

MARCH PRICE DEVELOPMENTS



Central Bank of Turkey

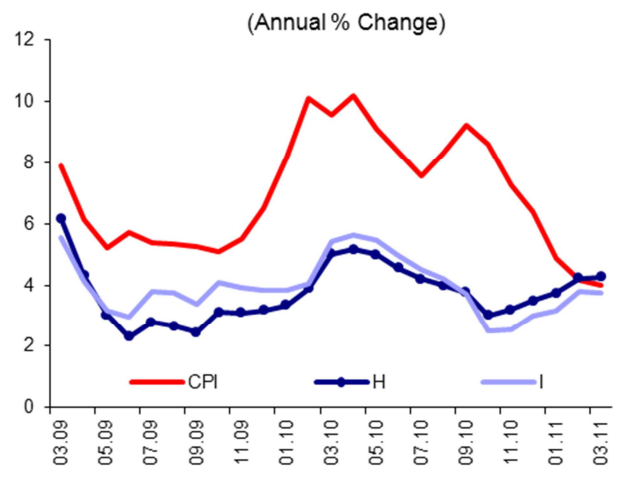
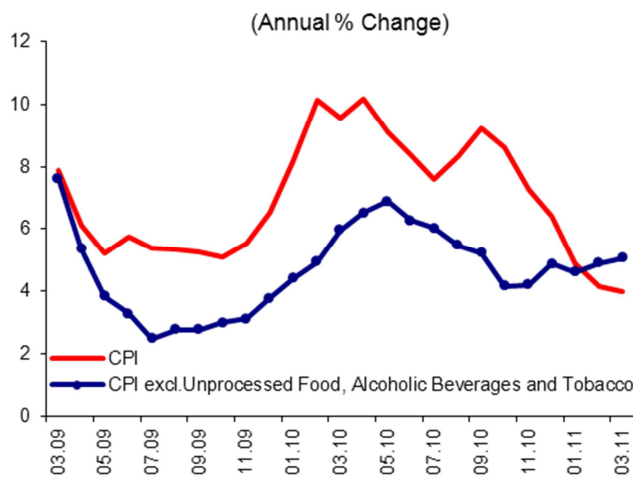
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SUMMARY ...

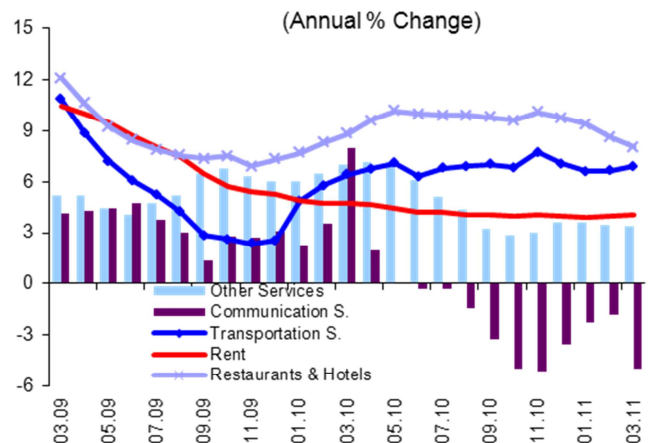
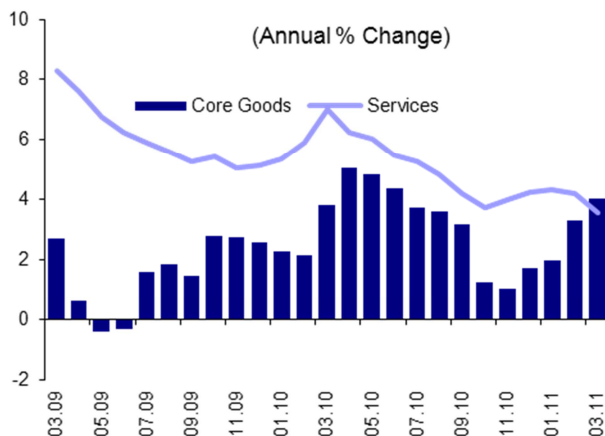
In March, consumer prices increased by 0.42 percent, and annual inflation fell to 3.99 percent. As anticipated in the Summary of the Monetary Policy Committee Meeting, inflation was up in core goods and moderate in services. The lagged effects of rising import prices and the base effects are likely to drive inflation gradually higher in the short term.

... EVALUATIONS ...

In March, consumer prices were up 0.42 percent, and annual inflation fell 0.17 percentage points to 3.99 percent. The annual rate of increase in the CPI excluding energy, unprocessed food, alcoholic beverages, tobacco and gold (SCA-H) and in the SCA-H excluding processed food (SCA-I) remained largely flat at 4.27 and 3.77 percent, respectively, month-on-month.



