

SEPTEMBER PRICE DEVELOPMENTS



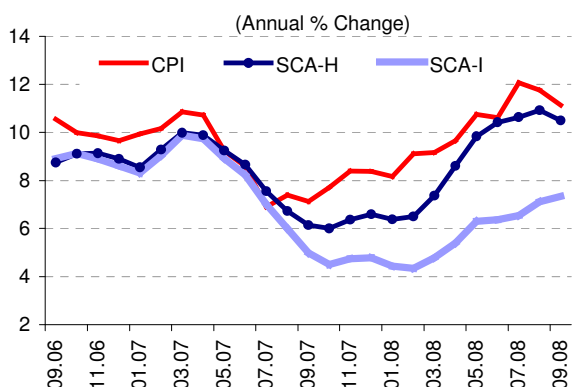
The Central Bank of Turkey

6 October 2008

SUMMARY...

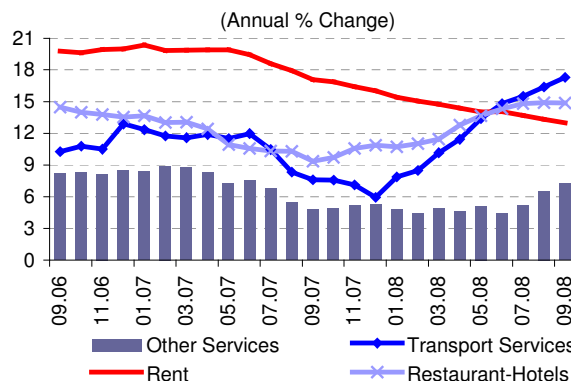
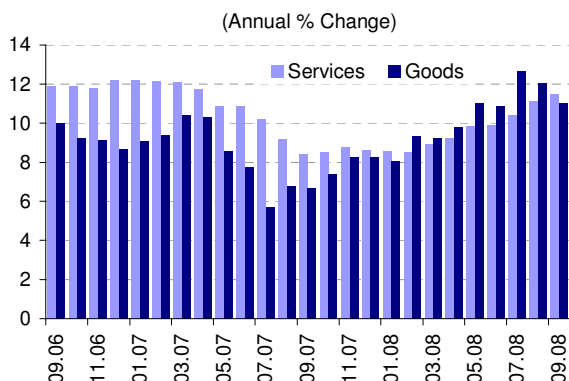
In September, consumer prices increased by 0.45 percent, whereas inflation fell down to 11.13 percent year-on-year. The annual rate of increase in processed food prices dropped significantly, as expected, and unprocessed food prices saw further correction. The retreat in world oil prices, particularly in fuel prices, helped to ease inflation, although the increase in solid fuel prices curbed the downtrend in energy price inflation. The contribution of food and energy prices to annual inflation was down 0.7 points to 6.9 percentage points in September. Annual rent inflation remained on a steady downward path, while supply shocks continued to put upward pressure on prices of transport and catering services, albeit to a lesser extent. One of the widely cited core CPI indexes, denoted by I, went slightly up year-on-year on the base effect, but in seasonally adjusted terms, core indicators trended downward. On balance, inflation is expected to edge further down in the upcoming period if oil and food prices continue to slide.

...EVALUATIONS...



In September, consumer prices were up 0.45 percent, whereas inflation dropped to an annual rate of 11.13 percent. The CPI index excluding energy, unprocessed food, alcoholic beverages, tobacco products and gold (SCA-H) was down 0.4 points to 10.50 percent year-on-year. With a further exclusion of processed food prices, the index (SCA-I) went up by 0.2 points to 7.34 percent year-on-year, mainly due to the base effect.

Prices of goods and services rose by 0.20 and 1.17 percent, respectively. Annual inflation increased to 11.47 percent in services and decreased to 11.03 percent in goods.



The key driver of annual services inflation in September was soaring prices of transport and communication services. Prices of transport services increased by 1.61 percent due to rising school bus rates and, thus, climbed to 17.31 percent year-on-year. The annual rate of increase in prices for communication services went up to 9.10 percent on the back of soaring landline and mobile call rates. Meanwhile, annual rent inflation remained on a steady decline.

