

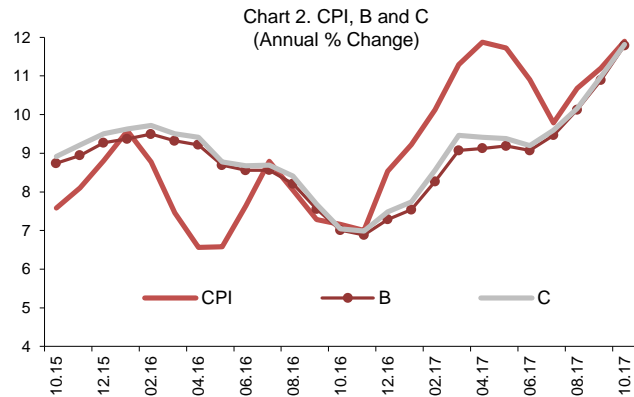
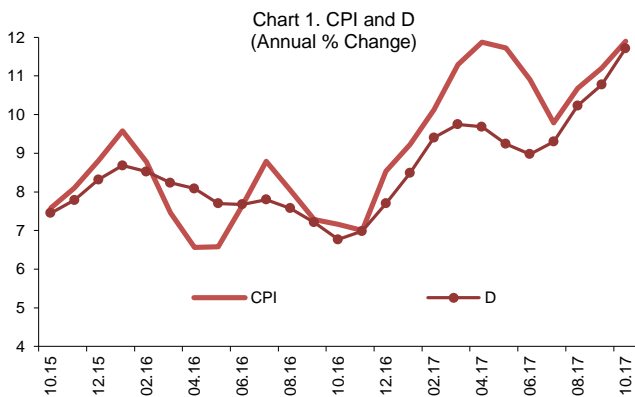
SUMMARY...

In October, consumer prices rose by 2.08 percent and annual inflation inched up by 0.70 points to 11.90 percent. Annual food inflation was stimulated by processed food prices. Energy prices remained on the rise amid high oil prices and other input costs as well as exchange rate developments. Core goods inflation was pushed up by exchange rate developments in addition to the expiry of temporary tax reductions in white goods and furniture sectors, while the upside effect of the methodological change in the clothing group continued albeit at a diminishing pace. Annual inflation recorded no noticeable change in services. All in all, the annual inflation and the underlying trend of core indicators registered an increase based on core goods.

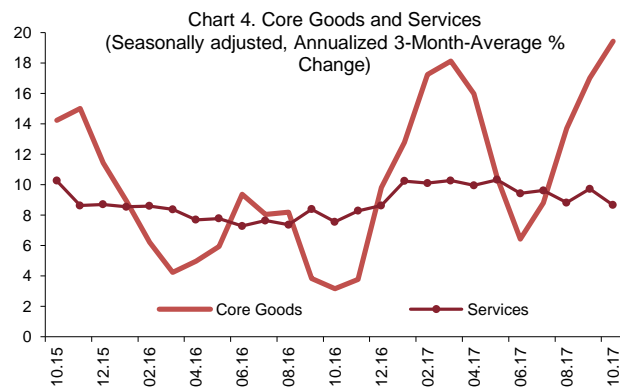
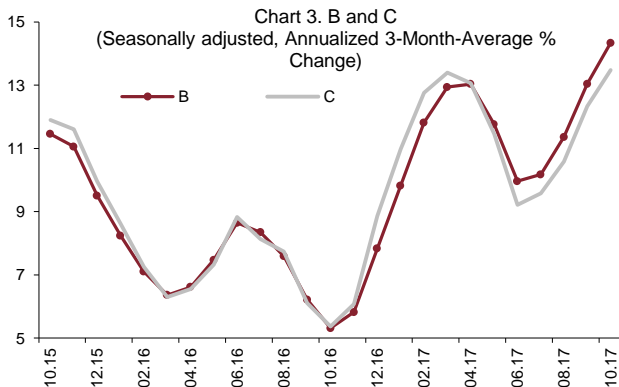
... EVALUATIONS ...

