

AUGUST PRICE DEVELOPMENTS SEPTEMBER 4, 2012

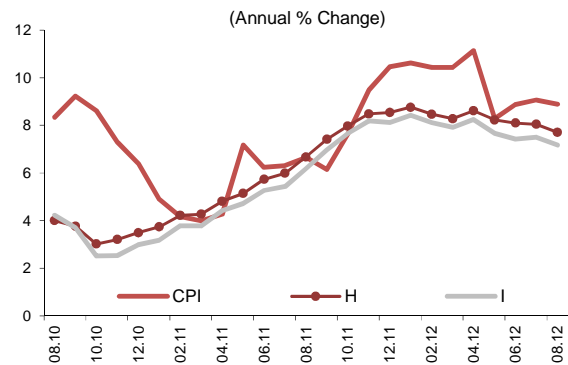
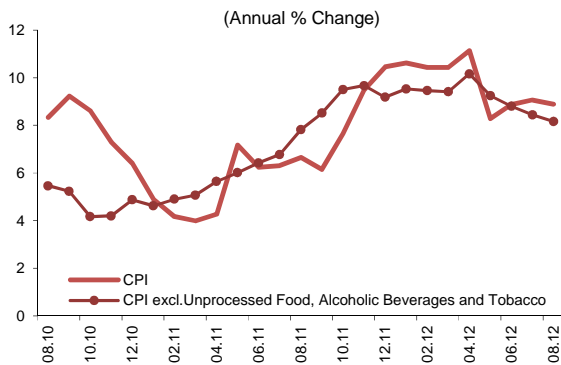
SUMMARY...

In August, consumer prices were up by 0.56 percent and annual inflation went down to 8.88 percent. Alleviated cost and demand-side pressures led the annual rate of increases in core inflation indicators to maintain the downward trend, while the course of prices of services remained moderate. The disinflation trend is expected to continue with an accelerated pace in the last quarter.

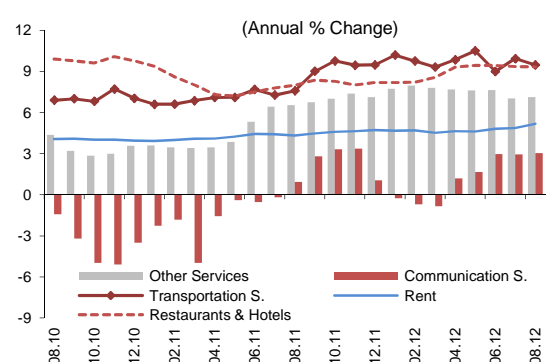
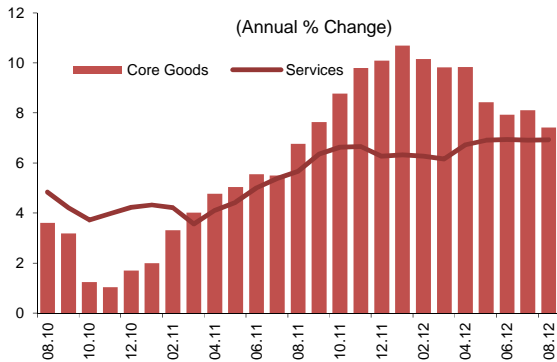
...EVALUATIONS...

In August, consumer prices were up by 0.56 percent and annual inflation went down to 8.88 percent. The rate of increase in the CPI excluding energy, unprocessed food, alcoholic beverages, tobacco and gold (SCA-H) went down to 7.71 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) decreased to 7.17 percent year-on-year.

As for the contribution of subgroups to annual inflation, those of food and services group remained broadly unchanged on a monthly basis and became 2.41 and 1.92 percentage points, respectively. Meanwhile, contributions of core goods and alcohol-tobacco and gold group recorded diminishing figures with 1.92 and 1.03 percentage points, respectively. On the other hand, energy group contributed by 1.61 percentage points with an increase of 0.17 percentage points in this period.



Prices of services rose by 0.42 percent in August, and annual services inflation preserved its flat course of the last three months with 6.94 percent. While annual rent inflation recorded an increase, annual inflation in transport services fell upon the decline in prices of air and sea transport. On the other hand, annual rate of increase in prices of education services maintained its uptrend climbing to 7.82 percent. Seasonally-adjusted data point that the underlying trend and the diffusion of the increase in prices of services have remained on a mild track.

