

# NOVEMBER PRICE DEVELOPMENTS



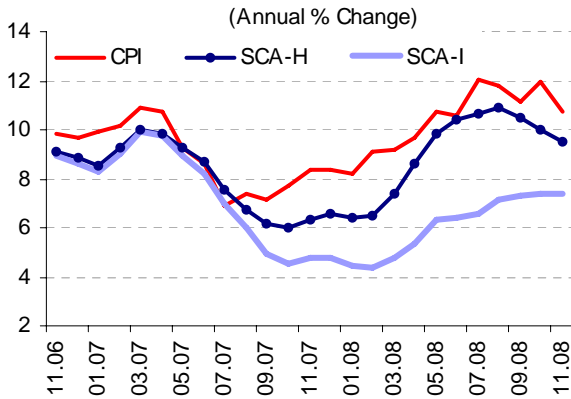
Central Bank of Turkey

4 December 2008

## SUMMARY...

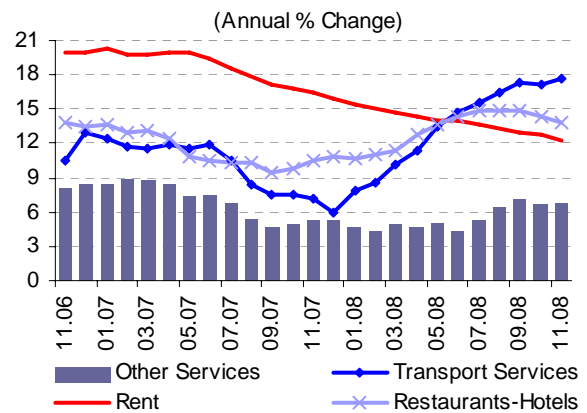
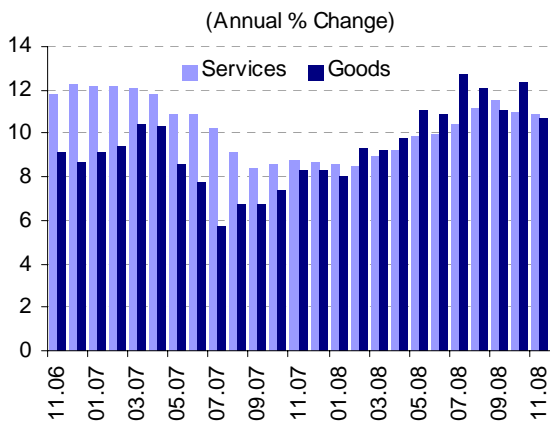
In November, consumer prices increased by 0.83 percent, whereas inflation went down to 10.76 percent year-on-year mainly on account of the minor impact of exchange rate changes and falling unprocessed food and energy prices. Moreover, the continued weakening of domestic demand caused services prices to decelerate further. The seasonally adjusted increase in special CPI aggregates also confirms that inflation has remained on a steady downward path. On balance, inflation is expected to edge further down in the upcoming period.

## ...EVALUATIONS...



In November, consumer prices rose by 0.83 percent, whereas inflation declined to an annual rate of 10.76 percent. The CPI index excluding energy, unprocessed food, alcoholic beverages, tobacco products and gold (SCA-H) was down 0.52 points to 9.49 percent year-on-year. With a further exclusion of processed food prices, the index (SCA-I) remained unchanged from October, at 7.39 percent year-on-year.

Prices of goods and services were up 0.96 and 0.46 percent, respectively. Annual inflation decreased to 10.71 and 10.88 percent in goods and services, respectively.



Annual services inflation fell further in November. The slowing growth of food prices and the softening in domestic demand continue to have a favorable impact on catering prices. Rent inflation further moderated in November, to 12.26 percent year-on-year. Yet, the hike in rail and local transport prices, driven by lagged effects of supply shocks, pushed inflation in transport services up to 17.66 percent year-on-year. The rate of increase in prices of transport services is expected to join the downward spiral of other services prices in coming months.

Energy price inflation increased by 1.16 percent year-on-year. In sub-categories, natural gas and solid fuel prices picked up, while fuel and bottled gas prices went down. The steep rise in natural gas prices added 0.20 percentage points to CPI inflation. With the removal of the high base created by the Special Consumption Tax (SCT) adjustment in November 2007 and the sharp increase in water rates, energy price inflation dropped by 6.9 percentage points to 24.09 percent year-on-year in November.

