

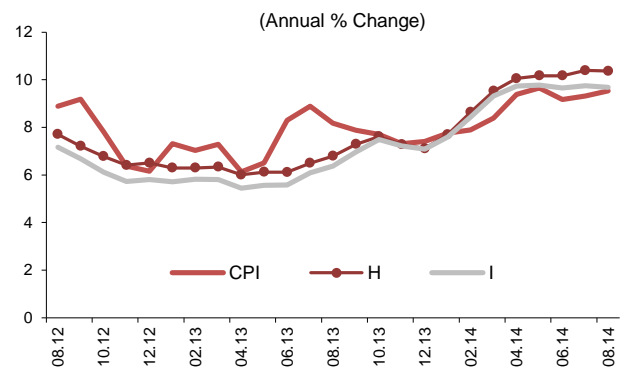
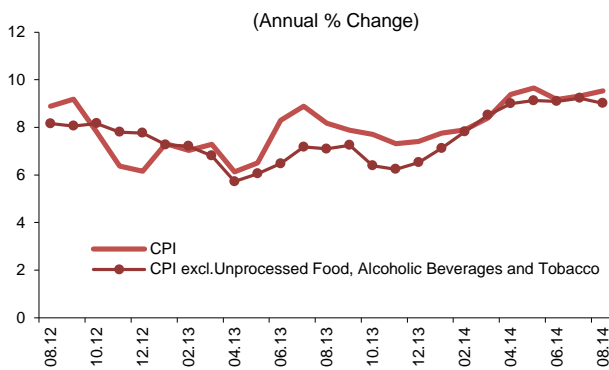
SUMMARY...

In August, annual consumer prices inflation rose by 0.22 percentage points to 9.54 percent. The persisting adverse course of food prices stood out in this period. Amid the indirect reverberations of hikes in food prices, the underlying trend of inflation in the services group remained on the rise, while that of the core goods group saw an apparent improvement.

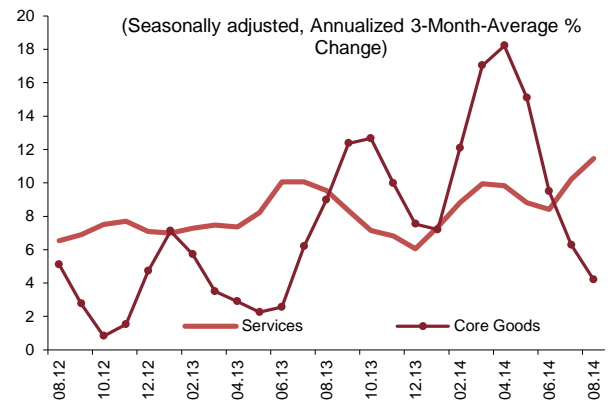
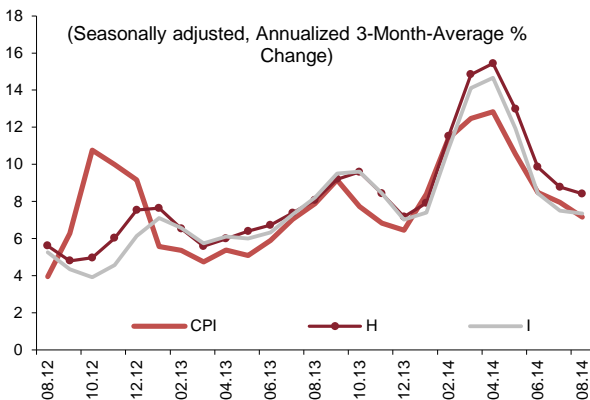
...EVALUATIONS...

In August, consumer prices were up by 0.09 percent and annual inflation reached 9.54 percent. The annual rate of increase in the SCA-H and SCA-I indices edged down on a monthly basis to 10.36 percent and 9.68 percent, respectively.

Across subgroups, the contribution of the food group to the annual CPI inflation posted a considerable rise by 0.43 percentage points, while that of the services group crept up by 0.13 percentage points. Thus, the contribution of the food group to the annual CPI inflation climbed to 3.5 percentage points. Meanwhile, the contribution of the core goods group fell by 0.16 percentage points, while that of the energy and alcoholic beverages-tobacco group edged down by approximately 0.1 percentage points each.



