

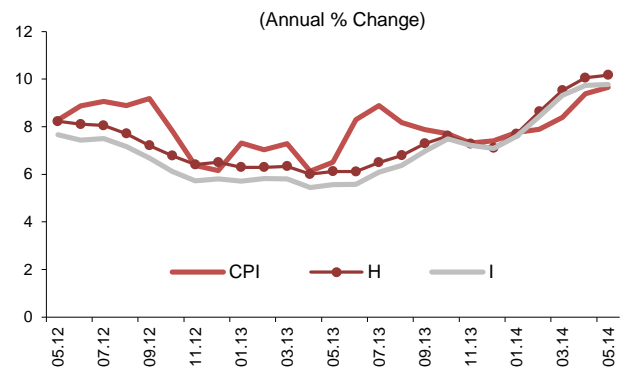
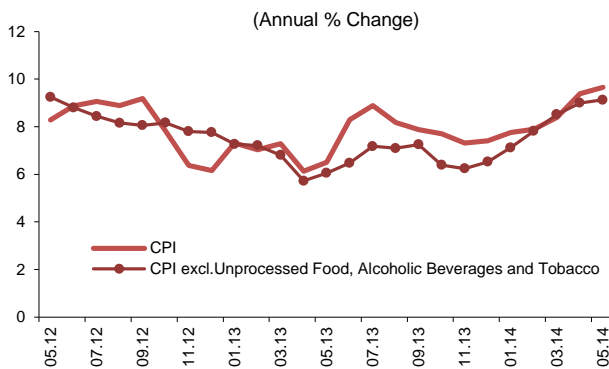
SUMMARY...

In May, consumer prices were up by 0.40 percent and annual inflation reached 9.66 percent. Prices of food and core goods were influential in this rise in annual inflation. Cumulative effects of the depreciation of the Turkish lira waned, and core inflation indicators followed a relatively flat course in this period.

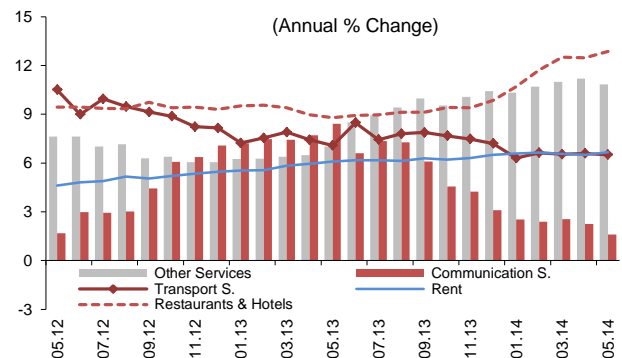
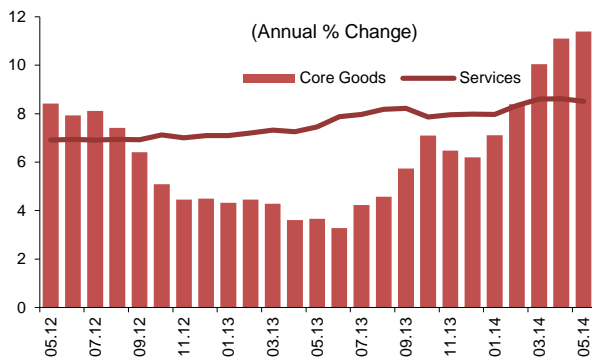
...EVALUATIONS...

In May, consumer prices were up by 0.40 percent and annual inflation reached 9.66 percent. The annual rate of increase in the SCA-H and SCA-I indices remained almost flat and stood at 10.16 percent and 9.77 percent, respectively, remaining above the annual consumer inflation in May.

Across subgroups, the contribution of food and core goods group to the annual CPI inflation increased month-on-month, while that of other subgroups did not record a noticeable change. Contributions from the food and core goods groups stood at 3.39 and 3 percentage points, respectively.



Prices of services rose by 0.67 percent and the group's annual inflation edged down to 8.52 percent in May. On the other hand, the course of food inflation continued to deteriorate the prices of catering services, and the annual inflation in the restaurants and hotels group climbed to 12.88 percent in this period. Annual inflation saw an increase in rents in contrast to a fall in sub-items of other services. Notwithstanding a slight fall, the seasonally-adjusted data indicated that the underlying trend of services inflation maintained its high course in May.

