

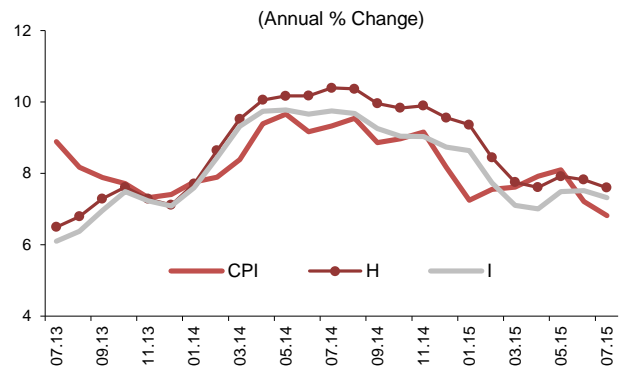
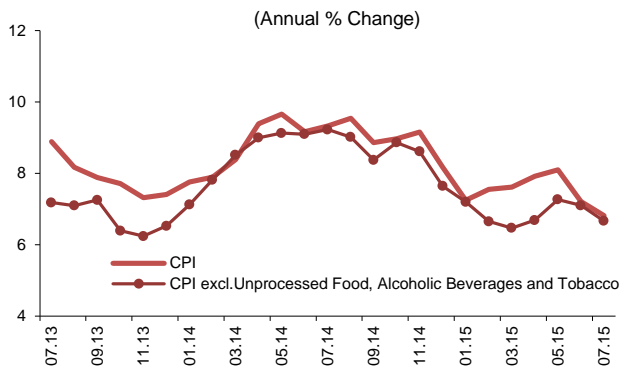
SUMMARY...

In July, consumer prices edged up by 0.09 percent, pulling the annual consumer inflation down to 6.81 percent. The trend of correction in fresh fruit and vegetables prices continued in this period. On the other hand, the sustained uptrend in red meat prices further affected the prices of food and catering services negatively. All in all, the annual food inflation has remained flat since the previous month. The drop in oil prices became more evident and lowered the annual energy inflation. Annual core goods inflation increased slightly amid exchange rate developments in this period, whereas services inflation posted a decline. Accordingly, both the underlying trend and the annual inflation of core inflation indicators registered a slight improvement.

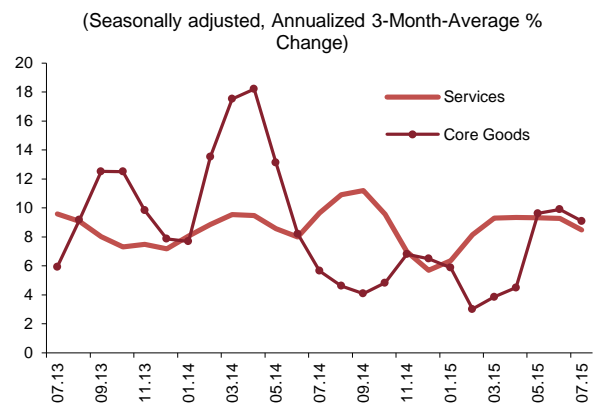
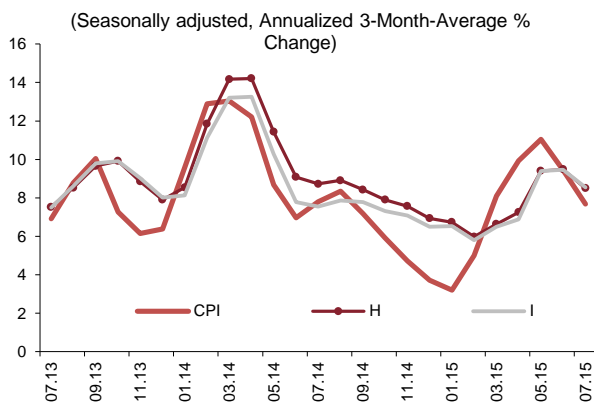
... EVALUATIONS ...

