

JANUARY PRICE DEVELOPMENTS



Central Bank of Turkey

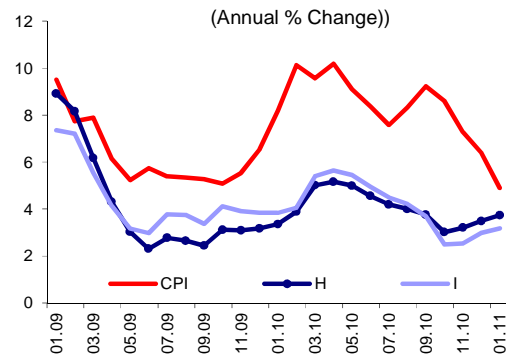
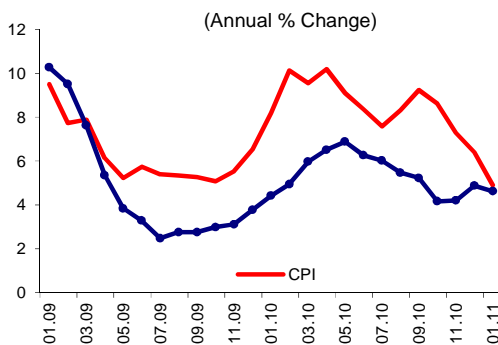
February 04, 2011

SUMMARY ...

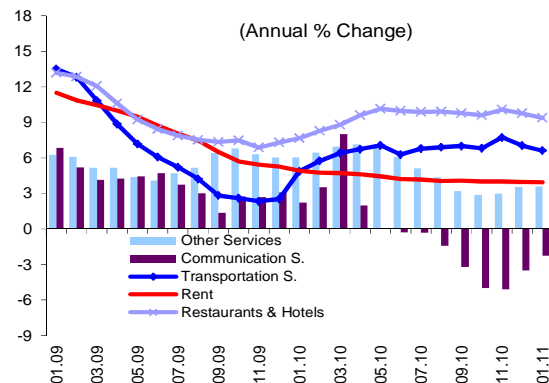
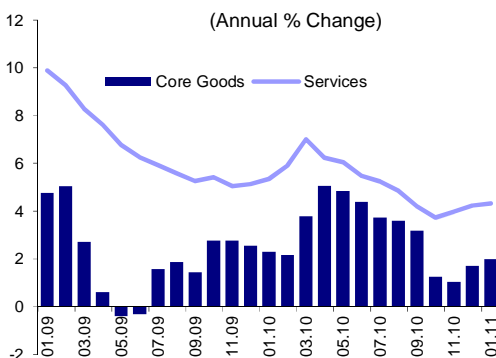
In January, consumer prices increased by 0.41 percent, and annual inflation fell to 4.9 percent. As stated in the Summary of the Monetary Policy Committee meeting, the decline in annual inflation was driven by the high base effect from a year ago, while the annual rate of increase in core goods and services accelerated. The annual rate of increase in core price measures may continue to edge up slightly further in coming months.

... EVALUATIONS ...

In January, consumer prices were up 0.41 percent, and annual inflation fell 1.5 percentage points to 4.9 percent. The rate of increase in the CPI excluding energy, unprocessed food, alcoholic beverages, tobacco and gold (SCA-H) rose to 3.74 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) accelerated to 3.18 percent year-on-year.



Prices for services increased by 0.88 percent in January, bringing annual services inflation slightly up to 4.32 percent. The increase in prices of services was largely due to higher prices of communication services (up 1.30 percent) driven by rising Internet access rates and higher prices of transport services (up 1.09 percent) driven by soaring fuel prices. Meanwhile, annual rental inflation continued to hover around all-time lows, whereas the annual inflation in restaurants/hotels slowed to 9.38 percent amid falling food prices.



