

JULY PRICE DEVELOPMENTS



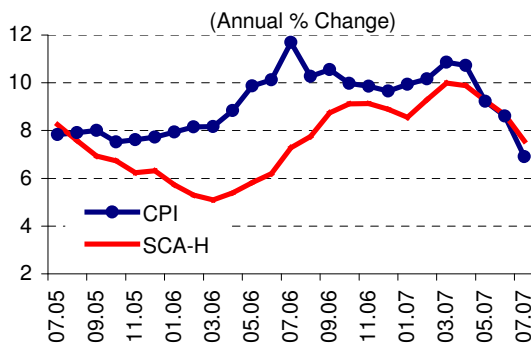
Central Bank of the Republic of Turkey

6 August 2007

SUMMARY...

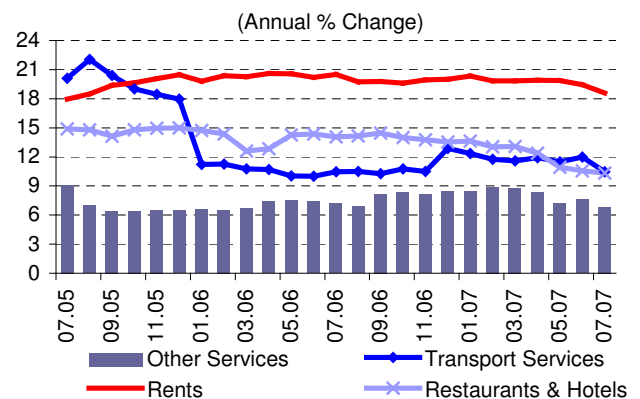
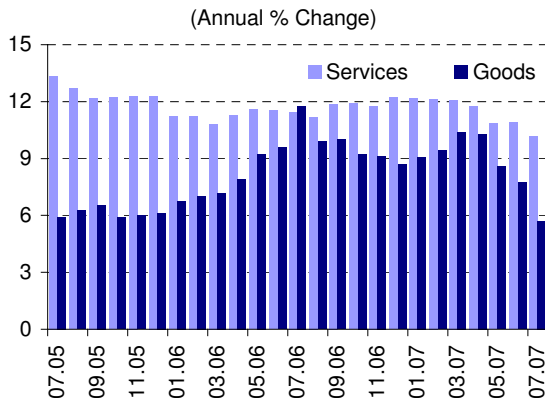
In July, consumer prices decreased by 0.73 percent, bringing annual inflation down to 6.90 percent. The slowdown in the annual rate of increase in services prices became more pronounced and the downward trend in prices of durables accelerated, making the lagged effects of the strong monetary tightening more evident. Although risks pertaining to unprocessed food and energy prices still persist, headline inflation is forecast to edge lower in the upcoming period.

...EVALUATIONS...



The downfall in annual inflation for the last four months was equivalent to 4 percentage points. The annual inflation of the Special CPI Aggregate excluding energy, unprocessed food products, alcoholic beverages, tobacco products and gold (SCA-H) saw a stronger deceleration in July.

Prices of goods decreased by 1.17 percent whereas prices of services rose by 0.48 percent. Annual inflation in services declined to 10.18 percent, and in goods, to 5.71 percent.



Services prices displayed a remarkable slowdown. The increase in rents fell behind year-ago levels of July (to 1.43 percent), with an annual inflation rate down by 0.9 percentage points from June. The annual inflation in restaurants-hotels and transport services also declined. On the other hand, recreation-culture and household services were the only sub-items of services to display annual inflation hikes, while the annual inflation of the rest eased off. Prices of package holidays under recreational and cultural services saw a seasonal upswing, but the rate cut in domestic calls under communication had a notably positive impact on inflation. Annual services inflation decreased by 2 percentage points during the first seven months.

