

While the September inflation figure was below expectations, the annually inflation retreated to 11.13%...

CPI increased by 0.45% in September...

Consumer prices increased by 0.45% in September, whereas YoY (year-on-year) inflation fell down to 11.13%.

In line with expectations, while the annual rate of increase in processed food prices declined considerably, the recovery in unprocessed food prices continued. On the other hand, while the decrease in global oil prices continued to modify inflation positively, the price increases in solid fuel prices restrained the improvement in energy group prices. The contribution of food and energy groups to the annual inflation declined by 0.7 points in September to 6.9 points.

While the YoY increase in annual rent inflation has continued to go down, supply shocks persisted to push prices of transport and catering services up. Although there was an increase in the core CPI index, this was mainly due to base affect. In addition, the seasonally adjusted figures point to a downward trend in core indexes. In summary, the YoY inflation figure is expected to go down further as long as the positive trend in oil and food prices pursue. However, we expect the CBRT to maintain its deliberate approach for a while in spite of the negative effects of the crisis on foreign exchanges.

September	Montly(%)	Annual(%)
CPI	0.45	11.13
Food and non-alcoholic beverages	0.25	11.07
Alcoholic beverages and tobacco	0.01	6.87
Clothing and footwear	0.51	2.60
Housing, water, electricity, gas and other fuels	0.70	23.23
Furnishings, household equipment, routine mai	0.34	8.77
Health	0.03	0.94
Transport	0.17	9.21
Communications	1.37	6.52
Recreation and culture	0.02	2.63
Education	2.04	7.03
Hotels, cafes and restaurants	1.03	14.88
Miscellaneous goods and services	0.19	8.25
CPI (Excluding seasonal products)	0.40	13.67
Excluding unprocessed food products	0.39	12.96
Excluding energy	0.52	8.65
PPI	-0.9	12.49
Agriculture	-1.51	6.57
Industry	-0.75	13.94
Manufacturing industry	-0.81	12.68

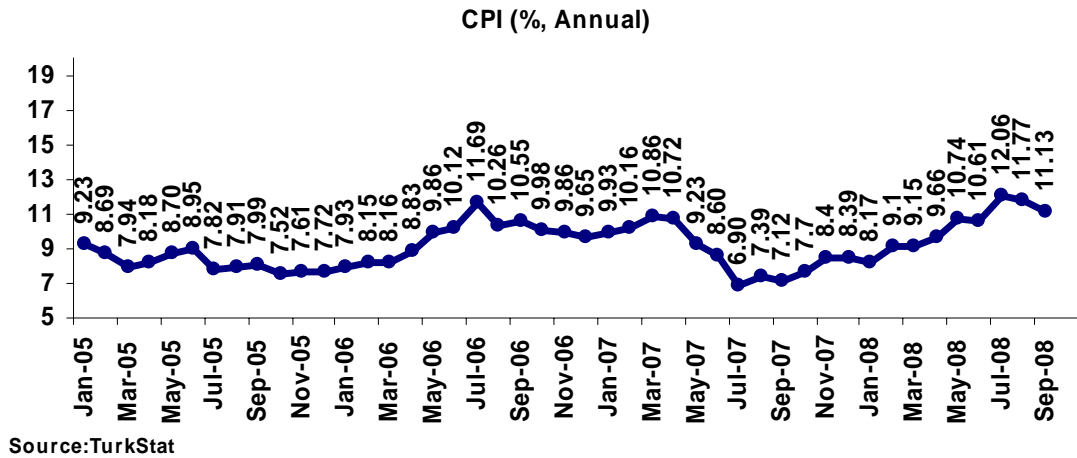
Source:TurkStat

The highest increase was in the Education and Communications in September...

While prices of goods and services rose by 0.20% and 1.17%, respectively, annual inflation went up to 11.47% in services and declined to 11.03% in goods.

The highest monthly increase was 2.04% in education following the opening of the new year of study by main expenditure groups. In addition, the prices of communication services also rose by 1.37% in parallel to the rising landline and mobile call rates. The indices rose for hotels, cafes and restaurants by 1.03%, for housing by 0.70%, for clothing and footwear by 0.51%, for furnishings and household equipment by 0.34%, for food and non-alcoholic beverages by 0.25%, for miscellaneous goods and services by 0.19%, for transportation by 0.17%, for health by 0.03%, for recreation and culture by 0.02%, for alcoholic beverages and tobacco by 0.01%.

The highest increase was 23.23% in the index for housing compared with the same month of the previous year. Hotels, cafes and restaurants (14.88%), food and non-alcoholic beverages (11.07%) were the other indices where high increases were realized.

