

SEPTEMBER PRICE DEVELOPMENTS



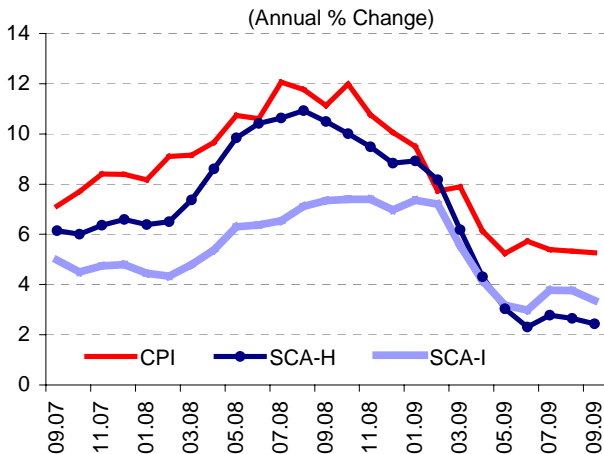
Central Bank of Turkey

October 5, 2009

SUMMARY...

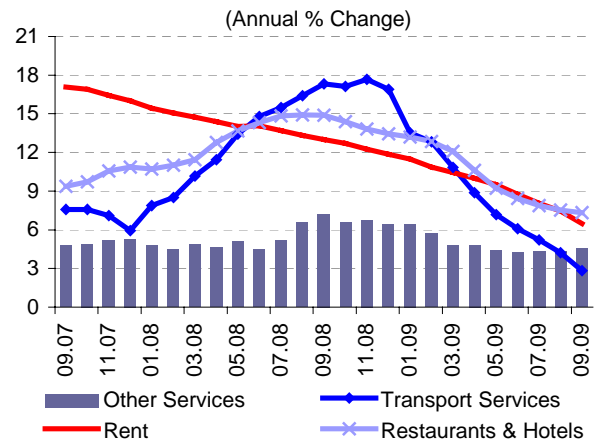
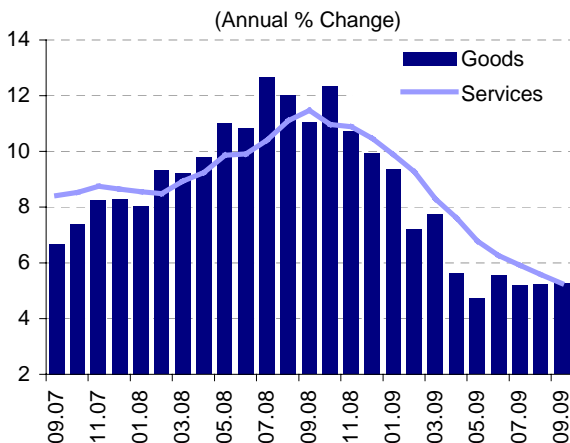
In September, consumer prices increased by 0.39 percent, while inflation went down to 5.27 percent year-on-year. Core inflation measures remained subdued, whereas the annual rate of increase in prices of services continued to fall steadily. Despite the expiration of tax cuts on durable goods and the hikes in electricity tariffs, annual inflation is expected to remain low in October, but is likely to fluctuate by December due to base effects.

...EVALUATIONS...



In September, consumer prices were up 0.39 percent, whereas inflation fell by 0.06 percentage points to 5.27 percent year-on-year. The rate of increase in the CPI index excluding energy, unprocessed food, alcoholic beverages, tobacco products and gold (SCA-H) decreased by 0.21 percentage points to 2.44 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) dropped by 0.39 percentage points to 3.37 percent year-on-year.

Prices were up 0.22 and 0.85 percent, respectively, in goods and services. Accordingly, annual inflation rose slightly to 5.27 percent in goods and eased to 5.26 percent in services.



Services inflation continued to slow across subcategories in September. Annual transport services inflation declined to an all-time low of 2.82 percent. Similarly, annual rental inflation continued to fall steadily, by about 1 percentage point to 6.48 percent. However, annual inflation in other subcategories of services increased moderately on rising prices of recreation and education.