Prices of services increased by 0.40 percent in March, whereas annual services inflation fell 0.65 percentage points to 3.57 percent. The slowing pace of annual services inflation mostly reflects base effects from communication prices. However, it should be noted that these base effects would reverse during April-May and drive annual services inflation higher. Meanwhile, catering prices continued to ease amid lower food prices in March, bringing annual restaurants and hotels inflation down by 0.59 percentage points to 8.01 percent. Rising fuel prices continued to put upward pressure on prices of transport services in March, albeit slightly, while annual rent inflation remained low.



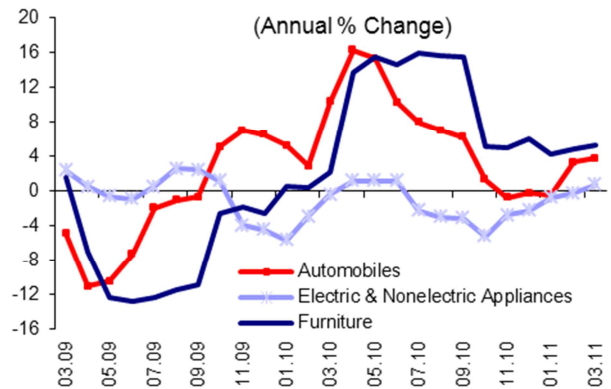
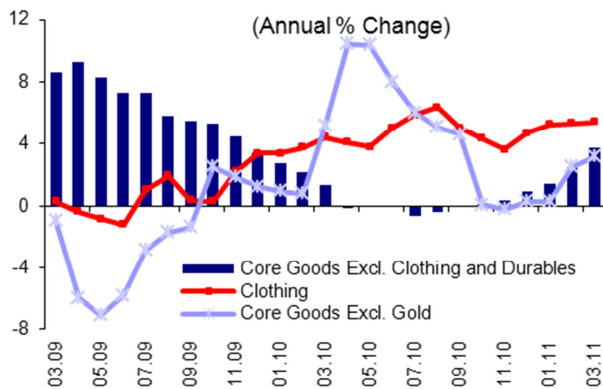
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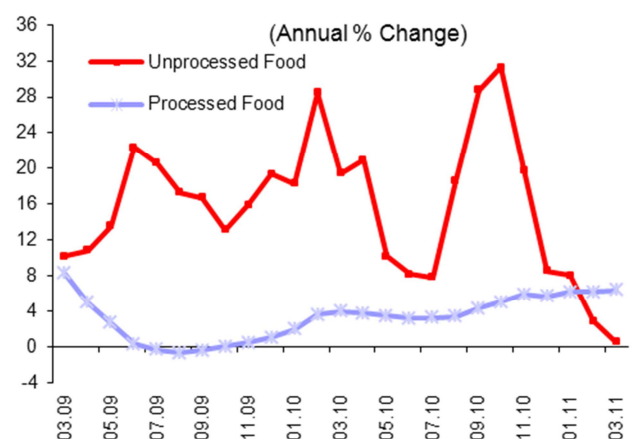
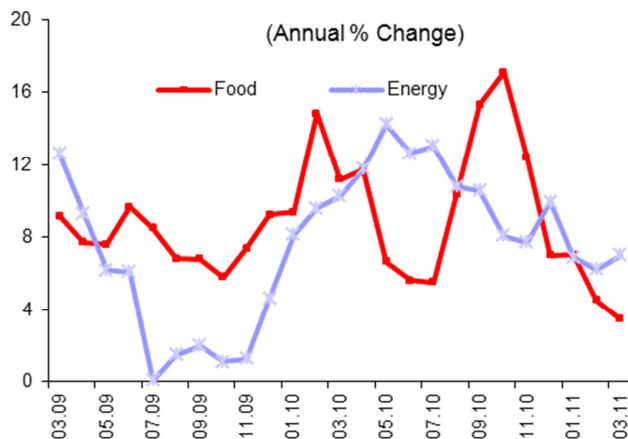
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Prices of core goods (goods excluding food, energy, alcoholic beverages, tobacco and gold) increased by 0.80 percent in March, while annual core goods inflation soared to 4.01 percent. The annual rate of increase in clothing prices rose slightly. However, the pick-up in the annual rate of increase in prices of other core goods driven by higher import prices and weak Turkish lira was more pronounced. Indeed, annual durable goods inflation (excluding gold) rose by 2.9 percentage points since December to 3.16 percent, with prices of white goods positing a rapid annual rate of increase in March.



Energy prices continued to increase in March on higher fuel prices reflecting changes in international oil prices and exchange rates. With the additional pressure of rising bottled gas and LPG prices, energy prices increased by 1.31 percent, pushing annual energy inflation up to 7.02 percent.



