

JUNE PRICE DEVELOPMENTS



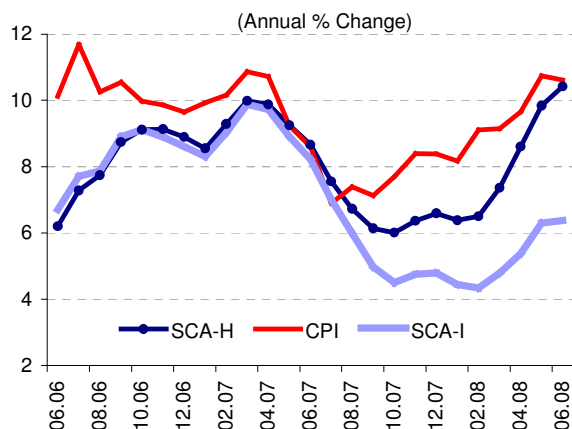
The Central Bank of Turkey

4 July 2008

SUMMARY...

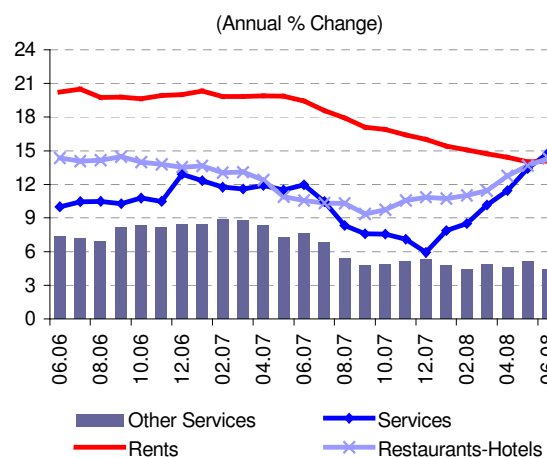
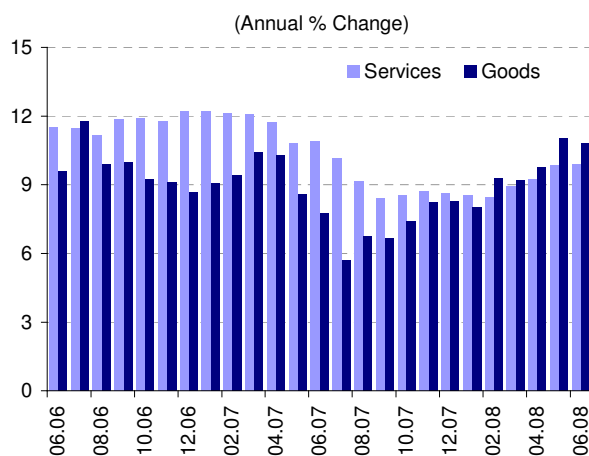
In June, consumer prices were down 0.36 percent, bringing annual inflation down to 10.61 percent on the back of a correction in unprocessed food prices despite skyrocketing processed food and energy prices. The surge in food and energy prices accounts for 6.80 percentage points of annual inflation as of June. The annual rate of increase in prices for catering and transport services continues to accelerate due to escalating food and energy prices, while prices for other services are relatively flat. On balance, annual inflation is expected to remain elevated in the months ahead, driven by the base effect; but might be back on a steady downward track by the final quarter of the year.

...EVALUATIONS...



In June, consumer prices decreased by 0.36 percent, bringing annual CPI inflation down to 10.61 percent. The annual growth rate of the CPI index excluding energy, unprocessed food, alcoholic beverages, tobacco products and gold (SCA-H) surged to 10.42 percent on soaring processed food prices. In fact, with a further exclusion of processed food prices, the index (SCA-I) remained quite unchanged from May, at 6.37 percent.

Prices of goods dropped by 0.90 percent thanks to falling unprocessed food prices, whereas prices of services were up 1.23 percent. Inflation in services hardly changed, reaching an annual rate of 9.91 percent; but in goods, it went down to 10.85 percent year-on-year.



Prices for catering services continued to rise in June, albeit at a slower pace. In contrast, prices for transport services jumped by 2.35 percent, hitting an annual rate of 14.8 percent. Prices for education and communication saw a seasonal spike in June, while rents were up 1.09 percent, remaining flat at 14 percent year-on-year.

