

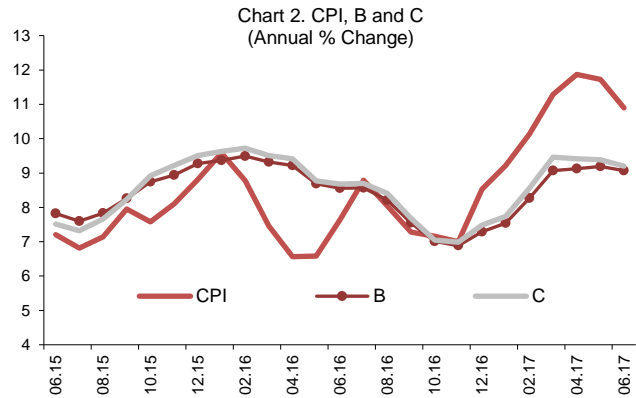
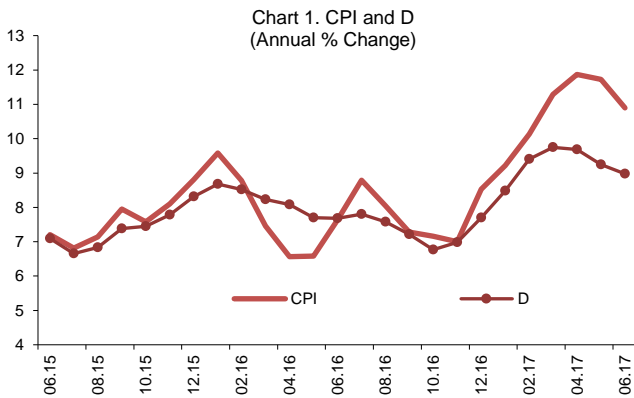
## SUMMARY...

In June, consumer prices decreased by 0.27 percent, and annual inflation dropped by 0.82 points to 10.90 percent. Food inflation, which has been on the rise since December, recorded a decline due to fresh fruits and vegetables in this period. Annual inflation receded in energy and core goods, but crept up in the services group. Annual inflation in core indicators witnessed a partial recovery, and the underlying trend of inflation registered a downtick.

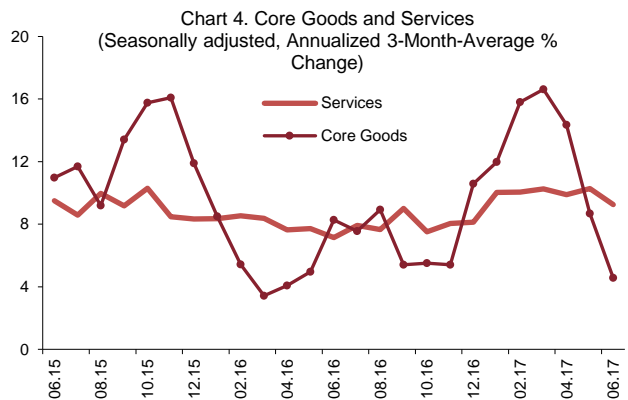
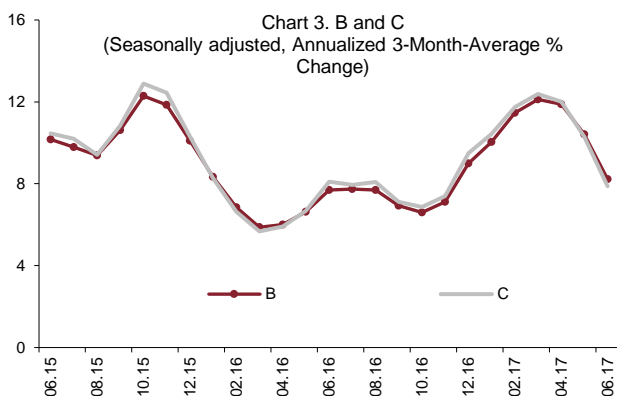
## ... EVALUATIONS ...