In October, consumer prices rose by 2.08 percent and annual inflation inched up by 0.70 points to 11.90 percent. (Chart 1). The annual rate of change in the B and C indices increased by 0.90 and 0.84 points to 11.79 and 11.82 percent, respectively (Chart 2).

Across subcategories, the contribution of core goods and energy to annual inflation inched up by 0.52 and 0.12 points month-on-month, respectively, while that of other subcategories did not register a noticeable change.

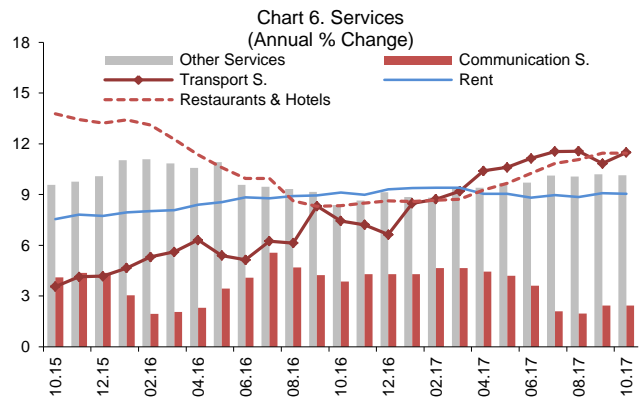
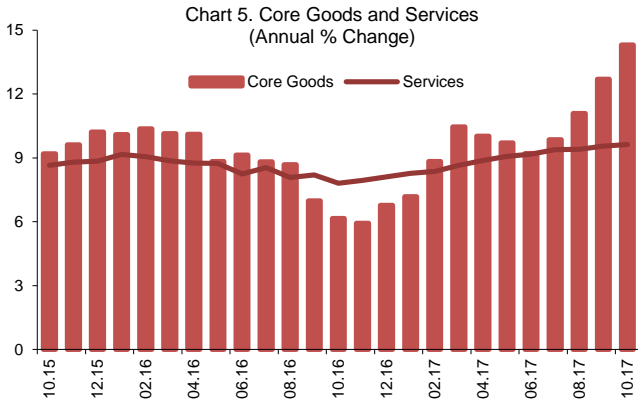


Three-month averages of seasonally-adjusted core inflation indicators show a sustained uptrend in the underlying trend in October (Chart 3). Services posted a little improvement, while core goods registered an upsurge in terms of the underlying trend (Chart 4). This acceleration is mostly attributed to the reintroduction of temporary tax reductions in white goods and furniture accompanied by the weight method update for clothing prices. When adjusted for these effects, the uptrend continued, albeit limited.

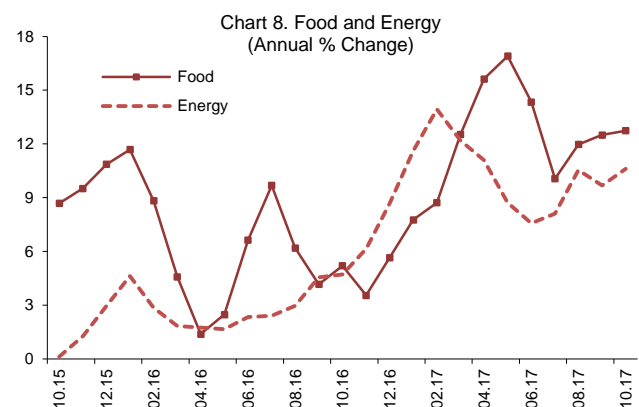
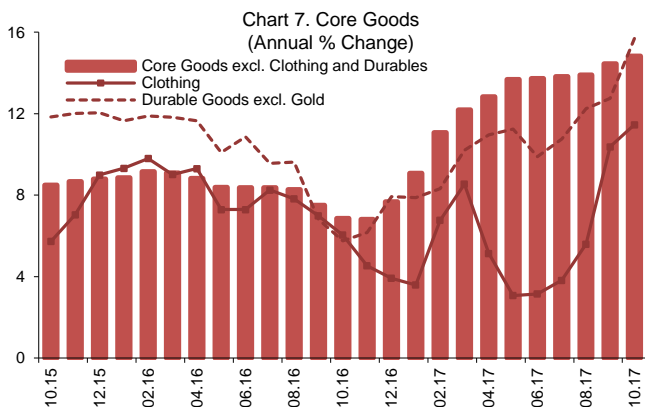


