

NOVEMBER PRICE DEVELOPMENTS



The Central Bank of the Republic of Turkey

5 December 2006

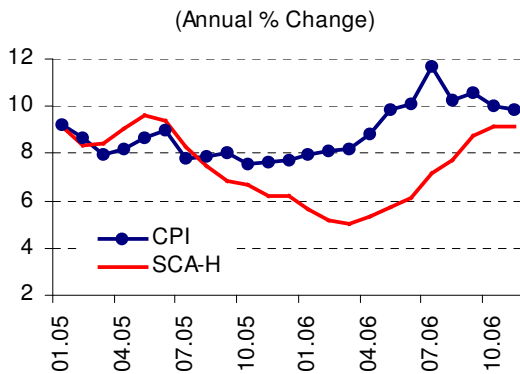
SUMMARY OUTLOOK...

In November, while CPI increased by 1.29 percent, annual inflation decreased compared to October and became 9.86 percent. Seasonal increases in the prices of unprocessed food along with clothing and footwear group had a significant impact on the November CPI increase. Rises in the said items comprised around 0.94 percentage points of the November consumer inflation. In addition, there were price increases in the energy items for housing group. Meanwhile, the decline in the durable goods prices is considered to be a positive development.

Annual rate of increase of the Special CPI aggregate excluding energy, unprocessed food, alcoholic beverages and tobacco products and gold (SCA-H), on which the lagged effects of the exchange rates are observed, realized as 9.13 percent and did not display a significant change compared to the previous month. It is predicted that in the upcoming period monthly increases in the said index will decelerate with the completion of the primary effects of the exchange rates and the lagged effects of the slow down in domestic demand. Nevertheless, it is estimated that annual increase will persist at high rates for some time due to cumulative effects.

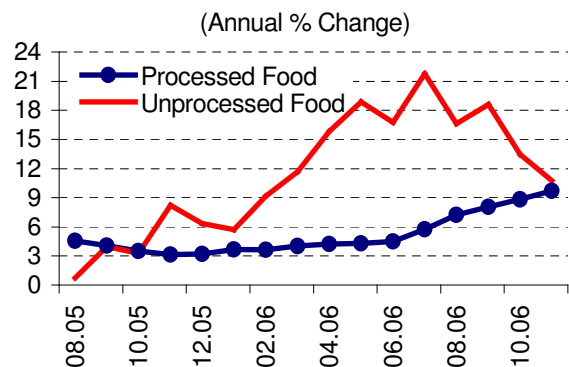
The annual inflation in the goods and services groups declined in November. While the slowdown in the price increases of unprocessed food products were influential on the decline in goods group inflation, the rents item, persisting the high rate of increase, limited the slowdown in the services inflation.

...EVALUATIONS...



Following October, annual CPI inflation continued to decline in November as well. Compared to the previous month, the annual rate of increase of the Special CPI aggregate excluding energy, unprocessed food, alcoholic beverages and tobacco products and gold (SCA-H) did not display a significant change in November.

Prices of the food and non-alcoholic beverages group increased by 2.71 percent with the effect of the rise in the unprocessed food prices. In the previous month, the prices of unprocessed food recorded an increase that is quite below the seasonal trend. However, in November vegetable prices surged due to harsh weather conditions.



Meanwhile, vegetable prices continued to decline in annual terms due to monthly increases that remained below the high increases of the same period last year. It is considered a favorable development that the annual rate of increase in vegetable prices, which had been around 38 percent in November 2005, decreased to 1 percent in November 2006. Nevertheless, it should be noted that climate conditions may continue to constitute a risk on unprocessed food prices and thus, on consumer prices also in the upcoming period. Moreover, the upward trend in processed food prices observed since July continued in November due to the impact of increases in bread prices.

