

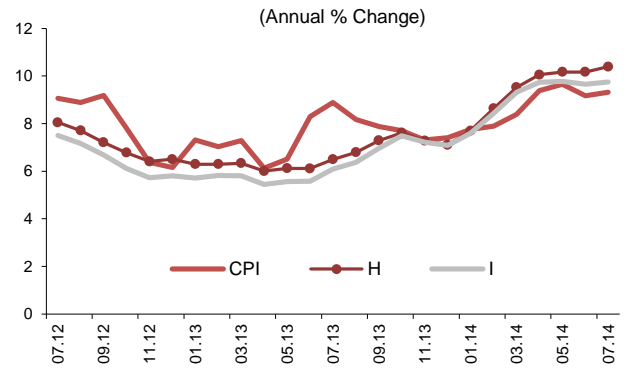
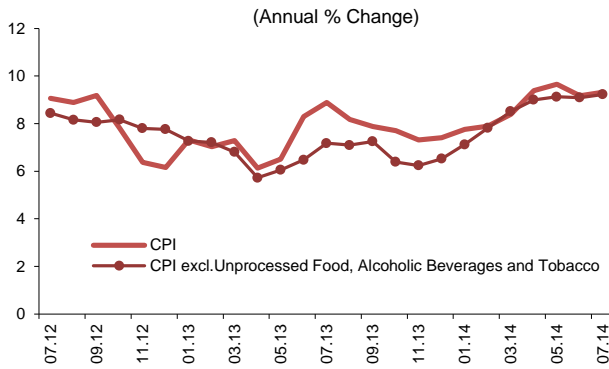
**SUMMARY...**

In July, annual consumer prices inflation rose to 9.32 percent. The high course of food prices continued in this period. The services group saw a rising trend, while the core goods group maintained an improving trend in inflation.

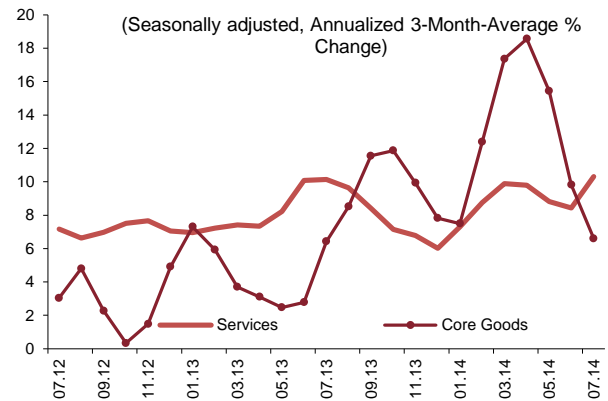
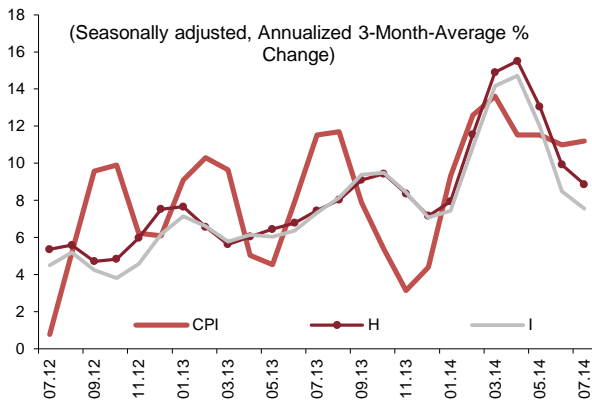
**...EVALUATIONS...**

In June, consumer prices were up by 0.45 percent and annual inflation rose to 9.32 percent. The annual rate of increase in the SCA-H and SCA-I indices posted a month-on-month increase by 0.22 and 0.10 percentage points to 10.39 percent and 9.75 percent, respectively.

Across subgroups, the contribution of services and alcohol-tobacco-gold groups to annual CPI inflation rose by 0.16 and 0.15 percentage points, respectively, while that of the core goods group fell by 0.12 percentage points. Meanwhile, the contribution of energy and food groups did not record a noticeable change.