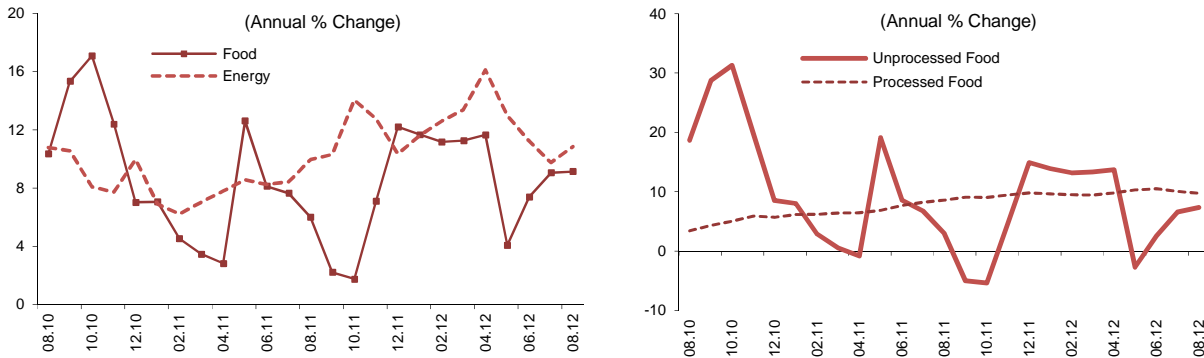


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Annual inflation in core goods group fell by 0.7 percentage points to 7.41 percent. August saw decreases in annual inflation in all the main sectors constituting this group. Seasonal discounts posted higher figures in clothing compared to the same month of the previous year; while durable goods edged up by 0.17 percent on a monthly basis. Furniture prices rose, whereas durable goods excluding furniture fell in August. All in all, the cumulative price increase in durable goods for the first eight months of the year remained limited to 1.06 percent.



Energy prices were up by 2.29 percent in August, which was attributed to the domestic fuel and bottled gas prices that surged upon the rise in international oil prices. Moreover, solid fuel prices also registered increases in this period. Thus, following the downtrend for the last three months, annual energy group inflation went up by 1.1 percentage points to 10.85 percent in this period.



Annual inflation in food and nonalcoholic beverages edged up to 9.14 percent, which is attributed to the recurrent rise in seasonally-adjusted unprocessed food prices in August as well as in July. Across subgroups, annual inflation in fresh fruits and vegetables reached 12.21 percent, and prices of red and white meat recorded month-on-month increases. Milk prices soared by 3.36 percent in this period. Consequently, annual inflation in unprocessed food group went up to 7.36 percent.

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Driven by the price developments in bread and cereals, processed food prices were up by 0.48 percent in August. Bread prices went up 1.06 percent in the respective month; thereby the cumulative price increase in bread exceeded 10 percent in the first eight months of the year. Annual inflation in processed food went down to 9.75 percent owing to the mild course of processed food prices excluding bread and cereals. In this month the prices of fats and oils declined as they did in July, which is noteworthy.

