

SEPTEMBER PRICE DEVELOPMENTS OCTOBER 4, 2013

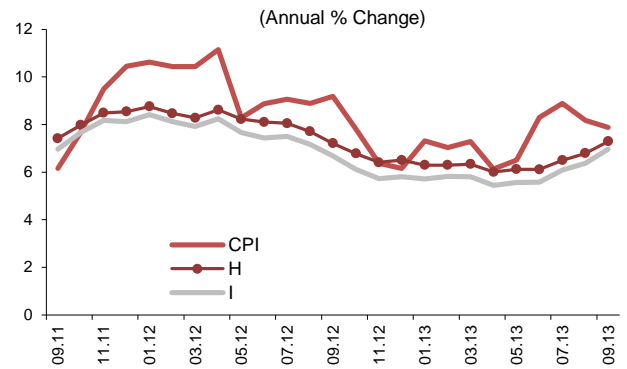
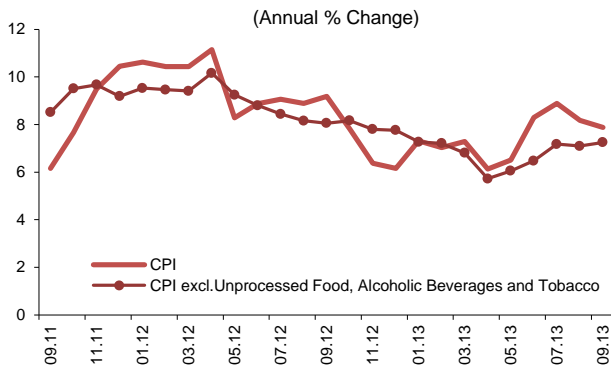
SUMMARY...

In September, annual consumer price inflation receded to 7.88 percent. Annual inflation continued with a downward trend due to the unprocessed food and energy prices as also underlined in the Summary of the Monetary Policy Committee Meeting. Meanwhile, core inflation indicators displayed an increase driven by the depreciation in the Turkish lira. Inflation is projected to decline further in the upcoming months.

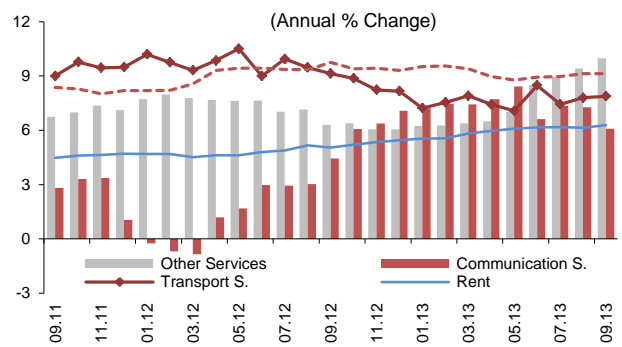
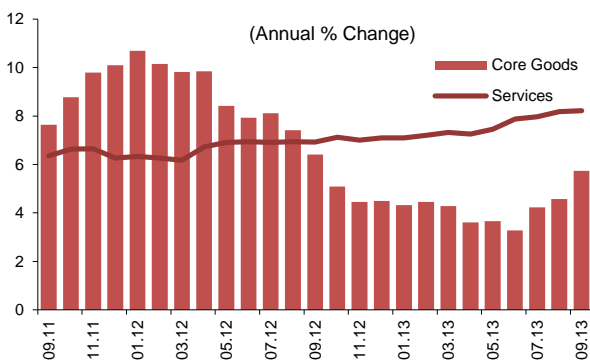
...EVALUATIONS...

In September, consumer prices increased by 0.77 percentage points, while annual inflation receded to 7.88 percent. The annual rate of increase in the SCA-H and SCA-I indices edged up by 0.50 and 0.59 percentage points on a monthly basis and became 7.29 percent 6.96 percent, respectively.

Among subgroups, the contribution from the food and energy groups to the annual CPI inflation recorded a month-on-month decline by 0.38 and 0.17 percentage points, respectively. The contribution from the services groups to annual inflation did not record a notable change in August.

