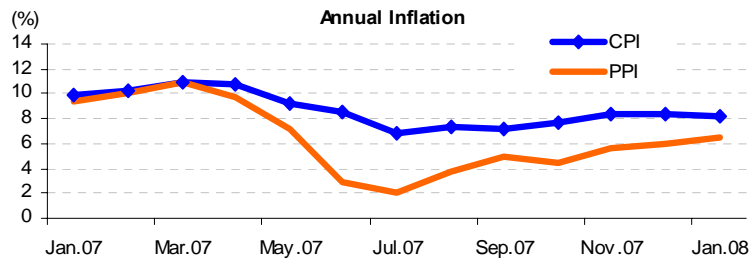


INFLATION JANUARY 2008

(%)	PPI		CPI	
	2007	2008	2007	2008
January	-0.05	0.42	1.00	0.80
Annual	9.37	6.44	9.93	8.17
Annual Average	9.68	6.08	9.76	8.61

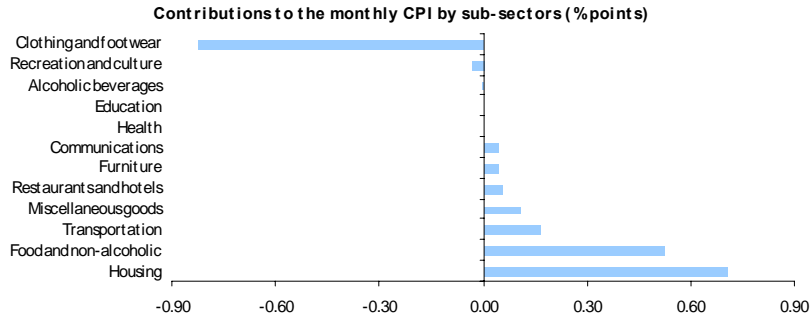
In January, CPI and PPI increased by 0.80% and 0.42% respectively.

In January, compared to the previous month, **CPI and PPI increased by 0.80% and 0.42%, respectively.** According to the Reuters' Survey, markets' monthly inflation expectations were 1.11% in CPI and 1.00% in PPI. On the other hand, according to the CBRT's Survey of Expectations, CPI inflation was expected as 0.92%.



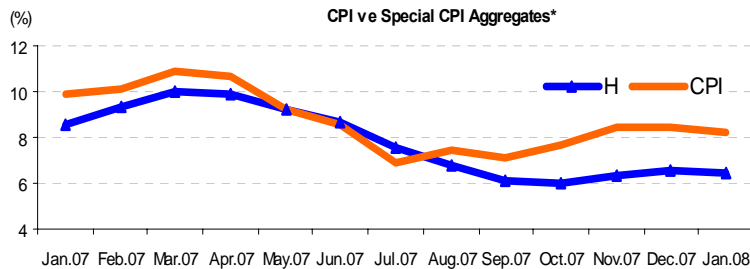
CPI inflation was realized below the expectations.

In January, the increase in CPI was realized below the expectations. This development was mainly stemmed from the clothing sub-group, which registered a decline of 10.2% on a monthly basis. Housing prices rose by 4.3% mom mainly due to the increases in electricity and natural gas prices and made the highest contribution to the CPI. Food prices continued to put an upward pressure on the CPI.



Decline in the core inflation...

Analysis of the special CPI aggregates on a monthly basis revealed that in January the seasonal products limited the increase in the CPI. On the other hand, the rise in energy prices had a significant impact on the CPI. In January, CBRT's favorite "core-H index" declined and the annual increase in this index was realized as 6.39%.



(*) Annual change

H: CPI excluding unprocessed food products, energy, alcoholic beverages, tobacco products and gold.

Economic Research Department

Alper Gürler

Alper.Gurler@isbank.com.tr

Hatice Erkiletlioğlu

Hatice.Erkiletlioglu@isbank.com.tr



INFLATION JANUARY 2008

PPI was realized below the expectations.

