

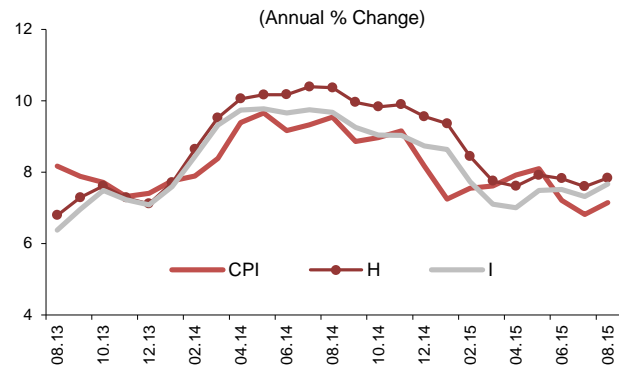
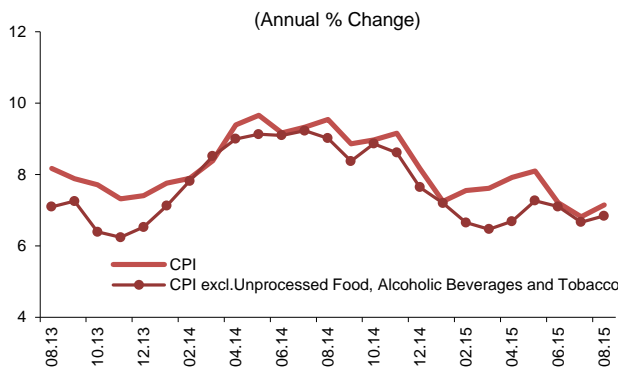
**SUMMARY ...**

In August, consumer prices edged up by 0.40 percent, pushing the annual consumer inflation up to 7.14 percent. This month was marked by the influence of the cumulative depreciation in the Turkish lira on consumer prices. The trend of correction in fresh fruit and vegetables prices was interrupted in this period, while the sustained uptrend in red meat prices further affected the prices of food and catering services negatively. The downtrend in oil prices lowered the annual energy inflation. Annual inflation in core goods and services increased in this period. Accordingly, core inflation indicators registered a slight increase. Seasonally-adjusted indicators indicate that the underlying trend of inflation slowed down, but remained at high levels.

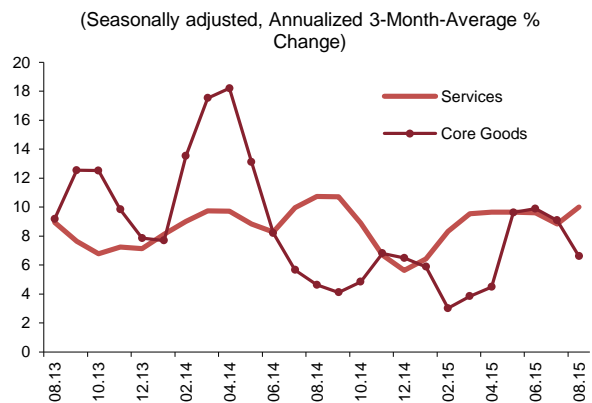
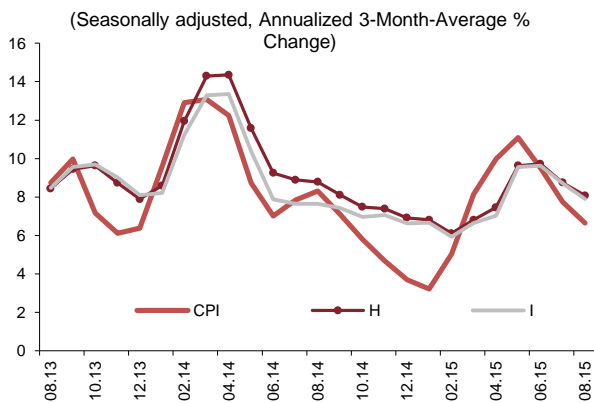
**... EVALUATIONS ...**

In August, consumer prices edged up by 0.40 percent, pushing the annual consumer inflation up by 0.33 points to 7.14 percent. The annual rate of increase in the SCA-H and SCA-I indices rose by 0.24 and 0.35 points month-on-month to 7.83 and 7.66 percent, respectively.