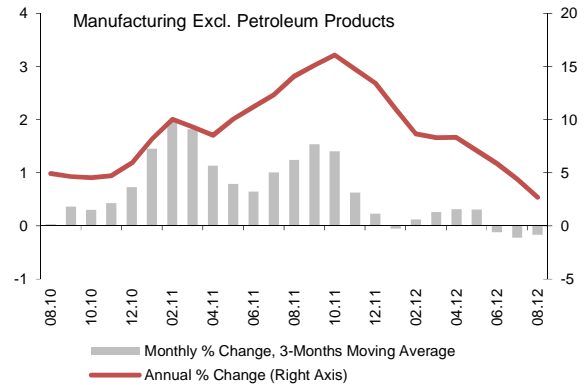
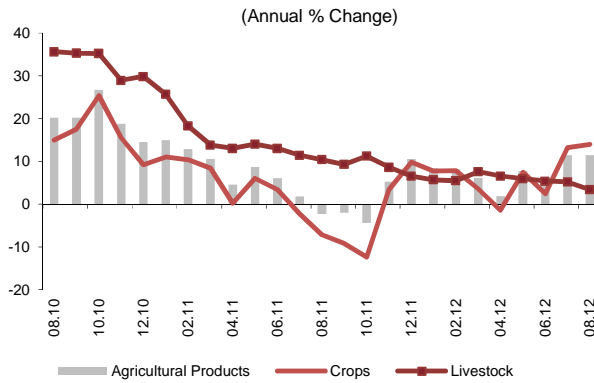
	Monthly Percent Change		Annual Percent Change	
	August 2012	August 2011	August 2012	August 2011
CPI	0.56	0.73	8.88	6.65
1. Goods	0.61	0.85	9.54	7.00
Energy	2.29	1.29	10.85	9.96
Food and nonalcoholic beverages	1.46	1.38	9.14	6.00
Unprocessed food	2.87	2.14	7.36	2.98
Fresh fruits and vegetables	4.30	1.07	12.21	-1.45
Other unprocessed food	2.04	2.76	4.34	5.87
Processed food	0.48	0.76	9.75	8.59
Bread and cereals	0.76	0.62	9.87	9.02
Other processed food	0.30	0.83	9.55	8.36
Goods excluding energy and food	-0.80	0.22	9.17	6.45
Core goods	-0.98	-0.34	7.41	6.76
Durable goods	0.19	2.97	4.46	10.33
Durable goods (excluding gold)	0.17	1.74	5.07	6.54
Alcoholic beverages and tobacco	0.00	0.01	18.67	-1.50
Gold	0.58	17.66	-4.97	65.48
2. Services	0.42	0.39	6.94	5.68
Rents	0.60	0.32	5.18	4.32
Restaurants and hotels	0.62	0.64	9.34	7.98
Transport	0.17	0.59	9.47	7.58
Communication	0.08	0.00	3.03	0.94
Other*	0.45	0.33	7.15	6.55
3. Core Measures				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.31	0.57	8.16	7.82
SCA-H	-0.14	0.18	7.71	6.67
SCA-I	-0.28	0.02	7.17	6.19

Source: TurkStat, CBRT.

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

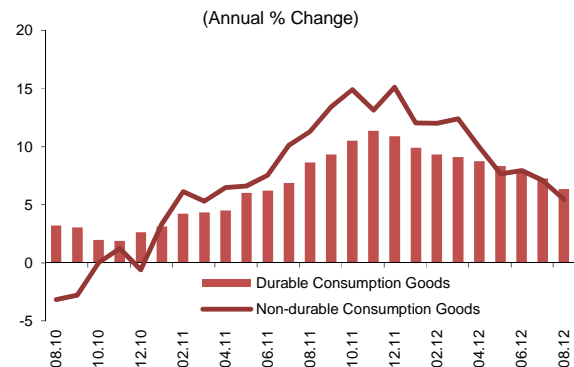
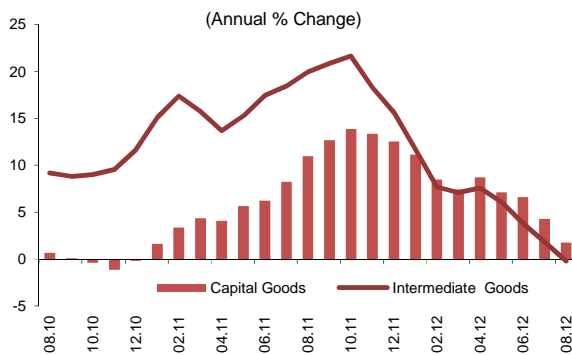
...PPI...

In August, producer prices were up by 0.26 percent and annual PPI inflation went down by 1.57 percentage points to 4.56 percent amid the high base. Seasonally-adjusted agricultural prices and the group's annual inflation did not post a notable change in this period. Particularly parallel to the international developments, wheat prices continued to increase, albeit at a slower pace in August. Accordingly, the rate of domestic price increases in wheat reached 7.6 percent in the last three months. Corn and sunflower prices also saw increases in August. Meanwhile, the downtrend in livestock prices and the uptrend in milk prices continued in this period.