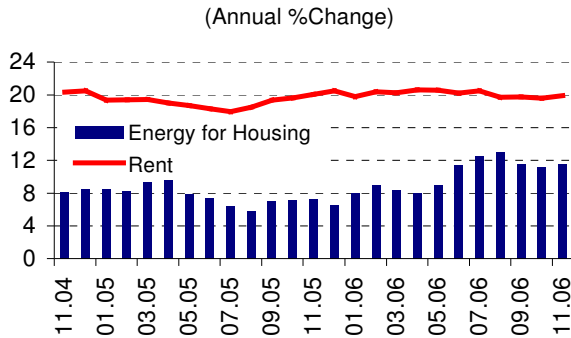
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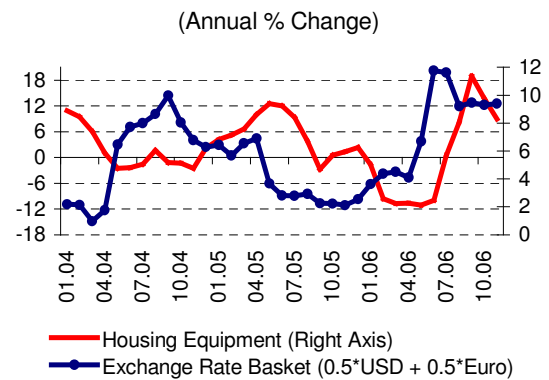
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Prices of the clothing and foot-wear group, which climbed rapidly in October with the start of the winter season, increased by 4.80 percent in November. This group registered the highest price increases of the last four-year period in the aforementioned months (October – November) due to the lagged effects of exchange rates, and the annual rate of price increase in this group reached 3.37 percent.



In November, prices in the housing group rose by 1.30 percent due to high increases in rents, natural gas and solid fuel sub-items. The rate of increase in the solid fuel sub-item, which increased by 4.41 percent in November, added up to 19 percent for the last six months period. Meanwhile, increase in rents continue to move around 20 percent on annual basis.

In the household equipment group which is among the expenditure groups in CPI that are significantly affected by exchange rate developments, monthly price increases showed a gradual decline up to October, following the acceleration observed since the end of May. As a result, prices in this group fell as of November. An analysis of sub-items shows that prices of furniture, household textile and cleaning products increased at a moderate rate, if not declined, in November.



Prices in transport group fell by 0.28 percent in November owing to the decline in the prices of fuel oil products and automobiles. Following the decline in the August-November period, the prices of fuel oil products increased at the beginning of December due to the recent rises in international oil prices. It is observed that the monthly price increases in transport services are following a trend parallel to those in the previous year.

The recreation and culture group prices decreased by 1.86 percent in November with the effect of the decline in package holiday prices. It is striking that the annual price increase in the said sub-group reached to 32.18 percent by November. Meanwhile, prices of electronic appliances, which had increased by 6.56 percent in May-July period with the immediate reflection of depreciation of exchange rate, decreased by 5.08 percentage points in August-November period.

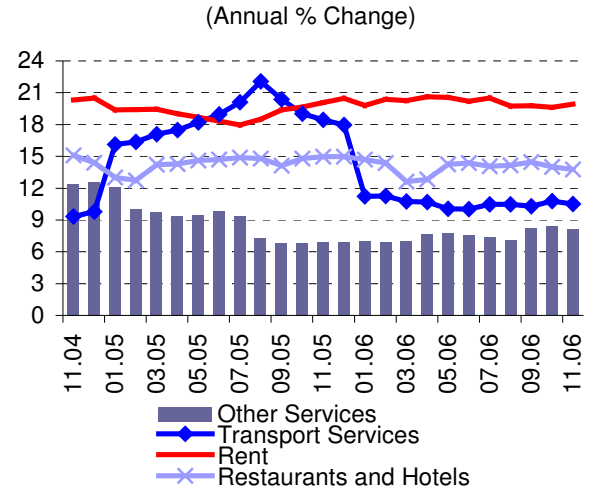
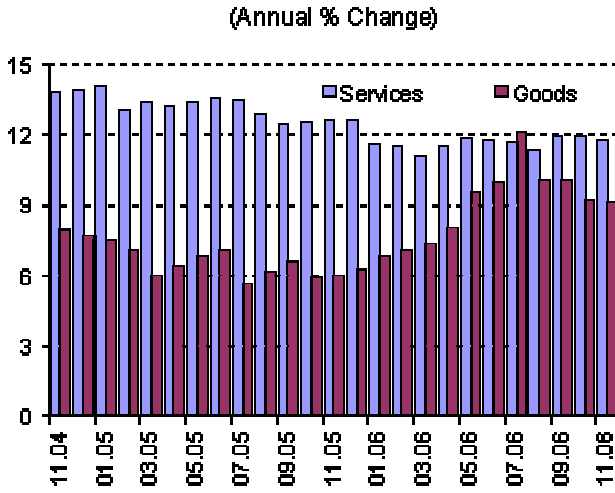
Annual inflation in goods and services groups decreased in November. In services group while annual inflation of restaurants-hotels, transport and other services decreased in November compared to the previous month, the rise in rents became the main factor curbing further decline in services inflation. The prices of catering and accommodation services in restaurants and hotels group have been declining in annual terms for the last two months.

