

MAY PRICE DEVELOPMENTS

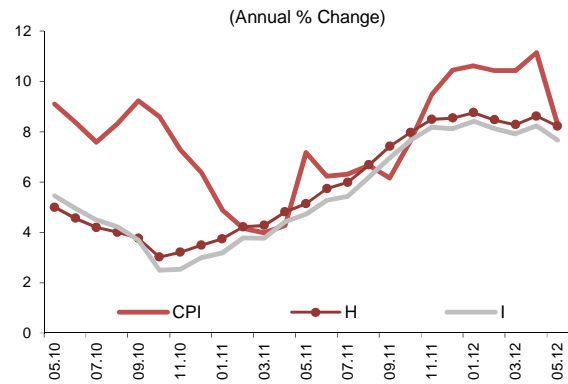
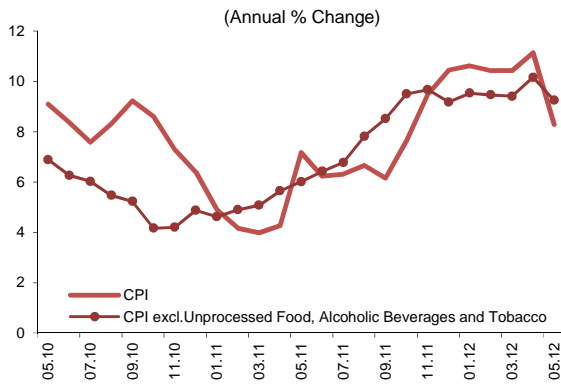
JUNE 5, 2012

SUMMARY...

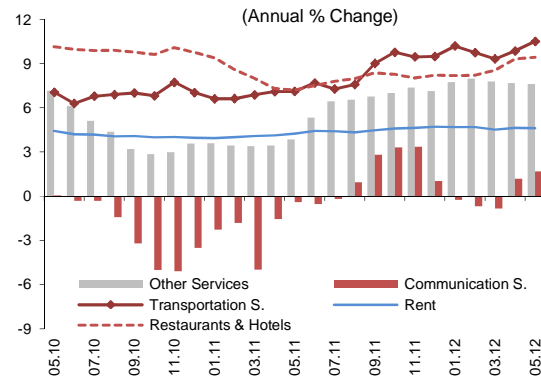
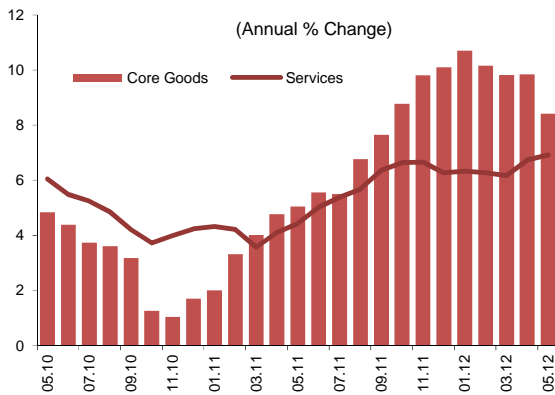
In May, consumer prices were down 0.21 percent and annual inflation dropped by 2.86 percentage points to 8.28 percent. This fall is attributed to the favorable course of unprocessed food prices and declining fuel prices in line with the international developments. Soaring clothing prices in April lagged far behind seasonal averages in May, which stood as another factor culminating in a decrease in inflation. Even when adjusted by the said effect, the underlying trend of core inflation indicators exhibits a noticeable decline.

...EVALUATIONS...

In May, consumer prices were down 0.21 percent and annual inflation dropped to 8.28 percent. The rate of increase in the CPI excluding energy, unprocessed food, alcoholic beverages, tobacco and gold (SCA-H) went down to 8.23 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) decreased to 7.67 percent year-on-year.



