

# OCTOBER PRICE DEVELOPMENTS NOVEMBER 6, 2012

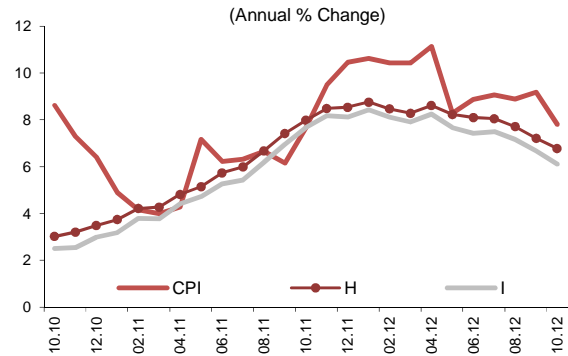
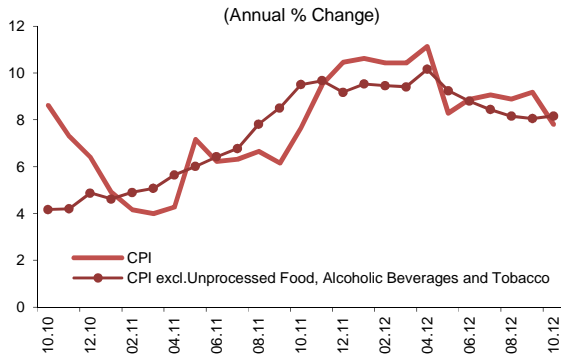
## SUMMARY...

In October, consumer prices were up by 1.96 percent and annual inflation fell to 7.80 percent. Core inflation indicators maintained the downward trend owing to cost and demand-side developments. Meanwhile, prices of services remained mild. Inflation is estimated to continue falling in the forthcoming months.

## ...EVALUATIONS...

In October, consumer prices were up by 1.96 percent and annual inflation fell to 7.80 percent. The rate of increase in the CPI excluding energy, unprocessed food, alcoholic beverages, tobacco and gold (SCA-H) went down to 6.78 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) decreased to 6.11 percent year-on-year.

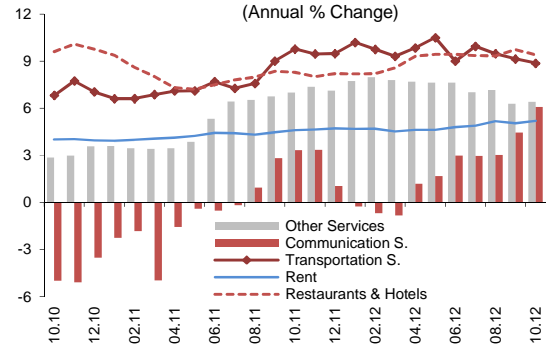
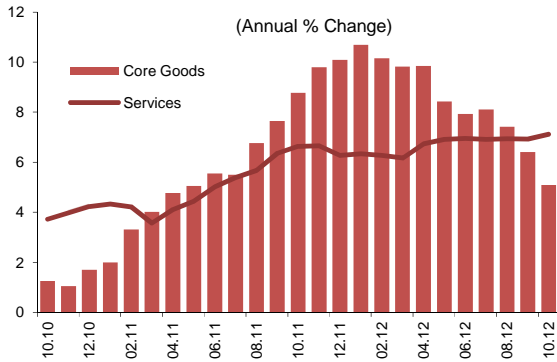
As for the contribution of subgroups to annual CPI inflation, that of energy group increased to 2.18 percentage points due to the hikes in administered prices and taxes. However, the food group contributed (0.66 percentage points) less to annual CPI with 2.05 percentage points. Contribution of the services group remained flat by 1.93 percentage points, while that of core goods went down (by 0.31 percentage points) to 1.33 percentage points. Another group that added considerably less to inflation became alcohol-tobacco and gold (due to the removal of the base effect in the prices of tobacco products).



