

OCTOBER PRICE DEVELOPMENTS



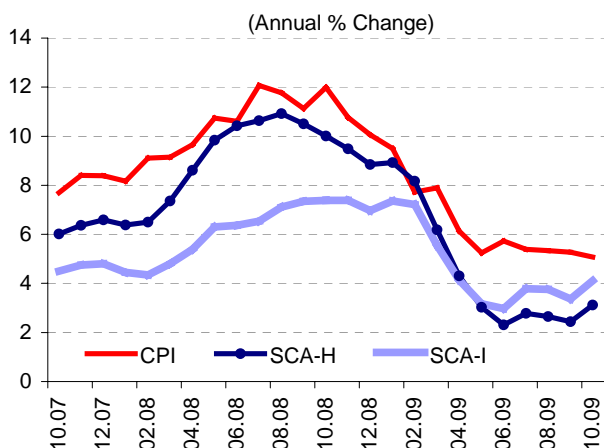
Central Bank of Turkey

November 4, 2009

SUMMARY...

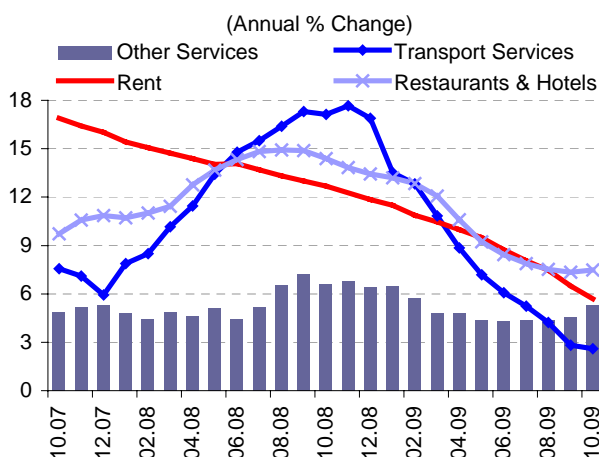
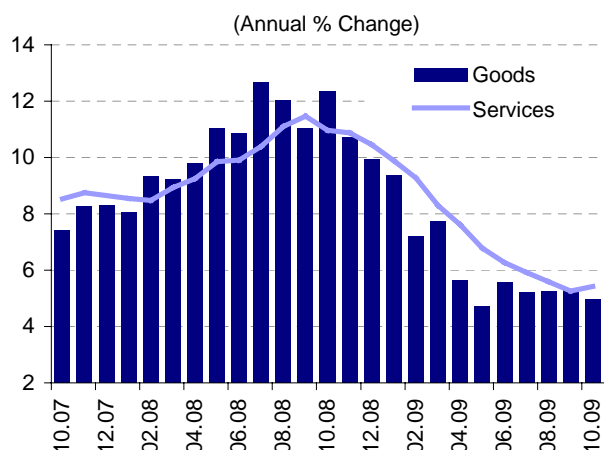
In October, consumer prices surged by 2.41 percent due to the expiration of the tax cuts on durable goods and the hikes in electricity tariffs as well as the seasonal increases in clothing and food prices. Inflation, however, went down to 5.08 percent year-on-year thanks to the easing in underlying inflation and the high base effect of a year earlier. Although inflation is expected to pick up slightly with the reversal of the base effect in coming months, core inflation measures are likely to remain subdued.

...EVALUATIONS...



In October, consumer prices were up 2.41 percent, whereas inflation fell by 0.19 percentage points to 5.08 percent year-on-year. The rate of increase in the CPI index excluding energy, unprocessed food, alcoholic beverages, tobacco products and gold (SCA-H) increased by 0.68 percentage points to 3.12 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) advanced by 0.74 percentage points to 4.11 percent year-on-year following the expiry of the tax incentives, as stated in our previous bulletins.

Prices were up 3 and 0.76 percent, respectively, in goods and services. Accordingly, annual inflation eased to 4.96 percent in goods and rose to 5.42 percent in services.



Annual services inflation broke its one-year downtrend in October, largely on account of the immediate impact of soaring meat prices on catering services. Annual inflation in other services increased on rising mobile call rates. However, annual rental and transport services inflation continued to moderate.