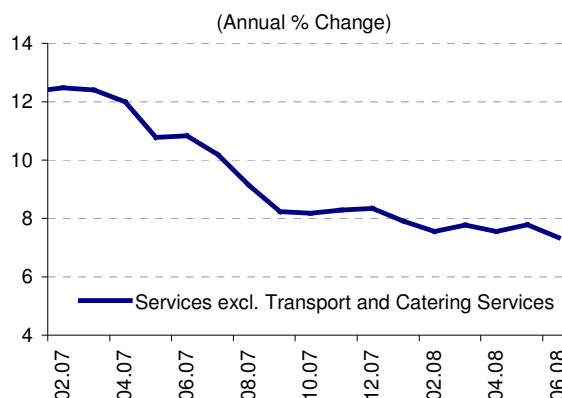
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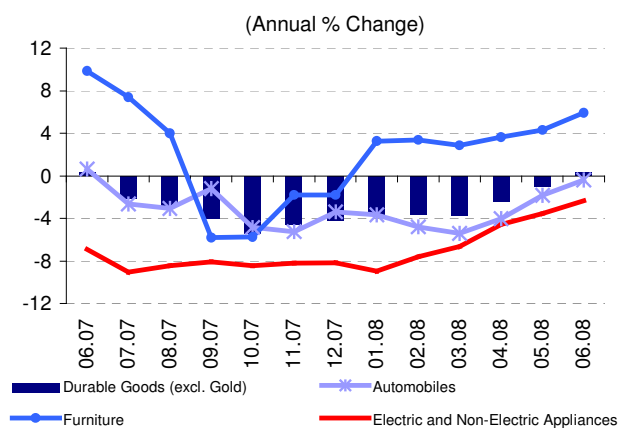
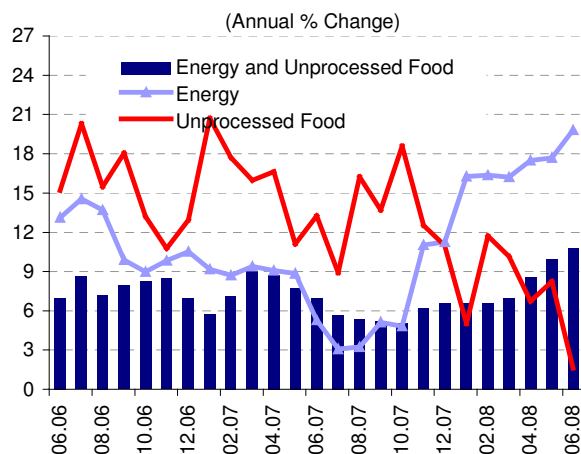
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The ongoing surge in prices for transport and catering services, driven by soaring food and energy prices, curbs the decline in services inflation. In fact, the annual rate of increase in prices for services other than transport and catering fell 0.4 percentage points to 7.35 percent in June.



Energy prices increased by 1.75 percent amid rising fuel prices, pushing the annual inflation in energy prices up to 19.80 percent. Energy prices are expected to put further pressure on inflation in July. Given the automatic price adjustment mechanism that has been in effect since July 1, new electricity tariffs are likely to add about 0.5 percentage points to CPI inflation.

The annual inflation in prices of goods excluding energy and unprocessed food surged to 10.79 percent, largely due to a higher annual rate of increase in prices of processed food and durable goods. The annual inflation in clothing prices, on the other hand, went down by 1.75 percentage points from May to 2.86 percent in June.



Prices for durable goods (excluding gold) rose by 0.64 percent. In sub-groups, prices of automobiles and electric and non-electric appliances increased by a slower 0.27 and 0.44 percent month-on-month, respectively, whereas furniture prices surged by 1.41 percent. Gold prices, on the other hand, went down by 1.45 percent.

