

SEPTEMBER PRICE DEVELOPMENTS



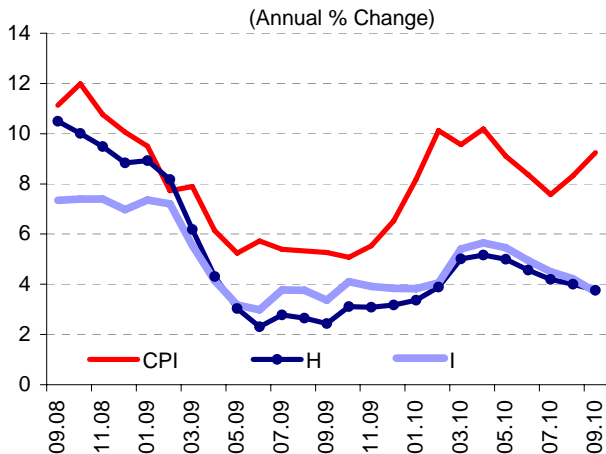
Central Bank of Turkey

October 5, 2010

SUMMARY...

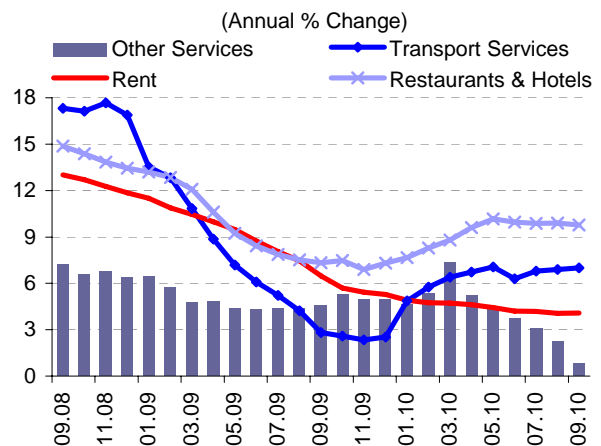
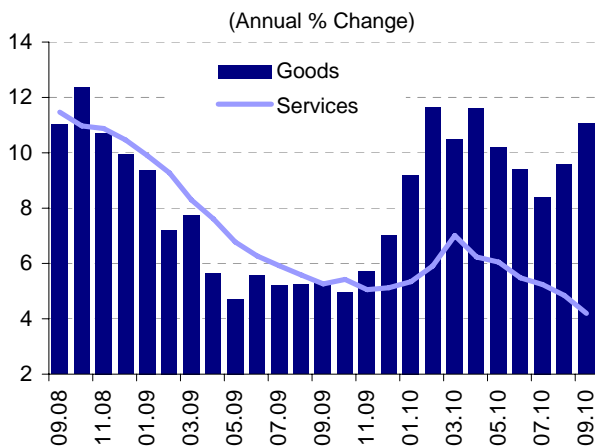
In September, consumer prices were up 1.23 percent, while annual inflation rose by 0.91 percentage points to 9.24 percent amid skyrocketing unprocessed food prices, as noted in the summary of the Monetary Policy Committee Meeting. Inflation was generally moderate across all other subcategories. Annual services inflation continued to decrease steadily, and core inflation indicators remained in line with medium-term targets. Inflation is expected to fall gradually by the fourth quarter of 2010.

...EVALUATIONS...



In September, consumer prices were up 1.23 percent, pushing inflation up by 0.91 percentage points to 9.24 percent year-on-year. The rate of increase in the CPI index excluding energy, unprocessed food, alcoholic beverages, tobacco and gold (SCA-H) fell to 3.76 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) slowed to 3.70 percent year-on-year.

Prices were up 1.58 and 0.23 percent in goods and services, respectively. Accordingly, annual inflation increased to 11.06 percent in goods and dropped to 4.20 percent in services.



Annual services inflation slowed further amid lower communication prices (down 1.82 percent month-on-month due to falling mobile call rates). Thus, excluding catering and transport, annual services inflation dropped by 1 percentage point month-on-month to as low as 1.85 percent.