Energy prices rose by 2.50 percent in October, which the hikes in residential electricity tariffs accounted for 2.30 percentage points. Moreover, fuel prices increased by 0.73 percent. Accordingly, energy price inflation declined to 1.1 percent year-on-year.

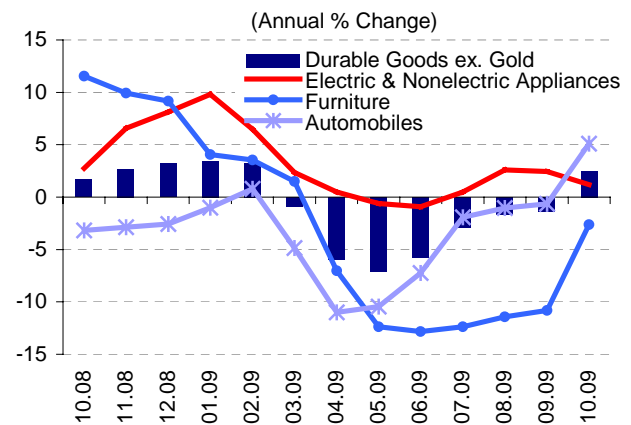
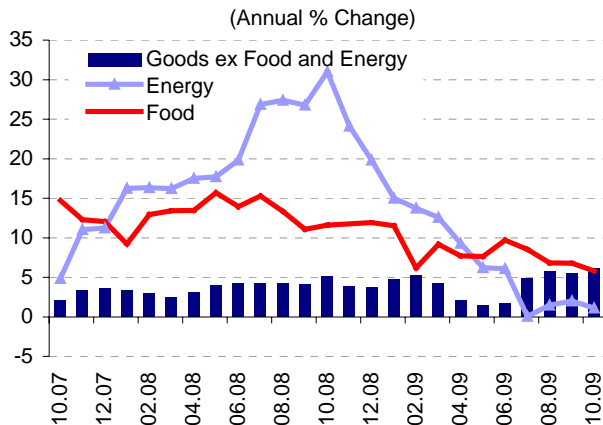
OCTOBER PRICE DEVELOPMENTS



Central Bank of Turkey

November 4, 2009

In goods excluding energy and food, inflation surged to 6.16 percent owing to the increase in prices of durable goods after the expiration of the tax cuts. Meanwhile, prices of clothing and footwear continued to hover around their year-ago level. Gold prices, on the other hand, were up 2.96 percent in line with international prices.



In the durable goods (excluding gold) category, prices rose by 4.24 percent in October, following the expiry of temporary cuts on Special Consumption and Value Added taxes. The renewed taxes had a pass-through of about 60 percent into prices. Automobile prices increased by 5.23 percent, while furniture was the most severely affected subcategory, with prices up 9.12 percent.

	Monthly Percentage Change		Annual Percentage Change	
	October 2009	October 2008	October 2009	October 2008
CPI	2.41	2.60	5.08	11.99
1. Goods	3.00	3.30	4.96	12.36
Energy	2.50	3.42	1.10	30.98
Unprocessed Foods	5.87	9.17	13.18	3.24
Processed Food	0.50	0.06	0.01	19.32
Goods excl. Energy and Food	3.29	2.67	6.16	5.17
Durable Goods	4.12	1.75	4.42	4.21
ex. Gold	4.24	0.30	2.50	1.70
Semi-Durable Goods	3.62	4.26	2.03	18.22
Non-Durable Goods	2.24	3.03	7.36	10.55
2. Services	0.76	0.60	5.42	10.97
Rents	0.47	1.21	5.70	12.69
Restaurants and Hotels	1.24	1.11	7.48	14.38
Transport	0.59	0.81	2.60	17.13
Other	0.72	0.01	5.31	6.58