Annual food and nonalcoholic beverages inflation decreased by 1.06 percentage points month-on-month to 3.47 percent. Despite soaring poultry and egg prices, unprocessed food prices declined by 1.32 percent amid falling vegetables and milk prices. Thus, annual unprocessed food inflation dropped to a two-year low of 0.56 percent.

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	Monthly Percent Change		Annual Percent Change	
	March 2011	March 2010	March 2011	March 2010
CPI	0.42	0.58	3.99	9.56
1. Goods	0.42	0.43	4.13	10.47
Energy	1.31	0.56	7.02	10.26
Food and nonalcoholic beverages	-0.41	0.62	3.47	11.21
Unprocessed food	-1.32	0.97	0.56	19.47
Fresh fruits and vegetables	-3.94	-0.83	-0.31	11.26
Other unprocessed food	0.73	2.31	0.98	25.30
Processed food	0.45	0.28	6.39	3.95
Bread and cereals	0.49	0.54	6.25	-0.45
Other processed food	0.42	0.13	6.48	6.65
Goods excluding energy and food	0.73	0.19	3.50	10.15
Core goods	0.80	0.13	4.01	3.79
Durable goods	1.06	0.47	5.11	5.41
Durable goods (excluding gold)	0.86	0.23	3.16	5.17
Alcoholic beverages and tobacco	0.03	0.01	-1.49	43.03
Gold	3.76	3.74	30.93	7.64
2. Services	0.40	1.03	3.57	7.01
Rents	0.36	0.28	4.08	4.72
Restaurants and hotels	0.43	0.98	8.01	8.80
Transport	0.54	0.30	6.87	6.41
Communication	0.34	3.14	-4.17	7.47
Other services*	0.45	0.49	3.41	6.96
3. Core Measures				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.73	0.56	5.07	5.97
SCA-H	0.57	0.52	4.27	5.01
SCA-I	0.59	0.60	3.77	5.41

Sources: TurkStat; and CBRT.

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

Processed food prices continued to trend upward in March. As stated in the Summary of the March Monetary Policy Committee Meeting, the temporary lifting of customs duties on wheat imports helped to ease monthly price hikes in bread and cereals. In addition, cheese and dairy prices decreased on falling milk prices. However, the ongoing sharp rise in prices of oils and fats drove annual processed food inflation up to 6.39 percent.

... PPI ...

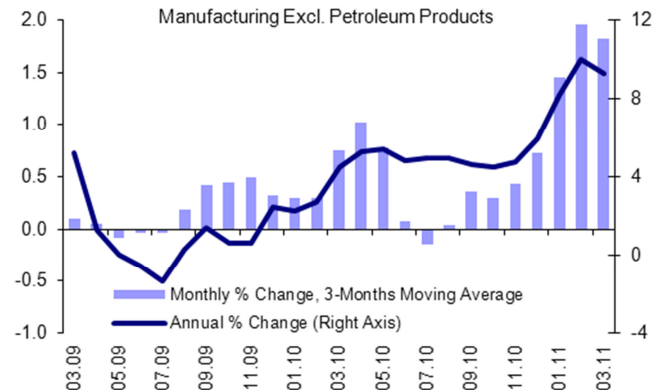
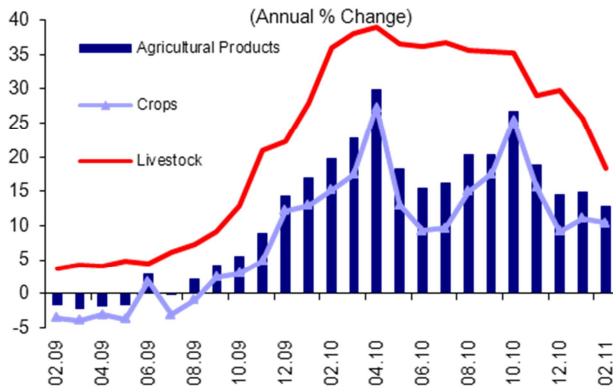
In March, producer prices increased by 1.22 percent, whereas annual PPI inflation fell to 10.08 percent. In the agricultural sector, prices were up by a slight 0.68 percent, while annual inflation was down 2.32 percentage points to 10.54 percent. Livestock prices remained flat, while wheat and cotton prices posted a small fall (0.77 and 1 percent, respectively).