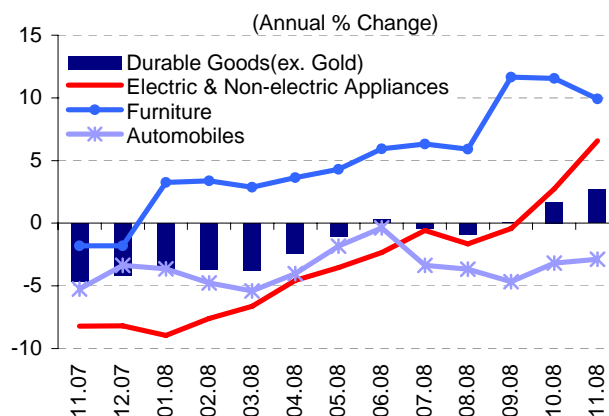
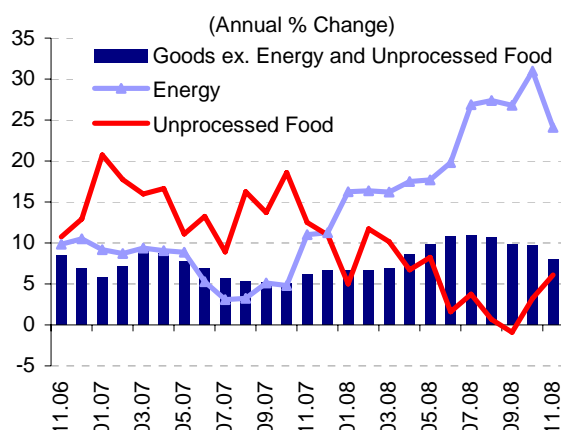
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Prices of goods excluding energy and food decreased by about 1.3 percentage points to 3.83 percent year-on-year. In the clothing group, prices surged at a more modest pace compared with a year earlier. In the durables group (excl. gold), annual inflation went up although exchange rate changes had a much slighter, short-term impact than in previous years. Meanwhile, annual inflation in tobacco and alcoholic beverages eased on the base effect.



Prices for all durable goods (excl. gold) increased by 0.75 percent in November, bringing the group's inflation up by 1 percentage point to 2.69 percent year-on-year, mainly on account of the rise in exchange rates and the low base from a year ago. Exchange rate changes had a direct impact on prices of electric and non-electric appliances, which rose by 3.40 percent month-on-month. Meanwhile, amid the weakening of domestic and foreign demand, prices of automobiles dropped further by 0.49 percent, while furniture prices fell by 0.60 percent month-on-month. The fact that prices of automobiles and furniture continue to trend downward even with rising exchange rates confirms that aggregate demand conditions have a restrictive impact.

	Monthly Percentage Change		Annual Percentage Change	
	November 2008	November 2007	November 2008	November 2007
CPI	0.83	1.95	10.76	8.40
<b>1. Goods</b>	<b>0.96</b>	<b>2.46</b>	<b>10.71</b>	<b>8.26</b>
Energy	1.16	6.78	24.09	11.02
Unprocessed Foods	1.97	-0.78	6.10	12.52
Processed Food	-0.30	1.79	16.87	12.09
Goods excl. Energy and Food	1.10	2.41	3.83	3.36
Durable Goods	0.58	0.46	4.33	-3.65
ex. Gold	0.75	-0.22	2.69	-4.64
Semi-Durable Goods	1.61	4.97	14.43	7.51
Non-Durable Goods	0.58	1.29	9.78	11.96
<b>2. Services</b>	<b>0.46</b>	<b>0.54</b>	<b>10.88</b>	<b>8.75</b>
Rents	0.63	1.02	12.26	16.42
Restaurants and Hotels	0.99	1.49	13.83	10.57
Transport	0.22	-0.23	17.66	7.10
Other	0.20	0.03	6.76	5.18

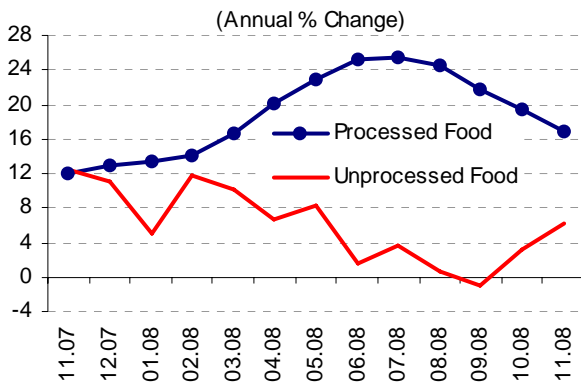
Source: TURKSTAT, CBRT.

