

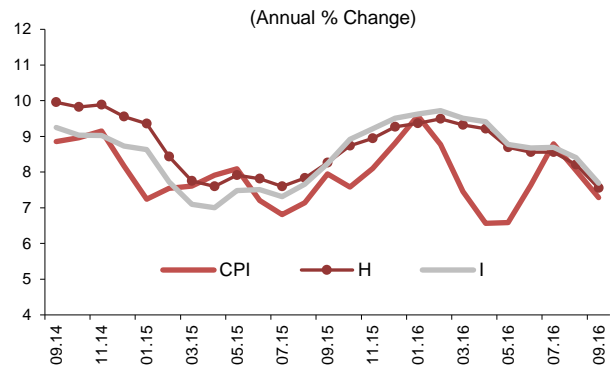
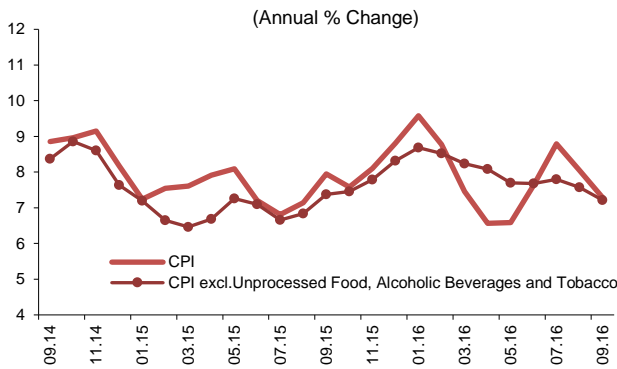
SUMMARY...

In September, consumer prices crept up by 0.18 percent, and annual consumer inflation fell by 0.77 points to 7.28 percent. As also stated in the Summary of the Monetary Policy Committee Meeting of September, food inflation decelerated further, while the tax increase in fuel products curbed the improvement in inflation through direct and indirect effects. In this period, core indicators saw a decline in annual inflation and a slight slowdown in underlying trends on account of core goods.

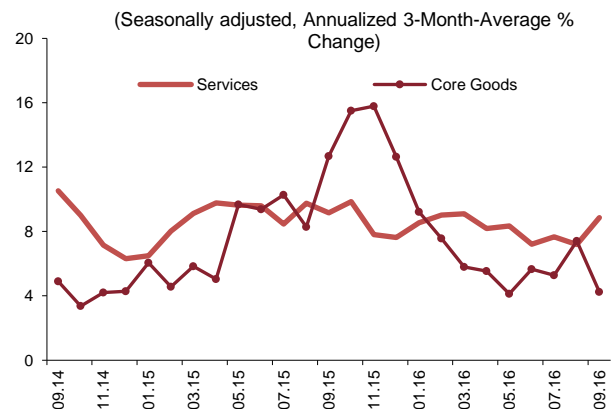
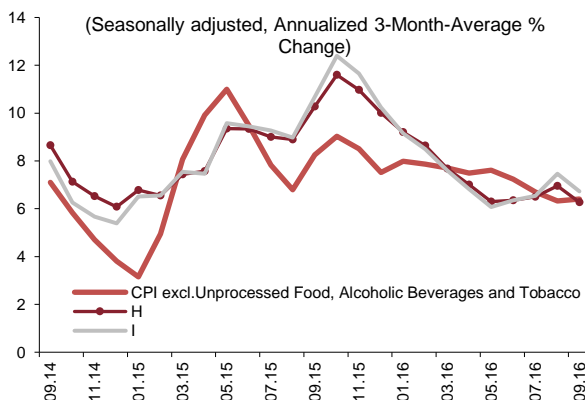
... EVALUATIONS ...

In September, consumer prices crept up by 0.18 percent, and annual consumer inflation fell by 0.77 points to 7.28 percent. The annual rate of change in the H and I indices fell by 0.65 and 0.72 points month-on-month to 7.56 and 7.69 percent, respectively.

