

The annual inflation temporarily declined below 10% in March...

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

Monthly CPI jumped by 0.58% MoM in March...

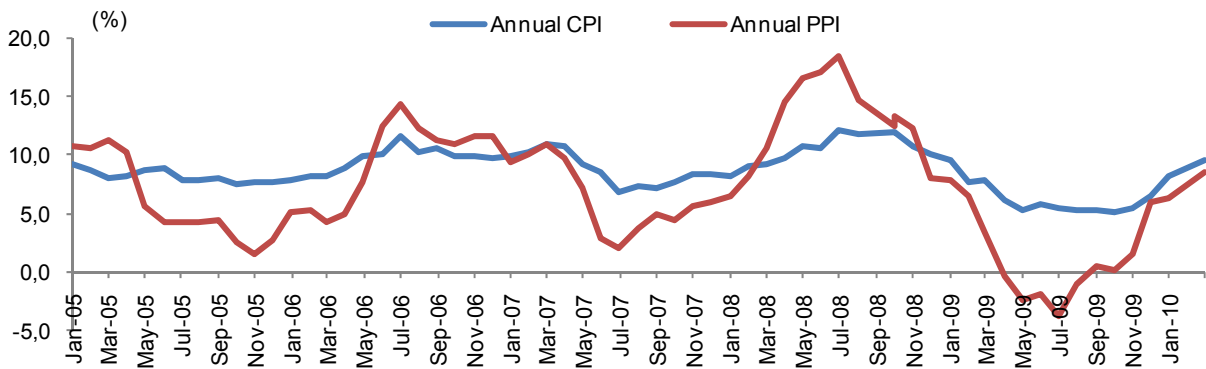
March CPI posted a 0.58% MoM rise, slightly higher than the market consensus of 0.50% (Şeker Securities: +0.30%). On the other hand, annual CPI temporarily eased to 9.56% in March due to the low base year effects from 10.13% in February before increasing again in coming months.

Food prices rose by 0.62% MoM for the month and contributed 0.18 percentage points to overall CPI while communication price hikes at 3.14% MoM posted the highest monthly rise in March and lifted the headline CPI by 0.14 percentage points. Clothing prices rose by 0.69% MoM last month despite our minor contraction expectations. The sector seems to start its new season pricing in March instead of April for the last 2 years.

In addition, the core indices, which exclude the one-off price effects, are also in upward trend. The annual core index (I) – that excludes food, energy, tobacco and gold prices – increased to 5.14% in March from 4.05% in February. Note that the CBRT has already warned on the possible upward trend in the core inflation in March and also in April on several occasions.

March	Montly(%)	Annual(%)
CPI	0,59	9,56
Food and non-alcoholic beverages	0,62	11,21
Alcoholic beverages and tobacco	0,01	43,03
Clothing and footwear	0,69	4,44
Housing, water, electricity, gas and fuels	0,20	4,92
Furnishings, household equipment	-0,45	0,19
Health	0,04	1,89
Transport	0,73	1,89
Communications	3,14	12,72
Recreation and culture	0,69	6,19
Education	0,36	6,19
Hotels, cafes and restaurants	0,98	8,80
Miscellaneous goods and services	0,70	6,35
CPI (Excluding seasonal products)	0,68	9,87
Excldig food, energy, alcohol, gold and tobacco	0,60	5,41
Excluding energy	0,59	9,45
PPI	1,94	8,58
Agriculture	2,69	22,20
Industry	1,76	5,69
Manufacturing industry	1,91	7,32

Source:TurkStat



Source: Turkstat

Annual PPI rose by 8.58% YoY in March...

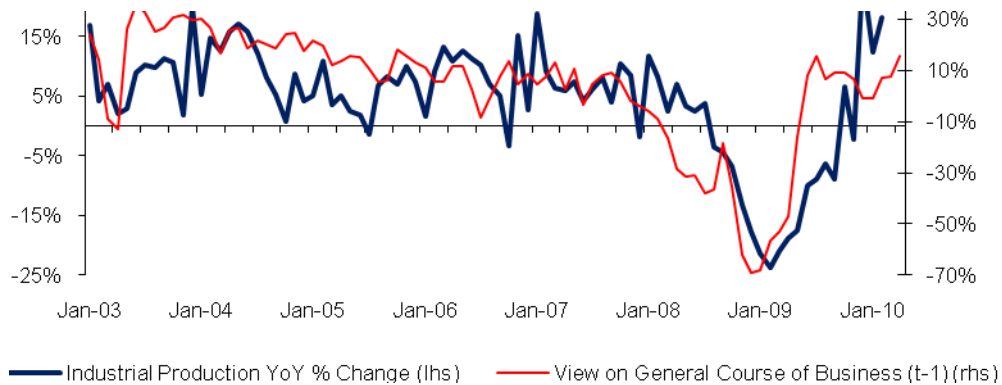
On the PPI front, monthly PPI jumped by 1.94% MoM in March, exceeding market estimates of 0.74% MoM rise on average. Manufacturing price surge at 1.91% MoM mainly lifted the overall PPI up while agricultural prices also climbed by 2.94% MoM. Moreover, basic metal prices among the manufacturing sector increased by 9.73% MoM in March following the introduction of a new system for valuing iron ore in the international system.