In June, consumer prices decreased by 0.27 percent and annual inflation dropped by 0.82 points to 10.90 percent (Chart 1 and Table 1). The annual rate of change in the B and C indices declined by 0.12 and 0.18 points to 9.07 and 9.20 percent, respectively (Chart 2).<sup>1</sup>

Across subcategories, food, core goods and energy groups contributed 0.55, 0.15 and 0.15 points less to annual inflation month-on-month, respectively. Meanwhile, the contributions of services and alcohol-tobacco groups barely changed.



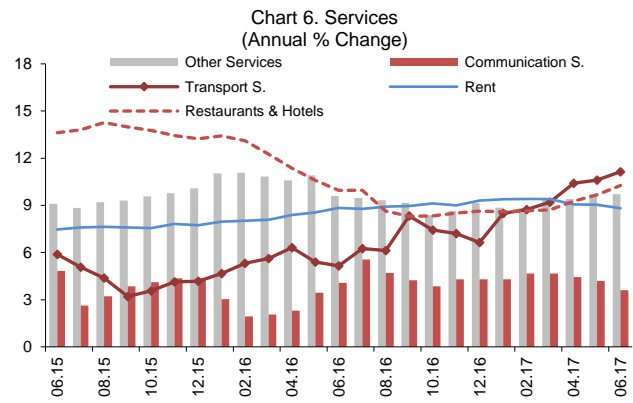
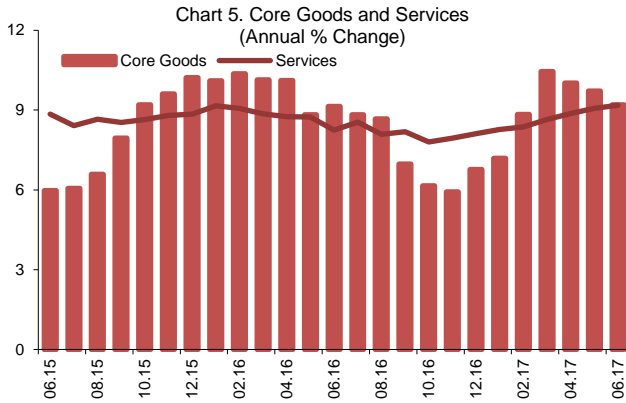
Three-month averages of seasonally-adjusted core inflation indicators reveal a sustained slowdown in the underlying trend (Chart 3). Owing to the recent course of the Turkish lira, the slowdown in the underlying trend appeared more evident in core goods in this period, but more limited in the services group (Chart 4).



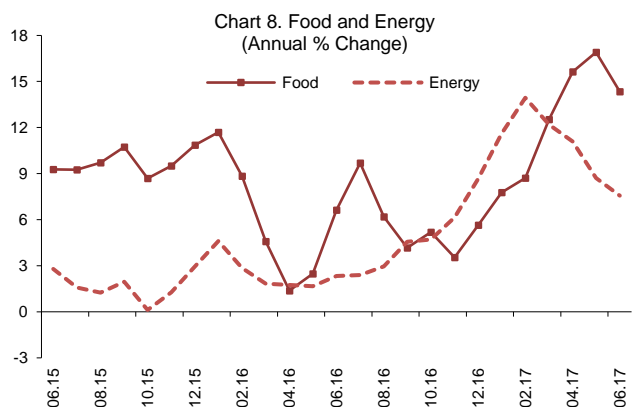
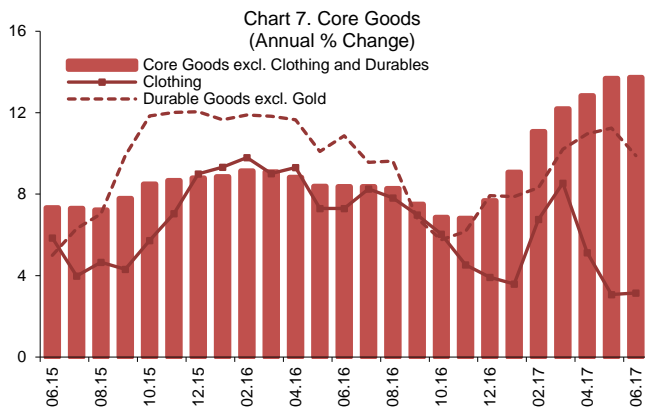
Prices of services rose by 0.53 percent in June, while annual services inflation inched up by 0.12 points to 9.18 percent (Chart 5 and Table 1). Annual inflation rose in the transportation and restaurants-hotels groups, receded in the communication and rent groups, and remained flat in

