

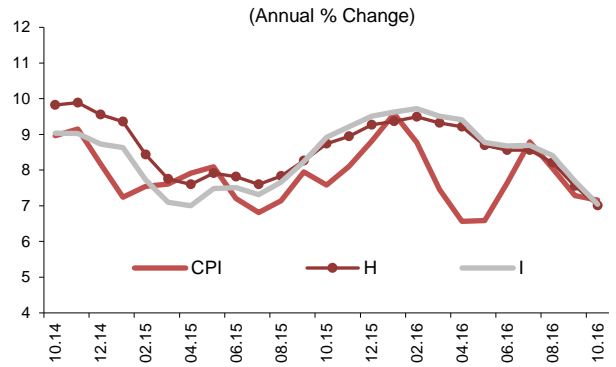
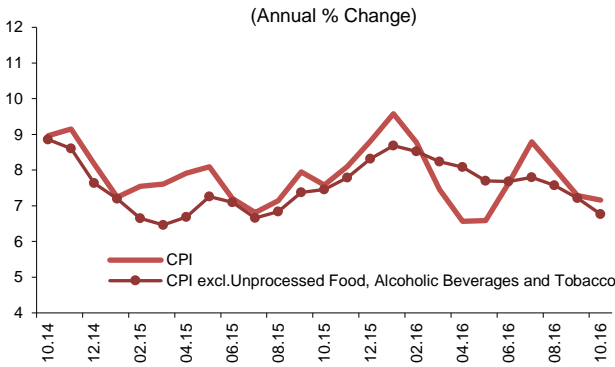
**SUMMARY...**

In October, consumer prices rose by 1.44 percent, and annual consumer inflation inched down by 0.12 points to 7.16 percent. As also stated in the Summary of the Monetary Policy Committee Meeting of October, food inflation accelerated, but annual inflation in core indicators decreased due to the falling inflation in services and core goods. In this period, underlying trends of core indicators decelerated driven by the prices of services.

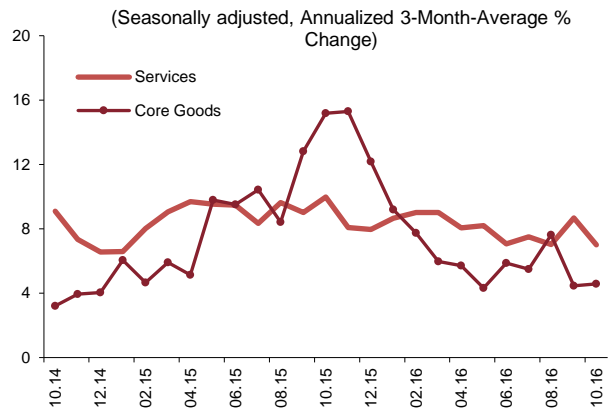
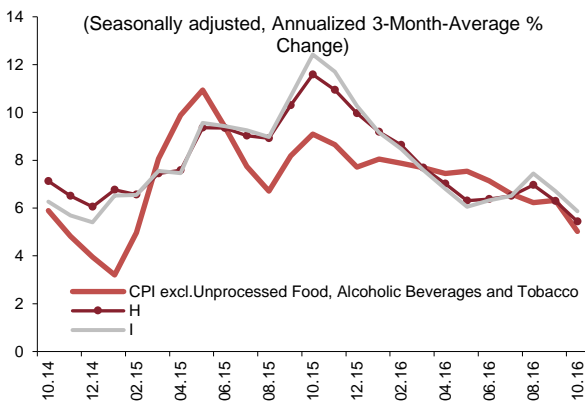
**... EVALUATIONS ...**

In October, consumer prices rose by 1.44 percent, and annual consumer inflation inched down by 0.12 points to 7.16 percent. The annual rate of change in the H and I indices fell by 0.54 and 0.64 points month-on-month to 7.01 and 7.04 percent, respectively.

