

# NOVEMBER PRICE DEVELOPMENTS



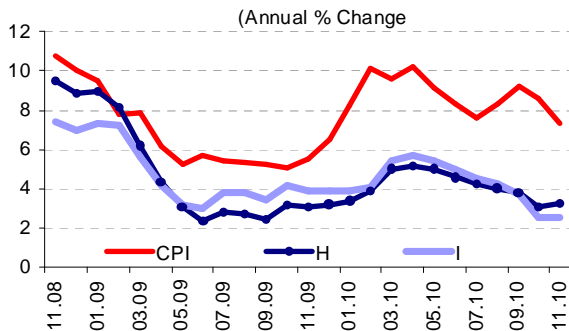
Central Bank of Turkey

December 06, 2010

## SUMMARY ...

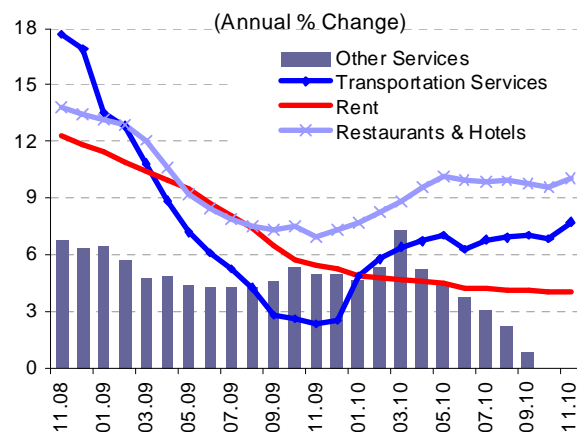
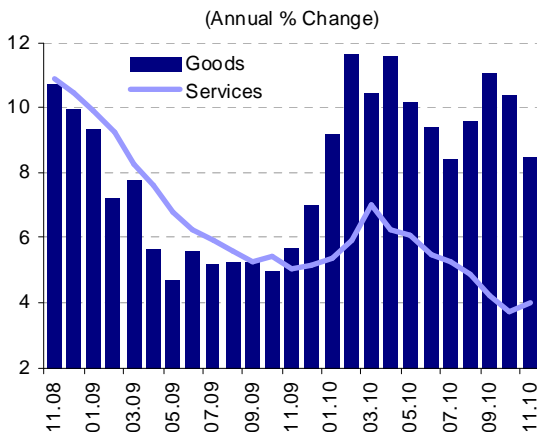
In November, consumer prices were up 0.03 percent, while annual inflation was down 1.33 percentage points to 7.29 percent. As stated in the Summary of the Monetary Policy Committee meeting, the downward correction in unprocessed food prices has been the primary driver of this decline. The trend in price increases of core goods and services are in line with medium-term targets. Inflation is expected to fall further, while the annual rate of increase in core price indicators would edge up slightly in coming months.

## ... EVALUATIONS ...



In November, consumer prices were up 0.03 percent, while annual inflation was down 1.33 percentage points to 7.29 percent. The rate of increase in the CPI index excluding energy, unprocessed food, alcoholic beverages, tobacco and gold (SCA-H) rose to 3.21 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) remained stable at 2.54 percent year-on-year.

Prices were down 0.08 percent in goods and up 0.35 percent in services. Accordingly, inflation decreased to 8.47 percent year-on-year in goods and increased to 3.98 percent year-on-year in services.



Annual services inflation rose slightly in November, mainly due to prices of catering and transport services, which are highly sensitive to changes in food and fuel prices. Prices of other services remained flat for the fourth consecutive month. The annual rate of increase in prices of services other than catering and transport ended November at 1.28 percent.

