

# JULY PRICE DEVELOPMENTS



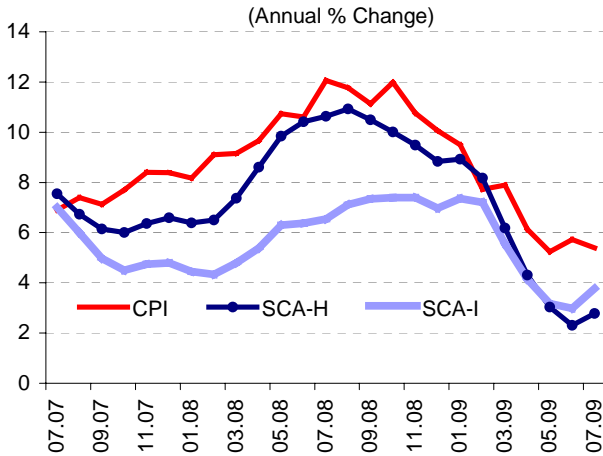
Central Bank of Turkey

August 4, 2009

## SUMMARY...

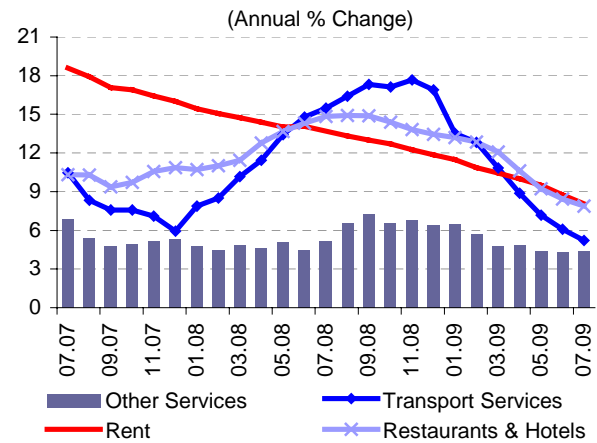
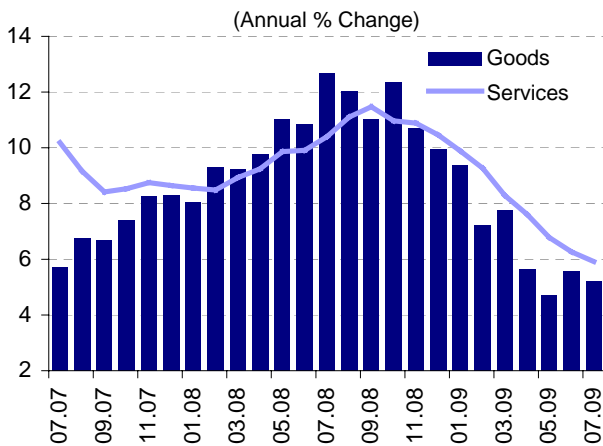
In July, consumer prices increased by 0.25 percent. Inflation went down to 5.39 percent year-on-year, while core inflation measures rose on the back of the more modest seasonal discount on clothing, compared to a year earlier, and the expiration of some tax cuts on durable goods. In fact, excluding the contributions of these factors, underlying core inflation measures have been recently hovering around record lows. Moreover, the annual rate of increase in services prices continues to edge down. On balance, despite some potential base effect-driven upswings, core inflation measures are expected to remain low in coming months.

## ...EVALUATIONS...



In July, consumer prices were up 0.25 percent, while inflation was down 0.34 percentage points to 5.39 percent year-on-year. The rate of increase in the CPI index excluding energy, unprocessed food, alcoholic beverages, tobacco products and gold (SCA-H) increased by 0.47 percentage points to 2.78 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) was up 0.80 percentage points to 3.78 percent year-on-year.

Prices rose by 0.12 and 0.61 percent, respectively, in goods and services. Accordingly, annual inflation in goods and services eased to 5.21 and 5.92 percent, respectively.



The annual rate of increase in services prices continued to slow in July. Annual inflation in transport services and restaurants and hotels went down to 5.23 and 7.88 percent, respectively. Annual rent inflation declined further, registering a drop of 5.64 percentage points in a year. Meanwhile, compulsory traffic insurance premiums and notary public fees have increased sharply.

