

JANUARY PRICE DEVELOPMENTS



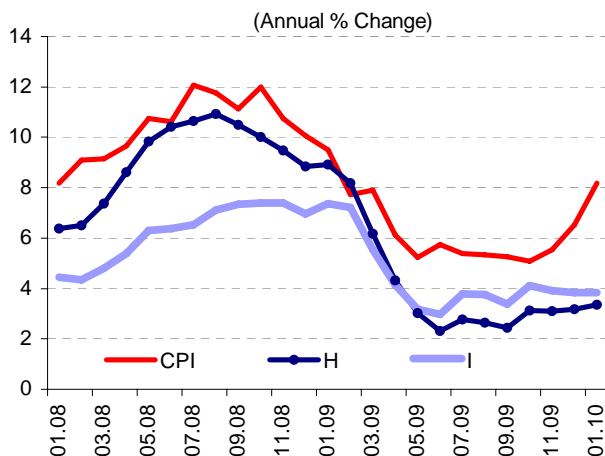
Central Bank of Turkey

February 4, 2010

SUMMARY...

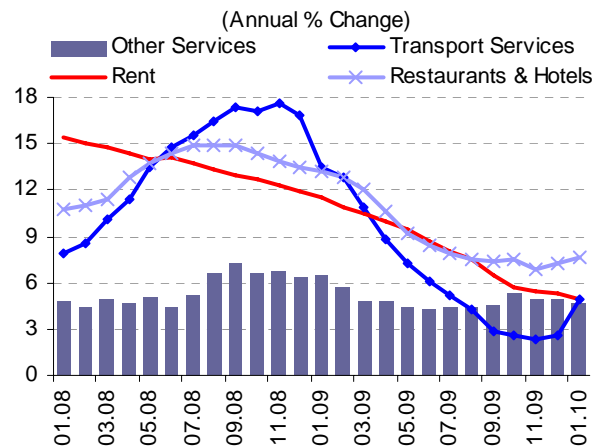
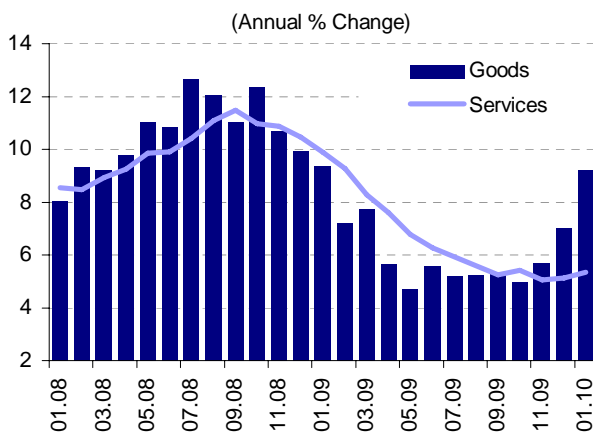
In January, consumer prices increased by 1.85 percent, driving inflation up by 1.66 percentage points to 8.19 percent year-on-year. As stated in previous bulletins, the increase in annual inflation was largely attributable to the government's price/tax adjustments and energy price developments. On the other hand, the rate of increase in prices of services and other core inflation indicators remained consistent with medium-term targets. On balance, annual inflation is expected to rise sharply in February due to low base effects from a year ago and the fact that the impact of the tobacco price hike to CPI is measured on a daily basis, while core inflation indicators may accelerate modestly but continue to hover at low levels.

...EVALUATIONS...



In January, consumer prices were up 1.85 percent, driving inflation up by 1.66 percentage points to 8.19 percent year-on-year. The rate of increase in the CPI index excluding energy, unprocessed food, alcoholic beverages, tobacco and gold (SCA-H) rose slightly to 3.36 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) remained unchanged at 3.83 percent year-on-year.

Prices were up 2.23 and 0.79 percent, respectively, in goods and services. Accordingly, annual inflation rose to 9.20 and 5.35 percent in goods and services, respectively.



Annual services inflation rose modestly in January on the back of rising prices for transport services and restaurants/hotels. However, in seasonally adjusted terms, prices of services remained moderate. In particular, the annual rate of increase in rents continued to trend downward, to a historic low of 4.91 percent.