Across subgroups, the contribution of the energy group to annual CPI inflation fell by 0.05 point, while that of other groups rose approximately by 0.1 point. Currently, the pioneering contributor to annual consumer inflation is the services group.



The underlying trends of seasonally-adjusted inflation in 3-month averages reveal that the improvement in core inflation indicators continued, but indicators remained high. The underlying trend receded in core goods, but increased in the services group in this period.

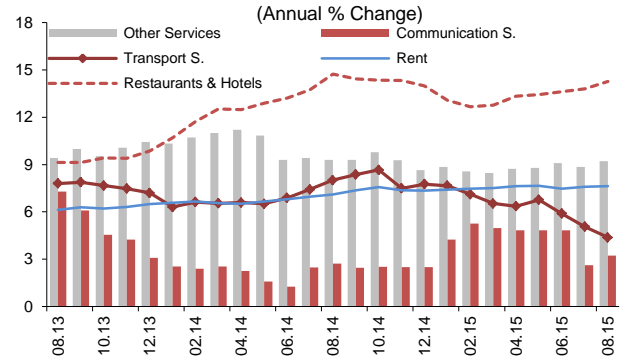
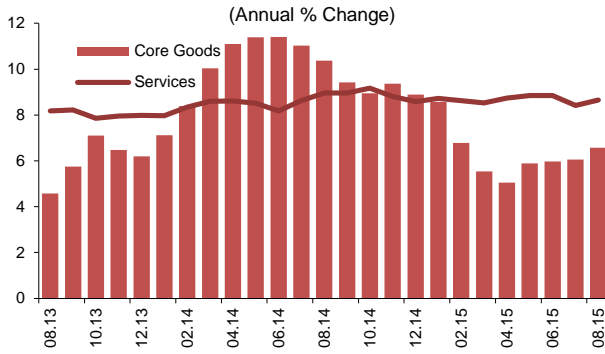


Prices of services increased by 1.14 percent on a monthly basis and the group's annual inflation edged up by 0.24 point to 8.65 percent. Annual inflation increased across all main groups excluding transport, and the prices of services witnessed the reverberations of the cumulative depreciation in the Turkish lira. In line with the adverse course of food prices, particularly in red

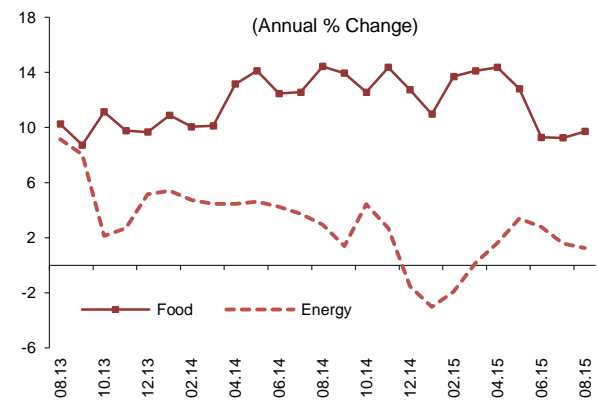
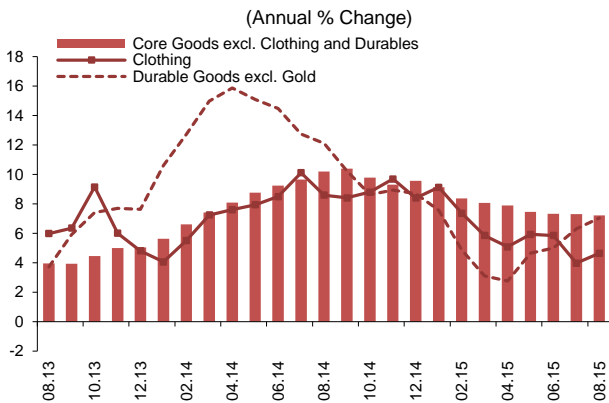
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meat, price hikes in the restaurants-hotels group continued. This group saw the highest monthly price increase of the last nine years, and the group's annual inflation hit 14.26 percent in August. Moreover, on the other services front, chiefly entertainment-culture and education services, monthly price increases gained momentum in this period. Accordingly, the underlying trend of services inflation registered a slight deterioration.