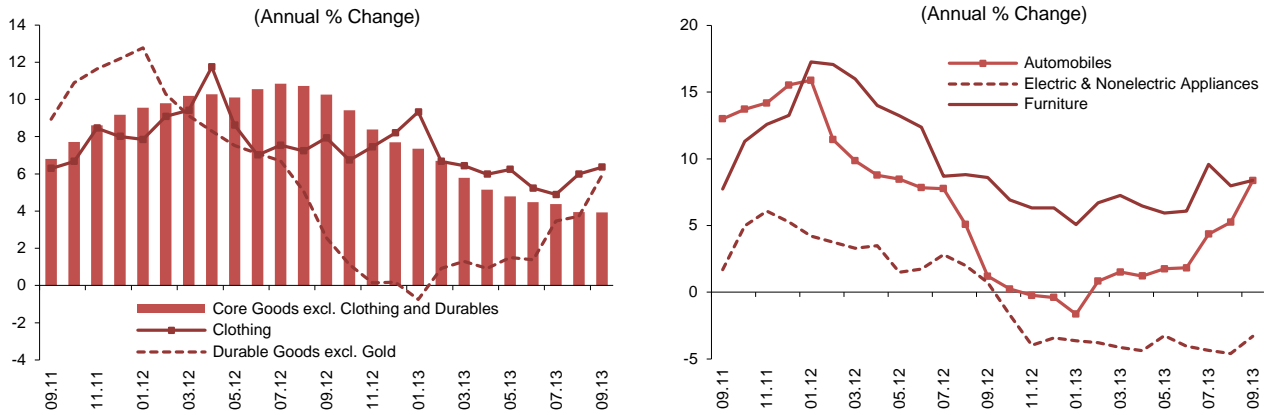


Prices of services went up by 0.90 percent in September, and the group's annual inflation edged up to 8.22 percent on a monthly basis. Annual inflation, which remained flat in restaurants-hotels and transport groups on a monthly basis, registered a gradual increase in rents. The rise in the services group prices in this period was triggered by the private college tuitions. The seasonally-adjusted data indicate that the underlying trend in services inflation maintained its high level in September.

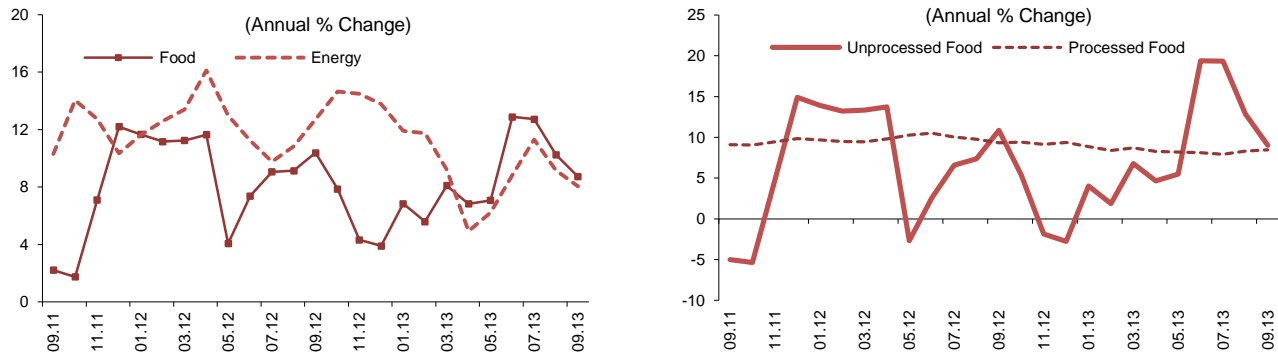


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As for the core goods group, annual inflation went up by 1.16 percentage point to 5.74 percent in September. This rise was mainly attributed to the prices of durable consumption goods being affected by the depreciation of the Turkish lira. Parallel to rising prices across the group from July, the group's annual inflation climbed to 5.92 percent. Price hikes in automobiles and white goods were striking in this group. The clothing group prices fell more than seasonal averages in September. Against this background, the increase in annual inflation in core goods prices was mainly driven by the lagged effects of exchange rate developments.



Energy prices rose by 1.38 percent in September, which was driven by soaring domestic fuel and bottled gas prices by 2.82 and 4.68 percent, respectively, due to the depreciation of the Turkish lira. Consequently, the group's annual inflation went down by 1.12 percentage points to 8.04 percent, particularly owing to the base effect in bottled gas and fuel prices.



Annual inflation in the food and non-alcoholic beverages group receded by 1.52 percentage points to 8.73 percent. This decline was attributed to the unprocessed food prices, which was mainly driven by declining prices of fresh fruits and white meat. As a result, annual inflation in the unprocessed food group tumbled by 3.85 percentage points to 9.02 percent in September. Processed food prices, on the other hand, rose by 1.07 percent, and the group's annual inflation crept up to 8.48 percent. While the annual inflation rate decreased further in the bread and cereals group, other processed food prices went up due to the prices of meat, cheese and other dairy products.

