

MAY PRICE DEVELOPMENTS



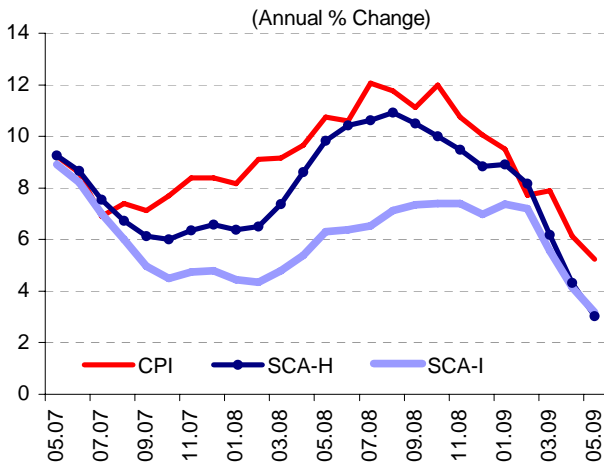
Central Bank of Turkey

June 4, 2009

SUMMARY...

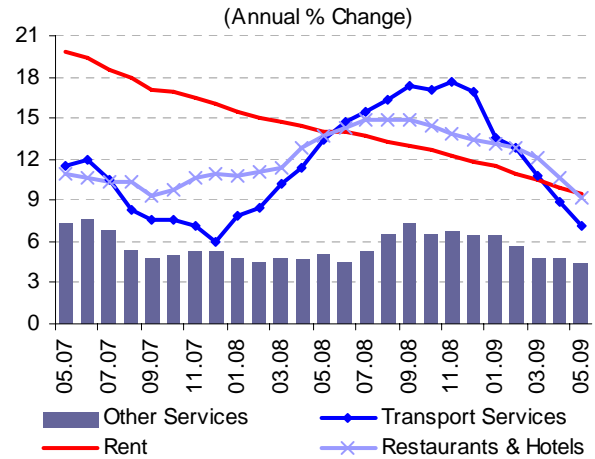
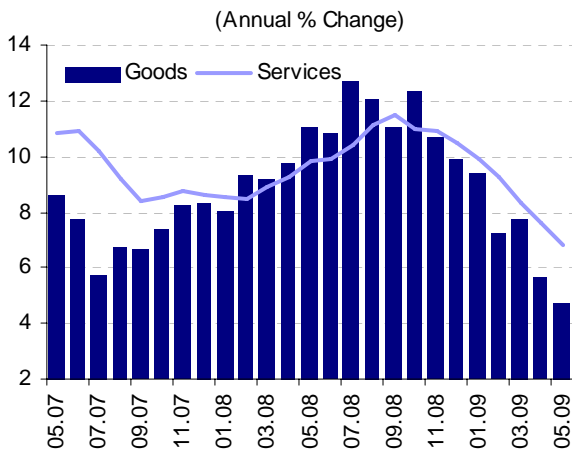
In May, consumer prices increased by 0.64 percent, while inflation fell to 5.24 percent year-on-year. The slow down in inflation is spread over all major categories, with services registering an even more pronounced deceleration. The recent trends in core inflation measures suggest that underlying inflation hovers around historic lows. On balance, the downtrend in annual inflation may pause in June due to base effect, but core inflation measures are expected to ease further.

...EVALUATIONS...



In May, consumer prices were up 0.64 percent, while inflation was down to 5.24 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 1.28 percentage points to 3.03 percent year-on-year. With a further exclusion of processed food prices, the rate of increase in the index (SCA-I) was down 0.97 percentage points to 3.17 percent year-on-year.

Prices for goods and services rose by 0.77 and 0.27 percent, respectively. Accordingly, annual inflation fell to 4.72 and 6.78 percent in goods and services, respectively.



Annual services inflation continued to slow in May. Demand and cost conditions are the main drivers of the decline in all subcategories of services, particularly in catering and transport services. Meanwhile, keeping on its consistent deceleration, rent inflation went down to 9.49 percent year-on-year.