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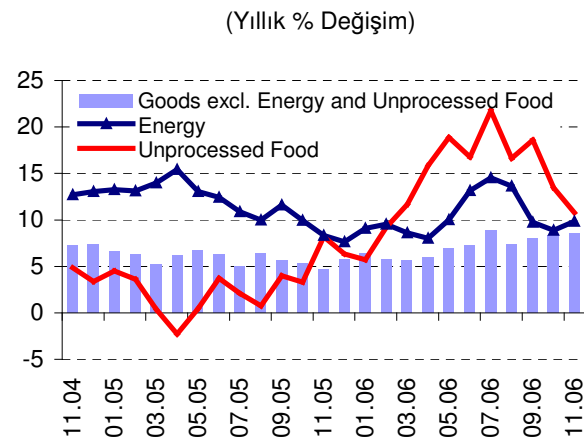
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	Monthly Change		Annual Change	
	Nov 2006	Nov 2005	Nov 2006	Nov 2005
CPI	1.29	1.40	9.86	7.61
1. Goods	1.66	1.74	9.17	6.03
Energy	0.82	-0.07	9.84	8.33
Unprocessed Food	4.57	7.10	10.78	8.21
Goods excl. Energy and Unprocessed Food	1.10	0.93	8.49	4.70
Durable Goods	-0.20	0.93	9.55	4.39
Durable Goods excl. Gold	-1.09	0.67	4.18	4.88
Semi-Durable Goods	1.85	1.00	7.89	5.48
Non-Durable Goods	1.96	2.47	10.04	6.80
2. Services	0.34	0.48	11.80	12.66
Rent	1.42	1.17	19.92	20.08
Restaurants and Hotels	0.71	0.92	13.77	14.97
Transportation Services	0.21	0.46	10.50	18.44
Other Services	-0.25	-0.02	8.14	6.94

Source: TURKSTAT, CBRT

Annual inflation in goods excluding energy and unprocessed food retained its high level in November mainly due to the price increases in clothing, footwear, processed food and gold.



The prices of durable goods (excluding gold), which had displayed high rates of increase in May-July period parallel to the depreciation of New Turkish Lira and slowed down afterwards, decreased by 1.09 percent in November. In durable goods expenditure groups, prices of all sub-groups except for the gold (furniture, electrical and non-electrical appliances, automobiles and other durable goods) fell in November.

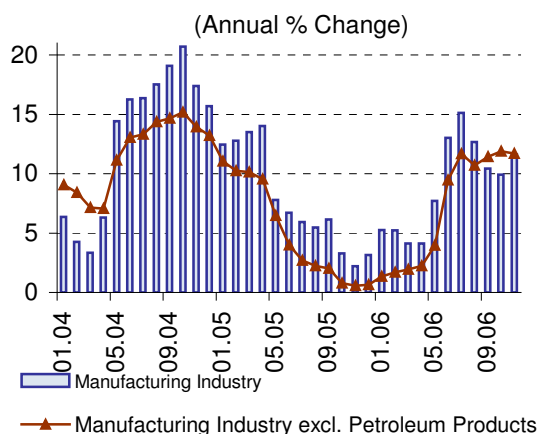
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In November, the PPI decreased by 0.29 percent. The agricultural sector and the industrial sector had a decreasing effect of 0.01 percentage point and 0.28 percentage point, respectively. October and November are the months when agricultural prices tend to increase due to seasonal factors. However, this year it is observed that the developments in the agricultural sector had a favourable impact on the producer inflation.



