

JUNE PRICE DEVELOPMENTS

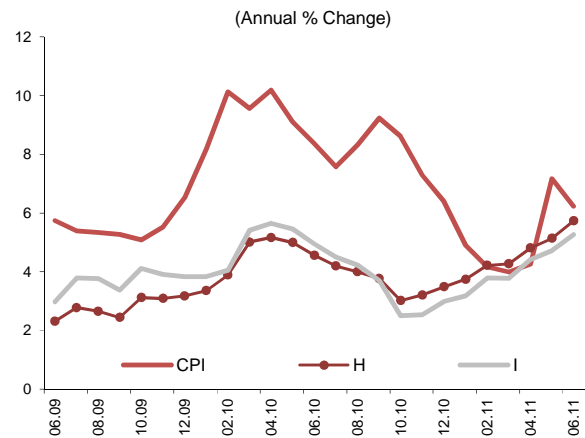
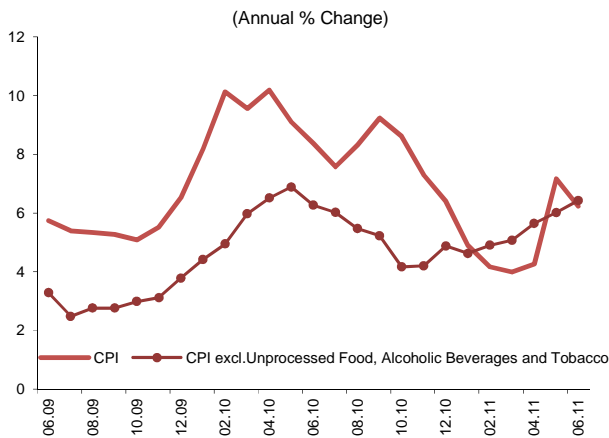
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SUMMARY...

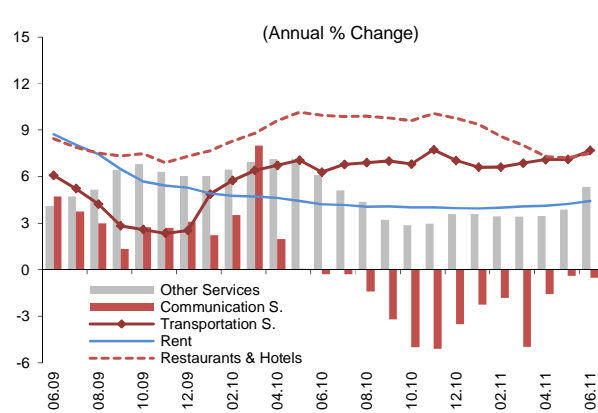
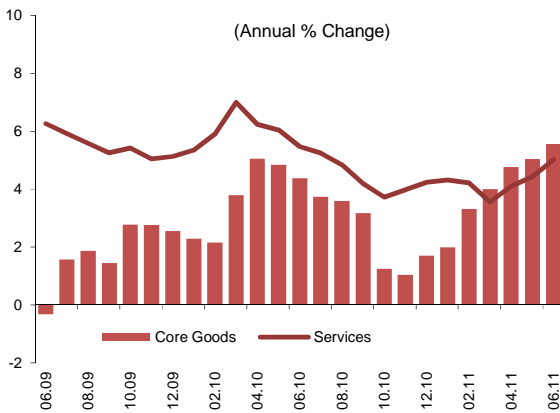
In June, consumer prices decreased by 1.43 percent, and annual inflation fell to 6.24 percent. As predicted in the summary of the MPC meeting, the primary driver of this downturn was the downward correction in unprocessed food prices driven by falling fresh fruit prices. Thus, annual inflation returned to the path foreseen in the April Inflation Report.

...EVALUATIONS...

In June, consumer prices were down 1.43 percent, and annual inflation fell to 6.24 percent. The rate of increase in the CPI excluding energy, unprocessed food, alcoholic beverages, tobacco and gold (SCA-H) rose to 5.73 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) increased to 5.27 percent year-on-year.