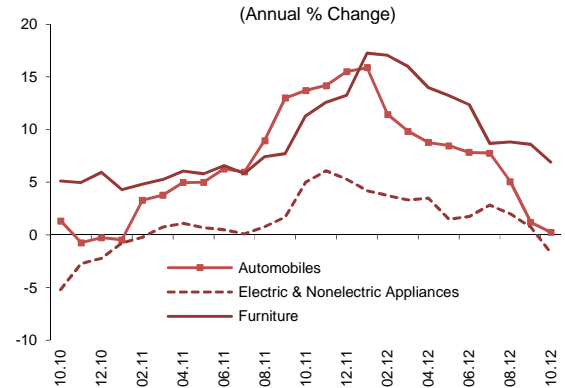
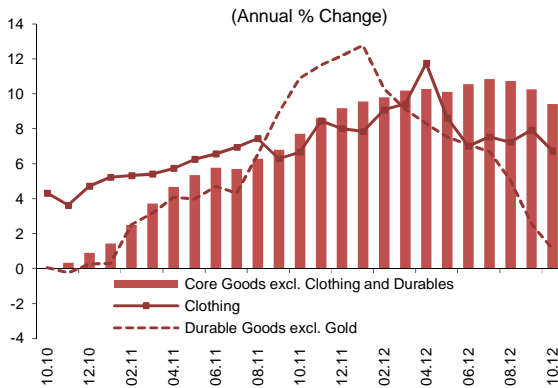
In September, Special Consumption Tax (SCT) rates imposed on fuel oil, automobiles and alcoholic beverages were raised under additional fiscal measures. Moreover, natural gas and electricity tariffs were increased as of October 1. These adjustments are estimated to add 1 to 1.1 percentage points in total to annual inflation.

Prices of services went up 0.74 percent, and the group's annual inflation stood at 7.12 percent. This surge in annual inflation was attributed to the price hikes in communication services via mobile telephone call prices. In fact, annual inflation in the services group excluding communication continued to fall in October as it did in September. Specifically, annual inflation rates in restaurant-hotel and transport services decreased in this period, while that of rents edged up to 5.20 percent. As a result, the underlying trend of seasonally-adjusted prices of services remained mild. On the other hand, the diffusion index for the prices of services maintained its upward trend.

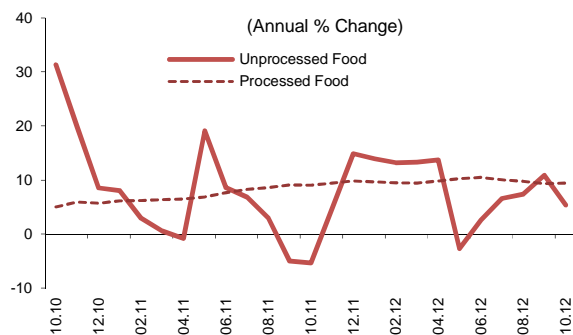
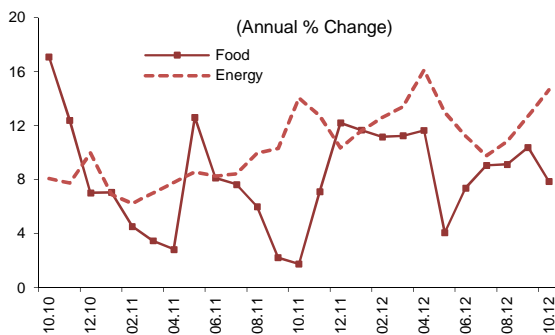
# OCTOBER PRICE DEVELOPMENTS NOVEMBER 6, 2012



As for the core goods group, annual inflation maintained its downward trend in October with a decline by 1.32 percentage points to 5.09 percent. All the main sectors composing this group saw receding annual inflation rates. Price increases in the new season in the clothing group lagged behind those of 2011, while prices of durable goods followed a flat course in October. In subcategories of durable goods, prices of furniture went up by 1.04 percentage points; while that of electrical and non-electrical appliances continued to fall. Automobile prices remained flat in this period. Accordingly, hikes in SCT rates did not bring about a notable change in automobile prices.



