

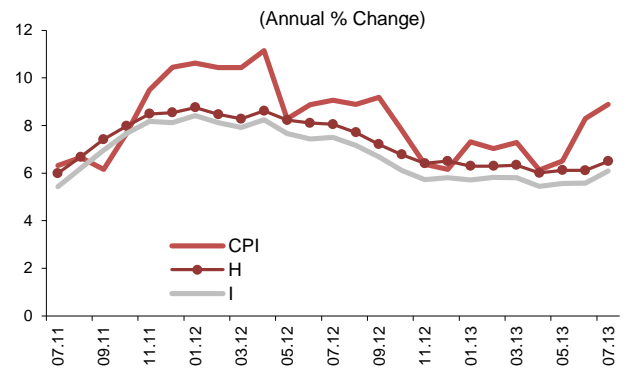
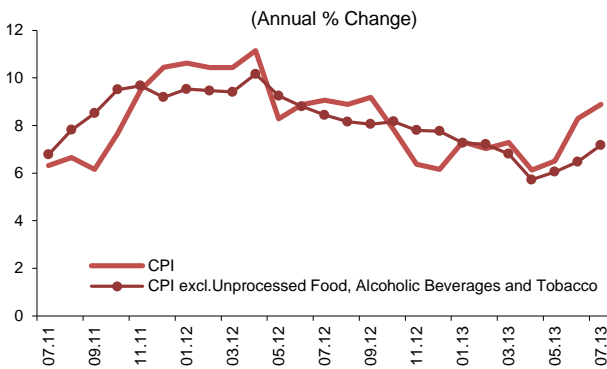
**SUMMARY...**

In July, consumer prices crept up by 0.31 percent. Annual inflation in July reached 8.88 percent, which is attributed to the base effects besides the depreciation in the Turkish lira as also underlined in the Summary of the Monetary Policy Committee Meeting. Meanwhile, the effects of the depreciation in the Turkish lira have become visible on core inflation indicators. Inflation is projected to trend downwards in the upcoming months due to the correction in unprocessed food prices and the base effect that will turn positive in energy prices.

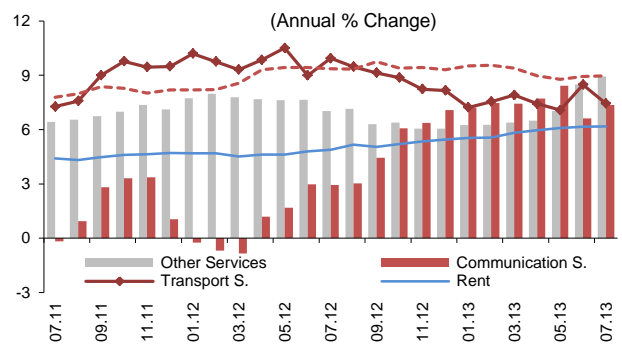
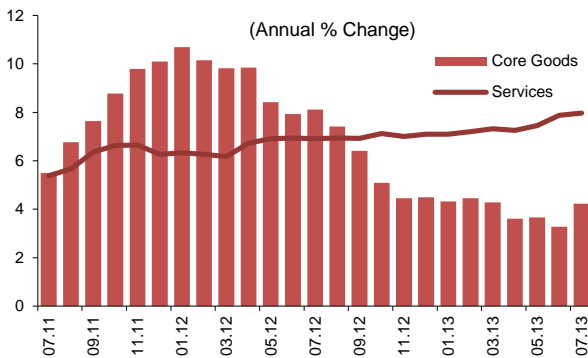
**...EVALUATIONS...**

In July, consumer prices crept up by 0.31 percent, and annual inflation reached 8.88 percent. The annual rate of increase in the SCA-H and SCA-I indices edged up by 0.38 and 0.52 percentage points on a monthly basis and became 6.49 percent 6.09 percent, respectively.

