

CPI increased in March, by 0,96%...

The March inflation figure was higher than expectations...

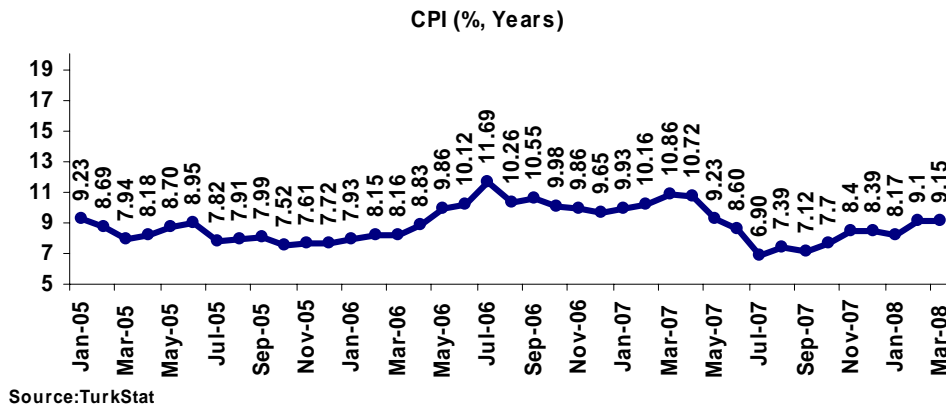
While the CPI increased in March by 0.96% mom, the yoy increase reached to 9.15%. While the market consensus was 0.66%, the monthly figure was above the expectations.

Looking at the details of the CPI data, it is seen that the 1.0% mom rise in food prices was one of the main reason behind the increased in March's inflation. There was also a significant increase by 1.8% in the clothing prices. Note that March is normally a month of negative inflation in this group because of seasonal factors. Also, the 1.2% mom rise in transportation prices was due to higher fuel prices and service sector prices rose by 2.2%.

March	Montly(%)	Annual(%)
CPI	0.96	9.15
Food and non-alcoholic beverages	1.04	13.40
Alcoholic beverages and tobacco	0.21	6.86
Clothing and footwear	1.80	3.67
Housing, water, electricity, gas and other fue	0.37	14.71
Furnishings, household equipment, routine r	1.12	4.15
Health	0.08	-0.21
Transport	1.18	6.53
Communications	0.43	-1.34
Recreation and culture	1.30	0.09
Education	0.39	6.39
Hotels, cafes and restaurants	1.21	11.44
Miscellaneous goods and services	2.19	9.35
CPI (Excluding seasonal products)	1.20	9.41
Excluding energy	0.96	8.01
PPI	3.17	10.5
Agriculture	0.82	16.28
Industry	3.75	9.18
Manufacturing industry	3.99	9.06

Source:TurkStat

We observe a similar picture in terms of annual CPI. While the annual CPI increased to 9.15%, the main drivers behind this increase were increases in food, housing and transportation costs.

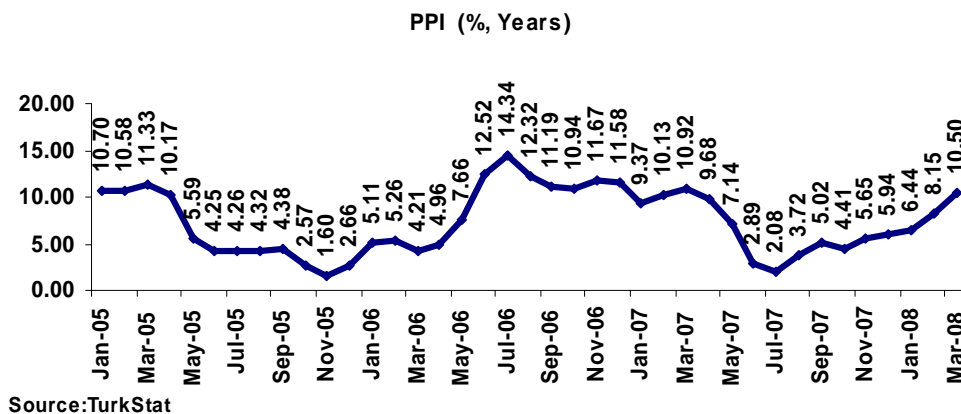


The rise in PPI may further put pressure on CPI...

