

AUGUST PRICE DEVELOPMENTS



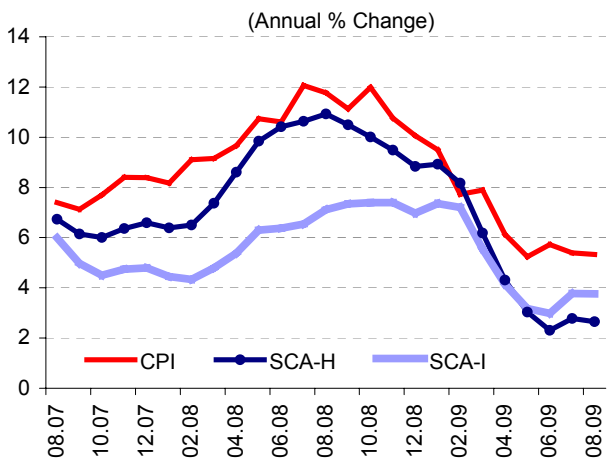
Central Bank of Turkey

September 4, 2009

SUMMARY...

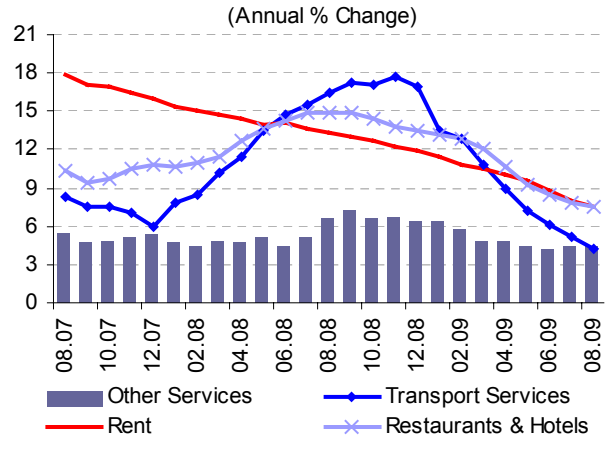
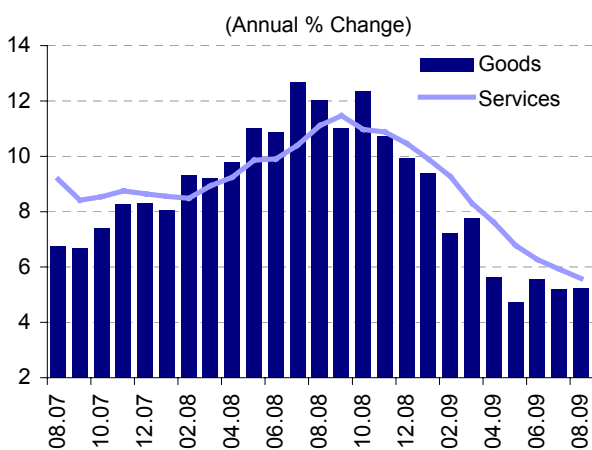
In August, consumer prices decreased by 0.30 percent, bringing inflation down to 5.33 percent year-on-year. Measures of underlying core inflation remained subdued, while the annual rate of increase in prices of services continued to fall steadily. Cumulative drops in commodity prices over the past one year have exerted downward pressure on domestic inflation since the final months of 2008, particularly through processed food and energy prices. Although underlying inflation is expected to remain low in coming months, there may be some fluctuations in annual inflation until mid-2010 due to the base effect.

...EVALUATIONS...



In August, consumer prices were down 0.30 percent, pushing inflation down by 0.06 percentage points to 5.33 percent year-on-year. The rate of increase in the CPI index excluding energy, unprocessed food, alcoholic beverages, tobacco products and gold (SCA-H) decreased by 0.13 percentage points to 2.65 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) fell by 0.02 percentage points to 3.76 percent year-on-year.

Prices were down 0.57 percent in goods and up 0.49 percent in services. Accordingly, annual inflation rose to 5.25 percent in goods and eased to 5.59 percent in services.



