

NOVEMBER PRICE DEVELOPMENTS



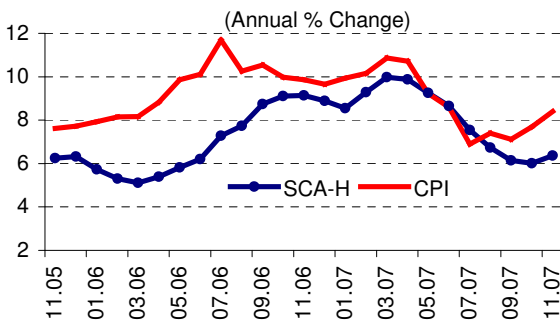
Central Bank of the Republic of Turkey

4 December 2007

SUMMARY...

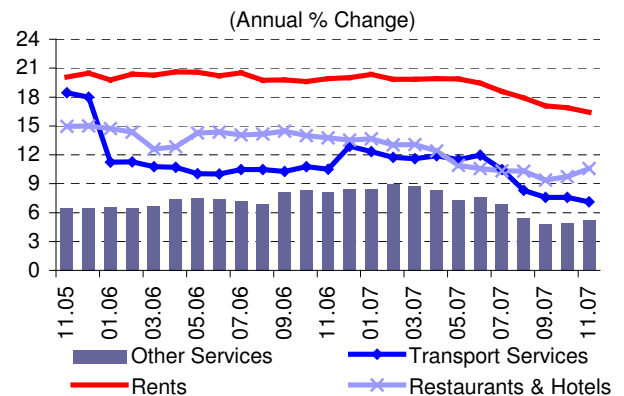
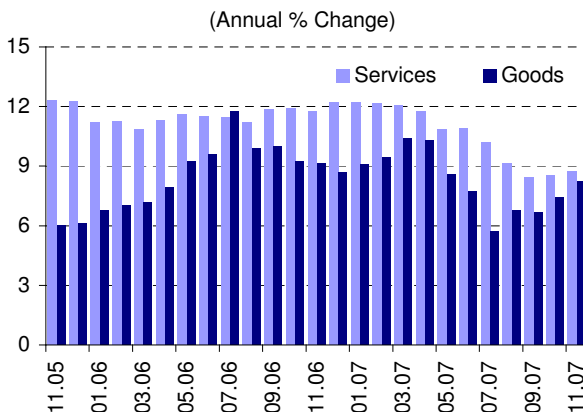
In November, consumer prices rose by 1.95 percent in response to hikes in administered prices, pushing annual inflation up to 8.40 percent. The annual inflation rate of both the services index and the H index shifted upwards as drought-related price developments in food items affected the prices of processed food and catering. However, except for food price-driven increases and rising administered prices, inflation has remained contained. Although possible adjustments in electricity and natural gas prices and uncertainties over food prices put an upward pressure in the short term, inflation is expected to slow again over the medium term.

...EVALUATIONS...



The raised Special Consumption Tax (SCT) on fuel and tobacco products and the increased water rates pushed inflation up by around 1 percentage point, causing year-on-year inflation to rise. The annual rate of increase in the CPI aggregate excluding energy, unprocessed food, alcoholic beverages, tobacco products and gold (SCA-H) accelerated over the previous quarter in response to soaring food and catering prices.

Prices of goods and services rose by 2.46 percent and 0.54 percent, respectively. Annual inflation in goods increased to 8.26 percent, and in services, to 8.75 percent.



Annual services inflation edged up in November largely due to higher prices of recreation-culture and restaurants-hotels. Except for the food price-driven increase in catering inflation, all services items displayed a benign outlook. As a matter of fact, the annual inflation in rents and transport services is still on the decline.

