

AUGUST PRICE DEVELOPMENTS



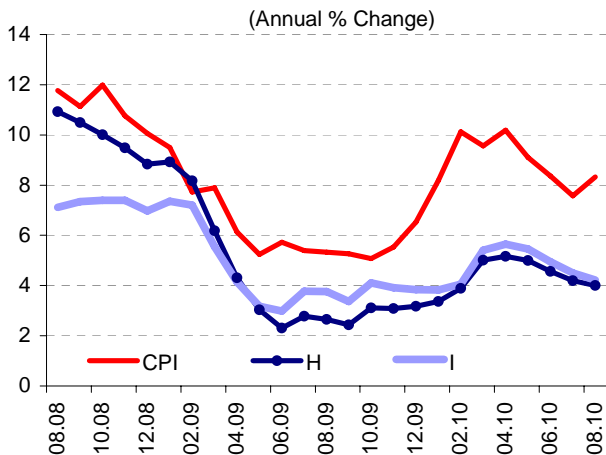
Central Bank of Turkey

September 6, 2010

SUMMARY...

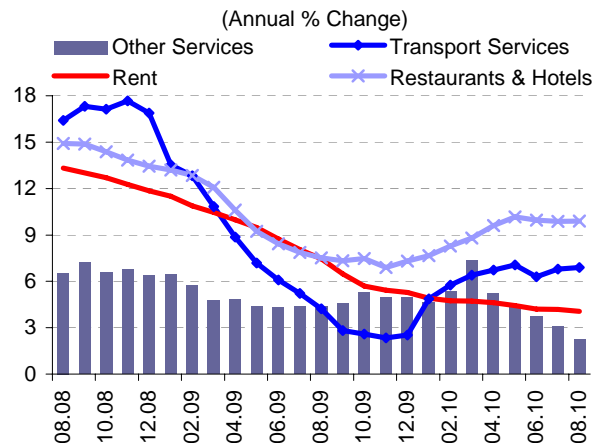
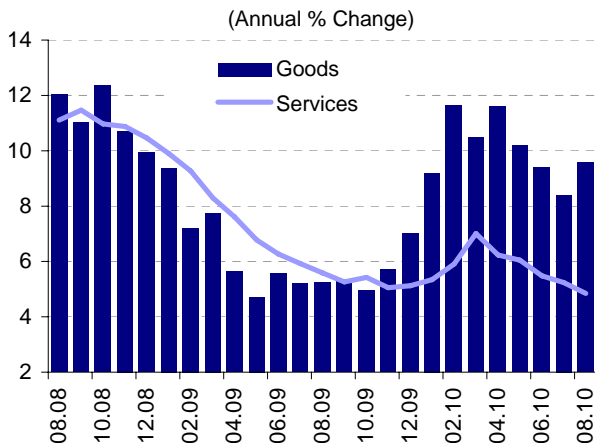
In August, consumer prices were up 0.40 percent, while annual inflation increased by 0.75 percentage points to 8.33 percent amid skyrocketing unprocessed food prices, as noted in the summary of the Monetary Policy Committee Meeting. Annual services inflation continues to slow down, and core inflation indicators remain in line with medium-term targets as expected.

...EVALUATIONS...



In August, consumer prices were up 0.40 percent, pushing inflation up by 0.75 percentage points to 8.33 percent year-on-year. The rate of increase in the CPI index excluding energy, unprocessed food, alcoholic beverages, tobacco and gold (SCA-H) decreased to 4 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) slowed to 4.22 percent year-on-year.

Prices were up 0.50 and 0.11 percent, respectively, in goods and in services. Accordingly, annual inflation increased to 9.57 percent in goods and dropped to 4.85 percent in services.



Annual services inflation continued to trend down in August, posting the lowest reading since the inception of the index. Annual inflation was down to -1.42 percent in communication services due to falling mobile call rates, and continued to slow in rents.