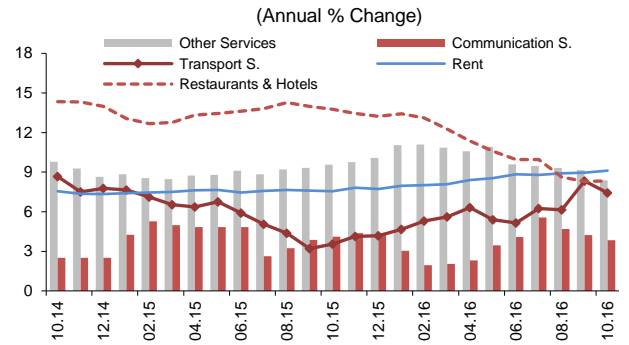
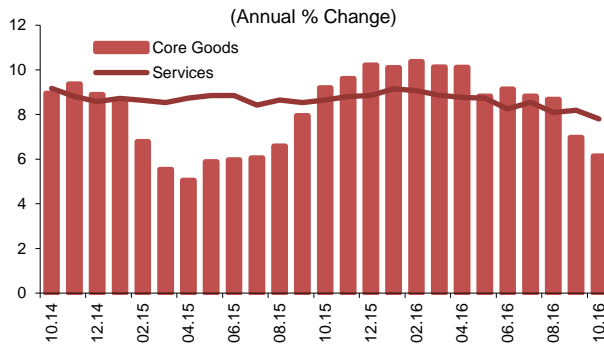
Contributions of sub-groups to annual CPI inflation reveal a month-on-month increase of 0.23 points from the food group against a decline of 0.21 and 0.14 points from core goods and services groups, respectively.



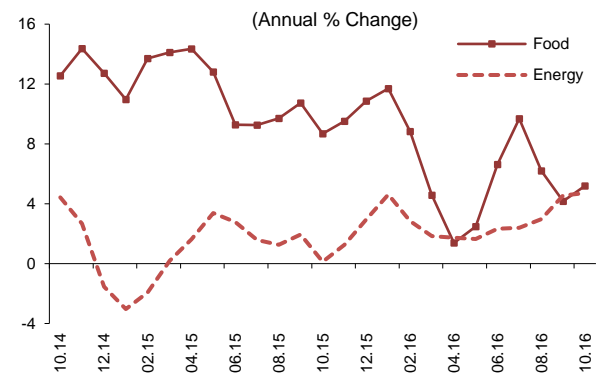
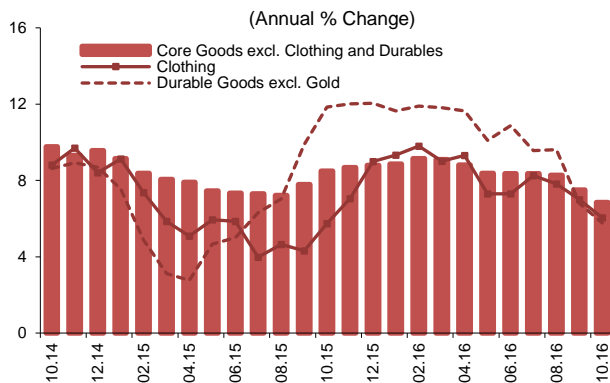
The underlying trend of inflation based on seasonally-adjusted data in 3-month-averages reveals that the slowdown in core inflation indicators continued, which was driven by the services group. Meanwhile, the underlying trend of core goods exhibited a flat course in this period.



Prices of services increased by 0.35 percent on a monthly basis, while the group's annual inflation fell by 0.39 points to 7.80 percent in October. Annual inflation increased in rents, remained flat in the restaurants-hotels group and receded in other subgroups. Prices of transport services increased in October parallel to the rise in energy costs, chiefly in airline transport services and freight, yet the annual inflation thereof receded due to the base effect. The decline in the inflation of other services group was led by the falling package tour prices (5.51 percent). On the other hand, annual rent inflation increased further and hit 9.11 percent.