Energy prices rose by 0.63 percent in September amid soaring tap water rates and further increases in bottled gas prices. Accordingly, the rate of increase in energy prices climbed to 2.01 percent year-on-year. It should be noted that the 9.68 percent hike in residential electricity tariffs is going to have a substantial effect on October inflation.

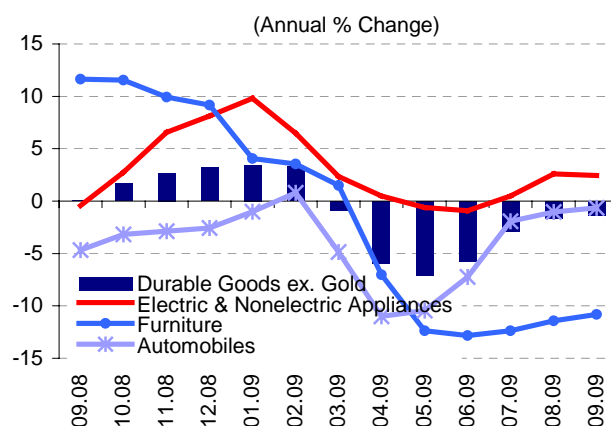
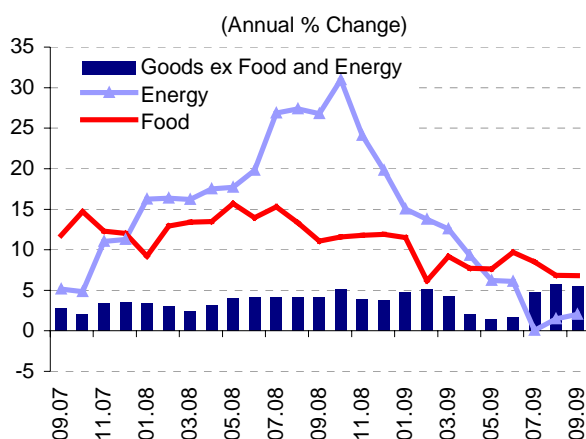
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In goods excluding energy and food, prices remained virtually unchanged, while inflation declined to 5.52 percent year-on-year. Unlike previous years, discounts on clothing and footwear continued into the seasonal shift in September, and prices dropped by 1.01 percent. Gold prices, on the other hand, soared by 5.26 percent.



In the durable goods (excluding gold) category, prices rose by 0.20 percent in September, and inflation increased to -1.37 percent year-on-year. Among subcategories, prices were up 0.78 percent in white goods and almost unchanged in furniture and automobiles. It should be noted that prices of durable goods are very likely to rise markedly in October following the expiration of temporary cuts in Special Consumption Tax (SCT) and Value Added Tax (VAT) on October 1.

	Monthly Percentage Change		Annual Percentage Change	
	September 2009	September 2008	September 2009	September 2008
CPI	0.39	0.45	5.27	11.13
1. Goods	0.22	0.20	5.27	11.03
Energy	0.63	0.12	2.01	26.79
Unprocessed Foods	0.50	1.01	16.70	-0.90
Processed Food	-0.02	-0.29	-0.43	21.83
Goods excl. Energy and Food	0.03	0.20	5.52	4.17
Durable Goods	0.65	-0.15	2.04	1.26
ex. Gold	0.20	-0.13	-1.37	0.09
Semi-Durable Goods	0.15	0.34	2.65	16.13
Non-Durable Goods	0.16	0.20	8.19	10.14
2. Services	0.85	1.17	5.26	11.47
Rents	0.44	1.37	6.48	13.00
Restaurants and Hotels	0.86	1.03	7.34	14.88
Transport	0.24	1.61	2.82	17.31
Other	1.22	1.00	4.57	7.23

