

# JUNE PRICE DEVELOPMENTS



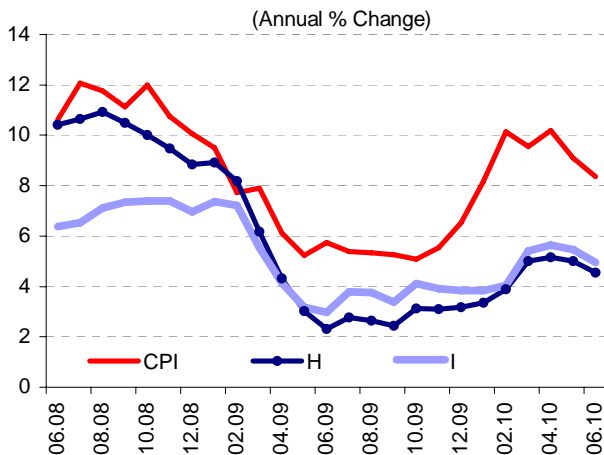
Central Bank of Turkey

July 6, 2010

## SUMMARY...

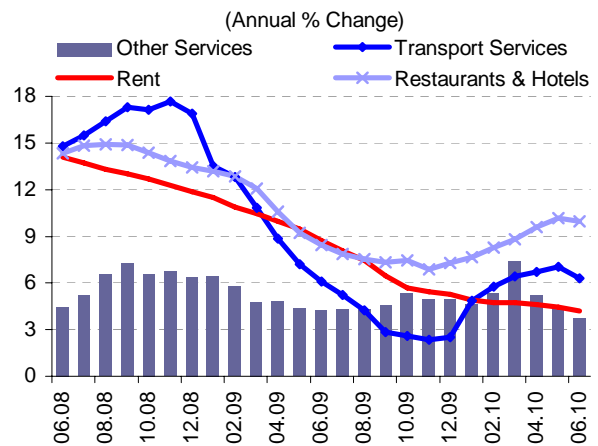
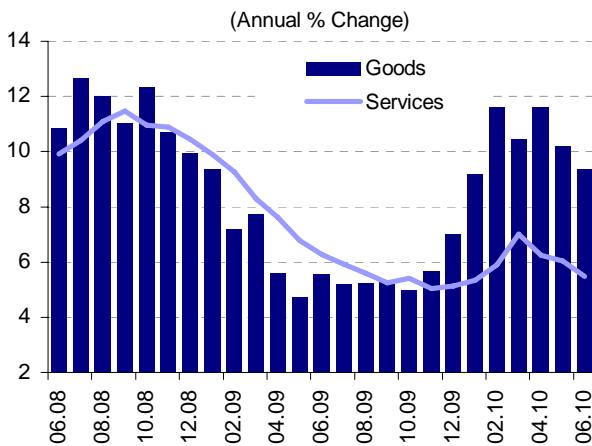
In June, consumer prices decreased by 0.56 percent, pushing inflation down by 0.73 percentage points to 8.37 percent. As stated in the summary of the June's Monetary Policy Committee Meeting, the decline in annual food inflation continued and the fall in annual services inflation became more evident. On balance, core inflation indicators remained in line with medium-term targets.

## ...EVALUATIONS...



In June, consumer prices were down 0.56 percent, driving inflation lower by 0.73 percentage points to 8.37 year-on-year. The rate of increase in the CPI index excluding energy, unprocessed food, alcoholic beverages, tobacco and gold (SCA-H) declined to 4.56 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) fell to 4.95 percent year-on-year.

Prices were down 0.83 percent in goods and up 0.20 percent in services. Accordingly, annual inflation dropped to 9.39 percent and 5.48 percent in goods and services, respectively.



Annual services inflation further declined in June. The favorable impact of the fall in meat prices on catering prices became apparent. While the deceleration in services inflation spread across all subcategories, annual rent inflation continued to trend steadily down.