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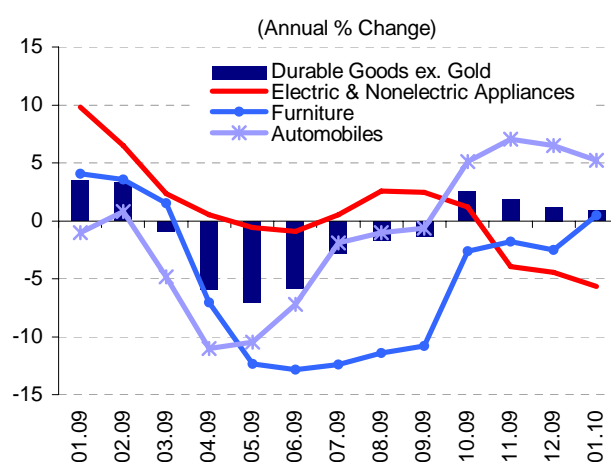
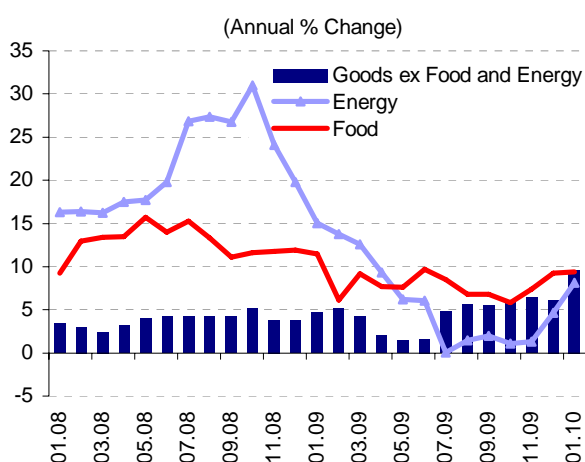


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Fuel and bottled gas prices jumped 8.34 and 6.95 percent, respectively, in January owing to the readjusted tax rates. Moreover, the government's price adjustments drove electricity and tap water rates higher. Accordingly, energy prices soared by 3.94 percent month-on-month, while annual energy inflation rose to 8.13 percent. Base effects are expected to have further upward pressure on annual energy inflation in coming months.

In goods excluding energy and food, prices increased by 2.04 percent in January due to the tax-driven climb in prices of alcoholic beverages and tobacco (up 22.04 percent). In clothing, annual inflation remained virtually unchanged month-on-month, whereas in durable goods (excluding gold), it continued to fall. Gold prices, on the other hand, dropped by 2.1 percent.



In the durable goods (excluding gold) category, prices increased by 1.01 percent in January, on the back of rising automobile and furniture prices (up 1.75 and 1.34 percent, respectively). Annual inflation continued to decline in electric and non-electric appliances and automobiles, but went up in furniture.

	Monthly Percentage Change		Annual Percentage Change	
	January 2010	January 2009	January 2010	January 2009
CPI	1.85	0.29	8.19	9.50
1. Goods	2.23	0.18	9.20	9.37
Energy	3.94	0.58	8.13	15.02
Unprocessed Foods	2.53	3.47	18.27	8.41
Processed Food	0.74	-0.16	1.96	14.31
Goods excl. Energy and Food	2.04	-1.21	9.64	4.74
Durable Goods	0.79	1.72	2.81	5.63
ex. Gold	1.01	1.29	0.93	3.46
Semi-Durable Goods	-0.14	-1.78	6.30	10.24
Non-Durable Goods	4.35	1.22	13.19	9.82
2. Services	0.79	0.59	5.35	9.89
Rents	0.40	0.75	4.91	11.49
Restaurants and Hotels	1.11	0.78	7.66	13.19
Transport	1.50	-0.76	4.87	13.52
Other	0.60	0.91	4.64	6.46

