

JUNE PRICE DEVELOPMENTS



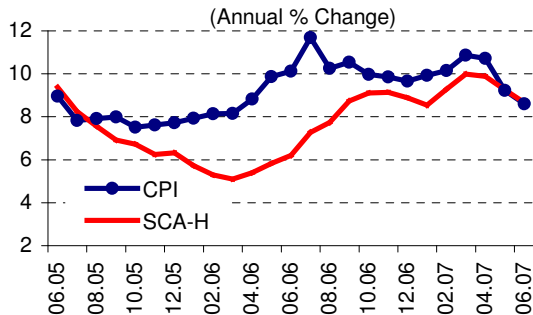
Central Bank of the Republic of Turkey

July 4, 2007

SUMMARY...

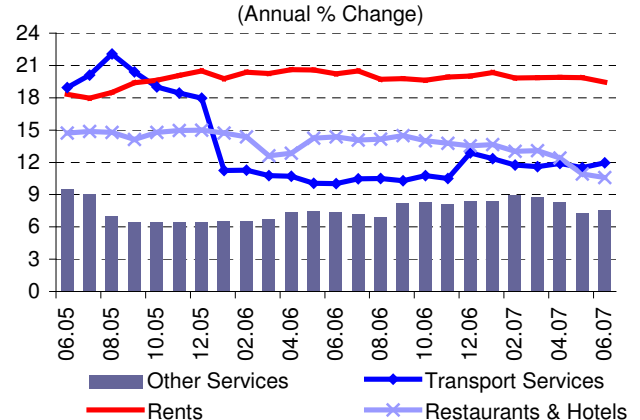
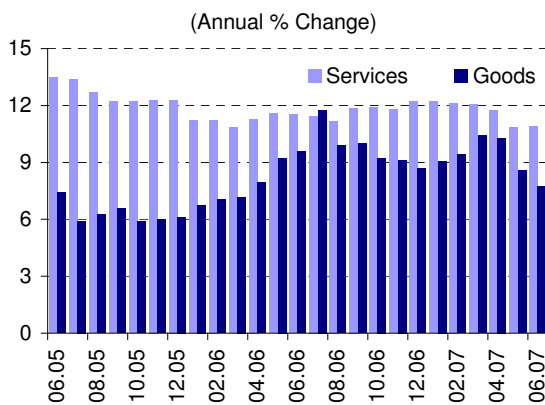
In June, consumer prices decreased by 0.24 percent, pushing annual inflation down by 0.63 percentage points to 8.60 percent, which was mainly driven by the slowdown in annual prices of durable and semi-durable goods. The decline in annual inflation of the last three months equaled 2.26 percent. Although risks pertaining to unprocessed food and energy prices still persist, the fall in inflation is forecast to continue in the upcoming period thanks to the lagged effects of strong monetary tightening.

...EVALUATIONS...



In June, annual inflation fell to 8.60 percent while the first-half cumulative rise in CPI was equivalent to 3.87 percent. The annual inflation of the Special CPI Aggregate excluding energy, unprocessed food products, alcoholic beverages, tobacco products and gold (SCA-H) continued to decelerate.

Prices of goods decreased by 0.74 percent, whereas prices of services rose by 1.18 percent. Annual inflation in goods declined, but in services, it barely rose.



Education and recreation and culture services displayed seasonal price hikes while prices of transport services surged by 1.13 percent mainly on the lagged effects of soaring oil prices. Communication prices rose by 2.06 percent due to mobile call rates. The increase in rents, however, fell behind year-ago levels, with an annual inflation rate down by 0.44 percent from May. The downward trend in restaurants and hotels since early 2007 continued, resulting in a total decline of 3 percentage points in the first half of the year.

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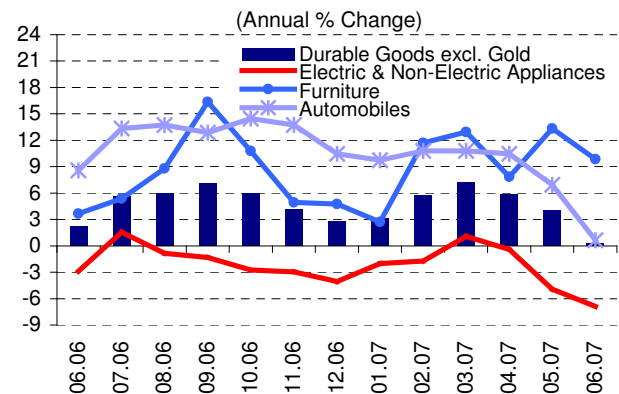
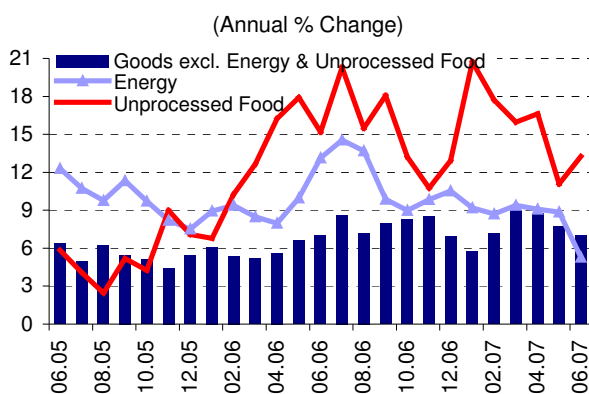


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Annual inflation in energy fell to 5.28 percent in June. The recently rising fuel prices displayed a moderate decline, and the favorable contribution of energy for housing group was maintained. On the other hand, the global oil price surge has remained of critical concern for energy prices.

