

OCTOBER PRICE DEVELOPMENTS NOVEMBER 4, 2014

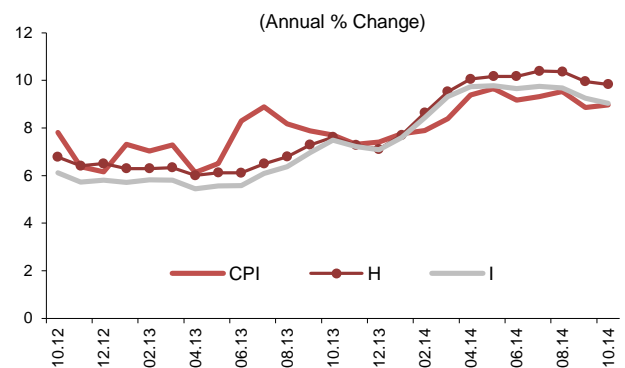
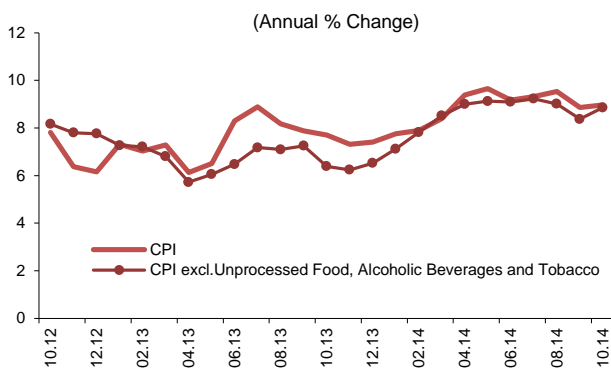
SUMMARY...

In October, annual consumer prices inflation rose by 0.1 percentage points to 8.96 percent. Food prices saw a partial correction, yet the group's inflation continued on a high course. The rise in energy prices stemmed from the adjustments in administered prices. The underlying trend of inflation in the services group remained elevated, while that of the core goods group continued with a relatively favorable course. Accordingly, core inflation indicators registered a limited recovery.

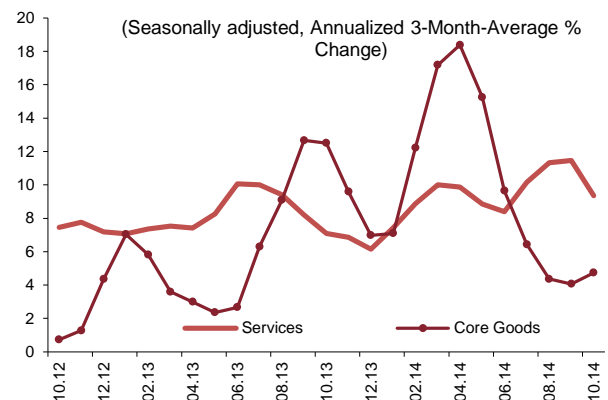
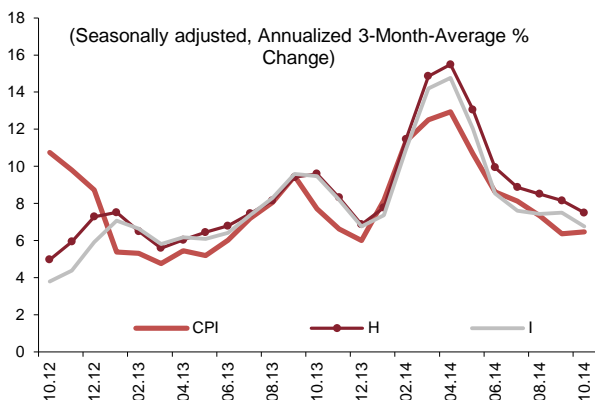
...EVALUATIONS...

In October, consumer prices were up by 1.90 percent and annual inflation increased to 8.96 percent. The annual rate of increase in the SCA-H and SCA-I indices edged down on a monthly basis by 0.13 and 0.22 percentage points to 9.83 percent and 9.04 percent, respectively.

Across subgroups, the contribution to the annual CPI inflation recorded an increase by 0.43 percentage points in the energy group. The contribution of the core goods group fell by 0.15 percentage points month-on-month, while that of the services group followed a flat course. The food group added 0.28 percentage points less to the annual CPI inflation on a monthly basis, yet remained the highest contributor among sub-groups by 3.08 percentage points.



