

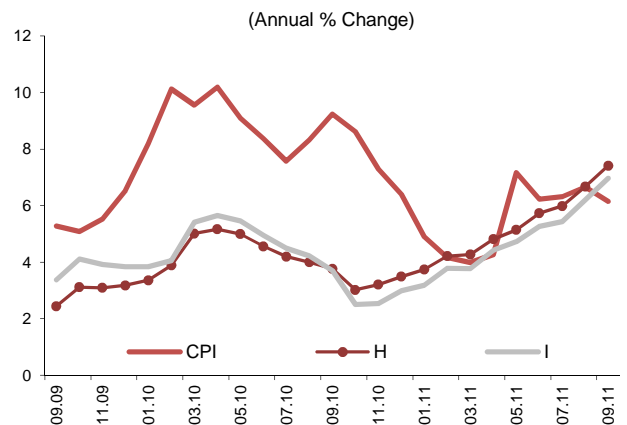
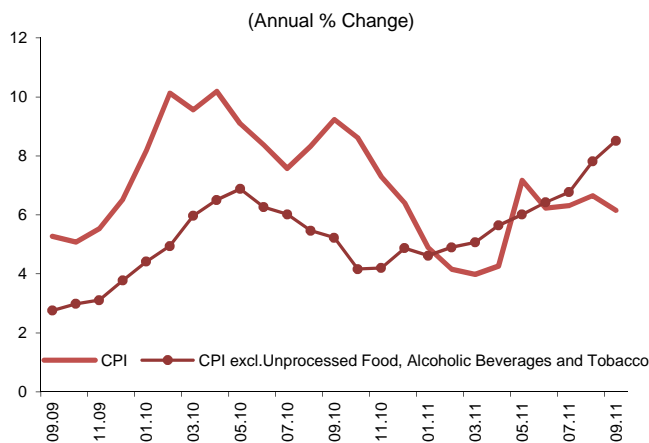
SEPTEMBER PRICE DEVELOPMENTS OCTOBER 4, 2011

SUMMARY...

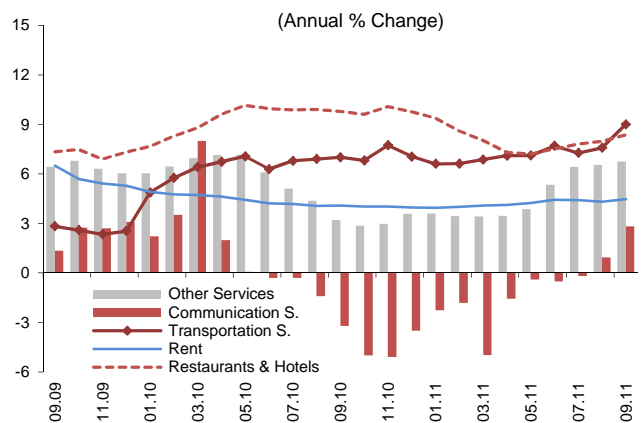
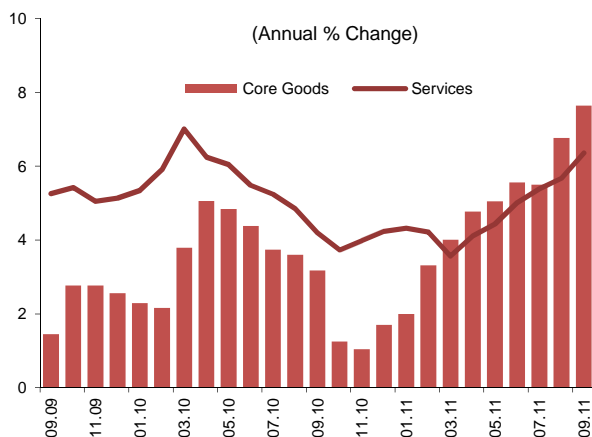
In September, consumer prices were up 0.75 percent and annual inflation went down to 6.15 percent. As projected in the September Monetary Policy Committee Meeting, annual inflation rate of the core price indicators continued to increase parallel to the exchange rate movements. The underlying trend of the prices of services maintained its mild course of increase in all items except transport. Inflation is expected to keep increasing throughout the rest of the year, significantly going beyond the target at the year-end and then revert to a declining trend.