Energy price inflation fell by 3.1 percentage points to 6.22 percent year-on-year due to the large reduction in gas tariffs in May and the ongoing drops in prices of solid fuels since December. Yet, higher fuel prices, driven by soaring crude oil prices, kept energy prices from falling further.

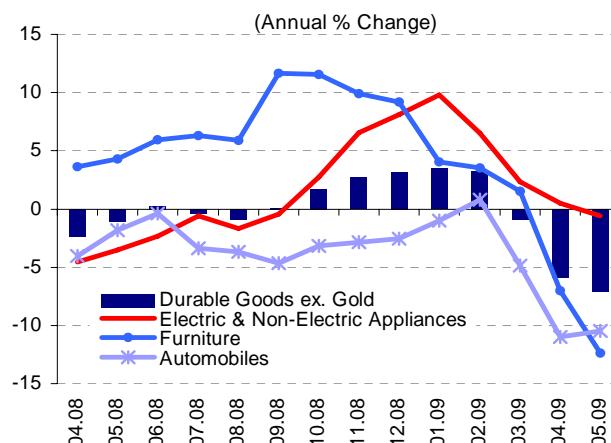
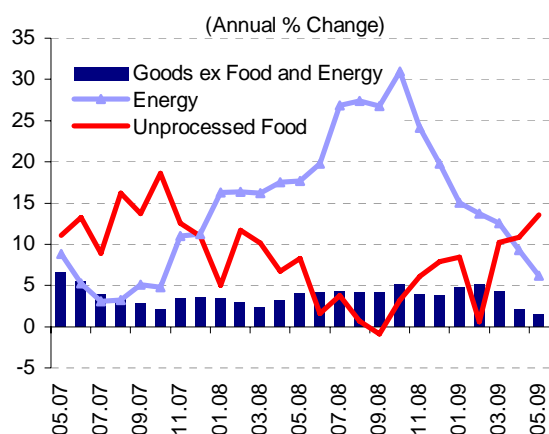
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Annual inflation in goods excluding energy and food declined to 1.44 percent in May owing to the slowdown in underlying inflation and the high base from furniture prices.



In the durable goods (excluding gold) category, prices rose by 0.25 percent month-on-month, while inflation dropped to -7.10 percent year-on-year. After having fallen markedly during March-April on the back of SCT cuts, prices of white goods and automobiles increased by 1.51 and 1.13 percent, respectively, in May. On the other hand, furniture prices, which were brought down by the VAT cut in April, also fell in May, by 0.83 percent month-on-month. It must be remembered that inflation may rise temporarily by the time these tax cuts expire.

	Monthly Percentage Change		Annual Percentage Change	
	May 2009	May 2008	May 2009	May 2008
CPI	0.64	1.49	5.24	10.74
1. Goods	0.77	1.64	4.72	11.02
Energy	-2.09	0.77	6.22	17.70
Unprocessed Foods	0.30	-2.10	13.59	8.26
Processed Food	0.07	2.33	2.68	22.83
Goods excl. Energy and Food	2.79	3.42	1.44	3.98
Durable Goods	0.31	0.75	-4.53	1.08
ex. Gold	0.25	1.48	-7.10	-1.03
Semi-Durable Goods	1.82	3.97	4.71	11.44
Non-Durable Goods	0.14	0.29	7.45	13.35
2. Services	0.27	1.05	6.78	9.86
Rents	0.40	0.85	9.49	14.02
Restaurants and Hotels	0.40	1.66	9.23	13.67
Transport	0.23	1.79	7.19	13.41
Other	0.16	0.59	4.37	5.11