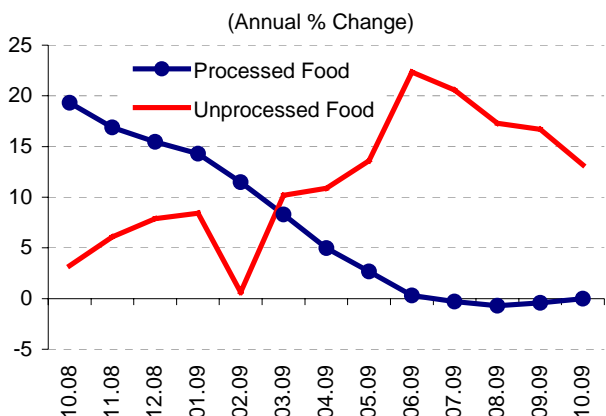
Source: TURKSTAT, CBRT

OCTOBER PRICE DEVELOPMENTS



Central Bank of Turkey

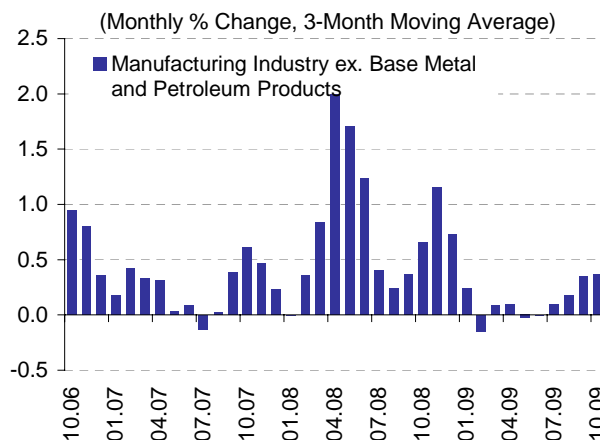
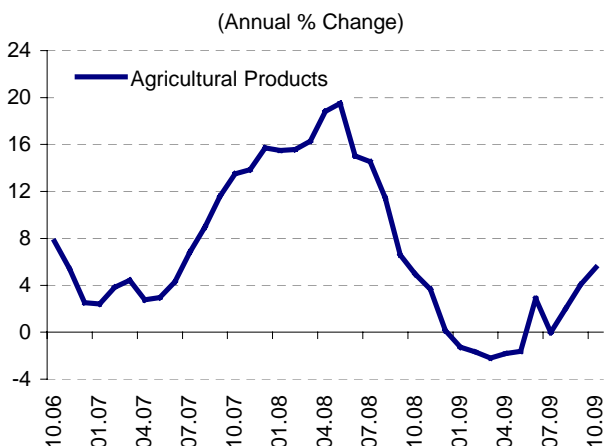
November 4, 2009



In the unprocessed food category, prices soared by 5.87 percent due to the seasonal increase in fruit and vegetable prices and the ongoing upsurge in meat prices. Although meat prices rose by a total 18.6 percent in four months, the annual unprocessed food inflation fell by 9.2 percentage points to 13.18 percent with the correction in vegetable and fruit prices. In the processed food category, prices were up 0.50 percent month-on-month, hovering around their year-ago level.

...PPI...

In October, producer prices increased by 0.28 percent, while PPI inflation went down to 0.19 percent year-on-year. In the agricultural industry, inflation rose further to 5.52 percent year-on-year. In the manufacturing industry, prices increased modestly (by 0.16 percent), but remained down year-on-year. Excluding petroleum products, inflation in manufacturing industry declined to 0.62 percent year-on-year.