...EVALUATIONS...

In September, consumer prices were up 0.75 percent and annual inflation went down to 6.15 percent. The rate of increase in the CPI excluding energy, unprocessed food, alcoholic beverages, tobacco and gold (SCA-H) rose to 7.42 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) amounted to 6.96 percent year-on-year.

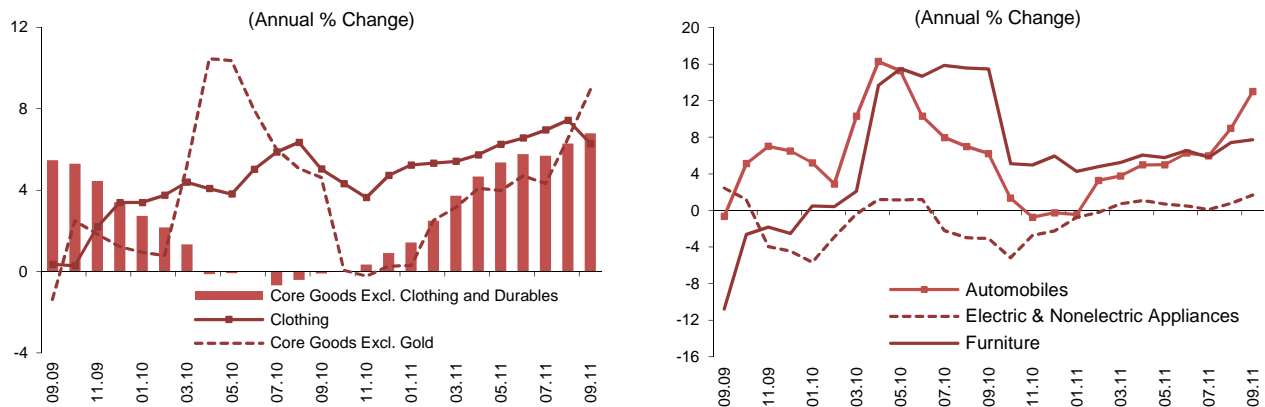


Prices of services rose by 0.88 percent in September, pushing annual services inflation up to 6.36 percent. The cumulative effects of hikes in transport and fuel prices put upward pressure not only on highway but also on railway and seaway transport prices. Meanwhile, catering services inflation continued to rise in tandem with the hikes in processed food, particularly meat prices. Moreover, prices of services excluding catering and transport services displayed an increase as well. In this context, while annual inflation surged across all sub-categories of prices of services, seasonally adjusted data have pointed to a milder course in services inflation.