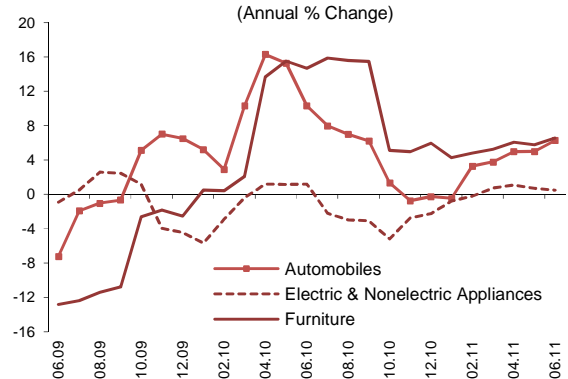
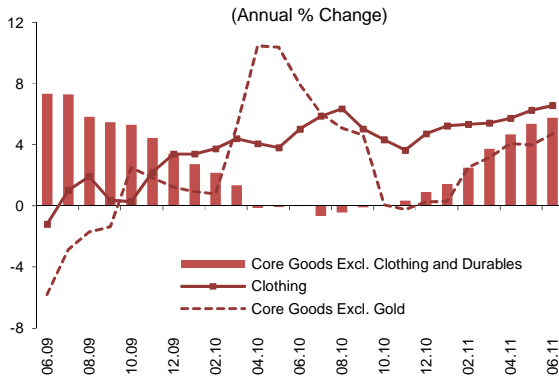
Prices of services rose by 0.76 percent, pushing annual services inflation up by 0.58 percentage points to 5.02 percent. The pick-up in annual services inflation was largely due to rising prices of package holidays. The lagged effects of soaring fuel prices put some upward pressure on the rate of increase in transport prices, while rents continued to increase moderately. Education and restaurants/hotels inflation was up year-on-year. Yet, seasonally adjusted indicators suggest that underlying services inflation is flat.



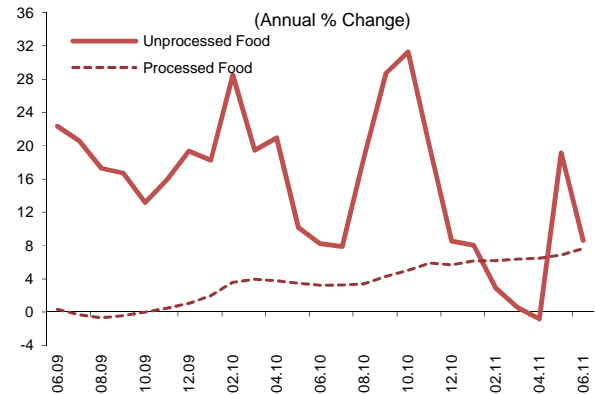
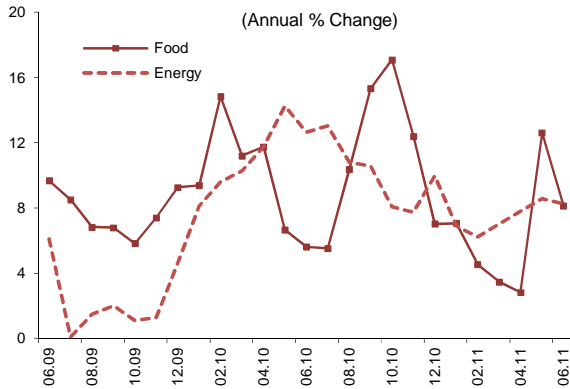
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Annual core goods (goods excluding food, energy, alcoholic beverages, tobacco and gold) inflation continued to rise in June, up 0.51 percentage points to 5.56 percent. Among sub-items categorized under durable goods (excluding gold), automobile and furniture prices increased, whereas prices of white goods dropped. Annual clothing inflation remained on a gradual upward trend.



Energy prices fell by 0.10 percent in June, mainly due to falling domestic fuel prices driven by lower international oil prices despite the weak Turkish lira. Moreover, municipally established tap water tariffs increased by 1.05 percent, while prices of bottled gas and coal fell. Accordingly, annual energy inflation dropped by 0.32 percentage points to 8.25 percent.



Across food and nonalcoholic beverages, prices were down 6.40 percent, while annual inflation declined by 4.48 percentage points to 8.13 percent. Our previous bulletins indicated that May's sharp rise in food and nonalcoholic beverages would reverse. Indeed, after entering the price index in May at very high prices due to supply side factors, cherry and plum prices corrected downward as expected and dropped significantly (by 68.05 and 37.10 percent, respectively), being the main determinant of the decline in food prices.

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On the processed food front, prices of oils and fats continued to rise in June, registering an annual inflation of 21.79 percent. However, ongoing decreases in processed meat and dairy prices continued to restrain price hikes in processed food. Hence, annual processed food inflation increased by 0.79 percentage points to 7.65 percent owing also to the low base effect from a year earlier.

