

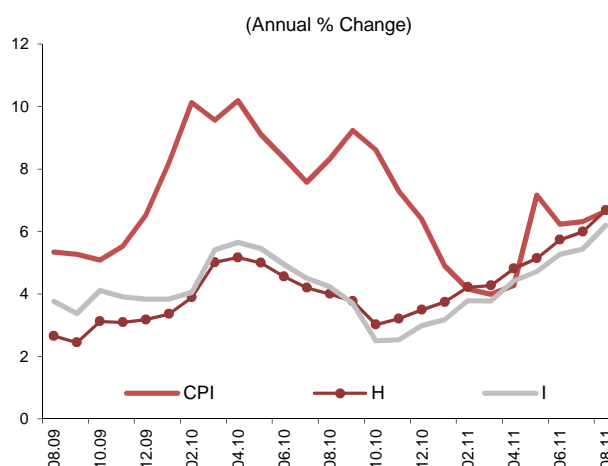
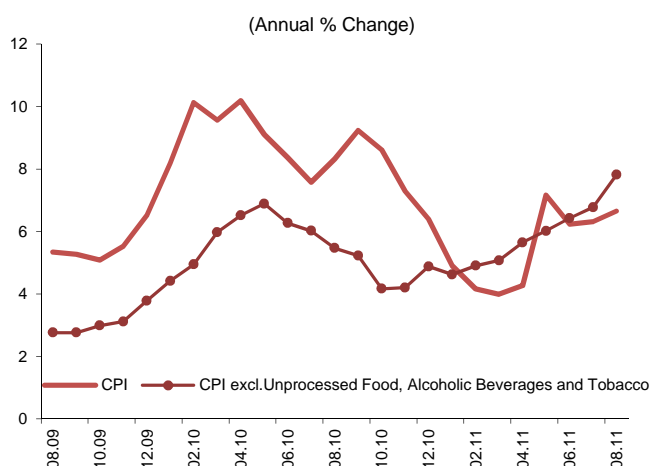
AUGUST PRICE DEVELOPMENTS SEPTEMBER 6, 2011

SUMMARY...

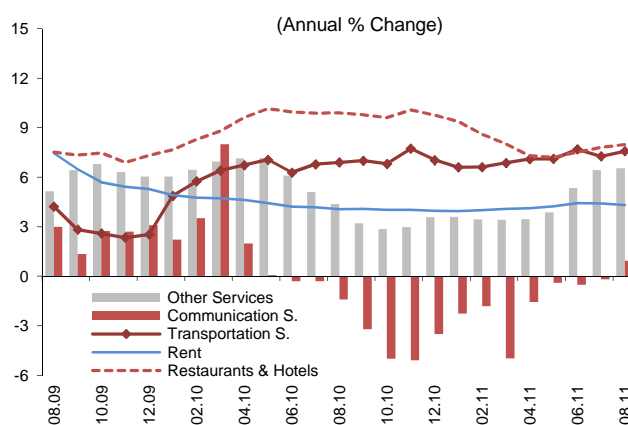
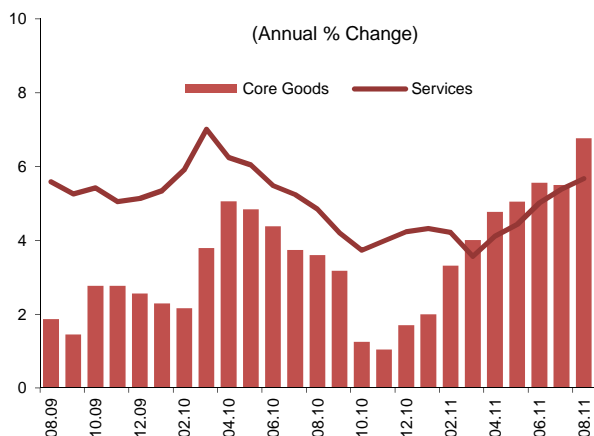
In August, consumer prices were up 0.73 percent and annual inflation increased to 6.65 percent. As projected in the August Monetary Policy Committee Meeting, annual rate of the core price indicators went up parallel to the exchange rate movements. Prices of services maintained their mild course of increase. The limited rise in core inflation indicators are expected to continue in the short term.

