

# JULY PRICE DEVELOPMENTS

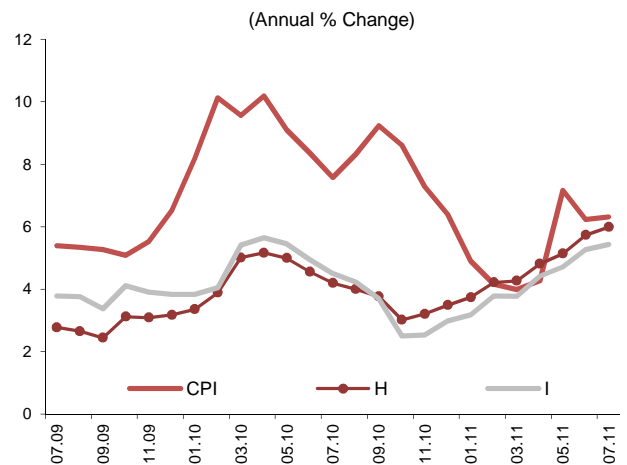
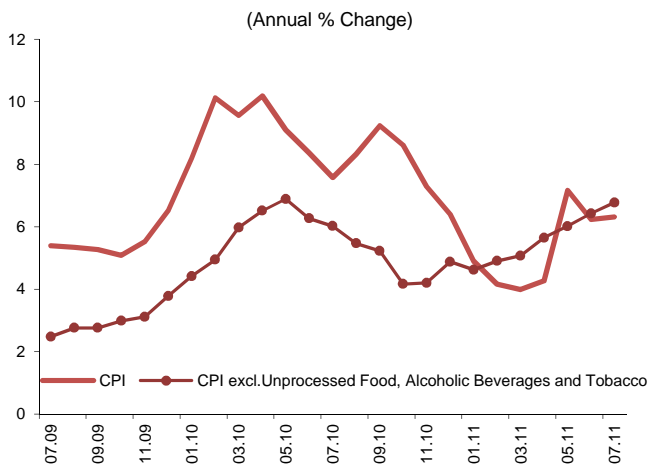
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## SUMMARY...

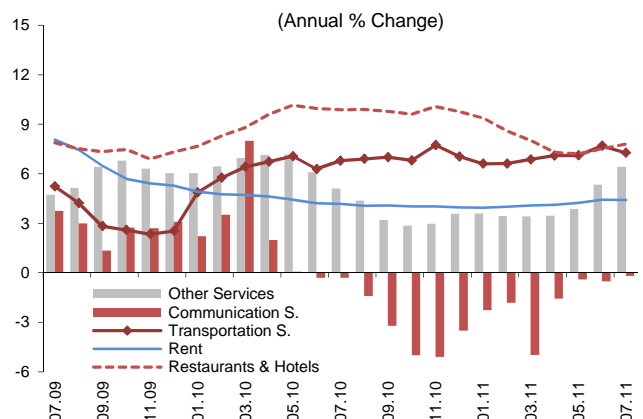
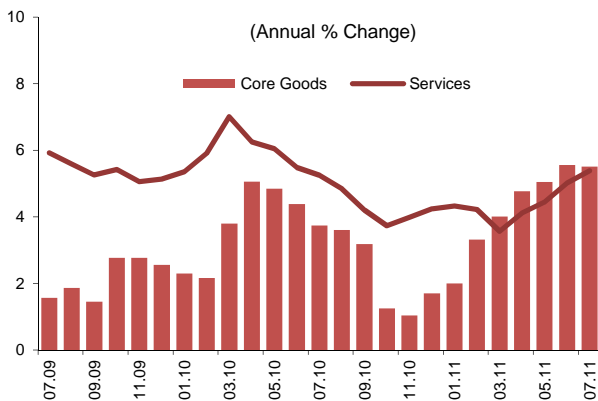
In July, consumer prices were down 0.41 percent, while annual inflation increased to 6.31 percent. Core inflation indicators were slightly up as anticipated. While annual inflation is expected to fall, core inflation would continue to rise, albeit slowly, in coming months.