Contributions of sub-groups to annual CPI inflation reveal a month-on-month decline of 0.49 and 0.45 points from the food and core goods groups, respectively. Meanwhile, the energy group added 0.22 points more to annual CPI inflation in September.

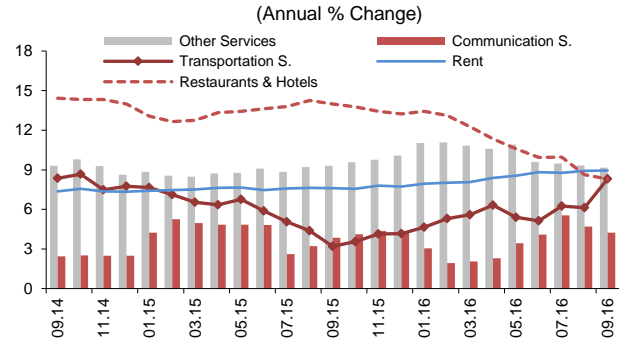
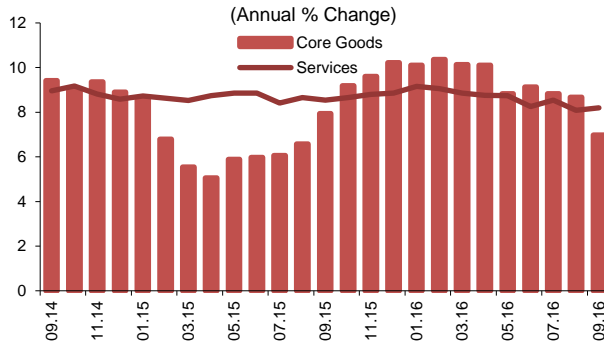


The underlying trend of inflation based on seasonally-adjusted data in 3-month-averages reveals that core inflation indicators registered a slight slowdown in September due to the significant fall in the underlying trend of core goods. On the other hand, the underlying trend of the services group increased

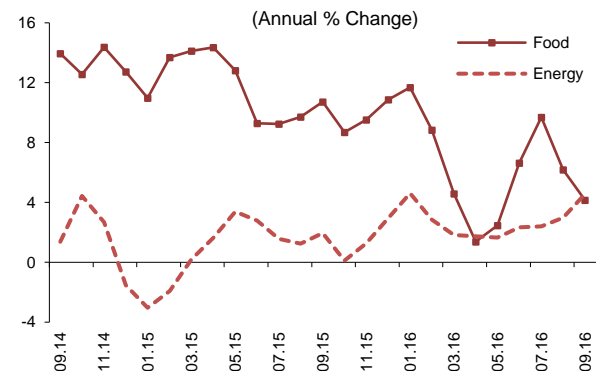
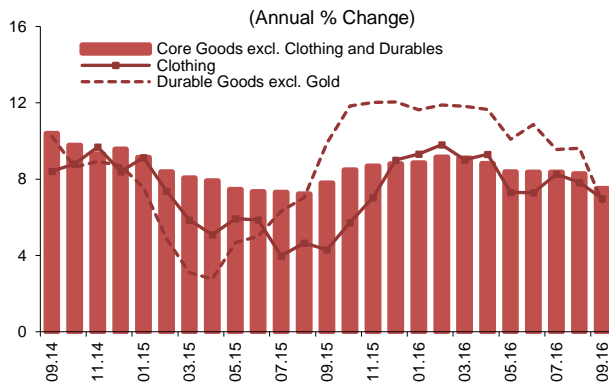


Prices of services increased by 0.89 percent on a monthly basis and the group's annual inflation crept up by 0.11 points to 8.19 percent in September. Annual inflation increased in transport, remained flat in rents and receded in other subgroups. Prices of transport services rose by 2.69 percent in September. Prices of road transport services, particularly cab, minibuses and bus transport manifested the effect of tax increases in fuel products. Annual inflation in education services, which reached 10.37 percent, proved noteworthy. On the other hand, inflation in the

restaurants-hotels group declined further due to the favorable course of food prices and the developments in the tourism sector.



