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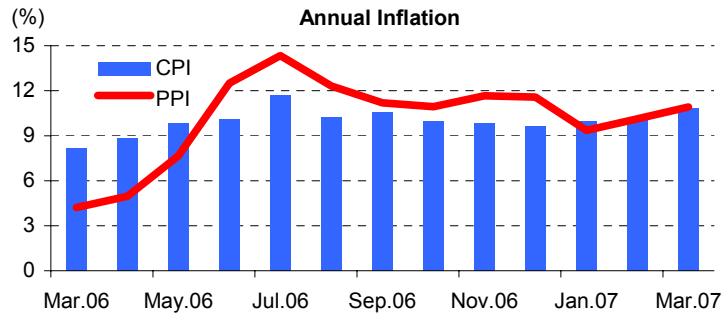
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(%)	CPI		PPI	
	2006	2007	2006	2007
<b>March</b>	<b>0.27</b>	<b>0.92</b>	<b>0.25</b>	<b>0.97</b>
<b>January - March</b>	<b>1.25</b>	<b>2.36</b>	<b>2.48</b>	<b>1.88</b>
<b>Annual</b>	<b>8.16</b>	<b>10.86</b>	<b>4.21</b>	<b>10.92</b>
<b>Annual Average</b>	<b>8.05</b>	<b>10.15</b>	<b>4.49</b>	<b>10.63</b>

**In March, CPI and PPI increased by 0.92% and 0.97%, respectively.**

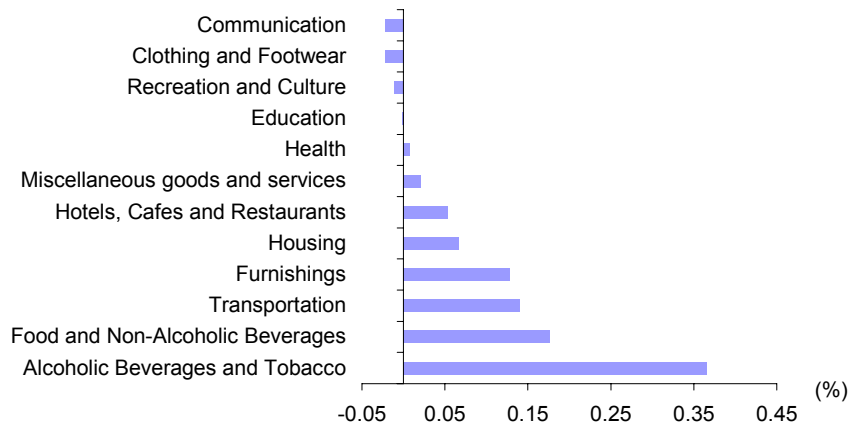
In March, compared to the previous month **CPI and PPI increased by 0.92% and 0.97%, respectively**. According to the Reuters' Survey, markets' monthly inflation expectations were 0.99% in CPI and 1.08 % in PPI. On the other hand, according to the CBRT's Survey of Expectations, CPI inflation was expected as 0.78%.



**Price increases in alcoholic beverages and tobacco products made the highest contribution to the CPI.**

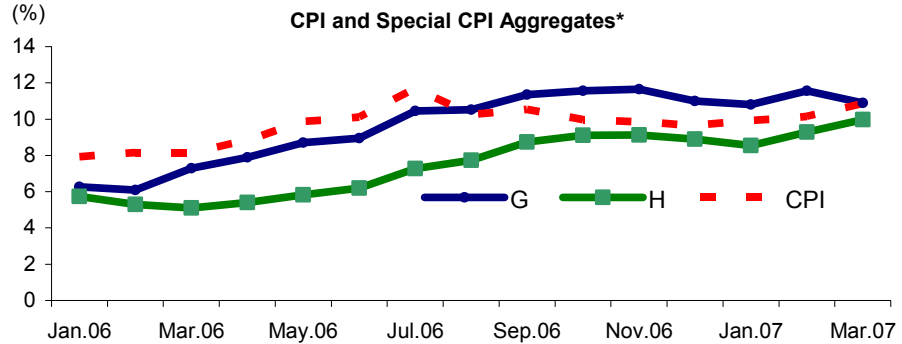
In March, tax adjustment-driven hikes in cigarette prices increased CPI. In this respect, 7.2% mom increase in alcoholic beverages and tobacco prices made the highest contribution to the CPI. The continuing food price increases, despite losing momentum, also affected the CPI. The transportation sub-sector, parallel to the increasing trend in the oil prices, was also one of the main sectors that contributed to the rise in the inflation. On the other hand, the price decreases in clothing and communication sub-sectors limited the increase in CPI. Contrary to the increase in intra-city telephone call charges, the decline in the inter-city and international charges was influential on the price decrease in communication sub-sector. Hence, 10.86% March inflation, even though reaching above the targeted level of 9.2%, remained below the upper band of the uncertainty band of 11.2%.

Contributions to the CPI by main expenditure groups (% points)



**Rising trend of annual core inflation continued.**

Although recent data did not point out a revival in domestic demand and TRY was relatively strong, the annual acceleration in core inflation indicator "ÖKTG-H index" continued also in March.



(\*) 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.

**Lower than expected increase in PPI...**

Despite the high price increases in electricity, water and gas sub-groups as well as the manufacturing sector, the limited price increases in the agricultural sector led the PPI to rise below expectations by 0.97%. The manufacturing sub-sectors such as coke and refined petroleum and basic metal industry registered the highest price increases by 9.16% and 5.60%, respectively. Considering the recent increasing trend in oil and commodity prices, the developments in the energy prices would continue to be a pressure on the PPI.

**We estimate 0.95% CPI and 1.0% PPI inflation in April.**

In April, we expect that the clothing and transportation sub-sectors, would be influential on the CPI. On the PPI side, the course of TRY and the recent rise in oil prices would be determinant. **In this context, we estimate 0.95% CPI and 1.0% PPI inflation in April.**

**Slowdown in domestic demand persists.**

Considering the data released in the first quarter in the Turkish economy, the slowdown in domestic demand still continues. During this period, sales of automobiles declined and non-agricultural employment and loan growth decelerated. Hence, taking into account the recent data, the domestic demand conditions would not cause an upward pressure on inflation.

**CBRT foresees that the annual inflation might start to decline by the second quarter.**

After its meeting on March 15<sup>th</sup>, CBRT Monetary Policy Committee (MPC) announced that the recent rise in government spending which increases the uncertainty concerning the lagged effects of monetary policy on aggregate demand is risky. Besides, the main risks to the medium-term inflation outlook are regarded as the possibility of higher than expected downward persistence in inflation and the inertia in the services prices. The Committee foresees that the annual inflation might decline gradually by the second quarter.

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	0.97	1.88	10.92	10.63	0.92	2.36	10.86	10.15
<b>April 2007 (E)</b>	<b>1.00</b>	<b>2.89</b>	<b>9.90</b>	<b>11.03</b>	<b>0.95</b>	<b>3.34</b>	<b>10.44</b>	<b>10.28</b>

(E) Estimate

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