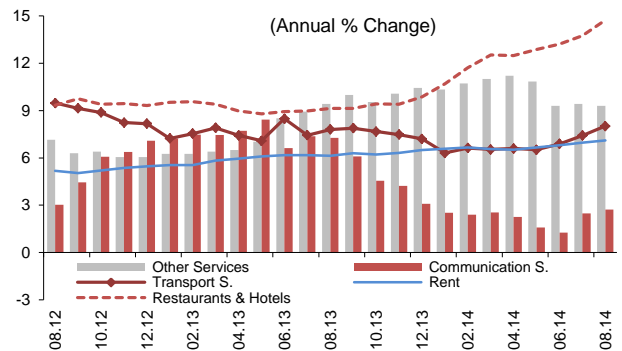
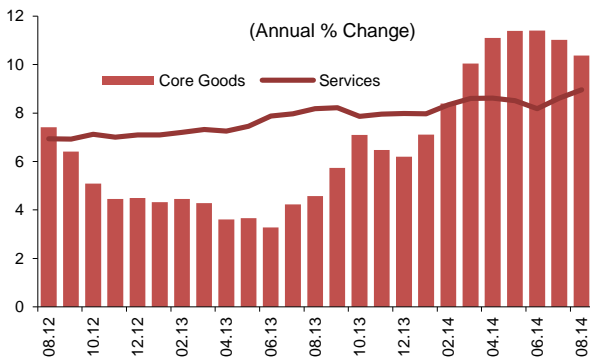
The underlying trends of inflation in quarterly averages suggest that the improvement in core inflation indicators continued, albeit limited. The slowdown in the seasonally-adjusted underlying trend of core goods inflation grew more robust in this period. However, the underlying trend in the services group maintained its unfavorable course, which continued to limit the improvement in core indicators.



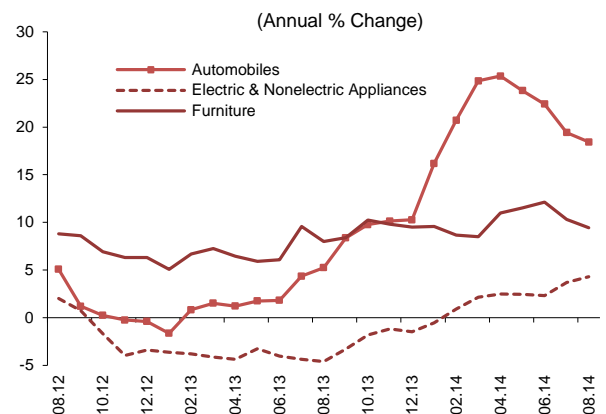
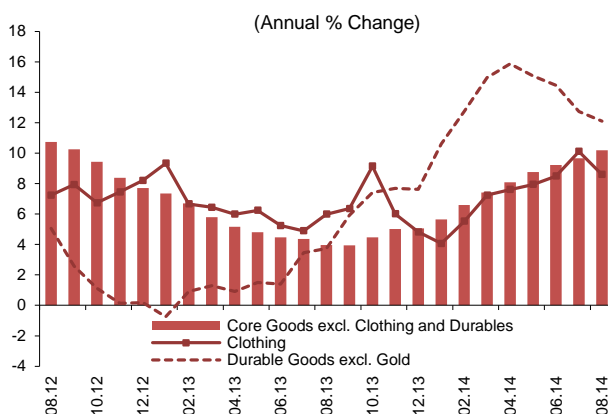
Prices of services rose by 0.92 percent on a monthly basis, and the group's annual inflation edged up by 0.34 percentage points to 8.96 percent in August. An adverse outlook was registered in this period across the services group, particularly in restaurants and hotels.

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Through both the direct effects and the catering services channel, setbacks in agricultural supply deteriorated consumer inflation. In line with food inflation exceeding 14 percent, annual inflation in restaurants-hotels services was up by 1 percentage points to 14.73 percent. Inflation in the transport services group increased to 8 percent due to price hikes in the highway passenger transport services item. Meanwhile, having maintained an uptrend, annual rent inflation hit 7.1 percent in August.



Annual core goods inflation decreased to 10.37 percent in August. As the exchange rate-driven inflationist pressures continued to wind down, prices of durable consumption goods registered a month-on-month decline and annual core goods inflation maintained its downtrend. Furniture and automobiles saw falling prices in contrast to the ongoing brisk increases in the prices of white goods. Durable consumption goods exhibited a favorable course, while core goods excluding clothing and durable goods continued with an upward trend. Thus, the decoupling in the course of annual inflation figures persisted between the prices of durable goods and other groups, as the developments affect the sub-groups in a varying time range. Meanwhile, the discount in clothing prices stood above seasonal averages in August, and the group's annual inflation fell to 8.59 percent. Against this background, the improvement in the seasonally-adjusted underlying trend of core goods inflation continued with an apparent course.