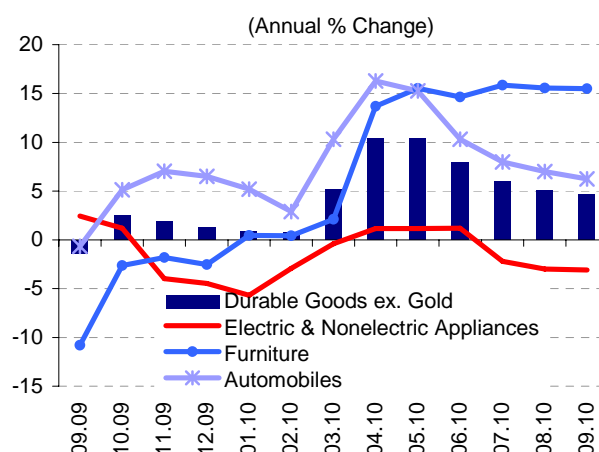
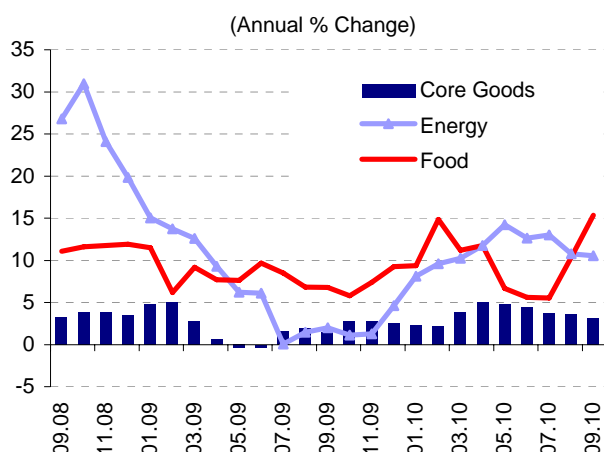
Energy prices rose by 0.42 percent in September, while annual energy inflation declined to 10.56 percent. Energy prices were driven higher by price hikes in bottled gas and LPG as well as other fuels due to rising international oil prices. Prices remained mostly flat in other subcategories.

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The annual inflation in goods excluding energy and food was down 0.63 percentage points to 7.59 percent, largely due to the lower-than-average seasonal price change (by -2.21 percent month-on-month) for clothing and footwear. In addition, the slowdown in durable goods (excluding gold) brought core goods inflation down to 3.18 percent year-on-year. Moreover, tobacco prices dropped by 1.14 percent. It should be noted that the annual inflation in goods excluding energy and food will come down to much lower levels once the base effects from 2009 tax incentives expire in October.

	Monthly Percentage Change		Annual Percentage Change	
	September 2010	September 2009	September 2010	September 2009
CPI	1.23	0.39	9.24	5.27
1. Goods	1.58	0.22	11.06	5.27
Energy	0.42	0.63	10.56	2.01
Unprocessed Foods	9.03	0.50	28.74	16.70
Processed Food	0.87	-0.02	4.32	-0.43
Goods excl. Energy and Food	-0.56	0.03	7.59	5.52
Core Goods	-0.56	-0.15	3.18	1.45
Durable Goods	0.08	0.65	6.36	2.04
ex. Gold	-0.22	0.20	4.63	-1.37
Semi-Durable Goods	-0.25	0.15	7.74	2.65
Non-Durable Goods	3.29	0.16	14.84	8.19
2. Services	0.23	0.85	4.20	5.26
Rents	0.45	0.44	4.08	6.48
Restaurants and Hotels	0.74	0.86	9.78	7.34
Transport	0.34	0.24	7.01	2.82
Other	-0.16	1.22	0.82	4.57