...EVALUATIONS...

In August, consumer prices were up 0.73 percent and annual inflation increased to 6.65 percent. The rate of increase in the CPI excluding energy, unprocessed food, alcoholic beverages, tobacco and gold (SCA-H) rose to 6.67 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) amounted to 6.19 percent year-on-year.

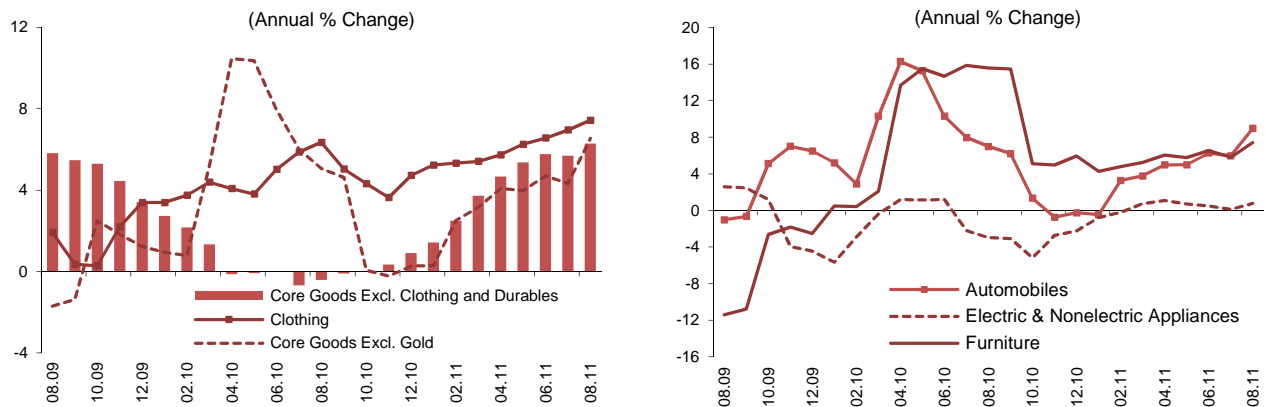


Prices of services rose by 0.39 percent in August, bringing annual services inflation up by 0.29 percentage points to 5.68 percent. The lagged effects of hikes in fuel prices continued to put upward pressure on transport services, albeit at a slower pace. Moreover, in tandem with the hikes in processed food prices, a limited increase was seen in catering services inflation. Meanwhile, rents continued to rise moderately. Seasonally adjusted data have pointed that the mild course in services inflation continues.