Despite the steep increase in solid fuel prices, energy price inflation dropped to 26.79 percent amid falling fuel prices and water rates. Prices of solid fuels jumped by 8.45 percent in September, up to a cumulative 21.22 percent in three months. The rise in electricity and natural gas rates is expected to put upward pressure on energy prices in October.

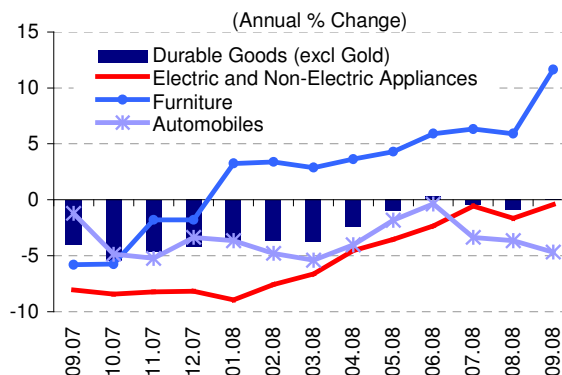
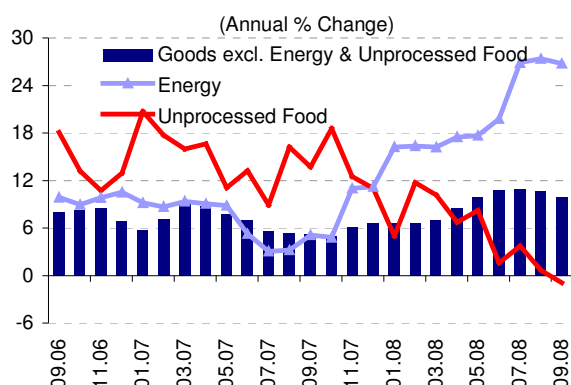
SEPTEMBER PRICE DEVELOPMENTS



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6 October 2008

Prices of goods excluding energy and food rose by 0.20 percent, and the group's annual inflation remained unchanged from August. In the clothing group, prices surged at a pace below the seasonal average, bringing inflation down by 1.1 percentage points to 2.60 percent year-on-year.



Although prices for all durable goods (excl. gold) dropped by 0.13 percent in September, the base effect from furniture prices and the increase in prices of white goods drove the group's inflation up by 1 percentage point to 0.09 percent year-on-year. Prices of automobiles continued to fall, while prices of electric and non-electric appliances increased by 0.44 percent on soaring prices of white goods.

	Monthly Percentage Change		Annual Percentage Change	
	September 2008	September 2007	September 2008	September 2007
CPI	0.45	1.03	11.13	7.12
1. Goods	0.20	1.11	11.03	6.68
Energy	0.12	0.58	26.79	5.13
Unprocessed Food	1.01	2.62	-0.90	13.69
Processed Food	-0.29	1.99	21.83	10.10
Goods excl. Energy and Food	0.20	0.21	4.17	2.83
Durable Goods	-0.15	-0.79	1.26	-3.21
excl. Gold	-0.13	-1.13	0.09	-4.00
Semi-Durable Goods	0.34	0.86	16.13	4.94
Non-Durable Goods	0.20	1.74	10.14	10.43
2. Services	1.17	0.84	11.47	8.41
Rents	1.37	1.66	13.00	17.09
Restaurants-Hotels	1.03	1.07	14.88	9.37
Transport	1.61	0.82	17.31	7.58
Other Services	1.00	0.37	7.23	4.77