## ...EVALUATIONS...

In July, consumer prices decreased by 0.41 percent, whereas annual inflation increased by a modest 6.31 percent. The rate of increase in the CPI excluding energy, unprocessed food, alcoholic beverages, tobacco and gold (SCA-H) rose to 5.99 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) amounted to 5.43 percent year-on-year.



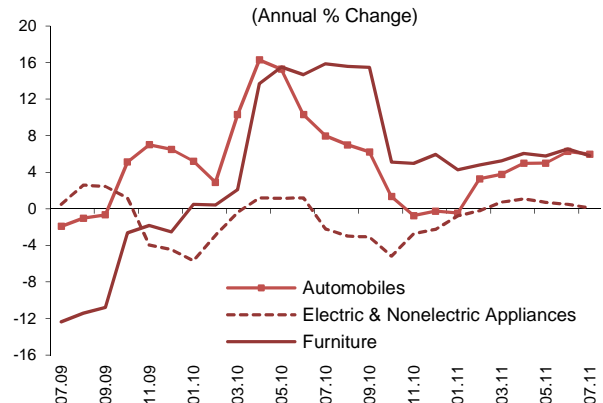
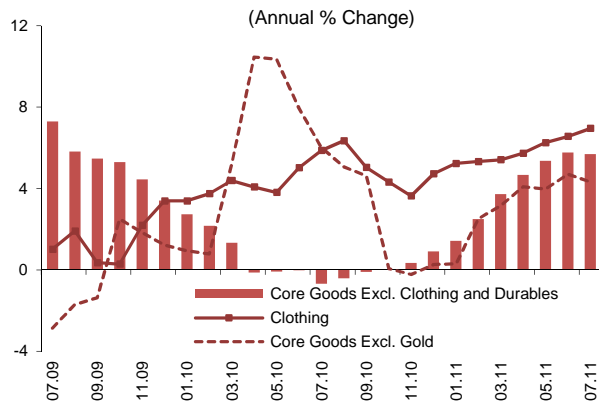
Prices of services rose by 0.74 percent, bringing annual services inflation up by 0.37 percentage points to 5.39 percent. Rents continued to rise moderately. Moreover, the lagged effects of higher fuel prices continued to put upward pressure on transport services. The marked increase in prices of domestic tour packages (up 23.89 percent) pushed annual recreation and culture services inflation up by about 8 percentage points in the last two months to 13.27 percent. Thus, seasonally adjusted indicators have pointed to a small rise in July's underlying services inflation.



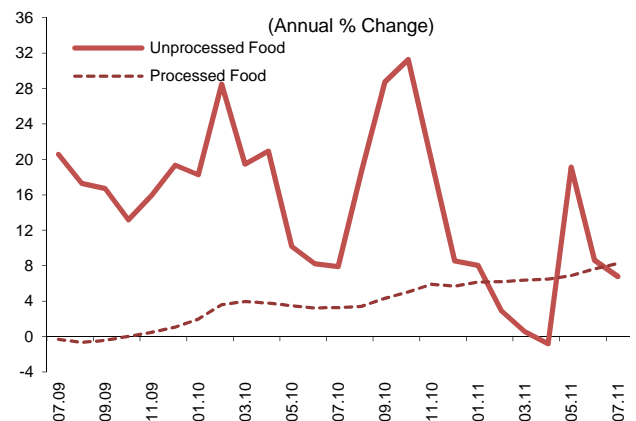
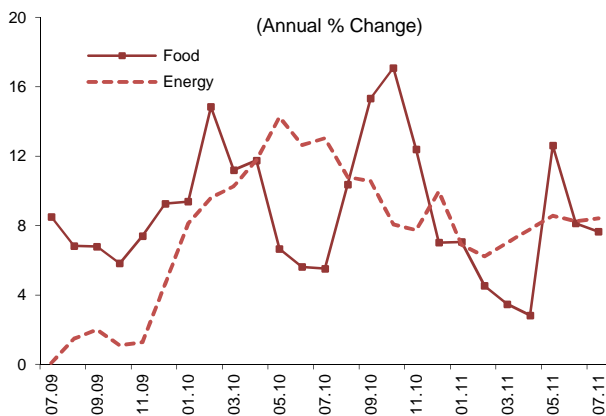
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After recent increases, annual core goods (goods excluding food, energy, alcoholic beverages, tobacco and gold) inflation posted an almost flat month-on-month reading of 5.50 percent in July. Annual inflation remained on the rise in clothing, but declined in durable goods (excluding gold). Prices of white goods fell sharply month-on-month. Meanwhile, gold prices surged by 5.28 percent.