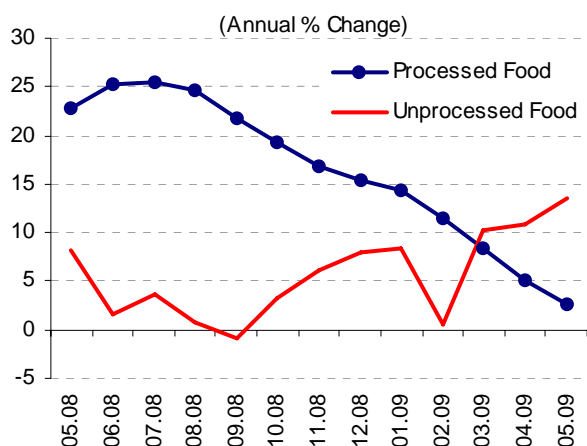
Source: TURKSTAT, CBRT

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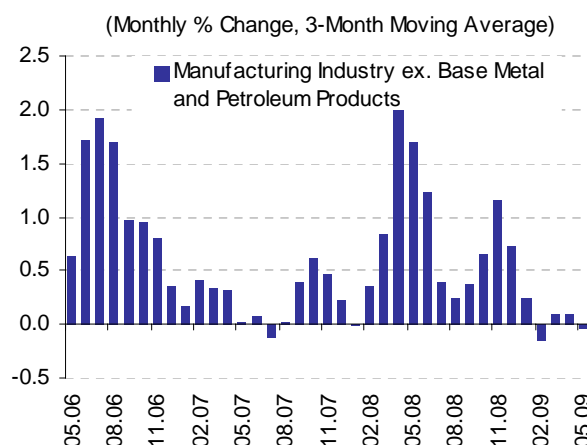
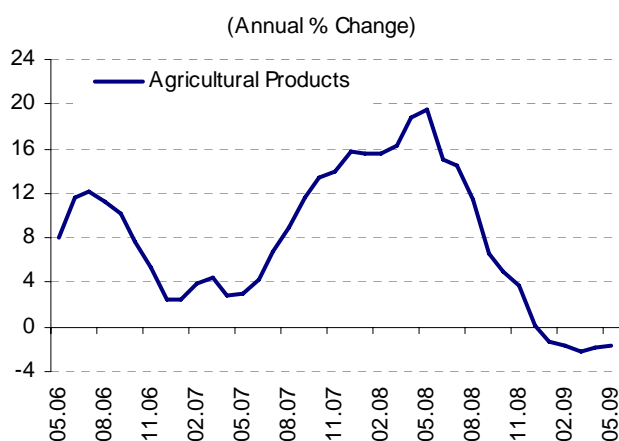
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In the unprocessed food category, vegetable prices decreased by 10.43 percent, whereas fruit prices jumped by 19.23 percent, causing unprocessed food prices to soar by 0.30 percent month-on-month and inflation to spike to 13.59 percent year-on-year. Annual unprocessed food inflation is expected to remain volatile in coming months. Meanwhile, after having climbed to 25.50 percent in July 2008 amid supply shortages and rising import prices, annual processed food inflation went down to 2.68 percent in May with the reversal of these negative trends. Accordingly, annual inflation in food and nonalcoholic beverages dropped to 7.63 percent.

...PPI...

Producer prices fell by 0.05 percent in May, bringing annual PPI inflation down by 2.11 percentage points to -2.46 percent. Prices for agricultural products were still below their year-ago levels. Manufacturing industry prices barely changed, while annual inflation fell to -5 percent in this category. Excluding petroleum products and base metals, manufacturing industry prices rose by 3.69 percent year-on-year.



