

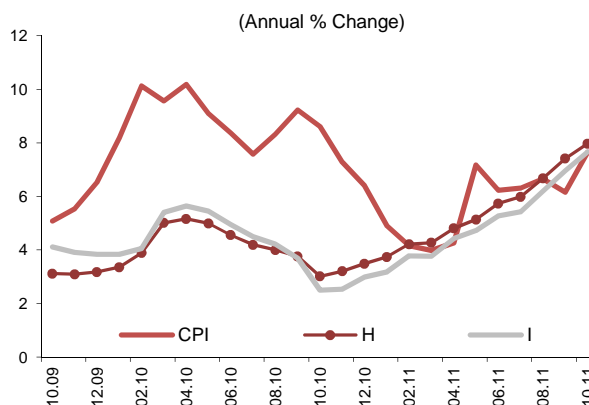
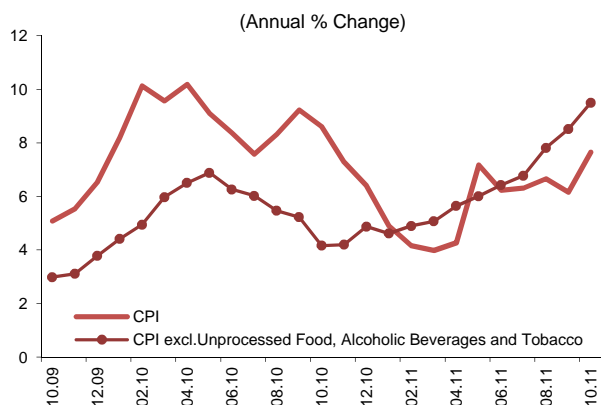
# OCTOBER PRICE DEVELOPMENTS NOVEMBER 4, 2011

## SUMMARY...

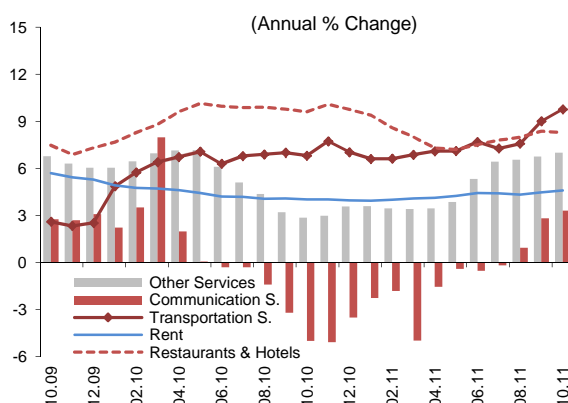
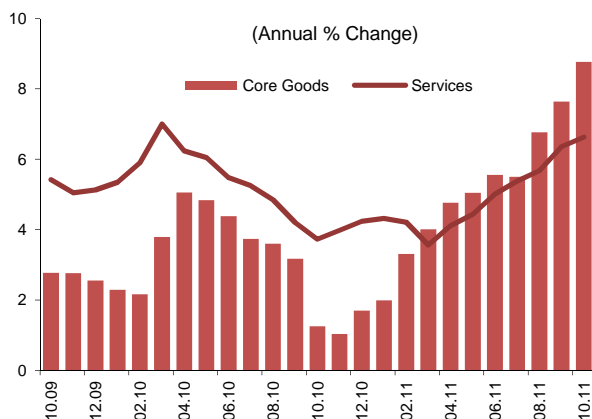
In October, consumer prices and annual inflation went up by 3.27 percent and 7.66 percent, respectively. 1.35 percentage points of this rise stemmed from administered prices. While core inflation indicators continued to increase amid the lagged effects of exchange rate movements, services inflation maintained its relatively mild course. Inflation is expected to continue to rise in the short term and hover around the levels projected in the October Inflation Report at the year-end.

## ...EVALUATIONS...

In October, consumer prices and annual inflation went up by 3.27 percent and 7.66 percent, respectively. The rate of increase in the CPI excluding energy, unprocessed food, alcoholic beverages, tobacco and gold (SCA-H) rose to 7.98 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) amounted to 7.67 percent year-on-year.



