

JUNE PRICE DEVELOPMENTS

JULY 4, 2016

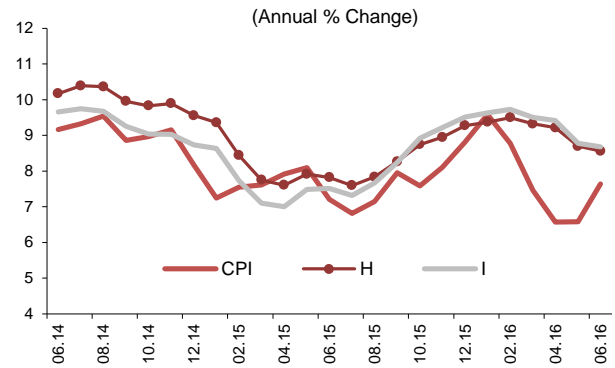
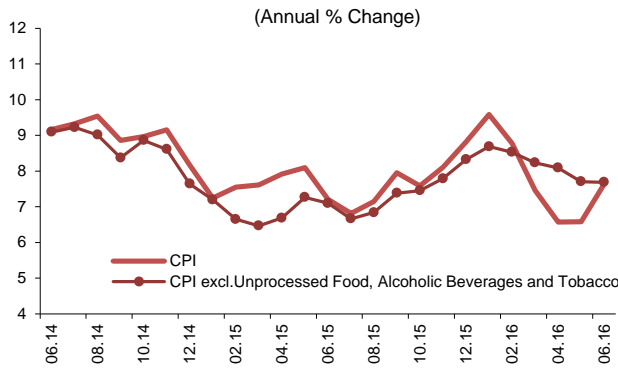
SUMMARY...

In June, consumer prices rose by 0.47 percent, and annual consumer inflation climbed to 7.64 percent. As also stated in the Summary of the Monetary Policy Committee Meeting of June, unprocessed food prices witnessed a correction and also, due to the low base, annual food inflation increased significantly. In this period, annual inflation in core indicators registered a decline due to the services group and the underlying trends for core inflation remained almost unchanged on a monthly basis.

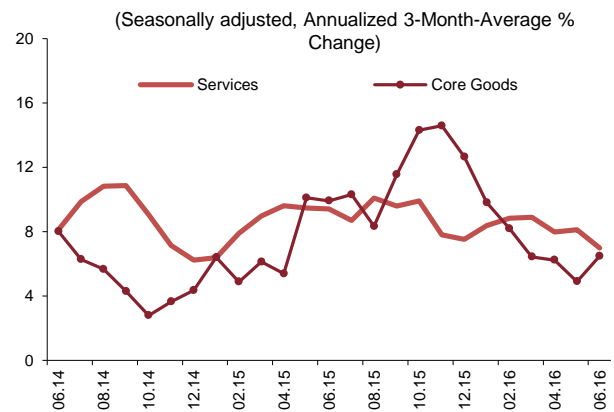
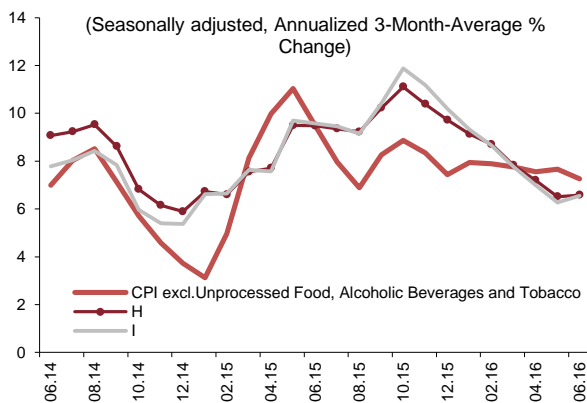
... EVALUATIONS ...

In June, consumer prices rose by 0.47 percent, and annual consumer inflation increased by 1.06 points to 7.64 percent. The annual rate of change in the H and I indices fell by 0.13 and 0.10 points month-on-month to 8.56 and 8.67 percent, respectively.

Contributions of sub-groups to annual CPI inflation reveal an increase in the food group of 1 point and 0.1 points from the energy and core goods groups compared to May. Meanwhile, the services group contributed a 0.1-point reduction in annual CPI inflation in June.



The underlying trend of inflation based on seasonally-adjusted data in 3-month-averages reveals that core inflation indicators remained almost unchanged in June. The underlying trend in the core goods group increased slightly, yet receded in the services group.