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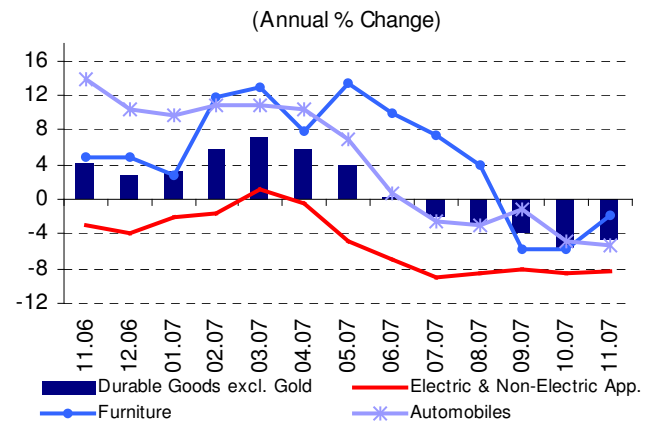
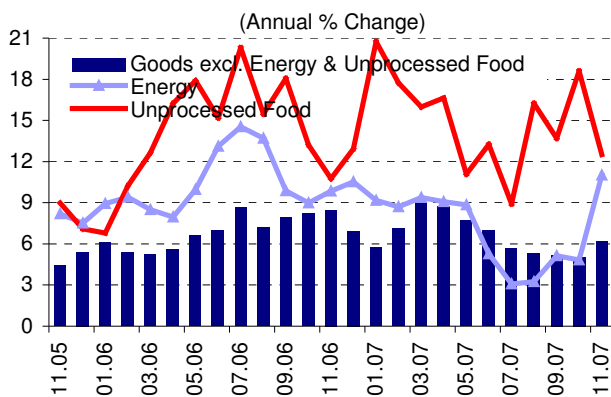


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Despite the significant slowdown in clothing and footwear group's annual inflation, higher prices of processed food, tobacco products and gold pushed the annual rate of increase in prices of goods excluding energy and unprocessed food up by 1.14 percentage points to 6.18 percent. Prices of tobacco products climbed by 6.78 percent on the back of SCT adjustments in November, and gold prices surged by 6.26 percent in response to price movements in international markets. Yet, the reduced prices of medicines thanks to the recent strengthening of the New Turkish lira helped restrain further price hikes in the group. The reduction in medication prices will continue to have a favorable impact in December.

Energy prices rose by 6.78 percent, raising the group's annual inflation rate to 11.02 percent. This was mainly due to SCT-driven price hikes in fuel oil and liquid petrol gas and new water rates effective in Istanbul. Fuel oil prices were up by 9.12 percent, not only because of the SCT increase, but also because of record-high oil prices on global markets.



Although the year-on-year inflation in prices of durable goods (excluding gold) increased mainly on account of the high base effect, the group continued to moderate in November. Prices of automobiles and electric and non-electric equipment went down by 0.80 and 0.31 percent, respectively. Furniture prices, on the other hand, rose by 0.87 percent, after five months of decline. Thus, the annual inflation in durable goods saw an overall decline of 4.4 points in eight months.

| | Monthly Percentage Change | | Annual Percentage Change | |
|---|---------------------------|---------------|--------------------------|---------------|
| | November 2007 | November 2006 | November 2007 | November 2006 |
| CPI | 1.95 | 1.29 | 8.40 | 9.86 |
| 1. Goods | 2.46 | 1.66 | 8.26 | 9.13 |
| Energy | 6.78 | 0.82 | 11.02 | 9.84 |
| Unprocessed Food | -0.78 | 4.57 | 12.52 | 10.75 |
| Goods excl. Energy and Unprocessed Food | 2.20 | 1.10 | 6.18 | 8.46 |
| Durable Goods | 0.46 | -0.20 | -3.65 | 9.44 |
| Durable Goods excl. Gold | -0.22 | -1.09 | -4.64 | 4.18 |
| Semi-Durable Goods | 4.97 | 1.85 | 7.51 | 7.90 |
| Non-Durable Goods | 1.29 | 1.96 | 11.96 | 9.96 |
| 2. Services | 0.54 | 0.34 | 8.75 | 11.78 |
| Rent | 1.02 | 1.42 | 16.42 | 19.92 |
| Restaurants and Hotels | 1.49 | 0.71 | 10.57 | 13.77 |
| Transport Services | -0.23 | 0.21 | 7.10 | 10.50 |
| Other Services | 0.03 | -0.25 | 5.18 | 8.13 |

Source: TÜRKSTAT, CBRT.