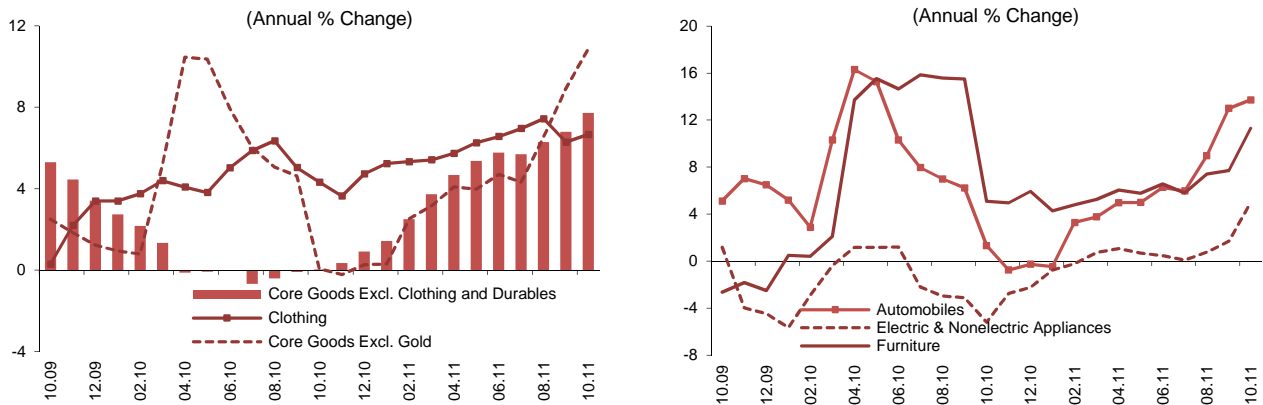
Prices increases in food and administered products besides the depreciation in the Turkish lira were influential in October producer prices. Particularly administered price increases pushed the October inflation up by 1.35 percentage points. SCT rates were raised in some motor vehicles, mobile phones, alcoholic beverages and tobacco products as per the Decision of the Board of Ministers. Among these tax increases, the major contributor of October consumer prices became tobacco products by 0.81 percentage points. Meanwhile, the increase in electricity and natural gas prices pushed the monthly inflation up by 0.5 percentage points. It should be noted that the price increases in tobacco products will affect the November inflation by around 0.20 percent.



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Prices of services rose by 0.56 percent in October, bringing annual services inflation up to 6.63 percent. Cumulative effects of soaring fuel prices continued to push transport prices upwards and the group's annual inflation became 9.77 percent. Meanwhile, rising catering services inflation in tandem with the hikes in processed food, edged down in October. Moreover, annual services inflation excluding catering and transport services maintained remained relatively modest with a level of 5.46 percent. Seasonally-adjusted data point to a deceleration across the services group.