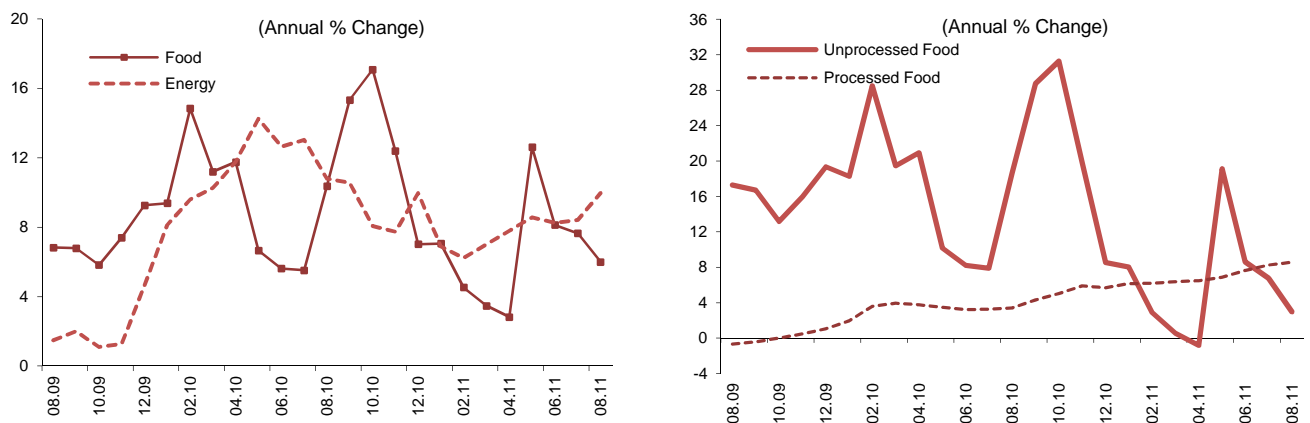


AUGUST PRICE DEVELOPMENTS SEPTEMBER 6, 2011

Annual inflation in core goods mounted to 6.76 percent due to the depreciation in the Turkish lira. The largest contributor in this increase became the prices of durable goods with a surge by 1.74 percent. Automobile prices significantly rose in this period (2.49 percent), and furniture prices also pointed to an increase (1.5 percent). The effects of exchange rate developments on the prices of electrical and non-electrical appliances remained limited. The annual inflation in clothing group maintained its uptrend as envisaged. Gold prices gained pace compared to past months and surged by 17.66 percent in August. Thus, the contribution of gold prices to consumer inflation reached approximately 0.5 percentage point in the last year.



Energy prices were up 1.29 percent in August mainly due to the increase in domestic fuel prices driven by the weak Turkish lira despite the decline in international oil prices. While significant increases were seen especially in LPG and bottled gas prices in the said period, (4.97 and 2.92 percent, respectively), solid fuel prices accelerated as well. Thus, annual energy inflation rose by 1.54 percentage points to 9.96 percent in August.



Prices of food and nonalcoholic beverages rose by 1.38 percent in August, bringing annual inflation down by 1.65 percentage points to 6 percent in this subcategory. This monthly rise in prices was largely driven by the increases vegetables and unprocessed meat prices (2.64 and 4.02 percent, respectively). The unprocessed food inflation, showing an annual decline to 2.98 percent is expected to decrease further in September due to the base effect, and increase in the last months of the year.

AUGUST PRICE DEVELOPMENTS SEPTEMBER 6, 2011

On the processed food front, the surge in annual inflation continued also in August, which is attributable to fats and oils subcategory, with an annual inflation mounting to 28.14 percent parallel to the soaring import prices, particularly. Sugar prices continued to rise. Moreover, prices of bread and cereals were up despite falling wheat prices. Hence, the ongoing increases in processed food prices continued across subcategories, bringing annual processed food inflation up by 0.34 percentage points to 8.59 percent.

	Monthly Percent Change		Annual Percent Change	
	August 2011	August 2010	August 2011	August 2010
CPI	0.73	0.40	6.65	8.33
1. Goods	0.85	0.50	7.00	9.57
Energy	1.29	-0.13	9.96	10.79
Food and nonalcoholic beverages	1.38	2.95	6.00	10.37
Unprocessed food	2.14	5.92	2.98	18.66
Fresh fruits and vegetables	1.07	12.17	-1.45	27.98
Other unprocessed food	2.76	2.59	5.87	14.44
Processed food	0.76	0.44	8.59	3.40
Bread and cereals	0.62	0.24	9.02	-0.62
Other processed food	0.83	0.55	8.36	5.82
Goods excluding energy and food	0.22	-1.21	6.45	8.22
Core goods	-0.34	-1.52	6.76	3.60
Durable goods	2.97	-0.46	10.33	6.97
Durable goods (excluding gold)	1.74	-0.38	6.54	5.07
Alcoholic beverages and tobacco	0.01	0.00	-1.50	26.72
Gold	17.66	-1.37	65.48	28.82
2. Services	0.39	0.11	5.68	4.85
Rents	0.32	0.41	4.32	4.07
Restaurants and hotels	0.64	0.47	7.98	9.91
Transport	0.59	0.31	7.58	6.90
Communication	0.00	-1.11	0.94	-1.42
Other*	0.33	0.23	6.55	4.36
3. Core Measures				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.57	-0.40	7.82	5.47
SCA-H	0.18	-0.46	6.67	4.00
SCA-I	0.02	-0.69	6.19	4.22

