

OCTOBER PRICE DEVELOPMENTS



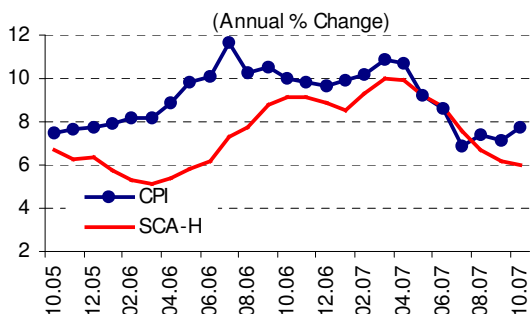
Central Bank of the Republic of Turkey

5 November 2007

SUMMARY...

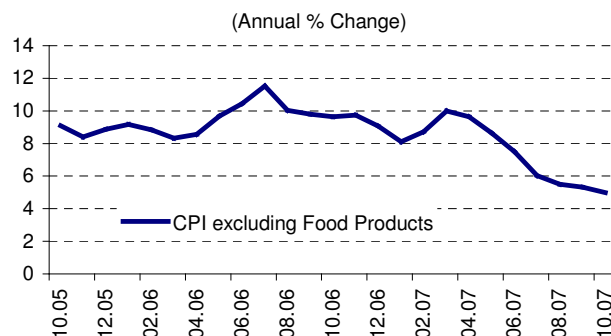
In October, consumer prices rose by 1.81 percent in response to soaring food prices, bringing annual inflation up to 7.70 percent. The changes in prices of durable goods and services suggest that the lagged impact of monetary tightening is still felt. As a matter of fact, despite the rapid rise in processed food prices, core inflation indicators continued to moderate. The adjustments in administered prices might put an upward pressure on inflation in the short run, but it is estimated that it will then slow down again.

...EVALUATIONS...

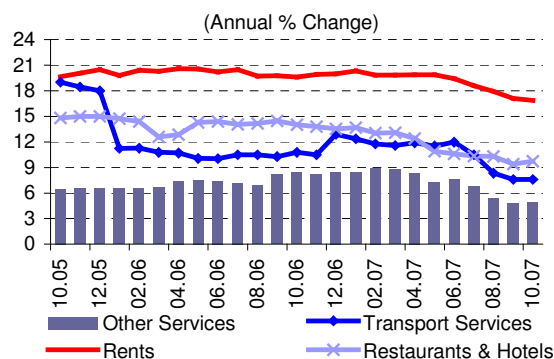
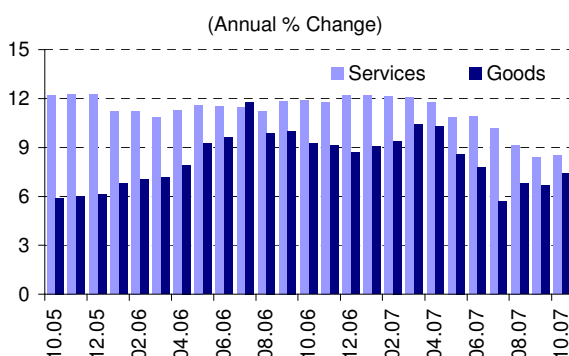


Annual consumer inflation spiked on higher food prices in October. The annual rate of increase of the special CPI aggregate excluding energy, unprocessed food, alcoholic beverages, tobacco products and gold (SCA-H) continued to decelerate, albeit at a slower pace.

Higher food prices put some upward pressure on consumer inflation, but non-food consumer inflation edged lower to 5 percent in October from 9 percent at end-2006.



Prices of goods and services rose by 2.09 percent and 1.06 percent, respectively. Annual inflation in goods increased to 7.41 percent, and in services, to 8.53 percent.



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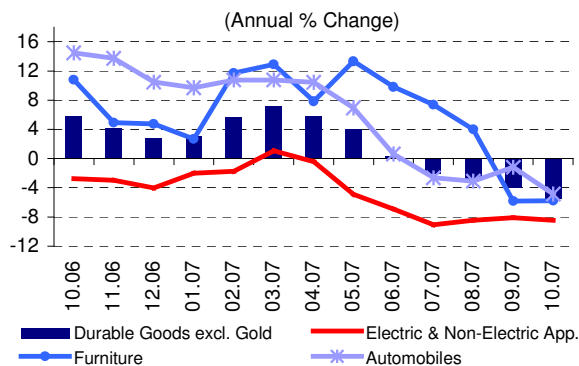
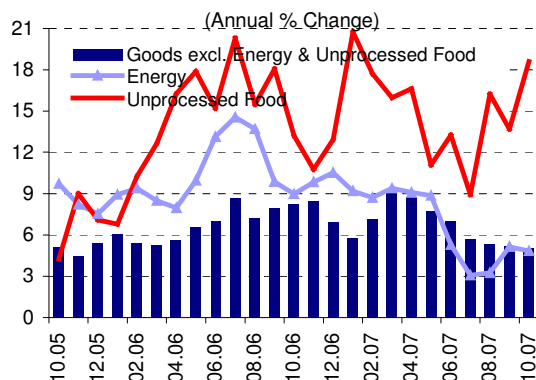
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Annual services inflation stopped slowing in October as the annual inflation rate for restaurants-hotels and communications increased. Prices of restaurants-hotels have been broadly influenced by the rapidly rising food prices and the resulting high catering prices. The annual inflation in rents continues to fall, while education and health services have seen the lowest annual rate of increase since base year 2003. In sum, prices for all services except for catering services continue to moderate.