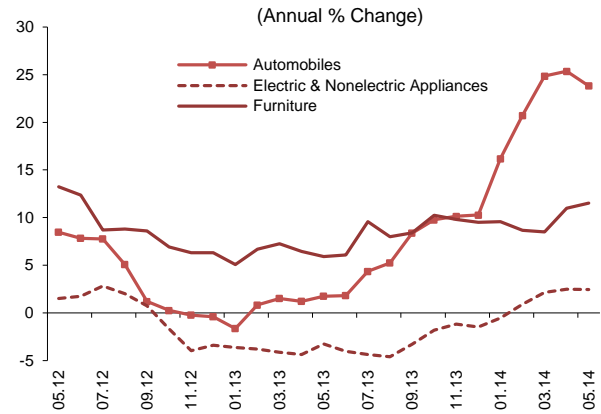
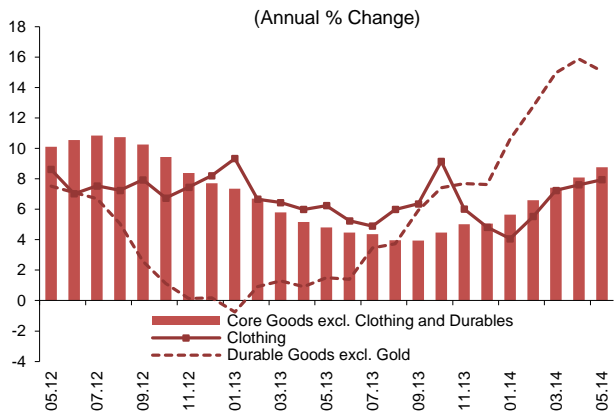


On the core goods front, annual inflation edged up by 0.29 percentage points to 11.39 percent in May. This was mainly attributed to items other than durable consumption goods. In line with the appreciation trend of the Turkish lira in April and May, prices of durable consumption goods registered a month-on-month decline for the first time since the start of the year and the group's

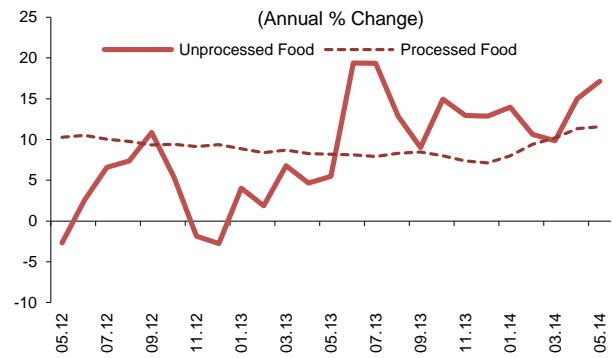
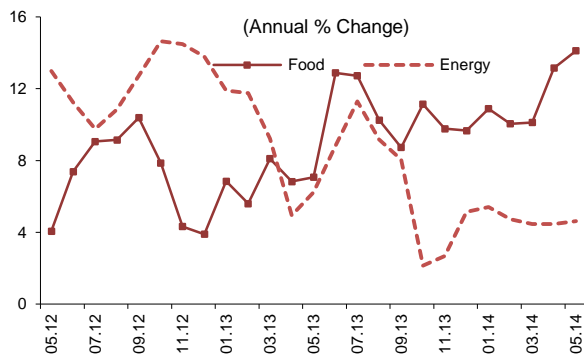
MAY PRICE DEVELOPMENTS

JUNE 4, 2014

annual inflation went down to 15.08 percent. However, the steady trend of increase persisted in core goods excluding clothing and durable goods prices, which are affected by the exchange rate with a lag. Clothing prices went above seasonal averages in May, and the group's annual inflation reached 7.95 percent. Price developments in May indicated that inflationist pressures stemming from the exchange rate reversed in durable goods, while the lagged effects of cumulative depreciation persisted in other groups. Accordingly, the seasonally-adjusted data pointed to persisting high levels despite a slight fall in the underlying trend of core goods inflation.