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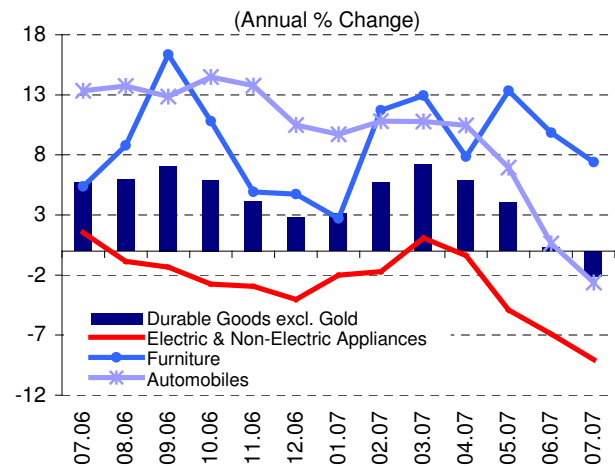
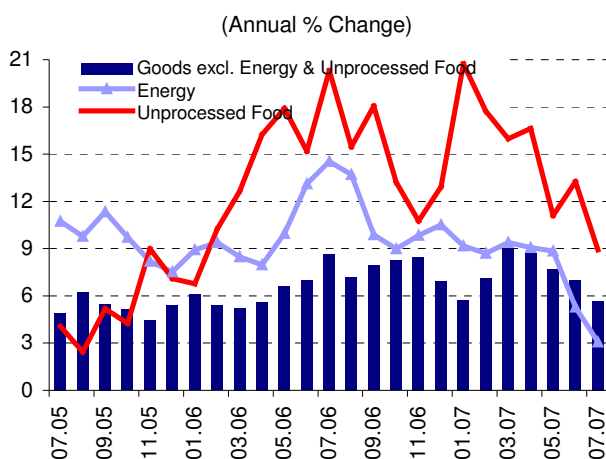


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Despite soaring oil prices, the strong Turkish lira pushed fuel prices lower in July. Besides, energy prices of the housing group continued to moderate. As a result, prices of the energy group were driven down by 0.11 percent.

Apart from energy and unprocessed food, prices of durables continued to plunge, and clothing and footwear prices declined.



Prices of durables (excluding gold) decreased by 0.27 percent down from June to -2.15 percent per annum. Prices of all sub-items of durable goods went down in July. In particular, prices of electric and non-electric appliances and automobiles displayed a regular downfall for the last three months, equaling an annual inflation rate of -9.05 percent and -2.63 percent, respectively.

	Monthly Percentage Change		Annual Percentage Change	
	July 2007	July 2006	July 2007	July 2006
CPI	-0.73	0.85	6.90	11.69
1. Goods	-1.17	0.74	5.71	11.76
Energy	-0.11	2.04	3.07	14.54
Unprocessed Food	-2.33	1.56	8.92	20.30
Goods excl. Energy and Unprocessed Food	-1.15	0.08	5.66	8.63
Durable Goods	-0.34	2.82	-3.82	14.89
Durable Goods excl. Gold	-0.27	2.25	-2.15	5.68
Semi-Durable Goods	-2.42	-0.56	4.44	9.22
Non-Durable Goods	-0.51	1.19	9.09	12.86
2. Services	0.48	1.13	10.18	11.45
Rent	1.43	2.17	18.58	20.49
Restaurants and Hotels	0.48	0.71	10.33	14.07
Transport Services	0.89	2.26	10.47	10.46
Other Services	-0.03	0.66	6.84	7.19

Source: TÜRKSTAT, CBRT.

The annual rate of increase in clothing and footwear prices declined to 6.26 percent, leaving the gradual first-half rise behind.