Prices of services rose by 0.42 percent in October, while annual services inflation edged up to 9.63 percent (Chart 5 and Table 1). Annual inflation registered an uptick in the transport group, but remained unchanged in other subcategories. Prices of transport services went up by 1.07

percent month-on-month owing to the surging fuel prices, which were reflected in rises in taxi and minibus fares by 8.05 and 2.89 percent, respectively. Annual rent inflation remained high in this period. Annual inflation in restaurants and hotels did not register a recognizable change, but among its subcategories, catering services posted an increase, whereas accommodation services witnessed a decline.



Annual core goods inflation rose by 1.61 points to 14.31 percent in October (Chart 5). Annual inflation was higher across all subcategories, while the upward impact of the weight update in clothing was significant. Price hikes in automobiles led by exchange rate developments and re-charged reductions in taxes on white goods and furniture pushed durable goods inflation considerably higher (Chart 7). All in all, the upward course of core goods inflation was mainly triggered by exchange rate developments, the end of tax reductions, the brisk course of economic activity, and the methodological impact on clothing.



After rising markedly for the last two months, energy prices climbed by 1.78 percent in October (Table 1). Having soared by 3.15 and 4.20 percent, respectively, due to developments in exchange rates and other input costs, fuel and bottled gas prices remained the main driver of energy inflation in this period. Thus, annual energy inflation increased by 0.93 points to 10.61 percent (Chart 8). Given recent changes in exchange rates and oil prices, energy prices are expected to remain on the rise in November.

Prices of food and nonalcoholic beverages surged by 1.97 percent, driving annual inflation up by 0.24 points to 12.74 percent in this category (Chart 8). This increase was mostly led by processed food prices that recorded an annual inflation of 11.68 percent, with butter, cheese and other dairy products and tea posting the biggest monthly increases at 8.22, 5.04 and 3.07 percent, respectively, in this category (Chart 9). Meanwhile, seasonally-adjusted unprocessed food prices remained on a downward path thanks to red meat prices. Fresh fruits and milk saw

OCTOBER PRICE DEVELOPMENTS

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large price hikes. Accordingly, annual food inflation excluding fresh fruits and vegetables rose to 13.00 percent (Chart 10).

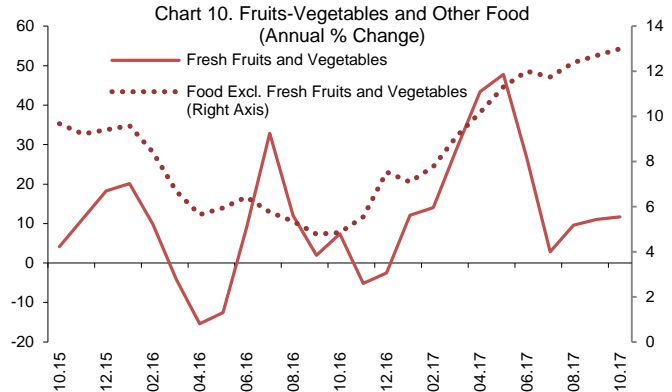
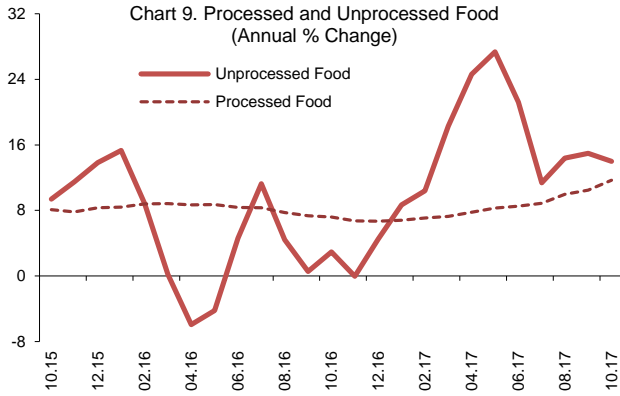


Table 1. October CPI and Subcategories (Percent Change)