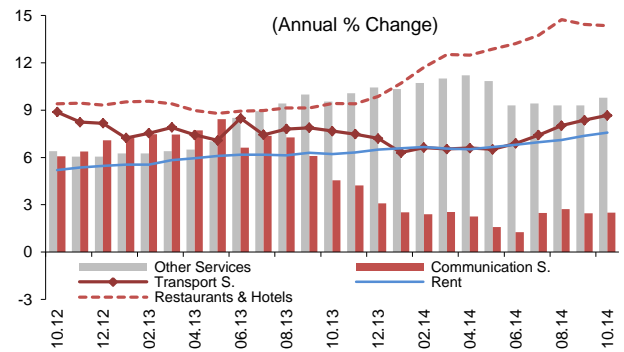
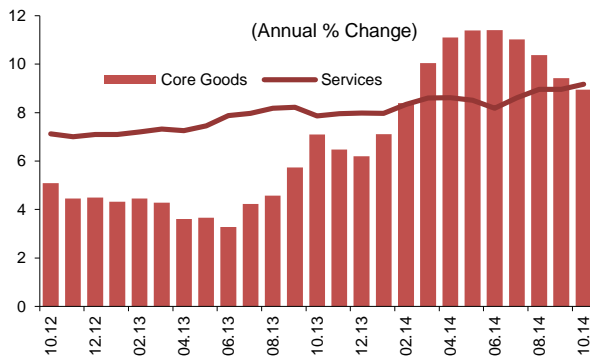
The underlying trends of inflation in quarterly averages suggest that the improvement in core inflation indicators continued, albeit limited. Seasonally-adjusted data suggest a slight increase in the underlying trend of core goods inflation but a partial improvement in the services group.



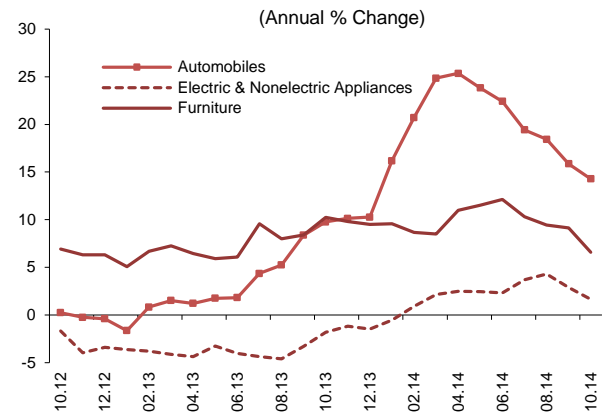
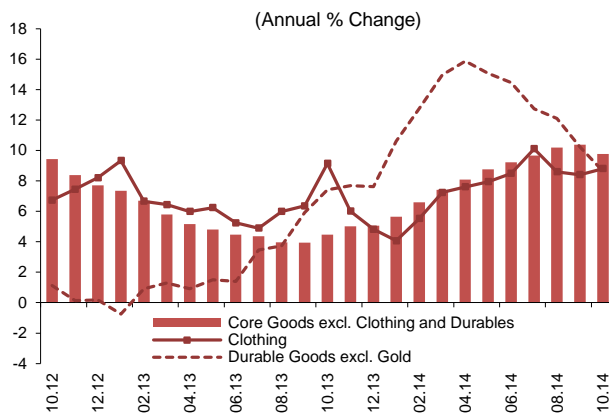
Prices of services rose by 0.61 percent on a monthly basis and the group's annual inflation reached 9.17 percent in October. Thus, the services group ranked the second highest contributor to the annual consumer inflation following the food group. Despite edging down compared to past months, the monthly trend of price increase in restaurants-hotels, transport

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and rent groups exhibited an unfavorable outlook. Accordingly, annual inflation remained on a high track with 14.34 percent in restaurants-hotels group, while it posted rising figures in transport and rent groups.



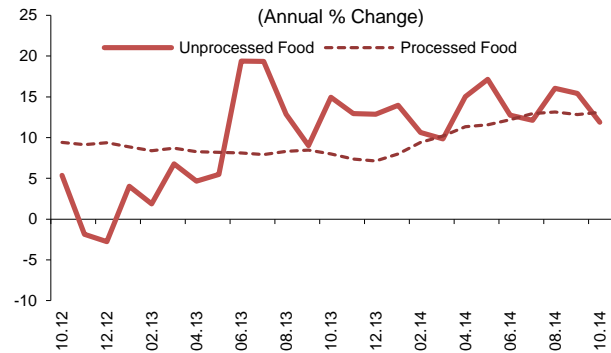
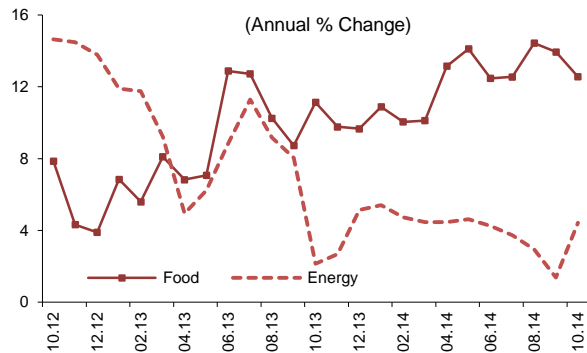
Annual core goods inflation fell by approximately 0.5 percentage point to 8.95 percent in October. The annual inflation in subgroups other than clothing declined in this period. Prices of durable consumption goods remained flat also in October and maintained their post-April mild course. Accordingly, the group's annual inflation went down by 1.61 percentage points to 8.63 percent. The annual inflation in core goods excluding clothing and durables was another sub-item that slowed in this period. Meanwhile, recording sharp increases in the new season, clothing prices affected the core goods group adversely.