In January, monthly PPI inflation was realized as 0.42%, below the expectations. The rise in PPI was attributable to the price increases in the agricultural sector (1.6%). On the other hand, the increase in the industrial sector prices remained limited, increasing slightly by 0.13%. The price decline in clothing and furniture sub-sectors played an important role in this development.

We estimate 0.40% CPI and 0.50% PPI inflation in February.

In February, despite the unfavorable effects of the fluctuations in global markets over TRY, interest rates and energy prices and the course of food prices, we expect that clothing sector would support the disinflation trend. **In this context, we estimate 0.40% CPI and 0.50% PPI inflation in February.**

CBRT lowered interest rates to 15.50%.

The Monetary Policy Committee of CBRT decided to reduce short-term interest rates from 15.75% to 15.50% at its meeting on January 17th. After the meeting, it was stated that, readings on the last quarter of 2007 suggested that the economy continued to grow at a moderate pace. However, the lagged effects of monetary tightening and the weakened global credit conditions restrained domestic demand. Moreover, the expected slowdown in global economic activity may lead to a reduction in the contribution of external demand to the economic growth. Accordingly, aggregate demand conditions should continue to support disinflation. In this context, inflation is expected to decelerate despite the risks from food and energy prices.

The Committee underpinned the fact that despite the recent rate cuts, the existing level of rates supported the deceleration in inflation. Besides the Committee will closely monitor the effects of rate cuts since September and the second round effects of elevated food and energy prices as well as developments in incomes policy, on the wage and price setting behavior. The timing and extent of further easing will depend on incoming information regarding global liquidity conditions, external demand, fiscal policy implementation and other factors affecting the medium term inflation outlook.

CBRT forecasted inflation to be between 4.1% and 6.9% at the end of 2008.

In Inflation Report, CBRT revised its assumption on oil prices upwards from \$/barrel 70 to \$/barrel 85. Thus, the end-2008 forecast was revised upwards by 0.5 percentage point owing to the revision in energy prices. Moreover, the first round impact of the recent hikes in electricity and natural gas prices is computed to be around 0.6 percentage point. In this context, under a scenario in which policy rates display a limited decline in 2008, CBRT forecasted inflation to be between 4.1% and 6.9% (midpoint 5.5%) at the end of 2008. Thus, inflation will probably exceed the target level of 4% at the end of 2008. Inflation is forecasted to be between 1.8% and 5.5% (midpoint 3.7%) at the end of 2009.

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INFLATION JANUARY 2008

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		INFLATION (%)							
		PRODUCER PRICE INDEX (2003=100)				CONSUMER PRICE INDEX (2003=100)			
		Monthly	Year to date	Annual	Annual Average	Monthly	Year to date	Annual	Annual Average
2007	January	-0.05	-0.05	9.37	9.68	1.00	1.00	9.93	9.76
	February	0.95	0.89	10.13	10.08	0.43	1.44	10.16	9.92
	March	0.97	1.88	10.92	10.63	0.92	2.36	10.86	10.15
	April	0.80	2.69	9.68	11.01	1.21	3.60	10.72	10.30
	May	0.39	3.09	7.14	10.95	0.50	4.12	9.23	10.24
	June	-0.11	2.98	2.89	10.09	-0.24	3.87	8.60	10.11
	July	0.06	3.05	2.08	9.03	-0.73	3.11	6.90	9.70
	August	0.85	3.93	3.72	8.29	0.02	3.13	7.39	9.46
	September	1.02	4.98	5.02	7.77	1.03	4.19	7.12	9.17
	October	-0.13	4.84	4.41	7.23	1.81	6.08	7.70	8.98
	November	0.89	5.78	5.65	6.75	1.95	8.15	8.40	8.86
	December	0.15	5.94	5.94	6.31	0.22	8.39	8.39	8.76
2008	January	0.42	0.42	6.44	6.08	0.80	0.80	8.17	8.61
	February(E)	0.50	0.92	5.97	5.76	0.40	1.21	8.14	8.45

(E): Estimate

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