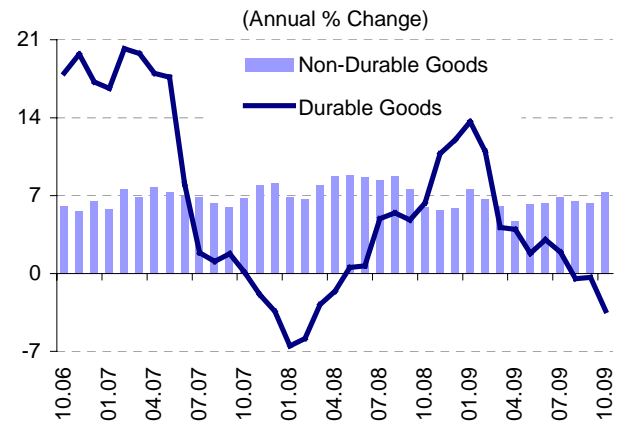
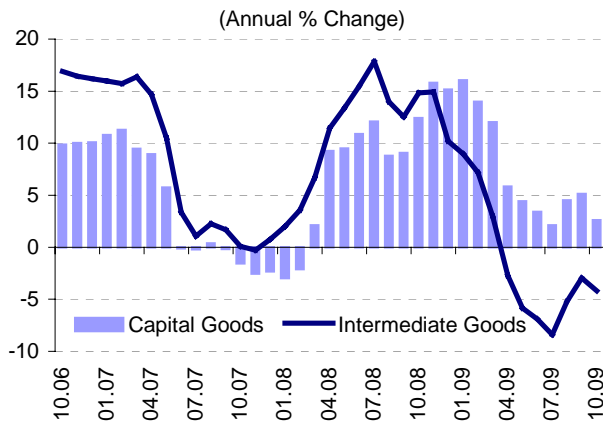
On the intermediate goods side, inflation eased to -4.19 percent year-on-year in October amid falling prices of base metals and chemicals production. On the capital goods side, prices remained nearly unchanged, while inflation went down to 2.61 percent year-on-year. Meanwhile, the durable goods inflation amounted to -3.35 percent year-on-year due to falling prices of furniture production, whereas the non-durable goods inflation climbed to 7.32 percent year-on-year. In sum, moderate producer prices reveal that there is no significant cost pressure on consumer prices.

OCTOBER PRICE DEVELOPMENTS



Central Bank of Turkey

November 4, 2009



Changes in PPI based on MIGS Classification

Monthly Percentage Change

	Oct.08	Nov.08	Dec.08	Jan.09	Feb.09	Mar.09	Apr.09	May.09	Jun.09	Jul.09	Aug.09	Sep.09	Oct.09	Annual
Intermediate goods	0.89	-0.57	-3.60	0.04	-0.02	0.21	-0.89	-1.24	0.54	-0.23	0.81	1.16	-0.41	-4.19
Capital goods	2.48	2.33	0.20	1.23	-0.57	1.04	0.83	-1.75	-0.66	-0.42	-0.24	0.61	0.03	2.61
Durable goods	1.43	2.94	-0.80	-0.56	-1.47	-3.60	0.60	0.45	0.90	1.03	-0.85	-0.26	-1.63	-3.35
Non-durable goods	0.28	0.61	0.31	0.40	0.81	0.29	0.75	1.19	0.06	0.40	0.13	0.91	1.23	7.32
Energy	-0.03	-1.06	-12.18	-0.01	6.32	1.23	0.34	-3.31	3.51	-1.36	1.54	-0.54	-0.12	-6.57

Source: TURKSTAT, CBRT.

OCTOBER PRICE DEVELOPMENTS



Central Bank of Turkey

November 4, 2009

... TABLES

October CPI and Sub-Items (Percentage Change)					
	Weight	2009		2008	
		Monthly	Annual	Monthly	Annual
CPI	100	2.41	5.08	2.60	11.99
Food and nonalcoholic beverages	28.03	2.96	5.82	3.91	11.60
Alcoholic beverages and tobacco	4.58	0.14	20.95	0.01	6.88
Clothing and footwear	7.22	8.39	0.32	8.46	2.83
Housing	18.63	2.12	2.67	3.79	27.08
Household equipment	7.53	2.51	0.33	0.39	8.92
Health	2.50	0.06	2.61	0.04	0.91
Transport	12.64	2.11	2.74	-0.59	9.02
Communication	4.60	1.21	3.06	-0.04	6.50
Recreation and culture	2.54	0.85	12.32	1.32	3.71
Education	2.47	0.17	5.52	-0.22	7.00
Restaurants and hotels	5.47	1.24	7.48	1.11	14.38
Miscellaneous goods and services	3.79	0.93	12.86	3.93	11.36

Source: TURKSTAT

October PPI and Sub-Items (Percentage Change)					
	Weight	2009		2008	
		Monthly	Annual	Monthly	Annual
PPI	100	0.28	0.19	0.57	13.29
Agriculture	17.76	1.13	5.52	-0.26	4.95
Industry	82.24	0.10	-0.97	0.76	15.36
Mining	2.20	-1.44	3.71	1.21	25.03
Manufacturing	73.75	0.16	-0.73	-0.05	12.50
Energy	6.29	-0.24	-7.96	9.72	51.84

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