Energy prices went up by 5.37 percent on account of the elevated electricity and natural gas tariffs (9.78 and 9.84 percent, respectively) coupled with fuel oil prices (5.88 percent) that soared also due to tax adjustments. Additionally, bottled gas and solid fuel prices besides municipal water tariffs recorded increases in October, albeit with a relatively limited effect. As a result, annual energy group inflation increased by 1.93 percentage points to 14.64 percent in this period.



# OCTOBER PRICE DEVELOPMENTS    NOVEMBER 6, 2012

Annual inflation in food and non-alcoholic beverages group posted a decline by 2.52 percentage points to 7.87 percent. This was driven by the flat course of vegetable prices, which used to surge in this time of past years. In fact, seasonally adjusted unprocessed food prices went down in October, following the upward course since July, and annual inflation in unprocessed food products fell by 5.5 percentage points. Unprocessed meat prices recorded a decline on a monthly basis as well, while milk prices continued to soar.

Monthly rate of price increase in the processed food group continued with an upward trend and the group's prices went up by 1.26 percent in October. Reverberations of the rise in wheat prices are apparent through the ongoing price increases in the bread and cereals group. Furthermore, prices of processed food products excluding bread and cereals trended considerably upwards. Particularly, prices of cheese and other dairy products as well as processed meat products recorded a spurt (3.54 and 1.91 percent, respectively), while those of fats and oils, which recently had a downward trend, posted an increase. As a result, annual processed food inflation went up to 9.42 percent in October.

	Monthly Percent Change		Annual Percent Change	
	Oct. 2012	Oct. 2011	Oct. 2012	Oct. 2011
<b>CPI</b>	<b>1.96</b>	<b>3.27</b>	<b>7.80</b>	<b>7.66</b>
<b>1. Goods</b>	<b>2.43</b>	<b>4.26</b>	<b>8.02</b>	<b>8.04</b>
Energy	5.37	3.61	14.64	14.05
Food and nonalcoholic beverages	1.66	4.04	7.87	1.76
Unprocessed food	2.22	7.56	5.35	-5.34
Fresh fruits and vegetables	6.77	18.06	12.67	-19.62
Other unprocessed food	-0.60	2.01	0.72	5.80
Processed food	1.26	1.17	9.42	9.05
Bread and cereals	0.79	0.37	10.80	8.05
Other processed food	1.55	1.61	8.55	9.61
Goods excluding energy and food	1.62	4.75	5.04	11.09
Core goods	1.86	3.13	5.09	8.77
Durable goods	0.10	0.80	1.23	14.09
Durable goods (excluding gold)	0.04	1.48	1.12	10.89
Alcoholic beverages and tobacco	0.48	14.11	4.68	15.05
Gold	1.06	-5.86	2.93	59.04
<b>2. Services</b>	<b>0.74</b>	<b>0.56</b>	<b>7.12</b>	<b>6.63</b>
Rents	0.67	0.52	5.20	4.60
Restaurants and hotels	0.67	1.00	9.39	8.28
Transport	0.86	1.12	8.86	9.77
Communication	1.56	0.00	6.08	3.32
Other*	0.35	0.26	6.40	7.00
<b>3. Core Measures</b>				
CPI excluding unprocessed food, alcoholic beverages and tobacco	2.02	1.92	8.17	9.51
SCA-H	1.29	1.70	6.78	7.98
SCA-I	1.27	1.81	6.11	7.67

