Montly CPI jumped by 1.27% MoM in November...

The annual inflation rose to 5.53% in November...

Monthly CPI rose by 1.27% MoM in November, much higher than market consensus of 0.97% MoM rise (Şeker Securties: +0.80%). The food prices with a 2.25% MoM increase surprised us and became the main reason for our forecast deviation.

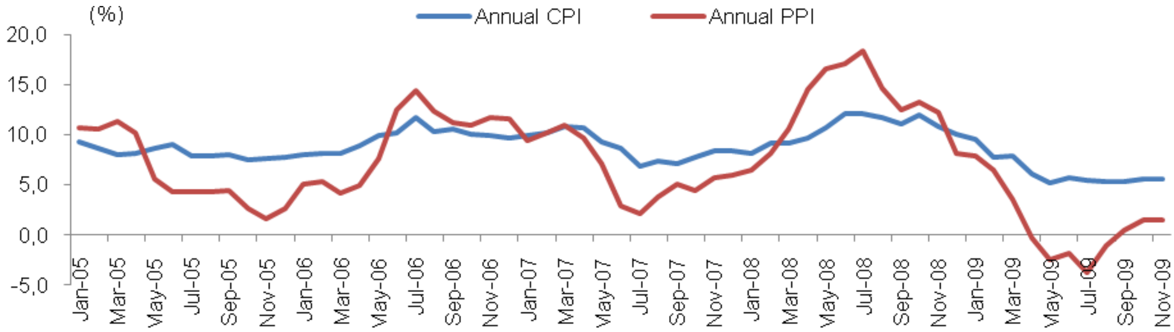
Seasonally upward price adjustments in food and clothing sectors usually left their remarks on November inflation. Both contributed 1 percentage point to 1.27% MoM overall CPI increase. Transportation cost jumped by 1.25% MoM in November on the back of fuel price surge while other service price category saw 1.80% MoM hike for the month due to the recent gold price rises. Annual CPI climbed to 5.53% in November from 5.08% in October, ending its four month straight declining trend.

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

On the other hand, the core inflation indices, which exclude the one-off price effects, revealed the declining trend in their dynamics. The annual core index (I) – that excludes food, energy, tobacco and gold prices – eased to 3.99% in November following its record of 4.11% in October.

November	Montly(%)	Annual(%)
CPI	**1,27**	**5,53**
Food and non-alcoholic beverages	2,21	7,40
Alcoholic beverages and tobacco	-0,01	20,96
Clothing and footwear	4,55	2,19
Housing, water, electricity, gas and fuels	0,69	1,27
Furnishings, household equipment	-0,73	-1,75
Health	0,02	2,57
Transport	1,25	5,46
Communications	0,03	2,91
Recreation and culture	-0,30	9,99
Education	0,08	5,39
Hotels, cafes and restaurants	0,44	6,89
Miscellaneous goods and services	1,80	14,87
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	**1,29**	**1,51**
Agriculture	2,38	8,52
Industry	1,10	-0,07
Manufacturing industry	1,07	0,90

Source:TurkStat



Source: Turkstat

Annual PPI rose by 1.51% YoY in November...

While monthly PPI rise by 1.29% MoM in November, its annual reading posted a 1.51% 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 November readings.

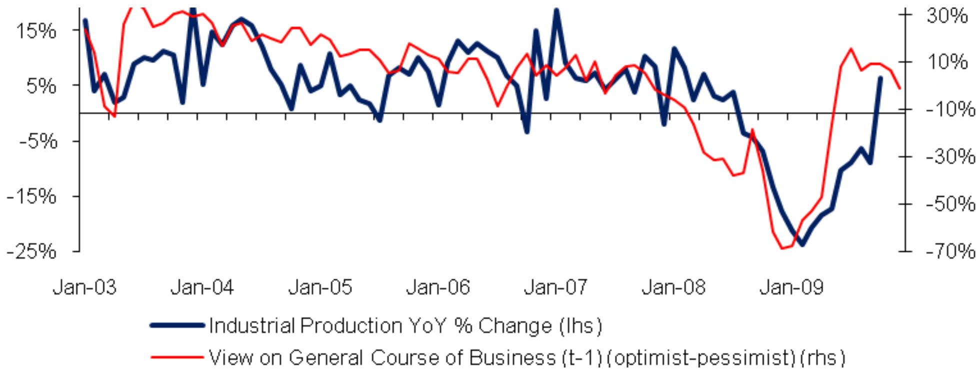
Recent commodity price adjustments have sharply reduced the overall PPI. But we expect annual PPI to climb to 4%-5% territory once the low based-year effects faded out.

