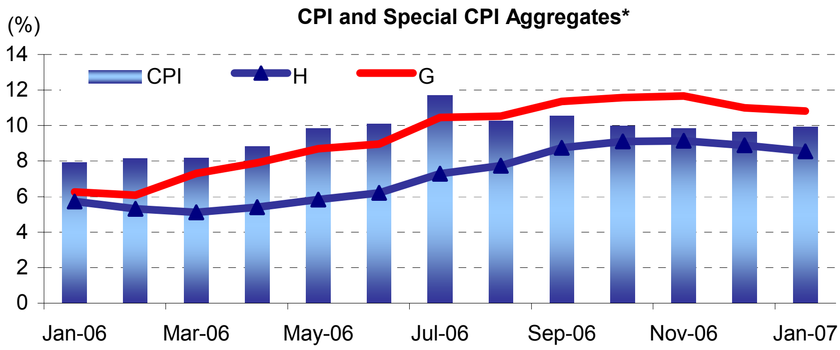
In January, the 4.4% price increase in food and non-alcoholic beverages was influential in the higher than expected CPI inflation. The increase in food prices was mainly stemmed from the recent adverse weather conditions. Besides, communication, housing and restaurant sectors also weighed on the increase in January, indicating the continued price stickiness in the services sector. On the other hand, the 8.4% mom price decline in clothing and footwear sectors limited the increase in CPI.



The graph indicates annual % changes.

Decreasing trend in the "ÖKTG-H index" continues…

The analysis of the core inflation indicators revealed that unprocessed food products' prices had an upward pressure on the inflation. The price increases in the seasonal products, although being limited, also affected the inflation negatively. On the other hand, other core inflation indices excluding unprocessed food receded mainly due to the diminishing volatility in the energy prices and exchange rate. The ongoing decrease of the "ÖKTG-H index" reflected that the domestic demand did not cause an important upward pressure on the inflation.



(*) 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.

Limited decline in the PPI…

In January, although the agricultural prices increased by 1.78%, the PPI declined by 0.05% due to the 0.46% decrease in the industrial prices. Parallel to the falling oil prices, prices of coke and refined petroleum products, decreased by 7.96% in January. Moreover, prices decreased in the other main manufacturing sub-sectors such as textiles and basic metal industry. However, the high agriculture prices limited the further decreases in PPI.

We estimate 0.65% CPI and 0.15% PPI inflation in February.

In February, we expect that the clothing prices would decrease due to the seasonal factors and the price increases in food, housing and restaurant sectors would persist. On the PPI side, the possible price increases in agricultural products and the energy sector would be influential. In this context, we estimate 0.65% CPI and 0.15% PPI inflation in February.

CBRT expects that an improvement in inflation figures is likely in the second quarter.

In the CBRT's Inflation Report, it is expected that 2007 year-end inflation would be between 3.6% and 6.6% (mid point is 5.1%) with 70% probability, and for 2008, it would be between 1.6% and 5.2% (mid point is 3.4%) under the assumptions that the short-term interest rates are kept unchanged for the first three quarters of 2007 and then reduced gradually. It is also mentioned that the decreasing tendency of the inflation would be more visible in the second and third quarters of 2007 and the tight monetary policy should be maintained in order to reach the medium-term inflation target of 4%.

It is highlighted that in the previous years, the tight fiscal policy was very encouraging to decrease the inflation to single digits and the continuity of the fiscal discipline and the structural reforms are still keeping their importance in order to reach the medium-term inflation targets. However, services inflation, the uncertainties concerning the lagged effects of the monetary policy on the aggregate demand and the sudden appearance of the volatility in the global markets are regarded as the main risk components to reach the inflation target.

INFLATION (%)

	CONSUMER PRICE INDEX (2003=100)				PRODUCER 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 (E)	***0.15***	***0.10***	***9.26***	***10.00***	***0.65***	***1.66***	***10.40***	***9.95***

(E) Estimate