Annual core goods inflation fell by 0.83 points to 6.15 percent in October. Annual inflation decreased in all subgroups in this period. Monthly clothing inflation maintained its recent trend and remained below seasonal averages in October as well. Among durable goods, all subgroups, chiefly automobiles, witnessed increasing prices on account of the depreciation in the Turkish lira. Meanwhile, core goods excluding clothing and durables saw a milder increase in prices. All in all, cumulative exchange rate effects on the core goods group waned further, yet the recent depreciation in the Turkish lira curbed the improvement in annual inflation.

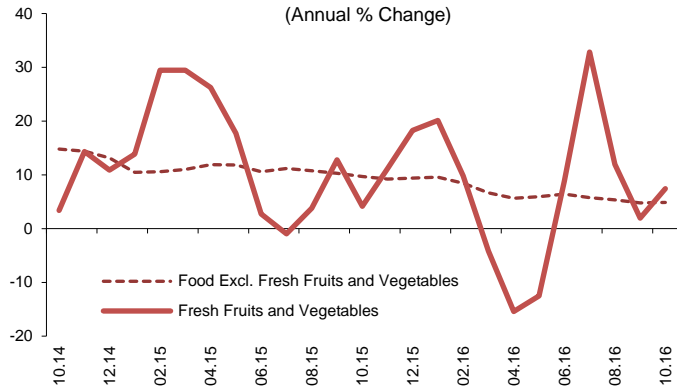
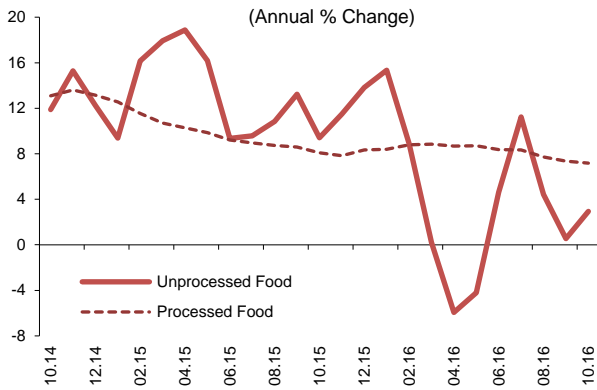


Energy prices rose by 0.92 percent in October. In addition to the effects of the rising SCT sustained through October, fuel prices soared by 5.06 percent amid the depreciation in the Turkish lira and the rise in oil prices. Similarly, bottled gas prices saw an uptick of 3.09 percent. On the other hand, the reduction in natural gas prices of 8.38 percent restricted the rise in energy prices. As a result, annual energy inflation, with a limited increase, stood at 4.71 percent.

Annual inflation in food and non-alcoholic beverages inched up by 1.04 points to 5.20 percent. Annual unprocessed food inflation climbed to 2.95 percent due to price hikes in vegetables. Pioneered by fresh fruits, seasonally-adjusted unprocessed food prices remained on the decline in October similar to the last two months. On the processed food front, prices went up by 0.43 percent, while the group's annual inflation fell to 7.18 percent. Price increases spread across the group in this period. Meanwhile, annual food inflation excluding fresh fruits and vegetables maintained its low level in October.