Annual core goods inflation crept up by 0.52 points to 6.58 percent in August. Annual inflation increased in durable consumption goods and the clothing group, but receded slightly in core goods excluding clothing and durable goods. Due to the cumulative effects of the exchange rate, prices of durable consumption goods posted a month-on-month increase by 0.55 point. These increases proved higher than those in electrical and non-electrical appliances, yet were apparent across the whole group. Following the plunge in July, annual inflation in the clothing group posted an increase. Meanwhile, the rate of monthly price increase in core goods excluding clothing and durable goods slowed somewhat and the group's annual inflation receded to 7.22 percent. Reverberations of the recent and evident depreciation in the Turkish lira on core goods remained restricted in this period.



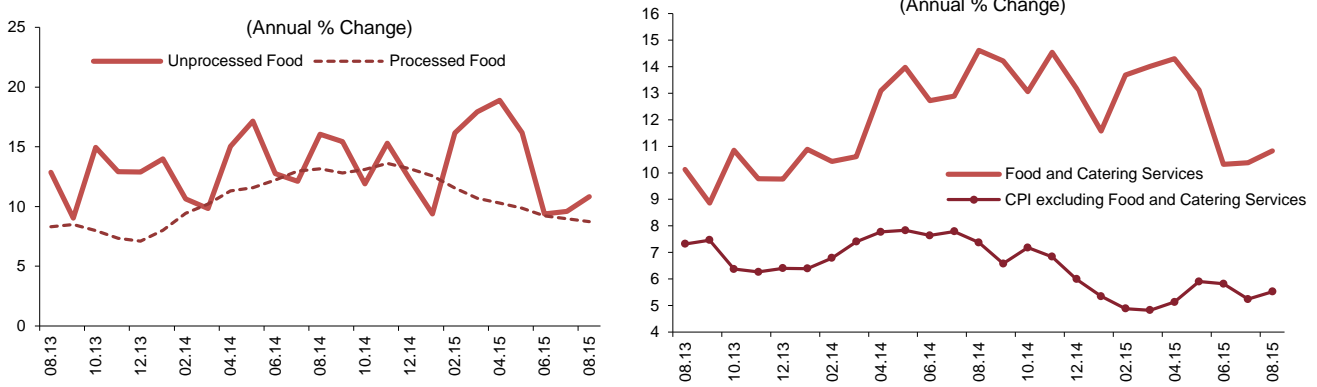
Energy prices fell by 0.76 percent in August, which was led by fuel and bottled gas prices that receded by 2.63 and 0.88 percent, respectively, upon the fall in international oil prices. Parallel to this favorable course, annual energy inflation decreased to 1.26 percent.

Annual inflation in food and non-alcoholic beverages increased by 0.46 point to 9.71 percent in August. Annual inflation recorded a slight increase in the unprocessed food group, but continued to lose pace in the processed food group. Seasonally-adjusted unprocessed food prices posted an increase in August mainly due to the prices of fresh fruits and red meat. Mutton prices remained flat, while veal prices continued to increase, albeit at a slower pace. Meanwhile, the monthly price increase in the processed food group gained momentum in August as it did in July in contrast to the deceleration in the group's annual inflation. This is mainly attributed to the prices of oils, chiefly olive oil, as well as sugar, tea, canned processed vegetables and non-alcoholic beverages.

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The annual inflation in food and catering services edged up to 10.82 percent, and consumer inflation excluding food and catering services climbed to 5.52 percent in August.