In November, the 0.36 percent fall in manufacturing industry prices resulted mainly from decreases in prices of coke and refined petroleum products, basic metal industry and clothing manufacturing sectors. On the other hand, excluding the effect of petroleum products, manufacturing industry prices decreased by 0.08 percent compared to October. It is remarkable that manufacturing industry prices excluding petroleum products had declined for the first time since February 2006.

When PPI is analyzed according to the MIGS* classification, in November it is observed that monthly rates of increase of all items excluding energy slowed down significantly compared to October. Prices of durable goods increased in November, as in October, whereas prices of non-durable goods had dropped for the first time since May. Meanwhile, energy prices continued to fall in November as well due to the persistence of the declines in prices of petroleum products.

PPI Developments According to MIGS Classification											
Monthly Percentage Change											
	Jan 06	Feb 06	Mar 06	Apr 06	May 06	Jun 06	Jul 06	Aug 06	Sep 06	Oct 06	Nov 06
Intermediate Goods Prices	0.11	0.31	0.74	2.20	4.43	6.84	1.55	-0.46	0.62	0.37	-0.34
Capital Goods Prices	0.60	-0.09	0.23	0.24	2.19	4.66	-0.15	-0.17	0.28	0.91	0.40
Durable Consumption Goods Prices	1.90	-2.94	-0.13	1.00	0.73	8.46	4.16	1.97	-0.50	1.85	0.94
Non-Durable Consumption Goods Prices	0.71	0.05	0.16	0.30	-0.04	0.37	0.13	0.24	2.35	0.96	-0.26
Energy Prices	8.36	1.32	0.32	6.87	6.70	9.65	4.11	-4.28	-8.60	-2.32	-1.80

Source: TURKSTAT, CBRT.

*PPI with base year 2003 is published in the NACE (Nomenclature Generale des Activites Economique dans les Communautés Europeennes) classification. Prices in the above table are calculated by the CBRT, using a passkey from NACE classification to MIGS (Main Industrial Groupings) classification.

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...UPCOMING DEVELOPMENTS...

- *Increases in fuel oil prices are expected to have an increasing effect on the transport group.*

...TABLES

November CPI and Sub-Items (% Change)							
	Weight	2006			2005		
		Monthly	Annual	Cumulative*	Monthly	Annual	Cumulative*
CPI	100	1.29	9.86	9.40	1.40	7.61	7.27
Food and Non-Alc. Bev.	27.68	2.71	10.22	10.51	3.27	5.70	5.20
Alc. Bev. and Tobacco	5.62	0.01	10.21	5.05	0.01	21.87	21.88
Clothing and Footwear	8.28	4.80	3.37	3.98	3.53	0.56	0.46
Housing	16.29	1.30	13.73	13.23	1.05	10.30	9.39
Household Equipment	6.89	-0.48	8.28	7.16	0.85	5.94	5.16
Health	2.54	0.17	8.01	7.91	0.11	-0.26	-0.49
Transportation	10.48	-0.28	9.55	9.75	-0.82	10.67	11.21
Communication	4.55	-0.15	1.23	1.48	-0.21	2.21	1.96
Recreation and Culture	3.63	-1.86	7.49	6.97	-0.76	5.98	6.12
Education	2.41	-0.11	7.69	7.69	0.14	7.24	7.22
Restaurants and Hotels	6.74	0.71	13.77	13.19	0.92	14.97	14.40
Misc. Goods and Services	4.89	0.81	15.16	12.46	0.93	5.87	5.98

Source: TURKSTAT

November PPI and Sub-Items (% Change)							
	Weight	2006			2005		
		Monthly	Annual	Cumulative*	Monthly	Annual	Cumulative*
PPI	100	-0.29	11.67	11.72	-0.95	1.60	2.71
Agriculture	19.78	-0.09	5.43	3.64	2.11	1.56	1.28
Industry	80.22	-0.34	13.10	13.71	-1.74	1.62	3.11
Mining	1.47	-0.33	12.31	13.24	-2.68	4.28	10.53
Manufacturing	73.98	-0.36	11.61	12.26	-1.86	2.22	3.75
Energy	4.77	0.02	36.90	36.29	0.67	-8.44	-8.78

Source: TURKSTAT

*Percentage change with respect to December of the previous year .

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.