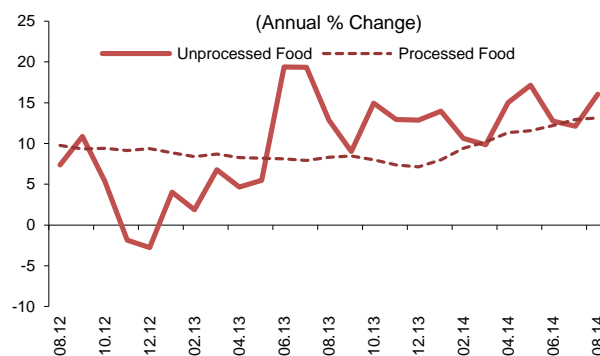
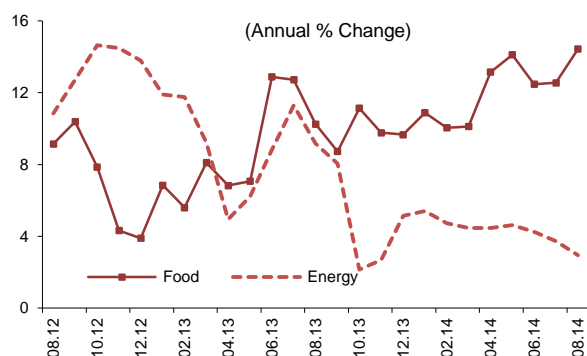


Energy prices were down by 0.44 percent in August due to plummeting fuel prices (1.43 percent) while water tariffs continued with an upward trend. Having receded to 2.94 percent, annual energy inflation maintained its mild course.

Annual inflation in the food and non-alcoholic beverages group went up by 1.88 percentage points to 14.44 percent. In the unprocessed food group, the vegetables group, which has limited the group's annual inflation for a while, saw an increase despite the falling prices of fresh fruits.

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Additionally, annual unprocessed food inflation increased to 16.06 percent due to the price hikes in meat, milk and eggs. Meanwhile, the uptrend in processed food prices continued and the group's annual inflation reached 13.15 percent. Bread prices remained on the increase, and dairy products and canned vegetables registered surging prices. All in all, August was marked by an evident unfavorable course in unprocessed food products excluding fresh fruits as well as processed products, of which they constitute the main input.



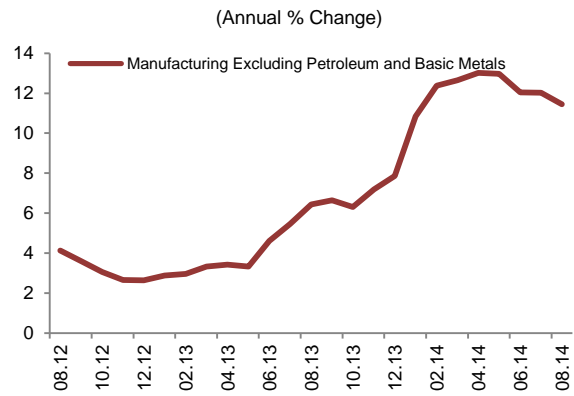
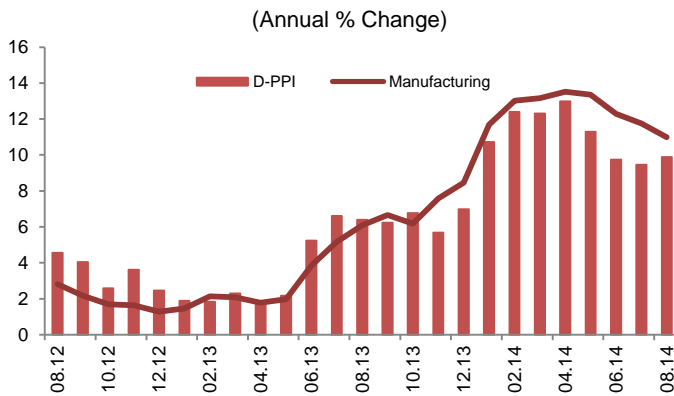
	Monthly Percent Change		Annual Percent Change	
	Aug.2014	Aug.2013	Aug.2014	Aug.2013
CPI	0.09	-0.10	9.54	8.17
1. Goods	-0.26	-0.38	9.74	8.15
Energy	-0.44	0.33	2.94	9.16
Food and nonalcoholic beverages	0.89	-0.77	14.44	10.25
Unprocessed food	0.71	-2.72	16.06	12.87
Fresh fruits and vegetables	0.09	-9.23	11.64	19.43
Other unprocessed food	1.07	1.83	18.68	8.78
Processed food	1.04	0.87	13.15	8.32
Bread and cereals	0.47	0.27	14.53	11.09
Other processed food	1.39	1.24	12.31	6.64
Goods excluding energy and food	-1.07	-0.40	9.32	5.99
Core goods	-1.24	-0.65	10.37	4.58
Durable goods	-0.09	0.72	11.77	2.99
Durable goods (excluding gold)	-0.13	0.42	12.11	3.73
Alcoholic beverages and tobacco	-0.46	0.02	4.56	16.01
Gold	0.71	6.51	5.50	-8.04
2. Services	0.92	0.61	8.96	8.18
Rents	0.69	0.56	7.11	6.14
Restaurants and hotels	1.64	0.76	14.73	9.13
Transport	1.06	0.50	8.02	7.80
Communication	0.24	0.00	2.72	7.28
Other*	0.77	0.89	9.29	9.42
3. Core Measures				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.04	0.24	9.01	7.09
SCA-H	0.12	0.14	10.36	6.79
SCA-I	-0.09	-0.02	9.68	6.37