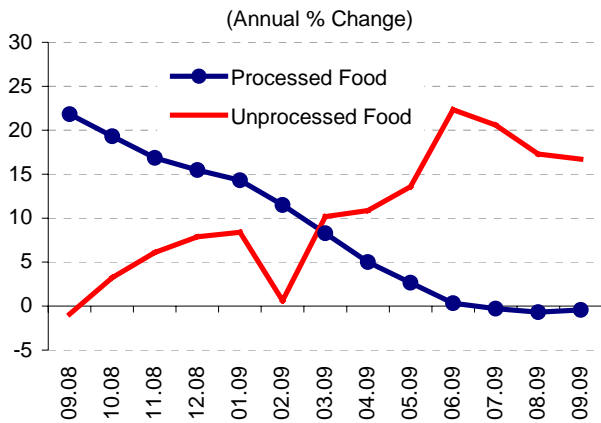
Source: TURKSTAT, CBRT

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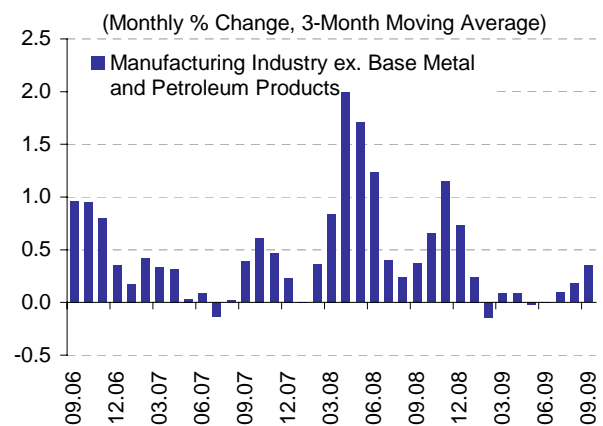
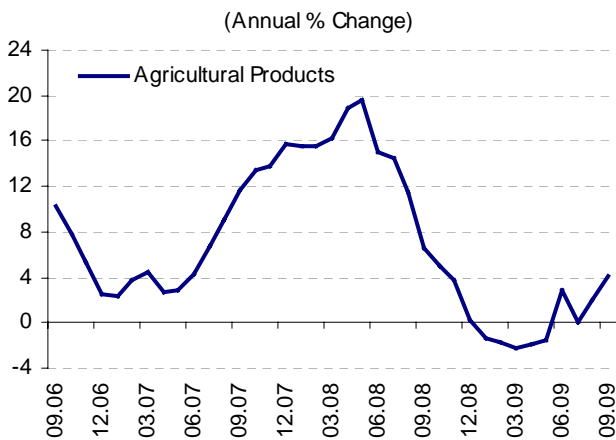
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In the unprocessed food category, prices rose by 0.50 percent. The decline in fruit and vegetable prices offset the sharp increase in meat prices. Thus, the annual unprocessed food inflation continued to fall, albeit at a slower pace. In the processed food category, prices barely changed month-on-month, and continued to hover below year-ago levels.

...PPI...

In September, producer prices increased by 0.62 percent, pushing PPI inflation up to 0.47 percent year-on-year. In the agricultural industry, inflation surged to 4.08 percent year-on-year. In the manufacturing industry, inflation increased by 1.43 percentage points to -0.94 percent year-on-year amid soaring producer prices for base metals and food products. Excluding petroleum products and base metals, inflation in manufacturing industry remained flat year-on-year.



