Montly CPI decreased by 0.30% MoM in August...

The annual inflation eased to 5.33% in August...

Monthly CPI contracted by 0.30% MoM in August despite market expectation of 0.21% MoM rise. Thus, annual CPI eased to 5.33% YoY in August from 5.39% YoY in July.

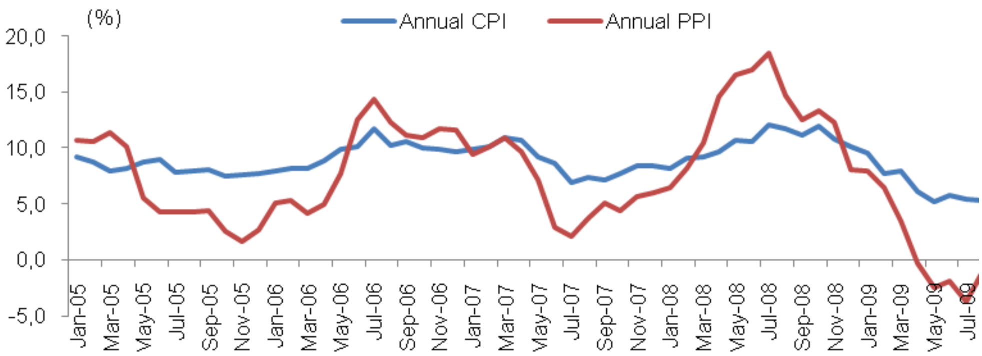
The exceptional contraction in food prices (1.57% MoM decline) ahead of the Ramadan left its remarks on monthly inflation figures while seasonally downward adjustments in clothing prices (5.22% MoM drop) were also supportive. The contraction in food prices makes us cautious on its September's dynamics. Note that Ramadan-related food price hikes are likely to cause seasonal price adjustments in that sector to cluster in September. So watch out for September readings.

The upward trends in the core inflation are temporary...

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 3.76% in August following its record of 3.78% in July.

August	Montly(%)	Annual(%)
CPI	**-0,30**	**5,33**
Food and non-alcoholic beverages	-1,57	6,83
Alcoholic beverages and tobacco	1,73	20,80
Clothing and footwear	-5,22	1,93
Housing, water, electricity, gas and fuels	0,74	4,41
Furnishings, household equipment	0,17	-1,58
Health	0,03	2,55
Transport	1,67	0,00
Communications	0,20	3,08
Recreation and culture	0,28	10,27
Education	0,21	4,64
Hotels, cafes and restaurants	0,44	7,52
Miscellaneous goods and services	0,61	14,60
CPI (Excluding seasonal products)	**1,01**	**4,86**
Excldig food, energy, alcohol, gold and tobacco	**-0,43**	**3,76**
Excluding energy	**-0,69**	**6,06**
PPI	**0,42**	**-1,04**
Agriculture	-0,42	0,12
Industry	0,50	-1,70
Manufacturing industry	0,91	-2,37

Source:TurkStat



Annual PPI contracted by 1.04% YoY in August...

While monthly PPI rise by 0.42% MoM in August, its annual reading posted a 1.04% YoY decline for the month. The drastic adjustments in the commodity prices on the back of the global economic slump continue to shape the PPI. The metal prices rose by 3.50 YoY in August, while the refined petroleum products prices jumped by 6.94% YoY. The easing in the food prices is also supportive of overall PPI.

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.

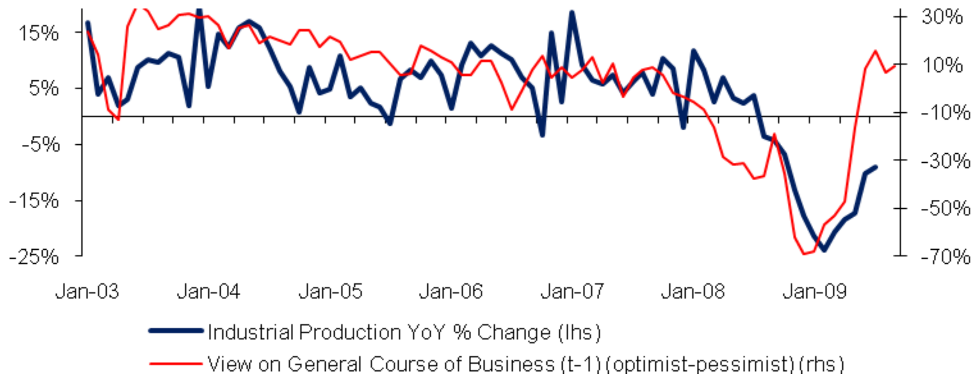
Monthly industrial production contracted by 9.2% YoY in July …

Monthly industrial production decreased at decelerating rate in July...