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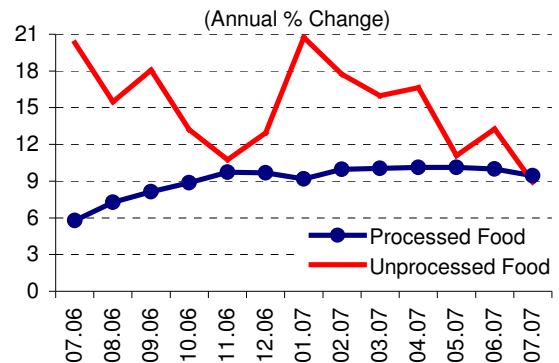


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Annual inflation in unprocessed food prices fell by 4.5 percentage points to 8.92 percent, mainly on the continued correction in fruit prices. Vegetable prices, however, continued to climb in annual terms.

Processed food prices, on the other hand, increased by 0.80 percent. Although annual inflation in this group moderated thanks to the base effect, price increase were above those observed from March to June. As regards sub-items, prices of grains and dairy products were particularly high through July.

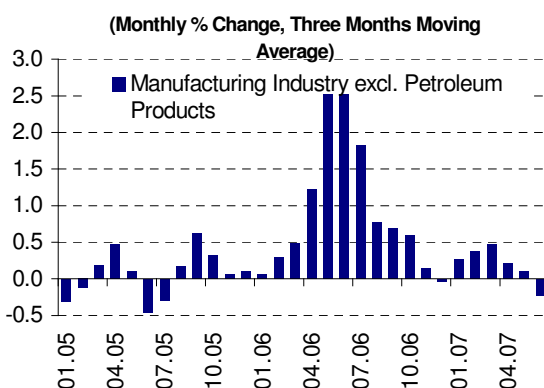


In sum, thanks to last year's base effect, annual inflation in food prices descended in July. However, temperatures above seasonal averages, water shortages, and the resulting production losses continue to pose a risk on food prices in the upcoming period.

Turk Telecom cut local call rates in mid-July, which had a partially positive impact on consumer prices. Considering its date of effect, the rate cut's impact on consumer inflation might be well observed in August. These developments and the falling phone prices reduced communication group prices by 1.41 percent in July, to -0.85 percent per annum.

The downfall in prices of seasonal products (clothing and footwear and unprocessed food) affected consumer prices. However, as regards special CPI aggregate index excluding seasonal products (SCA-A), the 0.21 percent rise in July is well below year-ago levels. Annual inflation in all special aggregates shifted down mainly on the favorable developments in services and durables. Considering SCA-H, the downward trend in the annual rate of increase became more discernable and the seasonally adjusted monthly rate of increase continued to slow down.

PPI increased by 0.06 percent in July, whereas manufacturing industry prices fell by 0.27 percent. Annual PPI inflation dropped to 2.06 percent.



Prices of coke coal and refined petroleum products rose by 0.90 percent over the previous month, while manufacturing industry prices excluding petroleum products fell by 0.41 percent, driven by the falling prices of textiles, basic metals and machinery-equipment, which altogether suggest that cost-push factors, except oil, contribute to disinflation.

Analyzing the PPI by the MIGS classification, prices of all items but non-durables and energy declined in July. The increase in non-durables was due to price hikes in food production. On