Energy prices were down by 0.54 percent in May. In contrast to the surge in municipal water tariffs, fuel and bottled gas prices registered a decline in this period. Against this background, a slight uptick to 4.62 percent notwithstanding, annual energy inflation maintained its mild course.



Annual inflation in the food and non-alcoholic beverages group rose by approximately 1 percentage points to 14.11 percent. Unprocessed food prices posted a month-on-month decline due to vegetable prices, while annual inflation rose by 2.1 percentage points to 17.1 percent owing to the negative outlook of fresh fruit prices. The uptrend in processed food prices continued with a slowdown, led particularly by the groups excluding bread and cereals. Bread and cereals prices remained on the increase amid rising domestic wheat prices, and the group's annual inflation stood at 13.74 percent. Against this background, annual inflation in the processed food group crept up by 0.25 percentage points to 11.57 percent.

MAY PRICE DEVELOPMENTS

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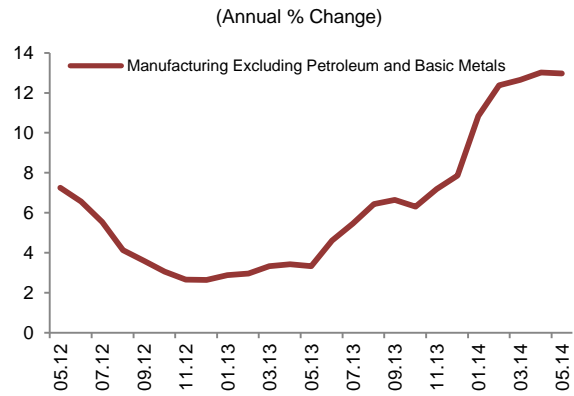
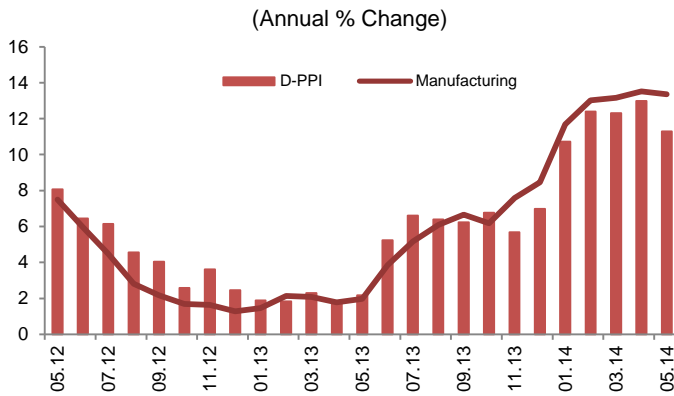
	Monthly Percent Change		Annual Percent Change	
	May.2014	May.2013	May.2014	May.2013
CPI	0.40	0.15	9.66	6.51
1. Goods	0.28	-0.09	10.17	6.16
Energy	-0.54	-0.69	4.62	6.24
Food and nonalcoholic beverages	-1.35	-2.18	14.11	7.07
Unprocessed food	-3.59	-5.33	17.14	5.48
Fresh fruits and vegetables	-7.23	-13.90	15.29	2.33
Other unprocessed food	-1.24	1.20	18.35	7.64
Processed food	0.78	0.55	11.57	8.19
Bread and cereals	1.26	1.02	13.74	11.82
Other processed food	0.49	0.26	10.26	6.02
Goods excluding energy and food	1.94	1.69	9.85	5.18
Core goods	2.46	2.19	11.39	3.66
Durable goods	-0.82	-0.28	14.52	0.81
Durable goods (excluding gold)	-0.76	-0.08	15.08	1.50
Alcoholic beverages and tobacco	-0.15	0.00	2.97	16.09
Gold	-2.09	-3.88	4.13	-9.59
2. Services	0.67	0.76	8.52	7.45
Rents	0.59	0.45	6.66	6.08
Restaurants and hotels	1.11	0.75	12.88	8.78
Transport	0.74	0.82	6.52	7.08
Communication	0.00	0.65	1.59	8.42
Other*	0.65	0.98	10.83	7.02
3. Core Measures				
CPI excluding unprocessed food, alcoholic beverages and tobacco	1.03	0.91	9.12	6.05
SCA-H	1.40	1.29	10.16	6.12
SCA-I	1.50	1.47	9.77	5.56

Source: TurkStat, CBRT.