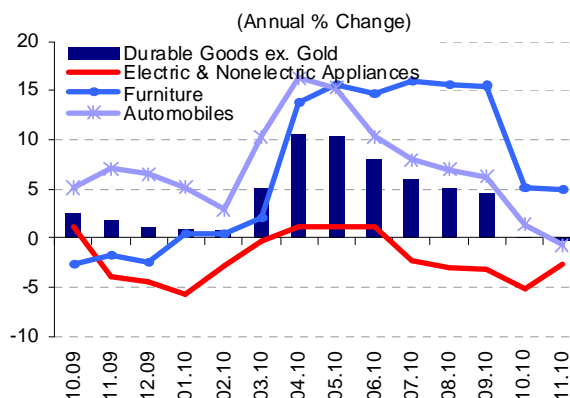
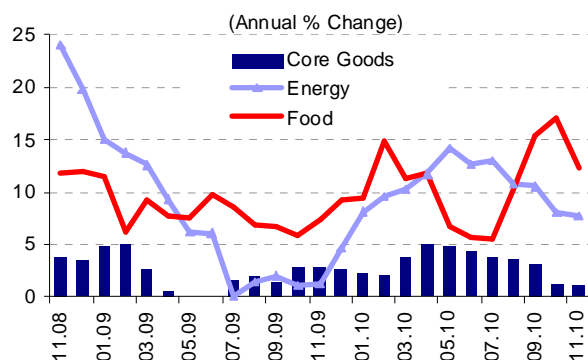
Energy prices were up 1.02 percent in November amid higher fuel and bottled gas prices, while annual energy inflation dropped to 7.73 percent on the back of base effects.

# NOVEMBER PRICE DEVELOPMENTS



Central Bank of Turkey

December 06, 2010



Prices of alcoholic beverages soared by a dramatic 16.2 percent due to the special consumption tax hike. Yet, this increase added only 0.04 percentage points to the CPI inflation.

The annual rate of increase in prices of core goods (goods excluding food, energy, alcoholic beverages, tobacco and gold) has been on a downtrend for four straight months, bringing the annual core goods inflation down to 1.04 percent. In November, prices of durable goods (excluding gold) dropped below the year-ago level, while the annual inflation in clothing and footwear continued to fall.

	Monthly Percent Change		Annual Percent Change	
	November 2010	November 2009	November 2010	November 2009
<b>CPI</b>	<b>0.03</b>	<b>1.27</b>	<b>7.29</b>	<b>5.53</b>
<b>1. Goods</b>	<b>-0.08</b>	<b>1.67</b>	<b>8.47</b>	<b>5.70</b>
Energy	1.02	1.34	7.73	1.28
Unprocessed Food	-4.68	4.48	19.77	15.96
Processed Food	1.00	0.18	5.90	0.49
Goods excluding Energy and Food	1.09	1.34	5.37	6.40
Core Goods	1.18	1.39	1.04	2.76
Durable Goods	-0.03	0.78	1.15	4.62
Durable Goods excl. Gold	-0.19	0.10	-0.23	1.84
Semi-Durable Goods	1.70	2.00	5.93	2.42
Non-Durable Goods	-1.27	1.67	12.59	8.52
<b>2. Services</b>	<b>0.35</b>	<b>0.11</b>	<b>3.98</b>	<b>5.05</b>
Rents	0.38	0.37	4.02	5.43
Restaurants and Hotels	0.87	0.44	10.08	6.89
Transport	0.82	-0.03	7.73	2.34
Other	-0.07	-0.11	-0.02	4.98

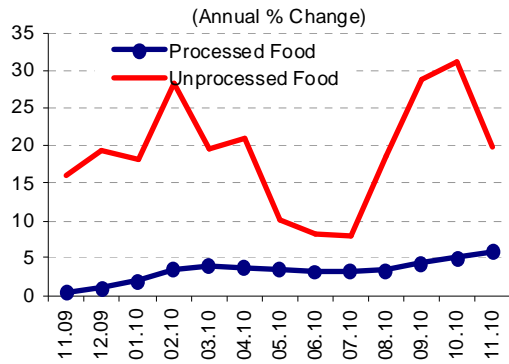
Sources: TurkStat; and CBRT.

