

The annual inflation rose to 10.13% in February...

Moreover, the core inflation dynamics also pointed upward trend...

Montly CPI jumped by 1.45% MoM in February...

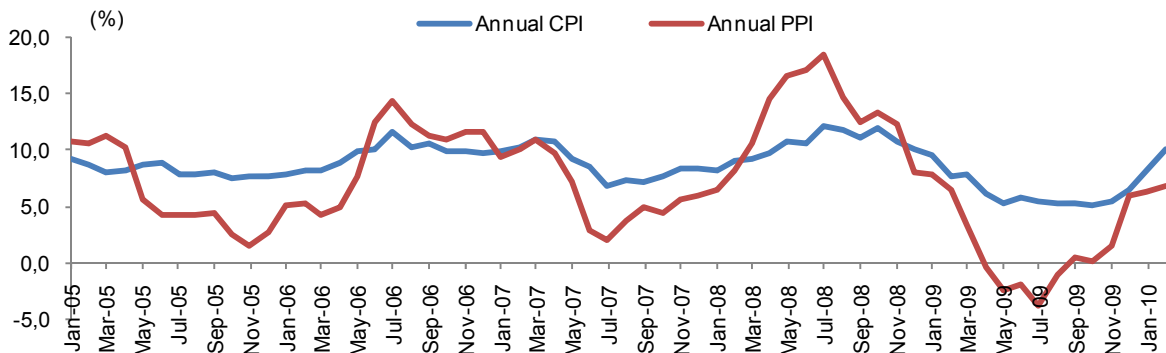
February CPI posted a 1.45% MoM rise, much higher than the market consensus of 0.64% (Şeker Securities: +0.30%), on the back of an extraordinary rise (5.01% MoM) in food prices. The figure was even higher than the upper limit of the market participants' estimates at 1.00%.

Food prices alone contributed 1.45 percentage points to the monthly headline CPI rise. Tobacco and alcohol products continued to rise by 3.72% MoM in February partly due to the recent tax hikes on the related products while seasonal price contraction in clothing (5.25% MoM decline) prevented a further rise. Thus, annual CPI jumped to the double-digit territory to 10.13% in February from 8.19% in January.

One can put the blame on the supply-side shocks such as high food prices, tax rate hikes for rising headline inflation, but the core indices, which exclude the one-off price effects, do not look good either. The annual core index (I) – that excludes food, energy, tobacco and gold prices – increased to 4.05% in February from its record of 3.83% in January.

February	Montly(%)	Annual(%)
CPI	1,45	10,13
Food and non-alcoholic beverages	5,01	14,84
Alcoholic beverages and tobacco	3,72	52,88
Clothing and footwear	-5,25	3,78
Housing, water, electricity, gas and fuels	0,39	4,58
Furnishings, household equipment	-0,11	-0,82
Health	-0,20	1,87
Transport	0,42	1,87
Communications	0,11	9,68
Recreation and culture	-0,57	5,93
Education	0,02	5,93
Hotels, cafes and restaurants	1,17	8,28
Miscellaneous goods and services	0,22	7,01
CPI (Excluding seasonal products)	0,96	9,38
Excludig food, energy, alcohol, gold and tobacco	-0,48	4,05
Excluding energy	1,59	10,25
PPI	1,66	6,82
Agriculture	4,05	19,34
Industry	1,16	4,16
Manufacturing industry	0,39	5,52

Source:TurkStat



Annual PPI rose by 6.82% YoY in February...

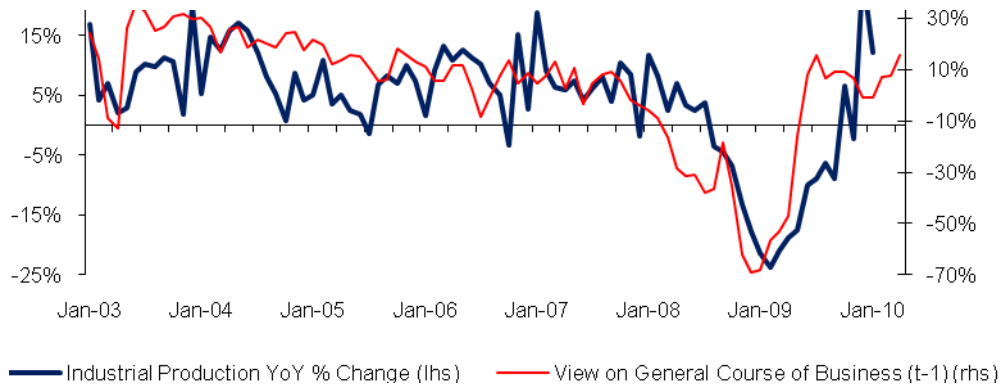
While monthly PPI rise by 1.66% MoM in February, its annual reading posted a 6.82% YoY rise for the month. Upward adjustment in agricultural prices has lifted the overall CPI in February. The drastic adjustments in the commodity prices on the back of the global economic slump started to fade out.