Annual core goods inflation fell by 1.70 points to 6.97 percent in September. Annual inflation decreased in all subgroups in this period. Among durable goods, prices of white goods and furniture decreased in contrast to a slight increase in prices of automobiles. Clothing prices decreased slightly above seasonal averages as they did in August, while core goods, excluding clothing and durables, displayed a mild price increase. All in all, annual core goods inflation decreased further owing both to the waning cumulative exchange rate effects and the slowdown in the aggregate demand.

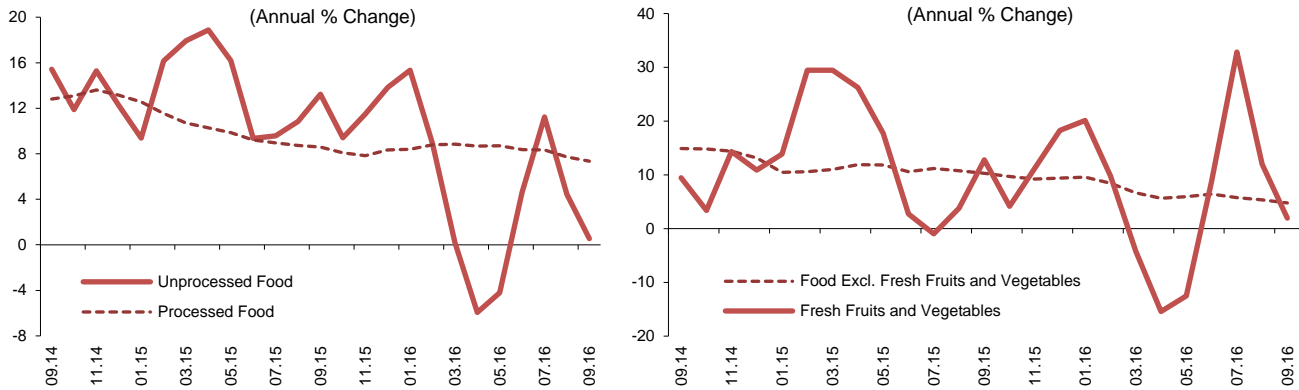


Energy prices rose by 2.09 percent in September, due mainly to fuel prices, which soared by 6.51 percent amid the 0.20 TL increase in the lump-sum SCT imposed on fuel products. This adjustment will remain influential in fuel prices in October, albeit limited. In this period, bottled gas prices rose by 0.96 percent as well. As a result, annual energy inflation increased by 1.59 points to 4.56 percent. The reduction in natural gas prices at the start of October is expected to have a direct effect of around 0.16 points on consumer inflation.

Annual inflation in food and non-alcoholic beverages fell by 2.03 points to 4.16 percent. Seasonally-adjusted unprocessed food prices receded this month as in August and the group's annual inflation decreased by 3.89 points to 0.54 percent. This decrease was driven mainly by prices of fresh fruits. In addition, annual food inflation excluding fresh fruits and vegetables hit 4.78 percent, the lowest level of the last 5 years. On the processed food front, prices saw an uptick by 0.28 percent, while the group's annual inflation fell to 7.35 percent.