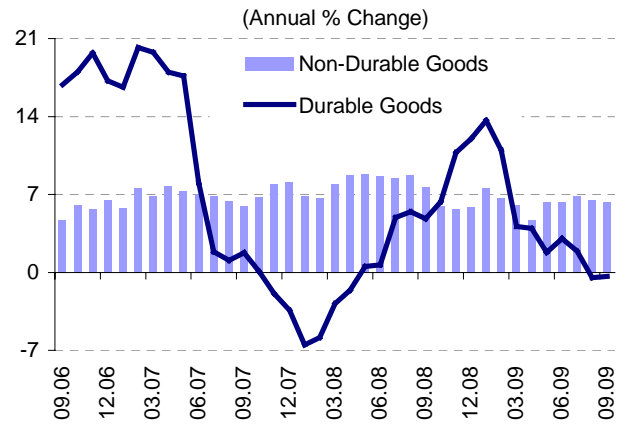
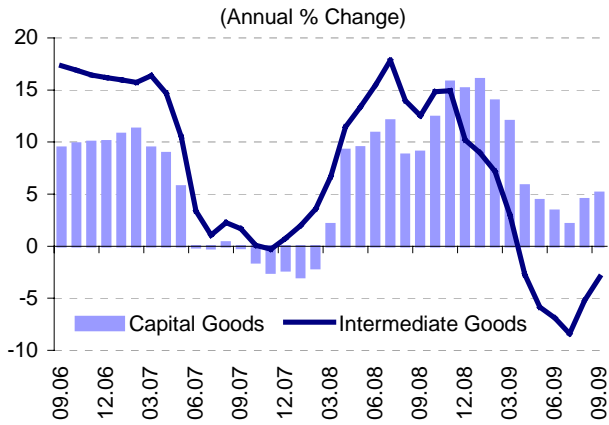
On the intermediate goods side, although prices advanced by 1.16 percent in September amid soaring prices of base metal production, they still remained below their year-ago level. On the capital goods side, prices surged by 0.61 percent month-on-month amid rising producer prices for machinery and equipment. Meanwhile, prices of non-durable goods increased on rising producer prices for food products, whereas prices of durable goods decreased by 0.26 percent.

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Changes in PPI based on MIGS Classification

Monthly Percentage Change

	Sep.08	Oct.08	Nov.08	Dec.08	Jan.09	Feb.09	Mar.09	Apr.09	May.09	Jun.09	Jul.09	Aug.09	Sep.09	Annual
Intermediate goods	-1.21	0.89	-0.57	-3.60	0.04	-0.02	0.21	-0.89	-1.24	0.54	-0.23	0.81	1.16	-2.95
Capital goods	0.04	2.48	2.33	0.20	1.23	-0.57	1.04	0.83	-1.75	-0.66	-0.42	-0.24	0.61	5.11
Durable goods	-0.38	1.43	2.94	-0.80	-0.56	-1.47	-3.60	0.60	0.45	0.90	1.03	-0.85	-0.26	-0.35
Non-durable goods	1.07	0.28	0.61	0.31	0.40	0.81	0.29	0.75	1.19	0.06	0.40	0.13	0.91	6.32
Energy	-2.77	-0.03	-1.06	-12.18	-0.01	6.32	1.23	0.34	-3.31	3.51	-1.36	1.54	-0.54	-6.49

Source: TURKSTAT, CBRT.

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... TABLES

September CPI and Sub-Items (Percentage Change)					
	Weight	2009		2008	
		Monthly	Annual	Monthly	Annual
CPI	100	0.39	5.27	0.45	11.13
Food and nonalcoholic beverages	28.03	0.21	6.79	0.25	11.07
Alcoholic beverages and tobacco	4.58	0.00	20.80	0.01	6.87
Clothing and footwear	7.22	-1.01	0.39	0.51	2.60
Housing	18.63	0.63	4.35	0.70	23.23
Household equipment	7.53	0.19	-1.74	0.34	8.77
Health	2.50	0.07	2.59	0.03	0.94
Transport	12.64	0.20	0.03	0.17	9.21
Communication	4.60	0.12	1.80	1.37	6.52
Recreation and culture	2.54	2.35	12.84	0.02	2.63
Education	2.47	2.50	5.11	2.04	7.03
Restaurants and hotels	5.47	0.86	7.34	1.03	14.88
Miscellaneous goods and services	3.79	1.59	16.21	0.19	8.25

Source: TURKSTAT

September PPI and Sub-Items (Percentage Change)					
	Weight	2009		2008	
		Monthly	Annual	Monthly	Annual
PPI	100	0.62	0.47	-0.90	12.49
Agriculture	17.76	0.47	4.08	-1.51	6.57
Industry	82.24	0.65	-0.32	-0.75	13.94
Mining	2.20	3.64	6.49	-3.15	28.26
Manufacturing	73.75	0.65	-0.94	-0.81	12.68
Energy	6.29	-0.60	1.22	0.56	26.02

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.