# OCTOBER PRICE DEVELOPMENTS

NOVEMBER 4, 2016



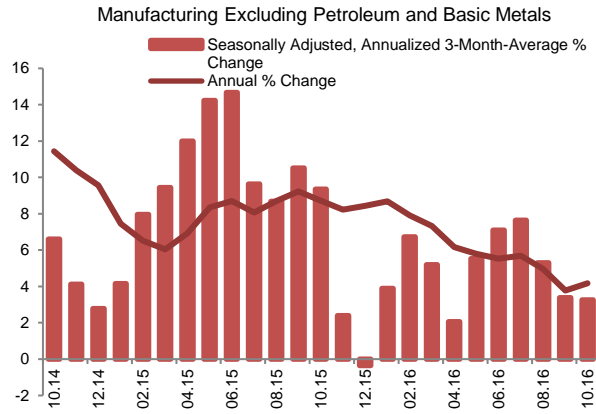
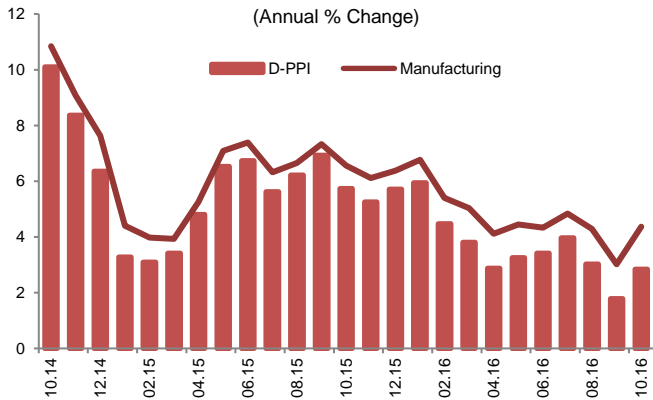
	Monthly Percent Change		Annual Percent Change	
	Oct.2016	Oct. 2015	Oct.2016	Oct.2015
<b>CPI</b>	<b>1.44</b>	<b>1.55</b>	<b>7.16</b>	<b>7.58</b>
<b>1. Goods</b>	<b>1.94</b>	<b>1.92</b>	<b>6.87</b>	<b>7.13</b>
Energy	0.92	0.77	4.71	0.12
Food and nonalcoholic beverages	1.76	0.76	5.20	8.69
Unprocessed food	3.37	0.95	2.95	9.40
Fresh fruits and vegetables	9.04	3.50	7.41	4.17
Other unprocessed food	0.07	-0.36	0.69	12.54
Processed food	0.43	0.59	7.18	8.09
Bread and cereals	0.48	0.83	9.37	5.73
Other processed food	0.41	0.46	5.98	9.44
Goods excluding energy and food	2.47	3.25	8.88	8.90
Core goods	3.11	3.91	6.15	9.19
Durable goods	0.66	1.66	6.30	12.33
Durable goods (excluding gold)	0.76	1.75	5.77	11.84
Alcoholic beverages and tobacco	-0.01	-0.01	22.61	5.67
Gold	-0.76	0.18	14.97	21.47
<b>2. Services</b>	<b>0.35</b>	<b>0.71</b>	<b>7.80</b>	<b>8.65</b>
Rents	0.87	0.71	9.11	7.55
Restaurants and hotels	0.70	0.67	8.34	13.77
Transport	0.48	1.30	7.44	3.56
Communication	0.00	0.37	3.85	4.10
Other*	-0.10	0.62	8.38	9.57
<b>3. Core Measures</b>				
CPI excluding unprocessed food, alcoholic beverages and tobacco	1.30	1.73	6.77	7.45
H	1.41	1.93	7.01	8.74
I	1.61	2.22	7.04	8.92

Source: TurkStat, CBRT.

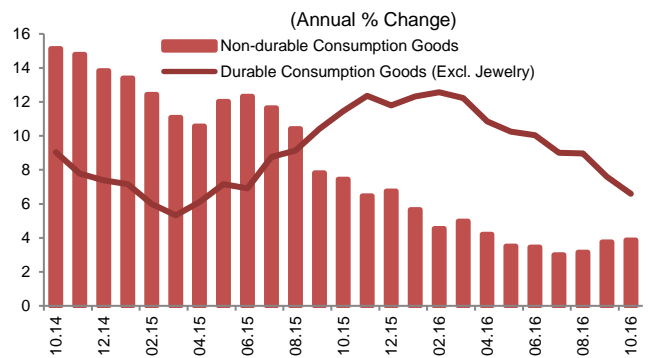
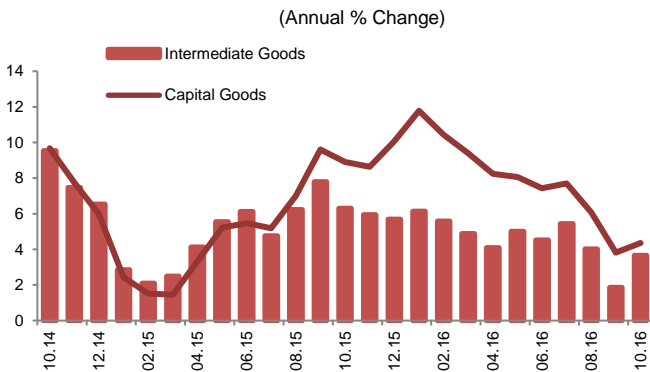
\*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