<sup>1</sup> B: CPI excluding unprocessed food products, energy, alcoholic beverages, tobacco and gold,  
C: CPI excluding energy, food and non-alcoholic beverages, beverages and tobacco products and gold,  
D: CPI excluding unprocessed food, alcoholic beverages and tobacco products.

the other services group (Chart 6). Prices increased on a monthly basis in the transportation group due to intercity road passenger transport. In the restaurants-hotels group, prices of catering services increased due especially to the prices of red meat, while hotel prices saw a decline in this period.



Annual core goods inflation dropped by 0.51 points to 9.20 percent in June due to the durable goods group moving in parallel to the recent course of the Turkish lira (Chart 5). Led by automobile prices, prices of durable goods receded (Table 1). On the other hand, clothing prices saw a relatively flat annual inflation. Monthly price increases in other core goods recorded a slight deceleration, yet the group's annual inflation remained high (Chart 7).

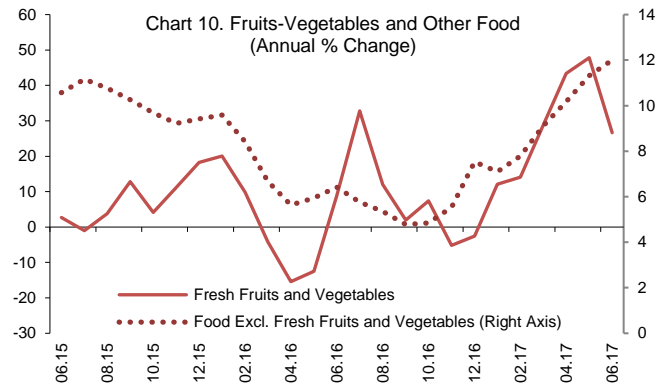
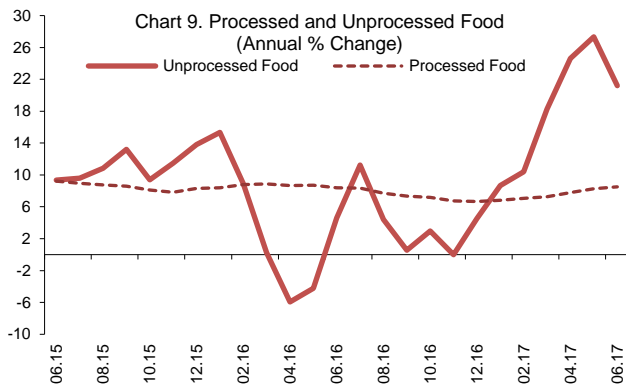


Energy prices fell by 0.57 percent in June (Table 1). Owing to the sinking international oil prices and the appreciating Turkish lira against the USD, fuel and bottled gas prices fell by 1.54 and 0.35 percent, respectively. All in all, annual energy inflation declined by 1.15 points to 7.56 percent (Chart 8).

Being on the rise since December, annual food and nonalcoholic beverages inflation dropped by 2.57 points to 14.34 percent in June (Chart 8). This was mainly led by the fall in annual unprocessed food inflation owing to the base effect from fresh fruits and vegetables (Chart 9). On the other hand, seasonally adjusted unprocessed food prices remained on the increase in June as well. Red meat prices soared by 4.88 percent, which is to be particularly noted. Thus, the cumulative price increase in red meat since the start of the year amounted to 16.22 percent. On the processed food front, monthly price increases lost pace, yet annual inflation continued to increase (Chart 9). In sum, the slowdown in food inflation in June was largely driven by fresh fruits and vegetables, yet the food group excluding fresh fruits and vegetables maintained the uptrend in annual inflation (Chart 10).