We expect annual PPI to remain at around 5% territory as the agricultural prices will maintain its upward pressure incoming period.

Monthly industrial production rose by 12.1% YoY in January...

Monthly industrial production grew at lower-than-anticipated rate in January...

Monthly industrial production (IP) rose by 12.1% YoY in January against market consensus of 15.9% following its 25.2% YoY jump in December. As the economy recovers from the recession, year-on-year comparison becomes irrelevant. Moreover, Turkish Statistical Institute (Turkstat) started to announce seasonal and calendar adjusted series as of January 2010. But it takes time for market participants to leave the old habits of submitting YoY rise on the series and make sense out of the new series. Nevertheless, as Turkstat plans to announce seasonally and calendar adjusted quarterly GDP series at the end of this month, it will become easier to refer the seasonally adjusted series going forward. Accordingly, calendar adjusted IP rose by 16.1% YoY in January while calendar and seasonal adjusted IP expanded by 0.3% MoM for the month. January reading for the latter series indicated that its December contraction was temporary while the 6 month moving average of the calendar and seasonal adjusted IP eased to 1.0% in January from its reading of 1.1% in December.



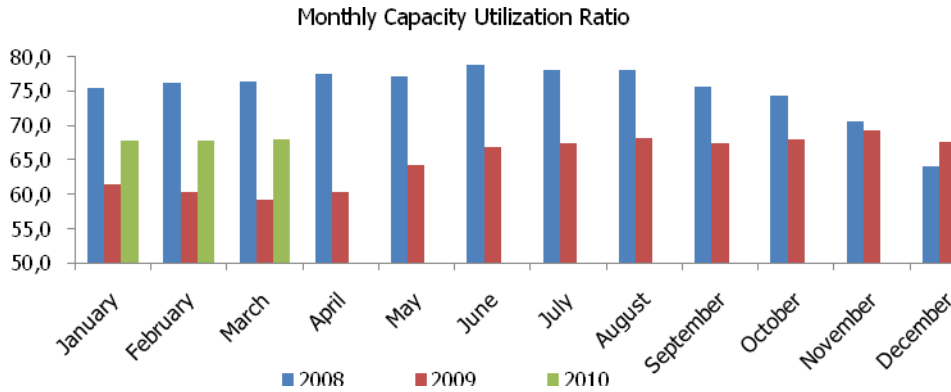
Source: Turkstat

CUR realized at 67.9% in March...

The monthly CUR posted a growth compared with last year in February...

Monthly Capacity Utilization Ratio (CUR), which had been released by Turkstat, is prepared and announced by the CBRT. The survey is based on the Business Tendency Survey results. Accordingly, monthly CUR increased by 8.7 percentage points YoY to 67.9% in March, lower than market consensus of 69.0%.

Monthly CUR ceased to contract in December compared with the same period of the last year. Its March realization indicates the relative recovery in the economic activity continues. But note that it takes a while for the CUR to reach its pre-crisis level in 2008.



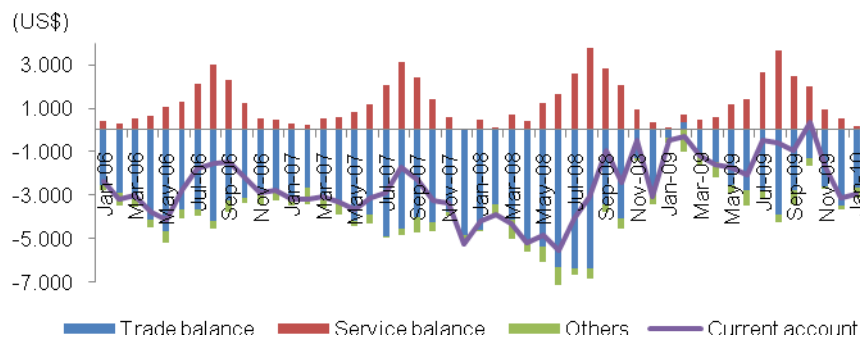
Source: TurkStat

The rolling 12-month current account deficit continues to rise in January...

The CA balance posted a deficit of US\$2.9bn in January...

The current account (CA) balance posted a deficit of US\$2.95bn in January, worse than market consensus of US\$2.4bn deficit (Şeker Securities: -US\$2.6). Foreign trade balance has already been revealed whereas tourism revenues kicked-off the year with poor record with 4% YoY decline, becoming main reasons for our estimate deviation along with the weak current transfers for the month. Moreover, the rolling 12 month CA deficit climbed to US\$16.32bn in January from US\$13.85bn in December.

Annual CA deficit closed the last year at US\$13.83bn due to the contracting economic activity and the collapse of the commodity prices after hitting to US\$41.94bn in 2008. We expect the upward trend in the external gap to continue as the economy has already started to recover in 4Q09. In our recent scenario for annual 4.0% growth (down from its previous 4.5% due to the lack of IMF funding), should oil prices remain at US\$80 per barrel on average in 2010, the CA deficit will rise to around US\$25bn (3.3% of estimated GDP).



Source: The CBRT