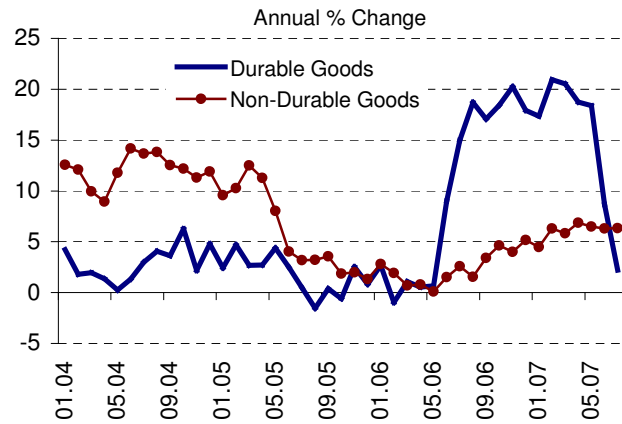
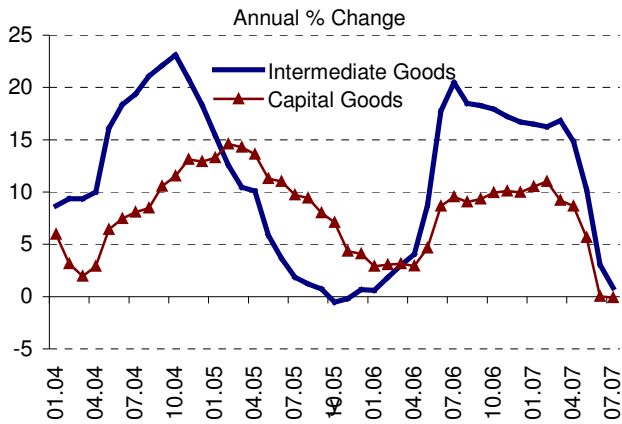
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the other hand, prices of intermediate, capital and durable consumer goods continued to slow down.



PPI Developments According to MIGS Classification

Monthly Percentage Change

	Jul-06	Agu-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07
Intermediate Goods Prices	1.55	-0.46	0.62	0.37	-0.34	-0.57	-0.08	0.12	1.24	0.44	0.27	-0.13	-0.63
Capital Goods Prices	-0.15	-0.17	0.28	0.91	0.40	0.53	1.11	0.34	-1.41	-0.25	-0.64	-0.93	-0.27
Durable Goods Prices	4.16	1.97	-0.50	1.85	0.94	-0.43	1.43	0.02	-0.48	-0.49	0.44	-0.46	-2.02
Non-Durable Goods Prices	0.13	0.24	2.35	0.96	-0.26	0.13	0.03	1.82	-0.30	1.28	-0.38	0.20	0.13
Energy Prices	4.11	-4.28	-8.60	-2.32	-1.80	1.53	-3.82	0.64	6.04	2.12	-0.54	-1.36	1.84

Source: TÜRKSTAT, CBRT.

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...TABLES

July CPI and Sub-Items (Percentage Change)					
	Weight	2007		2006	
		Monthly	Annual	Monthly	Annual
CPI	100	-0.73	6.90	0.85	11.69
Food and Non-Alcoholic Beverages	28.47	-0.71	9.19	1.41	12.05
Alcoholic Beverages and Tobacco	5.06	0.03	10.23	0.01	28.59
Clothing and Footwear	7.86	-7.71	6.26	-6.93	0.59
Housing	16.62	0.55	9.55	1.76	14.22
Household Equipments	7.22	0.23	8.38	2.82	5.70
Health	2.66	0.10	5.79	-0.93	3.01
Transport	11.60	-0.03	1.07	2.87	14.79
Communication	4.41	-1.41	-0.85	0.18	4.09
Recreation and Culture	3.16	0.24	1.76	1.24	3.26
Education	2.15	0.72	7.81	1.08	7.22
Restaurants and Hotels	6.40	0.48	10.33	0.71	14.07
Miscellaneous Goods and Services	4.39	-0.22	0.32	2.38	22.75

Source: TÜRKSTAT.

July PPI and Sub-Items (Percentage Change)					
	Weight	2007		2006	
		Monthly	Annual	Monthly	Annual
PPI	100	0.06	2.08	0.86	14.34
Agriculture	18.17	0.38	6.83	-2.00	12.07
Industry	81.83	-0.01	1.02	1.52	14.67
Mining	1.49	0.47	1.14	4.30	19.96
Manufacturing	74.49	-0.27	0.14	1.08	5.91
Energy	5.85	3.41	13.83	0.86	14.34

Source: TÜRKSTAT.

Price Developments are published within two working days following the announcement of price statistics by the Turkish Statistical Institute (TÜRKSTAT). Price Developments, which include the 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.