

JANUARY PRICE DEVELOPMENTS



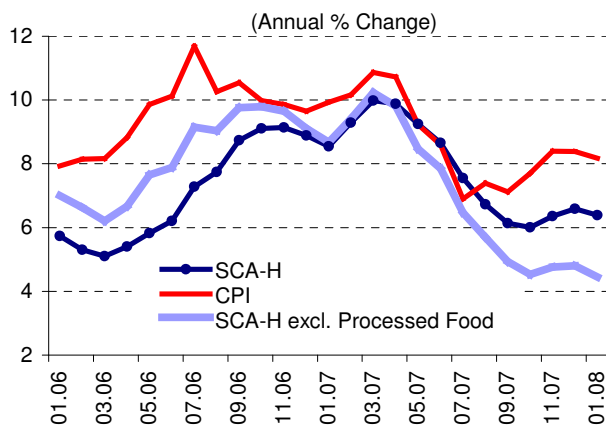
The Central Bank of Republic of Turkey

5 February 2008

SUMMARY...

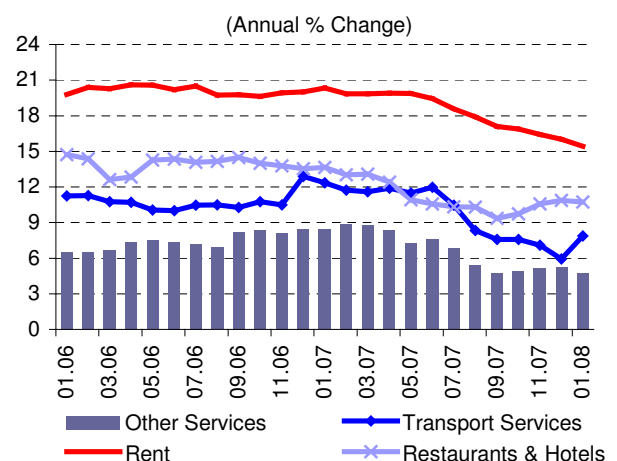
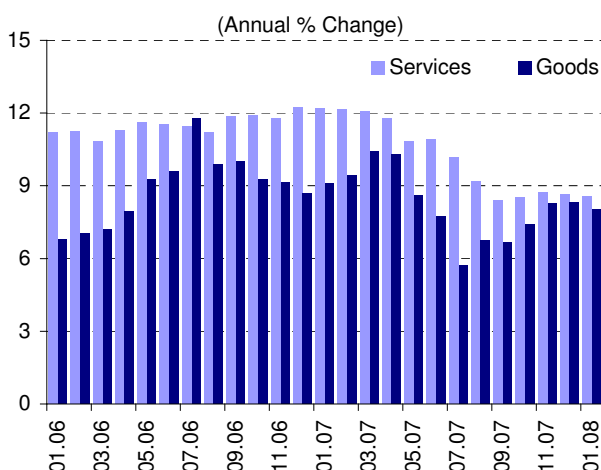
In January, consumer prices rose by 0.80 percent, pulling annual inflation down to 8.17 percent. Despite dramatic hikes in electricity and natural gas prices, thanks to partial adjustment in unprocessed food prices and significant decline in clothing and footwear group, annual consumer inflation went down. Processed food prices continued to put upward pressure on special CPI aggregates. Rents continued its favorable course while price increases in transport services limited the improvement in services inflation. Although risks pertaining to energy and goods prices persist, inflation is expected to slow further down over the medium term.

...EVALUATIONS...



In January consumer prices rose by 0.80 percent and annual consumer inflation became 8.17 percent. The main determinants of January consumer inflation were hikes in processed food and energy prices and decline in clothing and footwear prices, which limited the total effect of aforementioned two items. The annual rate of change of CPI excluding energy, unprocessed food, alcoholic beverages, tobacco products and gold (SCA-H) decreased by 0.2 percentage points to 6.39 percent. In addition, the annual rate of change of processed food excluded SCA-H index dropped by 0.35 percentage points to 4.45 percent.

Prices of goods and services rose by 0.70 percent and 1.11 percent, respectively. Annual inflation in goods decreased to 8.04 percent, and in services, to 8.55 percent.



In January, services inflation went down on annual basis although transport services displayed a highly rated increase due to hikes in public transportation prices. Despite decrease in VAT, accommodation services prices went up significantly. Nevertheless, favorable course in rents continued into January and pulled the annual services inflation down.

