

JUNE PRICE DEVELOPMENTS



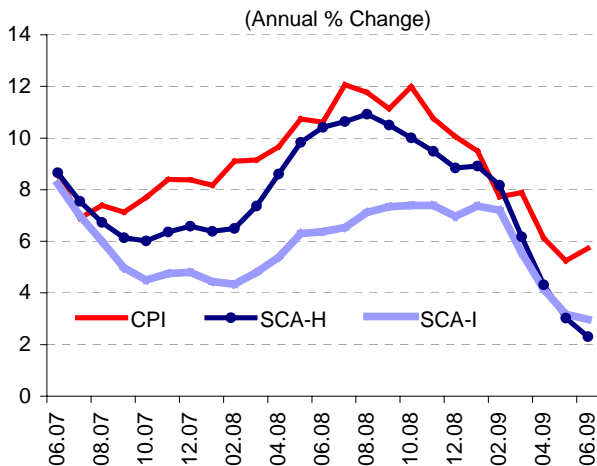
Central Bank of Turkey

July 6, 2009

SUMMARY...

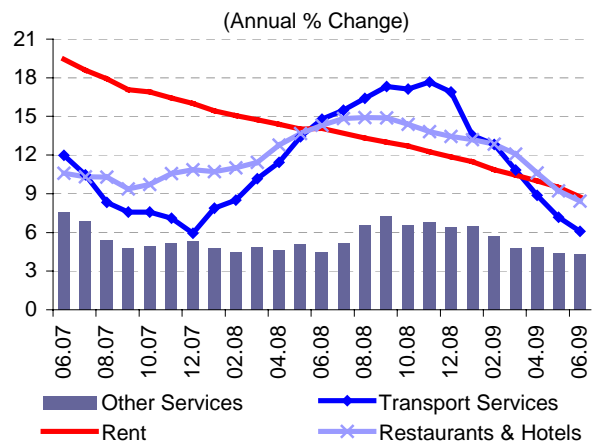
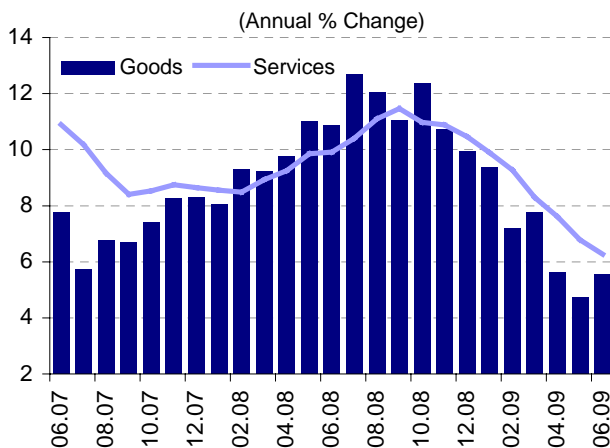
In June, consumer prices increased by 0.11 percent, bringing inflation up to 5.73 percent year-on-year. The increase in inflation was largely driven by the base effect from unprocessed food prices and the expiration of tax cuts in some items, as indicated in the summaries of the Monetary Policy Committee meetings, and therefore reflects temporary factors. In fact, without the contribution of these factors, inflation continues to trend down. Besides, the state of the annual rate of increase in services and the recent trends in core inflation measures suggest that underlying inflation has slumped to historic lows.

...EVALUATIONS...



In June, consumer prices were up 0.11 percent, pushing inflation up to 5.73 percent year-on-year. The rate of increase in the CPI index excluding energy, unprocessed food, alcoholic beverages, tobacco products and gold (SCA-H) dropped by 0.72 percentage points to 2.31 percent year-on-year. With a further exclusion of processed food prices, the rate of increase in the index (SCA-I) was down 0.19 percentage points to 2.98 percent year-on-year.

Prices dropped by 0.11 percent in goods but increased by 0.74 percent in services. Accordingly, annual inflation climbed to 5.56 percent in goods and eased to 6.27 percent in services.



Although transport prices increased amid rising local public transport fares, annual inflation in this subcategory continued to fall due to base effect. Prices for communication services rose on the back of higher mobile call rates. Annual inflation in restaurants-hotels and rents edged further down to 8.43 and 8.74 percent, respectively.