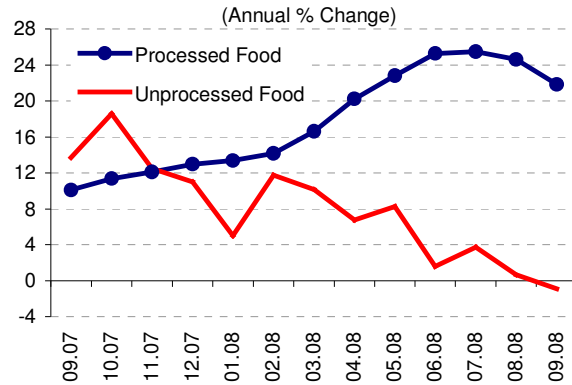
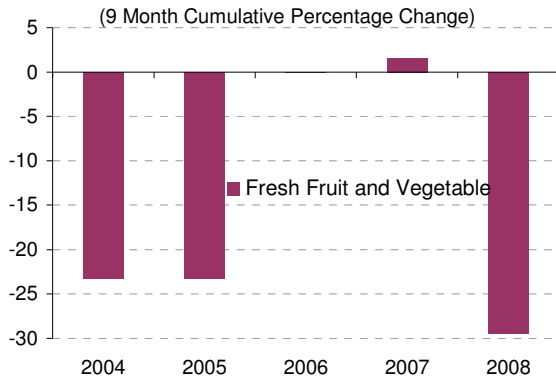
Source: TURKSTAT, CBRT.

SEPTEMBER PRICE DEVELOPMENTS



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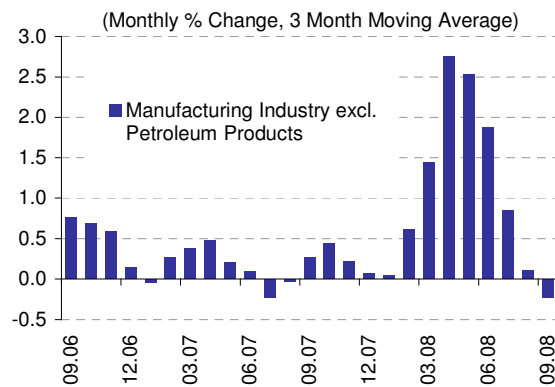
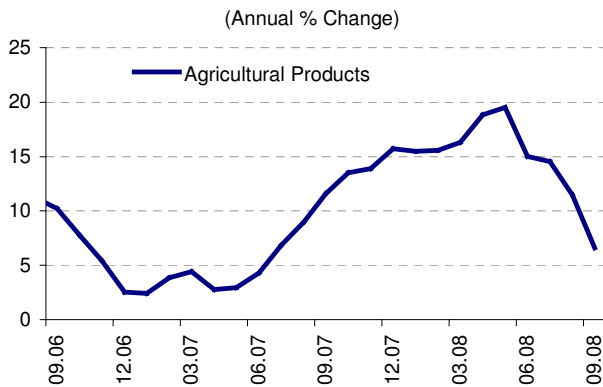
The slide in food prices intensified in September. The annual growth rate in unprocessed food prices slowed down to 0.90 percent. Fruit prices remained stable year-on-year, while vegetable prices continued to fall. Accordingly, the decline in fresh fruit and vegetable prices amounted to 18.95 percent over the past one year. After a drought-driven sizable increase in the past twelve months, pulse prices eventually decreased by a remarkable 2.14 percent in September.

Processed food prices decreased by 0.29 percent in September, pushing the group’s annual inflation substantially down to 21.83 percent, as stated in the Summary of the Monetary Policy Committee Meeting. The decline was due largely to falling prices of solid/liquid oils, followed by favorable prices of bread and grains. In view of a strong production performance and lower international commodity prices, the rate of increase in processed food prices is expected to edge further down in the remainder of the year.

...PPI...

PPI decreased by 0.90 percent in September, to 12.49 percent year-on-year. Falling prices of agricultural and industrial products contributed 0.28 and 0.61 percent, respectively, to the index’s performance.

Manufacturing industry prices were down 0.81 percent on the back of a dramatic drop in prices of petroleum products and base metals. Excluding base metals and petroleum products, however, manufacturing industry prices increased by 0.69 percent, mainly due to soaring prices of apparels and chemicals.