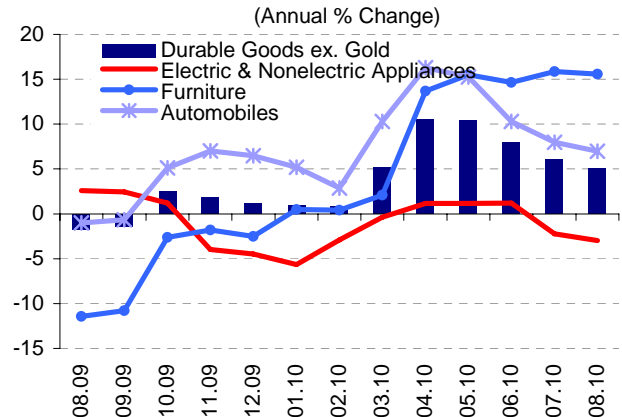
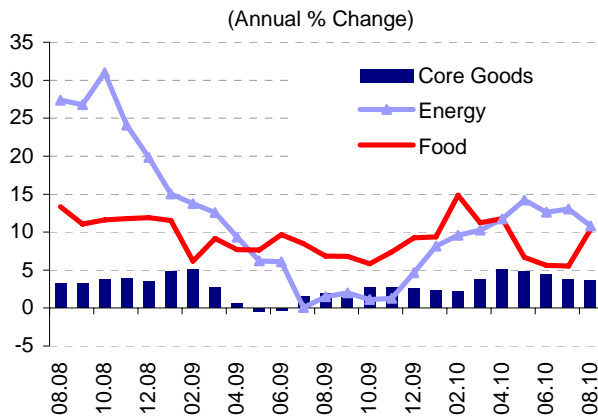
Energy prices dropped by a mere 0.13 percent in August. Water and fuel prices decreased, while the rate of increase in solid fuel prices moderated. Accordingly, energy prices remained flat for the fourth consecutive month, whereas annual energy inflation slumped month-on-month due to base effects.

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The annual rate of increase in core goods (goods excluding food, energy, alcoholic beverages, tobacco and gold) fell by 0.14 percentage points to 3.60 percent. Annual inflation continued to rise in clothing and footwear, but remained modest in other core goods. Prices were particularly down in durable goods excluding gold, by 0.38 percent month-on-month, and fell across all subcategories.

	Monthly Percentage Change		Annual Percentage Change	
	August 2010	August 2009	August 2010	August 2009
CPI	0.40	-0.30	8.33	5.33
1. Goods	0.50	-0.57	9.57	5.25
Energy	-0.13	1.88	10.79	1.48
Unprocessed Foods	5.92	-3.71	18.66	17.30
Processed Food	0.44	0.31	3.40	-0.69
Goods excl. Energy and Food	-1.21	-0.84	8.22	5.70
Core Goods	-1.52	-1.39	3.60	1.87
Durable Goods	-0.46	0.38	6.97	1.23
ex. Gold	-0.38	0.52	5.07	-1.71
Semi-Durable Goods	-1.37	-0.31	8.17	2.84
Non-Durable Goods	2.14	-1.01	11.35	8.23
2. Services	0.11	0.49	4.85	5.59
Rents	0.41	0.51	4.07	7.46
Restaurants and Hotels	0.47	0.44	9.91	7.52
Transport	0.31	0.20	6.90	4.23
Other	-0.26	0.61	2.21	4.34