On the other hand, the increase in PPI in February compared to the previous month was 3.17% and the yoy rise was 10.50%. For as much as, considering the tradable items of the PPI and their exposure to fluctuations, we expect further pressure on the CPI in the coming days.

We revise our 2008 year-end inflation forecast to 7.5-8.0% band...

We needed to revise our year-end inflation target due to March inflation figure which was considerably higher than our expectations. Accordingly, we increase our 2008 year-end inflation forecast to the band of 7.5-8.0% due to mainly high global energy and commodity prices combined with our increased concerns regarding the processed food price increases.



The February current account deficit was realized at USD3.7 billion...

The current account deficit increased to USD3.7 billion in February...

While the CBRT announced February 2008 BoP figures, the current account deficit increased by 21% to USD3.760 million in comparison with a deficit of USD3.107 million in February 2007. This led to a further widening in the 12-month trailing deficit, from USD38.3 billion in January to USD38.9 billion in February.

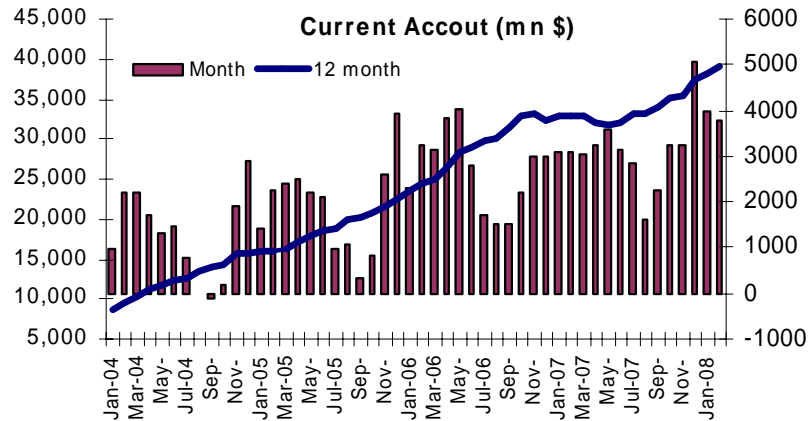
The trade deficit, which is mainly driven by rising commodity prices and energy prices, continued to deteriorate the BoP in February 2008.

The foreign trade deficit increased by 36,9%...

The foreign trade deficit, according to the balance of payments figures released by the CBRT, expanded by USD7.989 million in January-February 2008, representing an increase of 36,9% over the same period of the previous year. Regarding the sub-items, imports (CIF) including gold imports increased by 46,9% to USD32.278, while exports (FOB) increased by 52,24% to USD21.643 million and shuttle trade revenues rose by 15% to USD933 million.

In January-February 2008 period, the net travel revenues increased by 27,3%...

Based on the estimates of CBRT for January-February 2008, the net travel revenues grew by 13,5% to USD1.534 million and the travel expenditures fell by 13,6% to USD393 million in comparison with January-February 2007. As a result, the net travel revenues are estimated to grow by USD1.141 million in January-February 2008 reflecting an improvement by 27,3% over the same period of 2007.



Trade in services generated a surplus of USD537 million in January 2008...

The transportation balance which is other important item of the services category recorded a net inflow of USD205 million in the January-February 2008. While revenues from construction services increased by 26,1% to USD169 million in January-February 2008 compared to the same period in 2007, insurance services account showed a net outflow of USD117 million in January-February 2008 corresponding to 23% decrease over the January-February 2007.

As a result of these developments, trade in services increased by 3,5% and generated a surplus of USD704 million in January-February 2008.

Looking forward, we believe that Turkey's high account deficit will continue to be a major risk factor while the turmoil in global markets continues to exist.

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