

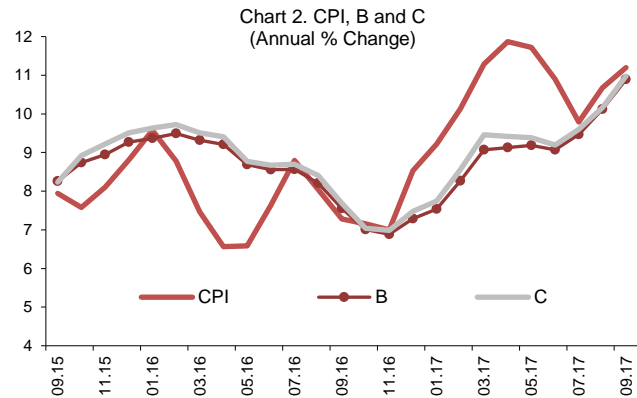
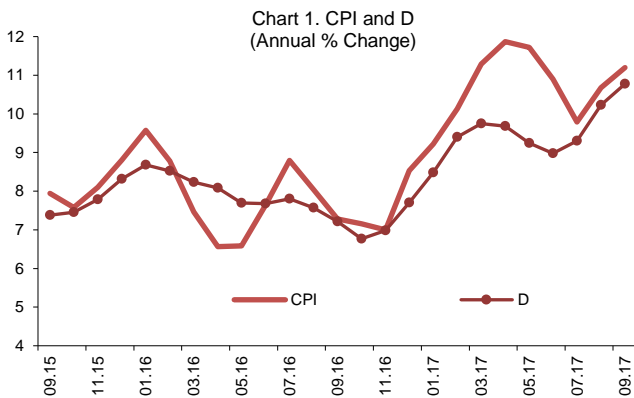
SUMMARY...

In September, consumer prices rose by 0.65 percent and annual inflation was up 0.52 points to 11.20 percent. Annual food inflation picked up due to the negative base effect from unprocessed food prices as well as higher processed food prices. Energy prices remained on the rise amid high oil prices and other input costs. Annual inflation was up in services and core goods due, among other factors, to the updated weight of clothing prices. Thus, the annual inflation and underlying trend of core indicators posted an upsurge.

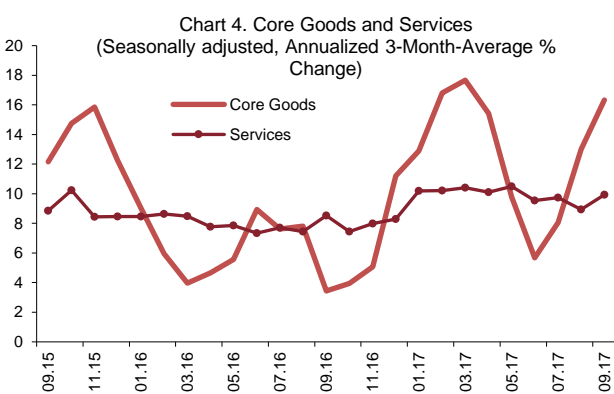
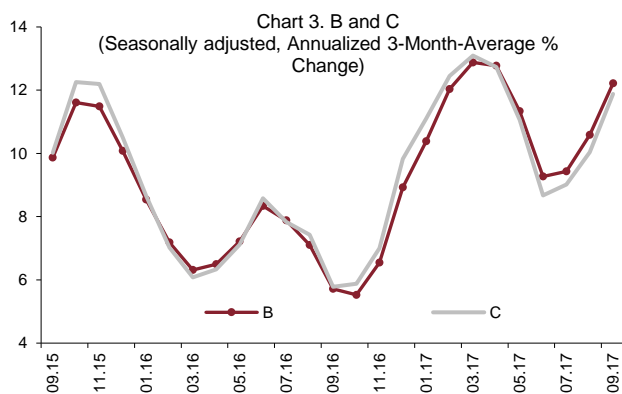
... EVALUATIONS ...