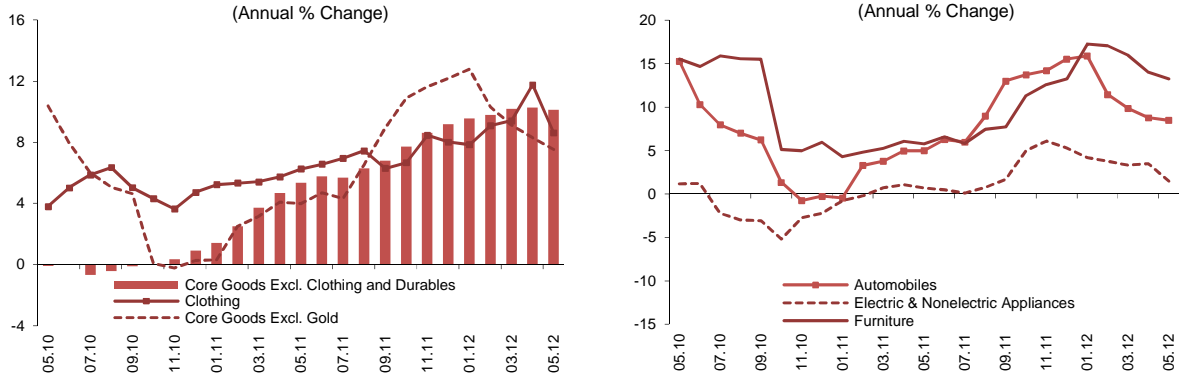
Prices of services rose by 0.57 percent in May, and annual services inflation went up to 6.92 percent. Prices in transport and -through the price hikes in catering services- restaurants-hotels group maintained their high-rated monthly increases. Accompanied by the base effect in communication group, the said subcategories pushed annual services inflation upwards. Annual inflation in the services group excluding catering and transport remained virtually unchanged; while that in rents continued with a moderate course. As a result, seasonally-adjusted prices and the diffusion index did not suggest a notable change in the underlying trend of the services group in May.



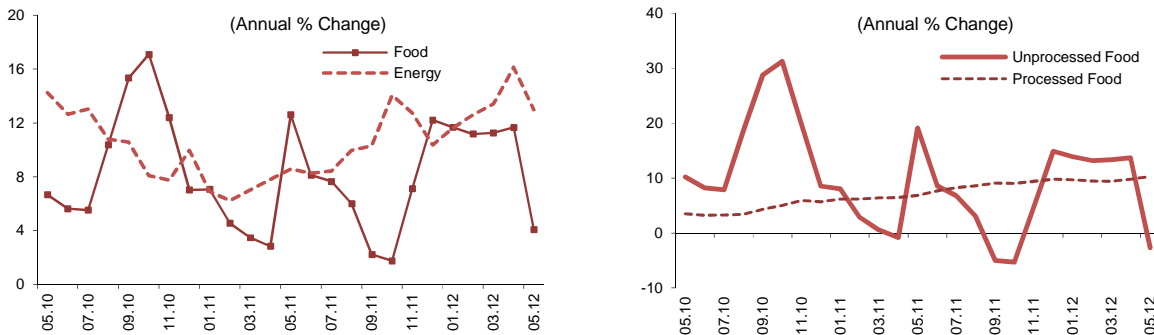
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Annual core goods inflation fell by 1.42 percentage point to 8.42 percent in May. Fuelled also by the appreciation of the Turkish lira in this period, prices of durable consumption goods went down and the group's annual inflation continued to decline. Meanwhile, prices of electrical and non-electrical appliances, which decreased parallel to the plummeting prices (4.2 percent) of white goods, played the key role in the course of durable goods prices. Climbing well above the seasonal averages in April, increases in clothing prices remained remarkably below averages in May. Therefore, total price increases in clothing in the new season exhibited an unchanged pattern compared to past years.



Energy prices were down 1.9 percent in May, which is attributed to the domestic fuel prices that fell by 5.26 percent upon the decline in international oil prices besides the appreciation in the Turkish lira. Bottled gas prices maintained the downtrend in this period, while municipal water tariffs displayed an increase. Consequently, having risen for the last four consecutive months, annual energy group inflation went down by 3.14 percentage points to 12.98 percent.



Prices of food and nonalcoholic beverages went down by 2.4 percent and the group's annual inflation fell by 7.58 percentage points to 4.07 percent. This was driven by the plunge in the annual rate of increase in unprocessed food prices due to the high base emanating from the soaring prices of fresh fruits in the same month of the previous year. In addition to the base effect, prices of fresh fruits and vegetables posted a decline. As for the other unprocessed food group, prices went down owing to the decline in egg, milk and white meat prices, notwithstanding the increase in red meat prices. Consequently, annual inflation in unprocessed food plummeted to -2.7 percent.