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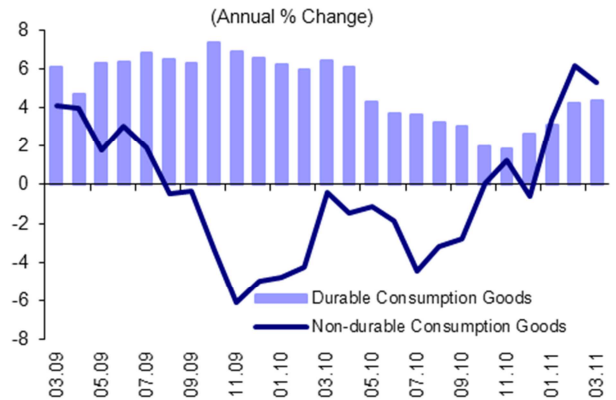
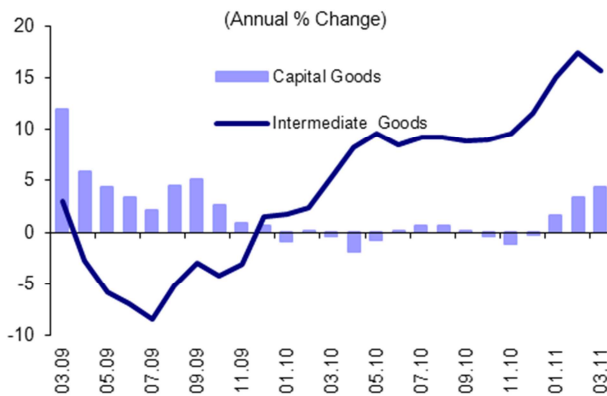
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Prices were up 1.48 and 1.10 percent, respectively, in manufacturing industry and manufacturing industry excluding petroleum. This reflects the increases in international oil prices as well as the run-up in manufacturing industry prices for food, textiles and chemicals.

Producer prices were up across all subcategories of Main Industrial Groupings (MIGs), excluding durable goods. Prices of intermediate goods increased largely due to rising producer prices for textiles, while prices of capital goods were up mainly on the back of higher producer prices for machinery/equipment and motor vehicles. Prices of durable goods decreased amid falling producer prices for furniture, while prices of non-durable goods increased due to changes in producer prices for food.



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.. TABLES

March CPI and Subcategories (Percent Change)					
	Weight	2011		2010	
		MoM	YoY	MoM	YoY
CPI	100	0.42	3.99	0.58	9.56
Food and nonalcoholic beverages	26.78	-0.41	3.47	0.62	11.21
Alcoholic beverages and tobacco	5.90	0.03	-1.49	0.01	43.03
Clothing and footwear	7.22	0.77	5.43	0.69	4.44
Housing	16.46	0.38	4.57	0.20	4.92
Household equipment	6.93	0.94	6.11	-0.45	0.19
Health	2.40	0.15	1.40	0.04	1.89
Transport	15.15	1.57	6.91	0.73	12.72
Communication	4.64	0.34	-4.17	3.14	7.47
Recreation and culture	2.70	0.46	-2.19	0.69	7.16
Education	2.32	0.29	4.28	0.36	6.19
Restaurants and hotels	5.89	0.43	8.01	0.98	8.80
Miscellaneous goods and services	3.61	1.17	7.86	0.70	6.35

Source: TurkStat.

March PPI and Subcategories (Percent Change)					
	Weight	2011		2010	
		MoM	YoY	MoM	YoY
PPI	100	1,22	10,08	1,94	8,58
Agriculture	17.49	0,68	10,54	2,79	22,72
Crops, fruits and vegetables	12.23	1,30	8,46	3,10	17,49
Livestock and animal products	4.52	-2,26	13,83	1,58	38,12
Industry	82.51	1,34	9,98	1,76	5,69
Mining	3.10	2,62	16,35	-0,54	8,82
Manufacturing	70.68	1,48	10,51	1,91	7,32
Manufacturing excluding petroleum	67.56	1,10	9,30	1,75	4,48
Manufacturing excluding petroleum and base metals	61.66	1,22	7,77	0,86	3,20
Electricity, gas and water	8.73	-0,36	3,80	1,11	-14,14

Sources: TurkStat; and CBRT.

PPI by MIGs														
	Monthly Percent Change													
	Mar 10	Apr 10	May 10	Jun 10	Jul 10	Aug 10	Sep 10	Oct 10	Nov 10	Dec 10	Jan 11	Feb 11	Mar 11	YoY
Intermediate goods	3.06	1.80	0.00	-0.50	0.49	0.79	0.83	-0.22	1.14	2.80	3.39	2.67	1.61	15.74
Capital goods	0.59	-0.72	-0.59	0.10	0.12	-0.18	0.04	-0.45	-0.10	0.81	1.66	2.09	1.56	4.37
Durable goods	0.28	-0.48	0.78	0.16	-1.64	0.49	0.13	1.23	1.20	-1.39	3.63	1.71	-0.52	5.30
Non-durable goods	0.73	0.45	-0.49	-0.51	0.29	-0.27	0.74	0.17	0.13	0.72	0.61	1.62	0.84	4.35
Energy	1.99	0.91	0.47	-0.93	0.68	2.45	-0.01	0.15	0.61	4.27	2.44	-1.04	2.25	12.82

Sources: TurkStat; and 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.