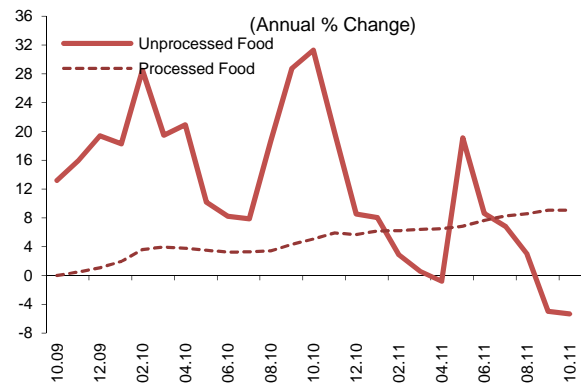
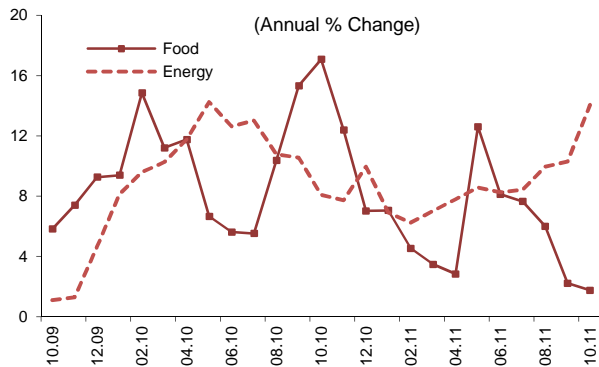
Depreciation in the Turkish lira continues to push prices of core goods upwards in line with expectations. Annual core goods inflation posted a month-on-month increase by 1.13 percentage points to 8.77 percent. Prices of durable goods maintained their increase parallel to the acceleration in producer prices. Accordingly, prices in durable goods (excluding gold) rose by 1.48 percent due to the spillover of the price increases across all subcategories in October. Furniture prices plummeted (2.62 percent), while the arrangements in SCT rates pushed the prices of mobile phones upwards. Annual clothing group inflation recorded an increase amid the protection measures in the imports of textile and ready-wear products.



Energy prices were up 3.61 percent in October, and annual energy inflation mounted to 14.05 percent. This rise was driven by soaring prices in electricity tariffs and the natural gas (11.75 percent and 12.34 percent, respectively). Meanwhile, the rise in solid fuel and bottled gas prices accelerated. The only item that put a cap on the energy group inflation in October was domestic fuel prices, which went down amid the decreasing international oil prices despite the unfavorable exchange rate developments.

Prices of food and nonalcoholic beverages rose by 4.04 percent, and annual inflation went down to 1.76 percent due to the high base of the unprocessed food group. Unprocessed food prices surged by 7.56 percent in October. Due to unfavorable weather conditions coupled with the flood in Antalya, prices of fresh fruits and vegetables posted high-rated increases (18.06 percent). It should be noted that unprocessed food prices will soar in the last two months of the year owing to the base effect.

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Processed food prices rose by 1.17 percent, while the annual group inflation remained almost unchanged at 9.05 percent in October. Cheese and dairy products continued to increase, and prices in fats and oils accelerated again. Meanwhile, meat prices did not exhibit a notable change. Consequently, the uptrend in processed food prices across subcategories was maintained.

	Monthly Percent Change		Annual Percent Change	
	October 2011	October 2010	October 2011	October 2010
<b>CPI</b>	<b>3.27</b>	<b>1.83</b>	<b>7.66</b>	<b>8.62</b>
<b>1. Goods</b>	<b>4.26</b>	<b>2.36</b>	<b>8.04</b>	<b>10.37</b>
Energy	3.61	0.20	14.05	8.08
Food and nonalcoholic beverages	4.04	4.52	1.76	17.08
Unprocessed food	7.56	7.96	-5.34	31.28
Fresh fruits and vegetables	18.06	16.99	-19.62	63.22
Other unprocessed food	2.01	1.92	5.80	14.64
Processed food	1.17	1.19	9.05	5.04
Bread and cereals	0.37	1.21	8.05	2.13
Other processed food	1.61	1.18	9.61	6.76
Goods excluding energy and food	4.75	1.41	11.09	5.63
Core goods	3.13	2.06	8.77	1.25
Durable goods	0.80	-0.18	14.09	1.97
Durable goods (excluding gold)	1.48	-0.31	10.89	0.06
Alcoholic beverages and tobacco	14.11	-1.10	15.05	23.77
Gold	-5.86	1.37	59.04	24.91
<b>2. Services</b>	<b>0.56</b>	<b>0.30</b>	<b>6.63</b>	<b>3.73</b>
Rents	0.52	0.40	4.60	4.01
Restaurants and hotels	1.00	1.08	8.28	9.61
Transport	1.12	0.41	9.77	6.81
Communication	0.00	-0.49	3.32	-4.99
Other*	0.26	0.02	7.00	2.86
<b>3. Core Measures</b>				
CPI excluding unprocessed food, alcoholic beverages and tobacco	1.92	1.00	9.51	4.17
SCA-H	1.70	1.17	7.98	3.02
SCA-I	1.81	1.15	7.67	2.50