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	Monthly Percent Change		Annual Percent Change	
	Sep.2013	Sep.2012	Sep.2013	Sep.2012
CPI	0.77	1.03	7.88	9.19
1. Goods	0.71	1.09	7.74	9.96
Energy	1.38	2.43	8.04	12.71
Food and nonalcoholic beverages	0.74	2.14	8.73	10.39
Unprocessed food	0.32	3.87	9.02	10.85
Fresh fruits and vegetables	0.84	6.69	12.89	24.59
Other unprocessed food	0.00	2.19	6.45	3.36
Processed food	1.07	0.92	8.48	9.32
Bread and cereals	0.48	1.08	10.43	10.34
Other processed food	1.44	0.82	7.31	8.61
Goods excluding energy and food	0.41	-0.36	6.81	8.27
Core goods	0.42	-0.68	5.74	6.41
Durable goods	1.77	0.02	4.79	1.95
Durable goods (excluding gold)	1.71	-0.40	5.92	2.58
Alcoholic beverages and tobacco	0.02	0.29	15.69	18.88
Gold	2.93	8.25	-12.56	-4.12
2. Services	0.90	0.87	8.22	6.93
Rents	0.62	0.48	6.29	5.05
Restaurants and hotels	1.48	1.48	9.13	9.74
Transport	1.43	1.36	7.87	9.14
Communication	0.26	1.38	6.10	4.45
Other*	0.68	0.16	9.98	6.29
3. Core Measures				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.87	0.72	7.25	8.06
SCA-H	0.75	0.28	7.29	7.21
SCA-I	0.67	0.12	6.96	6.68

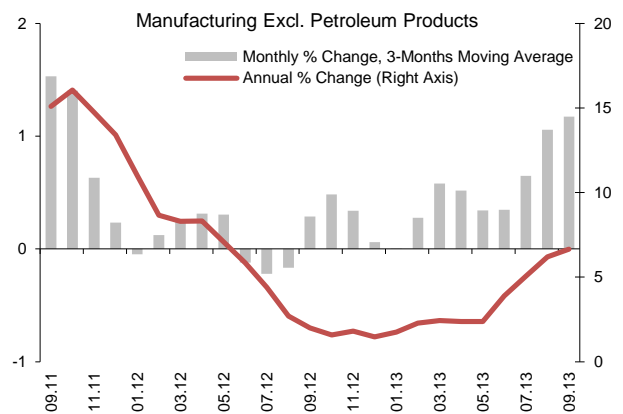
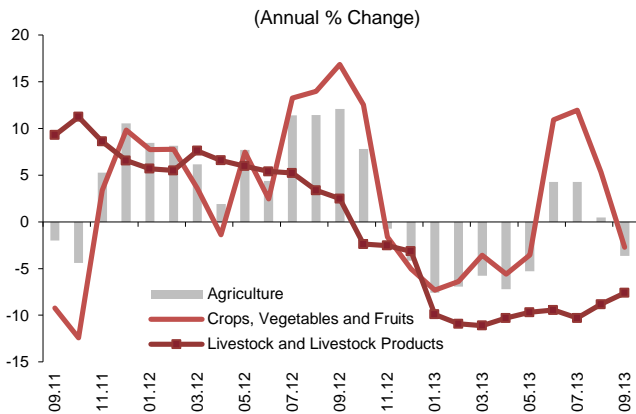
Source: TurkStat, CBRT.

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

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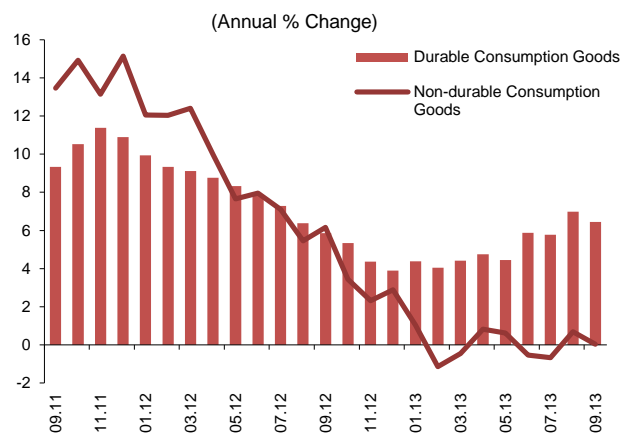
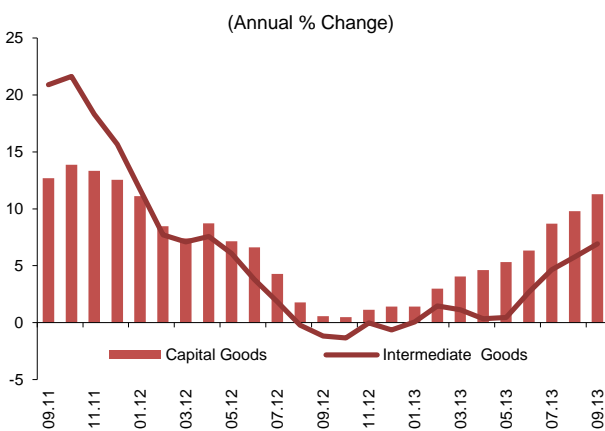
...PPI...