Although the massive mid-July fee hikes for some financial services had a lagged effect on the index, services inflation continued to slow in August (especially in transport services and rents). Accordingly, annual services inflation has fallen by a cumulative 4.87 percentage points since early 2009.

Fuel prices jumped by 5.02 percent in August amid rising international oil prices. Annual energy inflation climbed to 1.48 percent with the increase in tap water rates, particularly in Istanbul. It should be noted that the impending hike in electricity tariffs is going to have a substantial effect on October inflation.

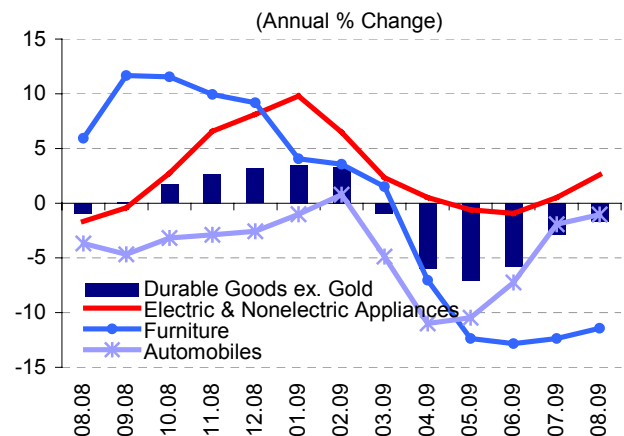
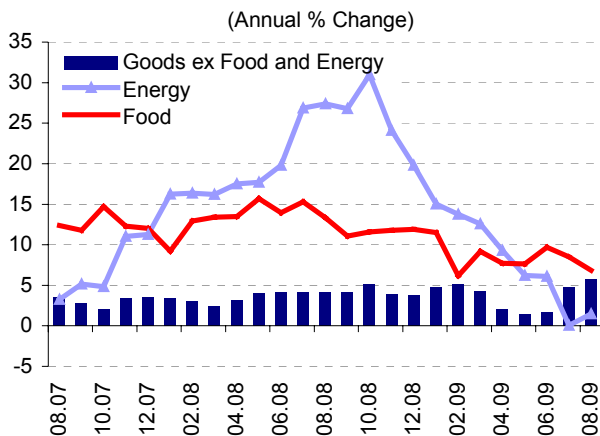
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In goods excluding energy and food, prices dropped by 0.84 percent, while inflation soared to 5.70 percent year-on-year, owing to the more modest August discounts (5.22 percent) on clothing compared to a year earlier, the 1.83 percent rise in tobacco products, and price hikes in some durable goods.



In the durable goods (excluding gold) category, prices increased by 0.52 percent in August, and inflation rose to -1.71 percent year-on-year. Among sub-categories, prices were up 0.61 and 0.23 percent, respectively, in automobiles and furniture. In addition, prices of electric and non-electric household appliances increased by 0.62 percent on rising prices of white goods (by 1.80 percent).

	Monthly Percentage Change		Annual Percentage Change	
	August 2009	August 2008	August 2009	August 2008
CPI	-0.30	-0.24	5.33	11.77
1. Goods	-0.57	-0.61	5.25	12.03
Energy	1.88	0.47	1.48	27.38
Unprocessed Foods	-3.71	-1.03	17.30	0.68
Processed Food	0.31	0.70	-0.69	24.61
Goods excl. Energy and Food	-0.84	-1.70	5.70	4.19
Durable Goods	0.38	-1.62	1.23	0.61
ex. Gold	0.52	-0.68	-1.71	-0.91
Semi-Durable Goods	-0.31	-1.26	2.84	16.74
Non-Durable Goods	-1.01	0.15	8.23	11.84
2. Services	0.49	0.81	5.59	11.10
Rents	0.51	1.08	7.46	13.32
Restaurants and Hotels	0.44	0.78	7.52	14.92
Transport	0.20	1.16	4.23	16.40
Other	0.61	0.60	4.34	6.55