Monthly industrial production rose by 6.5% YoY in October...

Monthly industrial production rose in October, ending its 14 month straight contraction period...

Monthly industrial production (IP) rose by 6.5% YoY in October despite the market expectations of 2.1% YoY contraction. This also ends its 14 month contracting period and montly IP (indexed 2005=100) reached 118 in October 2009, highest since July 2008.

However, calendar and seasonal adjusted IP reading will spell out much, usually out at the end of that month, since the lack of working days due to the Ramadan holiday in October 2008 generated low base year affects. Hopefully, the Turkish Stastical Instituite will announce both the original and seasonally adjusted IP figures in 2010 together and spare us with sending mixed messages on the growth side. Economic activity is likely to start to balance in 4Q09 on the back of loosening monetary and fiscal policies, rising exports, the rebound in the inventory cycle and relative improvements in the global financial and economic outlook. Thus our annual GDP contraction estimate for 2009 stood at 6.2% while GDP will grow at around 3% in 2010.



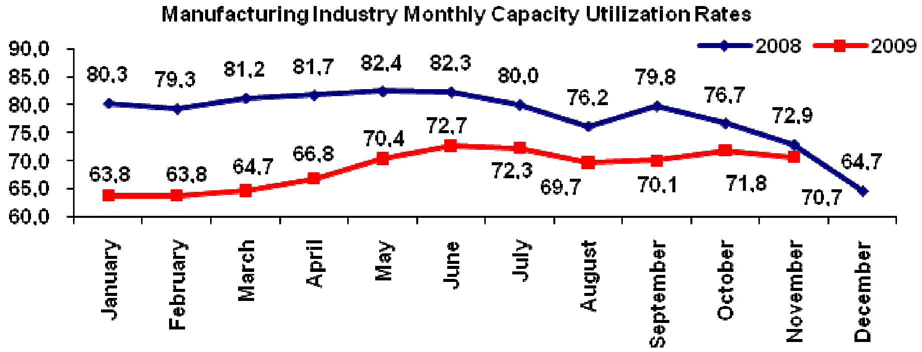
Source: Turkstat

CUR realized at 70.7% in November...

The CUR contraction rate compared with last year has decelerated in November…

Monthly Capacity Utilization Ratio (CUR) declined by 2.2 percentage points to 70.7% in November, better than market expectations. While public sector CUR rose sharply by 13.5 percentage points YoY to 88.8%, private sector CUR supported overall CUR with 2.1 percentage points YoY decline in November.

On the sectoral breakdown, the deceleration in the leading sectors' decline paces became apparent for the month whereas the chemicals, basic metals and textile were the only sectors that posted growths on YoY basis. The chemical CUR rose by 4.3 percentage points YoY to 73.3% in November.The CUR in the basic metals climbed by 0.6 percentage points YoY to 71.7% in November.



Source: TurkStat

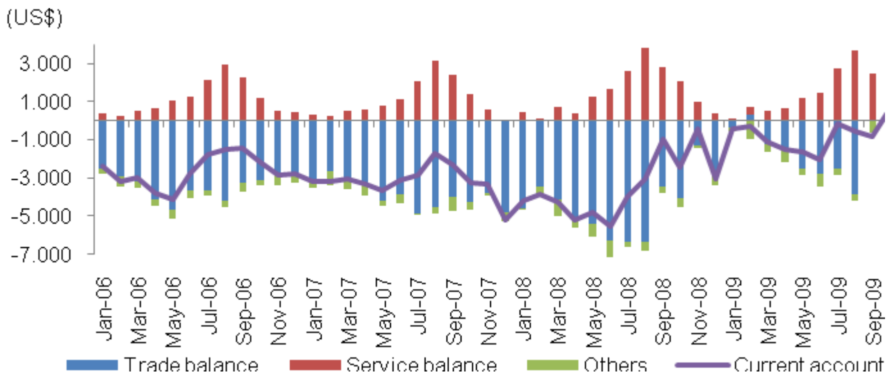
The rolling 12-month current account deficit has declined to US$11.4bn in October…

The CA balance posted a surplus of US$0.67bn in October despite general deficit expectations...

The current account (CA) balance posted a surplus of US$0.67bn in October despite general deficit expectations. The CBRT also revised the previous CA figures. Thus, the rolling 12 month CA deficit declined to US$11.4bn in October from US$14.5bn in September.

Trade deficit shrank by 75% YoY in October on the back of the export rise while service surplus declined by 3% YoY for the month.

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 2.0% in 2009 after reaching 5.8% in 2008.



Source: The CBRT