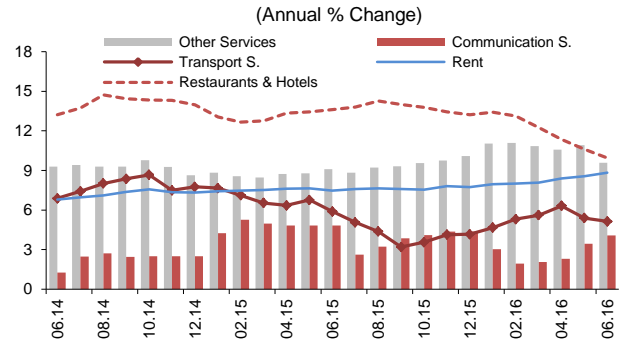
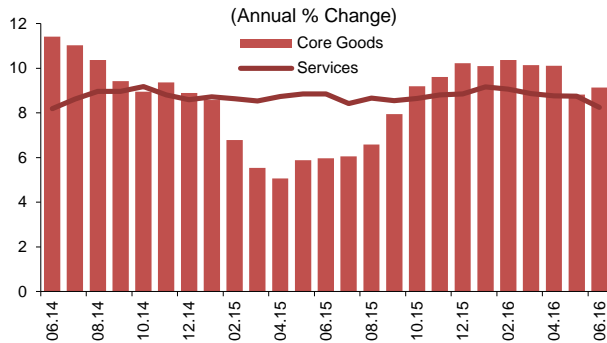


Prices of services increased by 0.42 percent on a monthly basis and the group's annual inflation declined by 0.5 points to 8.25 percent in June. Annual inflation increased in rent and communication services, but decreased in the restaurants-hotels group, transport and other services. Monthly price changes reveal that postal service fees surged by 15.79 percent in the communication group and that the strengthening in the increase in rents continued. Meanwhile,

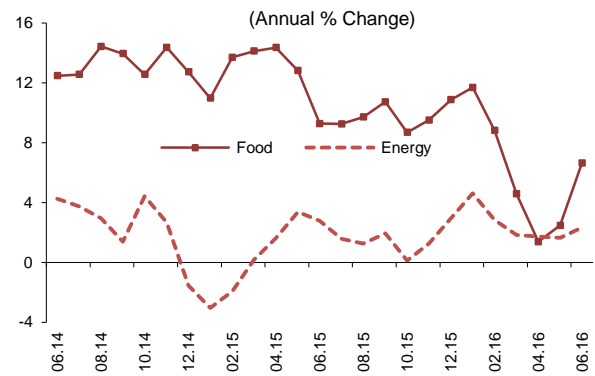
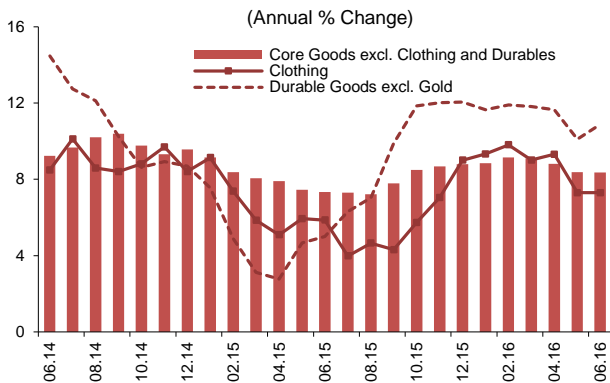
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monthly price increase in the restaurants-hotels group maintained the modest pace stemming from prices of accommodation services.



Annual core goods inflation edged up by 0.31 points to 9.13 percent in June. Annual inflation registered an increase in durable goods, but remained flat in other subgroups in this period. The 0.48 percent rise in durable goods is mainly attributed to furniture and automobile prices. The monthly decline in clothing prices proved close to seasonal averages and annual clothing inflation remained unchanged at 7.30 percent. Meanwhile, core goods excluding clothing and durables witnessed accelerated monthly price increases due to the rise in medicine prices



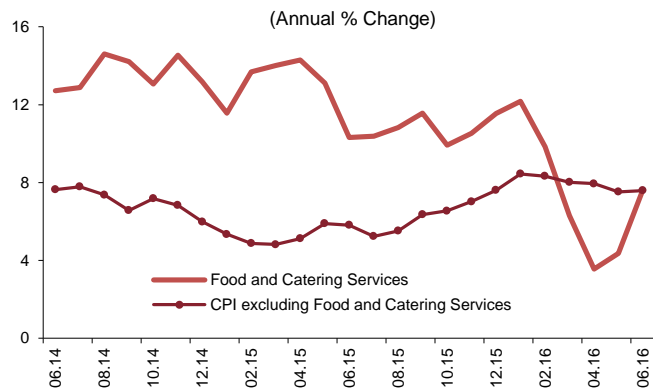
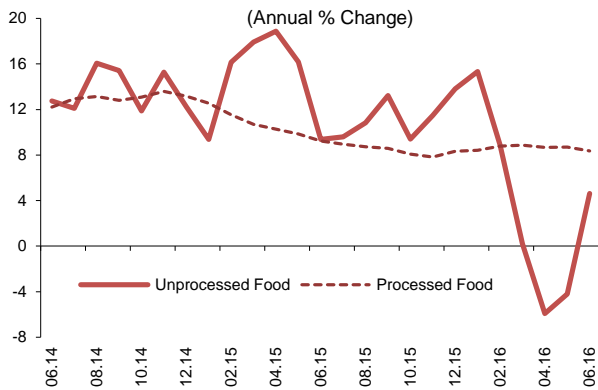
Energy prices saw an uptick by 0.50 percent in June due to the rise in fuel and bottled gas prices in tandem with the ongoing hikes in international oil prices. Moreover, municipal water tariffs rose by 0.90 percent. All in all, annual energy inflation increased by 0.68 points to 2.33 percent.