**... D-PPI ...**

Domestic producer prices rose by 0.84 percent month-on-month, and the group's annual inflation increased by 1.06 points to 2.84 percent in October. This rise stemmed from the depreciated Turkish lira coupled with the hikes in international commodity prices, chiefly oil. Annual inflation reached 4.37 percent in the manufacturing industry and 4.17 percent in the manufacturing industry excluding petroleum and basic metals in this period.



According to the Main Industrial Groupings (MIGs), intermediate goods and durable consumption goods witnessed an upsurge in prices, the former due to basic metals, and the latter due to furniture prices. Capital goods saw rising prices amid price developments in metal construction products and special-purpose machinery groups. On the other hand, non-durable goods inched down due to processed meat and fruits-vegetables. As a result, producer-driven cost pressures on consumer prices maintained the weak course in October.



# OCTOBER PRICE DEVELOPMENTS

NOVEMBER 4, 2016

## ... TABLES

October CPI and Subcategories (Percent Change)					
	Weight	2016		2015	
		Monthly	Annual	Monthly	Annual
CPI	100	1.44	7.16	1.55	7.58
Food and nonalcoholic beverages	23.68	1.76	5.20	0.76	8.69
Alcoholic beverages and tobacco	4.98	-0.01	22.61	-0.01	5.67
Clothing and footwear	7.43	10.43	6.07	11.43	5.78
Housing	15.93	-0.24	5.53	0.81	6.04
Household equipment	8.02	0.59	6.28	1.39	10.72
Health	2.66	0.18	9.39	0.41	7.11
Transport	14.31	2.00	8.19	1.40	4.04
Communication	4.42	-0.06	2.80	0.25	3.18
Recreation and culture	3.81	-1.03	2.42	0.47	10.86
Education	2.56	0.31	9.58	1.03	6.43
Restaurants and hotels	7.47	0.70	8.34	0.67	13.77
Miscellaneous goods and services	4.73	0.42	9.34	1.05	11.57

Source: TurkStat.

October D-PPI and Subcategories (Percent Change)					
	Weight	2016		2015	
		Monthly	Annual	Monthly	Annual
D-PPI	100.00	0.84	2.84	-0.20	5.74
Mining	3.50	0.79	3.28	1.23	-1.60
Manufacturing	87.28	0.93	4.37	-0.37	6.56
Manufacturing excl. petroleum products	84.65	0.63	4.18	-0.27	7.73
Manufacturing excl. petroleum products and basic metals	75.61	0.43	4.17	0.05	8.71
Electricity, gas, steam and air-conditioning supply	8.13	-0.31	-13.88	0.83	-0.71
Water supply	1.08	0.58	8.05	0.70	19.69
D-PPI (MIGs Classification)					
Intermediate Goods		1.14	3.65	-0.61	6.30
Durable Consumption Goods		0.24	8.42	1.07	13.67
Durable Consumption Goods (Excl. Jewelry)		1.44	6.59	2.39	11.45
Non-Durable Consumption Goods		-0.13	3.86	-0.23	7.45
Capital Goods		0.67	4.36	0.15	8.91
Energy		2.35	-5.25	0.08	-5.22

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.