

**CPI increased by 0.02% in April...**

**The CPI increased by 0.02% lower than the market consensus of 0.7% in April...**

The Consumer Price Index increased by 0.02% in April compared to the previous month way below the market consensus of 0.7%. As a result, the annual CPI figure decreased to 6.13% levels.

Weaker domestic demand, currency strength, tax cuts put down by the government in order to crank up consumer demand along with falling food prices led to a sharp decline in inflation rate in April.

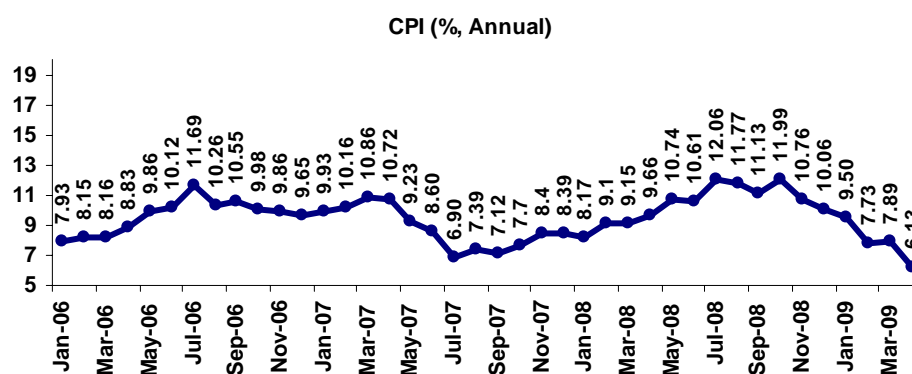
**Inflation is expected to edge further down in the upcoming period...**

While the highest monthly increase was 10,95% for clothing and footwear from the main expenditure groups, the highest monthly decrease was -2,55% for miscellaneous goods and services. On the other hand, the highest increase in the index was 14,44% for housing sector compared to the same month of the previous year and highest decrease was transportation by -4,42% yoy.

The CPI index excluding energy, unprocessed food, alcoholic beverages, tobacco products and gold (SCAH) fell by 1,87 percentage points to 4,31% yoy. The rate of increase in the SCA-I index excluding processed food products was down by 1,41 percentage points and 4,14 yoy from February to March.

April	Monthly(%)	Annual(%)
<b>CPI</b>	<b>0.02</b>	<b>6.13</b>
Food and non-alcoholic beverages	-0.35	7.70
Alcoholic beverages and tobacco	0.02	7.11
Clothing and footwear	10.95	-0.31
Housing, water, electricity, gas and fuels	-1.04	14.44
Furnishings, household equipment	-2.31	1.70
Health	2.20	4.14
Transport	-1.70	-4.42
Communications	0.28	3.36
Recreation and culture	1.10	9.65
Education	0.10	6.62
Hotels, cafes and restaurants	0.41	10.60
Miscellaneous goods and services	-2.55	9.50
<b>CPI (Excluding seasonal products)</b>	<b>-0.47</b>	<b>6.78</b>
<b>Excluding unprocessed food products</b>	<b>0.18</b>	<b>5.45</b>
<b>Excluding energy</b>	<b>0.28</b>	<b>5.60</b>
<b>PPI</b>	<b>0.65</b>	<b>-0.35</b>
Agriculture	3.27	-1.82
Industry	0.08	0.03
Manufacturing industry	0.48	-3.15

Source:TurkStat



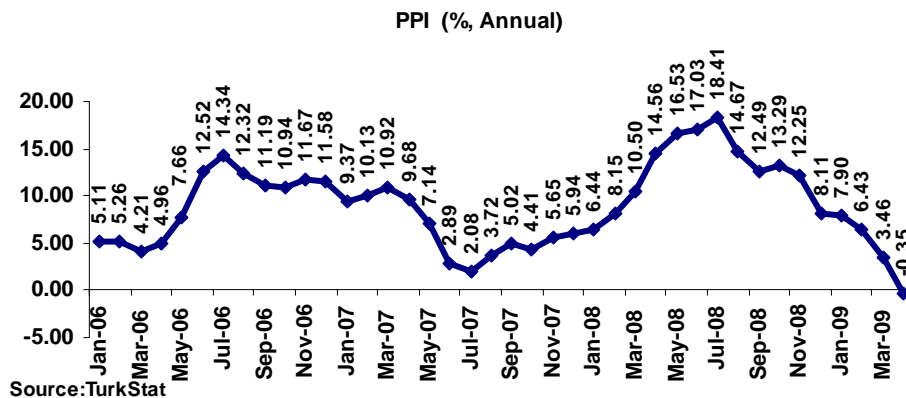
Source:TurkStat

**SCT and VAT cuts supported decline in CPI...**

The decline in these special CPI aggregates resulted from the downtrend in underlying inflation and the SCT and VAT cuts in March and April. Prices decreased by 0.06% in goods but increased by 0.26% in services in April. Annual inflation decreased to 5,63% in goods and 7.61% in services.

Energy prices continued to fall in April, and group inflation went down to 9.31 % yoy. In addition to the reduction in electricity tariffs, price drops were experienced in solid fuels, fuels and bottled gas. Meanwhile, the massive reduction in natural gas tariffs in May is expected to push consumer inflation down by 0.3 percentage points. Accordingly, annual energy price inflation will continue to slide in coming months, given the high base from a year ago as well as the current trend in crude oil prices and the cost-based pricing approach.