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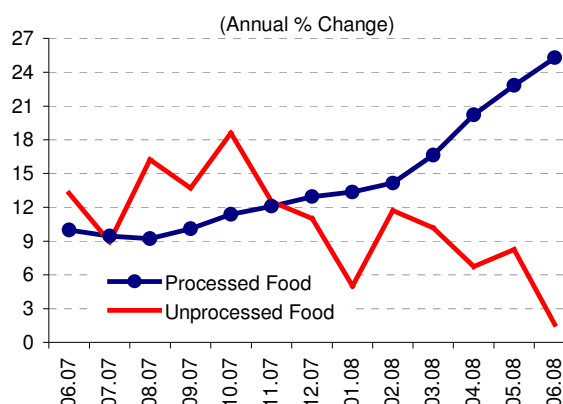
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	Monthly Percentage Change		Annual Percentage Change	
	June 2008	June 2007	June 2008	June 2007
CPI	-0.36	-0.24	10.61	8.60
1. Goods	-0.90	-0.74	10.85	7.75
Energy	1.75	-0.03	19.80	5.28
Unprocessed Food	-9.99	-4.10	1.60	13.25
Goods excl. Energy and Unprocessed Food	0.89	0.08	10.79	6.97
Durable Goods	0.45	-0.93	2.49	-0.77
Durable Goods excl. Gold	0.64	-0.69	0.30	0.32
Semi-Durable Goods	0.98	0.42	12.05	6.43
Non-Durable Goods	-2.59	-1.50	12.09	10.96
2. Services	1.23	1.18	9.91	10.90
Rent	1.09	1.05	14.07	19.44
Restaurants and Hotels	1.11	0.53	14.32	10.58
Transport Services	2.35	1.13	14.79	11.97
Other Services	0.97	1.61	4.45	7.58

Source: TURKSTAT, CBRT.

Unprocessed food prices posted a decline of 9.99 percent, faster than seasonal averages, in June, lowering the group's annual inflation to 1.60 percent. The decline in unprocessed food prices can largely be attributed to fresh fruit and vegetable prices that dropped by a remarkable 21.69 percent due to reduced exports. The 50 percent fall in tomato prices was a key driver of that decline.



Processed food prices rose further in June, up 2.15 percent month-on-month to an annual rate of 25.30 percent, boosted by the inflation in bread and cereals prices that hit a monthly rate of 4.11 percent and a year-on-year rate of 33.14 percent.

...PPI...

PPI increased by 0.32 percent in June to 17.03 percent year-on-year. Rising prices of industrial products contributed 0.85 percentage points, while prices of agricultural products added -0.53 percentage points to the index's performance.

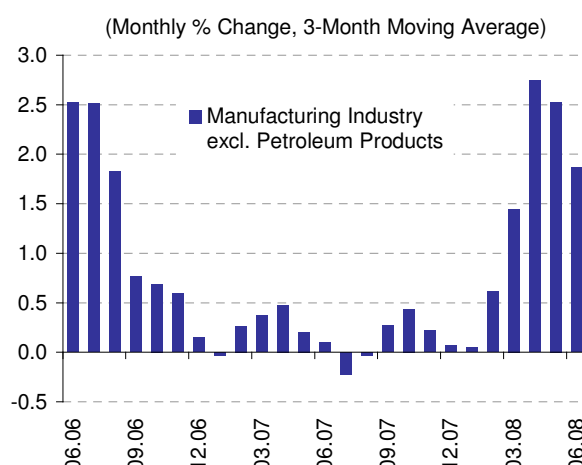
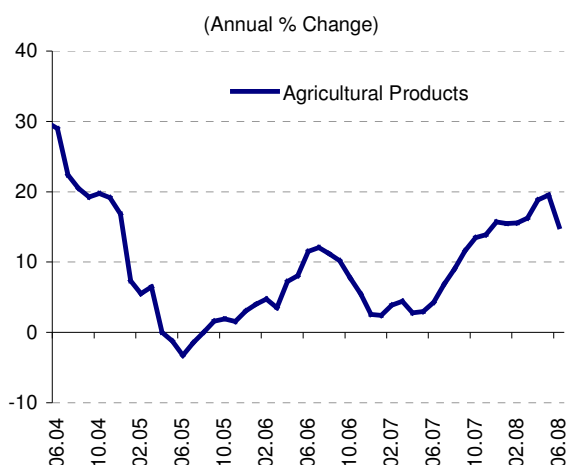
The increase in manufacturing industry prices amounted to 1.43 percent in June, but was reduced to 0.79 percent, however, excluding the contribution from prices of petroleum products that rose by 5.25 percent. The steep rise in base metal prices since January continued into June at a slower pace, pushing the sector's prices up by 4.99 percent from May. In contrast, prices in industries such as food products, motor vehicles and furniture have declined month-on-month.