# JUNE PRICE DEVELOPMENTS

## JULY 4, 2017



**Table 1. June CPI and Subcategories (Percent Change)**

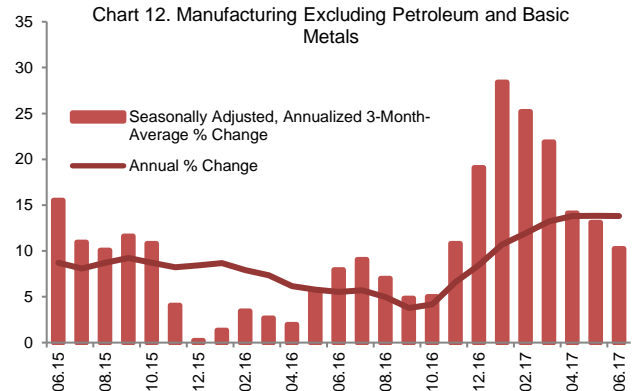
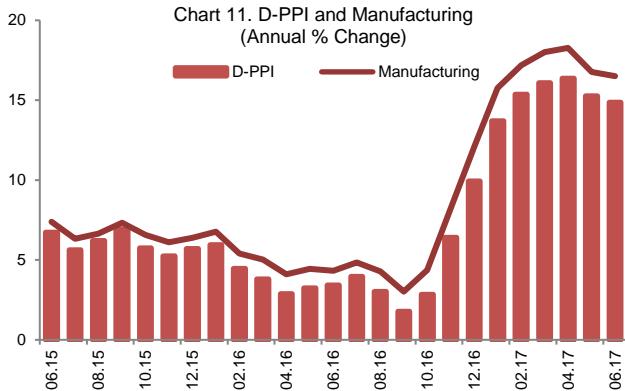
	Monthly Percent Change		Annual Percent Change	
	Jun.2017	Jun.2016	Jun.2017	Jun.2016
<b>CPI</b>	<b>-0.27</b>	<b>0.47</b>	<b>10.90</b>	<b>7.64</b>
<b>1. Goods</b>	<b>-0.61</b>	<b>0.49</b>	<b>11.67</b>	<b>7.37</b>
Energy	-0.57	0.50	7.56	2.33
Food and nonalcoholic beverages	-1.06	1.16	14.34	6.63
Unprocessed food	-2.47	2.46	21.21	4.62
Fresh fruits and vegetables	-9.36	5.79	26.65	8.78
Other unprocessed food	1.83	0.61	18.38	3.03
Processed food	0.33	0.10	8.53	8.37
Bread and cereals	0.49	0.45	7.97	9.85
Other processed food	0.24	-0.10	8.83	7.57
Goods excluding energy and food	-0.33	0.03	11.56	9.86
Core goods	-0.43	0.04	9.20	9.14
Durable goods (excluding gold)	-0.75	0.48	9.89	10.87
Clothing and footwear <sup>(*)</sup>	-1.28	-1.35	3.15	7.30
Other core goods	0.74	0.70	13.72	8.36
Alcoholic beverages and tobacco	0.01	0.00	21.70	12.80
Gold	0.27	-0.20	20.61	15.32
<b>2. Services</b>	<b>0.53</b>	<b>0.42</b>	<b>9.18</b>	<b>8.25</b>
Rents	0.62	0.83	8.81	8.83
Restaurants and hotels	1.03	0.49	10.26	9.95
Transport	0.80	0.33	11.14	5.14
Communication	0.03	0.61	3.60	4.08
Other	0.14	0.13	9.70	9.58
<b>3. Core Measures</b>				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	0.12	0.22	9.07	8.56
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	0.07	0.24	9.20	8.67
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	0.01	0.25	8.98	7.68

Source: TurkStat.

