

SEPTEMBER PRICE DEVELOPMENTS OCTOBER 3, 2014

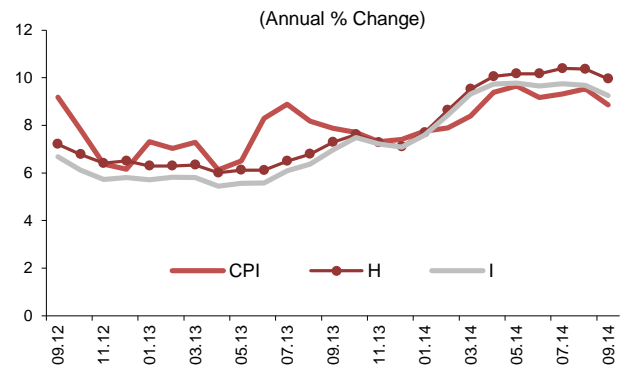
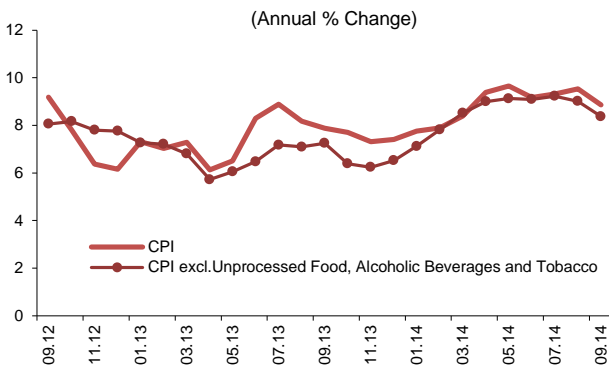
SUMMARY...

In September, annual consumer prices inflation fell by 0.68 percentage points to 8.86 percent. Annual inflation followed a flat course in the services group, but recorded a decline in other subgroups. The high course of food prices persisted. The underlying trend of inflation in the services group remained high, while that of the core goods group continued with a favorable course.

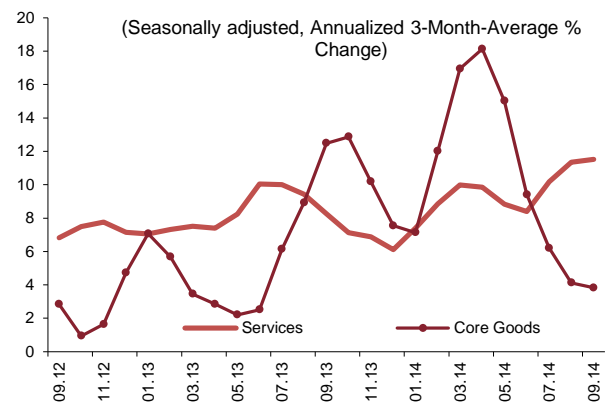
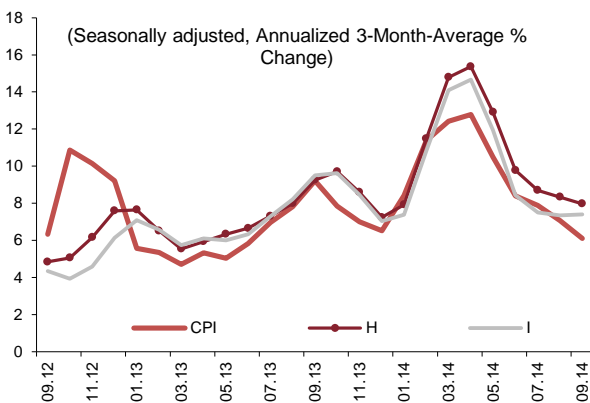
...EVALUATIONS...

In September, consumer prices were up by 0.14 percent and annual inflation receded to 8.86 percent. The annual rate of increase in the SCA-H and SCA-I indices edged down on a monthly basis by 0.41 and 0.42 percentage points to 9.95 percent and 9.25 percent, respectively.

Across subgroups, the contribution to the annual CPI inflation recorded a flat course in the services group, while that of others posted a decline. The contribution of the core goods group fell by 0.26 percentage points, while that of the energy group edged down by 0.22 percentage points month-on-month. Even though the food group added 0.12 percentage points less to the annual CPI inflation on a monthly basis, it was still the highest contributor among sub-groups by 3.36 percentage points.