Apart from energy and unprocessed food, prices of durables displayed a remarkable fall while clothing and footwear prices increased above seasonal norms by 1.30 percent in June to 7.15 percent per annum.



Prices of durables (excluding gold) decreased by 0.69 percent down from May. Prices of all sub-items of durable goods went down, displaying a benign outlook. The strengthening of the Turkish lira and the waning demand for durable consumer goods pulled annual inflation in this group down to 0.32 percent, which can be attributed to the price developments in electric and non-electric appliances and automobiles.

	Monthly Percentage Change		Annual Percentage Change	
	June 2007	June 2006	June 2007	June 2006
CPI	-0.24	0.34	8.60	10.12
1. Goods	-0.74	0.03	7.75	9.59
Energy	-0.03	3.36	5.28	13.12
Unprocessed Food	-4.10	-5.93	13.25	15.19
Goods excl. Energy and Unprocessed Food	0.08	0.78	6.97	6.97
Durable Goods	-0.93	1.85	-0.77	10.13
Durable Goods excl. Gold	-0.69	2.97	0.32	2.18
Semi-Durable Goods	0.42	2.36	6.43	7.91
Non-Durable Goods	-1.50	-2.05	10.96	10.66
2. Services	1.18	1.14	10.90	11.53
Rent	1.05	1.42	19.44	20.21
Restaurants and Hotels	0.53	0.84	10.58	14.36
Transport Services	1.13	0.70	11.97	10.01
Other Services	1.61	1.31	7.58	7.40

Source: TÜRKSTAT, CBRT.

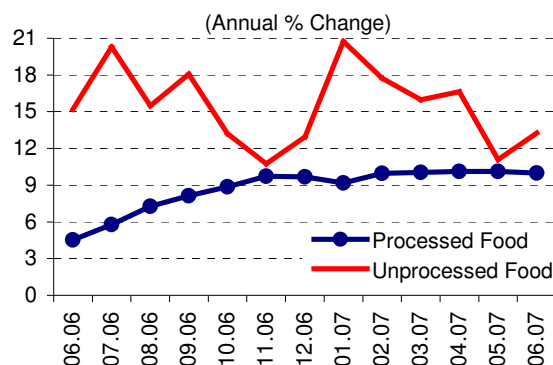
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Annual inflation in unprocessed food prices increased at a subdued pace in June. In May, warm weather conditions above seasonal averages had led to the early marketing of new crops, resulting in a significant decline in unprocessed food prices. The previous report suggested that this would restrain the seasonal price declines in June. Indeed, the drop in vegetable prices of June remained moderate compared to the same period of 2006. However, the partial correction in fruit prices brought unprocessed food prices down by 4.10 percent in June.

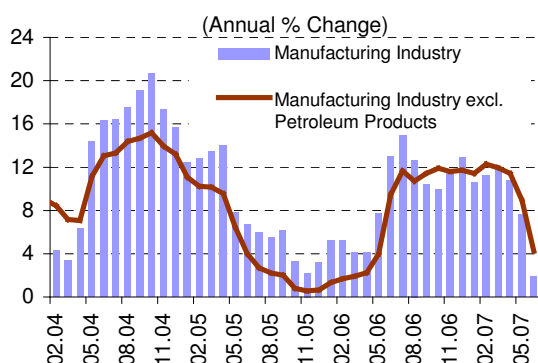


Although the favorable effects of the VAT cut in certain processed food prices became evident in June, the 1.61 percent rise in bread prices raised processed food prices by 0.14 percent. As stated in our previous reports, production losses in grains, fruits and vegetables arising from high temperatures and water shortages may threaten food prices in the upcoming period.

Communication prices rose by 1.41 percent, mainly on mobile call rates surging against the remarkably falling mobile phone prices. The cumulative first-half rise in mobile call rates equaled 12.86 percent.

In June, monthly increases in special aggregates were far below year-ago levels whereas annual increases decelerated, which can be attributed to the developments in durable goods. Moreover, seasonally adjusted monthly increases in the SCA-H index continued to slow down.

PPI fell by 0.11 percent in June, pulled 0.20 points up by the agricultural sector and 0.31 points down by the industrial sector. Annual PPI inflation dropped to 2.89 percent as last year's high base moderated.



The 0.24 percent decline in manufacturing industry prices of June was mainly driven by the falling prices of food and beverage production as well as of coke coal and refined petroleum products. Prices of coke coal and refined petroleum products decreased by 0.84 percent, bringing manufacturing industry prices excluding petroleum products down by 0.17 percent. The notable improvement in manufacturing industry prices suggests that cost-push factors have a moderate influence on consumer prices.