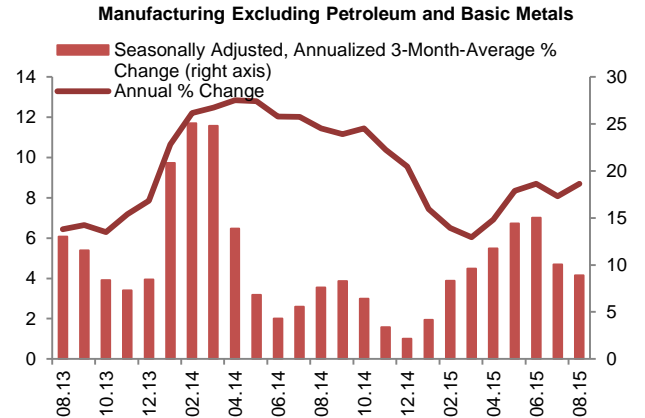
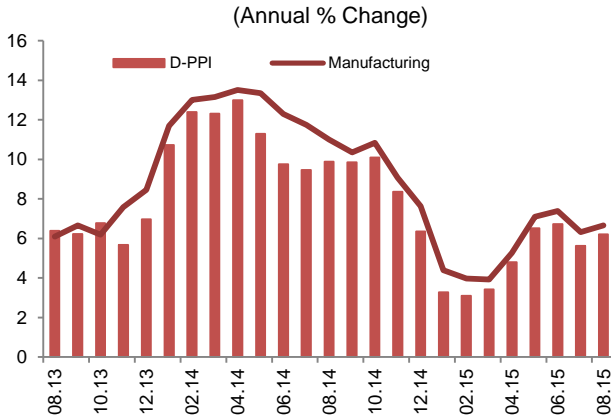
	Monthly Percent Change		Annual Percent Change	
	August.2015	August.2014	August.2015	August.2014
<b>CPI</b>	<b>0.40</b>	<b>0.09</b>	<b>7.14</b>	<b>9.54</b>
<b>1. Goods</b>	<b>0.08</b>	<b>-0.26</b>	<b>6.50</b>	<b>9.74</b>
Energy	-0.76	-0.44	1.26	2.94
Food and nonalcoholic beverages	1.31	0.89	9.71	14.44
Unprocessed food	1.86	0.71	10.83	16.06
Fresh fruits and vegetables	4.94	0.09	3.81	11.64
Other unprocessed food	0.45	1.07	14.34	18.68
Processed food	0.83	1.04	8.74	13.15
Bread and cereals	0.38	0.47	6.21	14.53
Other processed food	1.09	1.39	10.21	12.31
Goods excluding energy and food	-0.49	-1.07	6.27	9.32
Core goods	-0.75	-1.24	6.58	10.37
Durable goods	0.73	-0.09	7.35	11.77
Durable goods (excluding gold)	0.55	-0.13	7.04	12.11
Alcoholic beverages and tobacco	0.36	-0.46	4.13	4.56
Gold	3.90	0.71	13.09	5.50
<b>2. Services</b>	<b>1.14</b>	<b>0.92</b>	<b>8.65</b>	<b>8.96</b>
Rents	0.74	0.69	7.64	7.11
Restaurants and hotels	2.05	1.64	14.26	14.73
Transport	0.40	1.06	4.38	8.02
Communication	0.83	0.24	3.22	2.72
Other*	1.11	0.77	9.21	9.29
<b>3. Core Measures</b>				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.21	0.04	6.84	9.01
SCA-H	0.34	0.12	7.83	10.36
SCA-I	0.24	-0.09	7.66	9.68

Source: TurkStat, CBRT.