Energy prices were up by 2.62 percent in October due to surging electricity and natural gas prices by 9.03 and 7.93 percent, respectively. In addition, municipal water tariffs rose by 1.48 percent. Meanwhile, fuel oil and bottled gas prices continued to fall in October in line with international oil prices. Against this background, annual energy inflation rose by 3.05 percentage points to 4.43 percent. Increases in electricity and natural gas prices added nearly 0.4 percentage points to annual consumer inflation in October.

Annual inflation in the food and non-alcoholic beverages group dropped by 1.39 percentage points to 12.56 percent. Annual unprocessed food inflation registered a decline to 11.89 percent due to the prices of fresh fruits. Meanwhile, the uptrend in processed food prices continued and the group's annual inflation rose to 13.09 percent. This rise was driven by surging prices chiefly in bread, but also in meat and dairy products, coffee-tea and canned vegetables.

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	Monthly Percent Change		Annual Percent Change	
	Oct.2014	Oct.2013	Oct.2014	Oct.2013
CPI	1.90	1.80	8.96	7.71
1. Goods	2.46	2.34	8.89	7.65
Energy	2.62	-0.38	4.43	2.14
Food and nonalcoholic beverages	2.65	3.91	12.56	11.13
Unprocessed food	4.48	7.78	11.89	14.95
Fresh fruits and vegetables	12.06	18.63	3.39	25.43
Other unprocessed food	0.27	0.97	18.20	8.14
Processed food	1.06	0.80	13.09	8.00
Bread and cereals	1.13	1.04	14.62	10.71
Other processed food	1.01	0.65	12.17	6.36
Goods excluding energy and food	2.23	2.37	8.09	7.60
Core goods	2.72	3.17	8.95	7.10
Durable goods	0.03	1.19	8.46	5.94
Durable goods (excluding gold)	-0.03	1.46	8.63	7.41
Alcoholic beverages and tobacco	0.00	-0.73	4.14	14.30
Gold	1.16	-3.58	5.27	-16.57
2. Services	0.61	0.41	9.17	7.86
Rents	0.76	0.58	7.56	6.20
Restaurants and hotels	0.86	0.94	14.34	9.42
Transport	0.95	0.67	8.67	7.67
Communication	0.14	0.08	2.51	4.55
Other*	0.39	-0.06	9.78	9.53
3. Core Measures				
CPI excluding unprocessed food, alcoholic beverages and tobacco	1.66	1.20	8.86	6.39
SCA-H	1.48	1.59	9.83	7.61
SCA-I	1.57	1.78	9.04	7.49

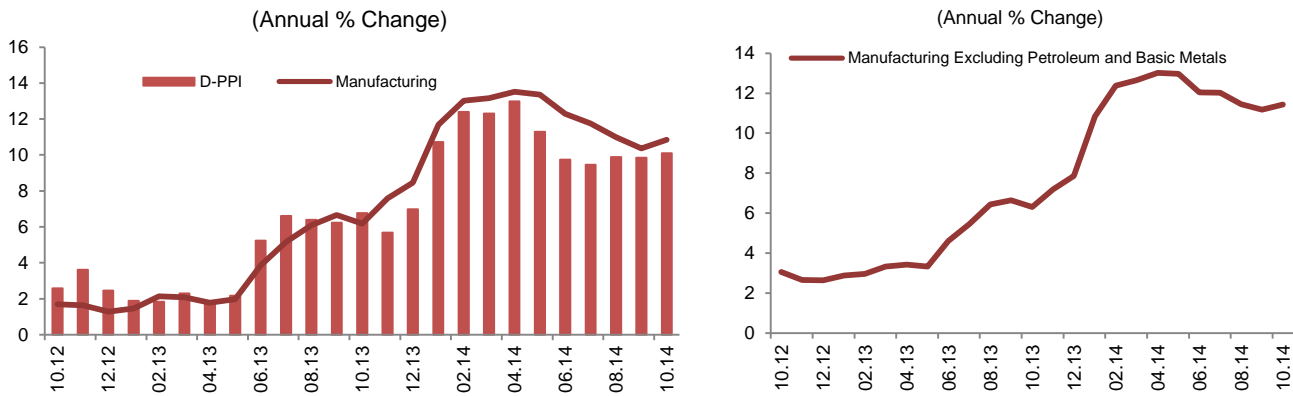
Source: TurkStat, CBRT.