In July, consumer prices edged up by 0.09 percent, pulling the annual consumer inflation down by 0.39 points to 6.81 percent. The annual rate of increase in the SCA-H and SCA-I indices receded by around 0.2 point month-on-month and stood at 7.60 and 7.31 percent, respectively.

Across subgroups, the contribution of food and energy groups to annual CPI inflation fell by 0.16 point and 0.09 point, respectively. Despite a month-on-month decline by 0.11 point, the services group is still the pioneering contributor to annual consumer inflation with 2.49 points. The contribution of core goods and food groups have not recorded any significant change since June.



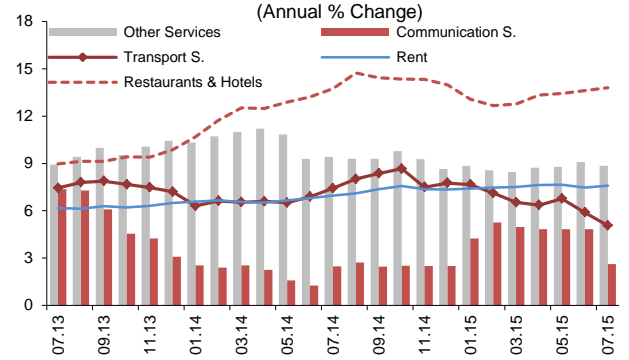
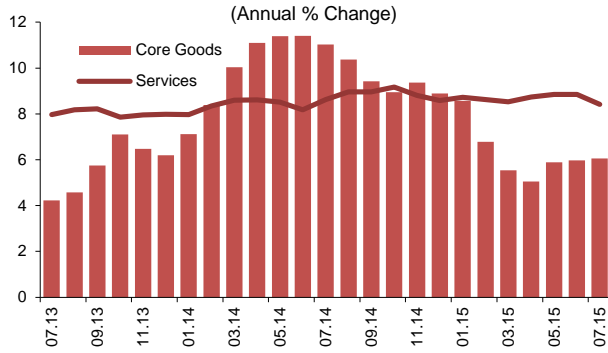
The underlying trends of seasonally-adjusted inflation in 3-month averages indicate that core inflation indicators registered an improvement on a monthly basis. This improvement was driven by both services and core goods groups.



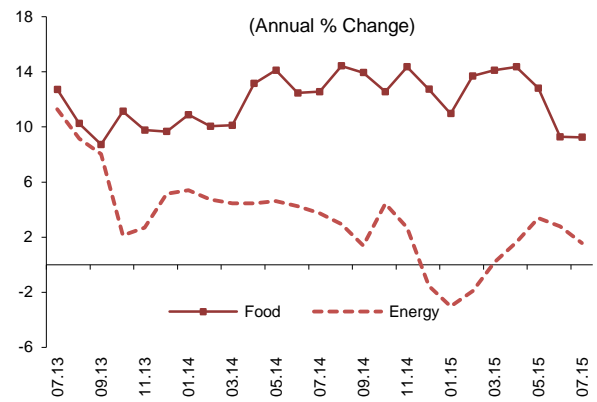
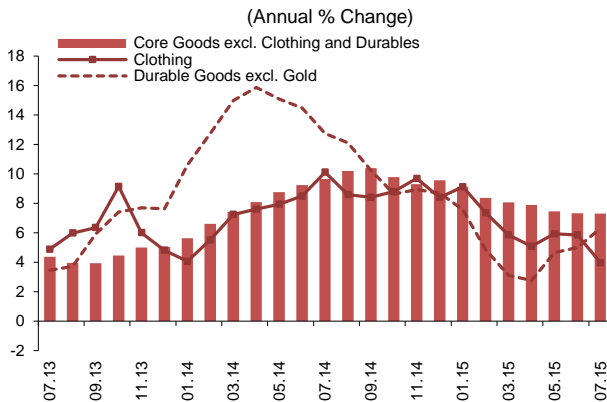
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Prices of services increased by 0.80 percent on a monthly basis and the group's annual inflation receded to 8.42 percent. Annual inflation increased in rent and restaurants-hotels in contrast to the fall in communication and transport services due to the base effect. The ongoing uptrend in red meat prices led price hikes in the restaurants-hotels group to continue in July, and the group's annual inflation climbed to 13.80 percent. On the rent and other services front, monthly price increases remained relatively high in this period.