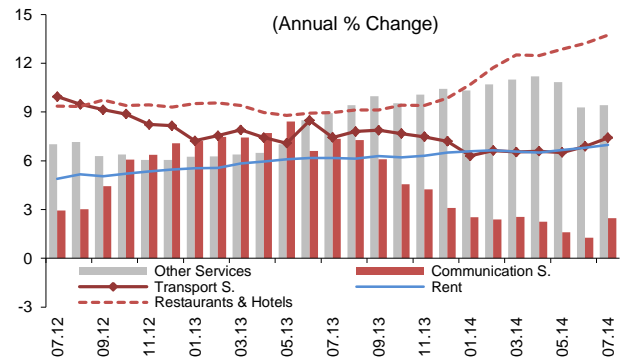
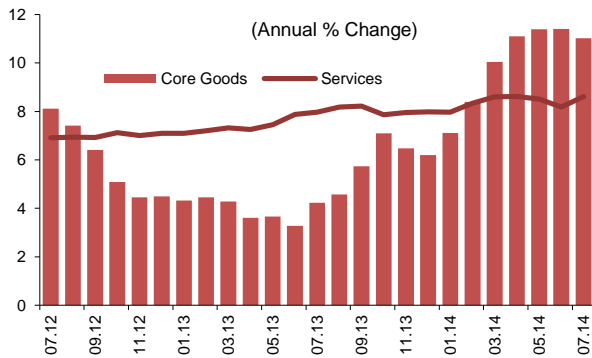


The underlying trends of inflation in quarterly averages suggest that the improvement in core inflation indicators continued, albeit with a slowdown. SCA-H and SCA-I trends were down by nearly 1 percentage points each, while the SCA-I indicator excluding all food products was down to 7.5 percent. This fall was led by the waning cumulative effects of exchange rate developments on the annual core goods inflation. Accordingly, the seasonally-adjusted core goods inflation continued to improve. However, having trended upwards in this period, services inflation limited the improvement in core indicators.

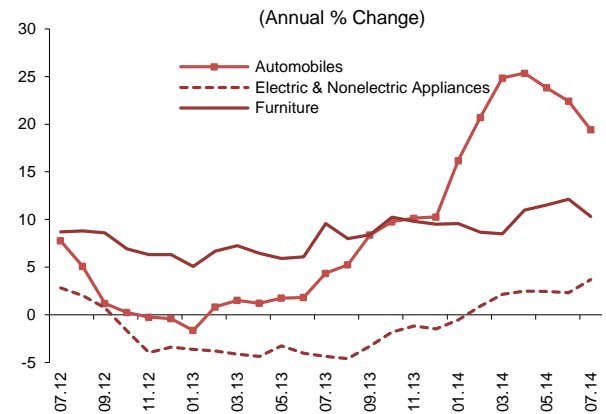
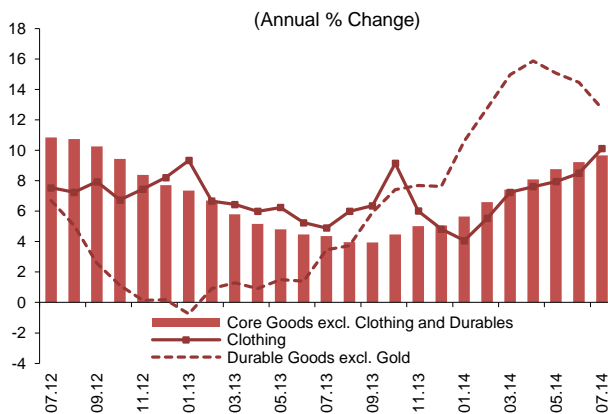


Prices of services rose by 1.20 percent, and the group's annual inflation edged up by 0.44 percentage points to 8.62 percent in July. This period saw the highest monthly price increases of recent years owing particularly to communication services (7.5 percent in landline rates),

package tours and catering services. Annual inflation increased across all subgroups in this period. Particularly, annual inflation in the restaurants and hotels group climbed to 13.74 percent, and that in rents continued with an uptrend and reached 7 percent.

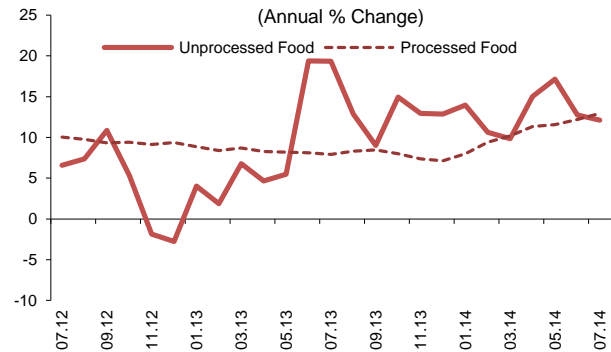
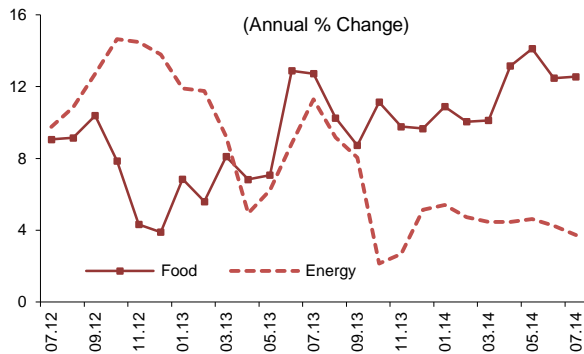