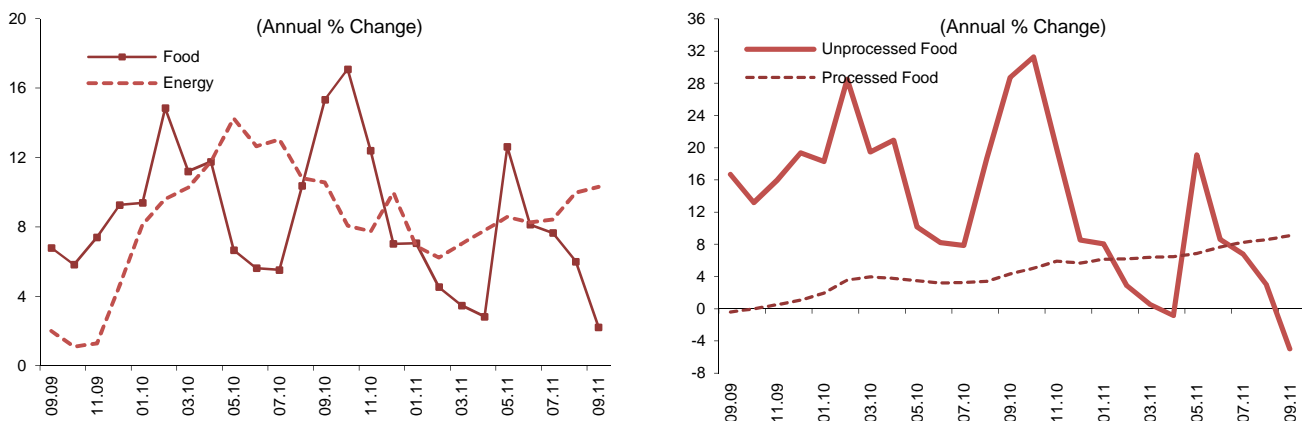


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Amid the ongoing depreciation in the Turkish lira, the rise in annual core goods inflation continued also in September mounting to 7.64 percent. The main determinant of this increase became the prices of durable goods (excluding gold) with a surge by 2.02 percent. Prices of automobiles, electrical and non-electrical appliances gained momentum (3.10 and 1.09 percent, respectively) in this period, while the rise in furniture prices lost pace (0.27 percent). The annual inflation in clothing group, which has been rising steadily since November 2010, declined by 1.15 percentage points to 6.29 percent. Due to the depreciation in the Turkish lira, the increase in annual core goods inflation is expected to continue.



Energy prices were up 0.73 percent in September. This is attributable to the increase in domestic fuel prices driven by the weak Turkish lira despite the flat course of international oil prices in addition to soaring solid fuel prices. This period was also marked by price hikes in bottled gas as well as municipal water tariffs. Thus, annual energy inflation maintained its uptrend in September mounting to 10.3 percent. Owing to the price increases to be imposed on electricity and natural gas as of October, a significant rise is expected in annual energy inflation reflecting upon the annual consumer prices inflation by 0.5 percentage point.



Prices of food and non-alcoholic beverages rose by 0.99 percent in September, pulling annual inflation down by 3.77 percentage points to 2.23 percent in this subcategory due to the high base in the food group. Prices of fresh fruits and vegetables posted a decline within the unprocessed food group that rose 0.60 percent in September; whereas meat, milk and egg prices recorded high-rated increases. Annual unprocessed food inflation, which went down to -4.99 percent, is projected to decline further in October owing to the base effect and go up in the last two months of the year.

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On the processed food front, prices rose by 1.32 percent and the group's annual inflation kept increasing in September. This was led by the surge in the prices of meat, cheese and dairy products. Moreover, sugar prices maintained their rising trend. Meanwhile, price increases in fats and oils subcategory lost pace pointing to a decline in the group's annual inflation after a long time, albeit limited. Hence, the ongoing increases in processed food prices continued across subcategories, pushing annual processed food inflation up by 0.48 percentage points to 9.07 percent.

	Monthly Percent Change		Annual Percent Change	
	September 2011	September 2010	September 2011	September 2010
CPI	0.75	1.23	6.15	9.24
1. Goods	0.70	1.58	6.07	11.06
Energy	0.73	0.42	10.30	10.56
Food and nonalcoholic beverages	0.99	4.72	2.23	15.33
Unprocessed food	0.60	9.03	-4.99	28.74
Fresh fruits and vegetables	-3.91	18.88	-20.34	55.14
Other unprocessed food	3.15	3.30	5.72	16.28
Processed food	1.32	0.87	9.07	4.32
Bread and cereals	0.66	0.72	8.95	0.57
Other processed food	1.68	0.95	9.15	6.57
Goods excluding energy and food	0.46	-0.56	7.54	7.59
Core goods	0.26	-0.56	7.64	3.18
Durable goods	2.49	0.08	12.98	6.36
Durable goods (excluding gold)	2.02	-0.22	8.93	4.63
Alcoholic beverages and tobacco	0.11	-1.10	-0.29	25.32
Gold	7.28	3.66	71.27	26.86
2. Services	0.88	0.23	6.36	4.20
Rents	0.60	0.45	4.47	4.08
Restaurants and hotels	1.10	0.74	8.36	9.78
Transport	1.67	0.34	9.00	7.01
Communication	0.00	-1.82	2.81	-3.21
Other*	0.96	0.77	6.75	3.21
3. Core Measures				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.82	0.17	8.51	5.23
SCA-H	0.75	0.05	7.42	3.76
SCA-I	0.58	-0.15	6.96	3.70