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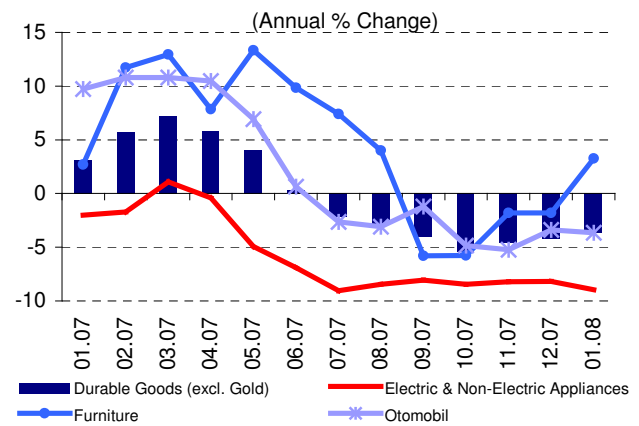
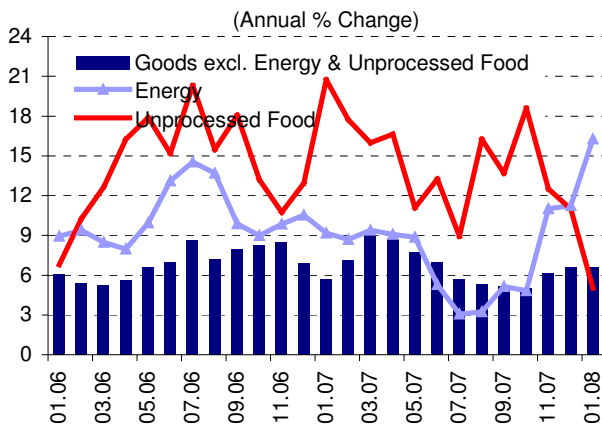


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In January, energy annual inflation increased by 5 percentage points to 16.26 percent mainly due to price developments in energy for housing items. As noted in December Price Developments report, this rise stemmed from price hikes in electricity and natural gas prices. Petroleum products prices did not display a considerable change.

Annual inflation of goods excluding energy and unprocessed food kept its previous month level. Clothing and footwear group prices decreased by 10.22 percent, which is a higher fall than that of January 2007, and annual inflation declined to 2 percent level. On the other hand, gold prices rose by 8.75 percent in January due to developments in international markets.



Durable goods (excluding gold) prices, which have been consistently falling since June, increased by 1.03 percent this month as a result of 3.14 percent rise in furniture prices. Automobile prices increased at a lower rate compared to same month last year, while prices of electric and non-electric appliances continued its downward trend.

	Monthly Percentage Change		Annual Percentage Change	
	January 2008	January 2007	January 2008	January 2007
CPI	0.80	1.00	8.17	9.93
1. Goods	0.70	0.93	8.04	9.08
Energy	4.77	0.25	16.26	9.18
Unprocessed Food	2.96	8.82	5.01	20.73
Goods excl. Energy and Unprocessed Food	-1.18	-1.17	6.60	5.73
Durable Goods	1.63	0.32	-2.07	6.22
Durable Goods excl. Gold	1.03	0.42	-3.63	3.13
Semi-Durable Goods	-0.62	-2.38	9.80	6.41
Non-Durable Goods	1.38	3.42	9.48	11.62
2. Services	1.11	1.20	8.55	12.20
Rent	1.08	1.59	15.43	20.33
Restaurants and Hotels	1.00	1.13	10.72	13.65
Transport Services	2.18	0.33	7.89	12.34
Other Services	0.85	1.35	4.78	8.41

Source: TURKSTAT, CBRT.

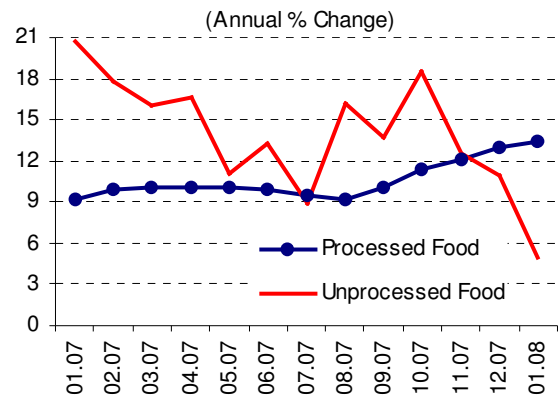
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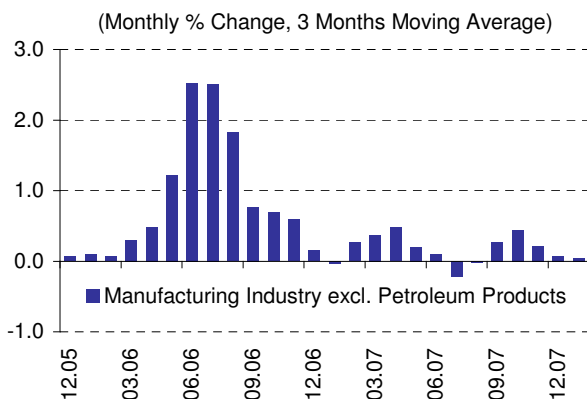
Fresh vegetables and chicken prices led the unprocessed food prices rise by 2.96 percent in January. However, annual inflation in that group declined by 6 percentage points to nearly 5 percent as high basis of January 2007 disappeared. The ongoing rising trend in processed food prices as a result of adverse supply conditions continued in January, thus, pulling group annual inflation up to 13.36 percent. High rate of price increases persist especially in bread and cereals while prices of non-alcoholic beverages fell down due to decrease in VAT exerted on these items.



Although high rates of increase in processed food still persist, in January, annual rate of increase in all special CPI aggregates excluding energy prices displayed a downward movement.