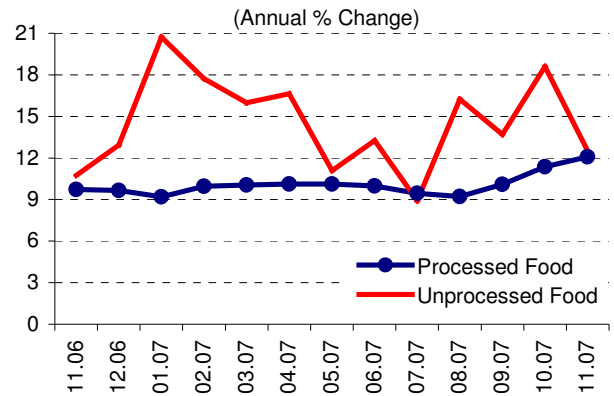
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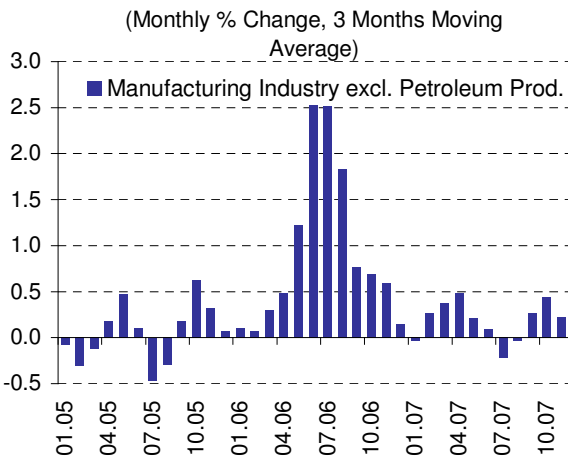
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Along with a partial correction in November, prices of unprocessed food declined by 0.78 percent. Prices of pulses, however, continued to grow at about 2.86 percent per month and 18.63 percent per annum, which suggests that adverse weather conditions still have an impact on unprocessed food prices.



Processed food prices continued to increase sharply by a cumulative 7.56 percent between August and November. Prices of bread, grains, solid and liquid fats remained elevated due to drought-related price hikes.

The often-cited drought problem still has an impact on special aggregates via higher prices of processed food and catering services that interrupted the downward trend in the annual inflation of the CPI aggregate excluding energy, unprocessed food, alcoholic beverages, tobacco products and gold (SCA-H) in November.



PPI increased by 0.89 percent in November to 5.65 percent per annum. Manufacturing industry prices rose by 1.11 percent, mainly on soaring prices of coke and refined petroleum products. Excluding petroleum products, however, manufacturing industry prices went down by 0.16 percent. Besides, food production prices continued to rise rapidly, and clothing prices that fell every November since 2004 increased by 1.84 percent.

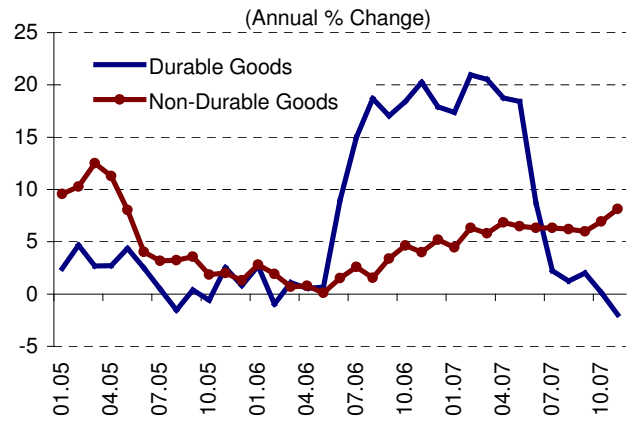
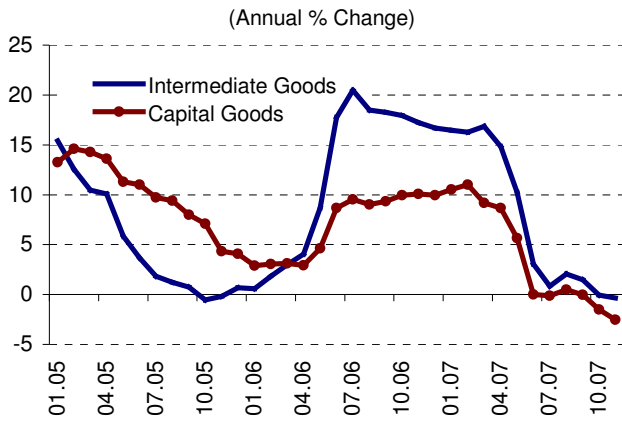
According to a PPI analysis based on MIGS classification, prices of all items other than non-durables and energy decreased in November. Prices of non-durables rose on the back of soaring food and beverage prices and price hikes in apparel manufacturing and tobacco products. Energy prices also surged by 6.68 percent mainly due to higher prices of petroleum products.

