

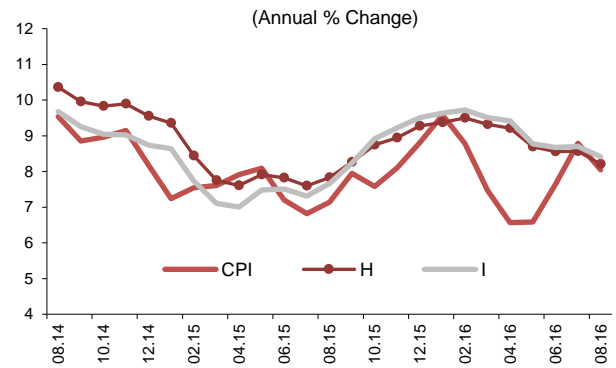
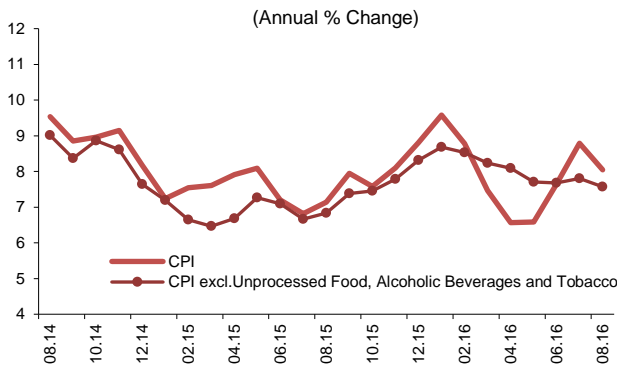
**SUMMARY...**

In August, consumer prices edged down by 0.29 percent, and annual consumer inflation fell by 0.74 points to 8.05 percent. As also stated in the Summary of the Monetary Policy Committee Meeting of August, the fall in consumer inflation was led by the correction in food prices. In this period, core indicators saw a decline in annual inflation, but a slight increase in underlying trends driven by core goods.

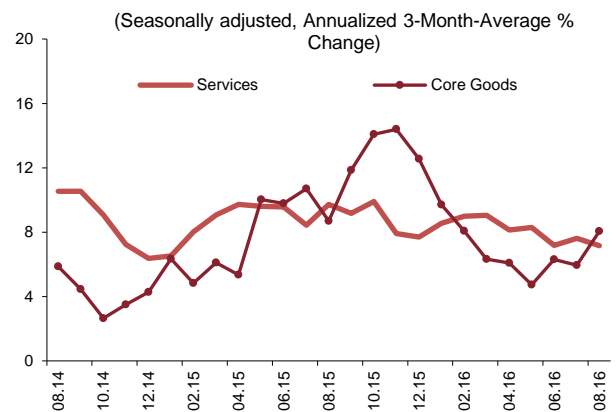
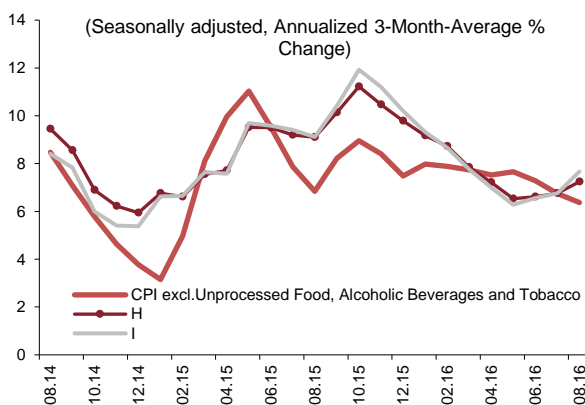
**... EVALUATIONS ...**

In August, consumer prices edged down by 0.29 percent, and annual consumer inflation fell by 0.74 points to 8.05 percent. The annual rate of change in the H and I indices fell by 0.35 and 0.29 points month-on-month to 8.21 and 8.41 percent, respectively.