On the core goods front, annual inflation was down to 11 percent in July. Having receded in May and June, prices of durable consumption goods followed a flat course in July and the group's annual inflation continued with a downward trend. However, the steady uptrend persisted in core goods excluding clothing and durable goods prices, which are affected by the exchange rate with a lag. As the discount in clothing prices remained limited compared to seasonal normal in July, the group's annual inflation climbed to 10.1 percent. Against this background, the decoupling in the course of annual inflation figures persisted between the prices of durable goods and other groups, as the exchange rate developments affect the sub-groups in a varying time range.



Energy prices were up by 0.72 percent in July due to the price hikes in water tariffs (1.67 percent) besides the fuel and bottled gas prices. Having receded to 3.74 percent owing to the base effect, annual energy inflation maintained its mild course.

Annual inflation in the food and non-alcoholic beverages group edged up to 12.56 percent. Annual unprocessed food inflation posted a month-on-month decline to 12.1 percent due to the falling prices of fresh fruits and vegetables despite the price hikes in meat and milk. Meanwhile, the uptrend in processed food prices continued. Prices in all subgroups saw an uptick, which was more apparent in bread, dairy products, tea and sugar. Thus, annual processed food inflation reached 13 percent.



Prices of alcoholic beverages and tobacco products increased approximately by 2 percent in July, adding 0.12 percentage points to the annual inflation. Price hikes in alcoholic beverages in this period were driven by the rise in lump-sum taxes. Meanwhile, some cigarette brands saw increasing prices as well.

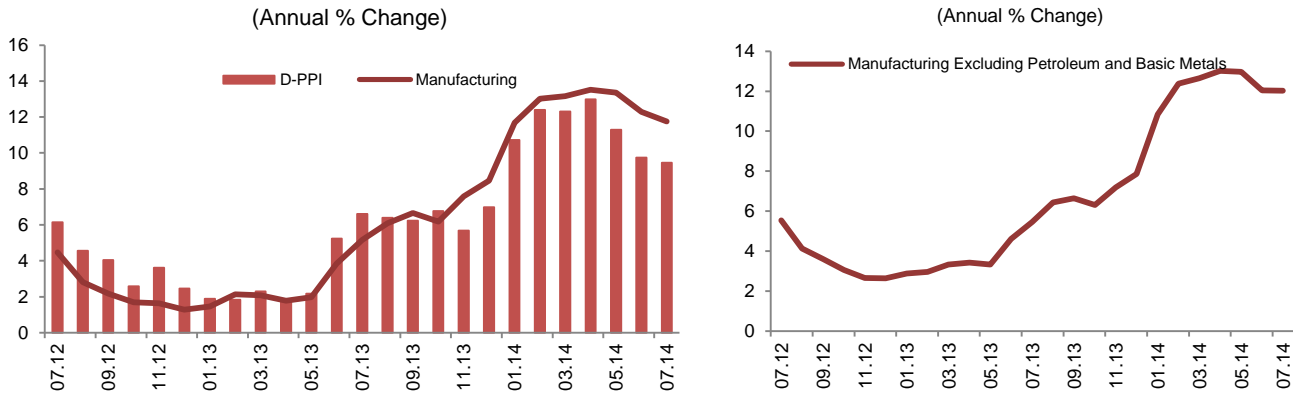
	Monthly Percent Change		Annual Percent Change	
	Jul.2014	Jul.2013	Jul.2014	Jul.2013
<b>CPI</b>	<b>0.45</b>	<b>0.31</b>	<b>9.32</b>	<b>8.88</b>
<b>1. Goods</b>	<b>0.14</b>	<b>0.13</b>	<b>9.60</b>	<b>9.23</b>
Energy	0.72	1.21	3.74	11.30
Food and nonalcoholic beverages	0.30	0.22	12.56	12.72
Unprocessed food	-0.46	0.11	12.10	19.35
Fresh fruits and vegetables	-2.32	-0.30	1.24	37.24
Other unprocessed food	0.63	0.41	19.57	9.00
Processed food	0.99	0.32	12.96	7.90
Bread and cereals	0.77	0.64	14.30	11.63
Other processed food	1.12	0.12	12.15	5.66
Goods excluding energy and food	-0.23	-0.39	10.06	5.56
Core goods	-0.73	-0.39	11.03	4.23
Durable goods	0.15	1.36	12.67	2.45
Durable goods (excluding gold)	0.04	1.58	12.73	3.47
Alcoholic beverages and tobacco	1.99	-0.08	5.06	15.99
Gold	2.52	-2.74	11.57	-13.15
<b>2. Services</b>	<b>1.20</b>	<b>0.79</b>	<b>8.62</b>	<b>7.97</b>
Rents	0.67	0.51	6.97	6.18
Restaurants and hotels	1.05	0.58	13.74	8.97
Transport	1.17	0.68	7.42	7.44
Communication	2.24	1.03	2.47	7.36
Other*	1.19	1.06	9.42	8.94
<b>3. Core Measures</b>				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.48	0.36	9.22	7.18
SCA-H	0.42	0.22	10.39	6.49
SCA-I	0.29	0.20	9.75	6.09