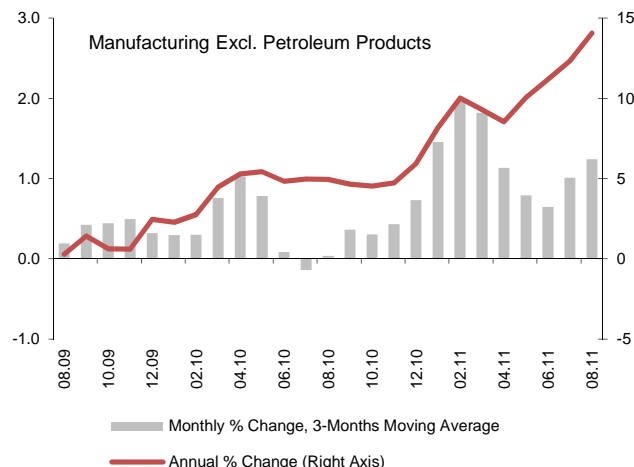
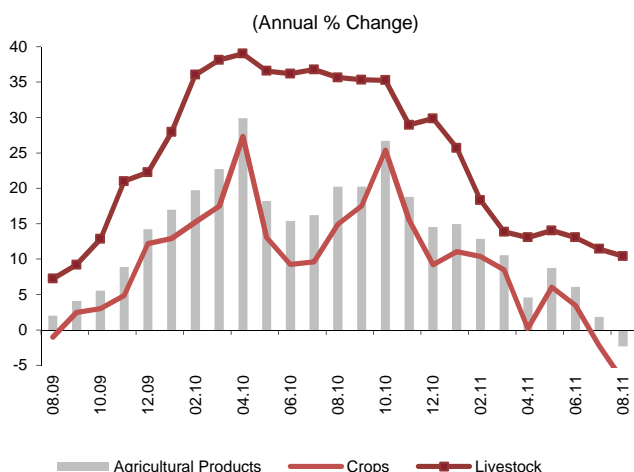
Source: TurkStat, CBRT.

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

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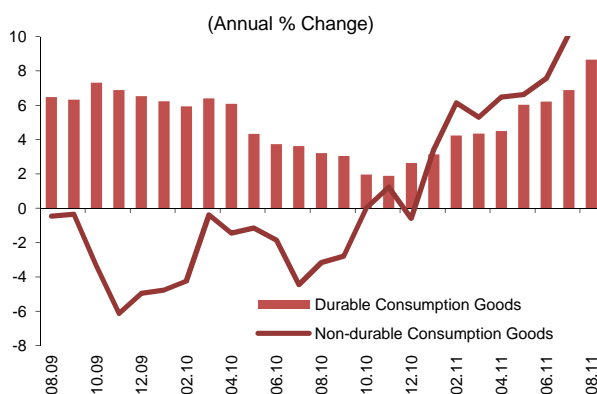
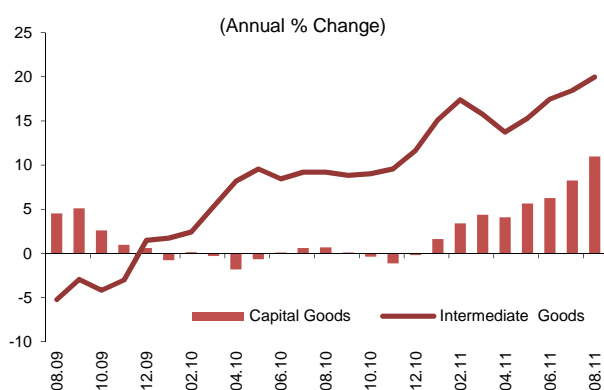
...PPI...

In August, producer prices were up 1.76 percent bringing annual PPI inflation up by 0.66 percentage points to 11 percent. Agricultural prices dropped by 0.76 percent despite the rise in livestock and animal products prices. This decline was driven by the developments in fruit and vegetable prices. Meanwhile, sunflower, wheat, cotton and corn prices pointed to a decline.