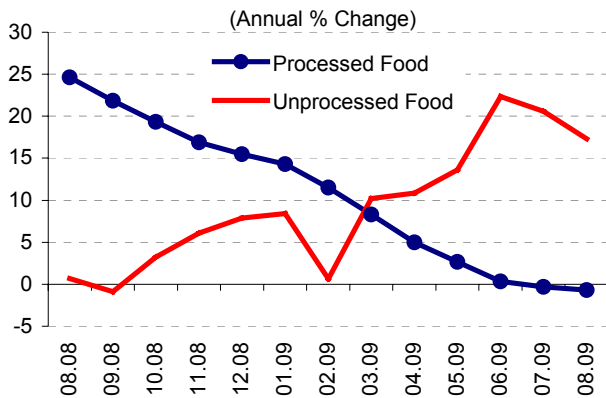
Source: TURKSTAT, CBRT

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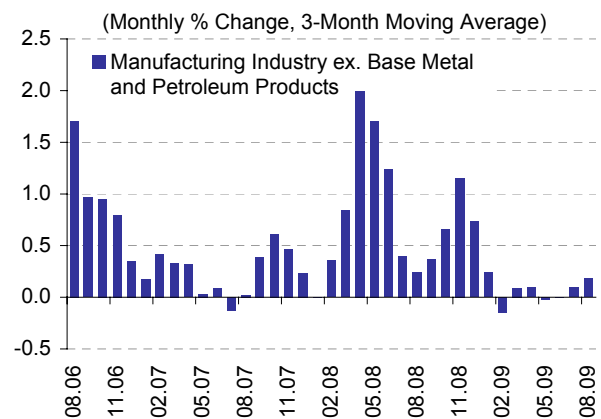
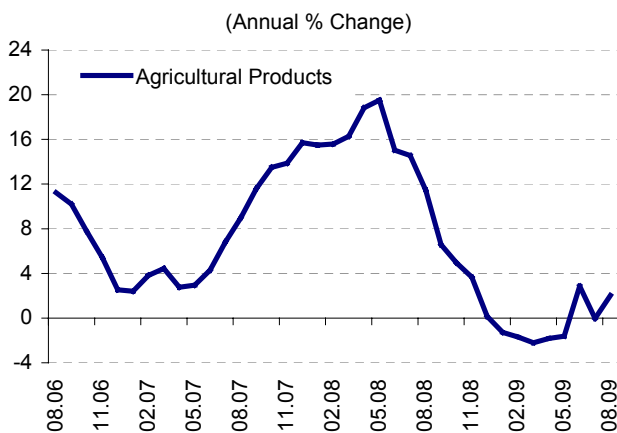
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In the unprocessed food category, prices fell by 3.71 percent, and inflation went down by 3.27 percentage points to 17.30 percent, mainly on account of slowing fruit and vegetable prices. Yet, rising meat prices limited the slowdown in unprocessed food inflation. In the processed food category, prices rose by 0.31 percent month-on-month, while inflation went further down, to -0.69 percent. Accordingly, annual inflation in food and nonalcoholic beverages fell by 1.68 percentage points to 6.83 percent.

...PPI...

In August, producer prices increased by 0.42 percent, pushing PPI inflation up by 2.71 percentage points to -1.04 percent year-on-year due to the base effect. In agriculture, prices barely changed, while inflation surged to 2.03 percent year-on-year. In the manufacturing industry, prices were up 0.91 percent month-on-month amid soaring producer prices for petroleum products (by 6.94 percent), and annual inflation increased by 3.91 percentage points to -2.37 percent. Excluding petroleum products, the rate of increase in manufacturing industry prices was 0.28 percent year-on-year.