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Processed food prices were up 0.62 percent in May. Meat and dairy products exhibited fall in prices; while other food items recorded increases. Particularly, price hikes accelerated in bread and cereals besides fats and oils. Almost all subcategories of processed food (except non-alcoholic beverages) saw an uptrend in annual inflation. Accordingly, annual inflation in processed food went up by 0.5 percentage point to 10.29 percent.

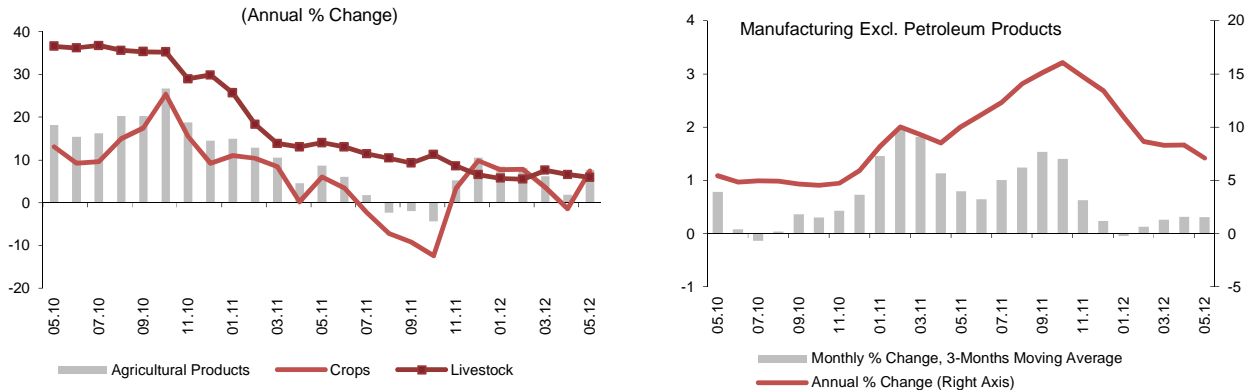
	Monthly Percent Change		Annual Percent Change	
	May 2012	May 2011	May 2012	May 2011
CPI	-0.21	2.42	8.28	7.17
1. Goods	-0.50	3.14	8.77	8.16
Energy	-1.90	0.82	12.98	8.57
Food and nonalcoholic beverages	-2.40	4.71	4.07	12.61
Unprocessed food	-6.07	9.77	-2.70	19.12
Fresh fruits and vegetables	-10.75	22.06	-10.65	40.28
Other unprocessed food	-2.42	1.08	4.01	5.63
Processed food	0.62	0.18	10.29	6.86
Bread and cereals	0.76	0.10	9.10	8.08
Other processed food	0.53	0.22	10.87	6.18
Goods excluding energy and food	1.73	2.89	10.84	4.37
Core goods	2.14	3.48	8.42	5.05
Durable goods	-0.73	0.41	8.84	5.65
Durable goods (excluding gold)	-0.65	0.06	7.52	3.98
Alcoholic beverages and tobacco	0.14	-0.01	18.70	-1.51
Gold	-2.45	5.15	21.46	27.46
2. Services	0.57	0.40	6.92	4.44
Rents	0.33	0.34	4.62	4.24
Restaurants and hotels	0.92	0.81	9.43	7.20
Transport	1.14	0.55	10.50	7.10
Communication	-0.01	-0.49	1.68	-0.41
Other*	0.47	0.53	7.62	3.86
3. Core Measures				
CPI excluding unprocessed food. alcoholic beverages and tobacco	0.60	1.44	9.25	6.01
SCA-H	1.18	1.55	8.23	5.14
SCA-I	1.35	1.89	7.67	4.72

Source: TurkStat, CBRT.

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

...PPI...

In May, producer prices were up by 0.53 percent and annual PPI inflation went up by 0.41 percentage points to 8.06 percent. Following the mild course of the last four months, seasonally-adjusted agricultural prices posted an increase, leading to a surge in the group's annual inflation to 7.72 percent. As for the farm products which are inputs for the manufacturing industry, sunflower prices accelerated remarkably in May. Meanwhile, the downtrend in prices of livestock and animal products group continued in this period.