Annual core goods inflation crept up by 0.09 points to 6.05 percent in July. Annual inflation increased in durable consumption goods, but receded in the clothing group, and remained flat in core goods excluding clothing and durable goods. Seasonal sale in the clothing group proved higher than past years, which pulled the group's annual inflation down by around 2 points. However, a surge in the prices of furniture, automobile and home appliances pushed prices of durable consumption goods up by 1.29 percent in July. These increases were driven by the lagged effects of the exchange rate in addition to the rise in customs duty applied to furniture and certain electrical appliances (vacuum cleaners, kettles, irons) in particular. Reverberations of the cumulative depreciation in the Turkish lira remained apparent in core goods excluding clothing and durable goods, and the downtrend in this group's annual inflation that started in September 2014 came to a halt in July.



Energy prices fell by 0.47 percent in July, which was led by fuel prices that receded by 1.53 percent upon the fall in international oil prices. Parallel to this favorable course, annual energy inflation decreased to 1.58 percent.

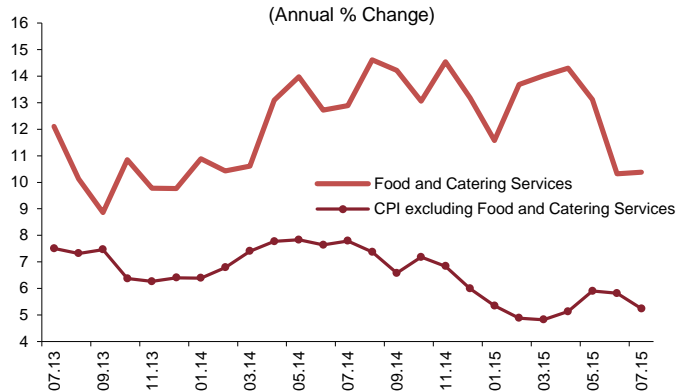
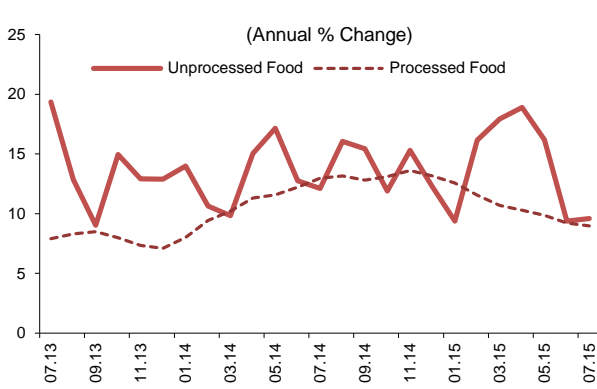
Annual inflation in the food and non-alcoholic beverages remained flat with 9.25 percent in July. Annual inflation recorded a slight increase in the unprocessed food group, but continued to lose pace in the processed food group. Among the unprocessed food group, prices of fresh fruits and vegetables maintained their recent favorable course. On the other hand, price surges in red meat continued, and white meat prices also exhibited a price hike. Meanwhile, monthly price increase in the processed food group gained momentum in this period. Reverberations of the

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depreciation in the Turkish lira and international prices were influential in the processed food group excluding bread and cereals.

The annual inflation in food and catering services edged up to 10.38 percent, while consumer inflation excluding food and catering services receded to 5.24 percent in July.