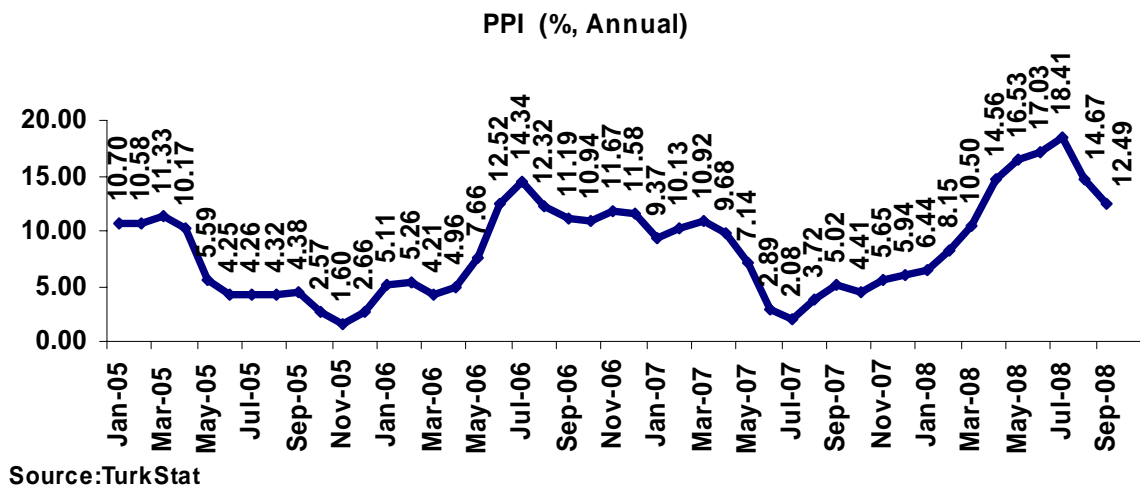


The PPI continued to retreat in September as well...

PPI decreased by 0.90% in September to 12.49% YoY. Falling prices of agricultural and industrial products contributed 0.28% and 0.61% respectively, to the index's performance.

There were decreases by -3.15% in the index for mining and stone quarrying, -0.81% in the index for manufacturing industry, and an increase by 0.56% in the index for electricity, gas and water by sub-sections of industry.

Manufacturing industry prices were down by 0.81% on the back of a dramatic drop in prices of petroleum products and base metals. Excluding base metals and petroleum products, however, manufacturing industry prices increased by 0.69%, mainly due to soaring prices of apparels and chemicals.



Continued rise in foreign trade...

August Foreign Trade Figures...

According to data by the TURKSTAT, while the exports in August 2008 increased by 26,3% to US\$11.03 billion, the imports went up by 30.6% to US\$19.18 billion. In the same period, the foreign trade deficit rose by 37% to US\$5.94 billion from US\$8,14 billion. In August 2008, the ratio of exports over imports was 57.5% while it was 59.5% in 2007.

On the other hand, the exports went up by 37.4% to US\$92,49 billion in Jan-August 2008 while imports soared by 35,8% to US\$145.57 billion. On the other hand, the foreign trade deficit which was US\$39.93 billion in Jan-July 2007 climbed by 33% to US\$53.08 billion.

(mn US\$)	August			Jan-Aug		
	2007	2008	Chg.%	2007	2008	Chg.%
Exports	8,737	11,038	26.3%	67,295	92,489	37.4%
Imports	14,682	19,181	30.6%	107,225	145,577	35.8%
Trade Deficit	-5,945	-8,142	37.0%	-39,930	-53,088	33.0%
Export Coverage	59.5%	57.5%	-3.3%	62.8%	63.5%	1.2%

Source: TURKSTAT

Germany and Russia are the main partners...

As compared with the same month of the previous year, while exports to EU were US\$4,669 million representing a 0,9% increase, the proportion of the EU countries was 42.3%.

The weight of the EU in Exports has continued in August 2008...

In August 2008, exports to main trade partner Germany decreased by 2.5% to US\$1,019 million. Germany was followed by UAE (US\$953 million), the UK (US\$642 million), Russia (US\$560 million). For August 2008, the top country for Turkey's imports was Russia (US\$2,831 million). While Germany ranks second (US\$1,518 million), Germany was followed by China (US\$1,393 million) and USA (US\$1,339 million).

Exports by top 10 countries					Imports by top 10 countries				
Countries (000 \$)	August				Countries (000 \$)	August			
	2007	share (%)	2008	share (%)		2007	share (%)	2008	share (%)
Germany	1,045,132	11.96	1,018,898	9.23	Russia	2,070,472	14.10	2,831,433	14.76
United Kingdom	702,596	8.04	642,088	5.82	Germany	1,477,010	10.06	1,517,988	7.91
Italy	414,050	4.74	401,633	3.64	China	1,288,834	8.78	1,392,639	7.26
U.A.E	241,296	2.76	953,458	8.64	USA	825,974	5.63	1,339,184	6.98
France	417,229	4.78	448,631	4.06	Italy	878,626	5.98	1,034,788	5.39
Russia	423,625	4.85	560,126	5.07	France	552,256	3.76	753,896	3.93
Spain	340,217	3.89	272,541	2.47	Iran	522,971	3.56	920,235	4.80
Romania	264,071	3.02	348,466	3.16	Ukraine	441,022	3.00	646,964	3.37
USA	350,552	4.01	378,454	3.43	Switzerland	595,027	4.05	1,273,480	6.64
Netherlands	256,629	2.94	259,131	2.35	United Kingdom	361,293	2.46	396,000	2.06