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PPI Developments According to MIGS Classification

Monthly Percentage Change

| | Nov-06 | Dec-06 | Jan-07 | Feb-07 | Mar-07 | Apr-07 | May-07 | Jun-07 | Jul-07 | Agu-07 | Sep-07 | Oct-07 | Nov-07 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Intermediate Goods Prices | -0.34 | -0.57 | -0.08 | 0.12 | 1.24 | 0.44 | 0.27 | -0.13 | -0.63 | 0.72 | 0.06 | -1.13 | -0.64 |
| Capital Goods Prices | 0.40 | 0.53 | 1.11 | 0.34 | -1.41 | -0.25 | -0.64 | -0.93 | -0.27 | 0.43 | -0.22 | -0.59 | -0.64 |
| Durable Goods Prices | 0.94 | -0.43 | 1.43 | 0.02 | -0.48 | -0.49 | 0.44 | -0.46 | -2.02 | 1.01 | 0.23 | -0.02 | -1.17 |
| Non-Durable Goods Prices | -0.26 | 0.13 | 0.03 | 1.82 | -0.30 | 1.28 | -0.38 | 0.20 | 0.13 | 0.13 | 2.13 | 1.88 | 0.84 |
| Energy Prices | -1.80 | 1.53 | -3.82 | 0.64 | 6.04 | 2.12 | -0.54 | -1.36 | 1.84 | 2.68 | -0.32 | -2.94 | 6.68 |

Source: TÜRKSTAT, CBRT.

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...TABLES

| November CPI and Sub-Items (Percentage Change) | | | | | |
|--|--------|---------|--------|---------|--------|
| | Weight | 2007 | | 2006 | |
| | | Monthly | Annual | Monthly | Annual |
| CPI | 100 | 1.95 | 8.40 | 1.29 | 9.86 |
| Food and Non-Alcoholic Beverages | 28.47 | 0.55 | 12.29 | 2.71 | 10.22 |
| Alcoholic Beverages and Tobacco | 5.06 | 6.51 | 17.21 | 0.01 | 10.21 |
| Clothing and Footwear | 7.86 | 4.30 | 3.30 | 4.80 | 3.37 |
| Housing | 16.62 | 4.01 | 11.20 | 1.30 | 13.73 |
| Household Equipments | 7.22 | 0.43 | 4.11 | -0.48 | 8.28 |
| Health | 2.66 | -0.67 | 1.54 | 0.17 | 8.01 |
| Transport | 11.60 | 2.50 | 5.72 | -0.28 | 9.55 |
| Communication | 4.41 | -0.06 | -3.33 | -0.15 | 1.23 |
| Recreation and Culture | 3.16 | -0.28 | 0.35 | -1.86 | 7.49 |
| Education | 2.15 | -0.12 | 6.05 | -0.11 | 7.69 |
| Restaurants and Hotels | 6.40 | 1.49 | 10.57 | 0.71 | 13.77 |
| Miscellaneous Goods and Services | 4.39 | 1.85 | 5.59 | 0.81 | 15.16 |

Source: TÜRKSTAT.

| November PPI and Sub-Items (Percentage Change) | | | | | |
|--|--------|---------|--------|---------|--------|
| | Weight | 2007 | | 2006 | |
| | | Monthly | Annual | Monthly | Annual |
| PPI | 100 | 0.89 | 5.65 | -0.29 | 11.67 |
| Agriculture | 18.17 | 0.24 | 13.87 | -0.09 | 5.43 |
| Industry | 81.83 | 1.06 | 3.82 | -0.34 | 13.1 |
| Mining | 1.49 | 1.14 | 12.81 | -0.33 | 12.31 |
| Manufacturing | 74.49 | 1.11 | 4.26 | -0.36 | 11.61 |
| Energy | 5.85 | 0.34 | -4.29 | 0.02 | 36.9 |

Source: TÜRKSTAT.

Price Developments are published within two working days following the announcement of price statistics by the Turkish Statistical Institute (TÜRKSTAT). 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.