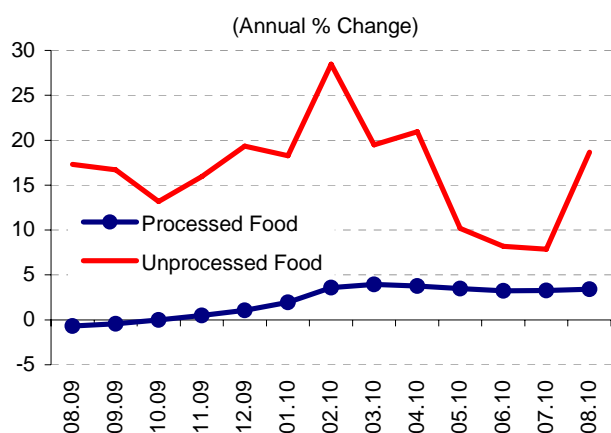
Source: TURKSTAT, CBRT

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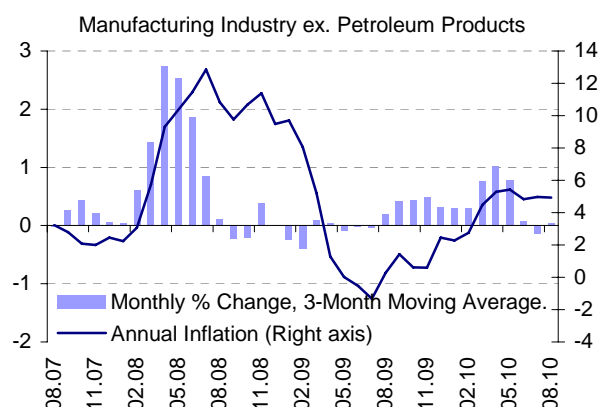
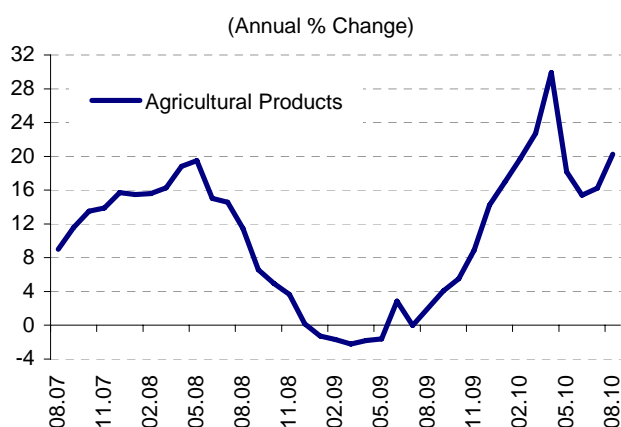


As noted in the August summary of the Monetary Policy Committee Meeting, unprocessed food prices rose sharply amid higher fresh fruit and vegetable prices, and recorded an annual inflation of 18.66 percent. Moreover, unprocessed meat prices continued to increase (by 5.36 percent), while milk prices were back on the rise in August after a four-month downslide. Processed meat prices continued to reflect the increase in meat prices. Yet, with favorable prices across other subcategories, annual processed food inflation increased only slightly.

Accordingly, annual inflation in food and nonalcoholic beverages soared by 4.85 percentage points to 10.37 percent.

...PPI...

Producer prices were up 1.15 percent in August, while annual PPI inflation rose to 9.03 percent. Agricultural prices soared by 3.48 percent amid higher fruit, vegetable and wheat prices and rising livestock prices. Meanwhile, manufacturing industry prices increased by only 0.22 percent due to higher producer prices for base metals, whereas manufacturing industry prices excluding base metals remained flat.