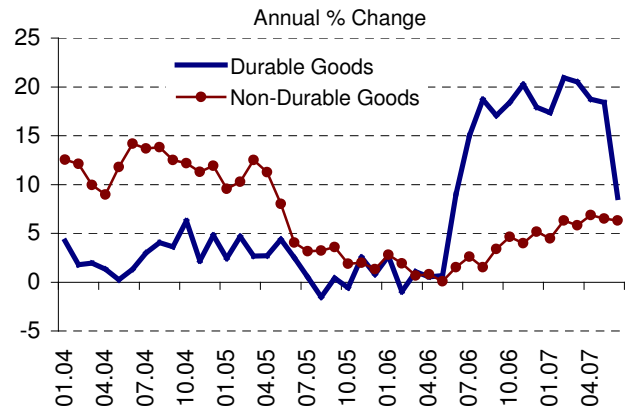
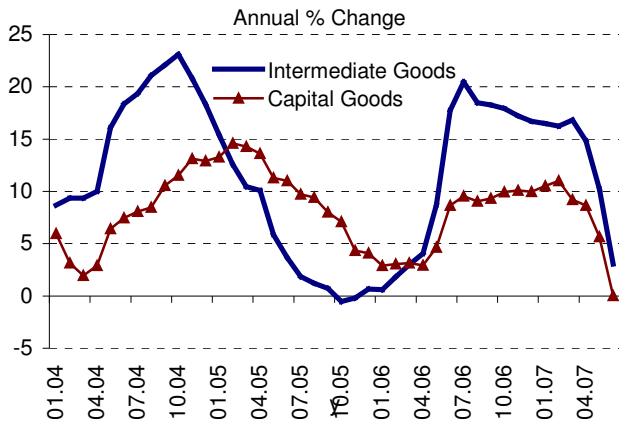
Analyzing the PPI by the MIGS classification, prices of all items but non-durables declined in June. The subdued increase in non-durables was due to price hikes in food products. On the other hand, the recent monthly downward trend in durable consumer and capital goods is quite remarkable.

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PPI Developments According to MIGS Classification

Monthly Percentage Change

	Jun-06	Jul-06	Agu-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07
Intermediate Goods Prices	6.84	1.55	-0.46	0.62	0.37	-0.34	-0.57	-0.08	0.12	1.24	0.44	0.27	-0.13
Capital Goods Prices	4.66	-0.15	-0.17	0.28	0.91	0.40	0.53	1.11	0.34	-1.41	-0.25	-0.64	-0.93
Durable Goods Prices	8.46	4.16	1.97	-0.50	1.85	0.94	-0.43	1.43	0.02	-0.48	-0.49	0.44	-0.46
Non-Durable Goods Prices	0.37	0.13	0.24	2.35	0.96	-0.26	0.13	0.03	1.82	-0.30	1.28	-0.38	0.20
Energy Prices	9.65	4.11	-4.28	-8.60	-2.32	-1.80	1.53	-3.82	0.64	6.04	2.12	-0.54	-1.36

Source: TÜRKSTAT, CBRT.

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...TABLES

June CPI and Sub-Items (Percentage Change)					
	Weight	2007		2006	
		Monthly	Annual	Monthly	Annual
CPI	100	-0.24	8.60	0.34	10.12
Food and Non-Alcoholic Beverages	28.47	-1.94	11.52	-2.72	9.22
Alcoholic Beverages and Tobacco	5.06	0.02	10.20	0.00	31.11
Clothing and Footwear	7.86	1.30	7.15	0.84	0.03
Housing	16.62	0.39	10.86	2.18	13.23
Household Equipments	7.22	0.24	11.18	1.35	2.49
Health	2.66	0.07	4.71	0.41	2.54
Transport	11.60	-0.17	4.00	3.77	12.64
Communication	4.41	1.41	0.76	0.95	3.72
Recreation and Culture	3.16	1.31	2.76	2.52	3.06
Education	2.15	2.22	8.20	1.96	7.03
Restaurants and Hotels	6.40	0.53	10.58	0.84	14.36
Miscellaneous Goods and Services	4.39	-0.62	2.93	-0.88	18.87

Source: TÜRKSTAT.

June PPI and Sub-Items (Percentage Change)					
	Weight	2007		2006	
		Monthly	Annual	Monthly	Annual
PPI	100	-0.11	2.89	4.02	12.52
Agriculture	18.17	1.06	4.30	-0.25	11.53
Industry	81.83	-0.39	2.56	5.08	12.63
Mining	1.49	0.24	5.00	5.13	18.32
Manufacturing	74.49	-0.24	1.92	5.37	13.01
Energy	5.85	-2.32	11.28	0.91	4.77

Source: TÜRKSTAT.

Price Developments are published within two working days following the announcement of price statistics by the Turkish Statistical Institute (TÜRKSTAT). Price Developments, which include the CBRT's initial remarks on the inflation figures of the previous month, aim to contribute to a sounder interpretation of monthly inflation developments by the public during the period between the announcement of official price statistics and the Monetary Policy Committee meeting.