# NOVEMBER PRICE DEVELOPMENTS



Central Bank of Turkey

December 06, 2010



Unprocessed food prices declined by 4.68 percent in November, while the annual unprocessed food inflation dropped by a remarkable 11.5 percentage points to 19.77 percent, as highlighted in previous reports. The decline spread across all vegetables, with tomato prices seeing a major correction of -22.03 percent. This correction is expected to continue into December.

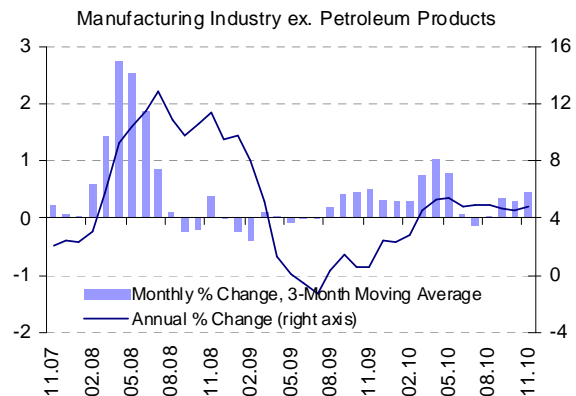
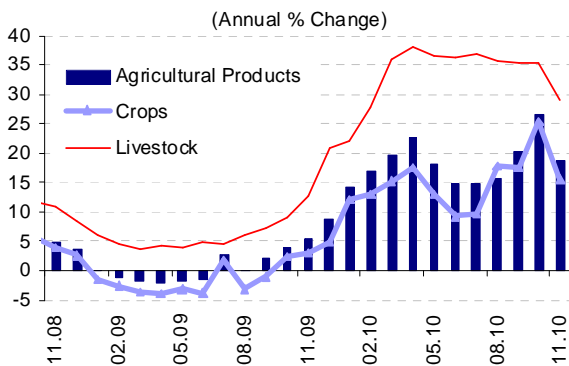
In addition, falling prices of chicken and red meat have contributed to the decline in the annual unprocessed food inflation.

Meanwhile, processed meat prices continued to soar due to the lagged effects of past increases in red meat prices. Prices were also up in other processed food products, especially solid and liquid fats.

Accordingly, the annual inflation in food and nonalcoholic beverages fell by 4.7 percentage points to 12.39 percent, while its contribution to the annual CPI inflation came down to 3.41 percentage points.

## ... PPI ...

In November, producer prices decreased by 0.31 percent, while annual PPI inflation fell to 8.17 percent. Agricultural prices dropped by a significant 4.25 percent, largely owing to falling fruit and vegetable prices that brought consumer prices down as well. On the other hand, livestock prices and prices of manufacturing inputs such as wheat, sunflower and cotton continued to rise (with sunflower and cotton soaring at a faster pace).



# NOVEMBER PRICE DEVELOPMENTS

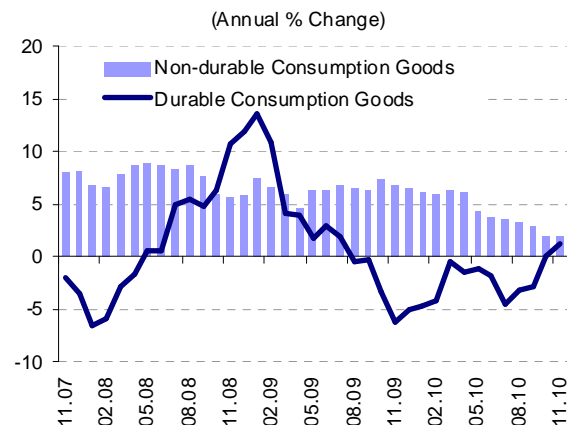
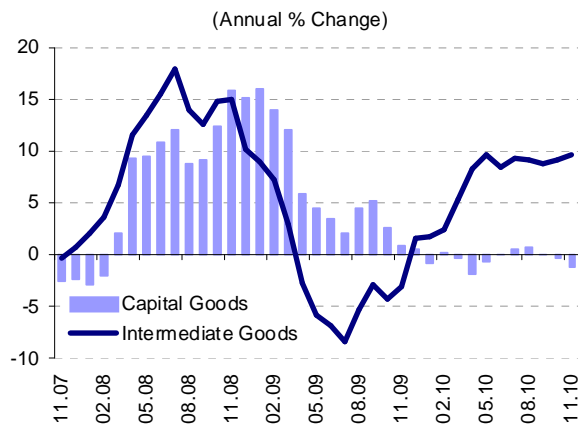


