

MAY PRICE DEVELOPMENTS

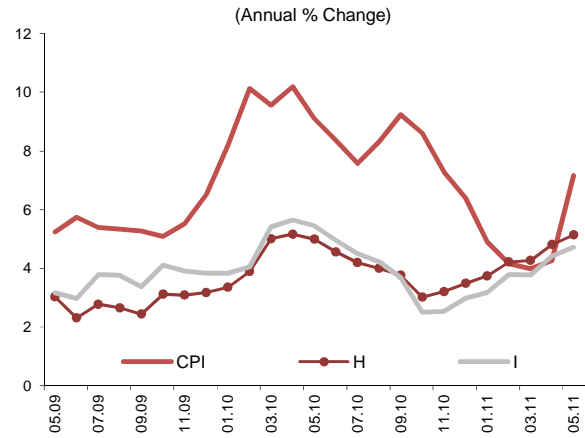
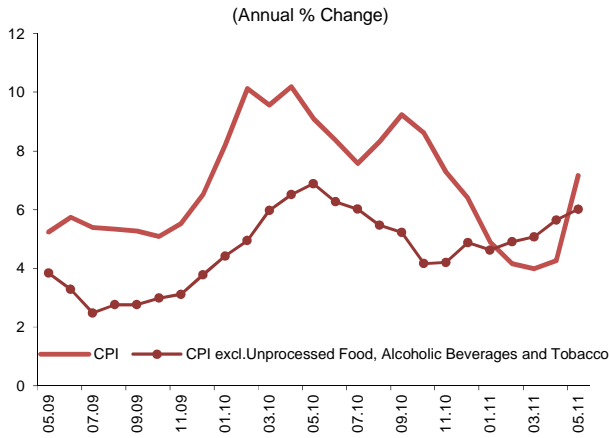
JUNE 6, 2011

SUMMARY ...

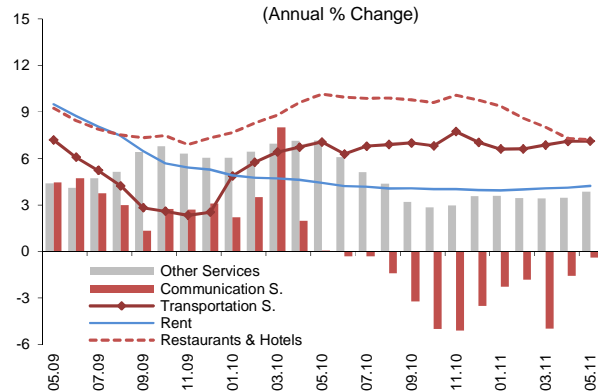
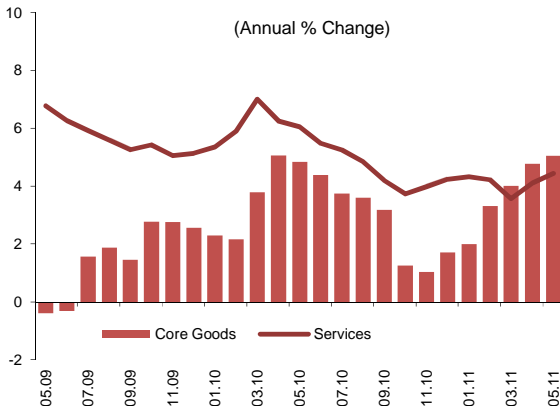
In May, consumer prices increased by 2.42 percent, and annual inflation rose to 7.17 percent. As noted in the summary of the MPC Meeting, this increase was largely due to base effects and the sharp rise in fresh fruit prices driven by seasonal variations. On the other hand, the increase in core inflation indicators was subdued as expected. Inflation is expected to decline again following the downward correction in fruit prices in June.

... EVALUATIONS ...

In May, consumer prices were up 2.42 percent, while annual inflation surged to 7.17 percent. The rate of increase in the CPI excluding energy, unprocessed food, alcoholic beverages, tobacco and gold (SCA-H) rose to 5.14 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) rose to 4.72 percent year-on-year.



