Montly CPI jumped by 0.53% MoM in December…

The annual inflation rose to 6.53% in December…

On the other hand, the core inflation dynamics preserved their declining trend…

Monthly CPI rose by 0.53% MoM in December, higher than market consensus of 0.25% MoM hike.

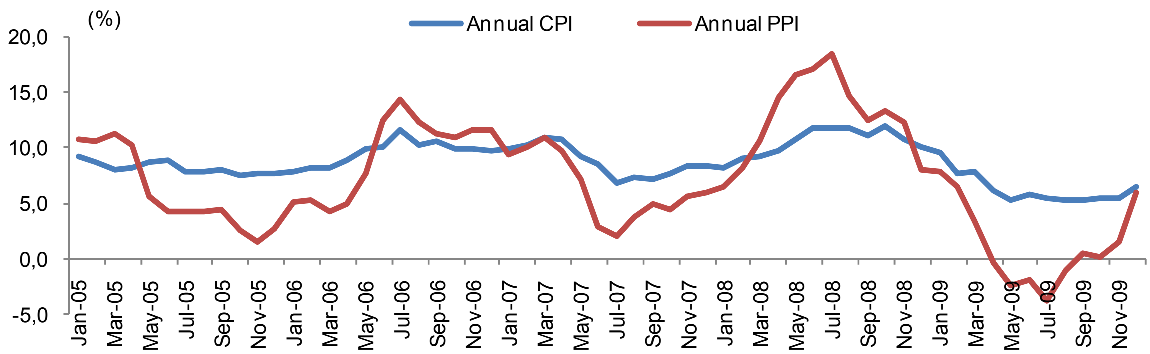
Food prices exceeded the expectations with 2.2% MoM rise in December and contributed 0.6 percentage points while the contraction in clothing prices (2.9% MoM decline) brought the rise in monthly CPI down.

Thus, annual CPI closed the year at 6.53% in 2009, higher than our and the CBRT's estimates of 5.5% on the back of higher than anticipated food price surges in the last quarter of the year. However, it is still below the official target of 7.5% for 2009.

On the other hand, The core indices, which exclude the one-off price effects, look good as the annual core index (I) – that excludes food, energy, tobacco and gold prices – declined to 3.84% in December following its record of 3.91% in November.

December	Montly(%)	Annual(%)
CPI	**0,53**	**6,53**
Food and non-alcoholic beverages	2,22	9,26
Alcoholic beverages and tobacco	-0,05	20,91
Clothing and footw ear	-2,79	3,39
Housing, w ater, electricity, gas and fuels	0,49	2,31
Furnishings, household equipment	-0,36	-2,68
Health	-0,44	2,44
Transport	-0,26	7,89
Communications	0,93	3,35
Recreation and culture	-0,38	8,92
Education	0,00	5,47
Hotels, cafes and restaurants	0,63	7,31
Miscellaneous goods and services	0,50	13,75
CPI (Excluding seasonal products)	**0,60**	**5,07**
Excldig food, energy, alcohol, gold and tobacco	**0,36**	**3,37**
Excluding energy	**0,35**	**5,88**
PPI	**0,66**	**5,93**
Agriculture	2,23	14,23
Industry	0,36	4,14
Manufacturing industry	0,28	5,20

Source:TurkStat



Annual PPI rose by 5.93% YoY in December…

While monthly PPI rise by 0.66% MoM in December, its annual reading posted a 5.93% YoY rise for the month. The drastic adjustments in the commodity prices on the back of the global economic slump continue to shape the PPI. Modest price adjustment on the commodity side has been supportive of December readings.

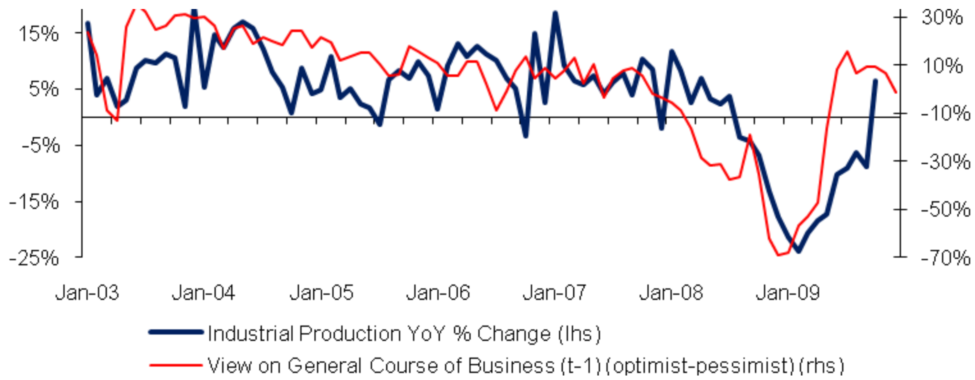
Recent commodity price adjustments have sharply reduced the overall PPI. But we expect annual PPI to remain at 4%-5% territory once the low based-year effects faded out.