Central Bank of Turkey

December 06, 2010

Prices for base metals increased by 0.98 percent in November, while manufacturing industry prices excluding petroleum products and base metals rose by 0.61 percent.

Among the Main Industrial Groupings (MIGs), prices of intermediate goods and durable goods increased. The increase in prices of intermediate goods was largely driven by rising producer prices for clothing (clothing, textile and leather products) and chemical products, while the increase in prices of durable goods is mainly attributable to higher producer prices for furniture. Prices of non-durable goods rose modestly, whereas prices of capital goods fell slightly.



PPI based on MIGs Classification														
Monthly Percent Change														
	Nov 09	Dec 09	Jan 10	Feb 10	Mar 10	Apr 10	May 10	Jun 10	Jul 10	Aug 10	Sept 10	Oct 10	Nov 10	YoY
Intermediate goods	0.63	0.89	0.28	0.66	3.06	1.80	0.00	-0.50	0.49	0.79	0.83	-0.22	1.14	9.57
Capital goods	0.67	-0.15	-0.16	0.36	0.59	-0.72	-0.59	0.10	0.12	-0.18	0.04	-0.45	-0.10	-1.14
Durable goods	-0.01	0.43	-0.36	-0.92	0.28	-0.48	0.78	0.16	-1.64	0.49	0.13	1.23	1.20	1.24
Non-durable goods	0.20	-0.02	0.12	0.54	0.73	0.45	-0.49	-0.51	0.29	-0.27	0.74	0.17	0.13	1.88
Energy	4.31	0.25	0.54	4.88	1.99	0.91	0.47	-0.93	0.68	2.45	-0.01	0.15	0.61	12.54

Sources: TurkStat; and CBRT.

# NOVEMBER PRICE DEVELOPMENTS



Central Bank of Turkey

December 06, 2010

## ... TABLES

November CPI and Subcategories (Percent Change)					
	Weight	2010		2009	
		MoM	YoY	MoM	YoY
CPI	100	0.03	7.29	1.27	5.53
Food and nonalcoholic beverages	27.60	-1.89	12.39	2.21	7.40
Alcoholic beverages and tobacco	5.31	0.61	24.54	-0.01	20.96
Clothing and footwear	7.30	3.87	3.65	4.55	2.19
Housing	16.83	0.58	5.20	0.69	1.27
Household equipment	6.78	0.61	2.55	-0.73	-1.75
Health	2.55	0.01	0.09	0.02	2.57
Transport	13.90	0.45	5.38	1.25	5.46
Communication	4.94	0.32	-4.85	0.03	2.91
Recreation and culture	2.83	-0.81	-2.94	-0.30	9.99
Education	2.48	-0.14	4.20	0.08	5.39
Restaurants and hotels	5.51	0.87	10.08	0.44	6.89
Miscellaneous goods and services	3.97	0.76	3.93	1.80	14.87

Source: TurkStat.

November PPI and Subcategories (Percent Change)					
	Weight	2010		2009	
		MoM	YoY	MoM	YoY
PPI	100	-0.31	8.17	1.29	1.51
Agriculture	17.07	-4.25	18.78	2.14	8.87
Industry	82.93	0.63	5.98	1.10	-0.07
Mining	2.62	0.33	7.65	1.23	4.79
Manufacturing	72.95	0.80	4.87	1.07	0.90
Electricity, gas and water	7.36	-0.77	16.63	1.40	-13.44

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 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.