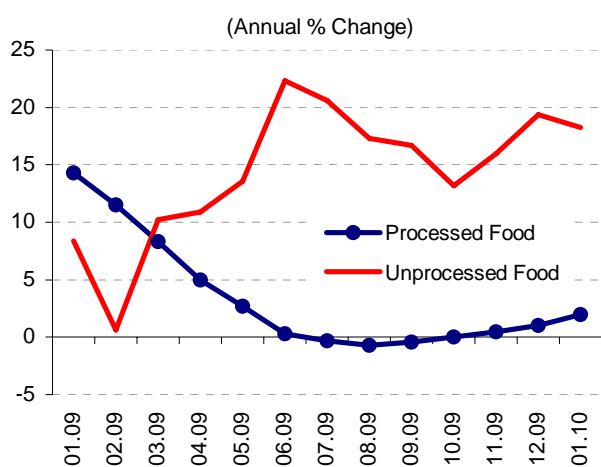
Source: TURKSTAT, CBRT

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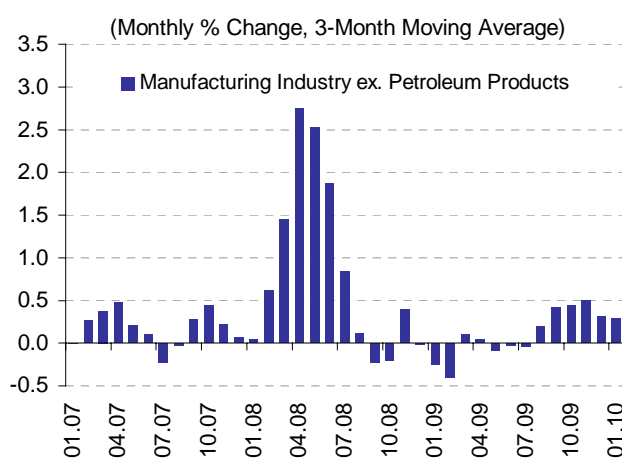
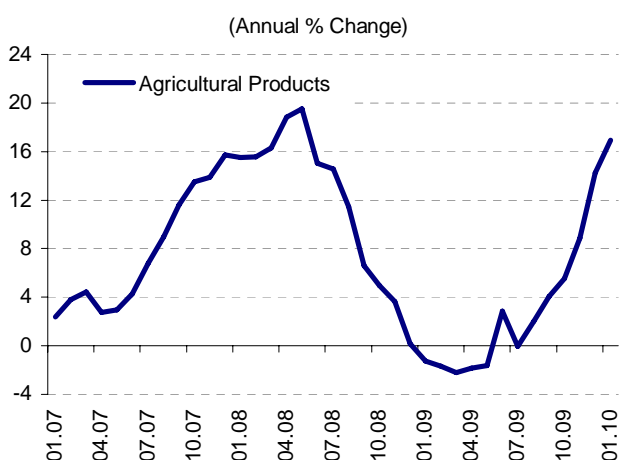
In the unprocessed food category, prices were up 2.53 percent in January. Price hikes in fresh fruits and vegetables were more moderate than in previous years, whereas meat prices continued to soar. Thus, the annual rate of increase in unprocessed food prices slowed by about 1 percentage point. Meanwhile, annual processed food inflation remained on the rise due to higher meat and dairy prices. Accordingly, inflation in food and non-alcoholic beverages climbed to 9.38 percent year-on-year. It should be noted that the annual rate of increase in processed food prices is likely to accelerate in February owing to base effects.

The readjusted tax rates on some energy items and services as well as on alcoholic beverages and tobacco, effective January, had a higher-than-expected direct impact on January inflation, of about 1.7 percentage points, due to the increased share of these items (especially tobacco) in the consumption basket. As their impact on CPI is measured on a daily basis, changes in tobacco prices are expected to add about 0.2 percentage points to inflation in February.

...PPI...

In January, producer prices increased by 0.58 percent month-on-month and 6.30 percent year-on-year. The rise in the annual rate of increase was mainly attributable to the agricultural products, with inflation climbing to 16.96 percent year-on-year.

Producer prices for petroleum products increased markedly. In the manufacturing industry excluding petroleum products, however, prices barely changed month-on-month, bringing inflation down to 2.27 percent year-on-year.