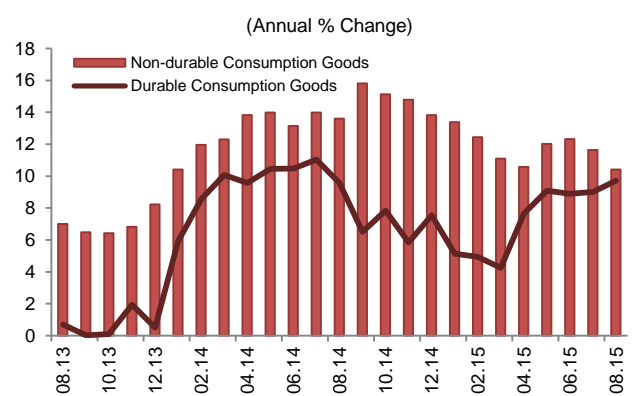
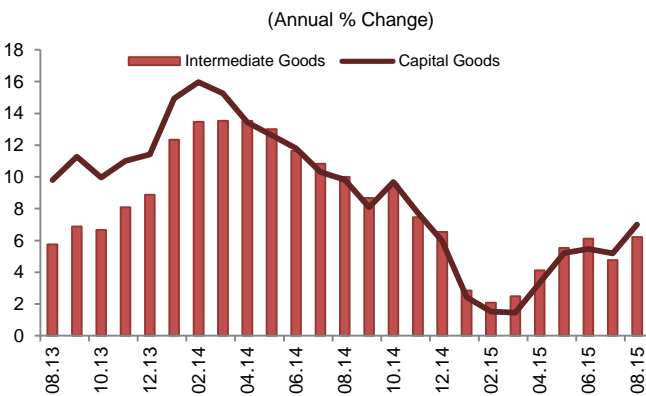
\*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

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

Domestic producer prices rose by 0.98 percent month-on-month; the group’s annual inflation increased to 6.21 percent in August. Prices registered an increase in the manufacturing industry amid the evident depreciation in the Turkish lira. However, this increase was restricted by the low course of international commodity prices, most notably oil. Annual inflation rose to 6.66 percent in manufacturing industry prices, and to 8.70 percent in those excluding petroleum and basic metals.



According to the Main Industrial Groupings (MIGs), prices in August posted a rise across all sub-groups, but this rise remained limited in non-durable consumption goods. Prices of intermediate goods posted a month-on-month increase by 1.76 percent, and the effects of the depreciation in the Turkish lira became evident across the group. The increase by 2.16 percent in prices of the manufacture of capital goods is mainly attributed to the manufacturing prices of “other special-purpose machinery” and structural metal products. Prices in the manufacture of durable consumption goods were mostly shaped by prices in the manufacture of jewellery. All in all, cost pressures driven by producer prices on consumer prices registered a slight increase in August.



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## ...TABLES

August CPI and Subcategories (Percent Change)					
	Weight	2015		2014	
		Monthly	Annual	Monthly	Annual
CPI	100	0.40	7.14	0.09	9.54
Food and nonalcoholic beverages	24.25	1.31	9.71	0.89	14.44
Alcoholic beverages and tobacco	4.82	0.36	4.13	-0.46	4.56
Clothing and footwear	7.38	-4.32	4.72	-4.92	8.62
Housing	15.79	0.35	8.19	0.31	5.39
Household equipment	7.78	0.23	8.60	0.31	9.64
Health	2.57	0.37	6.72	0.16	9.08
Transport	15.38	-0.38	0.60	-0.06	9.45
Communication	4.38	0.97	2.03	0.14	1.53
Recreation and culture	3.54	1.96	9.19	0.59	8.95
Education	2.53	1.41	6.84	0.75	8.56
Restaurants and hotels	6.98	2.05	14.26	1.64	14.73
Miscellaneous goods and services	4.60	1.21	9.91	0.65	8.13

Source: TurkStat.

August D-PPI and Subcategories (Percent Change)					
	Weight	2015		2014	
		Monthly	Annual	Monthly	Annual
D-PPI	100	0.98	6.21	0.42	9.88
Mining	3.40	-0.81	-1.44	-0.68	7.65
Manufacturing	86.21	0.91	6.66	0.59	10.99
Manufacturing excl. petroleum products	83.24	1.26	8.06	0.69	11.09
Manufacturing excl. petroleum products and basic metals	75.00	1.24	8.70	0.65	11.45
Electricity, gas, steam and air-conditioning supply	9.30	2.53	3.68	-0.80	-3.02
Water supply	1.09	0.01	21.56	0.39	9.31
D-PPI (MIGs Classification)					
Intermediate Goods		1.76	6.22	0.35	10.01
Durable Consumption Goods		0.70	9.71	0.06	9.57
Non-Durable Consumption Goods		0.25	10.42	1.35	13.61
Capital Goods		2.16	7.01	0.41	9.81
Energy		-0.58	-3.93	-1.04	0.89

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.