In September, consumer prices rose by 0.65 percent and annual inflation was up 0.52 points to 11.20 percent (Chart 1). The annual rate of change in the B and C indices increased by 0.76 and 0.82 points to 10.89 and 10.98 percent, respectively (Chart 2).¹

Across subcategories, the contributions of core goods, food and services to annual inflation were 0.40, 0.10 and 0.07 points higher month-on-month, respectively, whereas energy contributed 0.09 points less.



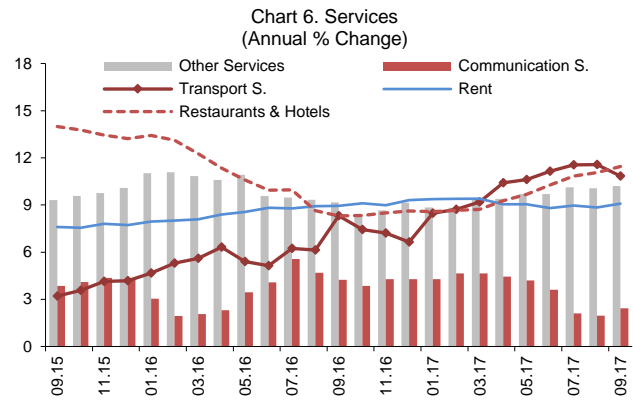
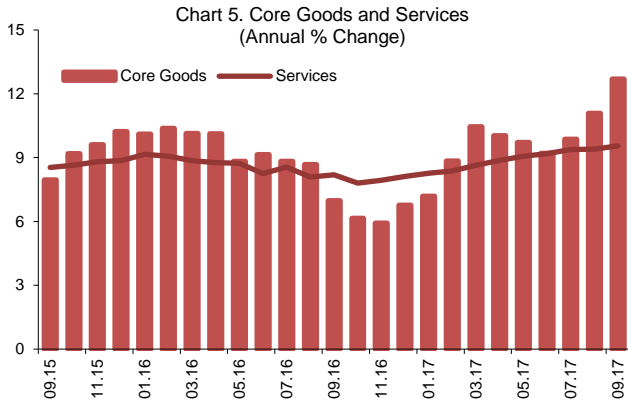
Three-month averages of seasonally-adjusted core inflation indicators show a continued climb in the underlying trend in September (Chart 3). The underlying trend of services and core goods went up (Chart 4). The acceleration in the underlying trend of core goods mostly reflects the weight update for clothing prices, and is present even when adjusted for this effect.



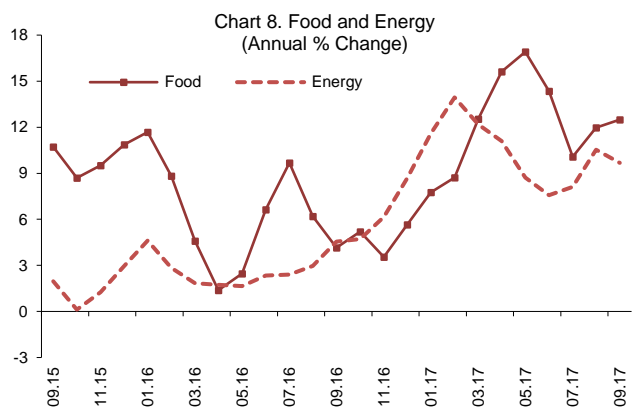
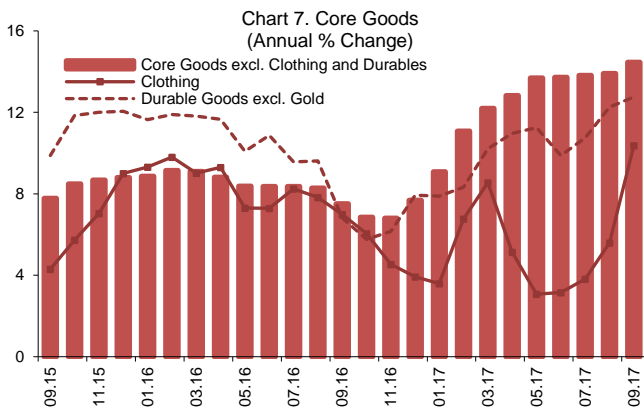
Prices of services rose by 1.04 percent in September, while annual services inflation edged up to 9.55 percent (Chart 5 and Table 1). Monthly price upswings were noted across all subcategories of services. Accommodation prices under the “restaurants and hotels” subcategory jumped month-on-month amid high dormitory fees. Rents posted the highest September hike since 2008. Prices of educational services continued to soar, by 2.09 percent month-on-month, on the back