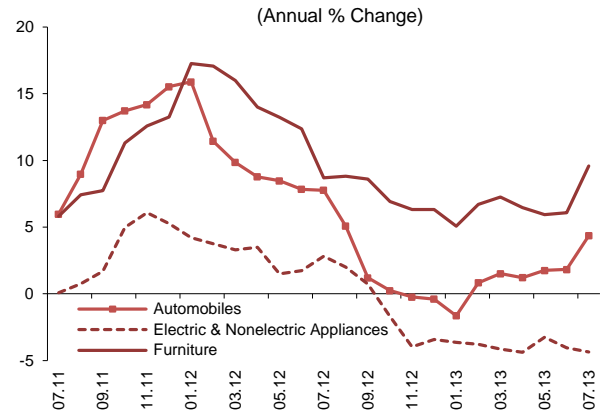
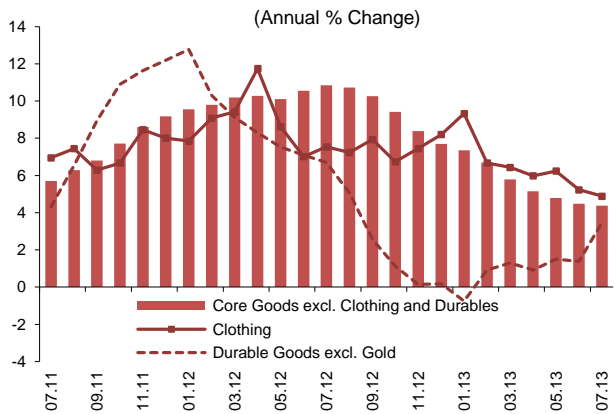
Among subgroups, the contribution of the food group did not record a notable change, while energy and core goods groups added by 0.34 and 0.24 percentage points to the annual CPI inflation compared to June. Meanwhile, the contribution of the services group to annual inflation registered a limited increase.



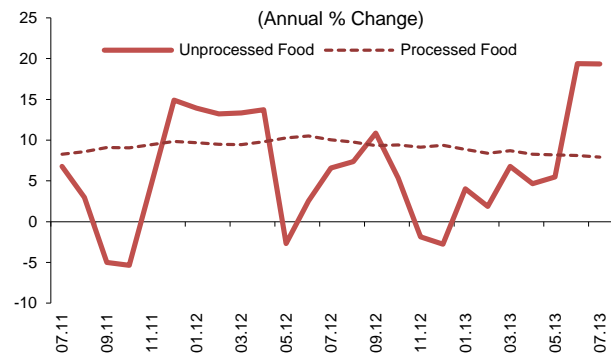
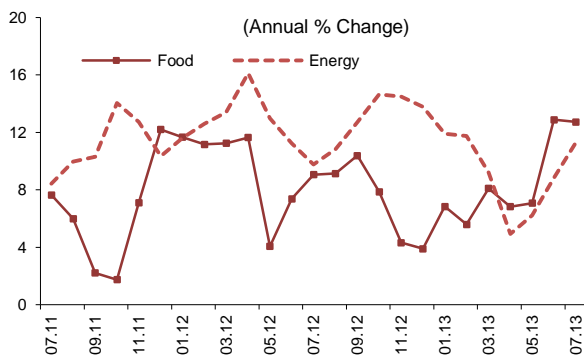
Prices of services went up by 0.79 percent in July, and the group's annual inflation climbed to 7.97 percent on a monthly basis. This rise in annual inflation was driven by the prices of the subcategories like communication and other services. Annual inflation in transport services receded, while that in rents and restaurants-hotels services followed a flat course. The seasonally adjusted data point that the underlying trend in services inflation maintained its high level in July.



As for the core goods group, annual inflation went up by 1 percentage point to 4.23 percent in July. Mainly upon the depreciation in the Turkish lira, prices of durable consumption goods rose by 1.58 percentage points, and the group's annual inflation climbed to 3.47 percent. Hikes in automobile and furniture prices were striking in this group. As for the other subcategories of core goods, the downtrend in annual inflation was sustained. Amid the hikes in groups reacting instantly to exchange rate developments, the seasonally adjusted trend of increase in core goods trended upwards in July.



Energy prices increased by 1.21 percent in July. This rise was attributed to the domestic fuel prices and bottled gas, which rose by 3.02 and percent and 2.48 percent, respectively amid soaring international oil prices and depreciating Turkish lira. Consequently, the group's annual inflation went up by 2.47 percentage points to 11.30 percent, owing also to the base effect in this period.



Annual inflation in food and non-alcoholic beverages group receded by 0.16 percentage points to 12.72 percent. In the unprocessed food group, prices of fresh fruits and vegetables crept down by 0.30 percent, while other unprocessed food prices recorded an increase due to meat prices. As a result, annual inflation in the unprocessed food group preserved its high level of the previous month with 19.35 percent. Processed food prices crept up by 0.32 percent, and the group's annual inflation fell to 7.90 percent in July. Bread and cereals prices remained on an upward track, and the group's annual inflation stood at 11.63 percent. Annual inflation in the processed food group excluding bread and cereals edged down by 0.27 percentage points to 5.66 percent in July.