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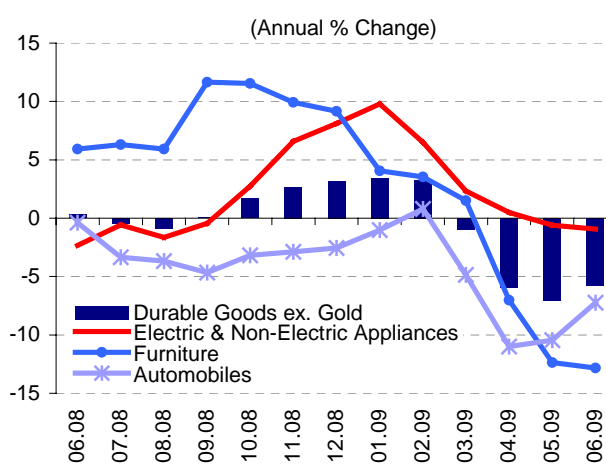
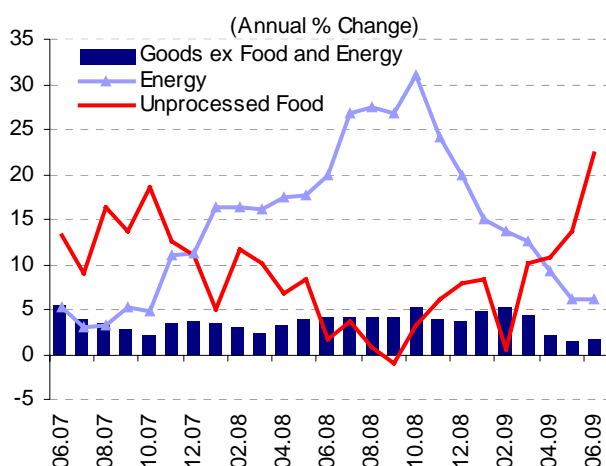


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Energy prices rose by 1.63 percent in June, whereas energy inflation dropped to 6.09 percent year-on-year. Fuel and bottled gas prices were up amid rising oil prices. With the removal of the base effect from the sharp increase in electricity and natural gas tariffs a year ago, energy inflation is expected to decelerate further in the short run.

Annual inflation in goods excluding energy and food rose at a subdued pace to 1.63 percent in June. Clothing prices continued to trend downward year-on-year, while prices of durable goods increased month-on-month. In June, Gold prices were up 2.76 percent.



In the durable goods (excluding gold) category, prices rose by 2.04 percent month-on-month, while inflation soared to -5.81 percent year-on-year, owing to the expiration of some SCT cuts and the gradual SCT hike on certain goods. Accordingly, the 3.97 percent rise in automobile prices accounted for about 1.7 percentage points of the monthly price increase in durable goods. It must be remembered that new tax adjustments will put some upward pressure on durable goods inflation in July.

	Monthly Percentage Change		Annual Percentage Change	
	June 2009	June 2008	June 2009	June 2008
CPI	0.11	-0.36	5.73	10.61
1. Goods	-0.11	-0.90	5.56	10.85
Energy	1.63	1.75	6.09	19.80
Unprocessed Foods	-3.05	-9.99	22.35	1.60
Processed Food	-0.19	2.15	0.32	25.30
Goods excl. Energy and Food	0.44	0.25	1.63	4.18
Durable Goods	2.10	0.45	-2.97	2.49
ex. Gold	2.04	0.64	-5.81	0.30
Semi-Durable Goods	0.67	0.98	4.39	12.05
Non-Durable Goods	-1.24	-2.59	8.95	12.09
2. Services	0.74	1.23	6.27	9.91
Rents	0.40	1.09	8.74	14.07
Restaurants and Hotels	0.38	1.11	8.43	14.32
Transport	1.30	2.35	6.08	14.79
Other	0.87	0.97	4.28	4.45