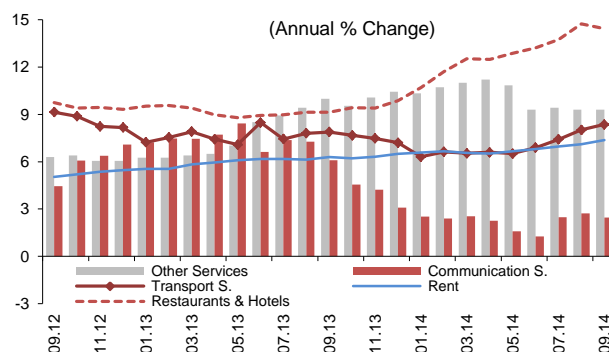
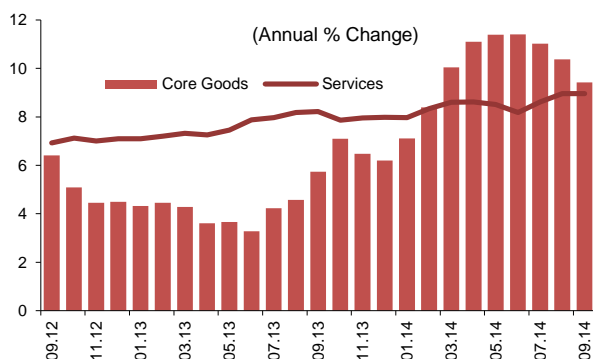


The underlying trends of inflation in quarterly averages suggest that the improvement in core inflation indicators continued, except for the SCA-I index. The slowdown in the seasonally-adjusted underlying trend of core goods inflation partially continued in this period. However, the underlying trend in the services group maintained its unfavorable course, which further limited the improvement in core indicators.

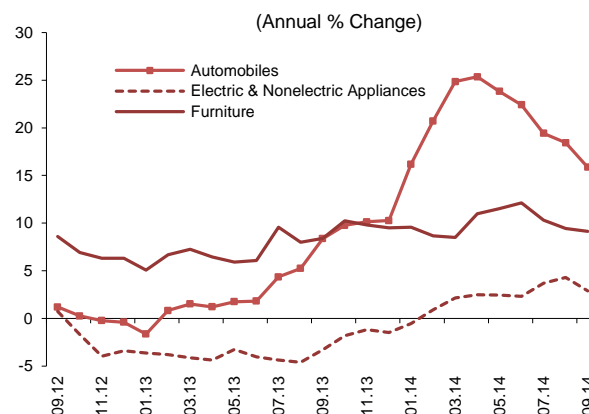
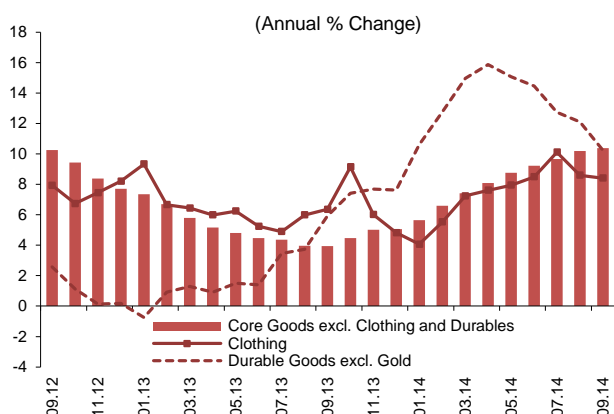


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Prices of services rose by 0.90 percent on a monthly basis, and the group's annual inflation remained unchanged at 8.96 percent in September. Parallel to the high course of food prices, the restaurants and hotels group continued to affect the services inflation adversely. Additionally, the rise in the fees of intra-city passenger transport services pushed annual inflation in transport services upwards. Meanwhile, having maintained an uptrend, annual rent inflation hit 7.37 percent.



Annual core goods inflation fell by approximately 1 percentage point to 9.42 percent in September. Having maintained the post-April mild course in September, prices of durable consumption goods became the main determinant of this outlook. The persisting flat course of prices in this group on a monthly basis made the downtrend in annual inflation more apparent. Annual clothing inflation edged down to 8.40 percent in September. Meanwhile, the annual inflation excluding clothing and durables remained on the rise, but the increase in the group's annual inflation recorded a considerable slowdown.