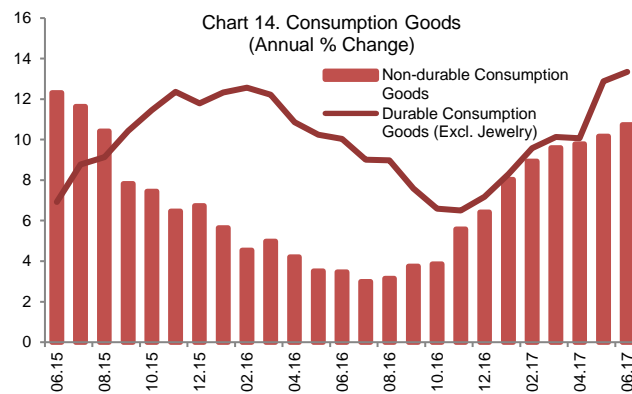
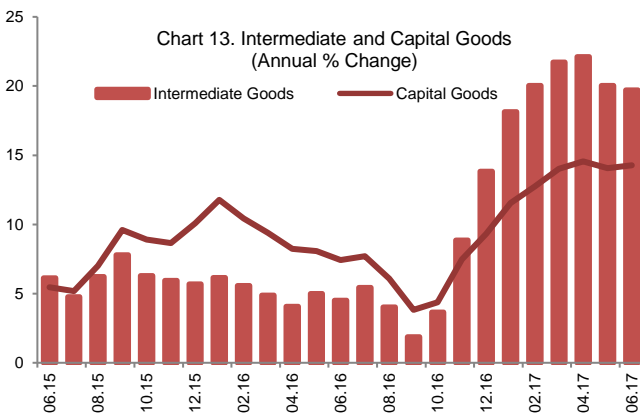
(\*) Does not cover clothing services.

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

Domestic producer prices remained almost flat amid the favorable course of international oil prices and the exchange rate, while annual inflation fell by 0.39 points to 14.87 percent (Chart 11). Annual inflation receded to 16.49 percent in the manufacturing industry, but stayed flat with 13.81 percent in the manufacturing industry excluding petroleum and base metals. Although moderating slightly, the seasonally-adjusted underlying trend of manufacturing industry prices excluding petroleum and base metals remained elevated (Chart 12).



According to the Main Industrial Groupings (MIGs), prices increased by 0.54 percent in non-durable goods, while durable goods and capital goods saw milder price increases. On the other hand, prices of intermediate goods followed a relatively flat path (Table 3). Prices of nondurable goods were shaped by meat and textile products, while those of durable goods were led by white goods. Motor vehicles, parts and accessories proved the main contributors to higher capital goods prices in this period. All in all, producer-driven cost pressures on consumer prices eased further in June, yet remained robust.



## ...TABLES

**Table 2. June CPI and Subcategories (Percent Change)**

	Weight	2017		2016	
		Monthly	Annual	Monthly	Annual
CPI	100	-0.27	10.90	0.47	7.64
Food and nonalcoholic beverages	21.77	-1.06	14.34	1.16	6.63
Alcoholic beverages and tobacco	5.87	0.01	21.70	0.00	12.80
Clothing and footwear	7.33	-1.25	3.24	-1.33	7.31
Housing	14.85	0.31	7.39	0.47	6.68
Household equipment	7.72	0.48	6.76	0.43	9.75
Health	2.63	0.17	12.66	0.74	9.81
Transport	16.31	-0.84	14.07	0.67	6.45
Communication	4.12	-0.39	3.07	0.24	3.07
Recreation and culture	3.62	-0.14	10.91	-0.19	5.97
Education	2.69	1.05	9.59	0.95	7.82
Restaurants and hotels	8.05	1.03	10.26	0.49	9.95
Miscellaneous goods and services	5.04	0.52	11.84	0.31	11.33

Source: TurkStat.

**Table 3. June D-PPI and Subcategories (Percent Change)**

	Weight	2017		2016	
		Monthly	Annual	Monthly	Annual
D-PPI	100.00	0.07	14.87	0.41	3.41
Mining	3.36	-1.26	9.70	2.56	0.36
Manufacturing	88.79	0.05	16.49	0.29	4.33
Manufacturing excl. petroleum products	86.18	0.17	15.99	0.11	5.13
Manufacturing excl. petroleum products and basic metals	77.80	0.24	13.81	0.25	5.53
Electricity, gas, steam and air-conditioning supply	6.81	0.90	-1.53	0.83	-6.14
Water supply	1.03	0.36	10.66	0.90	8.17
D-PPI (MIGs Classification)					
Intermediate Goods		-0.06	19.72	0.21	4.51
Durable Consumption Goods		0.21	14.61	-0.02	11.37
Durable Consumption Goods (Excl. Jewelry)		0.13	13.35	-0.27	10.04
Non-Durable Consumption Goods		0.54	10.73	0.02	3.46
Capital Goods		0.24	14.28	0.05	7.44
Energy		-0.83	7.89	2.49	-6.58

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.