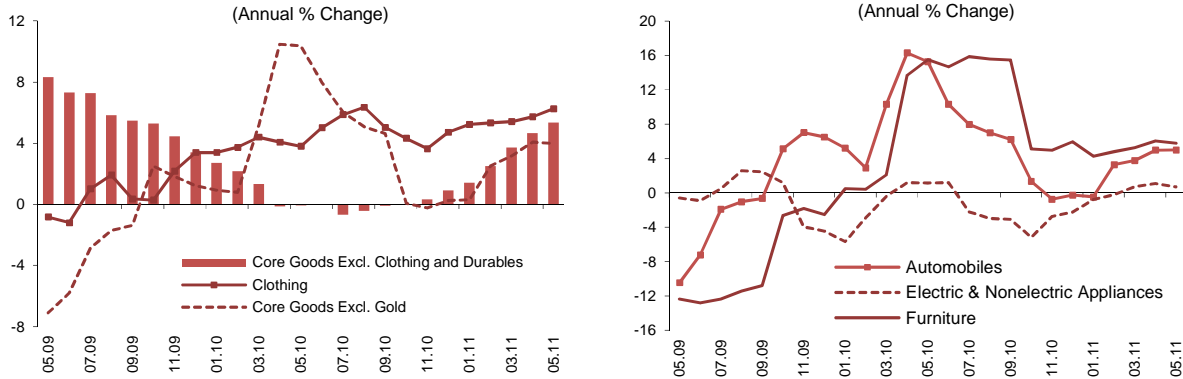
Prices of services rose by 0.40 percent, pushing annual services inflation up by 0.33 percentage points to 4.44 percent. This increase in annual services inflation was driven by rising private school tuitions and the continued base effect from communication prices. Annual rental inflation remained low, while annual restaurants and hotels inflation fell slightly. Although higher fuel prices continue to drive prices of transport services up, annual transport inflation remains unchanged month-on-month. All in all, despite the small increase in annual services inflation, prices of services remain moderate in seasonally adjusted terms.



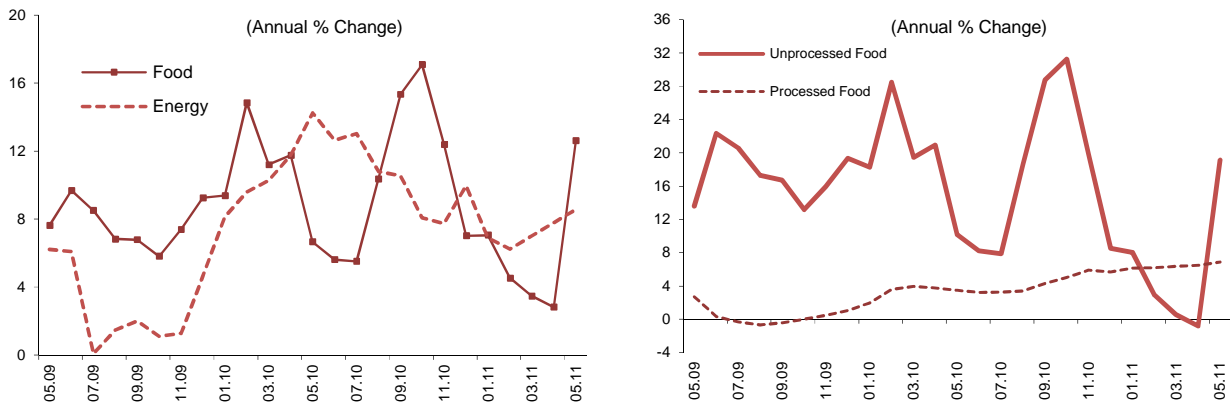
MAY PRICE DEVELOPMENTS

JUNE 6, 2011

Core goods inflation (excluding food, energy, alcoholic beverages, tobacco and gold) rose to 5.05 percent year-on-year. After sharp increases in previous months, prices of durable goods (excluding gold) flattened out in May following the deceleration in furniture and automobile prices and the fall in prices of white goods. Items other than durable goods were slightly up.



Energy prices increased by 0.82 percent amid higher domestic fuel and LPG prices reflecting exchange rate developments, despite lower international oil prices. Annual energy inflation surged by 0.78 percentage points to 8.57 percent.



Across food and nonalcoholic beverages, prices were up 4.71 percent, while annual inflation soared by 9.78 percentage points to 12.61 percent. This marked increase was basically driven by rising fruit prices. In May, prices of fresh fruits rose by a whopping 76.12 percent month-on-month, well above previous period averages, as cherry and plum entered the index at very high prices due to supply issues. With the additional pressure from the measuring methodology using variable monthly weights, these price increases can have a larger impact on consumer prices. This impact has been evidenced by extreme prices in May owing to the delayed supply of cherry caused by adverse weather conditions. Hence, cherry and plum added about 1.3 percentage points to consumer prices in May. It should be noted that this effect will reverse in June.

