

JULY PRICE DEVELOPMENTS



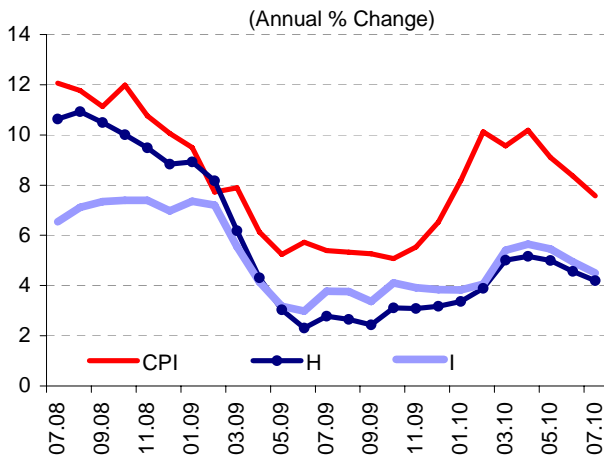
Central Bank of Turkey

August 4, 2010

SUMMARY...

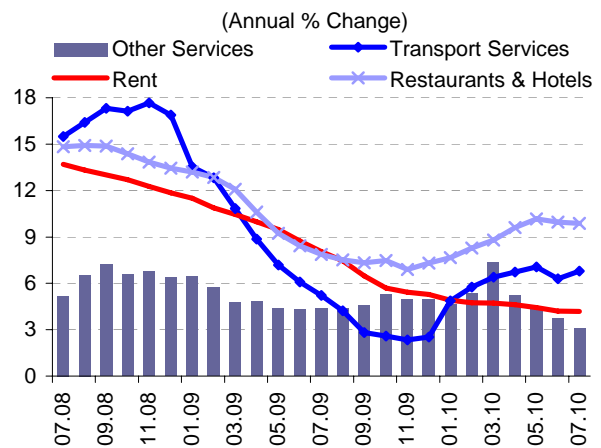
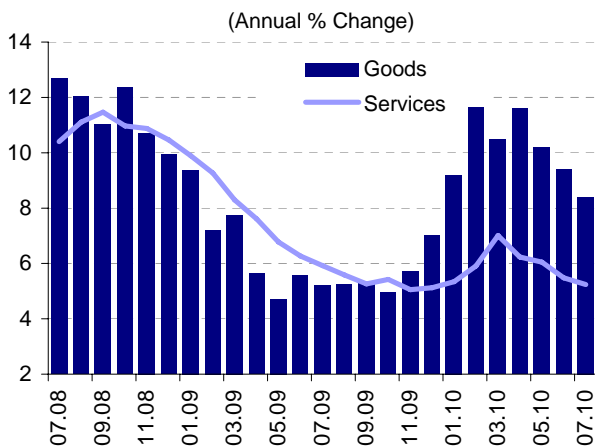
In July, consumer prices decreased by 0.48 percent, pushing annual inflation down by 0.79 percentage points to 7.58 percent. Annual services inflation continues to slow down, while core inflation indicators remain in line with medium-term targets. On balance, inflation is expected to rise slightly in the short run, but be back on a downtrend by the final quarter of the year.

...EVALUATIONS...



In July, consumer prices were down 0.48 percent, bringing inflation down by 0.79 percentage points to 7.58 percent year-on-year. The rate of increase in the CPI index excluding energy, unprocessed food, alcoholic beverages, tobacco and gold (SCA-H) declined to 4.2 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) slowed to 4.5 percent year-on-year.

Prices were down 0.79 percent in goods and up 0.38 percent in services. Accordingly, annual inflation dropped to 8.4 and 5.24 percent in goods and services, respectively.



Annual services inflation continues to trend down. Annual inflation was up in transport services due to rising air and bus fares, but continued to slow in other subcategories of services. Excluding catering and transport, annual services inflation dropped to as low as 3.46 percent.