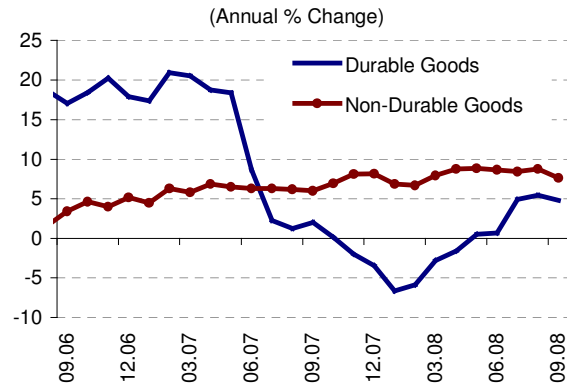
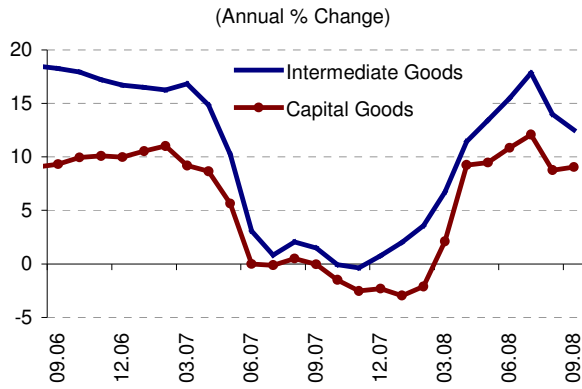
SEPTEMBER PRICE DEVELOPMENTS



The Central Bank of Turkey

6 October 2008

As reported by the PPI analysis based on MIGS classification, prices of non-durable goods increased in September; prices of capital goods barely changed; and others were on the decline. The drop in prices of durable goods was mainly attributable to falling furniture prices, whereas prices of non-durable goods were driven higher by the seasonal jump in apparel manufacturing prices. Moreover, base metal prices pulled prices of intermediate goods down in September, while energy prices were dragged down by lower prices of petroleum products.



Changes in PPI based on MIGS Classification													
Monthly Percentage Change													
	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Jan-Sep*
Intermediate Goods Prices	-1.13	-0.64	0.53	1.18	1.66	4.30	4.90	2.03	1.69	1.42	-2.58	-1.21	13.97
Capital Goods Prices	-0.59	-0.64	0.75	0.44	1.23	2.84	6.71	-0.42	0.32	0.83	-2.54	0.04	9.58
Durable Goods Prices	-0.02	-1.17	-1.90	-2.00	0.90	2.74	0.75	2.60	-0.30	2.13	1.52	-0.38	8.13
Non-Durable Goods Prices	1.88	0.84	0.14	-1.15	1.63	0.86	2.08	-0.33	0.02	-0.06	0.45	1.06	4.62
Energy Prices	-2.94	6.68	-0.86	0.60	7.74	7.85	8.56	5.29	2.06	3.91	-6.19	-2.77	29.23

Source: TURKSTAT, CBRT.
*9-month cumulative increase.

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...TABLES

September CPI and Sub-Items (Change, %)					
	Weight	2008		2007	
		Monthly	Annual	Monthly	Annual
CPI	100	0.45	11.13	1.03	7.12
Food and Non-Alcoholic Beverages	28.63	0.25	11.07	2.29	11.76
Alcoholic Beverages and Tobacco	5.00	0.01	6.87	0.02	10.07
Clothing and Footwear	8.07	0.51	2.60	1.62	5.19
Housing	16.60	0.70	23.23	0.97	8.99
Household Equipment	7.42	0.34	8.77	-1.24	3.29
Health	2.54	0.03	0.94	0.08	2.54
Transport	12.59	0.17	9.21	0.61	3.37
Communication	4.30	1.37	6.52	-0.50	-3.57
Recreation and Culture	2.81	0.02	2.63	-0.71	-0.02
Education	2.24	2.04	7.03	2.28	6.23
Restaurants and Hotels	5.64	1.03	14.88	1.07	9.37
Misc. Goods and Services	4.16	0.19	8.25	0.79	3.39

Source: TURKSTAT

September PPI and Sub-Items (Change, %)					
	Weight	2008		2007	
		Monthly	Annual	Monthly	Annual
PPI	100	-0.90	12.49	1.02	5.02
Agricultural	19.84	-1.51	6.57	3.01	11.60
Industrial	80.16	-0.75	13.94	0.53	3.53
Mining	1.62	-3.15	28.26	-1.24	3.92
Manufacturing	73.33	-0.81	12.68	0.64	2.57
Energy	5.21	0.56	26.02	-0.18	17.31

Source: TURKSTAT

Price Developments are published within two working days 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.