	Monthly Percent Change		Annual Percent Change	
	June 2011	June 2010	June 2011	June 2010
CPI	-1.43	-0.56	6.24	8.37
1. Goods	-2.20	-0.83	6.67	9.39
Energy	-0.10	0.20	8.25	12.63
Food and nonalcoholic beverages	-6.40	-2.52	8.13	5.62
Unprocessed food	-13.20	-4.79	8.60	8.20
Fresh fruits and vegetables	-25.25	-6.05	11.60	-2.86
Other unprocessed food	-2.92	-4.03	6.85	15.78
Processed food	0.28	-0.45	7.65	3.22
Bread and cereals	0.30	0.27	8.12	-1.58
Other processed food	0.27	-0.86	7.40	6.16
Goods excluding energy and food	0.48	0.14	4.73	11.07
Core goods	0.48	0.00	5.56	4.38
Durable goods	0.73	0.23	6.18	9.81
Durable goods (excluding gold)	0.49	-0.20	4.70	7.95
Alcoholic beverages and tobacco	0.00	-0.01	-1.50	42.93
Gold	3.73	5.35	25.49	32.22
2. Services	0.76	0.20	5.02	5.48
Rents	0.36	0.18	4.43	4.21
Restaurants and hotels	0.48	0.20	7.50	9.97
Transport	1.12	0.56	7.69	6.29
Communication	0.74	0.87	-0.53	-0.30
Other*	1.08	-0.33	5.33	6.10
3. Core Measures				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.47	0.08	6.43	6.27
SCA-H	0.55	-0.01	5.73	4.56
SCA-I	0.63	0.10	5.27	4.95

Source: TurkStat, CBRT.

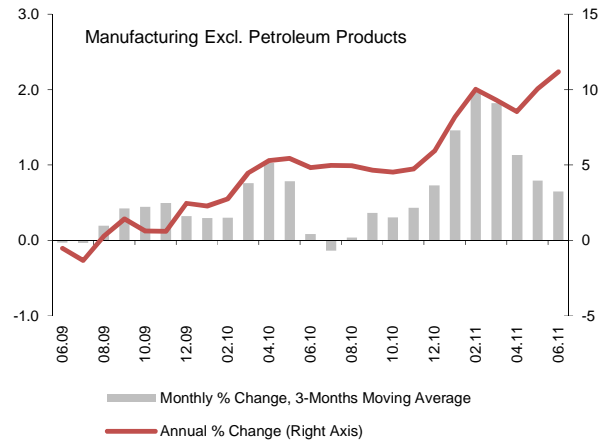
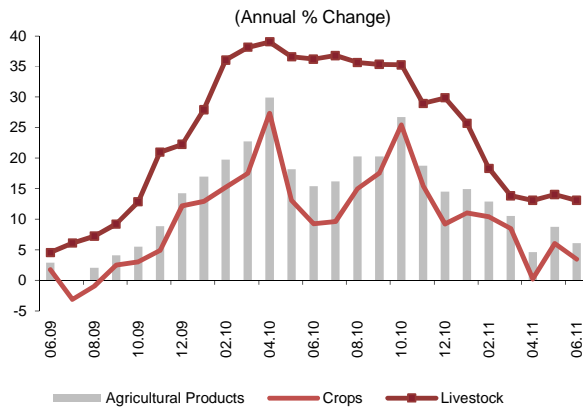
*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

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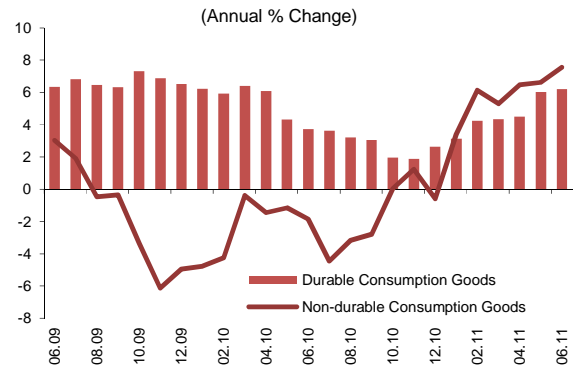
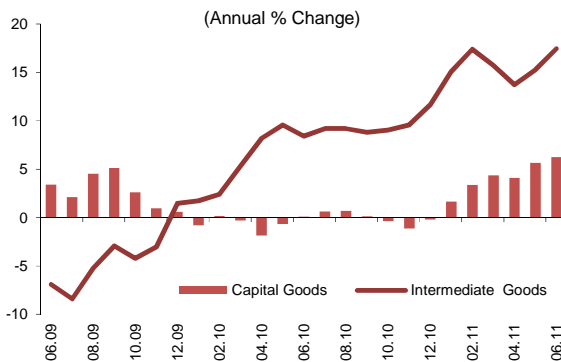
...PPI...