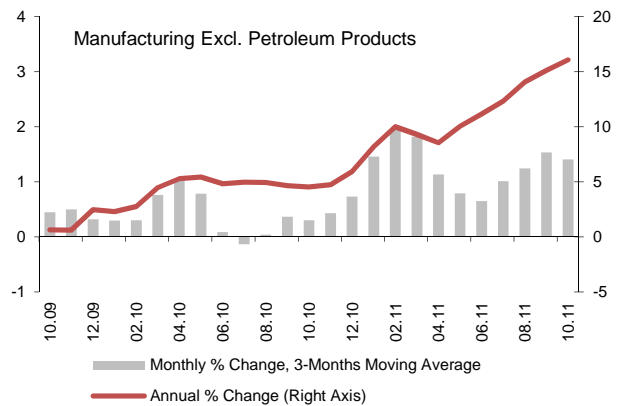
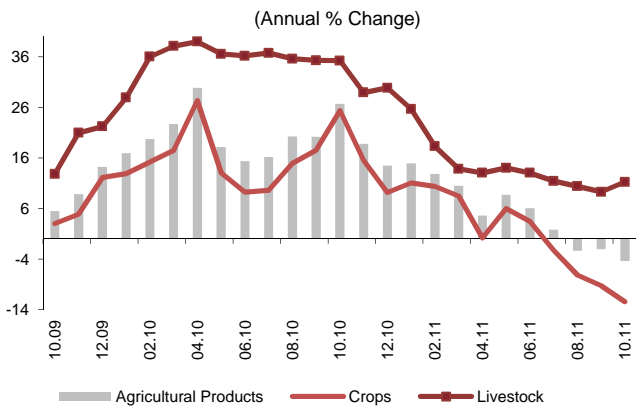
Source: TurkStat. CBRT.

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

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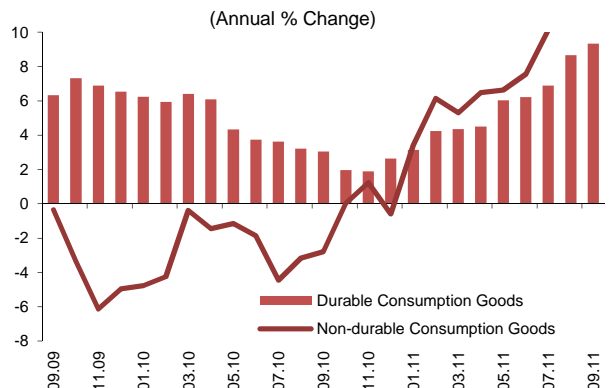
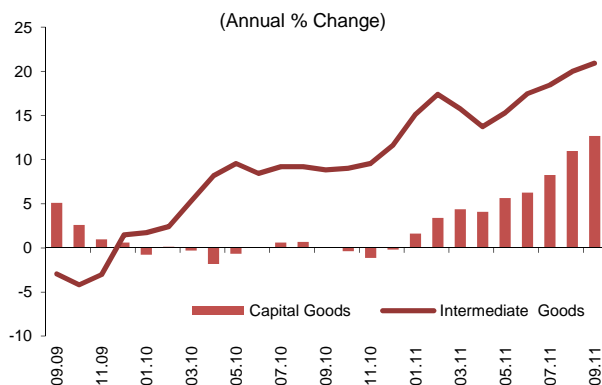
## ...PPI...

In October, producer prices were up 1.6 percent and annual PPI inflation rose to 12.58 percent. Agricultural prices increased by 3.99 percent due to the prices of livestock and vegetable products, which reflected on consumer prices as well. Wheat prices rose by 2.47 percent, while sunflower prices edged down. Cotton, an input for the manufacturing industry, plunged by 12.08 percent. Meanwhile, producer prices of milk went up by 6.87 percent.