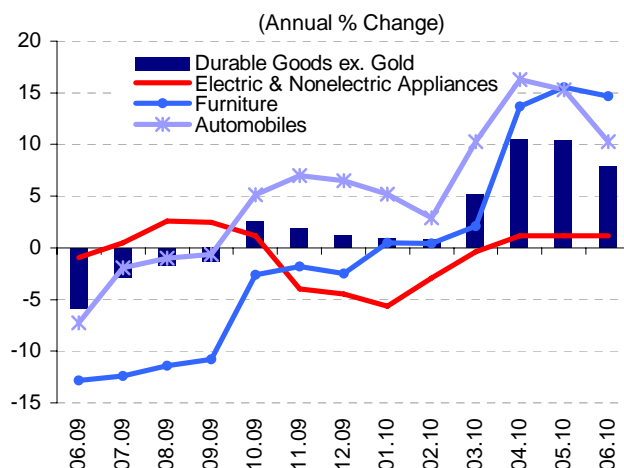
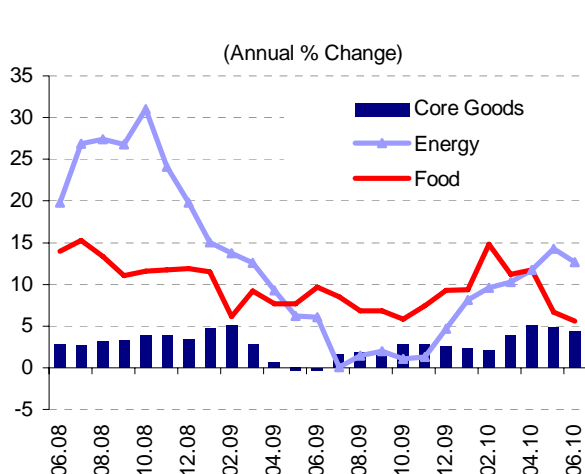
Energy prices were up 0.20 percent in June, while group annual inflation decreased to 12.63 percent. Solid fuel and tap water prices (1.7 percent) continued to soar, as in May, whereas fuel oil prices posted a decline in parallel to the international prices.

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Annual inflation in core goods (goods excluding food, energy, alcoholic beverages, tobacco and gold) decreased by 0.46 percentage points to 4.38 percent, largely due to the base effect from the tax cuts on certain durable goods in 2009. While prices of durable goods (excluding gold) decreased parallel to the prices of automobiles in June, prices in the clothing group posted a slight increase in contrary to June of the last two years. It should be noted that the base effect from last year's tax incentives on durable goods will impose a downside effect on annual core goods inflation in July as well.

The surge in gold prices (5.35 percent) continued in June as well and the annual price increase went above 30 percent. Overall, the contribution of gold prices to annual inflation amounted to about 0.3 percentage points.

	Monthly Percentage Change		Annual Percentage Change	
	June 2010	June 2009	June 2010	June 2009
<b>CPI</b>	<b>-0.56</b>	<b>0.11</b>	<b>8.37</b>	<b>5.73</b>
<b>1. Goods</b>	<b>-0.83</b>	<b>-0.11</b>	<b>9.39</b>	<b>5.56</b>
Energy	0.20	1.63	12.63	6.09
Unprocessed Foods	-4.79	-3.05	8.20	22.35
Processed Food	-0.45	-0.19	3.22	0.32
Goods excl. Energy and Food	0.14	0.44	11.07	1.63
Core Goods	0.00	0.43	4.38	-0.32
Durable Goods	0.23	2.10	9.81	-2.97
ex. Gold	-0.20	2.04	7.95	-5.81
Semi-Durable Goods	0.30	0.67	9.22	4.39
Non-Durable Goods	-1.93	-1.24	9.49	8.95
<b>2. Services</b>	<b>0.20</b>	<b>0.74</b>	<b>5.48</b>	<b>6.27</b>
Rents	0.18	0.40	4.21	8.74
Restaurants and Hotels	0.20	0.38	9.97	8.43
Transport	0.56	1.30	6.29	6.08
Other	0.10	0.87	3.71	4.28