Producer prices edged up by 0.88 percent, and the group's annual inflation receded to 6.23 percent in September. While manufacturing industry prices soared by 1.48 percent, tumbling agricultural prices by 2.78 percent restrained the rise in producer prices. In this group, prices of crops, vegetables and fruits recorded a decline by 4.18 percent, whereas livestock prices exhibited an increase by 2.03 percent.



The recent depreciation of the Turkish lira remained influential on all the subgroups of the manufacturing industry. Notable increases were seen in manufacturing prices of textiles, paper and paper products and petroleum products. Meanwhile, the annual rate of increase in the manufacturing industry excluding oil and base metal prices displayed a limited rise to 6.79 percent in comparison with the previous month.

Main Industrial Groupings (MIGS) suggest that all groups saw elevated prices in September, while the most notable price hikes were seen in intermediate goods, capital goods and durable consumption goods. Prices of iron, steel-iron alloys, plastic products and textile yarn pushed up the prices of intermediate goods. Price hikes in capital goods, on the other hand, were triggered by the prices of special-purpose metal construction materials and motor vehicles. The most remarkable rise in durable consumption goods was witnessed in jewelry and furniture prices. As for the non-durable goods, prices went up due to the prices of other food products and processed fruits and vegetables. However, this rise was contained by the decline of 3.18 percent in prices of meat and meat products. As a result, annual inflation in the manufacturing industry posted a month-on-month increase by 0.57 percentage points to 6.66 percent.



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...TABLES

September CPI and Subcategories (Percent Change)					
	Weight	2013		2012	
		Monthly	Annual	Monthly	Annual
CPI	100	0.77	7.88	1.03	9.19
Food and nonalcoholic beverages	24.09	0.74	8.73	2.14	10.39
Alcoholic beverages and tobacco	5.07	0.02	15.69	0.29	18.88
Clothing and footwear	6.83	-2.28	6.39	-2.62	7.92
Housing	16.68	0.69	7.35	0.82	12.05
Household equipment	7.28	0.77	4.52	0.24	8.15
Health	2.22	0.16	3.07	0.05	1.83
Transport	17.99	1.99	9.16	1.65	4.96
Communication	4.64	0.08	4.45	1.54	5.05
Recreation and culture	2.95	0.35	2.94	0.09	4.64
Education	1.91	2.52	10.14	-1.19	4.66
Restaurants and hotels	6.18	1.48	9.13	1.48	9.74
Miscellaneous goods and services	4.16	0.94	3.40	2.26	8.80

Source: TurkStat.

September PPI and Subcategories (Percent Change)					
	Weight	2013		2012	
		Monthly	Annual	Monthly	Annual
PPI	100	0.88	6.23	1.03	4.03
Agriculture	16.34	-2.78	-3.66	1.40	12.09
Crops, fruits and vegetables	10.76	-4.18	-2.73	3.75	16.84
Livestock and animal products	4.87	2.03	-7.61	0.68	2.47
Industry	83.66	1.58	8.26	0.95	2.55
Mining	3.06	1.78	11.12	1.52	8.45
Manufacturing	72.14	1.48	6.66	0.94	2.18
Manufacturing excluding petroleum	69.53	1.30	6.66	0.86	2.00
Manufacturing excluding petroleum and base metals	62.81	1.22	6.79	0.98	3.43
Electricity, gas and water	8.46	2.58	16.34	0.92	4.06

Source: TurkStat, CBRT.

PPI by MIGS (Monthly Percent Change)														
	Sept.12	Oct.12	Nov.12	Dec.12	Jan.13	Feb.13	Mar.13	Apr.13	May.13	Jun.13	Jul.13	Aug.13	Sep.13	Annual
Intermediate goods	0.64	0.21	-0.30	-0.12	0.55	0.37	0.73	-0.34	0.08	1.38	1.33	1.10	1.74	6.91
Capital goods	0.39	0.51	0.09	0.36	0.40	1.19	1.61	0.76	0.12	1.14	1.98	0.86	1.74	11.27
Durable goods	2.71	-0.09	-1.44	0.92	-0.97	-0.49	0.51	-0.29	-1.40	0.15	-0.22	1.39	2.03	0.03
Nondurable goods	0.87	0.76	-0.03	-0.17	0.19	0.74	1.00	0.58	0.27	0.56	0.31	1.68	0.37	6.45
Energy	1.50	-0.93	18.27	-0.48	0.33	-7.34	1.17	-2.08	0.46	1.65	2.14	-1.11	3.23	14.35

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.