# JULY PRICE DEVELOPMENTS

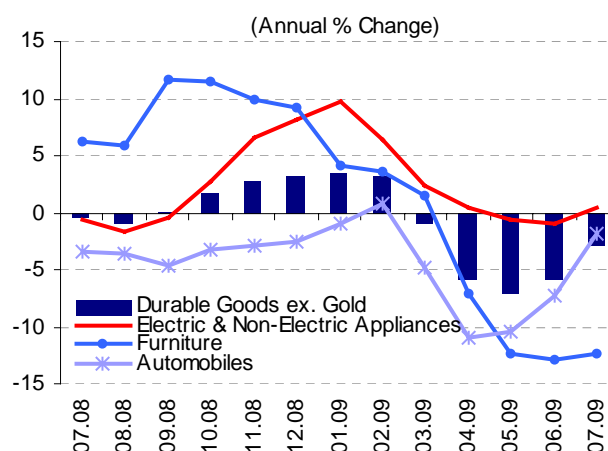
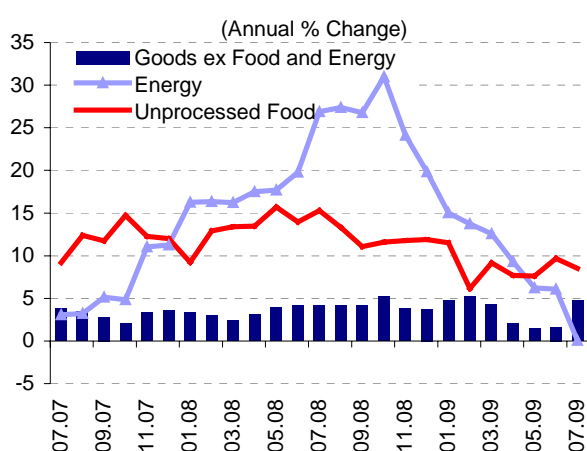


Central Bank of Turkey

August 4, 2009

After having declined due to the price ceiling imposed by the Energy Market Regulatory Authority and falling international prices, energy prices jumped by mid-July amid lump sum special consumption tax (SCT) hikes and soaring international prices. Accordingly, fuel prices dropped by about 1.80 percent in July. Moreover, with the removal of the high base effect from the sharp increase in electricity tariffs a year ago, annual energy inflation slumped to 0.07 percent.

Annual inflation in goods excluding energy and food climbed to 4.79 percent in July owing to tax adjustments, as stated in the July Summary of the Monetary Policy Committee Meeting. The adjusted minimum lump sum tax on tobacco products and the expiration of some tax cuts on durable goods pushed CPI inflation up by about 0.7 percentage points in July. Meanwhile, due to early seasonal discounts, clothing prices decreased at a less marked pace in July than a year ago.



In the durable goods (excluding gold) category, prices rose by 2.09 percent month-on-month, as expected, on the back of phased-out tax cuts. In sub-categories, prices were up 2.51 and 2.58 percent, respectively, in automobiles and electric/non-electric appliances (driven by rising prices for white goods). It should be noted that tax adjustments are expected to put further upward pressure on prices of durable goods in October.

	Monthly Percentage Change		Annual Percentage Change	
	July 2009	July 2008	July 2009	July 2008
CPI	0.25	0.58	5.39	12.06
<b>1. Goods</b>	<b>0.12</b>	<b>0.46</b>	<b>5.21</b>	<b>12.68</b>
Energy	-0.21	5.79	0.07	26.87
Unprocessed Foods	-1.72	-0.26	20.57	3.75
Processed Food	0.33	0.96	-0.31	25.50
Goods excl. Energy and Food	0.99	-2.05	4.79	4.20
Durable Goods	1.66	-0.58	-0.78	2.24
ex. Gold	2.09	-1.00	-2.87	-0.44
Semi-Durable Goods	-1.50	0.94	1.86	15.91
Non-Durable Goods	0.90	0.39	9.50	13.10
<b>2. Services</b>	<b>0.61</b>	<b>0.93</b>	<b>5.92</b>	<b>10.40</b>
Rents	0.47	1.10	8.06	13.70
Restaurants and Hotels	0.42	0.93	7.88	14.83
Transport	0.70	1.52	5.23	15.49
Other	0.73	0.67	4.34	5.19