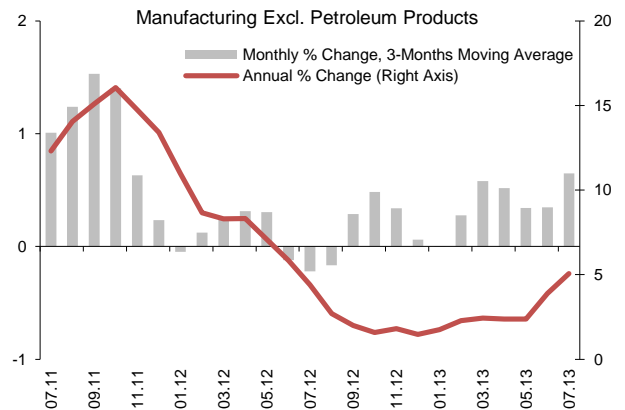
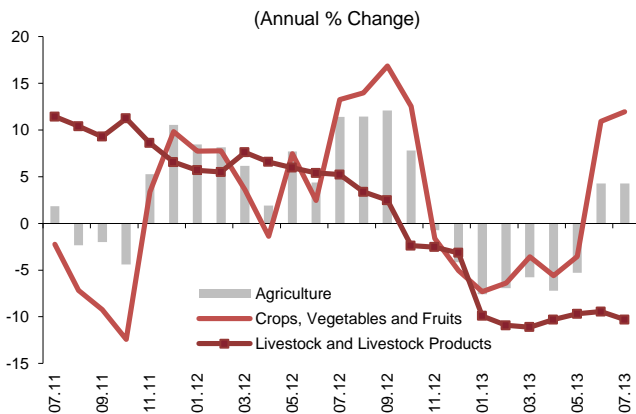
	Monthly Percent Change		Annual Percent Change	
	Jul.2013	Jul.2012	Jul.2013	Jul.2012
<b>CPI</b>	<b>0.31</b>	<b>-0.23</b>	<b>8.88</b>	<b>9.07</b>
<b>1. Goods</b>	<b>0.13</b>	<b>-0.58</b>	<b>9.23</b>	<b>9.79</b>
Energy	1.21	-1.03	11.30	9.76
Food and nonalcoholic beverages	0.22	0.36	12.72	9.06
Unprocessed food	0.11	0.15	19.35	6.60
Fresh fruits and vegetables	-0.30	0.18	37.24	8.73
Other unprocessed food	0.41	0.13	9.00	5.08
Processed food	0.32	0.52	7.90	10.05
Bread and cereals	0.64	0.75	11.63	9.72
Other processed food	0.12	0.37	5.66	10.13
Goods excluding energy and food	-0.39	-1.09	5.56	10.29
Core goods	-0.39	-1.30	4.23	8.11
Durable goods	1.36	-0.50	2.45	7.35
Durable goods (excluding gold)	1.58	-0.46	3.47	6.71
Alcoholic beverages and tobacco	-0.08	0.00	15.99	18.69
Gold	-2.74	-1.34	-13.15	11.16
<b>2. Services</b>	<b>0.79</b>	<b>0.70</b>	<b>7.97</b>	<b>6.91</b>
Rents	0.51	0.50	6.18	4.88
Restaurants and hotels	0.58	0.55	8.97	9.37
Transport	0.68	1.65	7.44	9.94
Communication	1.03	0.33	7.36	2.95
Other*	1.06	0.66	8.94	7.02
<b>3. Core Measures</b>				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.36	-0.29	7.18	8.44
SCA-H	0.22	-0.13	6.49	8.05
SCA-I	0.20	-0.29	6.09	7.50

Source: TurkStat, CBRT.

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

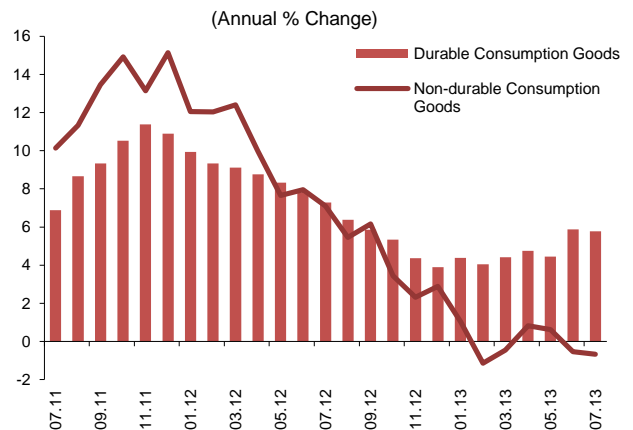
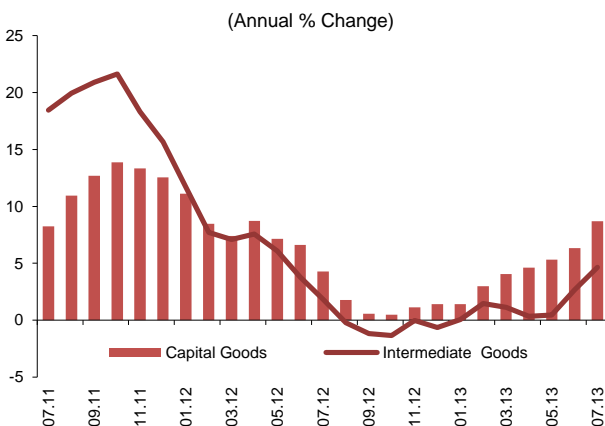
**...PPI...**

In July, producer prices went up by 0.99 percent, and the group's annual inflation reached 6.61 percent. Annual inflation in the agriculture group remained unchanged on a monthly basis with 4.28 percent. In this group, prices of crops, vegetables and fruits rose by 0.93 percent; whereas livestock prices went down by 1.03 percentage points. In the meantime, wheat prices continued with the limited fall of last two months in July.