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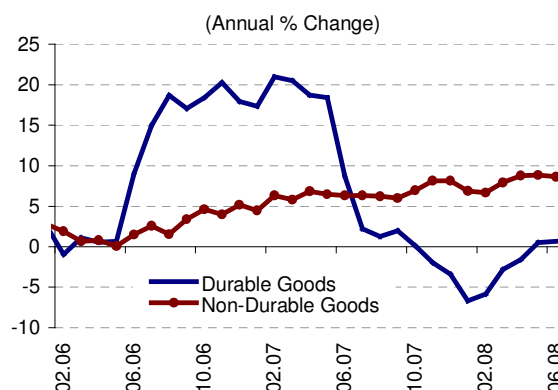
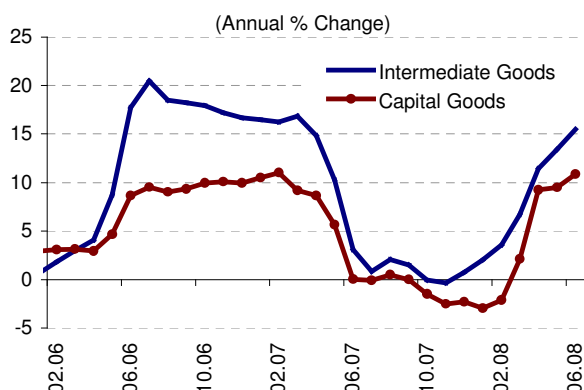


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As reported by the PPI analysis based on MIGS classification, in June, prices of non-durables remained unchanged, prices for durables decreased, and prices for all other items remained on an upward track. Prices of intermediate goods continued to increase due to higher prices of base metals that accounted for 10.44 points of the 16.76 percent surge in intermediate goods during January-June. Besides, falling prices of furniture and brown goods drive prices of durable goods lower, but higher prices of white goods put an upward pressure on them.



PPI Developments According to MIGS Classification

Monthly Percentage Change

	Jul-07	Agu-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jan-Jun*
Intermediate Goods Prices	-0.63	0.72	0.06	-1.13	-0.64	0.53	1.18	1.66	4.30	4.90	2.03	1.69	16.76
Capital Goods Prices	-0.27	0.43	-0.22	-0.59	-0.64	0.75	0.44	1.23	2.84	6.71	-0.42	0.32	11.47
Durable Goods Prices	-2.02	1.01	0.23	-0.02	-1.17	-1.90	-2.00	0.90	2.74	0.75	2.60	-0.30	4.69
Non-Durable Goods Prices	0.13	0.13	2.13	1.88	0.84	0.14	-1.15	1.63	0.86	2.08	-0.33	0.02	3.12
Energy Prices	1.84	2.68	-0.32	-2.94	6.68	-0.86	0.60	7.74	7.85	8.56	5.29	2.06	36.35

Source: TURKSTAT, CBRT.
*6-Month Cumulative Increase.

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...TABLES

June CPI and Sub-Items (Percentage Change)					
	Weight	2008		2007	
		Monthly	Annual	Monthly	Annual
CPI	100	-0.36	10.61	-0.24	8.60
Food and Non-Alcoholic Beverages	28.63	-3.40	13.96	-1.94	11.52
Alcoholic Beverages and Tobacco	5.00	0.01	6.84	0.02	10.20
Clothing and Footwear	8.07	-0.41	2.86	1.30	7.15
Housing	16.60	1.30	16.30	0.39	10.86
Household Equipments	7.42	1.04	6.22	0.24	11.18
Health	2.54	0.11	-0.41	0.07	4.71
Transport	12.59	1.62	11.64	-0.17	4.00
Communication	4.30	0.66	-1.27	1.41	0.76
Recreation and Culture	2.81	0.70	2.04	1.31	2.76
Education	2.24	2.39	6.86	2.22	8.20
Restaurants and Hotels	5.64	1.11	14.32	0.53	10.58
Miscellaneous Goods and Services	4.16	0.20	10.61	-0.62	2.93

Source: TURKSTAT.

June PPI and Sub-Items (Percentage Change)					
	Weight	2008		2007	
		Monthly	Annual	Monthly	Annual
PPI	100	0.32	17.03	-0.11	2.89
Agriculture	19.84	-2.73	15.02	1.06	4.30
Industry	80.16	1.06	17.51	-0.39	2.56
Mining	1.62	3.17	27.26	0.24	5.00
Manufacturing	73.33	1.43	17.19	-0.24	1.92
Energy	5.21	-4.10	18.96	-2.32	11.28

Source: TURKSTAT.

Price Developments are published within two working days 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.