Source: TURKSTAT, CBRT

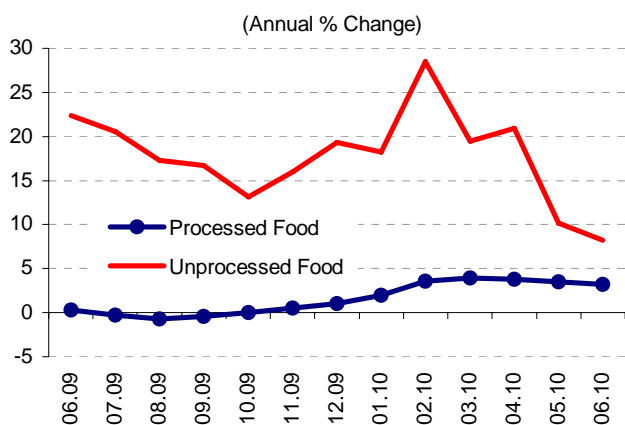
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As noted in the summary of June's Monetary Policy Committee Meeting, the deceleration in annual food inflation has continued into June, bringing food inflation down by 1.04 percentage points to 5.62 percent year-on-year.

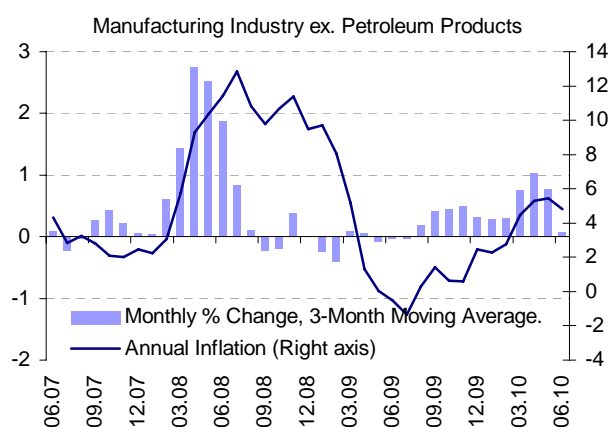
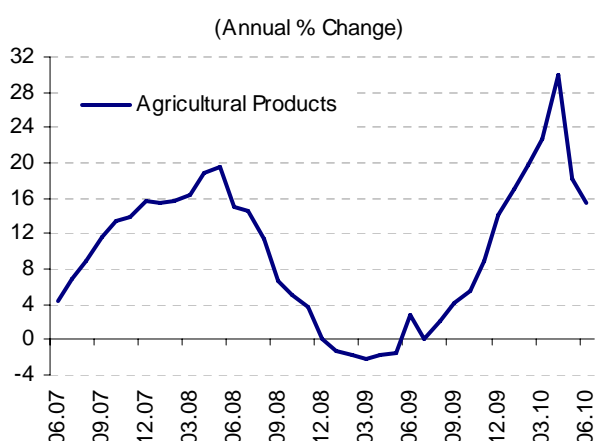


After the marked fall in May, unprocessed food prices once again displayed a significant decline (4.79 percent) in June, spreading across the whole categories. In this period, while fresh fruit and vegetable prices decreased by 6.05 percent, unprocessed meat prices dropped by 3.68 percent pushing unprocessed food inflation down to 8.2 percent year-on-year.

Processed food prices also dropped in June - a trend mainly apparent in solid and liquid fat prices. Processed meat prices displayed a decline for the first time after a steady rise in the last nine months. These developments brought annual inflation in the processed food down to 3.22 percent.

## ...PPI...

Producer prices decreased by 0.50 percent in June, bringing PPI inflation down to 7.64 percent year-on-year. While agricultural prices declined by 0.70 percent amid falling fruit and vegetable prices, manufacturing industry prices fell by 0.50 percent on the back of marked declines in prices for petroleum products and the basic metal industry. Manufacturing industry prices, excluding petroleum and base metal products, remained flat, as in the previous two months.