MAY PRICE DEVELOPMENTS

JUNE 6, 2011

	Monthly Percent Change		Annual Percent Change	
	May 2011	May 2010	May 2011	May 2010
CPI	2.42	-0.36	7.17	9.10
1. Goods	3.14	-0.51	8.16	10.19
Energy	0.82	0.09	8.57	14.24
Food and non-alcoholic beverages	4.71	-4.38	12.61	6.66
Unprocessed food	9.77	-8.61	19.12	10.18
Fresh fruits and vegetables	22.06	-15.08	40.28	-2.27
Other unprocessed food	1.08	-4.14	5.63	19.00
Processed food	0.18	-0.18	6.86	3.49
Bread and cereals	0.10	-1.12	8.08	-2.03
Other processed food	0.22	0.36	6.18	6.88
Goods excluding energy and food	2.89	2.69	4.37	11.40
Core goods	3.48	3.20	5.05	4.84
Durable goods	0.41	0.77	5.65	11.87
Durable goods (excluding gold)	0.06	0.17	3.98	10.37
Alcoholic beverages and tobacco	-0.01	-0.01	-1.51	42.96
Gold	5.15	8.59	27.46	28.96
2. Services	0.40	0.08	4.44	6.05
Rents	0.34	0.22	4.24	4.44
Restaurants and hotels	0.81	0.90	7.20	10.16
Transport	0.55	0.54	7.10	7.06
Communication	-0.49	-1.65	-0.41	0.06
Other*	0.53	0.13	3.86	7.17
3. Core Measures				
CPI excluding unprocessed food, alcoholic beverages and tobacco	1.44	1.09	6.01	6.89
SCA-H	1.55	1.23	5.14	5.00
SCA-I	1.89	1.60	4.72	5.46

Source: TurkStat, CBRT.

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

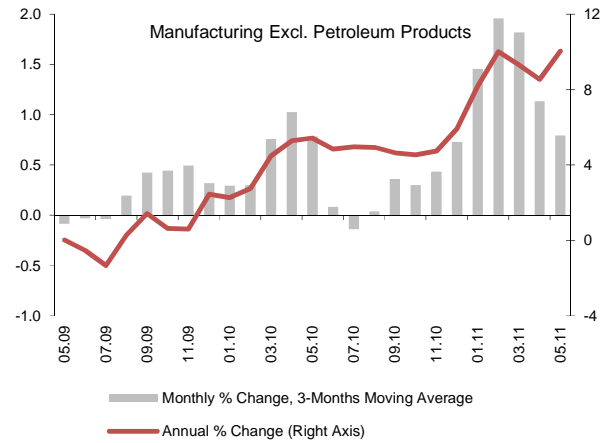
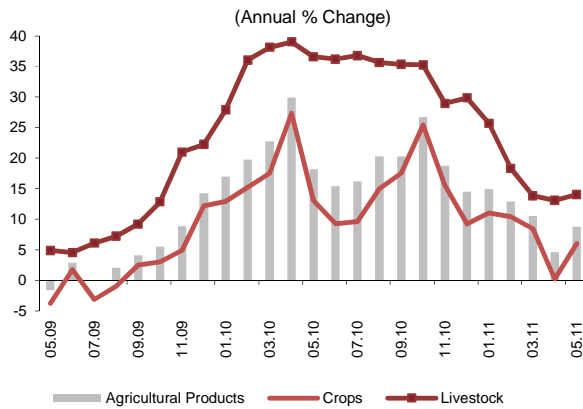
Among processed food items, prices of fats and oils continued to rise in May, albeit at a slower pace, whereas prices of confectionery products and nonalcoholic beverages soared. Yet, falling meat and dairy prices put a cap on increases in processed food prices. Thus, annual processed food inflation increased by 0.38 percentage points to 6.86 percent.

MAY PRICE DEVELOPMENTS

JUNE 6, 2011

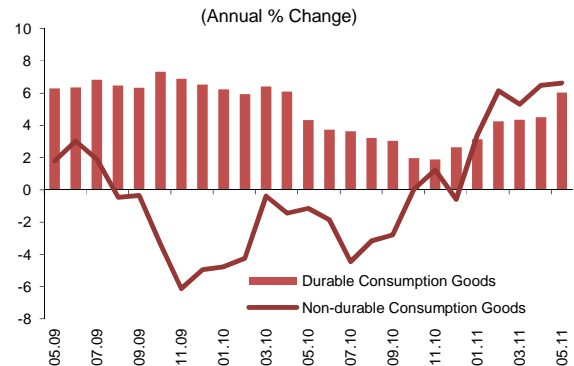
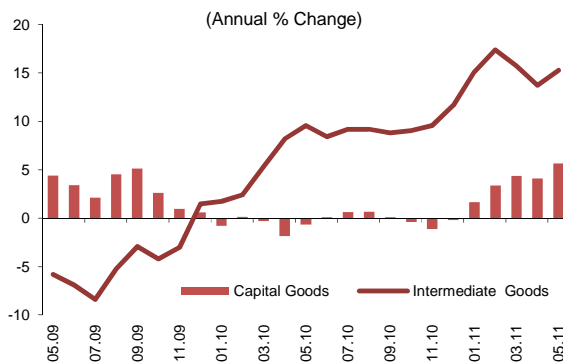
... PPI ...