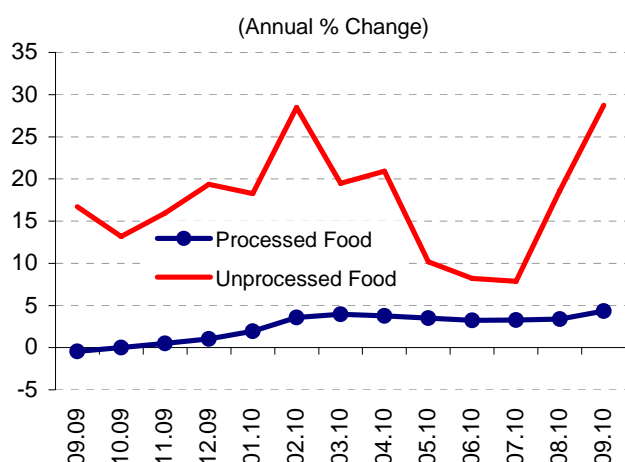
Source: TURKSTAT, CBRT

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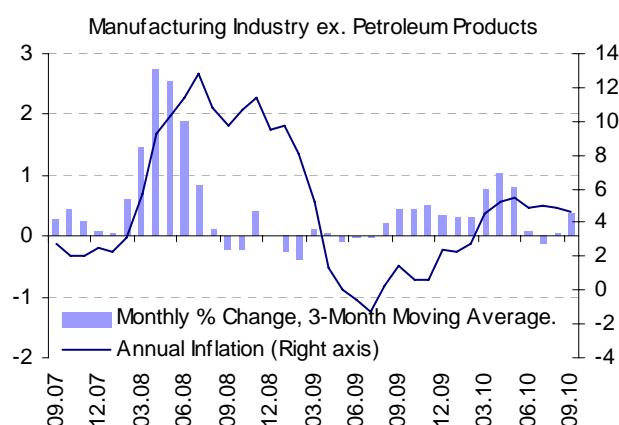
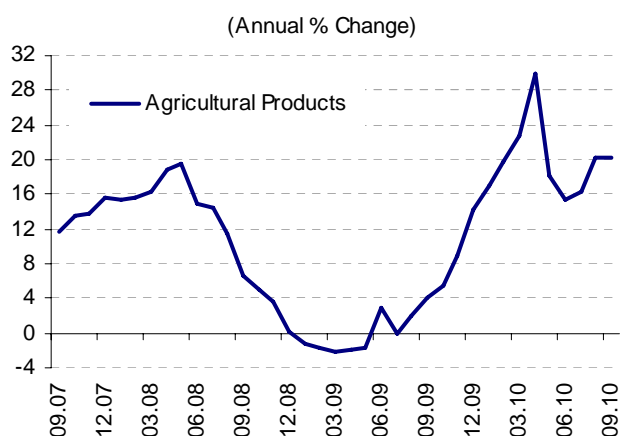


As noted in the September summary of the Monetary Policy Committee Meeting, unprocessed food prices rose dramatically (by 9.03 percent) amid higher vegetable prices, and recorded an annual inflation of 28.74 percent, the highest reading in the history of the CPI. Among subcategories, this sharp increase was largely driven by soaring vegetable, meat and milk prices. Unprocessed meat prices continued to increase (by 4.41 percent) and put further upward pressure on processed meat prices. Meanwhile, processed food prices increased at a slightly faster rate than in previous months.

Accordingly, the annual inflation in food and nonalcoholic beverages rose by about 5 percentage points to 15.33 percent, adding around 4.2 percentage points to the annual CPI.

...PPI...

Producer prices were up 0.51 percent in September, while annual PPI inflation declined to 8.91 percent. Agricultural prices increased by 0.44 percent, at a similar pace as in 2009. Among subcategories, prices for fishing slumped markedly month-on-month (by 59.32 percent), while prices for vegetables, wheat, barley and livestock continued to soar. Manufacturing industry prices increased by 0.56 percent due to higher producer prices for food and base metals. Prices remained modest across other subcategories.