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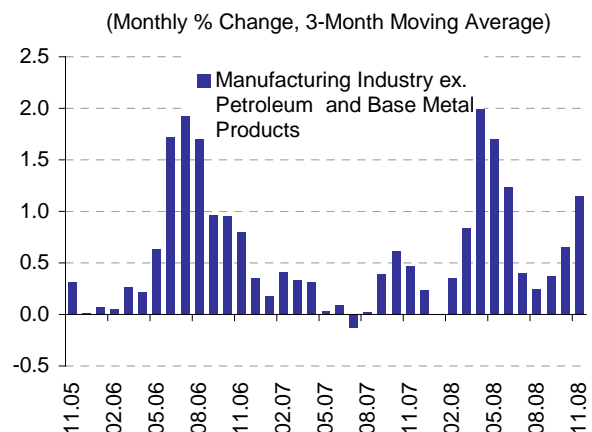
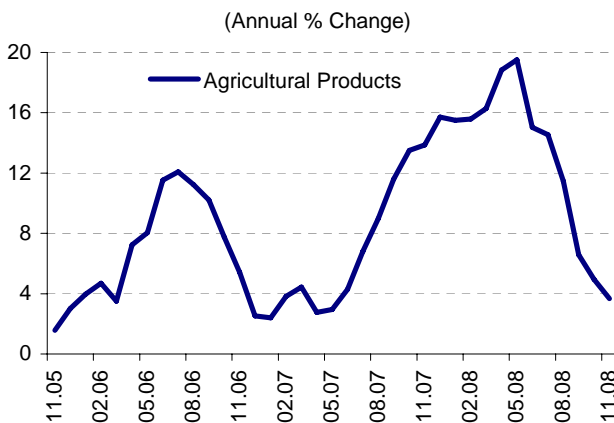
Despite falling processed food prices, the sharp increase in unprocessed food prices drove food prices up by 0.71 percent in November. Unprocessed food prices rose by 1.97 percent month-on-month to 6.10 percent year-on-year due to soaring vegetable prices as in October. On the other hand, fruit prices dropped below their year-ago level.

The annual inflation in processed food prices fell to 16.87 percent in November, registering a cumulative drop of 8.6 percentage points in the last four months, mainly on account of the slowing rate of increase in prices of bread and cereals, and solid and liquid fats. Particularly, inflation in solid and liquid fats dropped from 52 to 20 percent year-on-year, and is expected to decelerate further in the upcoming period.

## ...PPI...

PPI was down 0.03 percent in November, to 12.25 percent year-on-year.

In November, manufacturing industry prices decreased by 0.56 percent on the back of lower commodity prices and falling prices for petroleum products and base metals. Excluding base metals and petroleum products, however, manufacturing industry prices increased by 1.26 percent due to exchange rate changes. Meanwhile, prices of agricultural products fell by 1 percent, having a favorable impact on PPI inflation.