SEPTEMBER PRICE DEVELOPMENTS

OCTOBER 4, 2016



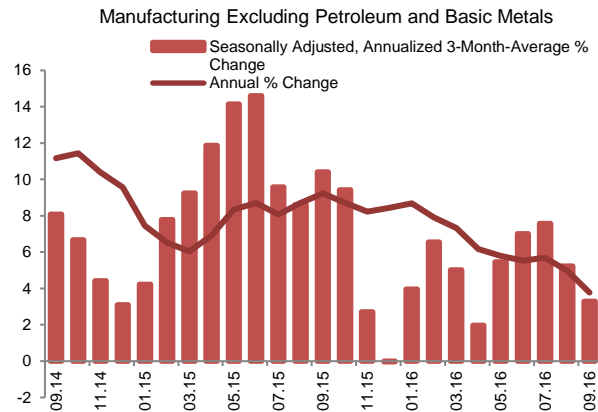
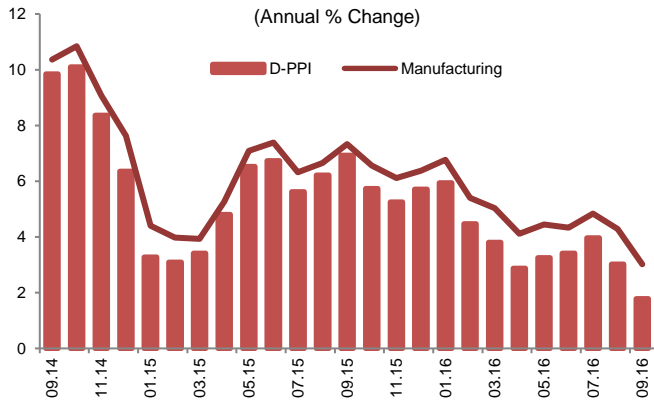
	Monthly Percent Change		Annual Percent Change	
	Sept.2016	Sept.2015	Sept.2016	Sept.2015
CPI	0.18	0.89	7.28	7.95
1. Goods	-0.14	0.94	6.85	7.70
Energy	2.09	0.53	4.56	1.95
Food and nonalcoholic beverages	-0.70	1.24	4.16	10.73
Unprocessed food	-1.86	1.94	0.54	13.23
Fresh fruits and vegetables	-2.19	7.42	1.96	12.79
Other unprocessed food	-1.66	-0.66	0.26	13.25
Processed food	0.28	0.63	7.35	8.59
Bread and cereals	0.29	0.32	9.75	6.04
Other processed food	0.27	0.80	6.04	10.04
Goods excluding energy and food	-0.62	0.87	9.71	7.83
Core goods	-0.74	0.84	6.97	7.94
Durable goods	-0.04	2.86	7.35	10.53
Durable goods (excluding gold)	0.04	2.68	6.80	9.89
Alcoholic beverages and tobacco	0.01	0.35	22.61	5.67
Gold	-1.29	6.17	16.05	22.66
2. Services	0.89	0.79	8.19	8.54
Rents	0.87	0.84	8.95	7.60
Restaurants and hotels	0.67	0.97	8.31	13.99
Transport	2.69	0.62	8.32	3.20
Communication	0.18	0.62	4.24	3.86
Other*	0.62	0.78	9.16	9.31
3. Core Measures				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.45	0.78	7.22	7.38
H	0.17	0.77	7.56	8.26
I	0.14	0.81	7.69	8.23

Source: TurkStat, CBRT.

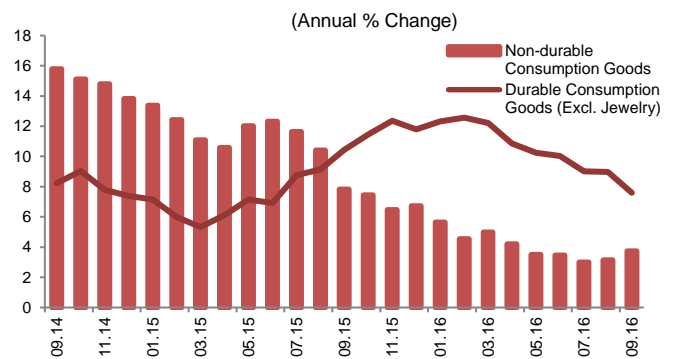
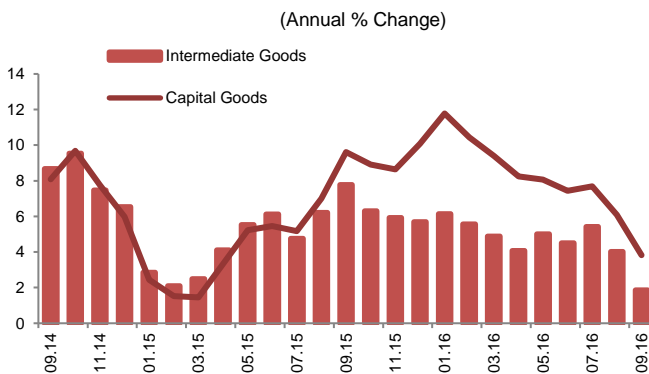
*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