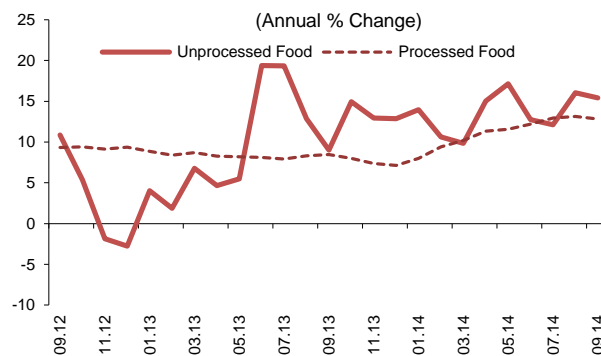
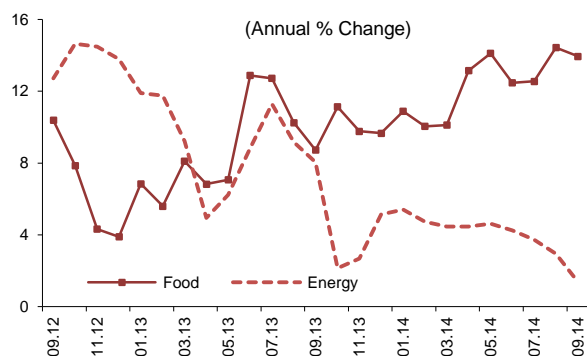


Energy prices were down by 0.16 percent in September due to plummeting fuel oil and bottled gas prices in line with international oil prices. Having receded to 1.38 percent, annual energy inflation maintained its mild course. Meanwhile, price hikes set as 9 percent in electricity and natural gas each, to be effective in October, are expected to directly add 0.4 percentage points to the consumer inflation in the upcoming month.

Annual inflation in the food and non-alcoholic beverages group went down by 0.49 percentage points to 13.95 percent. Unprocessed food prices saw a decline due to the prices of fresh fruits, while red meat, milk and egg continued with price hikes, keeping the group's annual inflation at 15.42 percent. Meanwhile, the uptrend in processed food prices continued and the group's annual inflation became 12.81 percent. Bread prices remained on the increase, and meat

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products, dairy products and canned vegetables registered surging prices. All in all, September was marked by an unfavorable course in unprocessed food products excluding fresh fruits as well as processed products, of which they constitute the main input.



	Monthly Percent Change		Annual Percent Change	
	Sep.2014	Sep.2013	Sep.2014	Sep.2013
CPI	0.14	0.77	8.86	7.88
1. Goods	-0.18	0.71	8.77	7.74
Energy	-0.16	1.38	1.38	8.04
Food and nonalcoholic beverages	0.31	0.74	13.95	8.73
Unprocessed food	-0.22	0.32	15.42	9.02
Fresh fruits and vegetables	-1.13	0.84	9.45	12.89
Other unprocessed food	0.29	0.00	19.03	6.45
Processed food	0.77	1.07	12.81	8.48
Bread and cereals	0.48	0.48	14.52	10.43
Other processed food	0.95	1.44	11.77	7.31
Goods excluding energy and food	-0.58	0.41	8.24	6.81
Core goods	-0.44	0.42	9.42	5.74
Durable goods	-0.09	1.77	9.72	4.79
Durable goods (excluding gold)	0.01	1.71	10.24	5.92
Alcoholic beverages and tobacco	-1.12	0.02	3.38	15.69
Gold	-2.11	2.93	0.33	-12.56
2. Services	0.90	0.90	8.96	8.22
Rents	0.87	0.62	7.37	6.29
Restaurants and hotels	1.21	1.48	14.43	9.13
Transport	1.76	1.43	8.37	7.87
Communication	0.00	0.26	2.45	6.10
Other*	0.68	0.68	9.30	9.98
3. Core Measures				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.27	0.87	8.37	7.25
SCA-H	0.38	0.75	9.95	7.29
SCA-I	0.28	0.67	9.25	6.96

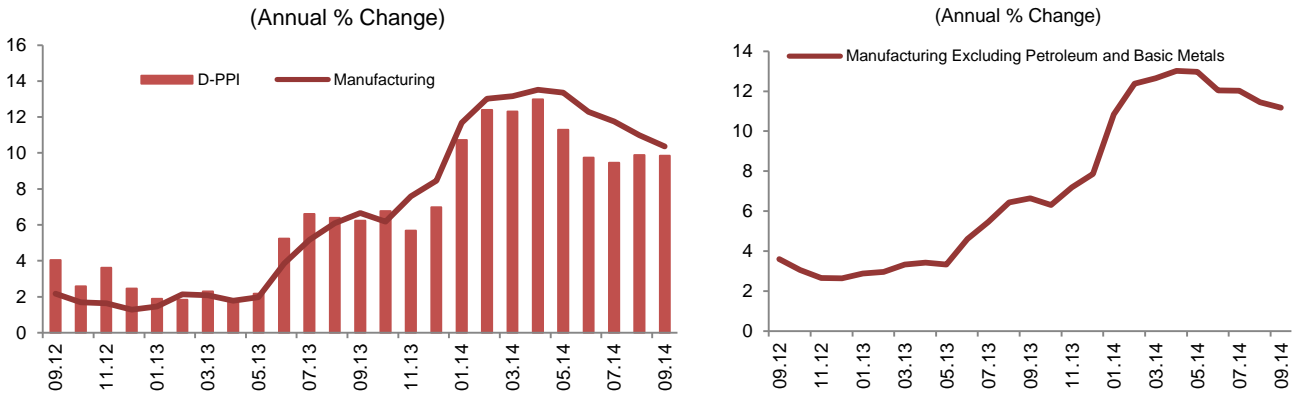
Source: TurkStat, CBRT.