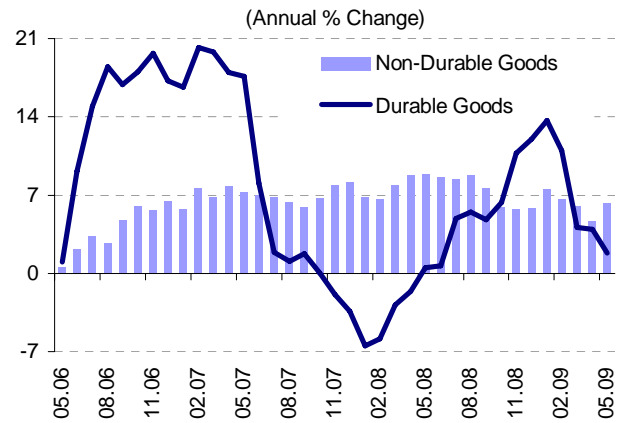
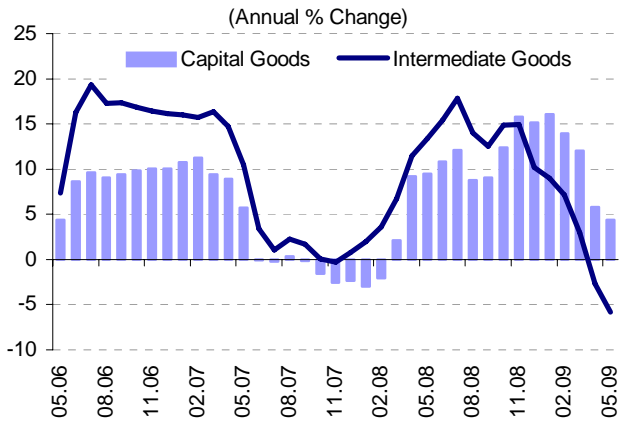
In May, annual inflation in intermediate goods was down 3.13 percentage points to -5.84 percent. With the rapid fall in prices of construction metals, annual inflation in capital goods dropped to 4.41 percent. On the other hand, annual inflation in non-durable goods increased by 1.59 percentage points to 6.29 percent amid rising producer prices for food and apparels. Similarly, prices of durable goods surged by 0.45 percent on rising producer prices for furniture and household appliances, but annual durable goods inflation continued to slow. 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

	Jun.08	Jul.08	Aug.08	Sep.08	Oct.08	Nov.08	Dec.08	Jan.09	Feb.09	Mar.09	Apr.09	May.09	Annual
Prices of intermediate goods	1.69	1.42	-2.58	-1.21	0.89	-0.57	-3.60	0.04	-0.02	0.21	-0.89	-1.24	-5.84
Prices of capital goods	0.32	0.83	-2.54	0.04	2.48	2.33	0.20	1.23	-0.57	1.04	0.83	-1.75	4.41
Prices of durable goods	-0.30	2.13	1.52	-0.38	1.43	2.94	-0.80	-0.56	-1.47	-3.60	0.60	0.45	1.79
Prices of non-durable goods	0.02	-0.06	0.45	1.07	0.28	0.61	0.31	0.40	0.81	0.29	0.75	1.19	6.29
Energy prices	2.06	3.91	-6.19	-2.77	-0.03	-1.06	-12.18	-0.01	6.32	1.23	0.34	-3.31	-12.27

Sources: TURKSTAT, CBRT

... TABLES

May CPI and Sub-Items (Percentage Change)					
	Weight	2009		2008	
		Monthly	Annual	Monthly	Annual
CPI	100	0.64	5.24	1.49	10.74
Food and non-alcoholic beverages	28.03	0.19	7.63	0.25	15.69
Alcoholic beverages and tobacco	4.58	0.04	7.15	0.01	6.86
Clothing and footwear	7.22	11.46	-0.78	11.99	4.62
Housing	18.63	-1.91	11.79	0.41	15.26
Household equipment	7.53	-0.19	-0.59	2.10	5.37
Health	2.50	0.17	4.26	0.06	-0.46
Transport	12.64	0.79	-5.15	1.57	9.67
Communication	4.60	0.17	3.58	-0.04	-0.54
Recreation and culture	2.54	-0.28	7.64	1.58	2.66
Education	2.47	0.70	6.40	0.91	6.69
Restaurants and hotels	5.47	0.40	9.23	1.66	13.67
Miscellaneous goods and services	3.79	0.35	10.79	-0.82	9.71

Source: TURKSTAT

May PPI and Sub-Items (Percentage Change)					
	Weight	2009		2008	
		Monthly	Annual	Monthly	Annual
PPI	100	-0.05	-2.46	2.12	16.53
Agriculture	17.76	3.70	-1.62	3.49	19.51
Industry	82.24	-0.89	-2.61	1.79	15.83
Mining	2.20	0.37	8.74	2.66	23.64
Manufacturing	73.75	-0.07	-5.00	1.87	15.26
Energy	6.29	-10.10	23.36	0.60	21.17

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.