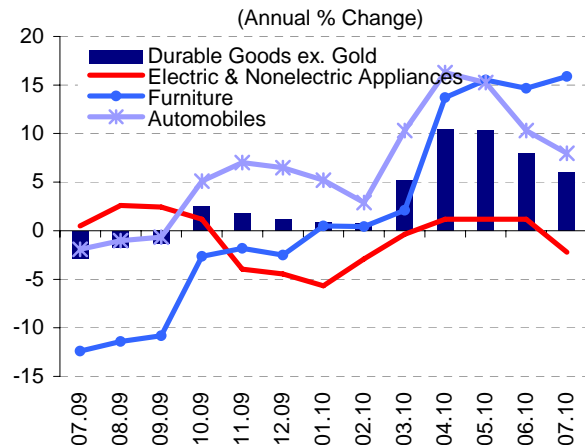
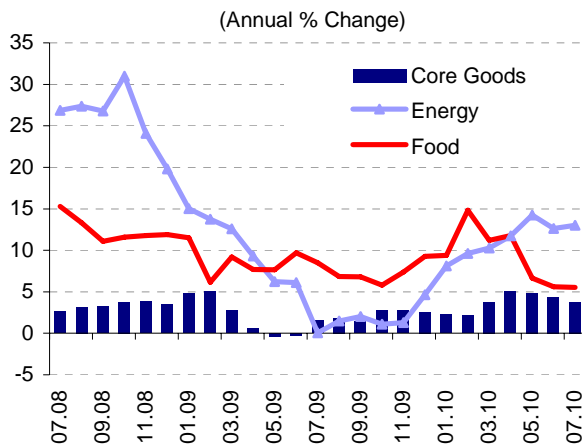
Energy prices increased by a mere 0.14 percent in July. Fuel prices remained flat on stable international oil prices, while solid fuel prices continued to rise for the fourth consecutive month, albeit more slowly.

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August 4, 2010



Annual inflation in goods excluding energy and food fell by about 2.5 percentage points to 8.63 percent, largely owing to the base effects from the year-ago tax hikes on tobacco and durable goods. These base effects brought annual CPI inflation down by 0.7 percentage points, with tobacco accounting for about 0.5 percentage points. Moreover, despite higher clothing and footwear prices, the tax-adjusted annual rate of increase in core goods (goods excluding foods, energy, alcoholic beverages, tobacco and gold) remained unchanged at 2.4 percent.

	Monthly Percentage Change		Annual Percentage Change	
	July 2010	July 2009	July 2010	July 2009
CPI	-0.48	0.25	7.58	5.39
1. Goods	-0.79	0.12	8.40	5.21
Energy	0.14	-0.21	13.02	0.07
Unprocessed Foods	-2.01	-1.72	7.88	20.57
Processed Food	0.37	0.33	3.26	-0.31
Goods excl. Energy and Food	-1.23	0.99	8.63	4.79
Core Goods	-1.41	-0.80	3.74	1.57
Durable Goods	-0.15	1.66	7.86	-0.78
ex. Gold	0.26	2.09	6.02	-2.87
Semi-Durable Goods	-1.39	-1.50	9.34	1.86
Non-Durable Goods	-0.55	0.90	9.92	9.50
2. Services	0.38	0.61	5.24	5.92
Rents	0.43	0.47	4.18	8.06
Restaurants and Hotels	0.34	0.42	9.88	7.88
Transport	1.17	0.70	6.79	5.23
Other	0.13	0.73	3.09	4.34