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

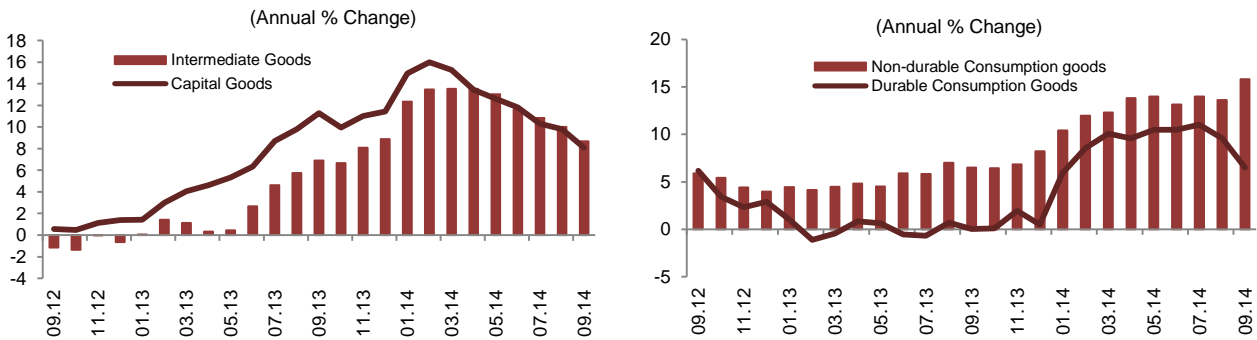
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...D-PPI...

Domestic producer prices rose by 0.85 percent and the group's annual inflation remained almost flat at 9.84 percent in September. Annual inflation in the manufacturing industry fell to 10.36 percent, and that in the manufacturing industry excluding petroleum and basic metals receded to 11.17 percent in this period.



According to the Main Industrial Groupings (MIGs), in September all main groups followed relatively mild courses, except non-durable consumption goods. The monthly rise in the prices of non-durable consumption goods was led by annual inflation in the manufacturing of food products, which neared 20 percent. Manufacturing prices of durable consumption goods decreased, while intermediate and capital goods saw relatively mild price increases in this period. In sum, September witnessed ongoing pressures driven by the manufacturing of food products.



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...TABLES

September CPI and Subcategories (Percent Change)					
	Weight	2014		2013	
		Monthly	Annual	Monthly	Annual
CPI	100	0.14	8.86	0.77	7.88
Food and nonalcoholic beverages	24.45	0.31	13.95	0.74	8.73
Alcoholic beverages and tobacco	5.29	-1.12	3.38	0.02	15.69
Clothing and footwear	7.17	-2.44	8.44	-2.28	6.39
Housing	16.41	0.49	5.18	0.69	7.35
Household equipment	7.52	0.41	9.25	0.77	4.52
Health	2.44	0.42	9.37	0.16	3.07
Transport	15.54	0.11	7.44	1.99	9.16
Communication	4.70	-0.05	1.40	0.08	4.45
Recreation and culture	3.36	0.07	8.64	0.35	2.94
Education	2.26	1.78	7.79	2.52	10.14
Restaurants and hotels	6.58	1.21	14.43	1.48	9.13
Miscellaneous goods and services	4.28	0.72	7.89	0.94	3.40

Source: TurkStat.

September D-PPI and Subcategories (Percent Change)					
	Weight	2014		2013	
		Monthly	Annual	Monthly	Annual
D-PPI	100	0.85	9.84	0.88	6.23
Mining	3.97	-0.22	5.54	1.78	11.12
Manufacturing	85.93	0.90	10.36	1.48	6.66
Electricity, gas, steam and air-conditioning supply	9.31	0.94	-4.91	2.94	16.55
Water supply	0.79	0.16	9.48	0.01	11.00

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 by the public of the monthly inflation developments during the period between the announcement of the official price statistics and the Monetary Policy Committee meeting.