¹ B: CPI excluding unprocessed food products, energy, alcoholic beverages, tobacco and gold, C: CPI excluding energy, food and non-alcoholic beverages, beverages and tobacco products and gold, D: CPI excluding unprocessed food, alcoholic beverages and tobacco products.

of high preschool and primary school fees. In addition, communication services saw a rise in mobile phone call charges.



Annual core goods inflation rose by 1.62 points to 12.70 percent in September (Chart 5). Annual inflation was higher across all subcategories while the upward impact of the weight update was remarkable (Chart 7). Prices of home appliances and automobiles pushed prices of durable goods up amid lagged effects of exchange rate changes (Table 1). Moreover, monthly price increases accelerated across core goods excluding clothing and durables.



After the marked August increase, energy prices rose by 1.29 percent in September (Table 1). The rise in international oil prices and other input costs sent fuel and bottled gas prices soaring by 2.55 and 3.22 percent, respectively. Annual energy inflation, on the other hand, posted a base effect-driven drop of 0.86 points to 9.68 percent (Chart 8).

Annual food and nonalcoholic beverages inflation surged by 0.53 points to 12.50 percent (Chart 8). Annual unprocessed food inflation amounted to 14.97 percent due to the negative base effect from prices of fresh fruits and vegetables (Chart 9). Despite the climb in annual inflation, unprocessed food prices remained on a downward path for the third month in a row in seasonally-adjusted terms. Meanwhile, price hikes moderated across processed food, with dairy products, butter and tea remaining on the rise and bringing annual processed food inflation up to 10.49 percent. Hence, annual food inflation excluding fresh fruits and vegetables remained on a steady upward track (Chart 10).

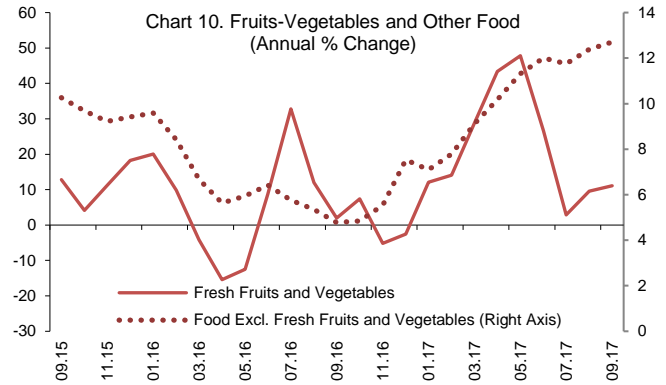
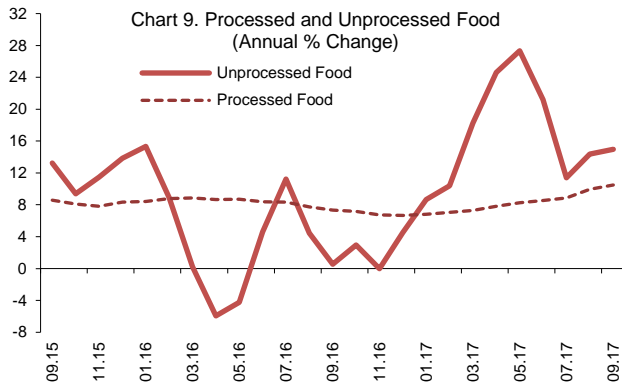


Table 1. September CPI and Subcategories (Percent Change)