Annual PPI reached to 8.58% in March from 6.82% in February. Possible pass-through effects of the recent acceleration in the PPI on the CPI will be closely monitored and this fact remains a main risk on the inflation outlook.

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

Monthly industrial production rose by 18.1% YoY in February...

Monthly industrial production (IP) rose by 18.1% YoY in February against market consensus of 17.0% YoY rise following its 12.1% YoY jump in January. 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 18.2% YoY in February while calendar and seasonal adjusted IP expanded by 1.6% MoM for the month. Moreover, the 6 month moving average of the calendar and seasonal adjusted IP increased to 1.4% in February from its reading of 1.1% in January.



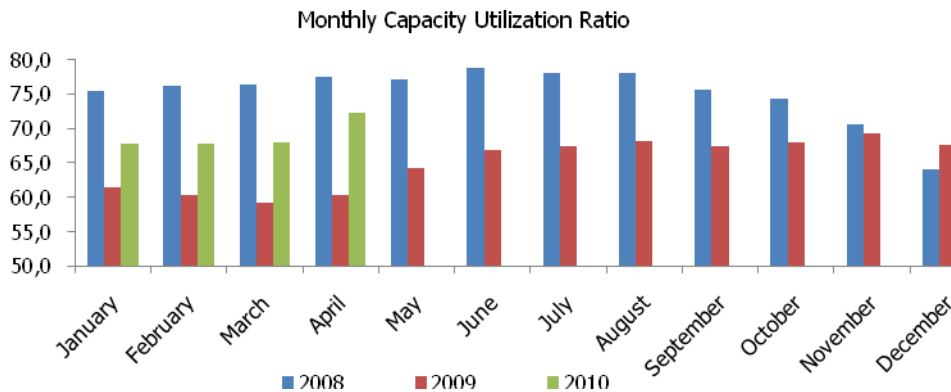
Source: Turkstat

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

CUR realized at 72.2% in April...

Monthly Capacity Utilization Ratio (CUR) increased by 11.9 percentage points YoY to 72.2% in April, exceeding market consensus of 68.6% for the month. Monthly CUR have already started to increase in December and its growth pace continues to accelerate in April.

The economic activity accelerated significantly in 1Q10 compared with 1Q09 due to the low base year affects. Most market participants anticipate around 10% YoY increase for 1Q10 GDP with the annual growth rate of 4.5% on the average. April monthly CUR which is first early growth indicator for 2Q10 has revealed than the momentum in the economic activity continues.



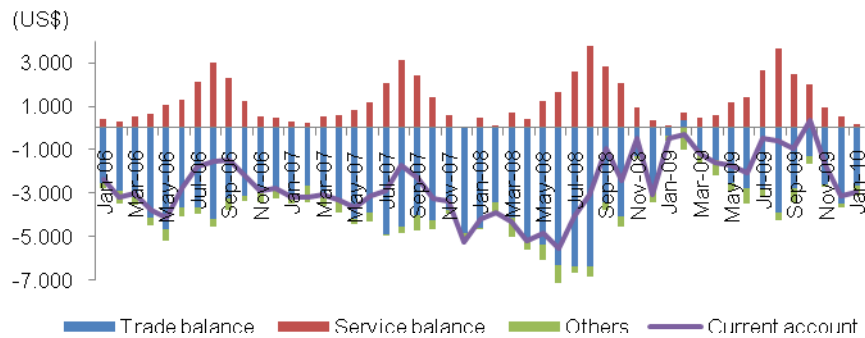
Source: TurkStat

The CA balance posted a deficit of US\$2.6bn in February...

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

The current account (CA) balance posted a deficit of US\$2.61bn in February, better-than market consensus of US\$2.8bn deficit (Şeker Securities: -US\$3.0bn). Moreover, the rolling 12 month CA deficit climbed to US\$18.82bn in February from US\$16.52bn in January. Annual CA deficit closed the last year at US\$14.04bn due to the contracting economic activity and the collapse of the commodity prices after hitting to US\$41.95bn in 2008. The 12 month rolling CA saw the bottom in October 2009 at US\$12.63bn deficit before hitting the north. We expect this upward trend in the external gap to continue as the economy starts to recover in 4Q09.

In our recent scenario for annual 4.0% growth, 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). Note that the risks on our CA estimates are upside given the weak start on the export front. Nevertheless, 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