In the manufacturing industry, prices increased by 0.86 percent, while annual inflation mounted to 17.93 percent. Despite the ongoing contagion of the increase in group's prices across all groups, inflation slightly went down on a monthly basis. This was primarily driven by import prices, and by the decline of 1.77 percent in base metal prices, which had soared for the last five months amid the developments in foreign exchange rates.

Main Industrial Groupings (MIGs) suggest that inflation in the manufacturing industry remained modest except for durables and the energy group. Prices of intermediate goods increased by 0.40 percent due to the ongoing increases in the vast part of the remaining products despite the decline in prices of base metals. Prices of capital goods rose by 0.59 percent owing to the prices of machinery/equipment. The largest contributor of the surge by 2.53 percent in the producer prices of durable goods became the furniture prices. In the nondurable goods front, prices went up by 1.25 percent due to the price developments in food and clothing production.



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## ...TABLES

September CPI and Subcategories (Percent Change)					
	Weight	2011		2010	
		Monthly	Annual	Monthly	Annual
CPI	100	3.27	7.66	1.83	8.62
Food and nonalcoholic beverages	26.78	4.04	1.76	4.52	17.08
Alcoholic beverages and tobacco	5.90	14.11	15.05	-1.10	23.77
Clothing and footwear	7.22	7.99	6.64	7.63	4.33
Housing	16.46	3.59	8.85	0.19	5.32
Household equipment	6.93	1.61	10.49	-0.12	1.19
Health	2.40	0.03	0.24	0.14	0.10
Transport	15.15	0.61	14.35	0.39	6.22
Communication	4.64	0.57	4.23	-0.63	-5.13
Recreation and culture	2.70	1.08	5.05	-1.14	-2.44
Education	2.32	0.24	6.40	0.09	4.43
Restaurants and hotels	5.89	1.00	8.28	1.08	9.61
Miscellaneous goods and services	3.61	-0.96	18.05	0.84	5.00

Source: TurkStat.

September PPI and Subcategories (Percent Change)					
	Weight	2011		2010	
		Monthly	Annual	Monthly	Annual
PPI	100	1.60	12.58	1.21	9.92
Agriculture	17.49	3.99	-4.39	6.59	26.71
Crops, fruits and vegetables	12.23	3.57	-12.40	7.30	25.41
Livestock and animal products	4.52	5.85	11.24	3.99	35.25
Industry	82.51	1.16	16.56	0.01	6.47
Mining	3.10	2.62	21.96	-1.17	8.61
Manufacturing	70.68	0.86	17.93	0.08	5.15
Manufacturing excluding petroleum	67.56	0.85	16.07	0.01	4.52
Manufacturing excluding petroleum and base metals	61.66	1.14	13.82	0.36	2.99
Electricity, gas and water	8.73	3.34	3.53	-0.30	19.18

Source: TurkStat, CBRT.

PPI by MGS (Monthly Percent Change)														
	Oct.10	Nov.10	Dec.10	Jan.11	Feb.11	Mar.11	Apr.11	May.11	Jun.11	Jul.11	Aug.11	Sep.11	Oct.11	Annual
Intermediate goods	-0.22	1.14	2.80	3.39	2.67	1.61	0.02	1.37	1.38	1.35	2.06	1.62	0.40	21.64
Capital goods	-0.45	-0.10	0.81	1.66	2.09	1.56	-0.99	0.91	0.66	2.02	2.31	1.59	0.59	13.86
Durable goods	1.23	1.20	-1.39	3.63	1.71	-0.52	0.62	0.92	1.04	0.71	1.58	2.04	2.53	14.91
Nondurable goods	0.17	0.13	0.72	0.61	1.62	0.84	0.59	0.96	-0.33	0.91	1.39	1.36	1.25	10.52
Energy	0.15	0.61	4.27	2.44	-1.04	2.25	-0.56	-2.12	0.67	1.11	4.43	2.33	2.61	18.13

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.