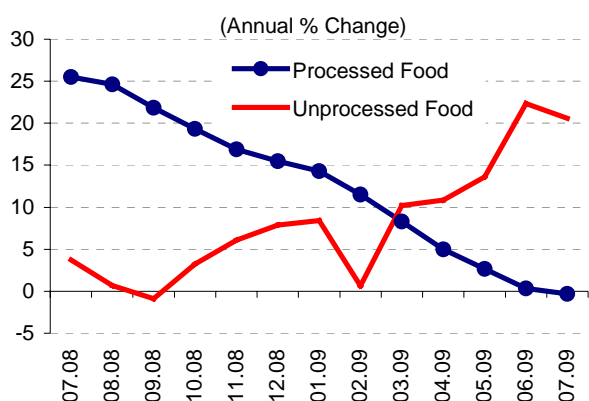
Source: TURKSTAT, CBRT

# JULY PRICE DEVELOPMENTS



Central Bank of Turkey

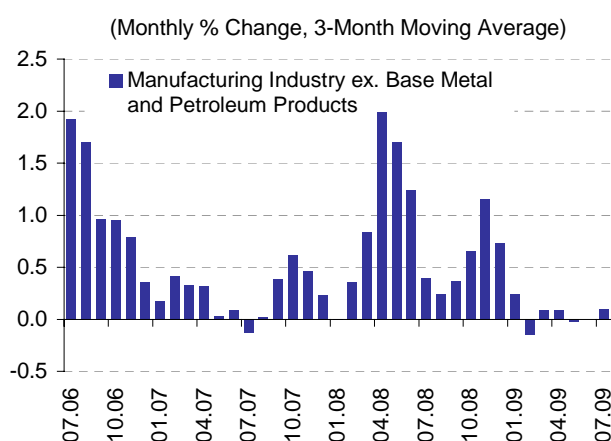
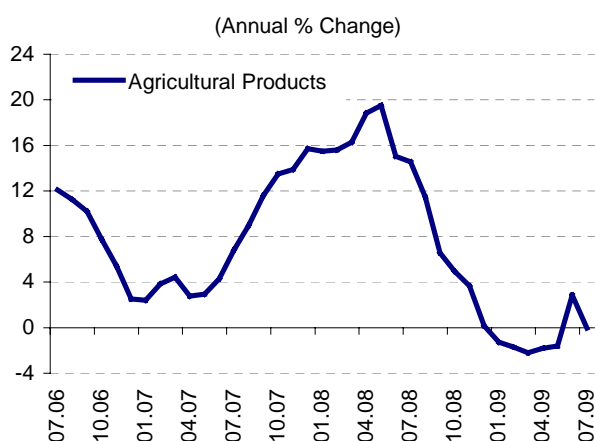
August 4, 2009



In the unprocessed food category, prices fell by 1.72 percent, mainly on account of slowing fresh fruit prices. Accordingly, unprocessed food inflation dropped by 1.78 percentage points to 20.57 percent year-on-year. In the processed food category, prices rose by 0.33 percent month-on-month, but declined by 0.31 percent year-on-year (for the first time in the history of CPI), bringing annual inflation in food and nonalcoholic beverages down to 8.51 percent.

## ...PPI...

In July, producer prices dropped by 0.71 percent, pushing PPI inflation down by 1.89 percentage points to -3.75 percent. Prices for agricultural products decelerated by 2.84 percent month-on-month, down to their year-ago levels. Manufacturing industry prices decreased on falling producer prices for petroleum products, bringing annual inflation down to -6.28 percent in this category. Excluding petroleum and base metal products, the rate of increase in manufacturing industry prices remains low since early 2009.