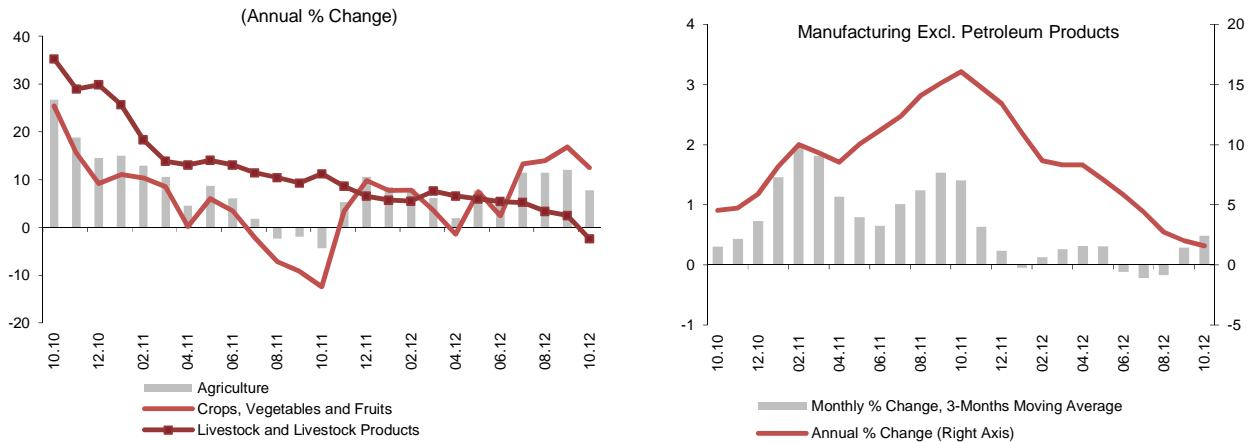
Source: TurkStat, CBRT.

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

# OCTOBER PRICE DEVELOPMENTS NOVEMBER 6, 2012

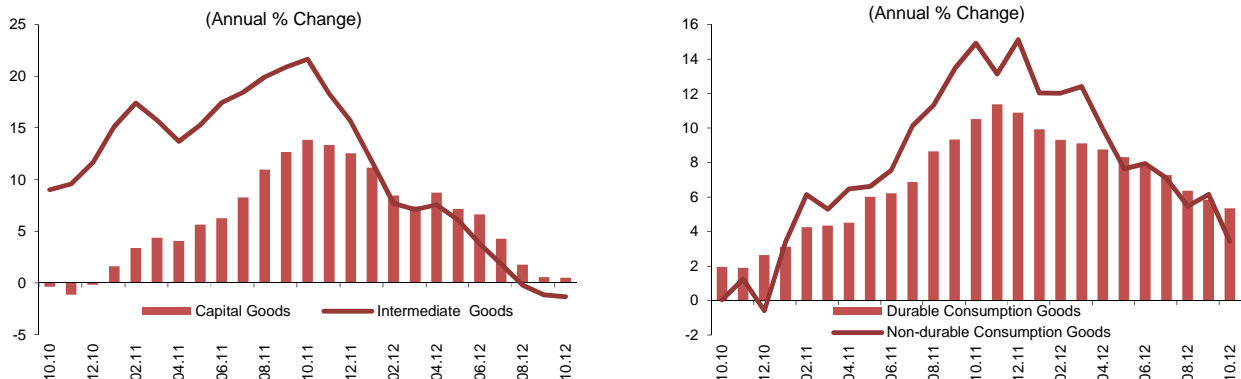
## ...PPI...

Producer prices were up by 0.17 percent, while annual inflation fell by 1.46 percentage points to 2.57 percent in October. Seasonally adjusted agricultural prices receded in this period, which was led by price developments in fruits and vegetables. Hikes in some agricultural products were noticeable in this period. Particularly, domestic wheat prices, which soared by 12.2 percent in the last five months, hit historically high levels. Cotton and tobacco prices also posted an upsurge. A flat course in livestock prices were seen, while month-on-month increase in milk prices gained pace in October.



The decline in commodity prices led the manufacturing industry prices to go up by 0.37 percent in October. On the back of international developments, prices of petroleum products decreased and metal prices maintained the downward course in this period. Monthly and annual inflation rates of manufacturing prices excluding these products posted a decline.