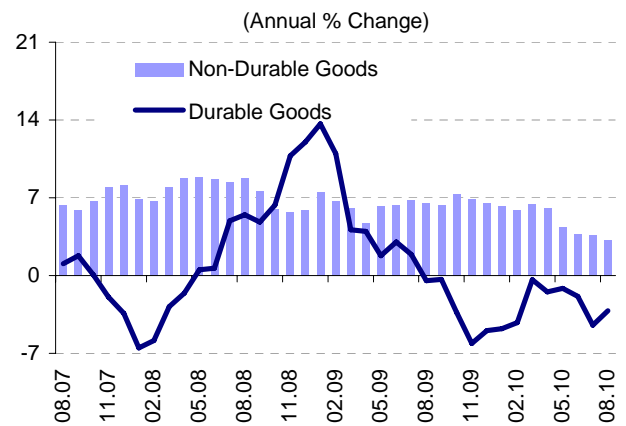
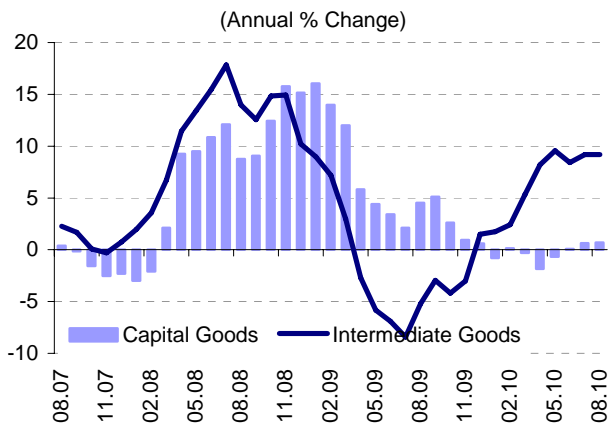
Based on the MIGs classification, producer prices were down in non-durable goods and capital goods, but up in other subcategories. Despite higher producer prices for meat and meat products, falling food and vegetable prices drove prices of non-durable goods lower. The increase in intermediate goods is largely attributable to higher producer prices for base metals. Overall, although August price developments indicate that the agricultural and, thus, the food industry may face some pressure, the producer-price pressure remains relatively weak.

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Changes in PPI based on MIGS Classification

Monthly Percentage Change

	Aug.09	Sep.09	Oct.09	Nov.09	Dec.09	Jan.10	Feb.10	Mar.10	Apr.10	May.10	Jun.10	Jul.10	Aug.10	Annual
Intermediate goods	0.81	1.16	-0.41	0.63	0.89	0.28	0.66	3.06	1.80	0.00	-0.50	0.49	0.79	9.18
Capital goods	-0.24	0.61	0.03	0.67	-0.15	-0.16	0.36	0.59	-0.72	-0.59	0.10	0.12	-0.18	0.68
Durable goods	-0.85	-0.26	-1.63	-0.01	0.43	-0.36	-0.92	0.28	-0.48	0.78	0.16	-1.64	0.49	-3.17
Non-durable goods	0.13	0.91	1.23	0.20	-0.02	0.12	0.54	0.73	0.45	-0.49	-0.51	0.29	-0.27	3.21
Energy	1.54	-0.54	-0.12	4.31	0.25	0.54	4.88	1.99	0.91	0.47	-0.93	0.68	2.45	15.74

Source: TURKSTAT, CBRT.

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... TABLES

August CPI and Sub-Items (Percentage Change)					
	Weight	2010		2009	
		Monthly	Annual	Monthly	Annual
CPI	100	0.40	8.33	-0.30	5.33
Food and nonalcoholic beverages	27.60	2.95	10.37	-1.57	6.83
Alcoholic beverages and tobacco	5.31	0.00	26.72	1.73	20.80
Clothing and footwear	7.30	-4.79	6.34	-5.22	1.93
Housing	16.83	0.15	7.68	0.74	4.41
Household equipment	6.78	-0.02	3.55	0.17	-1.58
Health	2.55	-0.67	-0.07	0.03	2.55
Transport	13.90	-0.17	8.12	1.67	0.00
Communication	4.94	-0.96	-1.44	0.20	3.08
Recreation and culture	2.83	0.10	0.99	0.28	10.27
Education	2.48	0.14	5.90	0.21	4.64
Restaurants and hotels	5.51	0.47	9.91	0.44	7.52
Miscellaneous goods and services	3.97	-0.22	5.47	0.61	14.60

Source: TURKSTAT.

August PPI and Sub-Items (Percentage Change)					
	Weight	2010		2009	
		Monthly	Annual	Monthly	Annual
PPI	100	1.15	9.03	0.42	-1.04
Agriculture	17.07	3.48	20.25	0.02	2.03
Industry	82.93	0.64	6.70	0.50	-1.70
Mining	2.62	0.43	11.30	-3.00	-0.48
Manufacturing	72.95	0.22	5.33	0.91	-2.37
Electricity, gas and water	7.36	4.54	18.43	-3.21	2.40

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.