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

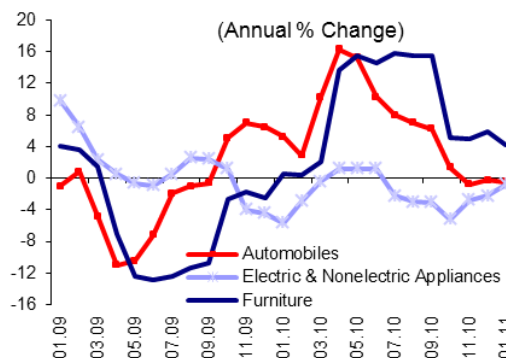
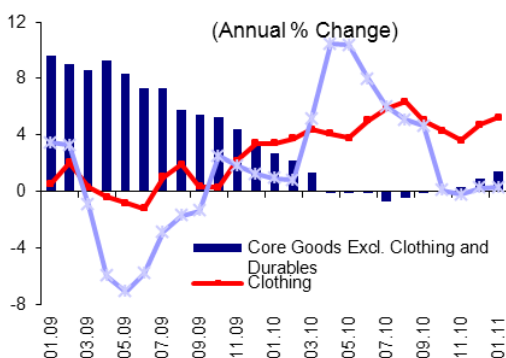
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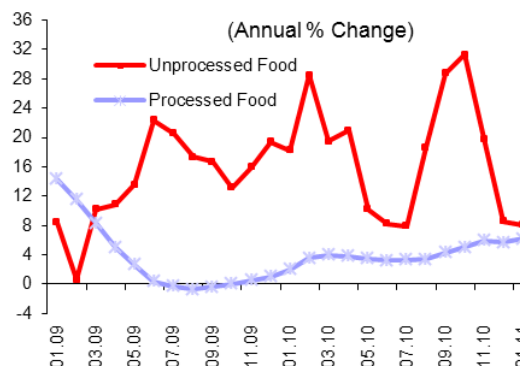
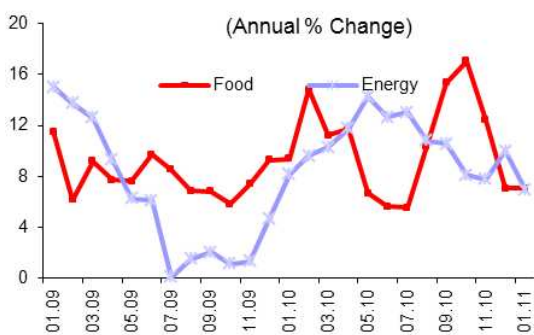
Central Bank of Turkey

February 04, 2011

Prices of core goods (goods excluding food, energy, alcoholic beverages, tobacco and gold) were down 1.66 percent in January, bringing annual core goods inflation up to 2 percent. This increase was mainly driven by January's lower-than-average seasonal discounts on clothing and footwear. The annual inflation in durable goods (excluding gold) remained virtually flat, although prices of durable goods are slightly up as of January on rising import prices and weak Turkish lira.



Energy prices continued to increase in January amid rising fuel prices driven by higher international oil prices. In addition, with soaring water tariffs, energy prices rose by 1.04 percent, while annual energy inflation went down 3.07 percentage points to 6.89 percent on the back of high base effects.



Unprocessed food prices increased by 2.08 percent in January due to higher fresh fruit and vegetable prices, while annual unprocessed food inflation dropped further to 8.05 percent. Red meat prices fell for the fourth month in a row, bringing annual red meat inflation down to 12.29 percent in January. On the other hand, processed food prices accelerated by 1.21 percent month-on-month on soaring prices for bread and cereals and solid and liquid fats, driving annual processed food inflation higher.

In sum, the annual inflation in food and non-alcoholic beverages remained largely flat month-on-month, at 7.05 percent.

JANUARY PRICE DEVELOPMENTS



Central Bank of Turkey

February 04, 2011

| | Monthly Percent Change | | Annual Percent Change | |
|--|------------------------|--------------|-----------------------|--------------|
| | January 2011 | January 2010 | January 2011 | January 2010 |
| CPI | 0.41 | 1.85 | 4.90 | 8.19 |
| 1. Goods | 0.24 | 2.23 | 5.09 | 9.20 |
| Energy | 1.04 | 3.94 | 6.89 | 8.13 |
| Food and nonalcoholic beverages | 1.61 | 1.58 | 7.06 | 9.38 |
| Unprocessed food | 2.08 | 2.53 | 8.05 | 18.27 |
| Fresh fruits and vegetables | 6.14 | 3.60 | 11.17 | 10.70 |
| Other unprocessed food | -0.67 | 1.83 | 5.86 | 23.37 |
| Processed food | 1.21 | 0.74 | 6.17 | 1.96 |
| Bread and cereals | 1.67 | -0.15 | 5.62 | -2.91 |
| Other processed food | 0.95 | 1.26 | 6.49 | 4.96 |
| Goods excluding energy and food | -1.27 | 2.04 | 2.65 | 9.64 |
| Core goods | -1.66 | -1.94 | 2.00 | 2.29 |
| Durable goods | 1.10 | 0.79 | 2.30 | 2.81 |
| Durable goods (excluding gold) | 1.05 | 1.01 | 0.30 | 0.93 |
| Alcoholic beverages and tobacco | 0.0 | 22.04 | 2.14 | 47.54 |
| Gold | 1.68 | -2.10 | 29.06 | 23.03 |
| 2. Services | 0.88 | 0.79 | 4.32 | 5.35 |
| Rents | 0.37 | 0.40 | 3.94 | 4.91 |
| Restaurants and hotels | 0.76 | 1.11 | 9.38 | 7.66 |
| Transport | 1.08 | 1.50 | 6.60 | 4.87 |
| Communication | 1.30 | 0.00 | -2.2 | 2.22 |
| Other services* | 0.97 | 0.95 | 3.59 | 6.05 |
| 3. Core Measures | | | | |
| CPI excluding unprocessed food and tobacco | 0.18 | 0.43 | 4.62 | 4.42 |
| SCA-H | -0.05 | -0.29 | 3.74 | 3.36 |
| SCA-I | -0.36 | -0.54 | 3.18 | 3.83 |