Manufacturing industry prices went up by 1.16 percent in July. The depreciation in the Turkish lira affected all the subgroups of the manufacturing industry, the most affected one being petroleum products, which soared by 5.76 percent. Meanwhile, the annual rate of increase in the manufacturing industry excluding oil and base metal prices went up to 5.54 percent in this period.

Main Industrial Groupings (MIGS) suggest that all groups excluding durable consumption goods saw elevated prices in July, while the most notable price hikes were seen in capital goods. Similar to the previous month, prices of iron, steel and iron alloys pushed up the prices of intermediate goods; while glass blocks were held responsible for the price hikes in capital goods. In the meantime, prices of non-durable consumption goods went up owing to the rise in prices of processed fruits and vegetables. As a result, annual inflation in the manufacturing industry posted a month-on-month increase by 1.31 percent and reached 5.16 percent.



## ...TABLES

July CPI and Subcategories (Percent Change)					
	Weight	2013		2012	
		Monthly	Annual	Monthly	Annual
CPI	100	0.31	8.88	-0.23	9.07
Food and nonalcoholic beverages	24.09	0.22	12.72	0.36	9.06
Alcoholic beverages and tobacco	5.07	-0.08	15.99	0.00	18.69
Clothing and footwear	6.83	-4.68	4.93	-4.38	7.52
Housing	16.68	0.44	7.87	-0.61	11.68
Household equipment	7.28	0.14	4.73	-0.47	9.01
Health	2.22	0.45	2.31	0.02	2.13
Transport	17.99	2.28	9.77	0.37	5.55
Communication	4.64	0.94	5.90	0.59	3.69
Recreation and culture	2.95	0.27	2.85	-0.62	5.22
Education	1.91	0.81	5.90	1.09	7.13
Restaurants and hotels	6.18	0.58	8.97	0.55	9.37
Miscellaneous goods and services	4.16	-0.33	3.97	0.45	13.76

Source: TurkStat.

July PPI and Subcategories (Percent Change)					
	Weight	2013		2012	
		Monthly	Annual	Monthly	Annual
PPI	100	0.99	6.61	-0.31	6.13
Agriculture	16.34	0.25	4.26	0.27	11.42
Crops, fruits and vegetables	10.76	0.93	11.96	-0.01	13.24
Livestock and animal products	4.87	-1.03	-10.31	-0.08	5.22
Industry	83.66	1.14	7.08	-0.43	5.12
Mining	3.06	0.73	10.57	-1.16	8.83
Manufacturing	72.14	1.16	5.16	-0.10	4.46
Manufacturing excluding petroleum	69.53	0.99	5.07	-0.15	4.41
Manufacturing excluding petroleum and base metals	62.81	0.86	5.54	-0.06	5.39
Electricity, gas and water	8.46	1.14	18.54	-2.93	10.36

Source: TurkStat, CBRT.

PPI by MIGS (Monthly Percent Change)														
	Jul.12	Aug.12	Sept.12	Oct.12	Nov.12	Dec.12	Jan.13	Feb.13	Mar.13	Apr.13	May.13	Jun.13	Jul.13	Annual
Intermediate goods	-0.58	0.02	0.64	0.21	-0.30	-0.12	0.55	0.37	0.73	-0.34	0.08	1.38	1.33	4.64
Capital goods	-0.22	-0.15	0.39	0.51	0.09	0.36	0.40	1.19	1.61	0.76	0.12	1.14	1.98	8.70
Durable goods	-0.08	0.02	2.71	-0.09	-1.44	0.92	-0.97	-0.49	0.51	-0.29	-1.40	0.15	-0.22	-0.66
Nondurable goods	0.40	0.54	0.87	0.76	-0.03	-0.17	0.19	0.74	1.00	0.58	0.27	0.56	0.31	5.78
Energy	-1.98	2.06	1.50	-0.93	18.27	-0.48	0.33	-7.34	1.17	-2.08	0.46	1.65	2.14	16.04

Source: TurkStat, CBRT.

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 of the monthly inflation developments by the public during the period between the announcement of the official price statistics and the Monetary Policy Committee meeting.