

INFLATION OCTOBER 2009

	PPI		CPI	
	2008	2009	2008	2009
October	0.57	0.28	2.60	2.41
January-October	12.11	3.90	9.60	4.64
Annual	13.29	0.19	11.99	5.08
Annual Average	12.03	2.20	10.12	6.95

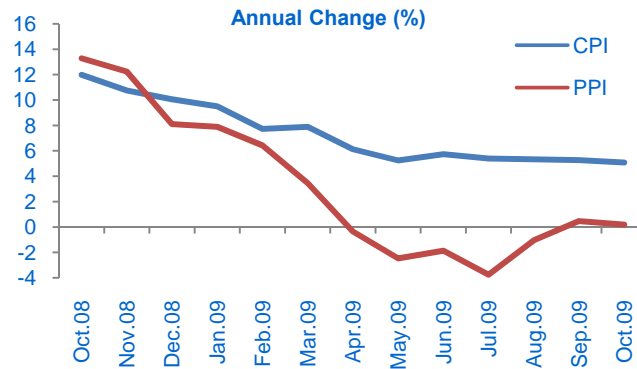
**Economic
Research
Division**

Kıvılcım Eraydın
kivilcim.eraydin@isbank.com.tr

In October, CPI and PPI increased by 2.41% and 0.28%, respectively.

In October, compared to the previous month **CPI and PPI increased by 2.41% and 0.28%, respectively**. According to the Reuters' Survey, markets' monthly inflation expectations were 1.80% in CPI and 0.90% in PPI. According to the CBRT's Survey of Expectations, CPI inflation was expected as 1.20%.

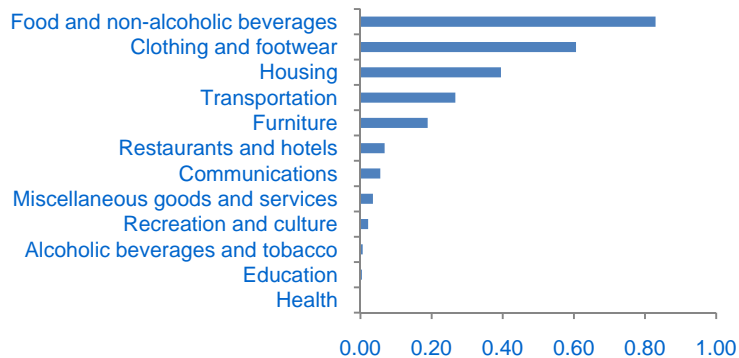
Despite the monthly increase in CPI was realized above expectations, the annual CPI continued to decline as a result of the strong base year effect and materialized as 5.08%. The annual increase in PPI also kept its low level at 0.19%.



Higher than expected CPI...

The higher than expected CPI in October stemmed mainly from the rapid price increases in food and non-alcoholic beverages and clothing and footwear sub-sectors due to the seasonal factors. In addition to these sectors, the removal of tax reductions in consumer durables and approximately 10% price increase in electricity were also influential in the rapid surge in CPI.

Contributions to the monthly CPI by sub-groups (% points)

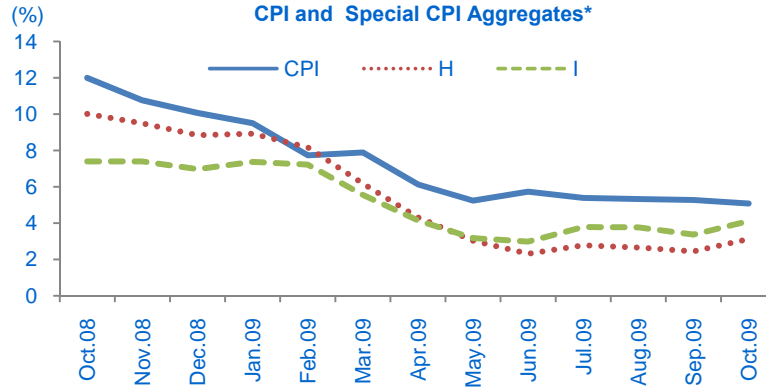


Limited increase in core inflation aggregates...

Analysis of the special CPI aggregates on a monthly basis revealed that especially seasonal products and unprocessed food products put an upward pressure on CPI. On annual basis, although the core inflation

INFLATION OCTOBER 2009

aggregates displayed a slight increase compared to the previous month, they generally followed a flat course. Indeed, CBRT's favorite core inflation aggregates, denoted by H and I were realized as 3.12% and 4.11%, respectively.



(*) 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, tobacco products and gold.

PPI kept its low course. PPI was realized below the expectations in October. 70% of the monthly increase in PPI stemmed from the rise in agricultural sector prices while the contribution of the industrial sector to PPI remained very limited. The low course of PPI points out that there is no cost-driven pressure on PPI.

We estimate CPI and PPI to rise by 1.20% and 0.60% in November, respectively. In the coming period, the developments in demand conditions, possible regulations regarding indirect taxes and the end of strong base year effect will be influential on inflation. **In this context, we estimate CPI and PPI to increase by 1.20% and 0.60% in November, respectively.**

CBRT, unveiled the last Inflation Report of the year. CBRT announced the last Inflation Report of 2009 at the end of October. In the report, the significant base year effects in the first half of 2009 were emphasized and the possibility that the inflation would follow a volatile upward trend in the first half of 2010 was expressed. However, it was also stated that the effects of tax and price regulations on annual inflation would disappear and the inflation rate would decline gradually starting from the second half of 2010. According to the revised forecasts, Central Bank foresees the inflation to be between 5% and 6% (mid-point 5.5%) at the end of 2009 and between 3.9% and 6.9% (mid-point 5.4%) at the end of 2010 with 70% probability. CBRT expects inflation to be 4.9% at the end of 2011 and decrease to 4.8% in the third quarter of 2012.

We expect that the Monetary Policy Committee of CBRT, which reduced the short term interest rates to 6.75% in October 15th, would further deliver a 25 basis points cut in its meeting on November 19th.



INFLATION OCTOBER 2009

INFLATION (%)									
		PRODUCERS 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	0.65	2.35	-0.35	10.65	0.02	1.07	6.13	9.98
	May	-0.05	2.30	-2.46	8.96	0.64	1.71	5.24	9.49
	June	0.94	3.27	-1.86	7.34	0.11	1.83	5.73	9.08
	July	-0.71	2.54	-3.75	5.47	0.25	2.08	5.39	8.52
	August	0.42	2.97	-1.04	4.19	-0.30	1.78	5.33	7.99
	September	0.62	3.60	0.47	3.22	0.39	2.18	5.27	7.52
	October	0.28	3.90	0.19	2.20	2.41	4.64	5.08	6.95
	November (E)	0.60	4.52	0.82	1.31	1.20	5.89	5.46	6.52

(E) Estimate

This report has been prepared by Türkiye İş Bankası A.Ş. by using the information from publicly available sources believed to be reliable, solely for information purposes. It is not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice. Türkiye İş Bankası A.Ş. accepts no liability whatsoever for any direct or consequential loss arising from any use of its publication or its contents.

Copyright and database rights protection exists in this publication and it may not be reproduced, distributed or published wholly or partially by any person for any reason without the prior express consent of Türkiye İş Bankası A.Ş. All rights reserved.