Annual inflation in food and non-alcoholic beverages rose by 4.16 points to 6.63 percent. This surge is attributed to the increase in unprocessed food prices stemming from prices of fruits and vegetables, and the group's annual inflation reached 4.62 percent. Annual inflation in the fruit group hit 12.36 percent, while that in the vegetable group maintained a negative course (-3.97 percent) despite an increase due to the base effect. Red meat prices saw a relatively higher increase of 1.03 percent in contrast to the mild course in recent months. On the other hand, processed food prices registered the lowest monthly increase of the last three years in June with 0.10 percent. Thus, the group's annual inflation edged down by 0.33 points to 8.38 percent.

In June, annual inflation in food and catering services surged by 3.28 points to 7.65 percent, while consumer inflation excluding food and catering services followed a flat course with 7.59 percent.

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	Monthly Percent Change		Annual Percent Change	
	Jun.2016	Jun.2015	Jun.2016	Jun.2015
CPI	0.47	-0.51	7.64	7.20
1. Goods	0.49	-1.09	7.37	6.51
Energy	0.50	-0.17	2.33	2.78
Food and nonalcoholic beverages	1.16	-2.79	6.63	9.28
Unprocessed food	2.46	-6.19	4.62	9.36
Fresh fruits and vegetables	5.79	-14.94	8.78	2.72
Other unprocessed food	0.61	-1.17	3.03	12.93
Processed food	0.10	0.40	8.38	9.22
Bread and cereals	0.45	0.51	9.85	6.79
Other processed food	-0.10	0.34	7.57	10.68
Goods excluding energy and food	0.03	-0.18	9.86	5.91
Core goods	0.04	-0.25	9.13	5.97
Durable goods	0.44	-0.14	11.14	5.61
Durable goods (excluding gold)	0.48	-0.23	10.87	5.00
Alcoholic beverages and tobacco	0.00	-0.01	12.80	4.13
Gold	-0.20	1.36	15.32	17.53
2. Services	0.42	0.88	8.25	8.85
Rents	0.83	0.58	8.83	7.47
Restaurants and hotels	0.49	1.09	9.95	13.62
Transport	0.33	0.57	5.14	5.89
Communication	0.60	-0.01	4.08	4.83
Other*	0.13	1.35	9.59	9.10
3. Core Measures				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.26	0.27	7.68	7.09
H	0.22	0.34	8.56	7.82
I	0.24	0.33	8.67	7.51

Source: TurkStat, CBRT.

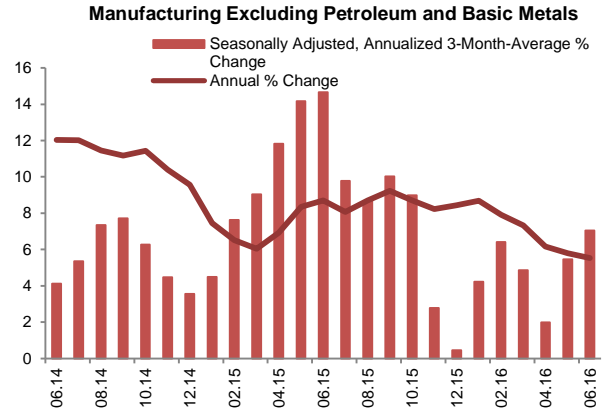
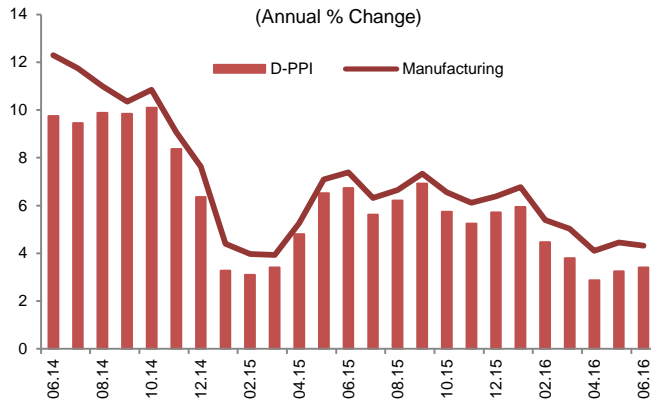
*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