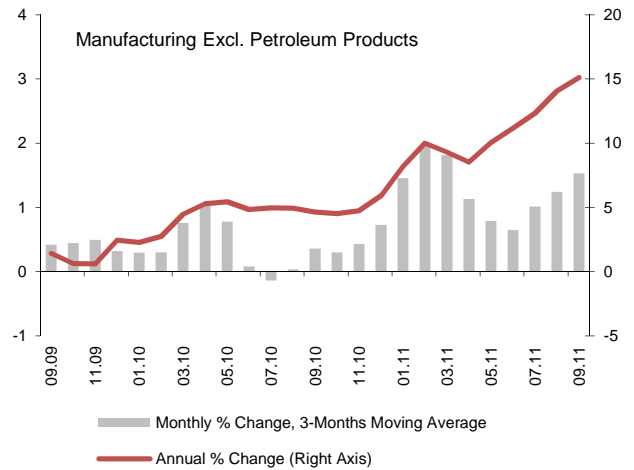
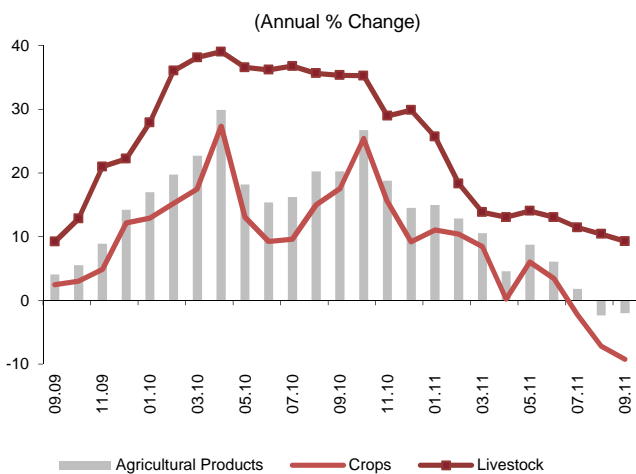
Source: TurkStat, CBRT.

*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

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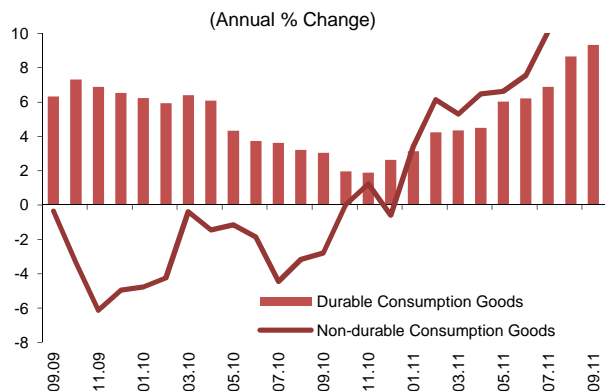
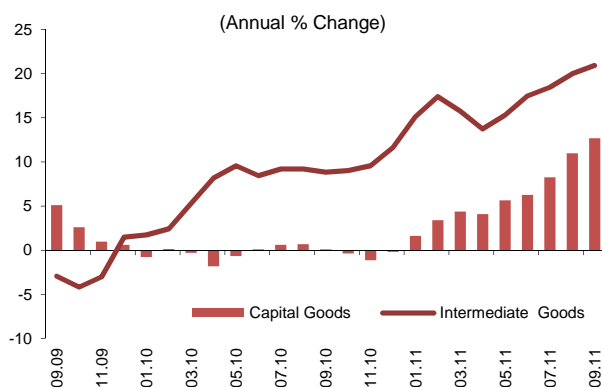
...PPI...

In September, producer prices were up 1.55 percent bringing annual PPI inflation up to 12.15 percent. Agricultural prices rose by 0.80 percent due to the developments in vegetable products and livestock prices. Among the inputs of the manufacturing industry, sunflower prices went up while wheat and cotton prices maintained their favorable courses.



