

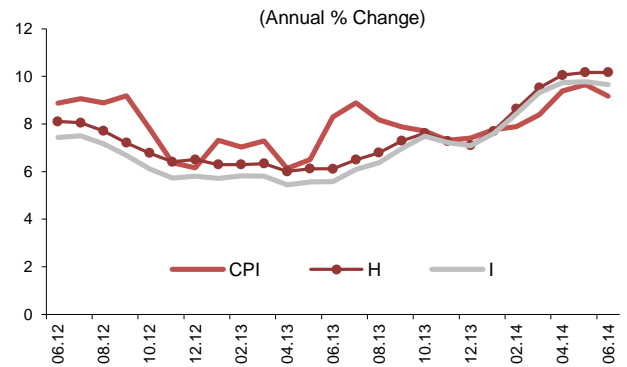
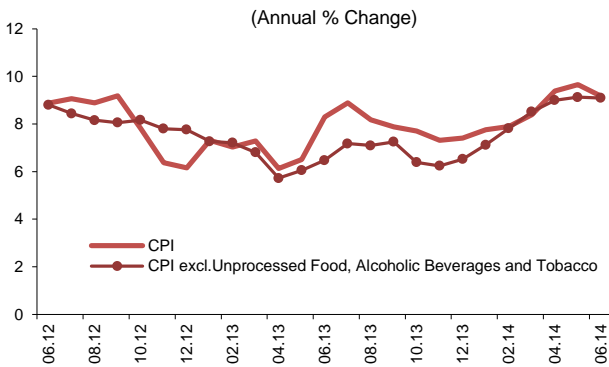
SUMMARY...

In June, annual consumer prices inflation dropped to 9.16 percent. The high course of food prices restricted the fall in consumer prices. Cumulative effects of the depreciation of the Turkish lira waned, and annual inflation within core inflation indicators followed a relatively flat course in this period.

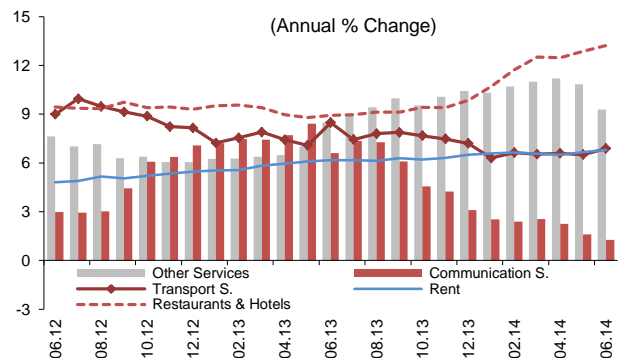
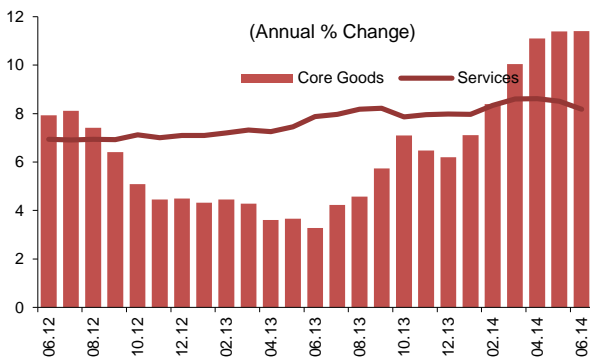
...EVALUATIONS...

In June, consumer prices were up by 0.31 percent and annual inflation dropped to 9.16 percent. The annual rate of increase in the SCA-H index remained flat with 10.17 percent, while the SCA-I index edged down to 9.65 percent.

Across subgroups, the contribution of the food group to the annual CPI inflation decreased by 0.36 percentage points, and that of energy and services groups fell slightly month-on-month, while that of other sub-groups did not record a noticeable change.