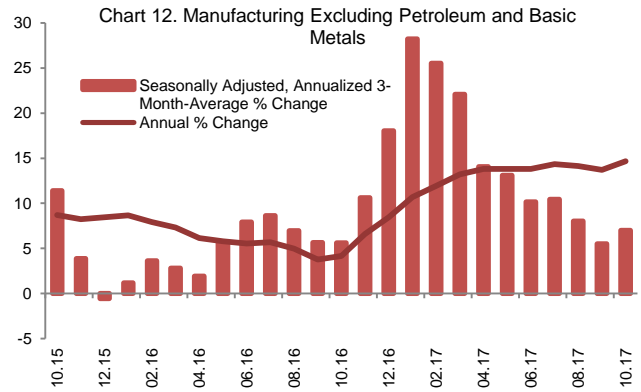
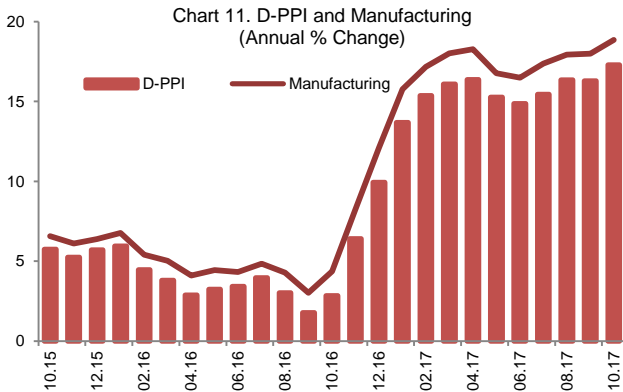
	Monthly Percent Change		Annual Percent Change	
	October 2017	October 2016	October 2017	October 2016
CPI	2.08	1.44	11.90	7.16
1. Goods	2.82	1.94	12.92	6.87
Energy	1.78	0.92	10.61	4.72
Food and nonalcoholic beverages	1.97	1.76	12.74	5.20
Unprocessed food	2.49	3.37	13.99	2.95
Fresh fruits and vegetables	9.67	9.03	11.71	7.41
Other unprocessed food	-1.04	0.06	15.69	0.69
Processed food	1.52	0.43	11.68	7.18
Bread and cereals	0.69	0.48	8.99	9.37
Other processed food	1.99	0.41	13.22	5.99
Goods excluding energy and food	3.75	2.46	13.92	8.87
Core goods	4.58	3.11	14.31	6.15
Durable goods (excluding gold)	3.38	0.75	15.69	5.76
Clothing and footwear ^(*)	11.73	10.64	11.46	6.04
Other core goods	0.81	0.48	14.83	6.85
Alcoholic beverages and tobacco	0.00	-0.01	10.40	22.61
Gold	2.52	-0.76	20.23	14.97
2. Services	0.42	0.35	9.63	7.80
Rents	0.83	0.87	9.05	9.11
Restaurants and hotels	0.70	0.70	11.46	8.34
Transport	1.07	0.48	11.49	7.44
Communication	0.00	0.00	2.43	3.85
Other	-0.15	-0.10	10.14	8.38
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	2.23	1.41	11.79	7.01
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	2.37	1.61	11.82	7.04
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	2.16	1.30	11.72	6.77

Source: TurkStat.