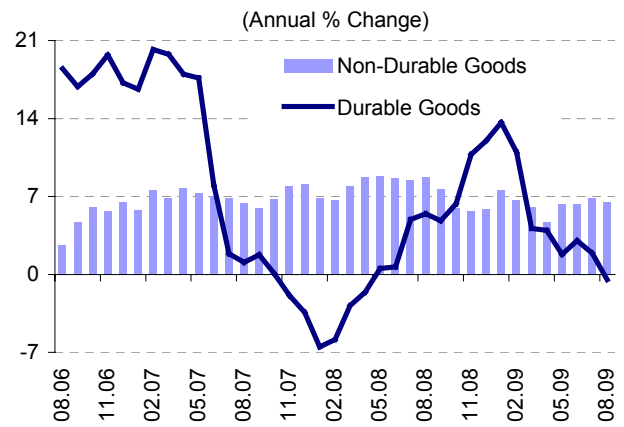
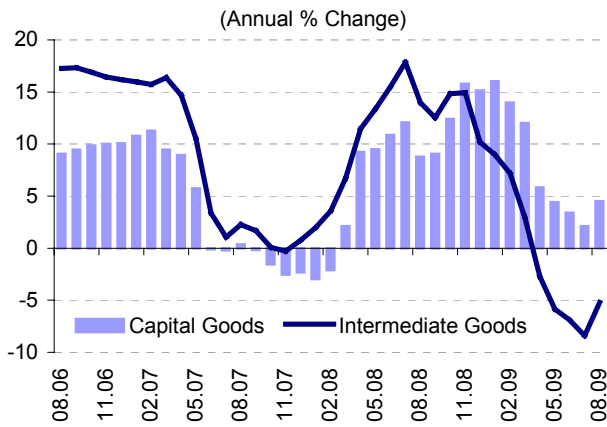
On the intermediate goods side, prices jumped by 0.81 percent in August amid soaring prices of base metal industry, and inflation rose by 3.19 percentage points to -5.22 percent year-on-year. On the capital goods side, prices declined by 0.24 percent month-on-month amid falling producer prices for machinery and equipment, while inflation moved up to 4.52 percent year-on-year. Meanwhile, prices of non-durable goods increased on rising producer prices for food products, whereas inflation went down to 6.48 percent year-on-year in this category. Prices of durable goods decreased by 0.85 percent month-on-month on falling producer prices for furniture and TV production, bringing inflation down by 2.38 percentage points to -0.47 percent year-on-year in this category. Energy prices were up 1.54 percent month-on-month amid rising producer prices for petroleum products, but went down year-on-year. In sum, annual PPI inflation accelerated in August across all categories, except durable and non-durable goods, owing to the recent run-up in commodity prices.

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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	Aug.09	Annual
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	0.81	-5.22
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	-0.24	4.52
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	-0.85	-0.47
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	0.13	6.48
Energy	-6.19	-2.77	-0.03	-1.06	-12.18	-0.01	6.32	1.23	0.34	-3.31	3.51	-1.36	1.54	-8.58

Kaynak: TÜİK, TCMB.

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...TABLES

August CPI and Sub-Items (Percentage Change)					
	Weight	2009		2008	
		Monthly	Annual	Monthly	Annual
CPI	100	-0.30	5.33	-0.24	11.77
Food and nonalcoholic beverages	28.03	-1.57	6.83	-0.03	13.33
Alcoholic beverages and tobacco	4.58	1.73	20.80	0.01	6.88
Clothing and footwear	7.22	-5.22	1.93	-6.05	3.73
Housing	18.63	0.74	4.41	2.12	23.56
Household equipment	7.53	0.17	-1.58	0.00	7.05
Health	2.50	0.03	2.55	1.54	0.99
Transport	12.64	1.67	0.00	-1.55	9.69
Communication	4.60	0.20	3.08	0.45	4.56
Recreation and culture	2.54	0.28	10.27	0.24	1.89
Education	2.47	0.21	4.64	0.51	7.28
Restaurants and hotels	5.47	0.44	7.52	0.78	14.92
Miscellaneous goods and services	3.79	0.61	14.60	-2.02	8.90

Source: TURKSTAT

August PPI and Sub-Items (Percentage Change)					
	Weight	2009		2008	
		Monthly	Annual	Monthly	Annual
PPI	100	0.42	-1.04	-2.34	14.67
Agriculture	17.76	0.02	2.03	-1.99	11.46
Industry	82.24	0.50	-1.70	-2.41	15.42
Mining	2.20	-3.00	-0.48	0.40	30.78
Manufacturing	73.75	0.91	-2.37	-3.14	14.32
Energy	6.29	-3.21	2.40	5.69	25.09

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.