Source: TurkStat, CBRT.

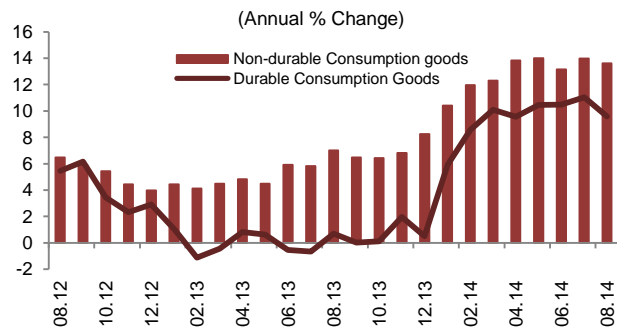
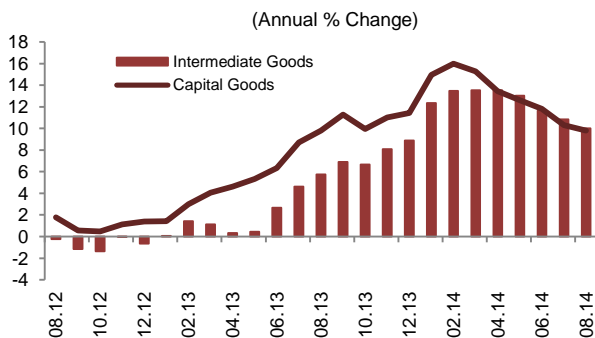
*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

...D-PPI...

Domestic producer prices rose by 0.42 percent and the group's annual inflation reached 9.88 percent in August. Annual inflation in the manufacturing industry fell to 11 percent, and that in the manufacturing industry excluding petroleum and basic metals receded to 11.45 percent in this period.



According to the Main Industrial Groupings (MIGs), all main groups recorded price increases, particularly in non-durable consumption goods in August. This rise in prices of non-durable consumption goods was led by annual inflation in the manufacturing of food products, which hovered around 17 percent. Manufacturing of durable consumption goods followed a flat course, while intermediate and capital goods saw relatively mild price increases in this period. In sum, August witnessed ongoing brisk pressures driven by the manufacturing of food products. The course of manufacturing industry prices excluding food indicates that cost pressures on consumer prices followed a relatively mild path.



...TABLES

August CPI and Subcategories (Percent Change)					
	Weight	2014		2013	
		Monthly	Annual	Monthly	Annual
CPI	100	0.09	9.54	-0.10	8.17
Food and nonalcoholic beverages	24.45	0.89	14.44	-0.77	10.25
Alcoholic beverages and tobacco	5.29	-0.46	4.56	0.02	16.01
Clothing and footwear	7.17	-4.92	8.62	-3.62	6.01
Housing	16.41	0.31	5.39	0.34	7.50
Household equipment	7.52	0.31	9.64	-0.01	3.97
Health	2.44	0.16	9.08	0.38	2.96
Transport	15.54	-0.06	9.45	0.70	8.80
Communication	4.70	0.14	1.53	-0.07	5.97
Recreation and culture	3.36	0.59	8.95	0.44	2.67
Education	2.26	0.75	8.56	1.19	6.16
Restaurants and hotels	6.58	1.64	14.73	0.76	9.13
Miscellaneous goods and services	4.28	0.65	8.13	1.24	4.74

Source: TurkStat.

August D-PPI and Subcategories (Percent Change)					
	Weight	2014		2013	
		Monthly	Annual	Monthly	Annual
D-PPI	100	0.42	9.88	0.04	6.38
Mining	3.97	-0.68	7.65	2.03	10.84
Manufacturing	85.93	0.59	10.99	1.27	6.09
Electricity, gas, steam and air-conditioning supply	9.31	-0.80	-3.02	-3.28	14.37
Water supply	0.79	0.39	9.31	0.52	11.16

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.