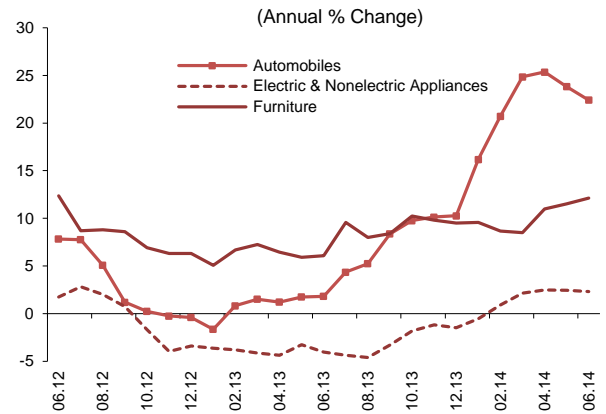
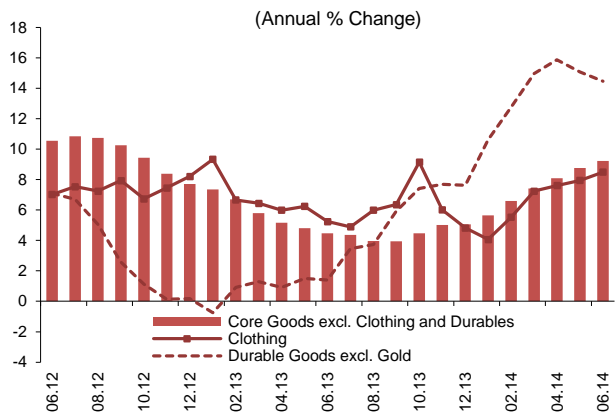


Prices of services rose by 0.88 percent, and the group's annual inflation edged down to 8.18 percent also due to the base effect from driving school fees in June. The course of food inflation continued to deteriorate the prices of catering services. Accordingly, annual inflation in the restaurants and hotels group climbed to 13.22 percent, the highest level among the sub-items of services. In this period, annual inflation in rents remained on the rise with 6.80 percent, while other sub-items of services continued on a mild course. Notwithstanding a slowdown, the seasonally-adjusted data indicated that the underlying trend of services inflation maintained its high course in June.

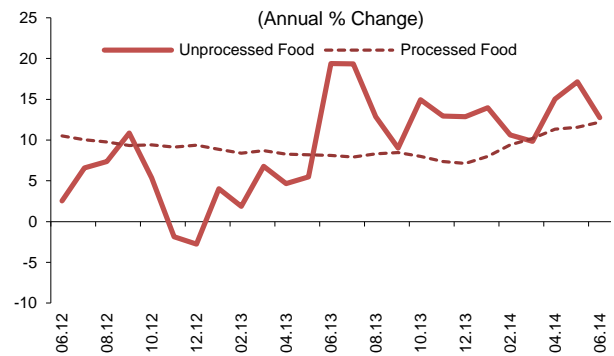
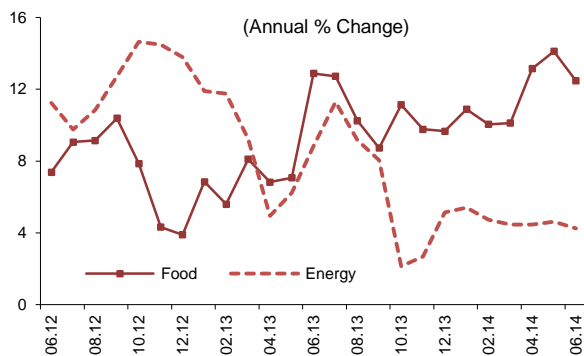


On the core goods front, annual inflation followed a flat course with 11.4 percent in June. In line with the appreciation trend of the Turkish lira in April and May, prices of durable consumption goods posted a month-on-month decline in June as they did in May. However, the steady uptrend persisted in 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 last year's figures, the group's annual inflation climbed to 8.5 percent. As a result, prices of core

goods displayed an outlook similar to May figures; that is, prices of durable goods fell, while the lagged effects of cumulative depreciation in the Turkish lira persisted in other groups, albeit with a slowdown. Accordingly, the seasonally-adjusted data pointed to an apparent recovery in the underlying trend of core goods inflation.