As the effects of the SCT cut that has been in place since mid-March prevailed in April, prices of white goods and automobiles decreased by 2.74% and 5%, respectively. Similarly, in effect with the VAT cuts ingoing since April 1, furniture prices dropped by 7.63%. However, these temporary tax cuts will only have a short-lived positive effect on inflation.



**PPI was up by 0.65% in April...**

Producer prices denoted a 0.65 % increase in April compared to the previous month. Despite the 3.27 % increase in the prices of agricultural products, the downtrend in prices of agricultural products being experienced since the second half of 2008 continued to exist and deteriorated to 1,82 % levels.

Manufacturing industry prices increased by 0.48 % in April whereas annual inflation declined by 3.15%. Excluding petroleum products, the annual rate of increase in manufacturing industry prices was 1.29 %.

**CUR realized at 66,8% in April...**

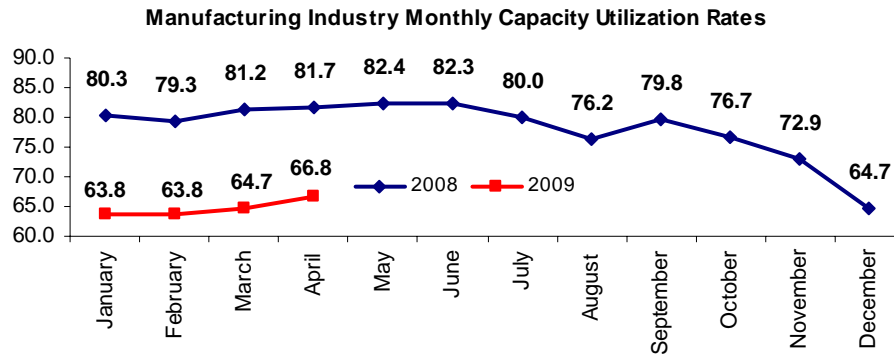
**The CUR increased 210 bps mom in April...**

While the rate of capacity utilisation that is weighted by production declined by 14,9 points to 66,8% in April of 2009 yoy, exceeding the previous month by 2.1 %.

In April, the reason for stagnant capacity was the shortage of demand in domestic (55,4%) and foreign markets (31,4%). Financial inability prevailed by 3,5%, shortage of raw domestic materials by 3,1%, shortage of raw imported 1,4% and labour problems was 1,3 %.

**The production is expected to increase by 9% in May...**

Current output is increased by 8,5% in April, and expected to increase further by 9,0% in May 2009. Quantity of sales increased by 10,9% in April, and expected to increase by 4,8% in May. Sales prices increased by 0,9% in April, and expected to increase by 0,2% in May. Finally raw material prices decreased by 0,1% in April, and expected to increase by 0,3% in May.

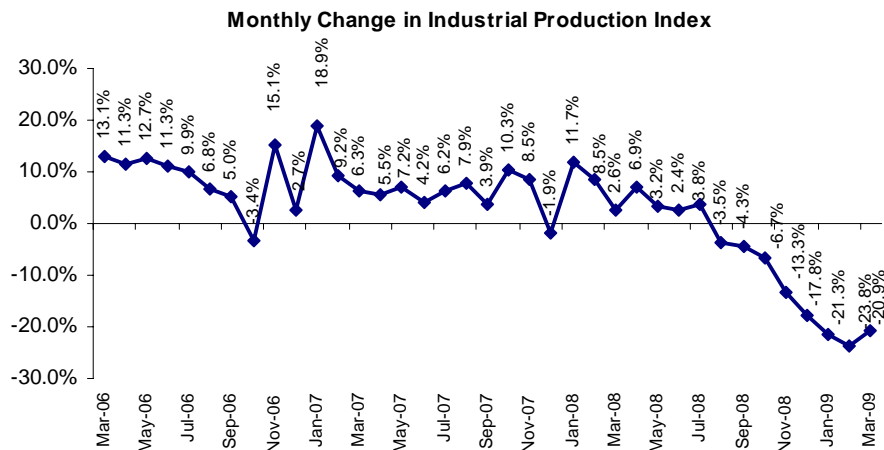


**Monthly Industrial Production Index decreased by 20,9% in March...**

**While industrial production continued to contract annually, it increased monthly...**

Turkish Industrial Production fell by -20,9% yoy in March, slightly less than the -22,8% yoy consensus expectation. The Index has increased from 84,6 in February to 95,9 in March.

Considering the sub sectors of the whole industry, Mining Sector index dropped to 115,9 from 104,7 by a 9,7% decrease. In addition, Manufacturing Index dropped to 92,8 from 121, decreasing by 23,5%; Electricity, Gas and Water Index dropped to 118,4 from 122,4 by decreasing 3,3% in March of 2009 compared to the same month of the previous year. According to Main Industrial Groupings; production of Durable Consumer Goods decreased by 28,0%, Intermediate Goods by 22,2%, Undurable Consumer Goods by 8,9%, and Energy by 6,5%.



**The highest decrease was in manufacture of vehicles**

In March 2009 as compared to previous year, the highest decrease in Manufacturing Industry Production Index, was experienced in the Manufacturing of Vehicles, Trailers and Semi-Trailers down by 53,1%, followed by a 41,8 % decrease in Manufacturing of Office Accounting-computing Machinery Products and a 36.4 % decrease in Manufacturing of Coke, Refined Petroleum Products.