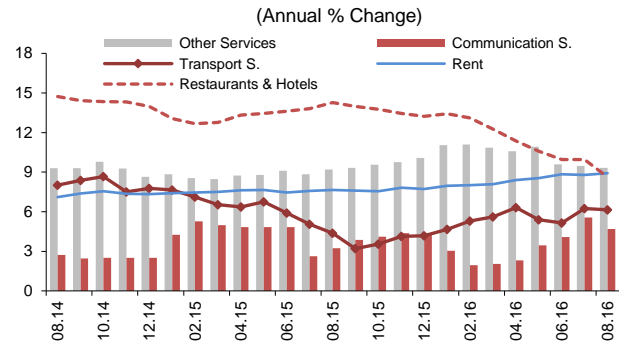
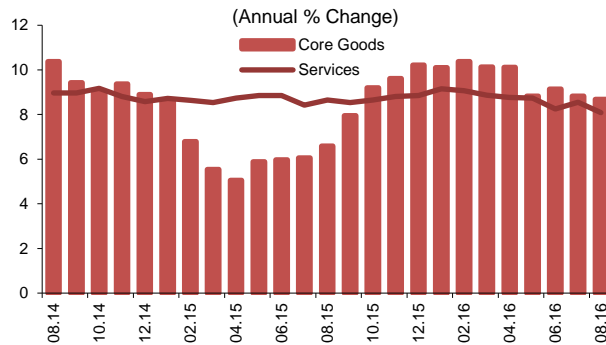
Contributions of sub-groups to annual CPI inflation reveal a month-on-month decline of 0.81, 0.06 and 0.11 points from the food, core goods and services groups, respectively. Meanwhile, energy and alcohol-tobacco groups added 0.07 and 0.19 points more to annual CPI inflation, respectively.



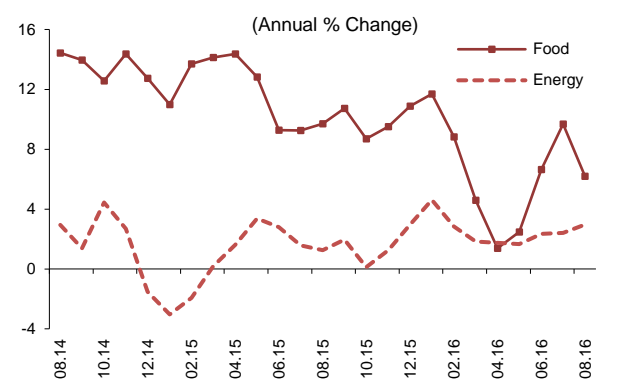
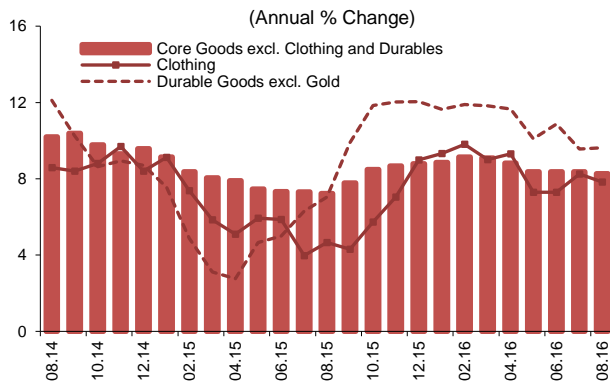
The underlying trend of inflation based on seasonally-adjusted data in 3-month-averages reveals that core inflation indicators registered an increase in August due to core goods. On the other hand, the underlying trend of the services group receded slightly.



Prices of services increased by 0.71 percent on a monthly basis and the group's annual inflation fell by 0.46 points to 8.09 percent in August. Annual inflation decreased in all subgroups other than rents. Rent inflation hit the highest level of the last seven years with 8.92 percent. On the other hand, the restaurants-hotels group saw a decline to 8.63 percent amid the base effect and the decline in food prices. Monthly price changes reveal that price hikes in the other services group emerged particularly in labor-intensive services (maintenance-repair, homecare services, etc.), education (college education) and health items. Meanwhile, the rate of price increases in transport services lost momentum in August.