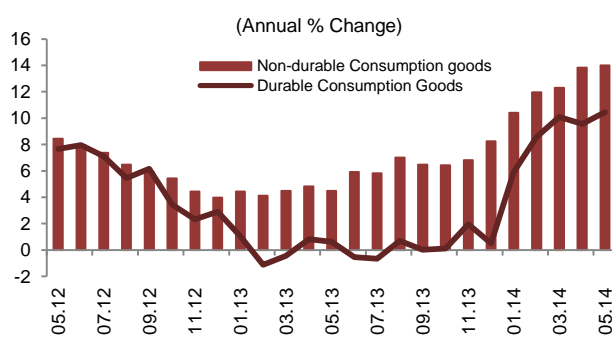
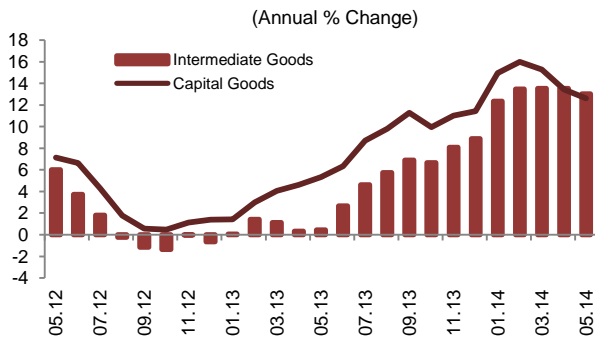
*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

...D-PPI...

D-PPI edged down by 0.52 percent and the group's annual inflation receded to 11.28 percent in May. Along with the appreciation in the Turkish lira, prices of petroleum products and basic metals remained on the decrease as they did in April. The upward trend came to a halt in prices in the manufacturing industry excluding petroleum and basic metals and the group's annual inflation remained flat at 13 percent.



According to the Main Industrial Groupings (MIGs), non-durable consumption goods saw rising prices, in contrast to other main groups that witnessed falling prices. Due mostly to manufacturing of food products, annual inflation in non-durable consumption goods reached 14 percent. Despite falling prices on a monthly basis, durable consumption goods saw rising inflation due to the base effect. In sum, pressures on manufacturing industry prices driven by the exchange rate alleviated in May. However, the current level of the manufacturing industry inflation indicates that cost pressures on consumer prices are still robust.



...TABLES

May CPI and Subcategories (Percent Change)					
	Weight	2014		2013	
		Monthly	Annual	Monthly	Annual
CPI	100	0.40	9.66	0.15	6.51
Food and nonalcoholic beverages	24.45	-1.35	14.11	-2.18	7.07
Alcoholic beverages and tobacco	5.29	-0.15	2.97	0.00	16.09
Clothing and footwear	7.17	9.19	7.97	8.85	6.25
Housing	16.41	0.36	5.34	-0.04	6.58
Household equipment	7.52	-0.16	8.91	-0.22	4.38
Health	2.44	0.98	8.57	0.14	1.86
Transport	15.54	-0.50	13.11	0.13	4.66
Communication	4.70	-0.11	0.34	0.40	7.49
Recreation and culture	3.36	0.21	7.04	0.46	1.38
Education	2.26	0.99	9.57	1.73	5.87
Restaurants and hotels	6.58	1.11	12.88	0.75	8.78
Miscellaneous goods and services	4.28	0.49	7.03	-0.37	5.65

Source: TurkStat.

May D-PPI and Subcategories (Percent Change)					
	Weight	2014		2013	
		Monthly	Annual	Monthly	Annual
D-PPI	100	-0.52	11.28	1.00	2.17
Mining	3.97	-1.11	11.10	-0.13	6.33
Manufacturing	85.93	-0.20	13.35	-0.07	1.97
Electricity, gas, steam and air-conditioning supply	9.31	-3.60	-3.66	1.96	14.82
Water supply	0.79	1.40	10.31	0.36	10.88

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.