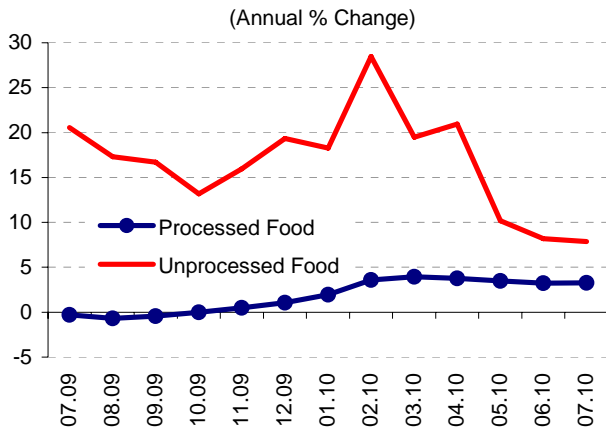
Source: TURKSTAT, CBRT

JULY PRICE DEVELOPMENTS



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August 4, 2010

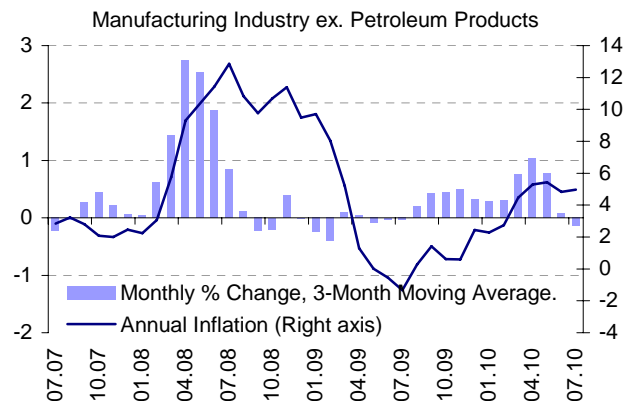
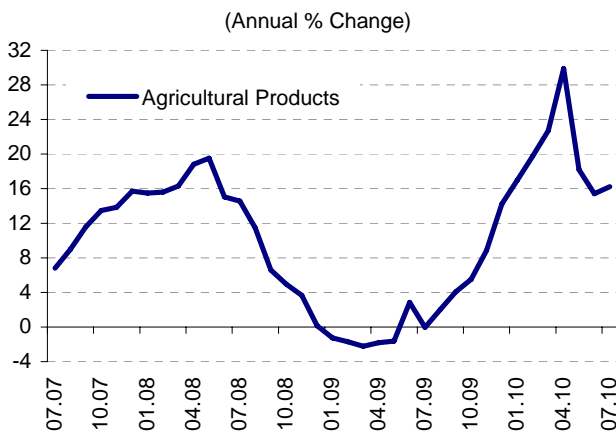


The annual rate of increase in unprocessed food slowed further in July owing to falling vegetable prices. However, unprocessed meat prices were back on the rise after a two-month break. Red meat prices soared by a remarkable 5.07 percent in July, causing processed meat prices to rise again. Yet, with favorable prices across other subcategories, annual processed food inflation remained flat.

Accordingly, the annual rate of increase in food and nonalcoholic beverages dropped slightly month-on-month to 5.52 percent.

...PPI...

Producer prices were down 0.16 percent in July, while annual PPI inflation rose to 8.24 percent. Agricultural prices dropped by 2.15 percent amid lower fruit and vegetable prices, although rising livestock prices (up 2.24 percent) restrained the decline in agricultural prices. Meanwhile, manufacturing industry prices increased by a modest 0.21 percent due to higher producer prices for food products.