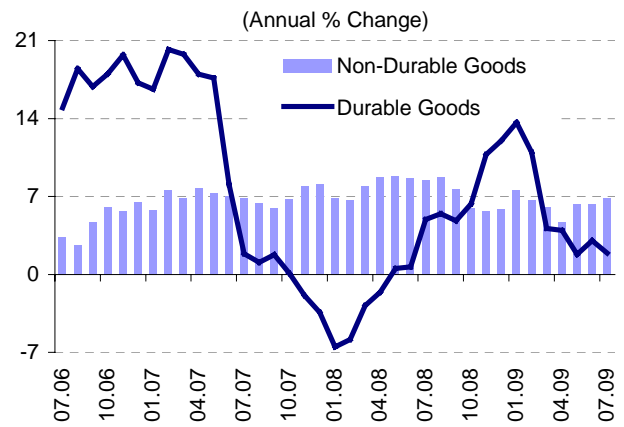
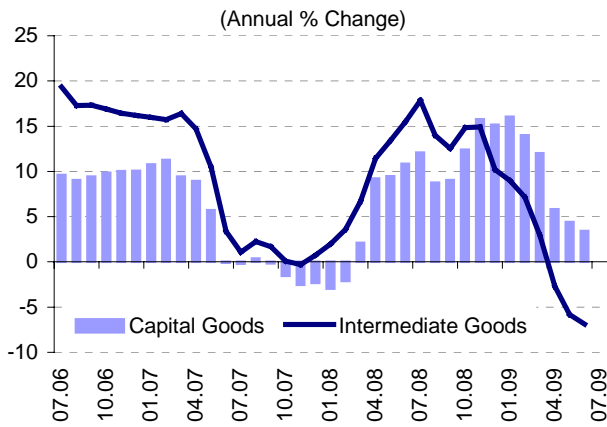
Prices of intermediate goods dropped in July amid falling prices for iron and steel production, bringing inflation down by 1.51 percentage points to -8.41 percent year-on-year in this category. Similarly, with falling producer prices for machinery and equipment, the rate of increase in prices of capital goods declined by 1.29 percentage points to 2.11 percent year-on-year. Prices for non-durable goods increased on rising producer prices for sugar, flour products and tobacco products, pushing inflation up to 6.82 percent year-on-year in this category. Prices for durable goods surged by 1.03 percent month-on-month amid rising producer prices for furniture, whereas inflation fell by 1.11 percentage points to 1.91 percent year-on-year in this category. Meanwhile, energy prices declined month-on-month amid falling producer prices for refined petroleum products and continued to run below their level in 2008. In sum, PPI inflation slowed year-on-year in July across all categories, excluding non-durable goods.

# JULY PRICE DEVELOPMENTS



Central Bank of Turkey

August 4, 2009



## Changes in PPI based on MIGS Classification

### Monthly Percentage Change

	Aug.08	Sep.08	Oct.08	Nov.08	Dec.08	Jan.09	Feb.09	Mar.09	Apr.09	May.09	Jun.09	Jul.09	Annual
Prices of intermediate goods	-2.58	-1.21	0.89	-0.57	-3.60	0.04	-0.02	0.21	-0.89	-1.24	0.54	-0.23	-8.41
Prices of capital goods	-2.54	0.04	2.48	2.33	0.20	1.23	-0.57	1.04	0.83	-1.75	-0.66	-0.42	2.11
Prices of durable goods	1.52	-0.38	1.43	2.94	-0.80	-0.56	-1.47	-3.60	0.60	0.45	0.90	1.03	1.91
Prices of non-durable goods	0.45	1.07	0.28	0.61	0.31	0.40	0.81	0.29	0.75	1.19	0.06	0.40	6.82
Energy prices	-6.19	-2.77	-0.03	-1.06	-12.18	-0.01	6.32	1.23	0.34	-3.31	3.51	-1.36	-15.53

Sources: TURKSTAT, CBRT

# JULY PRICE DEVELOPMENTS



Central Bank of Turkey

August 4, 2009

## ... TABLES

July CPI and Sub-Items (Percentage Change)					
	Weight	2009		2008	
		Monthly	Annual	Monthly	Annual
CPI	100	0.25	5.39	0.58	12.06
Food and non-alcoholic beverages	28.03	-0.64	8.51	0.44	15.28
Alcoholic beverages and tobacco	4.58	10.89	18.76	0.06	6.87
Clothing and footwear	7.22	-5.96	1.05	-8.00	2.54
Housing	18.63	0.33	5.84	5.34	21.84
Household equipment	7.53	0.89	-1.76	0.98	7.01
Health	2.50	0.05	4.09	0.10	-0.41
Transport	12.64	0.58	-3.17	-0.32	11.32
Communication	4.60	0.17	3.34	0.91	1.05
Recreation and culture	2.54	2.56	10.22	0.43	2.23
Education	2.47	0.93	4.95	0.86	7.02
Restaurants and hotels	5.47	0.42	7.88	0.93	14.83
Miscellaneous goods and services	3.79	0.89	11.62	0.92	11.87

Source: TURKSTAT

July PPI and Sub-Items (Percentage Change)					
	Weight	2009		2008	
		Monthly	Annual	Monthly	Annual
PPI	100	-0.71	-3.75	1.25	18.41
Agriculture	17.76	-2.84	-0.02	-0.04	14.54
Industry	82.24	-0.20	-4.56	1.54	19.33
Mining	2.20	3.57	3.01	6.24	34.57
Manufacturing	73.75	-0.38	-6.28	1.04	18.73
Energy	6.29	0.72	11.82	6.83	22.90

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 of monthly inflation developments by the public during the period between the announcement of official price statistics and the Monetary Policy Committee meeting.