In May, producer prices were up 0.15 percent, while annual PPI inflation rose to 9.63 percent. In the agricultural sector, prices dropped by 1.93 percent, whereas annual inflation rose by 4.14 percentage points on low base effects to 8.73 percent. Meanwhile, wheat, cotton and sunflower prices have fallen.



Prices were up across the manufacturing industry in May, reflecting the cumulative effects of rising international commodity prices and exchange rate developments. In the manufacturing sector, prices increased by 1.16 percent, while annual inflation surged to 11.27 percent.

Prices were up across all subcategories of Main Industrial Groupings (MIGs), excluding energy. Prices of intermediate goods increased by 1.37 percent amid soaring prices of base metals, while prices of capital goods were up on higher producer prices for machinery and equipment and electrical machinery. Similarly, prices of non-durable goods increased by 0.96 percent due to rising producer prices for apparels, while prices of durable goods rose by 0.92 percent on higher furniture prices.



MAY PRICE DEVELOPMENTS

JUNE 6, 2011

... TABLES

May CPI and Subcategories (Percent Change)					
	Weight	2011		2010	
		Monthly	Annual	Monthly	Annual
CPI	100	2.42	7.17	-0.36	9.10
Food and nonalcoholic beverages	26.78	4.71	12.61	-4.38	6.66
Alcoholic beverages and tobacco	5.90	-0.01	-1.51	-0.01	42.96
Clothing and footwear	7.22	11.68	6.23	11.16	3.81
Housing	16.46	0.54	5.02	0.39	8.63
Household equipment	6.93	0.26	7.40	0.15	3.58
Health	2.40	0.11	0.70	-0.02	0.42
Transport	15.15	0.63	8.69	-0.03	13.79
Communication	4.64	-0.47	-0.29	-1.34	0.46
Recreation and culture	2.70	0.99	-0.20	-0.46	5.29
Education	2.32	1.14	5.19	0.60	5.90
Restaurants and hotels	5.89	0.81	7.20	0.90	10.16
Miscellaneous goods and services	3.61	1.47	7.68	1.97	10.84

Source: TurkStat.

May PPI and Subcategories (Percent Change)					
	Weight	2011		2010	
		Monthly	Annual	Monthly	Annual
PPI	100	0.15	9.63	-1.15	9.21
Agriculture	17.49	-1.93	8.73	-5.66	18.17
Crops, fruits and vegetables	12.23	-2.58	6.02	-7.92	13.06
Livestock and animal products	4.52	-0.16	14.03	-1.01	36.56
Industry	82.51	0.61	9.84	-0.08	7.34
Mining	3.10	0.84	14.00	2.82	11.06
Manufacturing	70.68	1.16	11.27	-0.31	7.53
Manufacturing excluding petroleum	67.56	1.13	10.04	-0.26	5.43
Manufacturing excluding petroleum and base metals	61.66	0.80	9.07	-0.02	3.52
Electricity, gas and water	8.73	-4.47	-3.40	1.13	1.07

Source: TurkStat, CBRT.

PPI by MIGs (Monthly Percent Change)														
	May 10	Jun 10	Jul 10	Aug 10	Sept 10	Oct 10	Nov 10	Dec 10	Jan 11	Feb 11	Mar 11	Apr 11	May 11	Annual
Intermediate goods	0.00	-0.50	0.49	0.79	0.83	-0.22	1.14	2.80	3.39	2.67	1.61	0.02	1.37	15.27
Capital goods	-0.59	0.10	0.12	-0.18	0.04	-0.45	-0.10	0.81	1.66	2.09	1.56	-0.99	0.91	5.64
Durable goods	0.78	0.16	-1.64	0.49	0.13	1.23	1.20	-1.39	3.63	1.71	-0.52	0.62	0.92	6.62
Non-durable goods	-0.49	-0.51	0.29	-0.27	0.74	0.17	0.13	0.72	0.61	1.62	0.84	0.59	0.96	6.03
Energy	0.47	-0.93	0.68	2.45	-0.01	0.15	0.61	4.27	2.44	-1.04	2.25	-0.56	-2.12	8.31

Source: TurkStat, CBRT.

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