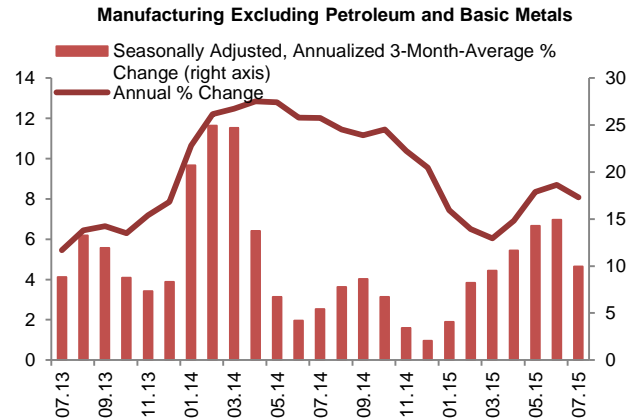
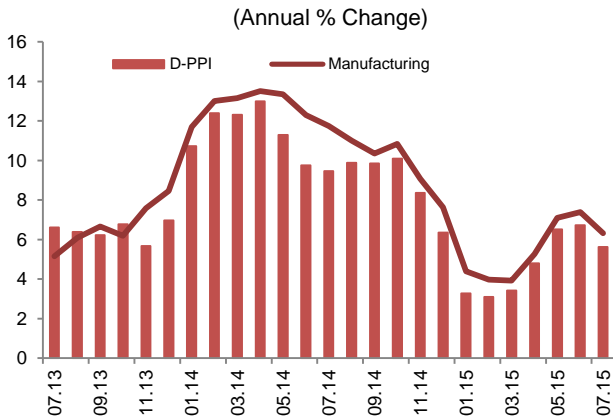
	Monthly Percent Change		Annual Percent Change	
	July.2015	July.2014	July.2015	July.2014
CPI	0.09	0.45	6.81	9.32
1. Goods	-0.21	0.14	6.14	9.60
Energy	-0.47	0.72	1.58	3.74
Food and nonalcoholic beverages	0.28	0.30	9.25	12.56
Unprocessed food	-0.26	-0.46	9.59	12.10
Fresh fruits and vegetables	-5.85	-2.32	-0.99	1.24
Other unprocessed food	2.50	0.63	15.04	19.57
Processed food	0.75	0.99	8.96	12.96
Bread and cereals	0.32	0.77	6.31	14.30
Other processed food	0.99	1.12	10.54	12.15
Goods excluding energy and food	-0.47	-0.23	5.65	10.06
Core goods	-0.65	-0.73	6.05	11.03
Durable goods	0.98	0.15	6.48	12.67
Durable goods (excluding gold)	1.29	0.04	6.31	12.73
Alcoholic beverages and tobacco	1.16	1.99	3.28	5.06
Gold	-4.39	2.52	9.61	11.57
2. Services	0.80	1.20	8.42	8.62
Rents	0.78	0.67	7.58	6.97
Restaurants and hotels	1.21	1.05	13.80	13.74
Transport	0.38	1.17	5.07	7.42
Communication	0.08	2.24	2.62	2.47
Other*	0.95	1.19	8.84	9.42
3. Core Measures				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.08	0.48	6.66	9.22
SCA-H	0.22	0.42	7.60	10.39
SCA-I	0.11	0.29	7.31	9.75

Source: TurkStat, CBRT.

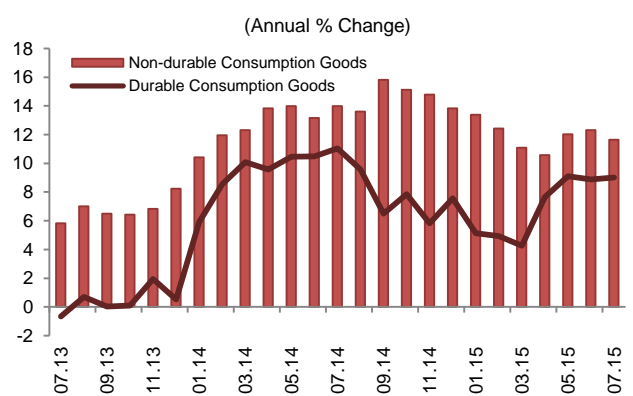
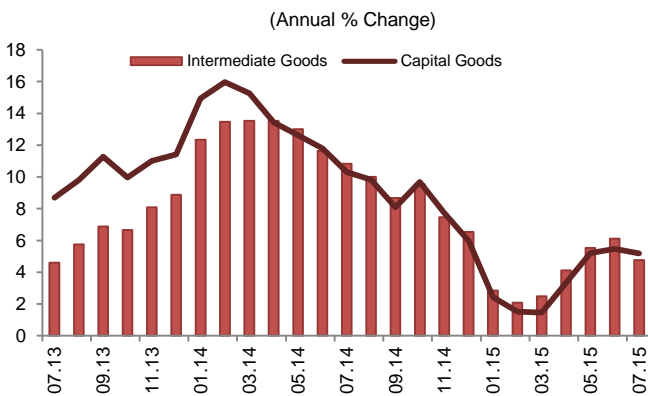
*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