The favorable prices of clothing-footwear and durables further lowered the annual rate of increase in prices of goods excluding energy and unprocessed food to 5.04 percent. Yet, accelerating prices of processed food kept the group's prices from falling even lower.

Thanks to the continued strengthening of the Turkish lira, the steep rise in world oil prices in September and October did not affect domestic fuel prices. In fact, energy prices saw only a slight increase of 0.10 percent, lowering the group's annual inflation rate to 4.82 percent. However, the new water supply tariffs effective of November 1, 2007 in Istanbul and the raised Special Consumption Tax (SCT) on fuel products are expected to affect energy prices and November price developments.

Besides, it should be noted that the amended rate of SCT on tobacco products might also raise November inflation.



Monetary tightening continues to add pressure on prices of durables (excluding gold) that fell by 1.29 percent in October compared with a month ago. Prices of automobiles went down by 2.10 percent, whereas prices of electric and non-electric equipment fell by only 1.18 percent. Thus, the annual inflation in durables saw an overall decline of 4.2 percentage points in seven months.

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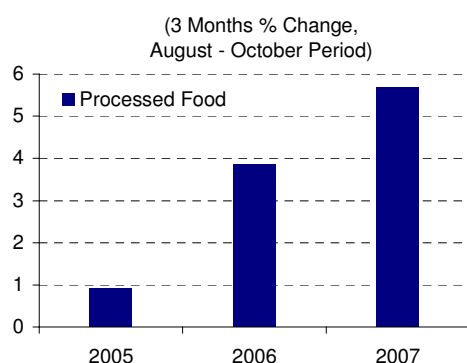
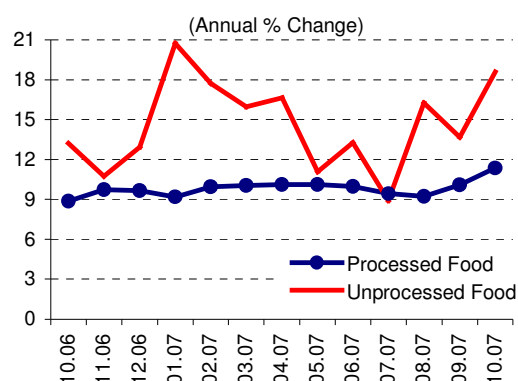
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	Monthly Percentage Change		Annual Percentage Change	
	October 2007	October 2006	October 2007	October 2006
CPI	1.81	1.27	7.70	9.98
1. Goods	2.09	1.40	7.41	9.24
Energy	0.10	0.40	4.82	8.98
Unprocessed Food	4.79	0.47	18.59	13.22
Goods excl. Energy and Unprocessed Food	1.86	2.00	5.04	8.24
Durable Goods	-1.13	-0.02	-4.28	10.54
Durable Goods excl. Gold	-1.29	0.24	-5.47	5.91
Semi-Durable Goods	2.42	3.03	4.32	7.02
Non-Durable Goods	2.65	0.59	12.70	10.55
2. Services	1.06	0.94	8.53	11.90
Rent	1.49	1.66	16.89	19.62
Restaurants and Hotels	1.54	1.21	9.73	14.01
Transport Services	0.97	0.99	7.57	10.77
Other Services	0.62	0.50	4.89	8.35

Source: TÜRKSTAT, CBRT.

Prices of food and non-alcoholic beverages rose by 3.41 percent, increasing in annual terms by 3 percentage points from September to 14.71 percent in October. This marked increase was mainly generated by the unprocessed food prices in October 2006 that were lower than the seasonal average. In addition, the upsurge in prices of pulses resulting from adverse weather conditions raised unprocessed food prices even further. As a result, the annual price increase in unprocessed food amounted to 18.59 percent.



Processed food prices remained elevated, with an annual inflation rate equal to 11.37 percent. This unfavorable outlook for the past three months resulted from temperatures above seasonal norms and continued drought, which we frequently referred to in previous reports. The sharp increase in prices of bread, grains and solid and liquid fats was quite noteworthy.

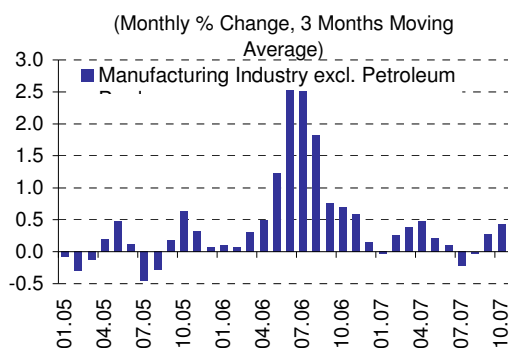
The annual rate of increase in all special aggregates excluding unprocessed food prices decelerated in October. Nevertheless, the impacts of drought on special aggregates via processed food prices curb the downward trend.