Monthly industrial production (IP) contracted by 9.2% YoY in July, more or less in line with market expectations of 9.5% YoY decline. Turkstat also revised June IP YoY decline of 9.7% to 10.3%, thus July reading became its 9-month low record.

The autos, white goods and metals sectors led the way with lower contraction rates in July while chemicals posted a modest growth for the month.

July IP realization and other early growth-related indicators in 3Q09 reveal that the recovery in the economic activity will be protracted and it is too early to cheer on the growth side. August power consumption contracted by 4% YoY, higher than its July reading of 3% YoY decline. Secondly, consumer confidence indices have pointed weak recovery on the domestic demand. Consumer confidence deteriorated by 2% MoM in August. On the foreign demand side, exports remain weak with 30% YoY decline in August.



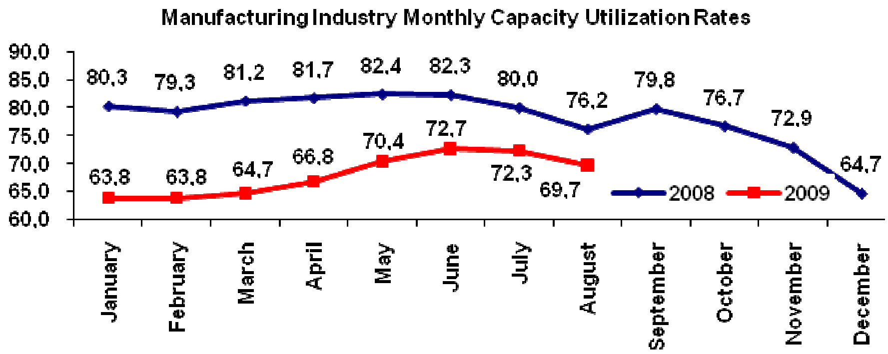
Source: Turkstat

CUR realized at 69,7% in July...

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

Monthly Capacity Utilization Ratio (CUR) contracted by 6.5 percentage point to 69,7% in August with lower decelerating rate. Moreover, the refined petroleum products and autos have posted the highest contraction among the sectors. The former declined by 29.5 percentage points YoY while the latter saw 19.1 percentage points YoY decline in August.

In the first eight months of the year, monthly CUR averaged at 68.0%, corresponding 12.4 percentage points YoY for the period. Public sector CUR in 8M09 compared with 8M08 shrank more than private CUR. While public CUR for the corresponding phrase declined by 14.1 percentage points to 76.7%, private CUR eased by 11.2 percentage points YoY to 69,7%



Source: TurkStat

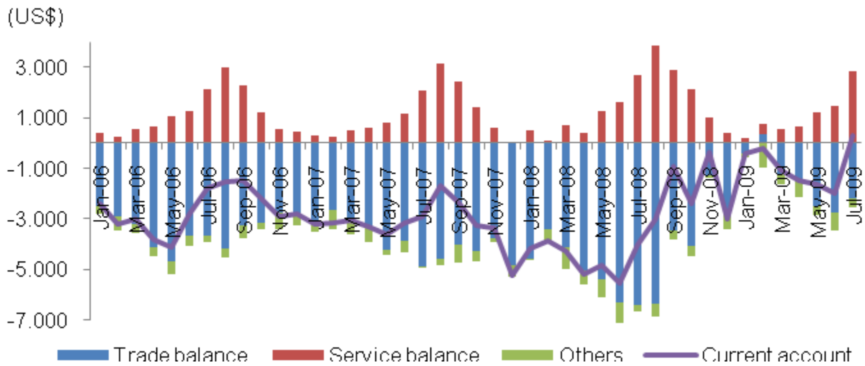
The rolling 12-month current account deficit has declined to US$16.4bn in July…

Monthly current account deficit contracted by 65% YoY to US$1.9bn in July...

Monthly current account (CA) balance contracted by 80% YoY in July and posted a surplus of US$0.2bn for the first time for a while.

The rolling 12 month CA deficit declined to US$16.3bn in July from US$20.4bn in June.Should oil prices remain at 70$/barrel in the remaining of 2009, the ratio of CA deficit over the estimated GDP will decline sharply to around 2.0% in 2009 from 5.6% in 2008.

The 12-month capital account flows indicate that its CA deficit is mainly financed through net FDI and errors& omissions. Net FDI flows declined to US$9.8bn on a 12-month basis, while errors & omissions stood at US$14.8bn in July. Such huge undefined capital inflows have raised concerns on its sustainability.



Source: The CBRT