...D-PPI...

Domestic producer prices fell by 0.32 percent month-on-month and the group’s annual inflation declined to 5.62 percent in July. The fall in the prices of the manufacturing industry is attributed to the course of international commodity prices, most notably oil. Annual inflation fell to 6.32 percent in manufacturing industry prices, and to 8.07 percent in those excluding petroleum and basic metals.



According to the Main Industrial Groupings (MIGs), prices in July posted a fall in intermediate goods, a deceleration in capital goods and an increase in consumption goods. Led by the mild price movements across the group, prices in the manufacture of intermediate goods fell by 0.69 percent on a monthly basis. Manufacturing prices of “other general purpose machinery” and motor vehicles were responsible for the increase of 0.35 point in prices of the manufacture of capital goods. Prices in the manufacture of durable consumption goods were mostly shaped by prices of furniture and consumer electronics, while those in the non-durable consumption goods were attributable to the manufacturing prices of food excluding fruits and vegetables. All in all, cost pressures driven by producer prices on consumer prices were further alleviated in July.



..TABLES

July CPI and Subcategories (Percent Change)					
	Weight	2015		2014	
		Monthly	Annual	Monthly	Annual
CPI	100	0.09	6.81	0.45	9.32
Food and nonalcoholic beverages	24.25	0.28	9.25	0.30	12.56
Alcoholic beverages and tobacco	4.82	1.16	3.28	1.99	5.06
Clothing and footwear	7.38	-4.97	4.06	-3.28	10.11
Housing	15.79	0.33	8.15	0.56	5.41
Household equipment	7.78	1.60	8.69	0.24	9.29
Health	2.57	0.32	6.49	0.30	9.32
Transport	15.38	0.41	0.92	0.71	10.29
Communication	4.38	-0.01	1.19	1.90	1.32
Recreation and culture	3.54	-0.18	7.72	2.97	8.79
Education	2.53	0.51	6.15	0.59	9.05
Restaurants and hotels	6.98	1.21	13.80	1.05	13.74
Miscellaneous goods and services	4.60	0.10	9.31	0.63	8.77

Source: TurkStat.

July D-PPI and Subcategories (Percent Change)					
	Weight	2015		2014	
		Monthly	Annual	Monthly	Annual
D-PPI	100	-0.32	5.62	0.73	9.46
Mining	3.40	-1.38	-1.31	1.82	10.59
Manufacturing	86.21	-0.33	6.32	0.67	11.75
Manufacturing excl. petroleum products	83.24	-0.09	7.46	0.67	11.69
Manufacturing excl. petroleum products and basic metals	75.00	0.18	8.07	0.75	12.03
Electricity, gas, steam and air-conditioning supply	9.30	0.26	0.31	0.88	-5.44
Water supply	1.09	-0.16	22.02	0.39	9.46
D-PPI (MIGs Classification)					
Intermediate Goods		-0.69	4.76	0.60	10.83
Durable Consumption Goods		0.39	9.01	0.28	11.03
Non-Durable Consumption Goods		0.44	11.63	1.05	13.98
Capital Goods		0.35	5.18	0.62	10.31
Energy		-1.53	-4.37	0.75	0.82

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.