The pronounced uptrend in manufacturing industry prices is maintained in September through price increases across almost all subcategories of the manufacturing industry. Thus, prices in this group rose by 1.57 percent, and the annual inflation reached 17.03 percent, hitting the highest level since the third quarter of 2008. Despite the ongoing deceleration in international prices in September, the depreciation in the Turkish lira was instrumental in these developments in the manufacturing industry prices.

Manufacturing industry prices rose across all subcategories of Main Industrial Groupings (MIGs). Prices of intermediate goods increased by 1.62 percent amid the surge in the prices of base metals, while prices of capital goods rose by 1.59 percent due to the ongoing rise in the producer prices for motor vehicles. Prices of durable goods increased by 2.04 percent on rising prices of furniture and household appliances, while those of nondurable goods went up by 1.36 percent due to developments in prices of food production.



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...TABLES

September CPI and Subcategories (Percent Change)					
	Weight	2011		2010	
		Monthly	Annual	Monthly	Annual
CPI	100	0.75	6.15	1.23	9.24
Food and nonalcoholic beverages	26.78	0.99	2.23	4.72	15.33
Alcoholic beverages and tobacco	5.90	0.11	-0.29	-1.10	25.32
Clothing and footwear	7.22	-3.24	6.29	-2.21	5.06
Housing	16.46	0.63	5.27	0.33	7.36
Household equipment	6.93	0.92	8.61	0.48	3.84
Health	2.40	0.03	0.35	0.16	0.02
Transport	15.15	1.92	14.10	0.12	8.04
Communication	4.64	0.18	2.98	-1.85	-3.37
Recreation and culture	2.70	0.43	2.74	0.86	-0.47
Education	2.32	1.79	6.24	1.16	4.52
Restaurants and hotels	5.89	1.10	8.36	0.74	9.78
Miscellaneous goods and services	3.61	2.78	20.19	1.23	5.09

Source: TurkStat.

September PPI and Subcategories (Percent Change)					
	Weight	2011		2010	
		Monthly	Annual	Monthly	Annual
PPI	100	1.55	12.15	0.51	8.91
Agriculture	17.49	0.80	-2.00	0.44	20.22
Crops, fruits and vegetables	12.23	1.20	-9.24	3.51	17.52
Livestock and animal products	4.52	1.57	9.28	2.61	35.32
Industry	82.51	1.69	15.23	0.52	6.57
Mining	3.10	1.42	17.46	0.86	8.31
Manufacturing	70.68	1.57	17.03	0.56	5.24
Manufacturing excluding petroleum	67.56	1.55	15.11	0.63	4.64
Manufacturing excluding petroleum and base metals	61.66	1.49	12.94	0.53	3.01
Electricity, gas and water	8.73	2.90	-0.11	0.09	19.25

Source: TurkStat, CBRT.

PPI by MGS (Monthly Percent Change)														
	Sep.10	Oct.10	Nov.10	Dec.10	Jan.11	Feb.11	Mar.11	Apr.11	May.11	Jun.11	Jul.11	Aug.11	Sep.11	Annual
Intermediate goods	0.83	-0.22	1.14	2.80	3.39	2.67	1.61	0.02	1.37	1.38	1.35	2.06	1.62	20.89
Capital goods	0.04	-0.45	-0.10	0.81	1.66	2.09	1.56	-0.99	0.91	0.66	2.02	2.31	1.59	12.68
Durable goods	0.13	1.23	1.20	-1.39	3.63	1.71	-0.52	0.62	0.92	1.04	0.71	1.58	2.04	13.45
Nondurable goods	0.74	0.17	0.13	0.72	0.61	1.62	0.84	0.59	0.96	-0.33	0.91	1.39	1.36	9.33
Energy	-0.01	0.15	0.61	4.27	2.44	-1.04	2.25	-0.56	-2.12	0.67	1.11	4.43	2.33	15.30

Source: TurkStat, CBRT.

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 of the monthly inflation developments by the public during the period between the announcement of the official price statistics and the Monetary Policy Committee meeting.