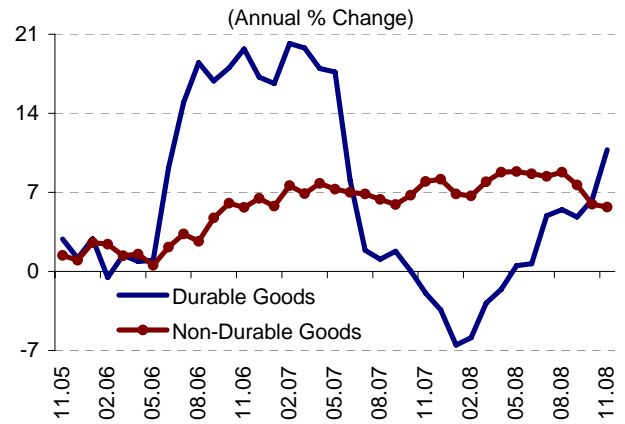
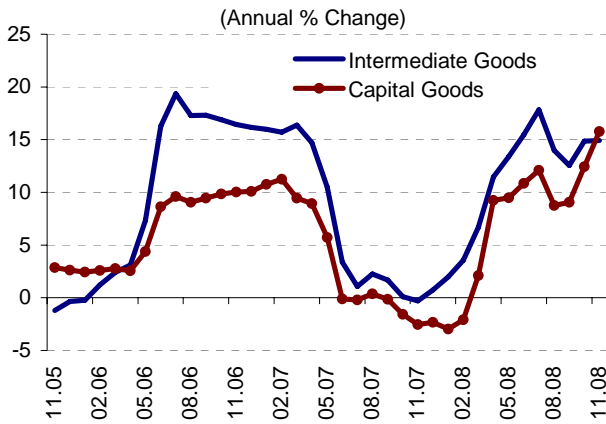
Prices for intermediate goods and energy decreased, whereas prices of capital goods, durable goods and non-durable goods increased. The rise in prices of non-durable goods was mainly attributable to soaring prices of textiles. Moreover, the slump in prices of petroleum products and base metals driven by falling commodity prices continued to push prices of intermediate goods and energy down in November.

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## Changes in PPI based on MIGS Classification

### Monthly Percentage Change

	Dec 07	Jan 08	Feb 08	Mar 08	Apr 08	May 08	Jun 08	Jul 08	Aug 08	Sep 08	Oct 08	Nov 08	Jan-Nov*
Prices of intermediate goods	0.53	1.18	1.66	4.30	4.90	2.03	1.69	1.42	-2.58	-1.21	0.89	-0.57	14.33
Prices of capital goods	0.75	0.44	1.23	2.84	6.71	-0.42	0.32	0.83	-2.54	0.04	2.48	2.33	14.91
Prices of durable goods	-1.90	-2.00	0.90	2.74	0.75	2.60	-0.30	2.13	1.52	-0.38	1.43	2.94	12.90
Prices of non-durable goods	0.14	-1.15	1.63	0.86	2.08	-0.33	0.02	-0.06	0.45	1.06	0.28	0.61	5.56
Energy prices	-0.86	0.60	7.74	7.85	8.56	5.29	2.06	3.91	-6.19	-2.77	-0.03	-1.06	27.82

Sources: TURKSTAT, CBRT.

\*11-month cumulative increase.

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## ...TABLES

November CPI and Sub-Items (Change, %)					
	Weight	2008		2007	
		Monthly	Annual	Monthly	Annual
CPI	100	0.83	10.76	1.95	8.40
Food and non-alcoholic beverages	28.63	0.71	11.77	0.55	12.29
Alcoholic beverages and tobacco	5.00	-0.03	0.32	6.51	17.21
Clothing and footwear	8.07	2.63	1.19	4.30	3.30
Housing	16.60	2.08	24.73	4.01	11.20
Household equipment	7.42	1.37	9.94	0.43	4.11
Healthcare	2.54	0.06	1.65	-0.67	1.54
Transport	12.59	-1.36	4.92	2.50	5.72
Communication	4.30	0.17	6.75	-0.06	-3.33
Recreation and culture	2.81	1.81	5.89	-0.28	0.35
Education	2.24	0.21	7.36	-0.12	6.05
Restaurants and hotels	5.64	0.99	13.83	1.49	10.57
Misc. goods and services	4.16	0.02	9.36	1.85	5.59

Source: TURKSTAT

November PPI and Sub-Items (Change, %)					
	Weight	2008		2007	
		Monthly	Annual	Monthly	Annual
PPI	100	-0.03	12.25	0.89	5.65
Agriculture	19.84	-1.00	3.66	0.24	13.87
Industry	80.16	0.19	14.36	1.06	3.81
Mining	1.62	0.19	23.85	1.14	12.81
Manufacturing	73.33	-0.56	10.65	1.11	4.26
Energy	5.21	7.82	63.16	0.34	-4.29

Source: TURKSTAT

Price Developments are published within two working days, 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 monthly inflation developments by the public during the period between the announcement of official price statistics and the Monetary Policy Committee meeting.