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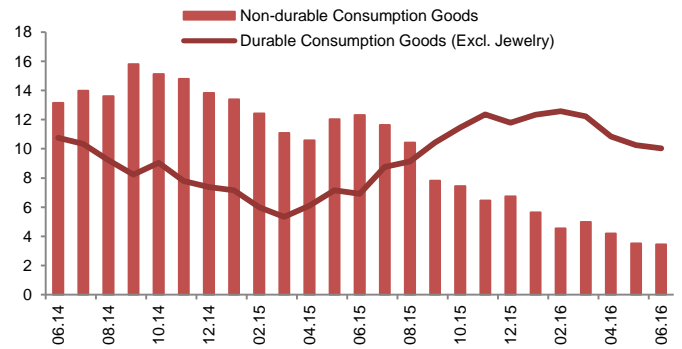
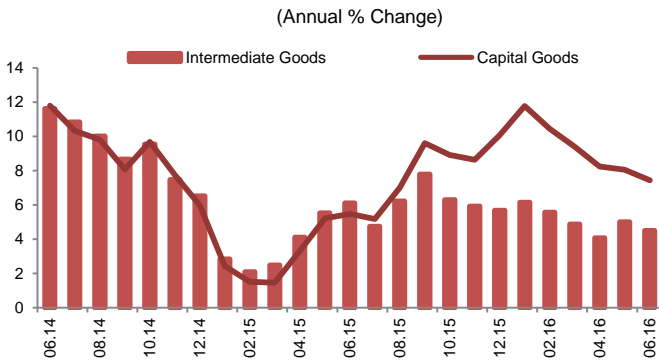
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...D-PPI ...

Domestic producer prices rose by 0.41 percent month-on-month, and the group's annual inflation crept up by 0.16 points to 3.41 percent in June. Rising international commodity prices, chiefly oil, emerged as the culprit behind the monthly price increase, yet the stable course of the Turkish lira limited this rise. In fact, annual inflation receded to 4.33 percent in the manufacturing industry and to 5.53 percent in the manufacturing industry excluding petroleum and basic metals.



According to the Main Industrial Groupings (MIGs), all subgroups exhibited a mild outlook in June. The limited uptick in intermediate goods was led by the manufacturing prices of feed and textiles. Meanwhile, the prices of non-durable consumption and capital goods remained flat and durable consumption goods excluding jewelry posted a decline due to the furniture group. As a result, excepting oil-related items, producer-driven cost pressures on consumer prices remained subdued in June.



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...TABLES

June CPI and Subcategories (Percent Change)					
	Weight	2016		2015	
		Monthly	Annual	Monthly	Annual
CPI	100	0.47	7.64	-0.51	7.20
Food and nonalcoholic beverages	23.68	1.16	6.63	-2.79	9.28
Alcoholic beverages and tobacco	4.98	0.00	12.80	-0.01	4.13
Clothing and footwear	7.43	-1.33	7.31	-1.32	5.92
Housing	15.93	0.47	6.68	0.30	8.39
Household equipment	8.02	0.43	9.75	-0.09	7.23
Health	2.66	0.74	9.81	0.53	6.48
Transport	14.31	0.67	6.45	-0.01	1.23
Communication	4.42	0.24	3.07	0.04	3.13
Recreation and culture	3.81	-0.19	5.97	2.64	11.13
Education	2.56	0.95	7.82	0.70	6.24
Restaurants and hotels	7.47	0.49	9.95	1.09	13.62
Miscellaneous goods and services	4.73	0.31	11.33	0.79	9.89

Source: TurkStat.

June D-PPI and Subcategories (Percent Change)					
	Weight	2016		2015	
		Monthly	Annual	Monthly	Annual
D-PPI	100.00	0.41	3.41	0.25	6.73
Mining	3.50	2.56	0.36	1.79	1.89
Manufacturing	87.28	0.29	4.33	0.41	7.39
Manufacturing excl. petroleum products	84.65	0.11	5.13	0.42	8.28
Manufacturing excl. petroleum products and basic metals	75.61	0.25	5.53	0.50	8.69
Electricity, gas, steam and air-conditioning supply	8.13	0.83	-6.14	-1.84	0.93
Water supply	1.08	0.90	8.17	0.36	22.70
D-PPI (MIGs Classification)					
Intermediate Goods		0.21	4.51	0.68	6.12
Durable Consumption Goods		-0.02	11.37	-0.03	8.89
Durable Consumption Goods (Excl. Jewelry)		0.02	3.46	0.08	12.31
Non-Durable Consumption Goods		0.05	7.44	0.63	5.47
Capital Goods		2.49	-6.58	-0.72	-2.16
Energy		0.41	3.41	0.25	6.73

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.