Annual core goods inflation edged down by 0.15 points to 8.67 percent in August. Annual inflation edged up in durable goods, but decreased in other groups in this period. Reverberations of the July depreciation in the Turkish lira emerged in prices of automobiles and white goods. Meanwhile, prices of furniture and electrical/non-electrical appliances excluding white goods remained flat. Clothing prices decreased slightly above seasonal averages, while core goods excluding clothing and durables displayed mild increases in August.



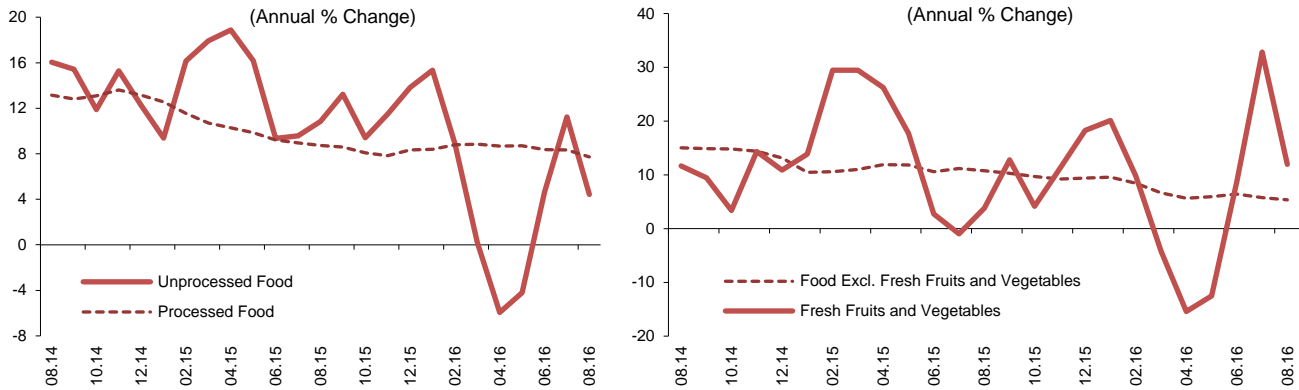
Energy prices dropped by 0.21 percent in August, due mainly to fuel prices, which fell by 1.20 percent. Bottled gas prices fell by 0.45 percent as well. On the other hand, municipal water tariffs registered a notable hike (0.99 percent). Thus, annual energy inflation increased by 0.57 points to 2.97 percent on account of the base effect.

Annual inflation in food and non-alcoholic beverages fell by 3.50 points to 6.19 percent. Prices of fresh fruits and vegetables tumbled by 11.54 percent, and annual inflation in this group slumped by about 21 points to 11.97 percent. Annual food inflation excluding fresh fruits and vegetables declined to 5.36 percent. Red meat prices posted a more limited rise by 0.74 percent in August after hikes in the last two months, and the group's annual inflation dropped further. Thus, annual unprocessed food inflation receded to 4.42 percent. On the other hand, processed food prices rose by 0.26 percent, while the group's annual inflation fell to 7.72 percent in August. Despite the mild course in this group, price hikes stood out in sugar and margarine with 3.04 and 3.59 percent, respectively.

Since the prices of tobacco products increased in mid-July, this group's monthly inflation saw an uptick by 3.64 percent in August. Accordingly, annual inflation in this group hit 23.55 percent, the highest level registered since 2010. Thus, the contribution of tobacco prices to annual consumer inflation climbed to 1.12 points.