Energy prices were up 0.30 percent in July, mainly due to the 1.22 percent increase in domestic fuel prices driven by the weak Turkish lira and higher international oil prices. In addition, municipal water tariffs and bottled gas prices were down, whereas solid fuel prices rose. Accordingly, annual energy inflation increased by 0.17 percentage points to 8.42 percent in July.



Prices of food and nonalcoholic beverages dropped by 1.18 percent, bringing annual inflation down by 0.48 percentage points to 7.65 percent in this subcategory. This decline was largely driven by the sizable drop in fresh fruit prices (down 27.61 percent) in the face of rising vegetable prices. However, red meat prices rose by 2.47 percent amid increased customs tariffs, limiting the decline in unprocessed food prices.

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On the processed food front, prices of bread and cereals were up despite falling wheat prices. Processed meat prices soared due to higher red meat prices. Sugar prices also increased. Moreover, having remained on an uptrend since September 2010, prices of oils and fats continued to surge dramatically in July, pushing annual inflation up to 24.95 percent in this subcategory. Hence, the ongoing increases in processed food prices accelerated across subcategories, bringing annual processed food inflation up by 0.60 percentage points to 8.25 percent.

	Monthly Percent Change		Monthly Percent Change	
	July 2011	July 2010	July 2011	July 2010
<b>CPI</b>	<b>-0.41</b>	<b>-0.48</b>	<b>6.31</b>	<b>7.58</b>
<b>1. Goods</b>	<b>-0.82</b>	<b>-0.79</b>	<b>6.63</b>	<b>8.40</b>
Energy	0.30	0.14	8.42	13.02
Food and nonalcoholic beverages	-1.18	-0.73	7.65	5.52
Unprocessed food	-3.65	-2.01	6.78	7.88
Fresh fruits and vegetables	-11.10	-9.28	9.37	-4.68
Other unprocessed food	1.24	2.35	5.70	15.99
Processed food	0.93	0.37	8.25	3.26
Bread and cereals	0.72	0.26	8.61	-0.97
Other processed food	1.05	0.44	8.06	5.83
Goods excluding energy and food	-1.03	-1.23	4.93	8.63
Core goods	-1.46	-1.41	5.50	3.74
Durable goods	0.30	-0.15	6.65	7.86
Durable goods (excluding gold)	-0.10	0.26	4.33	6.02
Alcoholic beverages and tobacco	0.01	0.01	-1.50	28.91
Gold	5.28	-4.75	38.71	29.19
<b>2. Services</b>	<b>0.74</b>	<b>0.38</b>	<b>5.39</b>	<b>5.24</b>
Rents	0.42	0.43	4.42	4.18
Restaurants and hotels	0.61	0.34	7.79	9.88
Transport	0.77	1.17	7.27	6.79
Communication	0.35	0.01	-0.18	-0.31
Other*	1.24	0.19	6.43	5.11
<b>3. Core Measures</b>				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.04	-0.29	6.78	6.02
SCA-H	-0.09	-0.33	5.99	4.20
SCA-I	-0.35	-0.51	5.43	4.50

Source: TurkStat, CBRT.