...PPI...

In January, PPI increased by 0.42 percent while its annual inflation rose up to 6.44 percent



The change in manufacturing industry prices was negligible in January. While refined petroleum products prices decreased by 0.14 percent, prices of the rest of the manufacturing industry increased by 0.03 percent. Basic metal, metal products, chemical products and food industries were the ones that prices increases were observed, whereas apparel manufacturing prices decreased by a significant rate of 6.86 percent.

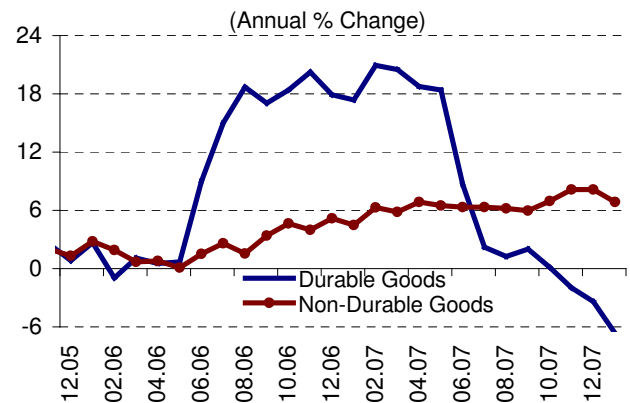
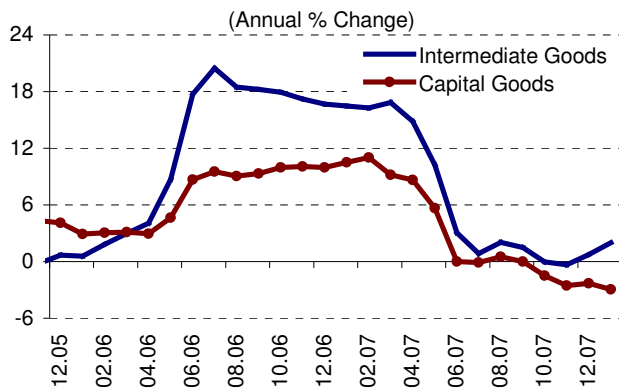
According to a PPI analysis based on MIGS classification, durable and non-durable goods prices went down thanks to fall in furniture and textiles and apparel manufacturing prices, respectively, while that of other items increased on monthly basis. On the other hand, basic metal industry and chemical products manufacturing, prices of which rose sharply, pulled intermediate goods prices up.

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PPI Developments According to MIGS Classification

Monthly Percentage Change

	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Agu-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08
Intermediate Goods Prices	-0.08	0.12	1.24	0.44	0.27	-0.13	-0.63	0.72	0.06	-1.13	-0.64	0.53	1.18
Capital Goods Prices	1.11	0.34	-1.41	-0.25	-0.64	-0.93	-0.27	0.43	-0.22	-0.59	-0.64	0.75	0.44
Durable Goods Prices	1.43	0.02	-0.48	-0.49	0.44	-0.46	-2.02	1.01	0.23	-0.02	-1.17	-1.9	-2.00
Non-Durable Goods Prices	0.03	1.82	-0.3	1.28	-0.38	0.2	0.13	0.13	2.13	1.88	0.84	0.14	-1.15
Energy Prices	-3.82	0.64	6.04	2.12	-0.54	-1.36	1.84	2.68	-0.32	-2.94	6.68	-0.86	0.60

Source: TURKSTAT, CBRT.

...TABLES

January CPI and Sub-Items (Percentage Change)					
	Weight	2008		2007	
		Monthly	Annual	Monthly	Annual
CPI	100	0.80	8.17	1.00	9.93
Food and Non-Alcoholic Beverages	28.63	1.83	9.22	4.44	14.60
Alcoholic Beverages and Tobacco	5.00	-0.01	17.18	0.01	0.39
Clothing and Footwear	8.07	-10.22	2.05	-8.43	-0.47
Housing	16.60	4.26	14.87	1.18	13.94
Household Equipments	7.42	0.61	4.71	0.10	7.04
Health	2.54	0.17	0.35	0.66	7.95
Transport	12.59	1.33	6.70	-0.03	8.46
Communication	4.30	1.02	-2.46	1.71	1.06
Recreation and Culture	2.81	-1.05	-2.31	0.02	9.04
Education	2.24	0.02	5.99	0.00	7.70
Restaurants and Hotels	5.64	1.00	10.72	1.13	13.65
Miscellaneous Goods and Services	4.16	2.61	6.98	0.78	11.04

Source: TURKSTAT.

January PPI and Sub-Items (Percentage Change)					
	Weight	2008		2007	
		Monthly	Annual	Monthly	Annual
PPI	100	0.42	6.44	-0.05	9.37
Agriculture	19.84	1.58	15.48	1.78	2.41
Industry	80.16	0.13	4.39	-0.46	11.10
Mining	1.62	0.37	11.25	4.21	16.73
Manufacturing	73.33	0.01	4.89	-0.58	10.60
Energy	5.21	1.86	-3.76	-0.07	16.25

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 the 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.