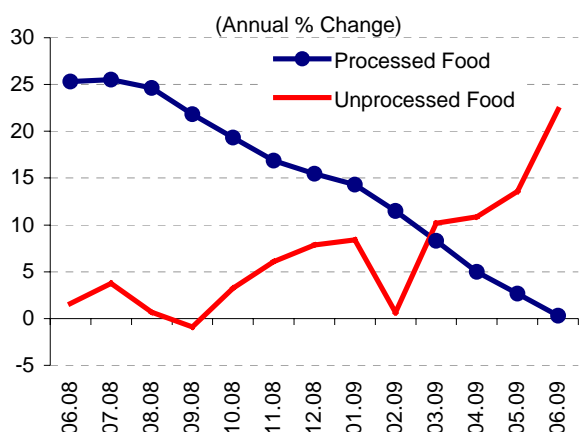
Source: TURKSTAT, CBRT

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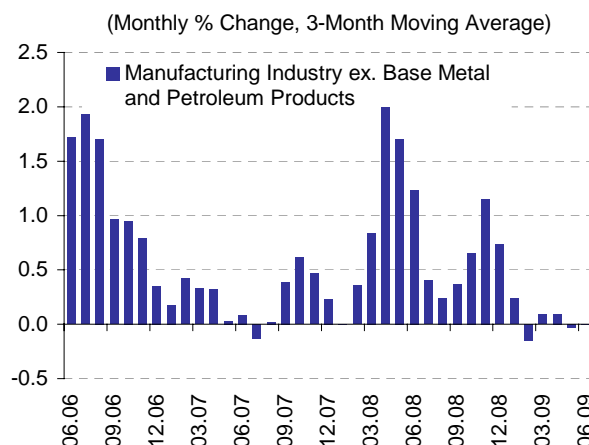
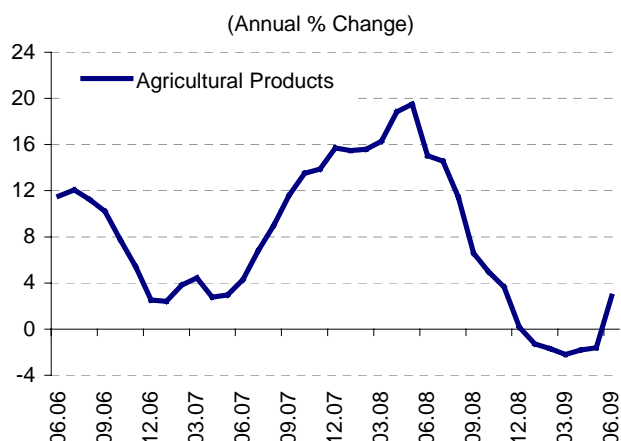


In the unprocessed food category, prices decreased by 3.05 percent, whereas inflation climbed to 22.35 percent year-on-year, mainly on account of the low base effect from fresh fruit and vegetable prices a year earlier and partly because of the revival in foreign demand for unprocessed food. Thus, annual inflation in fresh fruit and vegetable prices continued to soar, reaching 41.34 percent. Prices in this category are expected to remain volatile in coming months.

In the processed food category, prices continued to slide in June and inflation dropped to 0.32 percent year-on-year from 25 percent a year ago. However, annual inflation in food and nonalcoholic beverages jumped to 9.68 percent amid rising unprocessed food prices.

...PPI...

Annual PPI inflation rose by 0.6 percentage points to -1.86 percent in June. Prices for agricultural products continued to accelerate month-on-month, running above their year-ago levels. Manufacturing industry prices increased on rising prices of petroleum products, bringing inflation in this category up to -4.95 percent year-on-year. Excluding petroleum products, manufacturing industry prices rose by 0.23 percent month-on-month, falling year-on-year for the first time in the history of the PPI.