Monthly industrial production declined by 2.2% YoY in November...

Monthly industrial production is likely to start to rise in December...

Monthly industrial production (IP) declined by 2.2% YoY in November despite market expectation of 2.5% YoY rise. More importantly, October's 6.5% YoY rise mislead the markets to claim a robust recovery in Turkish economy. Does November IP realizations indicate the opposite?

Monthly industrial production (IP) figures are not enough to make healthy analysis on the economic activity. Since seasonal factors and moving holidays might mislead to claim a strong recovery. Thus, seasonally adjusted series should be analyzed with more than one month comparison. In this sense, Turkish Statistical Institute started to announce not only the original series but also seasonal and calendar adjusted series as of January 2010. Accordingly, the economy actually did grow in November compared with the same month of the last year. Calendar adjusted IP rose by 5.8% YoY in November while calendar and seasonal adjusted IP also rose by 0.2% MoM in November.



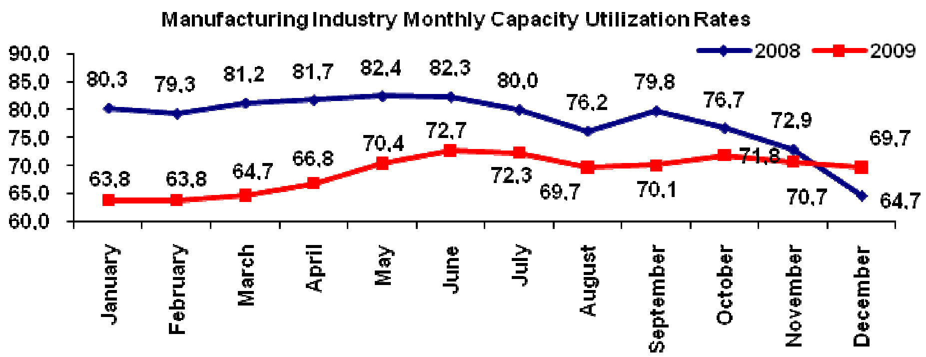
Source: Turkstat

CUR realized at 69.7% in December...

The monthly CUR posted a growth compared with last year in December…

Monthly Capacity Utilization Ratio (CUR) stood at 69.7% in December, lower than market consensus of 71.6%. Moreover, the realizations indicate 5 percentage points YoY rise, ending its 19 month contracting period.

Early economic indicators for December have indicated strong figures for the month as higher working days support them. Exports rose by 32% YoY in December while power consumption jumped by 11% YoY for the month and auto production increased by 145% YoY. Thus, the economic recovery is on the way, but not as strong as December headline figures would imply.



Source: TurkStat

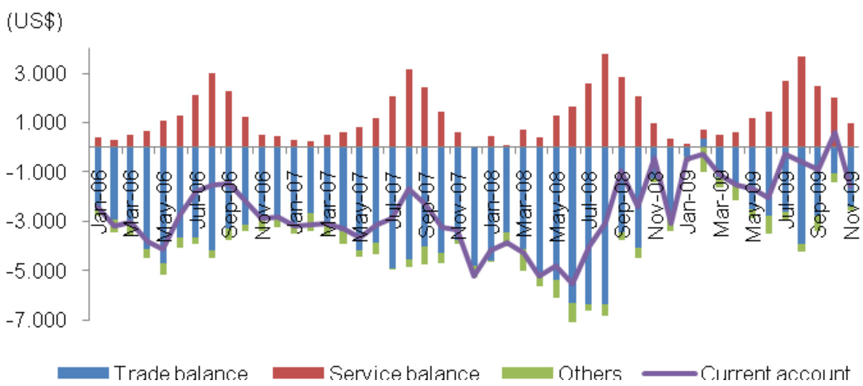
The rolling 12-month current account deficit has declined to US$12.9bn in November…

The CA balance posted a deficit of US$1.5bn in November...

The current account (CA) balance posted a deficit of US$1.5bn in November, more or less in line with market consensus of US$1.5bn deficit. Monthly CA deficit almost tripled in November 2009 compared with the same period of last year, ending its 13 month contracting trend.

Exports continue to shrink at lower pace while imports started to grow in November after its straight 14 month contraction period. Moreover, the rolling 12 month CA deficit turned its direction to upward for the month and reached US$12.9bn in November from US$11.9bn in October, its lowest level ever.

Contracting economic activity, a weaker local currency and significant easing in oil prices have sharply narrowed the current account deficit in 2009. We estimated the ratio of CA deficit over the forecast GDP at 2.2% in 2009 after reaching 5.8% in 2008.



Source: The CBRT