... D-PPI ...

Domestic producer prices crept up by 0.29 percent month-on-month, and the group's annual inflation decreased by 1.25 points to 1.78 percent in September. This fall stemmed from the mild course of the exchange rate and international commodity prices in addition to the base effect. Annual inflation receded to 3.02 percent in the manufacturing industry and to 3.77 percent in the manufacturing industry excluding petroleum and basic metals in this period.



According to the Main Industrial Groupings (MIGs), prices receded in intermediate goods, but increased modestly in other subgroups in September. Non-durable goods witnessed price increases mainly due to price hikes in processed fruits and vegetables, while prices of capital goods were pushed up by prices of motor vehicles and general-purpose machinery. Prices of durable goods remained relatively flat in this period. Meanwhile, prices of intermediate goods dropped on account of the decline in precious base metal prices. As a result, producer-driven cost pressures on consumer prices weakened in September compared to August.



... TABLES

September CPI and Subcategories (Percent Change)					
	Weight	2016		2015	
		Monthly	Annual	Monthly	Annual
CPI	100	0.18	7.28	0.89	7.95
Food and nonalcoholic beverages	23.68	-0.70	4.16	1.24	10.73
Alcoholic beverages and tobacco	4.98	0.01	22.61	0.35	5.67
Clothing and footwear	7.43	-3.49	7.03	-2.76	4.38
Housing	15.93	0.41	6.64	0.58	8.28
Household equipment	8.02	0.12	7.13	1.16	9.42
Health	2.66	0.21	9.65	1.08	7.42
Transport	14.31	2.70	7.54	1.93	2.42
Communication	4.42	0.25	3.12	0.72	2.82
Recreation and culture	3.81	-0.43	3.97	1.16	10.38
Education	2.56	1.98	10.37	0.88	5.90
Restaurants and hotels	7.47	0.67	8.31	0.97	13.99
Miscellaneous goods and services	4.73	0.28	10.03	1.93	11.23

Source: TurkStat.

September D-PPI and Subcategories (Percent Change)					
	Weight	2016		2015	
		Monthly	Annual	Monthly	Annual
D-PPI	100.00	0.29	1.78	1.53	6.92
Mining	3.50	0.20	3.72	-1.26	-2.47
Manufacturing	87.28	0.31	3.02	1.54	7.34
Manufacturing excl. petroleum products	84.65	0.15	3.25	1.51	8.65
Manufacturing excl. petroleum products and basic metals	75.61	0.29	3.77	1.44	9.24
Electricity, gas, steam and air-conditioning supply	8.13	0.24	-12.89	2.51	5.29
Water supply	1.08	-0.10	8.17	0.42	21.87
D-PPI (MIGs Classification)					
Intermediate Goods		-0.14	1.86	1.98	7.79
Durable Consumption Goods		0.19	9.32	2.95	13.89
Durable Consumption Goods (Excl. Jewelry)		0.14	7.59	1.42	10.43
Non-Durable Consumption Goods		0.48	3.75	-0.09	7.82
Capital Goods		0.38	3.82	2.57	9.61
Energy		1.33	-7.35	1.64	-2.57

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.