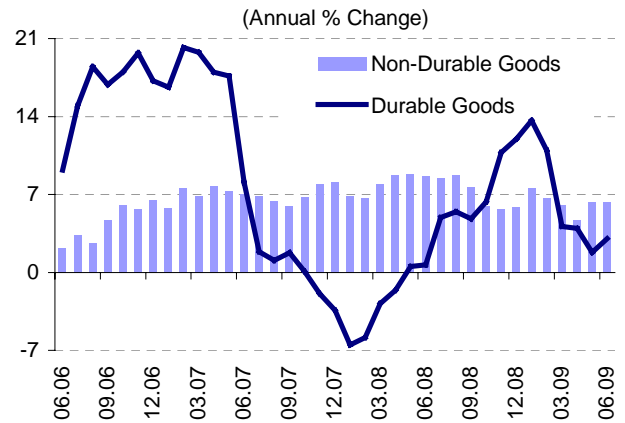
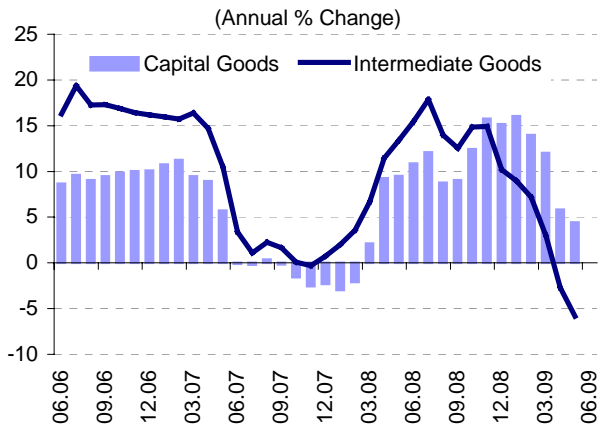
In June, annual inflation in intermediate goods was down 1.06 percentage points to -6.90 percent. Similarly, with falling producer prices for machinery and equipment, annual inflation in capital goods dropped by 1 percentage point to 3.40 percent. Prices for non-durable goods barely changed, while producer prices for apparels continued to rise. Annual inflation in durable goods surged by 1.23 percentage points to 3.02 percent on rising producer prices for furniture. Meanwhile, energy prices continued to run below their level in 2008.

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Changes in PPI based on MIGS Classification

Monthly Percentage Change

	Jul.08	Aug.08	Sep.08	Oct.08	Nov.08	Dec.08	Jan.09	Feb.09	Mar.09	Apr.09	May.09	Jun.09	Annual
Prices of intermediate goods	1.42	-2.58	-1.21	0.89	-0.57	-3.60	0.04	-0.02	0.21	-0.89	-1.24	0.54	-6.90
Prices of capital goods	0.83	-2.54	0.04	2.48	2.33	0.20	1.23	-0.57	1.04	0.83	-1.75	-0.66	3.40
Prices of durable goods	2.13	1.52	-0.38	1.43	2.94	-0.80	-0.56	-1.47	-3.60	0.60	0.45	0.90	3.02
Prices of non-durable goods	-0.06	0.45	1.07	0.28	0.61	0.31	0.40	0.81	0.29	0.75	1.19	0.06	6.34
Energy prices	3.91	-6.19	-2.77	-0.03	-1.06	-12.18	-0.01	6.32	1.23	0.34	-3.31	3.51	-11.02

Sources: TURKSTAT, CBRT

... TABLES

June CPI and Sub-Items (Percentage Change)					
	Weight	2009		2008	
		Monthly	Annual	Monthly	Annual
CPI	100	0.11	5.73	-0.36	10.61
Food and non-alcoholic beverages	28.03	-1.56	9.68	-3.40	13.96
Alcoholic beverages and tobacco	4.58	0.01	7.16	0.01	6.84
Clothing and footwear	7.22	-0.79	-1.15	-0.41	2.86
Housing	18.63	0.70	11.13	1.30	16.30
Household equipment	7.53	-0.06	-1.67	1.04	6.22
Health	2.50	0.00	4.14	0.11	-0.41
Transport	12.64	2.82	-4.04	1.62	11.64
Communication	4.60	1.17	4.10	0.66	-1.27
Recreation and culture	2.54	0.97	7.93	0.70	2.04
Education	2.47	0.93	4.88	2.39	6.86
Restaurants and hotels	5.47	0.38	8.43	1.11	14.32
Miscellaneous goods and services	3.79	0.98	11.65	0.20	10.61

Source: TURKSTAT

June PPI and Sub-Items (Percentage Change)					
	Weight	2009		2008	
		Monthly	Annual	Monthly	Annual
PPI	100	0.94	-1.86	0.32	17.03
Agriculture	17.76	1.69	2.86	-2.73	15.02
Industry	82.24	0.77	-2.90	1.06	17.51
Mining	2.20	0.26	5.67	3.17	27.26
Manufacturing	73.75	1.49	-4.95	1.43	17.19
Energy	6.29	-7.80	18.60	-4.10	18.96

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