Energy prices were up by 0.40 percent in June. Due to the outlook in international oil prices, domestic fuel prices increased by 1.42 percent and solid fuel and bottled gas prices registered a decline in this period. Against this background, having receded to 4.25 percent, annual energy inflation maintained its mild course.



Annual inflation in the food and non-alcoholic beverages group fell by approximately 1.6 percentage points to 12.47 percent. Unprocessed food prices posted a month-on-month decline due to prices of vegetables and white meat, and the group's annual inflation dropped to 12.7 percent owing to the base effect. The high course of fresh fruit prices that were newly included in the index restricted the fall in unprocessed food prices in this period. Meanwhile, the uptrend in processed food prices continued amid supply-side problems. Annual inflation in this group reached 12.22 percent parallel to the price hikes across all the sub-groups. The uptrend in bread and cereals prices continued in line with rising domestic wheat prices. Similarly, an upward trend persisted in the other processed food group due to the price increases in meat and dairy products in addition to tea and sugar.

JUNE PRICE DEVELOPMENTS

JULY 4, 2014

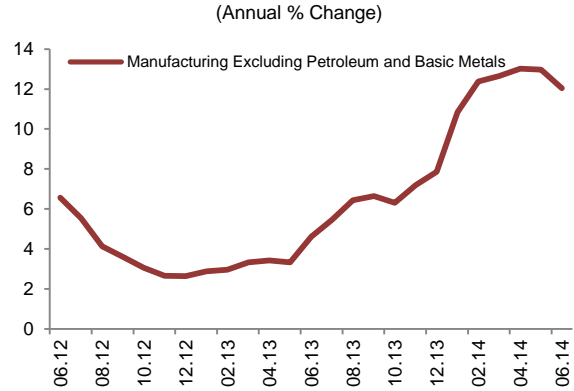
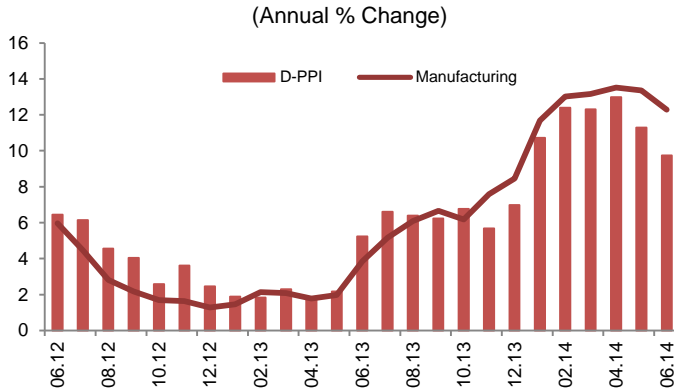
	Monthly Percent Change		Annual Percent Change	
	Jun.2014	Jun.2013	Jun.2014	Jun.2013
CPI	0.31	0.76	9.16	8.30
1. Goods	0.08	0.61	9.59	8.45
Energy	0.40	0.75	4.25	8.83
Food and nonalcoholic beverages	0.36	1.82	12.47	12.88
Unprocessed food	-0.34	3.55	12.75	19.39
Fresh fruits and vegetables	-2.50	8.79	3.33	37.91
Other unprocessed food	0.97	0.15	19.31	8.70
Processed food	0.99	0.41	12.21	8.11
Bread and cereals	1.14	0.78	14.15	11.75
Other processed food	0.89	0.18	11.04	5.92
Goods excluding energy and food	-0.27	-0.31	9.88	4.81
Core goods	-0.33	-0.34	11.41	3.28
Durable goods	-0.51	-0.08	14.03	0.57
Durable goods (excluding gold)	-0.55	-0.02	14.47	1.39
Alcoholic beverages and tobacco	-0.06	-0.01	2.92	16.09
Gold	0.36	-1.27	5.85	-11.90
2. Services	0.88	1.19	8.18	7.88
Rents	0.76	0.62	6.80	6.17
Restaurants and hotels	0.92	0.62	13.22	8.93
Transport	1.40	1.04	6.89	8.47
Communication	0.00	0.32	1.27	6.61
Other*	1.06	2.49	9.29	8.50
3. Core Measures				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.43	0.46	9.09	6.48
SCA-H	0.43	0.43	10.17	6.11
SCA-I	0.31	0.41	9.65	5.57

Source: TurkStat, CBRT.