Slackening commodity prices accompanied by the appreciation in the Turkish lira led the non-farm producer prices to follow a mild course in May. Manufacturing prices posted a month-on-month decline by 0.26 percentage point; and the annual rate of price increases in this group went down by 1.53 percentage point to 7.49 percent. In line with the international price developments, oil products prices recorded a plunge, while manufacturing prices excluding oil products remained flat.

Main Industrial Groupings (MIGS) suggest that prices decreased in groups other than non-durable goods. Prices of non-durable goods surged upon food manufacturing prices, particularly beverages and fats and oils. Prices of durable goods went down by 1.21 percent parallel to the price developments in jewelry and furniture manufacturing in May. This decrease was also seen in capital goods prices due to the slowdown in the manufacturing prices of motor vehicles and machinery. As for the producer prices of intermediate goods, figures of April were maintained. Therefore, the annual inflation rates of the said main groups recorded month-on-month decline in May.



...TABLES

May CPI and Subcategories (Percent Change)					
	Weight	2012		2011	
		Monthly	Annual	Monthly	Annual
CPI	100	-0.21	8.28	2.42	7.17
Food and nonalcoholic beverages	26.22	-2.40	4.07	4.71	12.61
Alcoholic beverages and tobacco	5.21	0.14	18.70	-0.01	-1.51
Clothing and footwear	6.87	8.60	8.58	11.68	6.23
Housing	16.44	0.04	12.54	0.54	5.02
Household equipment	7.45	-0.48	9.89	0.26	7.40
Health	2.29	0.10	1.27	0.11	0.70
Transport	16.73	-1.36	7.81	0.63	8.69
Communication	4.60	-0.20	2.05	-0.47	-0.29
Recreation and culture	2.98	0.33	7.17	0.99	-0.20
Education	2.18	1.10	6.47	1.14	5.19
Restaurants and hotels	5.63	0.92	9.43	0.81	7.20
Miscellaneous goods and services	3.40	0.23	15.15	1.47	7.68

Source: TurkStat.

May PPI and Subcategories (Percent Change)					
	Weight	2012		2011	
		Monthly	Annual	Monthly	Annual
PPI	100	0.53	8.06	0.15	9.63
Agriculture	17.21	3.65	7.72	-1.93	8.73
Crops, fruits and vegetables	11.76	6.15	7.45	-2.58	6.02
Livestock and animal products	4.73	-0.74	5.96	-0.16	14.03
Industry	82.79	-0.12	8.13	0.61	9.84
Mining	3.09	0.25	11.99	0.84	14.00
Manufacturing	70.83	-0.26	7.49	1.16	11.27
Manufacturing excluding petroleum	68.22	0.00	7.10	1.13	10.04
Manufacturing excluding petroleum and base metals	62.07	0.11	7.07	0.80	9.07
Electricity, gas and water	8.87	0.89	13.10	-4.47	-3.40

Source: TurkStat, CBRT.

PPI by MIGS (Monthly Percent Change)														
	May.11	Jun.11	Jul.11	Aug.11	Sep.11	Oct.11	Nov.11	Dec.11	Jan.12	Feb.12	Mar.12	Apr.12	May.12	Annual
Intermediate goods	1.37	1.38	1.35	2.06	1.62	0.40	-1.63	0.50	-0.16	-1.01	1.04	0.45	-0.02	6.08
Capital goods	0.91	0.66	2.02	2.31	1.59	0.59	-0.55	0.09	0.38	-0.36	0.57	0.21	-0.55	7.14
Durable goods	0.92	1.04	0.71	1.58	2.04	2.53	-0.36	0.35	0.85	1.70	-0.19	-1.55	-1.21	7.65
Nondurable goods	0.96	-0.33	0.91	1.39	1.36	1.25	0.91	0.28	-0.27	1.06	0.64	0.26	0.56	8.33
Energy	-2.12	0.67	1.11	4.43	2.33	2.61	1.20	1.66	1.85	-3.17	0.44	0.59	-0.82	13.47

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.