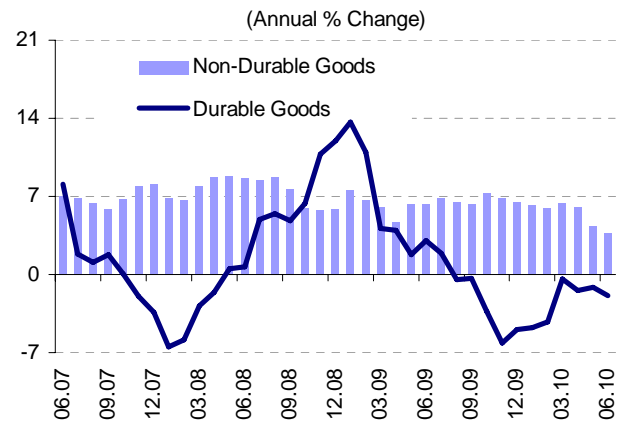
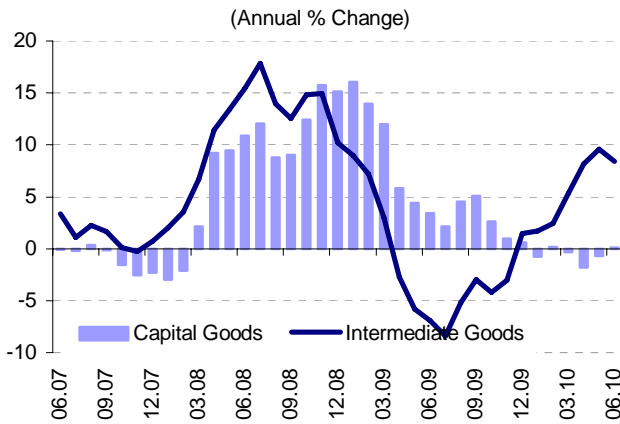
Based on the MIGs classification, while prices decreased in intermediate goods and non-durable goods, prices of capital goods and durable goods rose modestly. Basic metal industry prices were influential in the prices of intermediate goods, whereas the decline in producer prices for meat and meat products continued to affect non-durable goods favorably. In sum, slumps in the prices of international petroleum and metal raw materials as well as domestic agricultural prices were determining in the course of producer prices in June.

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## Changes in PPI based on MIGS Classification

### Monthly Percentage Change

	Jun.09	Jul.09	Aug.09	Sep.09	Oct.09	Nov.09	Dec.09	Jan.10	Feb.10	Mar.10	Apr.10	May.10	Jun.10	Annual
Intermediate goods	0.54	-0.23	0.81	1.16	-0.41	0.63	0.89	0.28	0.66	3.06	1.80	0.00	-0.50	8.42
Capital goods	-0.66	-0.42	-0.24	0.61	0.03	0.67	-0.15	-0.16	0.36	0.59	-0.72	-0.59	0.10	0.08
Durable goods	0.90	1.03	-0.85	-0.26	-1.63	-0.01	0.43	-0.36	-0.92	0.28	-0.48	0.78	0.16	-1.87
Non-durable goods	0.06	0.40	0.13	0.91	1.23	0.20	-0.02	0.12	0.54	0.73	0.45	-0.49	-0.51	3.74
Energy	3.51	-1.36	1.54	-0.54	-0.12	4.31	0.25	0.54	4.88	1.99	0.91	0.47	-0.93	12.39

Source: TURKSTAT, CBRT.

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## ... TABLES

June CPI and Sub-Items (Percentage Change)					
	Weight	2010		2009	
		Monthly	Annual	Monthly	Annual
CPI	100	-0.56	8.37	0.11	5.73
Food and nonalcoholic beverages	27.60	-2.52	5.62	-1.56	9.68
Alcoholic beverages and tobacco	5.31	-0.01	42.93	0.01	7.16
Clothing and footwear	7.30	0.35	5.01	-0.79	-1.15
Housing	16.83	0.46	8.37	0.70	11.13
Household equipment	6.78	0.37	4.03	-0.06	-1.67
Health	2.55	0.01	0.43	0.00	4.14
Transport	13.90	-0.42	10.21	2.82	-4.04
Communication	4.94	0.70	-0.01	1.17	4.10
Recreation and culture	2.83	-0.10	4.17	0.97	7.93
Education	2.48	1.04	6.01	0.93	4.88
Restaurants and hotels	5.51	0.20	9.97	0.38	8.43
Miscellaneous goods and services	3.97	-0.25	9.49	0.98	11.65

Source: TURKSTAT.

June PPI and Sub-Items (Percentage Change)					
	Weight	2010		2009	
		Monthly	Annual	Monthly	Annual
PPI	100	-0.50	7.64	0.94	-1.86
Agriculture	17.07	-0.70	15.40	1.69	2.86
Industry	82.93	-0.45	6.04	0.77	-2.90
Mining	2.62	-1.88	8.69	0.26	5.67
Manufacturing	72.95	-0.50	5.43	1.49	-4.95
Electricity, gas and water	7.36	0.33	9.98	-7.80	18.60

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.