

INFLATION MARCH 2009

(%)	PPI		CPI	
	2008	2009	2008	2009
March	3.17	0.29	0.96	1.10
January-March	6.26	1.70	3.09	1.05
Annual	10.50	3.46	9.15	7.89
Annual Average	5.95	11.99	8.40	10.29

In March, CPI and PPI increased by 1.10% and 0.29%, respectively.

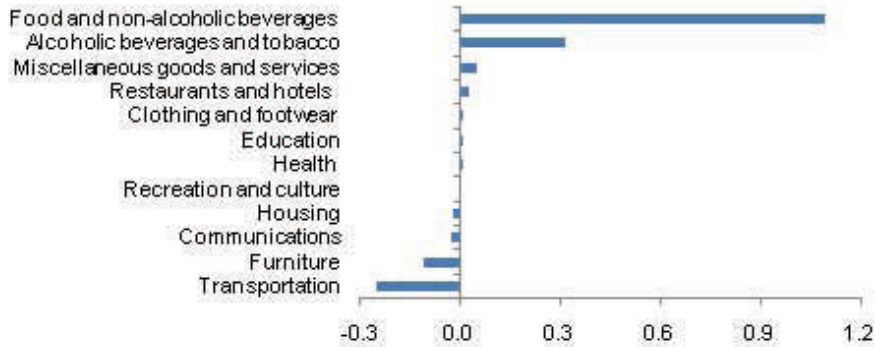
In March, compared to the previous month, **CPI and PPI increased by 1.10% and 0.29%, respectively**. According to the Reuters' Survey, markets' monthly inflation expectations were 0.90% in CPI and 0.95% in PPI. On the other hand, according to the CBRT's Survey of Expectations, CPI inflation was expected as 0.40%.



Monthly CPI inflation was realized above the expectations.

In March, monthly CPI inflation was realized above the expectations. The rise in CPI was mainly attributable to the price increases in food and non-alcoholic beverages together with alcoholic beverages and tobacco sub-groups. On the other hand, furniture and transportation sub-groups had a decreasing impact on CPI. Price developments in clothing, housing, transportation and communication sub-groups confirmed the ongoing weakening demand conditions. On an annual basis, CPI inflation has increased in March for the first time since November 2008. However, slowdown in inflation is expected to continue in the coming months.

Contributions to the Monthly CPI by Sub-groups (% points)



Annual rise in special CPI aggregates H and I lost momentum.

Analysis of the special CPI aggregates on a monthly basis revealed that all sub-groups except energy and products having administrated prices and indirect taxes put an upward pressure on inflation. Excluding unprocessed food products, the decline of CPI by 0.03% was noteworthy. On an annual basis, the rise in CBRT's favorite core inflation aggregates, denoted by H and I, slowed down to 6.18% and 5.55%, respectively. The slowdown in special CPI aggregates stemmed mainly from the weakening domestic demand together with the cuts made in March in Value Added Tax (VAT) and Special Consumption Tax (SCT).

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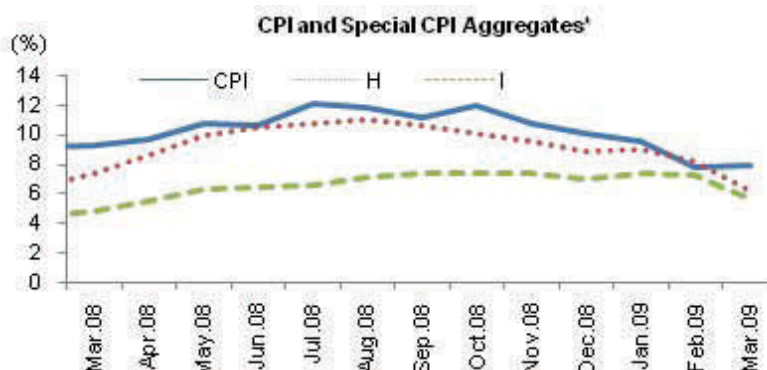
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(*) Annual change

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

I: Excluding energy, food and non-alcoholic beverages, alcoholic beverages and tobacco products and gold.

*Lower than expected
rise in PPI...*

In March, monthly PPI increased by 0.29%, well below the expectations. Both monthly agricultural and industrial sector prices also rose by 0.29%. Prices in manufacturing industry, having a share of nearly 74% in industrial sector, increased by 0.20%. The manufacturing sub-sectors such as coke and refined petroleum, food, beverages and tobacco products contributed to this increase. On the other hand, furniture, wearing apparel and basic metal industry sub-groups limited the increase in PPI.

*We expect CPI and PPI to
rise by 0.70% and 0.60%
in April, respectively.*

In April, inflationary pressures would continue to ease in line with the weak domestic demand. SCT and VAT cuts along with the course of the negotiations with the IMF would also have impacts on price movements. **In this context, we estimate CPI and PPI to increase by 0.70% and 0.60% in April, respectively.**

*CBRT cut short term
interest rates by 100 basis
points.*

The Monetary Policy Committee of CBRT decided to cut the short-term interest rates in line with the expectations at its meeting on March 19th. CBRT decreased short-term borrowing and lending rates by 100 basis points to 10.50% and 13%, respectively. According to the Committee, recent data releases indicated that domestic economy continued to slow down. CBRT stated that the problems in international credit markets persisted while forecasts of global economic growth were consistently revised downwards. Therefore, downward pressures on inflation are expected to continue. Moreover, ongoing declines in oil and other commodity prices would have a favorable impact on disinflation. The Committee emphasized that any new data or information related to the inflation outlook may lead the Committee to revise its stance.

Despite the increase in the inflation on an annual basis, the course of core inflation aggregates and weakening domestic demand increased the probability that the Central Bank would reduce the short term interest rates further at its meeting in April.



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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
2008	January	0.42	0.42	6.44	6.08	0.80	0.80	8.17	8.61
	February	2.56	3.00	8.15	5.94	1.29	2.11	9.10	8.53
	March	3.17	6.26	10.50	5.95	0.96	3.09	9.15	8.40
	April	4.50	11.04	14.56	6.39	1.68	4.82	9.66	8.33
	May	2.12	13.39	16.53	7.20	1.49	6.38	10.74	8.47
	June	0.32	13.76	17.03	8.39	-0.36	6.00	10.61	8.64
	July	1.25	15.18	18.41	9.76	0.58	6.61	12.06	9.07
	August	-2.34	12.49	14.67	10.68	-0.24	6.35	11.77	9.43
	September	-0.90	11.48	12.49	11.29	0.45	6.83	11.13	9.76
	October	0.57	12.11	13.29	12.03	2.60	9.60	11.99	10.12
	November	-0.03	12.08	12.25	12.56	0.83	10.52	10.76	10.31
	December	-3.54	8.11	8.11	12.72	-0.41	10.06	10.06	10.44
2009	January	0.23	0.23	7.90	12.81	0.29	0.29	9.50	10.54
	February	1.17	1.40	6.43	12.63	-0.34	-0.06	7.73	10.41
	March	0.29	1.70	3.46	11.99	1.10	1.05	7.89	10.29
	April (E)	0.60	2.31	-0.40	10.64	0.70	1.75	6.85	10.04

(E): Estimate

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