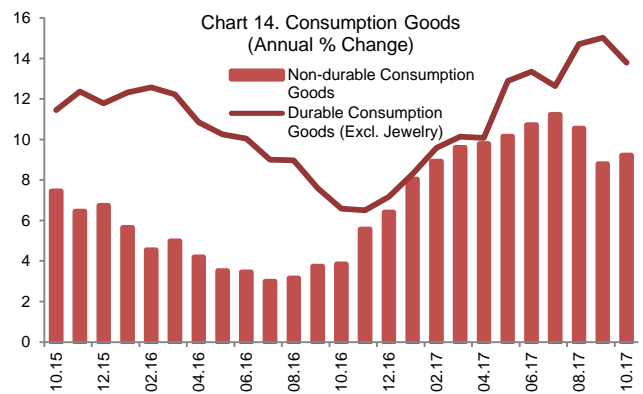
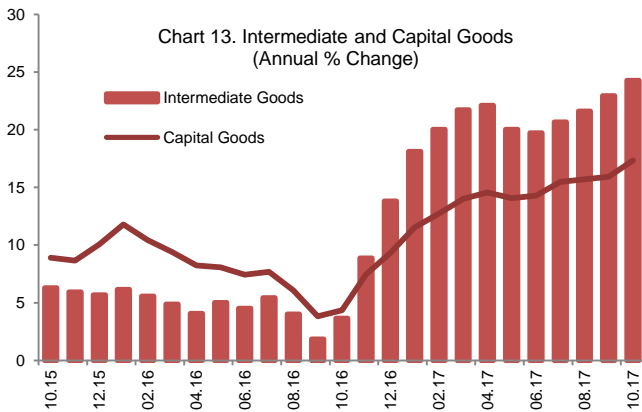
(*) Does not cover clothing services.

... D-PPI ...

Domestic producer prices increased by 1.71 percent in October, while annual PPI inflation was up 1.00 point to 17.28 percent due to exchange rates and higher commodity prices, particularly for oil (Chart 11). Annual inflation climbed to 18.86 percent in the manufacturing industry and amounted to 14.66 percent in the manufacturing industry excluding oil and base metals due to widespread price hikes. The seasonally-adjusted underlying trend of manufacturing industry prices excluding oil and base metals increased (Chart 12).



According to the Main Industrial Groupings (MIGs), prices were significantly higher in intermediate goods and capital goods but only inched up in durable and nondurable goods in October (Table 3). Base metals, chemicals, plastics and paper products were the main contributors to higher prices of intermediate goods, while prices of capital goods increased on the back of motor vehicles, metal construction products and the manufacture of machinery. Price hikes across durable goods were mostly driven by furniture, while clothing, textile and dairy prices drove prices of nondurable goods higher. In sum, producer-driven cost pressures on consumer prices remained strong due to the Turkish lira depreciation and higher commodity prices.



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

	Weight	October 2017		October 2016	
		Monthly	Annual	Monthly	Annual
CPI	100	2.08	11.90	1.44	7.16
Food and nonalcoholic beverages	21.77	1.97	12.74	1.76	5.20
Alcoholic beverages and tobacco	5.87	0.00	10.40	-0.01	22.61
Clothing and footwear	7.33	11.51	11.42	10.43	6.07
Housing	14.85	0.94	9.40	-0.24	5.53
Household equipment	7.72	2.96	11.65	0.59	6.28
Health	2.63	0.46	12.21	0.18	9.39
Transport	16.31	2.61	16.79	2.00	8.19
Communication	4.12	-0.01	1.84	-0.06	2.80
Recreation and culture	3.62	-1.75	11.04	-1.03	2.42
Education	2.69	0.37	10.48	0.31	9.58
Restaurants and hotels	8.05	0.70	11.46	0.70	8.34
Miscellaneous goods and services	5.04	0.93	12.63	0.42	9.34

Source: TurkStat.

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

	Weight	October 2017		October 2016	
		Monthly	Annual	Monthly	Annual
D-PPI	100.00	1.71	17.28	0.84	2.84
Mining	3.36	2.11	13.40	0.79	3.28
Manufacturing	88.79	1.68	18.86	0.93	4.37
Manufacturing excl. petroleum products	86.18	1.50	18.16	0.63	4.18
Manufacturing excl. petroleum products and basic metals	77.80	1.26	14.66	0.43	4.17
Electricity, gas, steam and air-conditioning supply	6.81	2.10	0.68	-0.31	-13.88
Water supply	1.03	0.35	11.50	0.58	8.05
D-PPI (MIGs Classification)					
Intermediate Goods		2.23	24.30	1.14	3.65
Durable Consumption Goods		0.49	14.75	0.24	8.42
Durable Consumption Goods (Excl. Jewelry)		0.34	13.78	1.44	6.59
Non-Durable Consumption Goods		0.26	9.22	-0.13	3.86
Capital Goods		1.89	17.33	0.67	4.36
Energy		3.44	12.39	2.35	-5.25

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.