Producer prices barely changed in June, while annual PPI inflation rose to 10.19 percent. Agricultural prices declined by 3.13 percent on falling fruit and vegetable prices. Cotton and livestock prices continued to trend downward, whereas wheat and sunflower prices increased by 1.74 and 5.20 percent, respectively.



Despite the easing upward momentum in the manufacturing industry, prices were up 0.68 percent in June due to the continued rise in base metal prices (up 4.95 percent), while annual inflation rose by 1.31 percentage points to 12.58 percent.

Prices were up across all subcategories of Main Industrial Groupings (MIGs), excluding nondurable goods. Prices of intermediate goods increased for the second consecutive month, by 1.38 percent, amid soaring prices of base metals, while prices of capital goods rose (by 0.66 percent) on higher producer prices for machinery/equipment and metal products. Prices of durable goods were up 1.04 percent on rising furniture prices. Furthermore, prices of nondurable goods fell 0.33 percent amid falling food, clothing and textile prices.



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...TABLES

June CPI and Subcategories (Percent Change)					
	Weight	2011		2010	
		Monthly	Annual	Monthly	Annual
CPI	100	-1.43	6.24	-0.56	8.37
Food and nonalcoholic beverages	26.78	-6.40	8.13	-2.52	5.62
Alcoholic beverages and tobacco	5.90	0.00	-1.50	-0.01	42.93
Clothing and footwear	7.22	0.64	6.53	0.35	5.01
Housing	16.46	0.24	4.79	0.46	8.37
Household equipment	6.93	0.55	7.59	0.37	4.03
Health	2.40	0.04	0.73	0.01	0.43
Transport	15.15	0.32	9.50	-0.42	10.21
Communication	4.64	0.71	-0.28	0.70	-0.01
Recreation and culture	2.70	1.19	1.08	-0.10	4.17
Education	2.32	1.41	5.58	1.04	6.01
Restaurants and hotels	5.89	0.48	7.50	0.20	9.97
Miscellaneous goods and services	3.61	1.07	9.11	-0.25	9.49

Source: TurkStat.

June PPI and Subcategories (Percent Change)					
	Weight	2011		2010	
		Monthly	Annual	Monthly	Annual
PPI	100	0.01	10.19	-0.50	7.64
Agriculture	17.49	-3.13	6.07	-0.70	15.40
Crops, fruits and vegetables	12.23	-4.26	3.46	-1.89	9.24
Livestock and animal products	4.52	-0.40	13.06	0.46	36.17
Industry	82.51	0.68	11.09	-0.45	6.04
Mining	3.10	-0.05	16.14	-1.88	8.69
Manufacturing	70.68	0.68	12.58	-0.50	5.43
Manufacturing excluding petroleum	67.56	0.67	11.17	-0.35	4.83
Manufacturing excluding petroleum and base metals	61.66	0.23	9.25	0.06	3.35
Electricity, gas and water	8.73	1.04	-2.72	0.33	9.98

Source: TurkStat, CBRT.

PPI by MIGs (Monthly Percent Change)														
	Jun 10	Jul 10	Aug 10	Sept 10	Oct 10	Nov 10	Dec 10	Jan 11	Feb 11	Mar 11	Apr 11	May 11	Jun 11	Annual
Intermediate goods	-0.50	0.49	0.79	0.83	-0.22	1.14	2.80	3.39	2.67	1.61	0.02	1.37	1.38	17.45
Capital goods	0.10	0.12	-0.18	0.04	-0.45	-0.10	0.81	1.66	2.09	1.56	-0.99	0.91	0.66	6.24
Durable goods	0.16	-1.64	0.49	0.13	1.23	1.20	-1.39	3.63	1.71	-0.52	0.62	0.92	1.04	7.57
Nondurable goods	-0.51	0.29	-0.27	0.74	0.17	0.13	0.72	0.61	1.62	0.84	0.59	0.96	-0.33	6.22
Energy	-0.93	0.68	2.45	-0.01	0.15	0.61	4.27	2.44	-1.04	2.25	-0.56	-2.12	0.67	10.06

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.