Despite the mild outlook in the exchange rate in August, manufacturing prices increased due to the rise in international commodity prices. However, continuing to fall amid the decline in international metal prices in this period, base metal prices put a cap on the rise in manufacturing price increases. In August, prices in the manufacturing industry excluding oil besides those excluding both oil and base metal saw slight increases on a monthly basis; whereas their annual rate of increases went down to 2.7 and 3.95 percent, respectively.

Main Industrial Groupings (MIGS) suggest that the fall in manufacturing prices was influential through refined petroleum products and nondurable consumption goods. Prices of intermediate goods and durable goods did not post noticeable changes in August; and the annual inflation in said groups declined due to the high base. The fall in metal prices continued to influence capital goods, and the group's prices maintained the downtrend upon the decline in metal construction materials and motor vehicles and parts of their engines. Mainly triggered by price hikes in meat, meat products, clothing and accessories thereof, prices of non-durable goods went up. As a result, cumulative price increases in the manufacturing industry in the first eight months of 2012 lagged well behind the figures of past years with only 0.5 percent. Moreover, price developments in manufacturing industry pointed that the favorable outlook regarding the cost effects on consumer prices was sustained.



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...TABLES

August CPI and Subcategories (Percent Change)					
	Weight	2012		2011	
		Monthly	Annual	Monthly	Annual
CPI	100	0.56	8.88	0.73	6.65
Food and nonalcoholic beverages	26.22	1.46	9.14	1.38	6.00
Alcoholic beverages and tobacco	5.21	0.00	18.67	0.01	-1.50
Clothing and footwear	6.87	-4.60	7.24	-4.35	7.42
Housing	16.44	0.68	11.84	0.54	4.96
Household equipment	7.45	0.71	8.88	0.83	8.13
Health	2.29	-0.25	1.80	0.06	0.49
Transport	16.73	1.59	5.23	1.90	12.08
Communication	4.60	-0.14	3.64	-0.09	0.90
Recreation and culture	2.98	0.61	5.00	0.83	3.17
Education	2.18	0.95	7.82	0.31	5.59
Restaurants and hotels	5.63	0.62	9.34	0.64	7.98
Miscellaneous goods and services	3.40	0.49	9.34	4.55	18.38

Source: TurkStat.

August PPI and Subcategories (Percent Change)					
	Weight	2012		2011	
		Monthly	Annual	Monthly	Annual
PPI	100	0.26	4.56	1.76	11.00
Agriculture	17.21	-0.75	11.43	-0.76	-2.34
Crops, fruits and vegetables	11.76	-0.89	13.96	-1.51	-7.17
Livestock and animal products	4.73	-0.76	3.38	1.01	10.41
Industry	82.79	0.46	3.29	2.24	13.91
Mining	3.09	1.78	8.34	2.24	16.81
Manufacturing	70.83	0.38	2.82	1.99	15.86
Manufacturing excluding petroleum	68.22	0.15	2.70	1.82	14.06
Manufacturing excluding petroleum and base metals	62.07	0.23	3.95	1.61	11.88
Electricity, gas and water	8.87	0.64	6.10	4.68	-2.84

Source: TurkStat, CBRT.

PPI by MIGS (Monthly Percent Change)														
	Aug.11	Sep.11	Oct.11	Nov.11	Dec.11	Jan.12	Feb.12	Mar.12	Apr.12	May.11	Jun.12	Jul.12	Aug.12	Annual
Intermediate goods	2.06	1.62	0.40	-1.63	0.50	-0.16	-1.01	1.04	0.45	-0.02	-0.80	-0.58	0.02	-0.21
Capital goods	2.31	1.59	0.59	-0.55	0.09	0.38	-0.36	0.57	0.21	-0.55	0.17	-0.22	-0.15	1.77
Durable goods	1.58	2.04	2.53	-0.36	0.35	0.85	1.70	-0.19	-1.55	-1.21	1.32	-0.08	0.02	5.46
Nondurable goods	1.39	1.36	1.25	0.91	0.28	-0.27	1.06	0.64	0.26	0.56	-0.78	0.40	0.54	6.38
Energy	4.43	2.33	2.61	1.20	1.66	1.85	-3.17	0.44	0.59	-0.82	-0.52	-1.98	2.06	6.24

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.