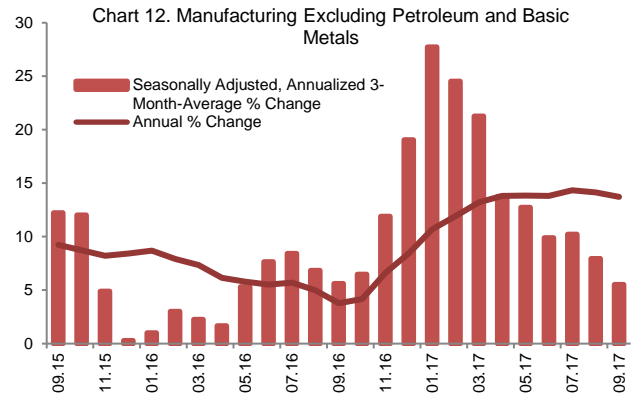
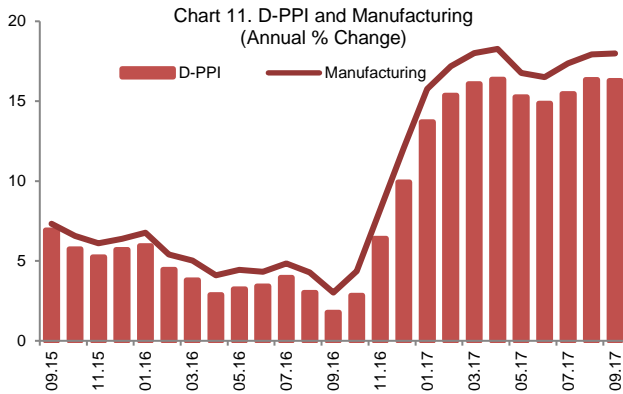
	Monthly Percent Change		Annual Percent Change	
	September 2017	September 2016	September 2017	September 2016
CPI	0.65	0.18	11.20	7.28
1. Goods	0.48	-0.14	11.95	6.85
Energy	1.29	2.08	9.68	4.56
Food and nonalcoholic beverages	-0.23	-0.70	12.50	4.16
Unprocessed food	-1.34	-1.86	14.97	0.54
Fresh fruits and vegetables	-0.83	-2.19	11.06	1.96
Other unprocessed food	-1.59	-1.66	16.98	0.26
Processed food	0.77	0.28	10.49	7.35
Bread and cereals	0.49	0.29	8.76	9.75
Other processed food	0.92	0.27	11.47	6.04
Goods excluding energy and food	0.63	-0.62	12.51	9.71
Core goods	0.71	-0.74	12.70	6.98
Durable goods (excluding gold)	0.49	0.04	12.76	6.81
Clothing and footwear ^(*)	0.80	-3.57	10.38	6.99
Other core goods	0.95	0.47	14.45	7.51
Alcoholic beverages and tobacco	0.01	0.01	10.40	22.61
Gold	1.65	-1.29	16.39	16.05
2. Services	1.04	0.89	9.55	8.19
Rents	1.09	0.87	9.09	8.95
Restaurants and hotels	1.02	0.67	11.45	8.31
Transport	2.02	2.69	10.84	8.32
Communication	0.64	0.18	2.43	4.24
Other	0.74	0.62	10.20	9.16
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	0.86	0.17	10.89	7.56
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	0.88	0.14	10.98	7.69
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	0.94	0.45	10.77	7.21

Source: TurkStat.

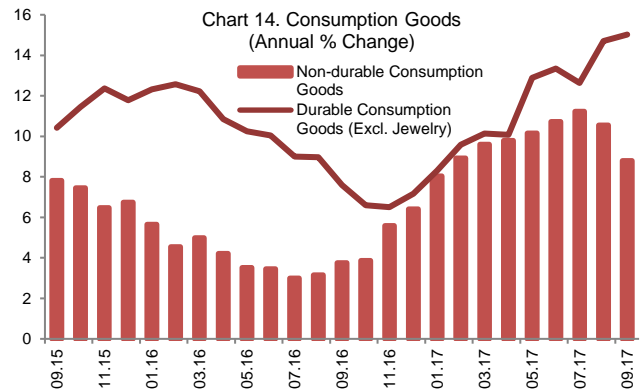
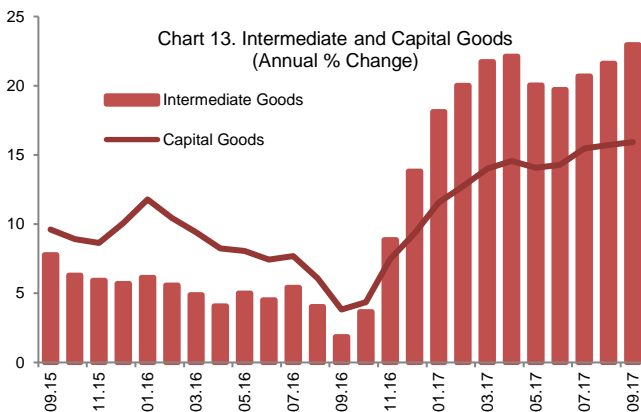
(*) Does not cover clothing services.