# AUGUST PRICE DEVELOPMENTS

SEPTEMBER 6, 2016



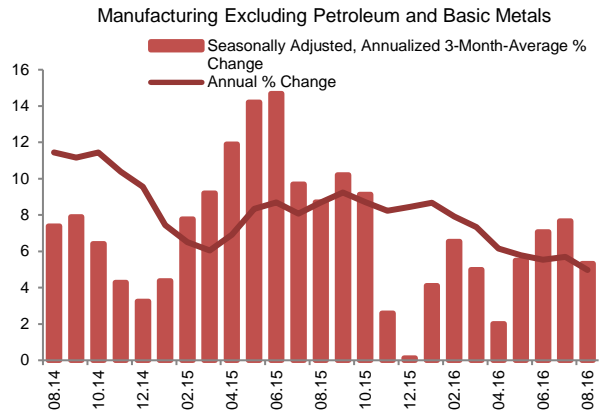
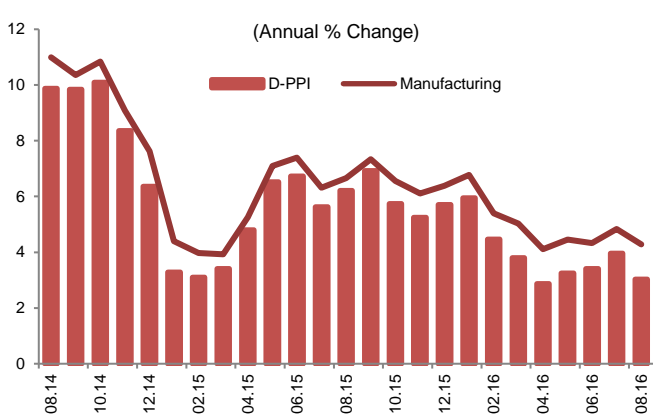
	Monthly Percent Change		Annual Percent Change	
	Aug.2016	Aug.2015	Aug.2016	Aug.2015
<b>CPI</b>	<b>-0.29</b>	<b>0.40</b>	<b>8.05</b>	<b>7.14</b>
<b>1. Goods</b>	<b>-0.74</b>	<b>0.08</b>	<b>8.00</b>	<b>6.50</b>
Energy	-0.21	-0.76	2.97	1.26
Food and nonalcoholic beverages	-1.92	1.31	6.19	9.71
Unprocessed food	-4.39	1.86	4.42	10.83
Fresh fruits and vegetables	-11.54	4.94	11.97	3.81
Other unprocessed food	0.36	0.45	1.29	14.34
Processed food	0.26	0.83	7.72	8.74
Bread and cereals	0.13	0.38	9.78	6.21
Other processed food	0.34	1.09	6.60	10.21
Goods excluding energy and food	-0.10	-0.49	11.36	6.27
Core goods	-0.88	-0.75	8.67	6.58
Durable goods	0.64	0.73	10.48	7.35
Durable goods (excluding gold)	0.61	0.55	9.62	7.04
Alcoholic beverages and tobacco	3.44	0.36	23.03	4.13
Gold	1.09	3.90	24.83	13.09
<b>2. Services</b>	<b>0.71</b>	<b>1.14</b>	<b>8.09</b>	<b>8.65</b>
Rents	0.87	0.74	8.92	7.64
Restaurants and hotels	0.82	2.05	8.63	14.26
Transport	0.30	0.40	6.13	4.38
Communication	0.00	0.83	4.69	3.22
Other*	0.98	1.11	9.33	9.21
<b>3. Core Measures</b>				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.00	0.21	7.57	6.84
H	0.02	0.34	8.21	7.83
I	-0.02	0.24	8.41	7.66

Source: TurkStat, CBRT.