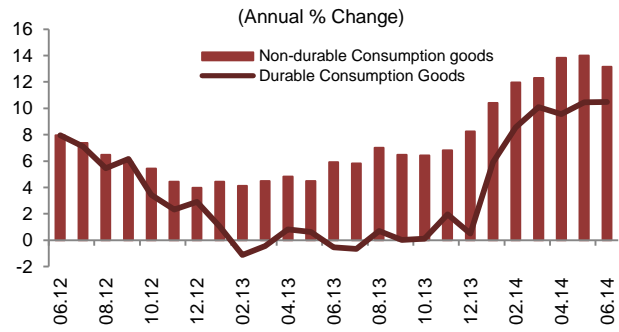
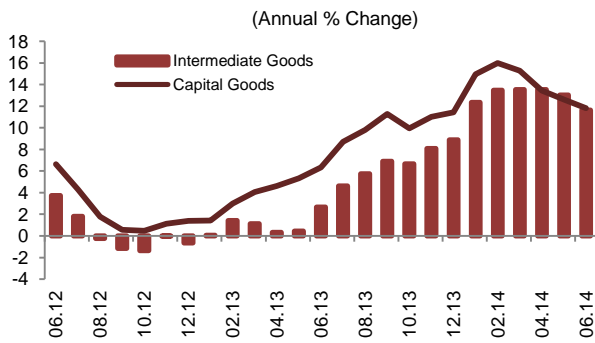
*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

...D-PPI...

Domestic producer prices remained relatively flat in June and the group's annual inflation receded to 9.75 percent. In line with rising international commodity prices, prices of petroleum products and basic metals increased by 1.72 and 0.61 percent, respectively. Prices in the manufacturing industry excluding petroleum and basic metals followed a flat course and the group's annual inflation fell to 12 percent.



According to the Main Industrial Groupings (MIGs), prices in non-durable consumption goods saw a decline in contrast to other main groups that witnessed slight increases. Due mostly to manufacturing of food products, annual inflation in non-durable consumption goods receded to 13 percent. Annual inflation remained flat in durable consumption goods, but continued on a downward path in intermediate and capital goods. In sum, the flat course of manufacturing industry prices indicates that cost pressures on consumer prices has been alleviated in recent months.



...TABLES

June CPI and Subcategories (Percent Change)					
	Weight	2014		2013	
		Monthly	Annual	Monthly	Annual
CPI	100	0.31	9.16	0.76	8.30
Food and nonalcoholic beverages	24.45	0.36	12.47	1.82	12.88
Alcoholic beverages and tobacco	5.29	-0.06	2.92	-0.01	16.09
Clothing and footwear	7.17	-1.25	8.51	-1.74	5.26
Housing	16.41	0.24	5.29	0.28	6.73
Household equipment	7.52	0.46	9.19	0.21	4.09
Health	2.44	0.98	9.48	0.14	1.88
Transport	15.54	0.50	12.01	1.49	7.72
Communication	4.70	0.08	0.36	0.07	5.53
Recreation and culture	3.36	0.40	5.93	1.45	1.93
Education	2.26	1.72	9.28	1.99	6.19
Restaurants and hotels	6.58	0.92	13.22	0.62	8.93
Miscellaneous goods and services	4.28	0.70	7.72	0.05	4.78

Source: TurkStat.

June D-PPI and Subcategories (Percent Change)					
	Weight	2014		2013	
		Monthly	Annual	Monthly	Annual
D-PPI	100	0.06	9.75	1.46	5.23
Mining	3.97	-0.08	9.40	1.47	8.49
Manufacturing	85.93	0.13	12.29	1.08	3.85
Electricity, gas, steam and air-conditioning supply	9.31	-0.68	-5.15	0.89	13.92
Water supply	0.79	0.05	9.85	0.47	9.07

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.