Source: TurkStat, CBRT.

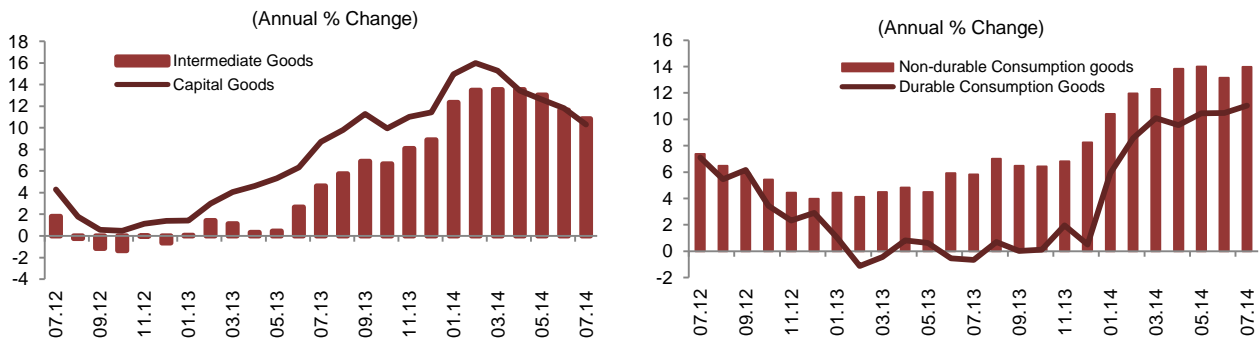
\*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

**...D-PPI...**

Domestic producer prices rose by 0.73 percent and the group's annual inflation receded to 9.46 percent in July. Annual inflation in the manufacturing industry fell to 11.75 percent, while that in the manufacturing industry excluding petroleum and basic metals followed a flat course with 12 percent.



According to the Main Industrial Groupings (MIGs), all main groups saw price increases, particularly in non-durable consumption goods. The rise in prices of non-durable consumption goods was led by food prices, which recorded the greatest annual price increase (17.27 percent) among the sub-groups of the manufacturing industry. Annual inflation continued with a downtrend in intermediate and capital goods. In sum, July witnessed relatively brisk pressures driven by the manufacturing of food products. The course of manufacturing industry prices excluding food indicates that cost pressures on consumer prices followed a mild path.



## ...TABLES

July CPI and Subcategories (Percent Change)					
	Weight	2014		2013	
		Monthly	Annual	Monthly	Annual
CPI	100	0.45	9.32	0.31	8.88
Food and nonalcoholic beverages	24.45	0.30	12.56	0.22	12.72
Alcoholic beverages and tobacco	5.29	1.99	5.06	-0.08	15.99
Clothing and footwear	7.17	-3.28	10.11	-4.68	4.93
Housing	16.41	0.56	5.41	0.44	7.87
Household equipment	7.52	0.24	9.29	0.14	4.73
Health	2.44	0.30	9.32	0.45	2.31
Transport	15.54	0.71	10.29	2.28	9.77
Communication	4.70	1.90	1.32	0.94	5.90
Recreation and culture	3.36	2.97	8.79	0.27	2.85
Education	2.26	0.59	9.05	0.81	5.90
Restaurants and hotels	6.58	1.05	13.74	0.58	8.97
Miscellaneous goods and services	4.28	0.63	8.77	-0.33	3.97

Source: TurkStat.

July D-PPI and Subcategories (Percent Change)					
	Weight	2014		2013	
		Monthly	Annual	Monthly	Annual
D-PPI	100	0.73	9.46	0.99	6.61
Mining	3.97	1.82	10.59	0.73	10.57
Manufacturing	85.93	0.67	11.75	1.16	5.16
Electricity, gas, steam and air-conditioning supply	9.31	0.88	-5.44	1.19	19.11
Water supply	0.79	0.39	9.46	0.75	10.50

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