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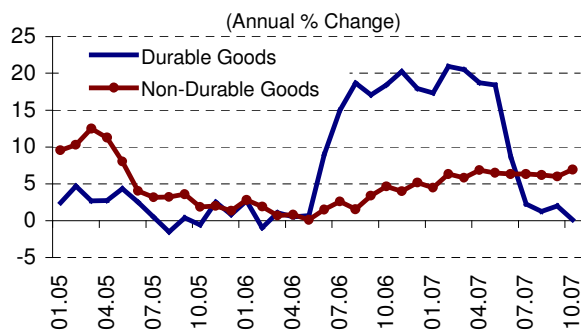
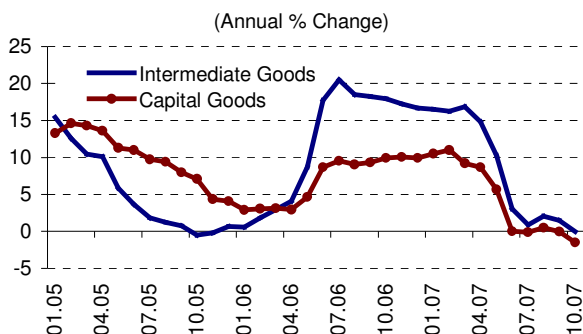
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PPI decreased by 0.13 percent in October to 4.41 percent per annum. Agricultural prices, on the other hand, were up as high as 13.50 percent in annual terms.

Falling prices of the “electricity, gas and water” item lowered industrial prices by 0.47 percent, but the hikes in food, clothing and textile prices kept prices of industrial products from further declines.

According to a PPI analysis based on MIGS classification, prices of all items other than non-durables decreased in October. Prices of non-durables rose on the back of soaring food and beverage prices and price hikes in apparel manufacturing and textiles, and continued to grow in annual terms. Besides, prices of intermediate goods, which are highly susceptible to exchange rate fluctuations, fell by a monthly rate of 1.13 percent, and energy prices dropped as prices of the “electricity, gas and water” item went down.



PPI Developments According to MIGS Classification

	Monthly Percentage Change												
	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07
Intermediate Goods Prices	0.37	-0.34	-0.57	-0.08	0.12	1.24	0.44	0.27	-0.13	-0.63	0.72	0.06	-1.13
Capital Goods Prices	0.91	0.40	0.53	1.11	0.34	-1.41	-0.25	-0.64	-0.93	-0.27	0.43	-0.22	-0.59
Durable Goods Prices	1.85	0.94	-0.43	1.43	0.02	-0.48	-0.49	0.44	-0.46	-2.02	1.01	0.23	-0.02
Non-Durable Goods Prices	0.96	-0.26	0.13	0.03	1.82	-0.30	1.28	-0.38	0.20	0.13	0.13	2.13	1.88
Energy Prices	-2.32	-1.80	1.53	-3.82	0.64	6.04	2.12	-0.54	-1.36	1.84	2.68	-0.32	-2.94

Source: TÜRKSTAT, CBRT.

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...TABLES

October CPI and Sub-Items (Percentage Change)					
	Weight	2007		2006	
		Monthly	Annual	Monthly	Annual
CPI	100	1.81	7.70	1.27	9.98
Food and Non-Alcoholic Beverages	28.47	3.41	14.71	0.76	10.81
Alcoholic Beverages and Tobacco	5.06	0.00	10.06	0.01	10.21
Clothing and Footwear	7.86	8.22	3.80	9.67	2.12
Housing	16.62	0.65	8.30	1.29	13.44
Household Equipments	7.22	0.25	3.17	0.36	9.73
Health	2.66	0.07	2.40	0.21	7.94
Transport	11.60	-0.41	2.86	0.08	8.96
Communication	4.41	-0.02	-3.42	-0.18	1.18
Recreation and Culture	3.16	0.26	-1.23	1.49	8.68
Education	2.15	-0.19	6.07	-0.05	7.96
Restaurants and Hotels	6.40	1.54	9.73	1.21	14.01
Miscellaneous Goods and Services	4.39	1.02	4.51	-0.06	15.30

Source: TÜRKSTAT.

October PPI and Sub-Items (Percentage Change)					
	Weight	2007		2006	
		Monthly	Annual	Monthly	Annual
PPI	100	0.85	3.72	-0.75	12.32
Agriculture	18.17	0.71	8.99	-1.28	11.23
Industry	81.83	0.89	2.55	-0.62	12.33
Mining	1.49	3.31	3.59	0.87	18.53
Manufacturing	74.49	0.60	1.44	-0.69	12.66
Energy	5.85	3.84	18.17	0.03	5.17

Source: TÜRKSTAT.

Price Developments are published within two working days following the announcement of price statistics by the Turkish Statistical Institute (TURKSTAT). Price Developments, which include the 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.