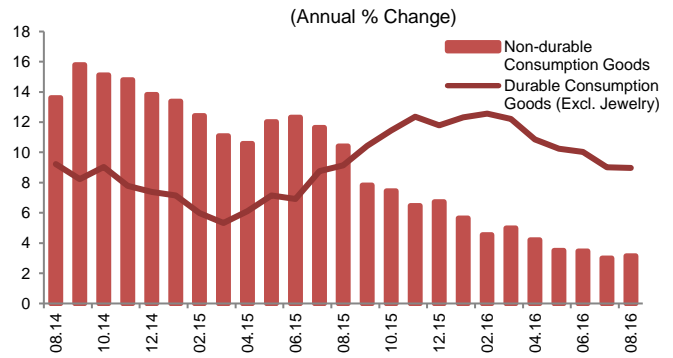
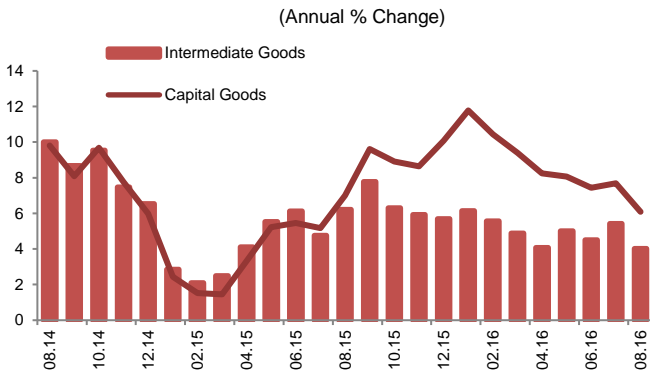
\*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

**... D-PPI ...**

Domestic producer prices crept up by 0.08 percent month-on-month, and the group's annual inflation decreased by 0.93 points to 3.03 percent in August. Annual inflation receded to 4.29 percent in the manufacturing industry and to 4.97 percent in the manufacturing industry excluding petroleum and basic metals in this period.



According to the Main Industrial Groupings (MIGs), prices in durable goods groups excluding energy (-2.49 percent) and jewelry saw decreases in contrast to increases in other groups in August. Prices of capital goods were pushed up by motor vehicles and their accessories. As a result, producer-driven cost pressures on consumer prices remained relatively subdued in August.



## ... TABLES

August CPI and Subcategories (Percent Change)					
	Weight	2016		2015	
		Monthly	Annual	Monthly	Annual
CPI	100	-0.29	8.05	0.40	7.14
Food and nonalcoholic beverages	23.68	-1.92	6.19	1.31	9.71
Alcoholic beverages and tobacco	4.98	3.44	23.03	0.36	4.13
Clothing and footwear	7.43	-4.69	7.84	-4.32	4.72
Housing	15.93	0.47	6.82	0.35	8.19
Household equipment	8.02	0.26	8.25	0.23	8.60
Health	2.66	0.38	10.60	0.37	6.72
Transport	14.31	0.19	6.74	-0.38	0.60
Communication	4.42	0.11	3.60	0.97	2.03
Recreation and culture	3.81	0.37	5.63	1.96	9.19
Education	2.56	2.61	9.18	1.41	6.84
Restaurants and hotels	7.47	0.82	8.63	2.05	14.26
Miscellaneous goods and services	4.73	0.45	11.84	1.21	9.91

Source: TurkStat.

August D-PPI and Subcategories (Percent Change)					
	Weight	2016		2015	
		Monthly	Annual	Monthly	Annual
D-PPI	100.00	0.08	3.03	0.98	6.21
Mining	3.50	-1.53	2.21	-0.81	-1.44
Manufacturing	87.28	0.38	4.29	0.91	6.66
Manufacturing excl. petroleum products	84.65	0.46	4.66	1.26	8.06
Manufacturing excl. petroleum products and basic metals	75.61	0.54	4.97	1.24	8.70
Electricity, gas, steam and air-conditioning supply	8.13	-2.91	-10.92	2.53	3.68
Water supply	1.08	0.67	8.74	0.01	21.56
D-PPI (MIGs Classification)					
Intermediate Goods		0.40	4.02	1.76	6.22
Durable Consumption Goods		0.71	12.32	0.70	9.71
Durable Consumption Goods (Excl. Jewelry)		-0.09	8.97	-0.06	9.14
Non-Durable Consumption Goods		0.40	3.15	0.25	10.42
Capital Goods		0.63	6.08	2.16	7.01
Energy		-2.49	-7.06	-0.58	-3.93

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