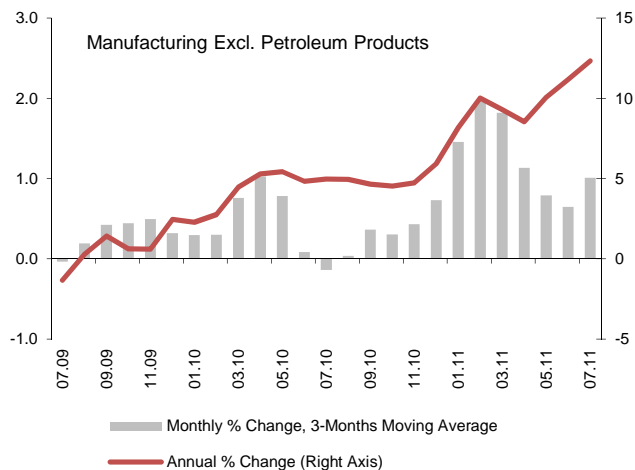
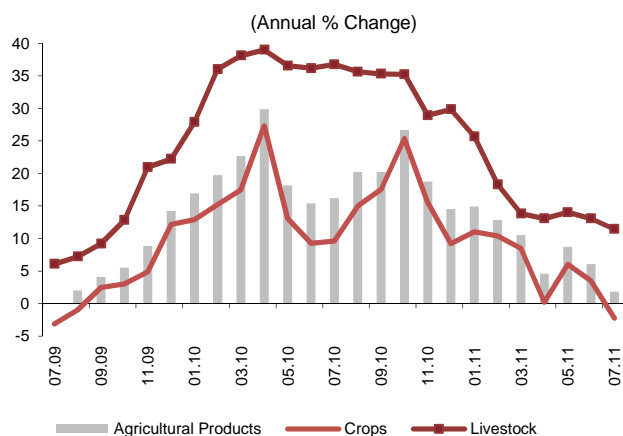
\*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

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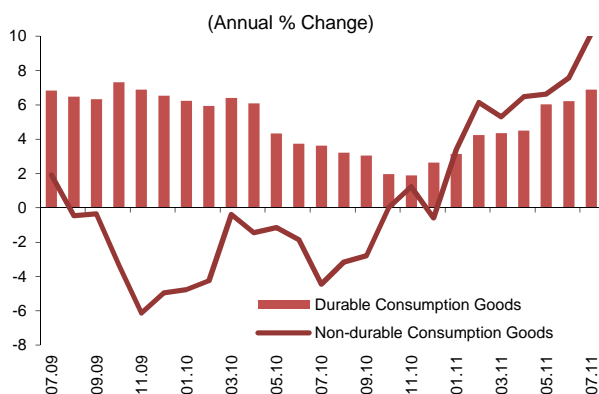
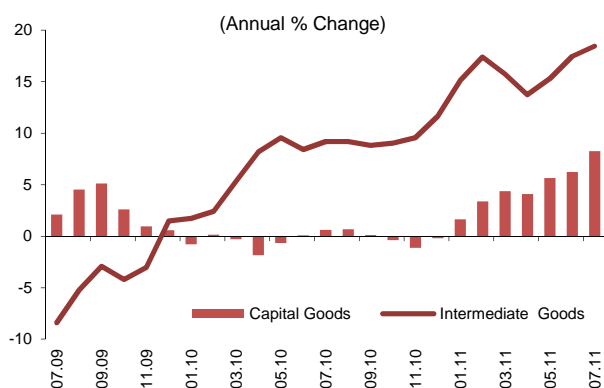
## ...PPI...

In July, producer prices remained unchanged month-on-month, while annual PPI inflation rose to 10.34 percent. Agricultural prices dropped by 6.06 percent due to developments in fruit and vegetable prices. Cotton and wheat prices decreased, whereas livestock and sunflower prices remained flat.