Main Industrial Groupings (MIGS) suggest that prices edged down in durable goods, yet increased in other groups. Hikes in producer prices of non-durable goods, which became the greatest contributors to the rise in manufacturing prices in October, were mainly attributed to the increase in the prices of dairy products. Prices of capital goods rose mainly on the prices of engines and engine parts, while those of intermediate goods were curtailed by the decline in iron-steel prices. The fall in television prices accounted for the decrease in the prices of durable goods. As a result, having recorded a historically-low increase by 1.82 percent since the beginning of the year, manufacturing goods prices pointed that pressures led by the manufacturing industry on consumer prices remained on a mild track in this period.



# OCTOBER PRICE DEVELOPMENTS NOVEMBER 6, 2012

## ...TABLES

October CPI and Subcategories (Percent Change)					
	Weight	2012		2011	
		Monthly	Annual	Monthly	Annual
CPI	100	1.96	7.80	3.27	7.66
Food and nonalcoholic beverages	26.22	1.66	7.87	4.04	1.76
Alcoholic beverages and tobacco	5.21	0.48	4.68	14.11	15.05
Clothing and footwear	6.87	6.81	6.75	7.99	6.64
Housing	16.44	3.31	11.75	3.59	8.85
Household equipment	7.45	0.50	6.97	1.61	10.49
Health	2.29	0.04	1.83	0.03	0.24
Transport	16.73	2.06	6.46	0.61	14.35
Communication	4.60	1.30	5.82	0.57	4.23
Recreation and culture	2.98	-0.20	3.31	1.08	5.05
Education	2.18	0.28	4.70	0.24	6.40
Restaurants and hotels	5.63	0.67	9.39	1.00	8.28
Miscellaneous goods and services	3.40	0.78	10.70	-0.96	18.05

Source: TurkStat.

October PPI and Subcategories (Percent Change)					
	Weight	2012		2011	
		Monthly	Annual	Monthly	Annual
PPI	100	0.17	2.57	1.60	12.58
Agriculture	17.21	0.02	7.81	3.99	-4.39
Crops, fruits and vegetables	11.76	-0.26	12.52	3.57	-12.40
Livestock and animal products	4.73	0.83	-2.39	5.85	11.24
Industry	82.79	0.21	1.59	1.16	16.56
Mining	3.09	-0.12	5.56	2.62	21.96
Manufacturing	70.83	0.37	1.68	0.86	17.93
Manufacturing excluding petroleum	68.22	0.44	1.59	0.85	16.07
Manufacturing excluding petroleum and base metals	62.07	0.60	2.87	1.14	13.82
Electricity, gas and water	8.87	-1.01	-0.32	3.34	3.53

Source: TurkStat, CBRT.

PPI by MIGS (Monthly Percent Change)														
	Oct.11	Nov.11	Dec.11	Jan.12	Feb.12	Mar.12	Apr.12	May.11	Jun.12	Jul.12	Aug.12	Sept.12	Oct.12	Annual
Intermediate goods	0.40	-1.63	0.50	-0.16	-1.01	1.04	0.45	-0.02	-0.80	-0.58	0.02	0.64	0.21	-1.36
Capital goods	0.59	-0.55	0.09	0.38	-0.36	0.57	0.21	-0.55	0.17	-0.22	-0.15	0.39	0.51	0.48
Durable goods	2.53	-0.36	0.35	0.85	1.70	-0.19	-1.55	-1.21	1.32	-0.08	0.02	2.71	-0.09	3.44
Nondurable goods	1.25	0.91	0.28	-0.27	1.06	0.64	0.26	0.56	-0.78	0.40	0.54	0.87	0.76	5.34
Energy	2.61	1.20	1.66	1.85	-3.17	0.44	0.59	-0.82	-0.52	-1.98	2.06	1.50	-0.93	1.74

Source: TurkStat, 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.