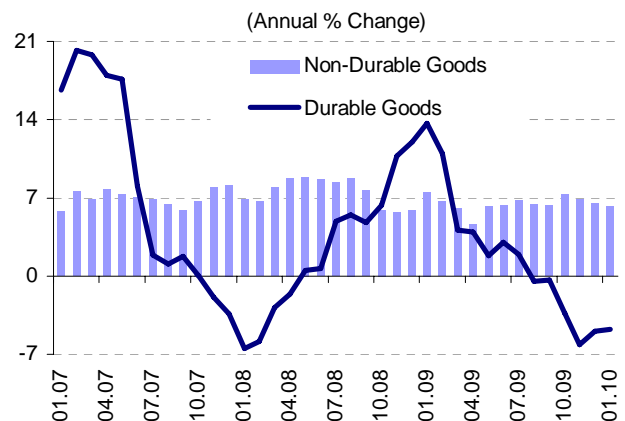
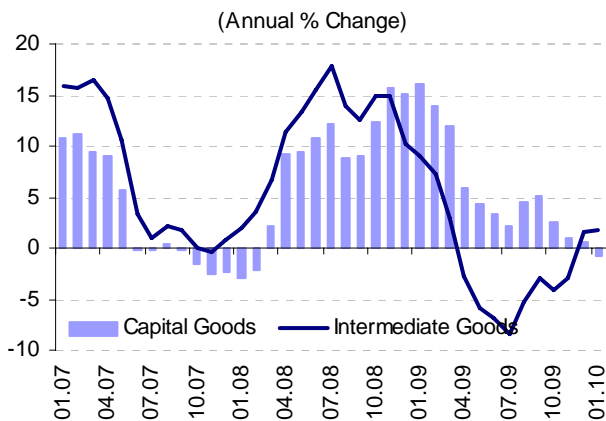
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On the intermediate goods side, prices advanced on rising producer prices for base metals in January. Despite higher producer prices for motor vehicles, prices of capital goods declined on falling producer prices for special-purpose machinery as well as for electric motors, generators and transformers. On the durable goods side, prices fell month-on-month thanks to producer prices for furniture, while annual inflation picked up modestly due to base effects. Prices of non-durable goods were influenced by prices of dairy production. In sum, producer prices continued to moderate in January.



Changes in PPI based on MIGS Classification

Monthly Percentage Change

	Jan.09	Feb.09	Mar.09	Apr.09	May.09	Jun.09	Jul.09	Aug.09	Sep.09	Oct.09	Nov.09	Dec.09	Jan.10	Annual
Intermediate goods	0.04	-0.02	0.21	-0.89	-1.24	0.54	-0.23	0.81	1.16	-0.41	0.63	0.89	0.28	1.73
Capital goods	1.23	-0.57	1.04	0.83	-1.75	-0.66	-0.42	-0.24	0.61	0.03	0.67	-0.15	-0.16	-0.79
Durable goods	-0.56	-1.47	-3.60	0.60	0.45	0.90	1.03	-0.85	-0.26	-1.63	-0.01	0.43	-0.36	-4.77
Non-durable goods	0.40	0.81	0.29	0.75	1.19	0.06	0.40	0.13	0.91	1.23	0.20	-0.02	0.12	6.23
Energy	-0.01	6.32	1.23	0.34	-3.31	3.51	-1.36	1.54	-0.54	-0.12	4.31	0.25	0.54	13.07

Source: TURKSTAT, CBRT.

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... TABLES

January CPI and Sub-Items (Percentage Change)					
	Weight	2010		2009	
		Monthly	Annual	Monthly	Annual
CPI	100	1.85	8.19	0.29	9.50
Food and nonalcoholic beverages	27.60	1.58	9.38	1.46	11.51
Alcoholic beverages and tobacco	5.31	22.04	47.54	0.01	0.34
Clothing and footwear	7.30	-8.20	3.42	-8.23	0.64
Housing	16.83	1.51	3.14	0.70	18.67
Household equipment	6.78	0.71	-1.69	-0.29	9.38
Health	2.55	-0.11	2.18	0.15	1.99
Transport	13.90	3.53	10.74	0.87	1.90
Communication	4.94	-0.24	2.28	0.80	5.51
Recreation and culture	2.83	-0.27	6.67	1.84	10.10
Education	2.48	0.07	5.55	-0.01	7.29
Restaurants and hotels	5.51	1.11	7.66	0.78	13.19
Miscellaneous goods and services	3.97	0.23	10.44	3.23	12.34

Source: TURKSTAT

January PPI and Sub-Items (Percentage Change)					
	Weight	2010		2009	
		Monthly	Annual	Monthly	Annual
PPI	100	0.58	6.30	0.23	7.90
Agriculture	17.07	2.54	16.96	0.14	-1.27
Industry	82.93	0.18	4.07	0.25	10.20
Mining	2.62	1.26	13.52	-1.36	14.92
Manufacturing	72.95	0.22	5.46	-0.03	6.31
Electricity, gas and water	7.36	-0.62	-14.59	4.14	63.87

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.