

**TURKEY**

# Good Print, But I Wouldn't Yet Bet On It

Consumer prices rose by a lower than expected 0.4% in March, taking the 12-month rate further down to 4.0%, from 4.2% a month earlier. The deviation in our forecast almost entirely stems from food prices (driven, in turn, by unprocessed food prices). Food prices (excluding beverages) dropped by 0.45%, which is unusual by seasonal norms, instead of the 1 pp or so increase that we had factored into our forecast.

Otherwise, the number is broadly in line with our expectation, with the recent increases in energy prices and the weaker lira starting to penetrate, albeit slowly, in the headline index. The main core inflation indicator (I index) stayed flat at 3.8% (y/y), while PPI inflation eased, but still hovers above 10% (see table; graphs).

We do not think this print is any reason to change our inflation forecast, given the high volatility/high surprise nature of the series. In a nutshell, we expect inflation to start to edge up in the coming months, hovering in the 6.5%-7% range during the summer months, before ending the year at around 7.5%.

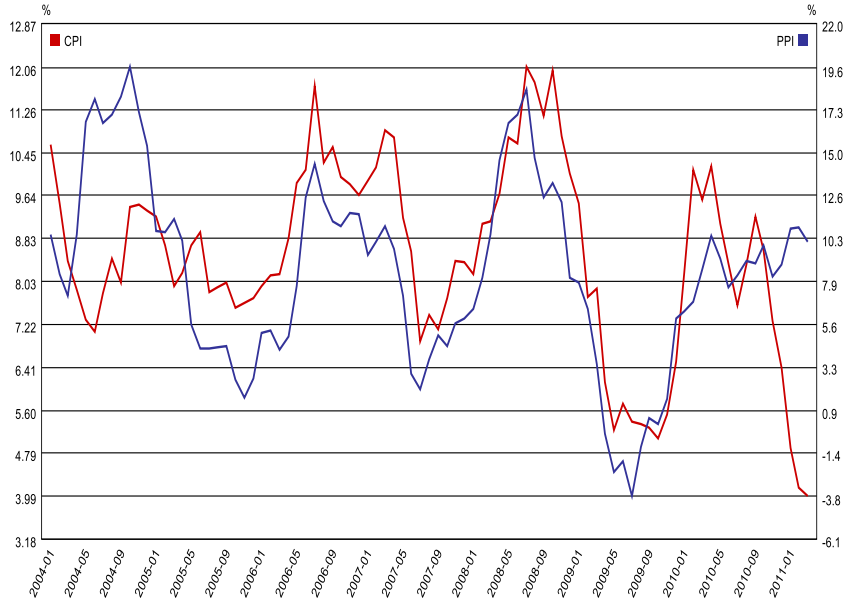
TABLE 1

**Summary Inflation Data: March 2011-10  
(in percent)**

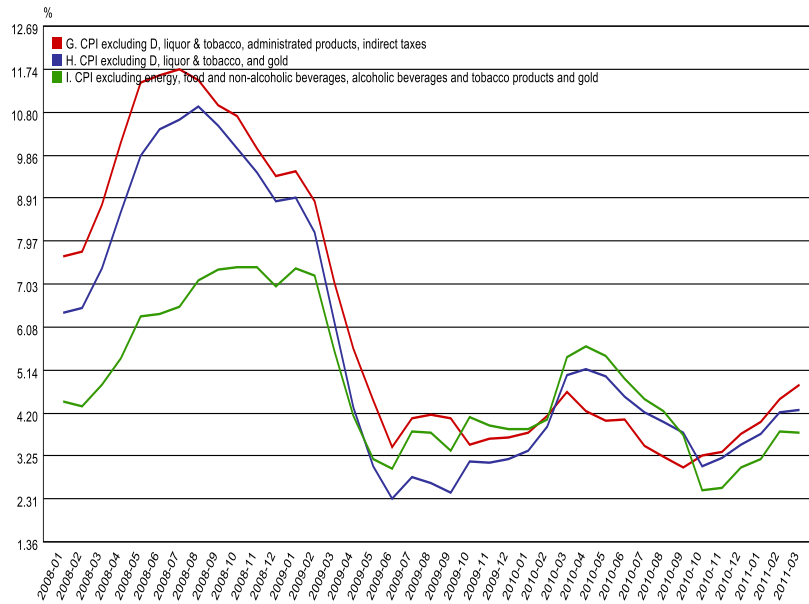
	Monthly		12-month		Year-to-Date
	Mar 11	Mar 10	Mar 11	Feb 10	Mar 11
<b>CPI</b>	<b>0.42</b>	<b>0.58</b>	<b>3.99</b>	<b>4.16</b>	<b>1.57</b>
Food and Beverages	-0.41	0.62	3.47	4.53	3.77
Tobacco and Liquor	0.03	0.01	-1.49	-1.51	0.04
Clothing and Footwear	0.77	0.69	5.43	5.35	-11.84
Housing	0.38	0.20	4.57	4.38	0.83
Houseware	0.94	-0.45	6.11	4.66	2.90
Health	0.15	0.04	1.40	1.29	0.54
Transportation	1.57	0.73	6.91	6.03	4.86
Communication	0.34	3.14	-4.17	-1.50	1.99
Entertainment and Culture	0.46	0.69	-2.19	-1.97	-0.02
Education	0.29	0.36	4.28	4.35	0.47
Hotels, Cafes and Restaurants	0.43	0.98	8.01	8.60	1.65
Miscellaneous goods and services	1.17	0.70	7.86	7.36	3.40
<b>PPI</b>	<b>1.22</b>	<b>1.94</b>	<b>10.08</b>	<b>10.87</b>	<b>5.40</b>
Agriculture	0.68	2.79	10.54	12.86	5.84
Manufacturing Industry	1.34	1.76	9.98	10.44	5.31

Source: TURKSTAT, our calculations.

CPI and PPI Inflation (yoy, %)



Summary Core Inflation (% y/y)



**MURAT UCER & ATILLA YESILADA**  
 Tepecik Yolu, Devran Apt.  
 1/18, Etiler  
 Istanbul, Turkey

Murat Ucer  
 murat@istanbulanalytics.com  
 + 90.212.352.1270  
 Mobile 90.532.432.5873

Atilla Yesilada  
 atilla@istanbulanalytics.com  
 + 90.212.352.1271  
 Mobile 90.533.216.9795

**GLOBALSOURCE PARTNERS**  
 708 Third Avenue  
 New York, NY 10017

info@globalsourcepartners.com

+ 1.212.317.8015  
 Fax 1.212.317.8318

Copyright 2010 GlobalSource Partners and Murat Ucer & Atilla Yesilada. All rights reserved. This research report is prepared for the use of GlobalSource Partners or Murat Ucer & Atilla Yesilada clients and may not be redistributed, reproduced, stored in a retrieval system, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of GlobalSource Partners or Murat Ucer & Atilla Yesilada. This research report is distributed simultaneously to our internal website and other portals by GlobalSource Partners or Murat Ucer & Atilla Yesilada. The information herein was obtained from various sources and is believed to be reliable but GlobalSource Partners or Murat Ucer & Atilla Yesilada does not warrant its completeness or accuracy. Neither GlobalSource Partners or Murat Ucer & Atilla Yesilada nor any officer or employee accepts any liability whatsoever for any direct, indirect or consequential damages or losses rising from any use of this report or its contents.