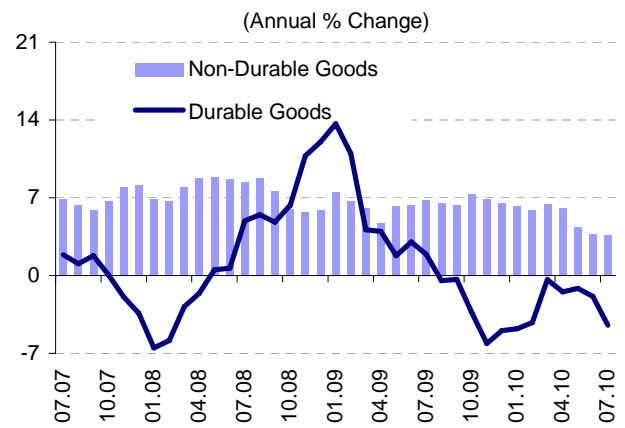
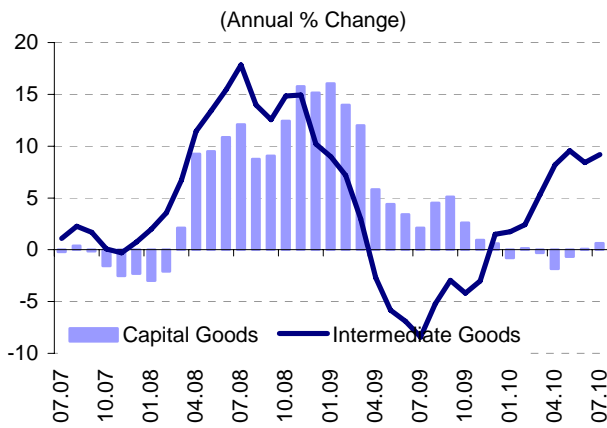
Based on the MIGs classification, producer prices were down in durable goods, but slightly up in other subcategories. Prices of durable goods decreased amid falling prices for furniture and other vehicles (motorcycles, bicycles, etc.), while rising producer prices for meat and meat products drove prices of non-durable goods higher. Overall, July price developments reflect a relatively weaker producer-price pressure.

JULY PRICE DEVELOPMENTS



Central Bank of Turkey

August 4, 2010



Changes in PPI based on MIGS Classification

Monthly Percentage Change

	Jul.09	Aug.09	Sep.09	Oct.09	Nov.09	Dec.09	Jan.10	Feb.10	Mar.10	Apr.10	May.10	Jun.10	Jul.10	Annual
Intermediate goods	-0.23	0.81	1.16	-0.41	0.63	0.89	0.28	0.66	3.06	1.80	0.00	-0.50	0.49	9.20
Capital goods	-0.42	-0.24	0.61	0.03	0.67	-0.15	-0.16	0.36	0.59	-0.72	-0.59	0.10	0.12	0.62
Durable goods	1.03	-0.85	-0.26	-1.63	-0.01	0.43	-0.36	-0.92	0.28	-0.48	0.78	0.16	-1.64	-4.46
Non-durable goods	0.40	0.13	0.91	1.23	0.20	-0.02	0.12	0.54	0.73	0.45	-0.49	-0.51	0.29	3.62
Energy	-1.36	1.54	-0.54	-0.12	4.31	0.25	0.54	4.88	1.99	0.91	0.47	-0.93	0.68	14.71

Source: TURKSTAT, CBRT.

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... TABLES

July CPI and Sub-Items (Percentage Change)					
	Weight	2010		2009	
		Monthly	Annual	Monthly	Annual
CPI	100	-0.48	7.58	0.25	5.39
Food and nonalcoholic beverages	27.60	-0.73	5.52	-0.64	8.51
Alcoholic beverages and tobacco	5.31	0.01	28.91	10.89	18.76
Clothing and footwear	7.30	-5.19	5.86	-5.96	1.05
Housing	16.83	0.28	8.32	0.33	5.84
Household equipment	6.78	0.62	3.75	0.89	-1.76
Health	2.55	0.26	0.64	0.05	4.09
Transport	13.90	0.49	10.11	0.58	-3.17
Communication	4.94	-0.11	-0.28	0.17	3.34
Recreation and culture	2.83	-0.40	1.17	2.56	10.22
Education	2.48	0.88	5.97	0.93	4.95
Restaurants and hotels	5.51	0.34	9.88	0.42	7.88
Miscellaneous goods and services	3.97	-2.01	6.34	0.89	11.62

Source: TURKSTAT.

July PPI and Sub-Items (Percentage Change)					
	Weight	2010		2009	
		Monthly	Annual	Monthly	Annual
PPI	100	-0.16	8.24	-0.71	-3.75
Agriculture	17.07	-2.15	16.22	-2.84	-0.02
Industry	82.93	0.29	6.56	-0.20	-4.56
Mining	2.62	2.44	7.50	3.57	3.01
Manufacturing	72.95	0.21	6.05	-0.38	-6.28
Electricity, gas and water	7.36	0.41	9.65	0.72	11.82

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.