Sources: TurkStat; and CBRT.

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

... PPI ...

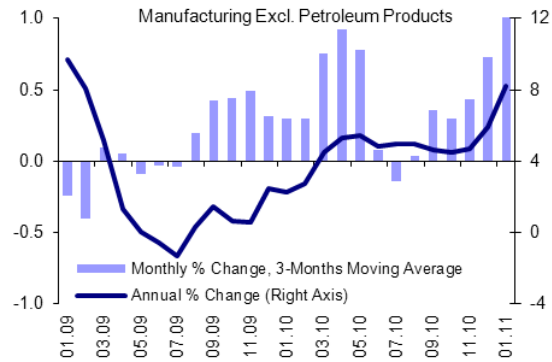
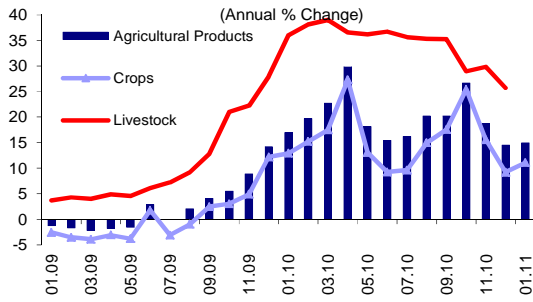
In January, producer prices increased by 2.36 percent, while annual PPI inflation rose to 10.80 percent. Agricultural prices were up 2.92 percent due to rising prices of fruits and vegetables. Livestock prices fell for the first time in a long while. Among industrial crops, cotton prices declined, whereas wheat and sunflower prices rose dramatically.

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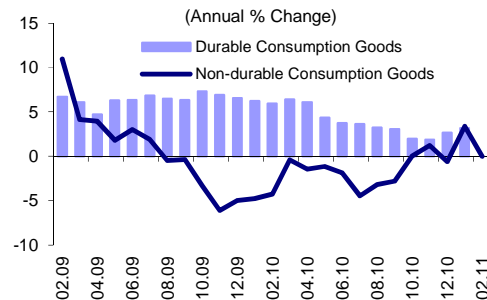
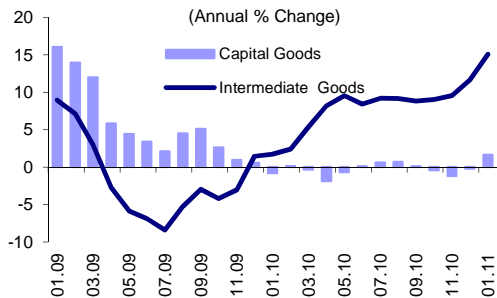
Central Bank of Turkey

February 04, 2011



High international commodity prices and exchange rate developments caused manufacturing industry prices to increase by a remarkable 2.36 percent in January. Prices of petroleum and base metals continued to accelerate (by 5.89 and 8.80 percent, respectively), while manufacturing industry prices excluding petroleum and base metals remained on an upward trend.

Prices were up across all subcategories of the Main Industrial Groupings (MIGs). Prices of intermediate goods continued to accelerate due to rising producer prices for base metals. Prices were higher across all subcategories of capital goods. Prices of durable goods increased on higher producer prices for furniture. On the other hand, prices remained moderate across subcategories of non-durable goods, except clothing.



