Montly CPI jumped by 1.85% MoM in January...

The annual inflation rose to 8.19% in January...

Monthly CPI rose by 1.85% MoM in January, slightly higher than market consensus of 1.74% MoM hike (Seker Securities: +2.1%).

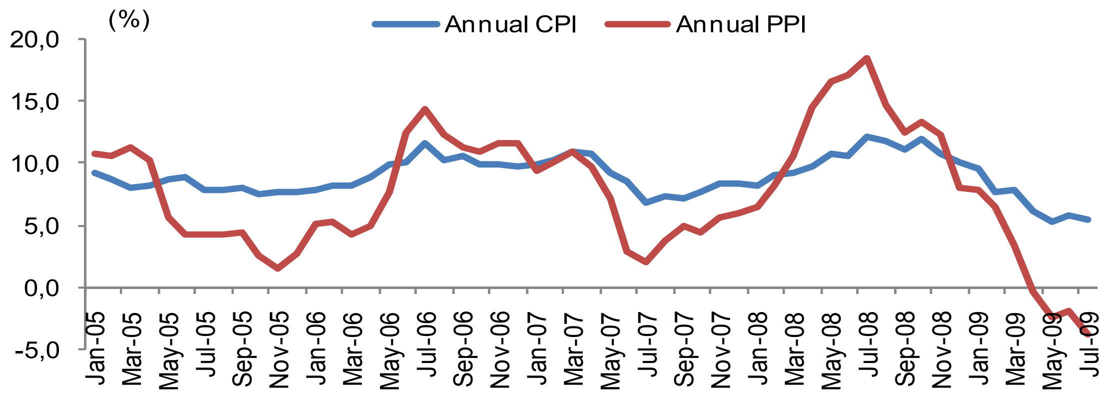
The figures are not bad after all as January 2009 Istanbul Chamber of Commerce (ICC) CPI figures had raised tension on a possible high monthly inflation readings. Recent administrative price hikes on tobacco, alcohol and petroleum products contributed 1.5 percentage points to overall monthly CPI while food prices rose by 1.58% MoM in January, in line with its seasonally upward trend. The clothing, communication, health and entertainment are the only sectors that register declines for January while the price movements among the other sectors are in line with expectations. Thus, annual CPI jumped to 8.19% in January from 6.53% in December.

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

On the other hand, Moreover, 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 3.83% in January following its record of 3.84% in December.

January	Montly(%)	Annual(%)
CPI	**1,85**	**8,19**
Food and non-alcoholic beverages	1,58	9,38
Alcoholic beverages and tobacco	22,04	47,54
Clothing and footw ear	-8,20	3,42
Housing, w ater, electricity, gas and fuels	1,51	3,14
Furnishings, household equipment	0,71	-1,69
Health	-0,11	2,18
Transport	3,53	2,18
Communications	-0,24	10,74
Recreation and culture	-0,27	5,55
Education	0,07	5,55
Hotels, cafes and restaurants	1,11	7,66
Miscellaneous goods and services	0,23	10,44
CPI (Excluding seasonal products)	**2,57**	**8,41**
Excldig food, energy, alcohol, gold and tobacco	**-0,54**	**3,83**
Excluding energy	**1,52**	**8,24**
PPI	**0,58**	**6,30**
Agriculture	2,19	16,57
Industry	0,18	4,07
Manufacturing industry	0,22	5,46

Source:TurkStat



Source: Turkstat

Annual PPI rose by 6.30% YoY in January...

While monthly PPI rise by 0.58% MoM in January, its annual reading posted a 6.30% YoY rise for the month. Modest price adjustment on the commodity side has been supportive of January readings. The drastic adjustments in the commodity prices on the back of the global economic slump started to fade out.

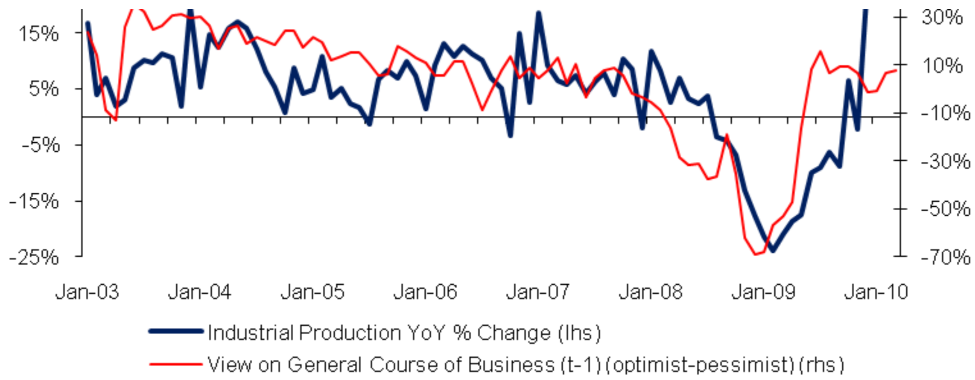
We expect annual PPI to remain at around 5% territory as the agricultural prices will maintain its upward pressure incoming period.