... D-PPI ...

Domestic producer prices rose by 0.24 percent in September, while annual PPI inflation remained almost flat at 16.28 percent (Chart 11). Annual inflation was mostly unchanged at 17.98 percent in the manufacturing industry but shrunk to 13.72 percent in the manufacturing industry excluding oil and base metals thanks to food prices. Oil and base metal prices rose further while the seasonally-adjusted underlying trend of manufacturing industry prices excluding oil and base metals continued to slow (Chart 12).



According to the Main Industrial Groupings (MIGs), prices were lower in nondurable goods and virtually flat in energy but registered gains across other subcategories in September (Table 3). Iron-steel and ferroalloys were the main contributors to higher prices of intermediate goods, while prices of capital goods increased on the back of machines and railway vehicles. Price hikes across durable goods were driven mostly by home electronics and furniture, whereas prices of meat products and processed fruits and vegetables brought prices of nondurable goods down. All in all, producer-driven cost pressures on consumer prices remained strong due to oil and base metals.



...TABLES
Table 2. September CPI and Subcategories (Percent Change)

	Weight	September 2017		September 2016	
		Monthly	Annual	Monthly	Annual
CPI	100	0.65	11.20	0.18	7.28
Food and nonalcoholic beverages	21.77	-0.23	12.50	-0.70	4.16
Alcoholic beverages and tobacco	5.87	0.01	10.40	0.01	22.61
Clothing and footwear	7.33	0.80	10.35	-3.49	7.03
Housing	14.85	0.76	8.13	0.41	6.64
Household equipment	7.72	0.44	9.09	0.12	7.13
Health	2.63	0.43	11.90	0.21	9.65
Transport	16.31	1.58	16.10	2.70	7.54
Communication	4.12	0.26	1.78	0.25	3.12
Recreation and culture	3.62	0.16	11.85	-0.43	3.97
Education	2.69	2.08	10.41	1.98	10.37
Restaurants and hotels	8.05	1.02	11.45	0.67	8.31
Miscellaneous goods and services	5.04	1.34	12.06	0.28	10.03

Source: TurkStat.

Table 3. September D-PPI and Subcategories (Percent Change)

	Weight	September 2017		September 2016	
		Monthly	Annual	Monthly	Annual
D-PPI	100.00	0.24	16.28	0.29	1.78
Mining	3.36	0.72	11.93	0.20	3.72
Manufacturing	88.79	0.35	17.98	0.31	3.02
Manufacturing excl. petroleum products	86.18	0.25	17.14	0.15	3.25
Manufacturing excl. petroleum products and basic metals	77.80	-0.08	13.72	0.29	3.77
Electricity, gas, steam and air-conditioning supply	6.81	-1.57	-1.70	0.24	-12.89
Water supply	1.03	0.34	11.75	-0.10	8.17
D-PPI (MIGs Classification)					
Intermediate Goods		0.96	22.96	-0.14	1.86
Durable Consumption Goods		0.41	14.46	0.19	9.32
Durable Consumption Goods (Excl. Jewelry)		0.41	15.02	0.14	7.59
Non-Durable Consumption Goods		-1.11	8.79	0.48	3.75
Capital Goods		0.57	15.92	0.38	3.82
Energy		0.15	11.20	1.33	-7.35

Source: TurkStat.

Price Developments are published within one working day, following the announcement of price statistics by the Turkish Statistical Institute (TurkStat). Price Developments, which include CBRT's initial remarks on the inflation figures of the previous month, aim to contribute to a sounder interpretation by the public of the monthly inflation developments during the period between the announcement of the official price statistics and the Monetary Policy Committee meeting.