

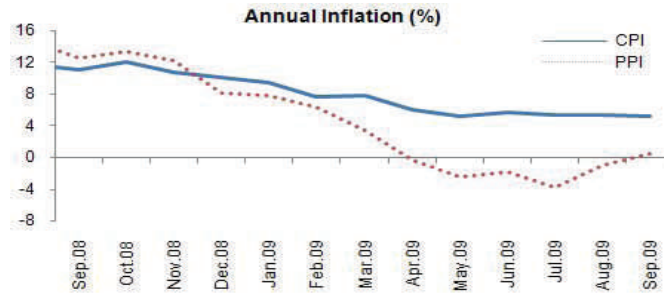
INFLATION SEPTEMBER 2009

(%)	PPI		CPI	
	2008	2009	2008	2009
September	-0.90	0.62	0.45	0.39
January-September	11.48	3.60	6.83	2.18
Annual	12.49	0.47	11.13	5.27
Annual Average	11.29	3.22	9.76	7.52

In September, CPI and PPI increased by 0.39% and 0.62%, respectively.

In September, compared to the previous month, **CPI and PPI increased by 0.39% and 0.62%, respectively.** According to the Reuters' Survey, markets' monthly inflation expectations were 0.75% in CPI and 0.55% in PPI. According to the CBRT's Survey of Expectations, CPI inflation was expected as 0.69%.

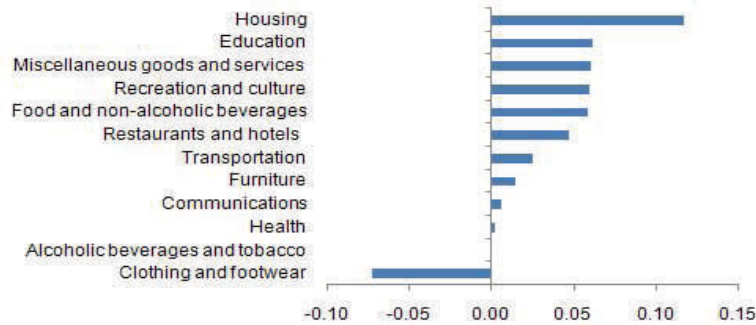
In September, annual increase in CPI was realized as 5.27%, while annual PPI increased for the first time in the last five months by 0.47% .



CPI increase remained below the expectations due to the decrease in clothing and footwear prices.

In September, while alcoholic beverages and tobacco prices remained unchanged, the clothing and footwear prices continued to fall. The increase in prices of all other sub-groups put an upward pressure on CPI. Housing prices made the biggest contribution to the rise in CPI whereas the highest monthly increase was recorded in education prices (2.5%) due to start of the new school year.

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



Declining trend in core inflation aggregates continues...

Analysis of the special CPI aggregates on a monthly basis revealed that seasonal products put a downward pressure on CPI. Excluding seasonal products, the change in monthly CPI rose to 0.6%. On an annual basis, the rise in CBRT's favorite core inflation aggregates, denoted by H and I were realized as 2.44% and 3.37%, respectively.

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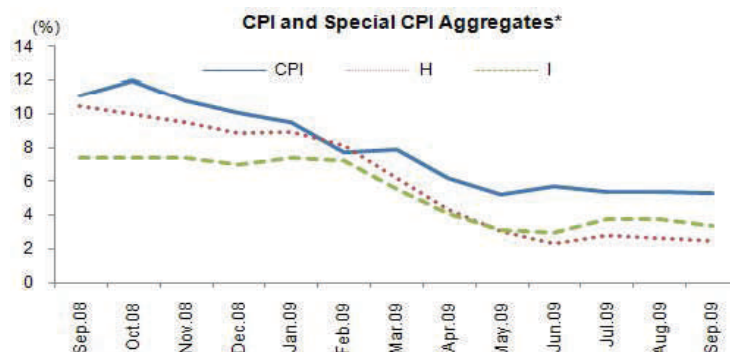
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INFLATION SEPTEMBER 2009

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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.

Increase in PPI was realized in line with the expectations...

We estimate CPI and PPI to rise by 1.25% and 0.70% in October, respectively .

CBRT cut the short-term interest rates by 50 basis points.

In September, the rise in PPI was realized in line with the expectations and was mainly attributable to 0.65% increase in industrial sector prices. The increases in basic metal industry as well as food products and beverages sectors were noteworthy. On the other hand, decline in the prices of coke and refined petroleum products put a downward pressure on PPI.

In October, the prices in the furniture, white goods and automobiles sectors are expected to increase following the end of the Special Consumption Tax and Value Added Tax cuts. Moreover, the price increase in electricity which came into effect on October 1st, 2009, would increase CPI and PPI. **In this context, we estimate CPI and PPI to increase by 1.25% and 0.70% in October, respectively.**

The Monetary Policy Committee of CBRT cut the O/N borrowing interest rates by 50 basis points in line with the expectations to 7.25% and the lending rate to 9.75% at its meeting on September 17th. Thus, the rate cuts, which started in November 2008, reached 9.5 points in O/N borrowing rate.

The Committee stated after the meeting that consumption demand is expected to display a weaker course in the following period and inflation is expected to remain at low levels for a period of time. In this context, the monetary policy is expected to maintain an easing bias for a longer time. At the statement, CBRT signaled that the interest rate cuts would continue depending on the pace of economic recovery, and hinted that such developments like a standby arrangement with the IMF or any rating upgrade from credit rating agencies might affect the rate cuts. **In this context, we expect the CBRT would reduce the short term interest rates by 50 basis points to 6.75% in October.**



INFLATION SEPTEMBER 2009

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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	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 (E)	0.70	4.33	0.60	2.23	1.25	3.45	3.89	6.85

(E): Estimate

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