JANUARY PRICE DEVELOPMENTS



Central Bank of Turkey

February 04, 2011

... TABLES

| January CPI and Subcategories (Percent Change) | | | | | |
|--|--------|-------|-------|-------|-------|
| | Weight | 2011 | | 2010 | |
| | | MoM | YoY | MoM | YoY |
| CPI | 100 | 0.41 | 4.90 | 1.85 | 8.19 |
| Food and nonalcoholic beverages | 26.78 | 1.61 | 7.06 | 1.58 | 9.38 |
| Alcoholic beverages and tobacco | 5.90 | 0.00 | 2.15 | 22.04 | 47.54 |
| Clothing and footwear | 7.22 | -7.76 | 5.24 | -8.20 | 3.42 |
| Housing | 16.46 | 0.58 | 4.93 | 1.51 | 3.14 |
| Household equipment | 6.93 | 1.02 | 3.59 | 0.71 | -1.69 |
| Health | 2.40 | 0.28 | 0.97 | -0.11 | 2.18 |
| Transport | 15.15 | 1.44 | 4.63 | 3.53 | 10.74 |
| Communication | 4.64 | 1.21 | -1.81 | -0.24 | 2.28 |
| Recreation and culture | 2.70 | -0.08 | -2.13 | -0.27 | 6.67 |
| Education | 2.32 | 0.04 | 4.22 | 0.07 | 5.55 |
| Restaurants and hotels | 5.89 | 0.76 | 9.38 | 1.11 | 7.66 |
| Miscellaneous goods and services | 3.61 | 1.37 | 6.71 | 0.23 | 10.44 |

Sources: TurkStat.

| January PPI and Subcategories (Percent Change) | | | | | |
|---|--------|------|-------|-------|--------|
| | Weight | 2011 | | 2010 | |
| | | MoM | YoY | MoM | YoY |
| PPI | 100 | 2.36 | 10.80 | 0.58 | 6.30 |
| Agriculture | 17.49 | 2.92 | 14.95 | 2.54 | 16.96 |
| Crops, fruits and vegetables | 12.23 | 2.72 | 11.06 | 1.01 | 12.92 |
| Livestock and animal products | 4.52 | 1.04 | 25.69 | 4.39 | 27.92 |
| Industry | 82.51 | 2.25 | 9.93 | 0.18 | 4.07 |
| Mining | 3.10 | 4.02 | 10.03 | 1.26 | 13.52 |
| Manufacturing | 70.68 | 2.36 | 8.89 | 0.22 | 5.46 |
| Manufacturing excluding petroleum | 67.56 | 2.19 | 8.19 | 0.05 | 2.27 |
| Manufacturing excluding petroleum and base metals | 64.58 | 1.56 | 5.73 | -0.13 | 2.13 |
| Electricity, gas and water | 8.73 | 0.72 | 20.28 | -0.62 | -14.59 |

Sources: TurkStat; and CBRT.

PPI by MIGs

| | Monthly Percent Change | | | | | | | | | | | | | |
|--------------------|------------------------|--------|--------|--------|--------|--------|--------|--------|---------|--------|--------|--------|--------|-------|
| | Jan 10 | Feb 10 | Mar 10 | Apr 10 | May 10 | Jun 10 | Jul 10 | Aug 10 | Sept 10 | Oct 10 | Nov 10 | Dec 10 | Jan 11 | YoY |
| Intermediate goods | 0.28 | 0.66 | 3.06 | 1.80 | 0.00 | -0.50 | 0.49 | 0.79 | 0.83 | -0.22 | 1.14 | 2.80 | 3.39 | 15.10 |
| Capital goods | -0.16 | 0.36 | 0.59 | -0.72 | -0.59 | 0.10 | 0.12 | -0.18 | 0.04 | -0.45 | -0.10 | 0.81 | 1.66 | 1.63 |
| Durable goods | -0.36 | -0.92 | 0.28 | -0.48 | 0.78 | 0.16 | -1.64 | 0.49 | 0.13 | 1.23 | 1.20 | -1.39 | 3.63 | 3.39 |
| Non-durable goods | 0.12 | 0.54 | 0.73 | 0.45 | -0.49 | -0.51 | 0.29 | -0.27 | 0.74 | 0.17 | 0.13 | 0.72 | 0.61 | 3.14 |
| Energy | 0.54 | 4.88 | 1.99 | 0.91 | 0.47 | -0.93 | 0.68 | 2.45 | -0.01 | 0.15 | 0.61 | 4.27 | 2.44 | 19.26 |

Sources: TurkStat; and CBRT.

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.