In the manufacturing industry, prices increased by 1.34 percent, while annual inflation rose by 1.27 percentage points to 13.85 percent. Most PPI subcategories continued to post price hikes in July. Oil and base metal prices were up 3.31 and 3.69 percent, respectively. Even excluding these items, producer prices still increased at a faster rate.

Prices rose across all subcategories of Main Industrial Groupings (MIGs) in July. Prices of intermediate goods increased by 1.35 percent amid soaring prices of base metals, while prices of capital goods rose by 2.02 percent on higher producer prices for machinery/equipment and motor vehicles. Prices of durable goods increased on rising furniture prices, as in June, while prices of nondurable goods went up due to developments in prices of food production.



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## ...TABLES

July CPI and Subcategories (Percent Change)					
	Weight	2011		2010	
		Monthly	Annual	Monthly	Annual
CPI	100	-0.41	6.31	-0.48	7.58
Food and nonalcoholic beverages	26.78	-1.18	7.65	-0.73	5.52
Alcoholic beverages and tobacco	5.90	0.01	-1.50	0.01	28.91
Clothing and footwear	7.22	-4.84	6.93	-5.19	5.86
Housing	16.46	0.06	4.56	0.28	8.32
Household equipment	6.93	0.28	7.22	0.62	3.75
Health	2.40	-0.72	-0.25	0.26	0.64
Transport	15.15	0.78	9.81	0.49	10.11
Communication	4.64	0.19	0.02	-0.11	-0.28
Recreation and culture	2.70	0.94	2.43	-0.40	1.17
Education	2.32	0.73	5.41	0.88	5.97
Restaurants and hotels	5.89	0.61	7.79	0.34	9.88
Miscellaneous goods and services	3.61	1.47	12.98	-2.01	6.34

Source: TurkStat.

July PPI and Subcategories (Percent Change)					
	Weight	2011		2010	
		Monthly	Annual	Monthly	Annual
PPI	100	-0.03	10.34	-0.16	8.24
Agriculture	17.49	-6.06	1.83	-2.15	16.22
Crops, fruits and vegetables	12.23	-9.54	-2.25	-4.26	9.62
Livestock and animal products	4.52	0.09	11.43	1.55	36.76
Industry	82.51	1.22	12.13	0.29	6.56
Mining	3.10	1.20	14.74	2.44	7.50
Manufacturing	70.68	1.34	13.85	0.21	6.05
Manufacturing excluding petroleum	67.56	1.23	12.32	0.19	4.97
Manufacturing excluding petroleum and base metals	61.66	0.97	10.09	0.20	3.21
Electricity, gas and water	8.73	0.16	-2.97	0.41	9.65

Source: TurkStat, CBRT.

PPI by MGS (Monthly Percent Change)														
	Jul 10	Aug 10	Sept 10	Oct 10	Nov 10	Dec 10	Jan 11	Feb 11	Mar 11	Apr 11	May 11	Jun 11	Jul 11	Annual
Intermediate goods	0.49	0.79	0.83	-0.22	1.14	2.80	3.39	2.67	1.61	0.02	1.37	1.38	1.35	18.45
Capital goods	0.12	-0.18	0.04	-0.45	-0.10	0.81	1.66	2.09	1.56	-0.99	0.91	0.66	2.02	8.26
Durable goods	-1.64	0.49	0.13	1.23	1.20	-1.39	3.63	1.71	-0.52	0.62	0.92	1.04	0.71	10.13
Nondurable goods	0.29	-0.27	0.74	0.17	0.13	0.72	0.61	1.62	0.84	0.59	0.96	-0.33	0.91	6.88
Energy	0.68	2.45	-0.01	0.15	0.61	4.27	2.44	-1.04	2.25	-0.56	-2.12	0.67	1.11	10.53

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.