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

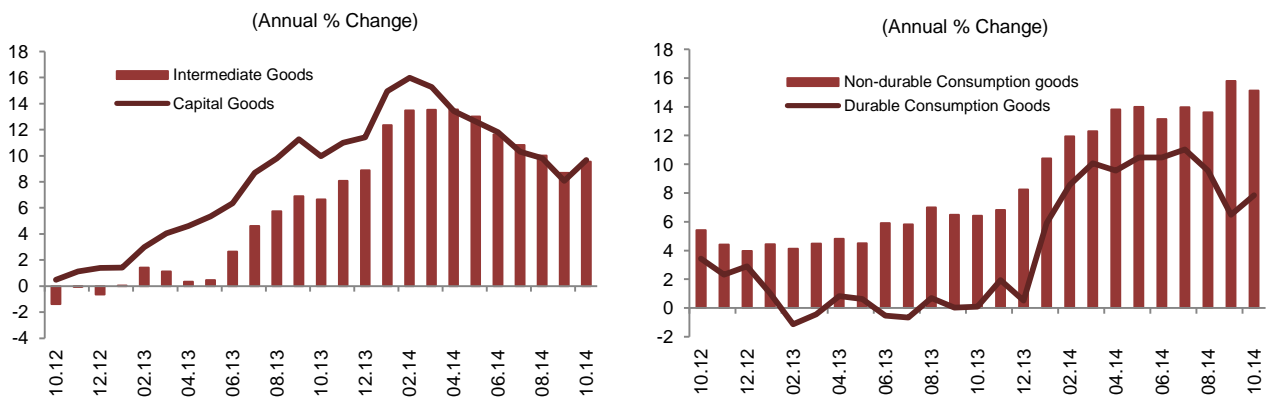
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...D-PPI...

Domestic producer prices rose by 0.92 percent and the group's annual inflation climbed to 10.10 percent in October. Annual inflation in the manufacturing industry rose to 10.84 percent, and that in the manufacturing industry excluding petroleum and basic metals reached 11.44 percent in this period.



According to the Main Industrial Groupings (MIGs), durable consumption goods have exhibited a notable price increase by 1.26 percent for the first time in the last 6 months, while prices of non-durable consumption goods followed a flat course due to the mild track of the manufacturing of food products. Intermediate and capital goods saw accelerated price increases in this period. In sum, October witnessed slower price increases in the manufacturing of food products on the one hand, and month-on-month increases in the manufacturing prices due to foreign exchange pressures, on the other.



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...TABLES

October CPI and Subcategories (Percent Change)					
	Weight	2014		2013	
		Monthly	Annual	Monthly	Annual
CPI	100	1.90	8.96	1.80	7.71
Food and nonalcoholic beverages	24.45	2.65	12.56	3.91	11.13
Alcoholic beverages and tobacco	5.29	0.00	4.14	-0.73	14.30
Clothing and footwear	7.17	9.95	8.83	9.56	9.12
Housing	16.41	2.94	7.89	0.36	4.29
Household equipment	7.52	0.20	7.77	1.58	5.64
Health	2.44	0.70	9.91	0.20	3.24
Transport	15.54	-0.18	6.88	0.34	7.32
Communication	4.70	-0.10	1.30	0.00	3.11
Recreation and culture	3.36	0.03	8.00	0.62	3.79
Education	2.26	0.52	8.05	0.28	10.14
Restaurants and hotels	6.58	0.86	14.34	0.94	9.42
Miscellaneous goods and services	4.28	0.74	9.14	-0.41	2.18

Source: TurkStat.

October D-PPI and Subcategories (Percent Change)					
	Weight	2014		2013	
		Monthly	Annual	Monthly	Annual
D-PPI	100	0.92	10.10	0.69	6.77
Mining	3.97	0.32	4.68	1.15	12.53
Manufacturing	85.93	0.35	10.84	-0.08	6.18
Electricity, gas, steam and air-conditioning supply	9.31	6.92	1.49	0.19	18.21
Water supply	0.79	2.54	11.53	0.65	10.91

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.