Monthly industrial production rose by 25.2% YoY in December...

Monthly industrial production started to recover in December…

Turkish economy recovers from the recession for sure, but not as strong as the headline figures indicate. Monthly industrial production (IP) rose by 25.2% YoY in December against market consensus of 15.7% YoY (Seker Securities: +17.0% YoY). On the other hand, year-on-year comparison becomes irrelevant since seasonal factors and moving holidays might be misleading. 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, calendar adjusted IP rose by 8.9% YoY in December while calendar and seasonal adjusted IP rose by 0.7% MoM for the month. The economy has started to recover in 4Q09 as the seasonally adjusted figures indicate while the headline IP figures will continue to post high growth figures for 1Q10 due to the low base year effects.



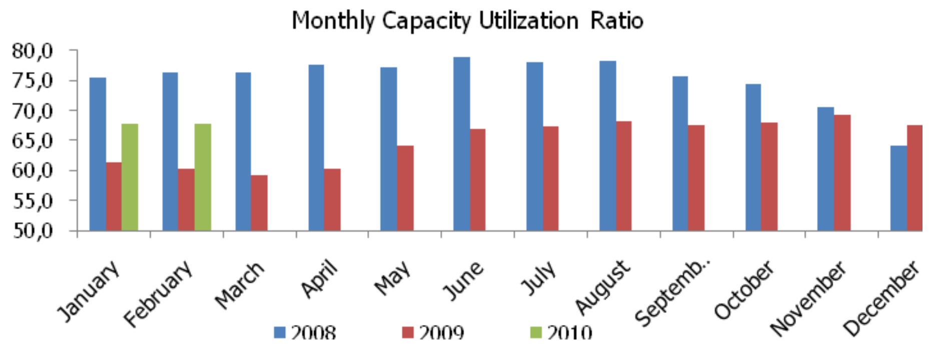
Source: Turkstat

CUR realized at 67.8% in February...

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

Monthly Capacity Utilization Ratio (CUR), which had been released by Turkstat, is prepared and announced by the CBRT, based on the Business Tendency Survey results as of January 2010. Accordingly, monthly CUR increased by 7.5 percentage points YoY to 67.8% in February, lower than market consensus of 68.7%.

Monthly CUR ceased to contract in December compared with the same period of the last year. Its February 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.



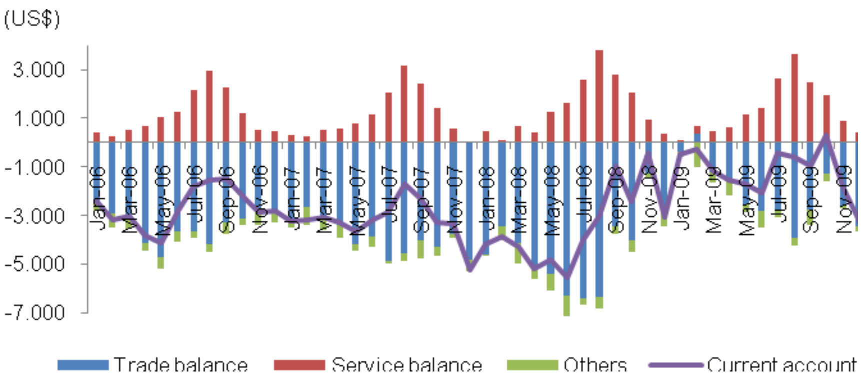
Source: TurkStat

The rolling 12-month current account deficit starts to rise in December…

The CA balance posted a deficit of US$3.2bn in December...

The current account (CA) balance posted a deficit of US$3.18bn in December, more or less in line with market consensus of US$3.4bn deficit. Foreign trade balance and tourism revenues have already been revealed whereas other service revenues such as transportation and construction registered more than anticipated growth for the month with a 48% YoY rise and current transfers tripled in December compared with the same period of last year, becoming the main reasons for our estimate deviation. Moreover, the rolling 12 month CA deficit climbed to US$13.85bn in December from US$13.72bn in November.

In our current scenario for annual 4.5% growth, should oil prices remain at US$80 per barrel on average in 2010, the CA deficit will rise to around US$25bn (3.4% of estimated GDP). However, the data will fail to move the markets and get minor attention from the market participants since it will remain at manageable levels for a while.



Source: The CBRT