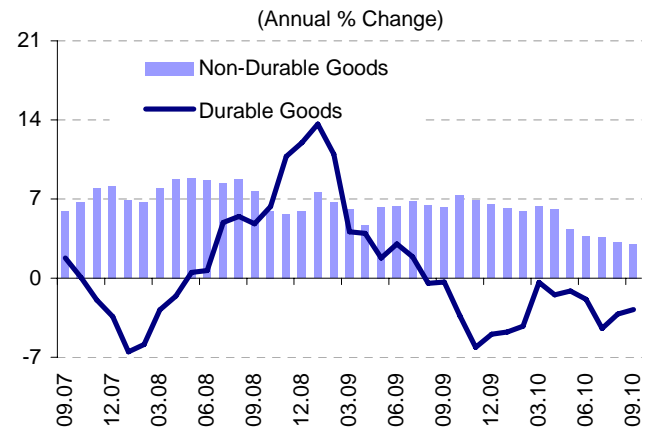
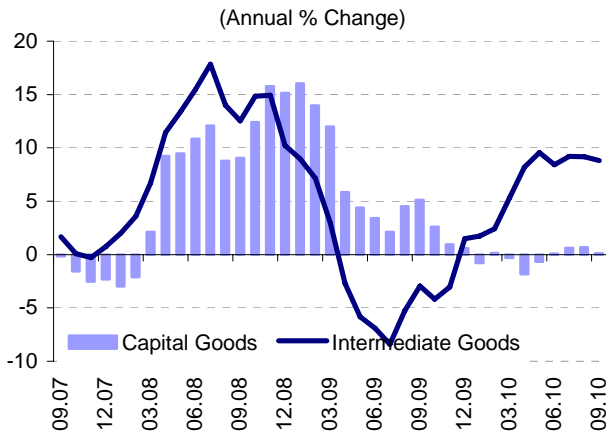
Based on the MIGs classification, producer prices remained stable in durable goods and capital goods, but increased month-on-month in other subcategories. The rise in non-durable goods is driven by higher producer prices for meat and meat products, while the increase in intermediate goods is largely attributable to rising metal prices. Overall, higher producer prices for agriculture and food continue to weigh on consumer prices, whereas other producer prices have no significant effect.

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Changes in PPI based on MIGS Classification

Monthly Percentage Change

	Sep.09	Oct.09	Nov.09	Dec.09	Jan.10	Feb.10	Mar.10	Apr.10	May.10	Jun.10	Jul.10	Aug.10	Sep.10	Annual
Intermediate goods	1.16	-0.41	0.63	0.89	0.28	0.66	3.06	1.80	0.00	-0.50	0.49	0.79	0.83	8.82
Capital goods	0.61	0.03	0.67	-0.15	-0.16	0.36	0.59	-0.72	-0.59	0.10	0.12	-0.18	0.04	0.11
Durable goods	-0.26	-1.63	-0.01	0.43	-0.36	-0.92	0.28	-0.48	0.78	0.16	-1.64	0.49	0.13	-2.79
Non-durable goods	0.91	1.23	0.20	-0.02	0.12	0.54	0.73	0.45	-0.49	-0.51	0.29	-0.27	0.74	3.04
Energy	-0.54	-0.12	4.31	0.25	0.54	4.88	1.99	0.91	0.47	-0.93	0.68	2.45	-0.01	16.36

Source: TURKSTAT, CBRT.

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... TABLES

September CPI and Sub-Items (Percentage Change)					
	Weight	2010		2009	
		Monthly	Annual	Monthly	Annual
CPI	100	1.23	9.24	0.39	5.27
Food and nonalcoholic beverages	27.60	4.72	15.33	0.21	6.79
Alcoholic beverages and tobacco	5.31	-1.10	25.32	0.00	20.80
Clothing and footwear	7.30	-2.21	5.06	-1.01	0.39
Housing	16.83	0.33	7.36	0.63	4.35
Household equipment	6.78	0.48	3.84	0.19	-1.74
Health	2.55	0.16	0.02	0.07	2.59
Transport	13.90	0.12	8.04	0.20	0.03
Communication	4.94	-1.85	-3.37	0.12	1.80
Recreation and culture	2.83	0.86	-0.47	2.35	12.84
Education	2.48	1.16	4.52	2.50	5.11
Restaurants and hotels	5.51	0.74	9.78	0.86	7.34
Miscellaneous goods and services	3.97	1.23	5.09	1.59	16.21

Source: TURKSTAT.

September PPI and Sub-Items (Percentage Change)					
	Weight	2010		2009	
		Monthly	Annual	Monthly	Annual
PPI	100	0.51	8.91	0.62	0.47
Agriculture	17.07	0.44	20.22	0.47	4.08
Industry	82.93	0.52	6.57	0.65	-0.32
Mining	2.62	0.86	8.31	3.64	6.49
Manufacturing	72.95	0.56	5.24	0.65	-0.94
Electricity, gas and water	7.36	0.09	19.25	-0.60	1.22

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.