The uptrend in the manufacturing industry prices became more pronounced and prices increased across all subcategories of the manufacturing industry in August. Thus, prices in this group rose by 1.99 percent, and the annual inflation has surged by 9.24 percentage points to 15.86 percent since the start of the year. Despite the deceleration in international prices in August, the depreciation in the Turkish lira was instrumental in maintaining this trend of increase.

Prices rose across all subcategories of Main Industrial Groupings (MIGs) in August. Prices of intermediate goods increased by 2.06 percent amid soaring prices of chemical and plastic products manufacturing in addition to the surge in the prices of base metals, while prices of capital goods rose by 2.31 percent on higher producer prices for motor vehicles. Prices of durable goods increased by 1.58 percent on rising furniture prices, while those of nondurable goods went up by 1.39 percent due to developments in prices of food production.



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...TABLES

August CPI and Subcategories (Percent Change)					
	Weight	2011		2010	
		Monthly	Annual	Monthly	Annual
CPI	100	0.73	6.65	0.40	8.33
Food and nonalcoholic beverages	26.78	1.38	6.00	2.95	10.37
Alcoholic beverages and tobacco	5.90	0.01	-1.50	0.00	26.72
Clothing and footwear	7.22	-4.35	7.42	-4.79	6.34
Housing	16.46	0.54	4.96	0.15	7.68
Household equipment	6.93	0.83	8.13	-0.02	3.55
Health	2.40	0.06	0.49	-0.67	-0.07
Transport	15.15	1.90	12.08	-0.17	8.12
Communication	4.64	-0.09	0.90	-0.96	-1.44
Recreation and culture	2.70	0.83	3.17	0.10	0.99
Education	2.32	0.31	5.59	0.14	5.90
Restaurants and hotels	5.89	0.64	7.98	0.47	9.91
Miscellaneous goods and services	3.61	4.55	18.38	-0.22	5.47

Source: TurkStat.

August PPI and Subcategories (Percent Change)					
	Weight	2011		2010	
		Monthly	Annual	Monthly	Annual
PPI	100	1.76	11.00	1.15	9.03
Agriculture	17.49	-0.76	-2.34	3.48	20.25
Crops, fruits and vegetables	12.23	-1.51	-7.17	3.71	14.96
Livestock and animal products	4.52	1.01	10.41	1.95	35.63
Industry	82.51	2.24	13.91	0.64	6.70
Mining	3.10	2.24	16.81	0.43	11.30
Manufacturing	70.68	1.99	15.86	0.22	5.33
Manufacturing excluding petroleum	67.56	1.82	14.06	0.27	4.94
Manufacturing excluding petroleum and base metals	61.66	1.61	11.88	-0.01	3.21
Electricity, gas and water	8.73	4.68	-2.84	4.54	18.43

Source: TurkStat, CBRT.

PPI by MGS (Monthly Percent Change)														
	Aug.10	Sep.10	Oct.10	Nov.10	Dec.10	Jan.11	Feb.11	Mar.11	Apr.11	May.11	Jun.11	Jul.11	Aug.11	Annual
Intermediate goods	0.79	0.83	-0.22	1.14	2.80	3.39	2.67	1.61	0.02	1.37	1.38	1.35	2.06	19.95
Capital goods	-0.18	0.04	-0.45	-0.10	0.81	1.66	2.09	1.56	-0.99	0.91	0.66	2.02	2.31	10.96
Durable goods	0.49	0.13	1.23	1.20	-1.39	3.63	1.71	-0.52	0.62	0.92	1.04	0.71	1.58	11.32
Nondurable goods	-0.27	0.74	0.17	0.13	0.72	0.61	1.62	0.84	0.59	0.96	-0.33	0.91	1.39	8.66
Energy	2.45	-0.01	0.15	0.61	4.27	2.44	-1.04	2.25	-0.56	-2.12	0.67	1.11	4.43	12.66

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.