

APRIL PRICE DEVELOPMENTS

MAY 4, 2016

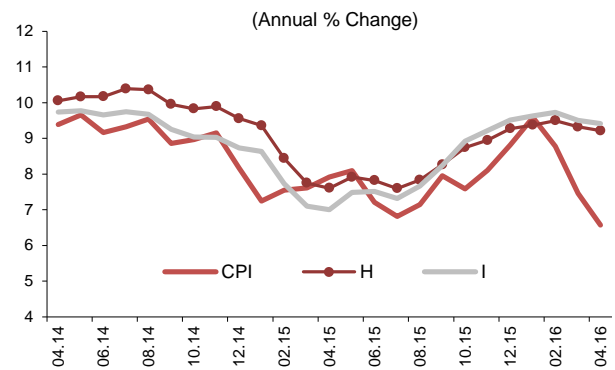
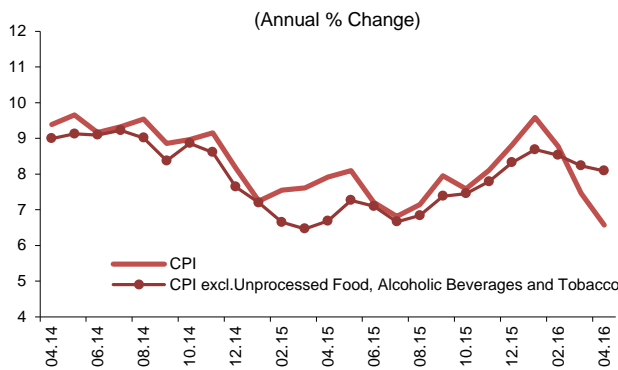
SUMMARY ...

In April, consumer prices rose by 0.78 percent, and the annual consumer inflation fell by 0.89 point to 6.57 percent. The ongoing slowdown in unprocessed food inflation remained largely influential in consumer inflation. The cumulative effects of the exchange rates on annual inflation further subsided. Accordingly, the underlying trends of core indicators continued to improve, while the fall in their annual inflation remained limited.

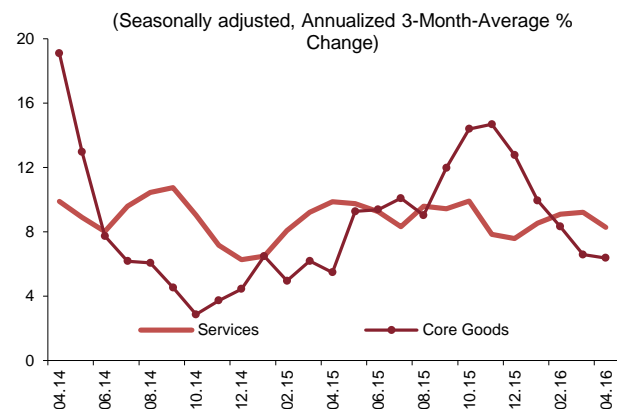
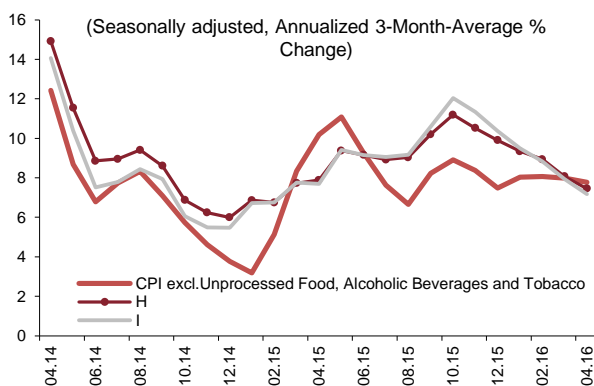
... EVALUATIONS ...

In April, consumer prices rose by 0.78 percent, and the annual consumer inflation fell by 0.89 point to 6.57 percent. The annual rate of change in the H and I indices fell by 0.11 and 0.09 point month-on-month to 9.21 and 9.41 percent, respectively.

Contributions of sub-groups to annual CPI inflation reveal a decline in the food group by 0.80 point in April, which is remarkable. The contribution of energy and core goods groups remained almost unchanged, while that of services registered a slight decline in this period.



The underlying trend of inflation based on seasonally-adjusted data in 3-month averages reveal that the improvement in the core inflation indicators continued. A slight fall notwithstanding, the underlying trend in the services group maintains a high course. Meanwhile, the underlying trend of core goods group has remained on a downward track, and the recovery becomes more evident when the clothing group is excluded.

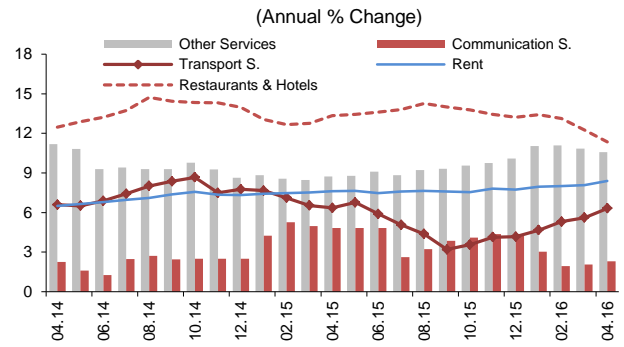
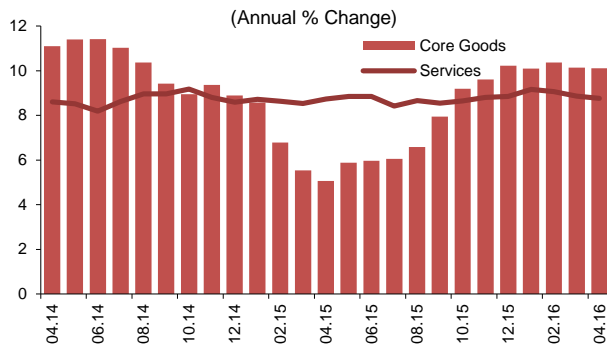


Prices of services increased by 0.64 percent on a monthly basis and the group's annual inflation edged down by 0.10 point to 8.76 percent in April. Annual inflation decreased in the other services and the restaurants-hotels groups, but increased in other subgroups. Rent inflation, which hit 8.39 percent, was particularly striking. The favorable course of food prices pulled monthly price increases down further in the restaurants-hotels group. However, other subgroups

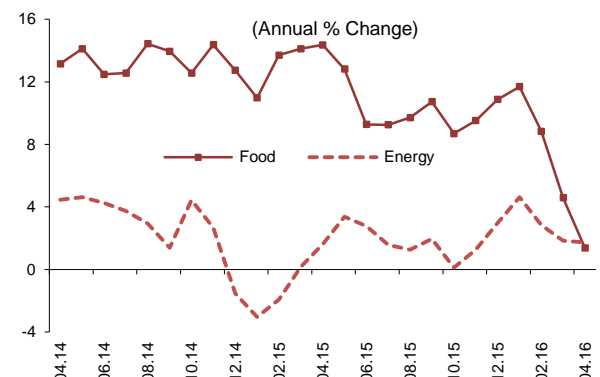
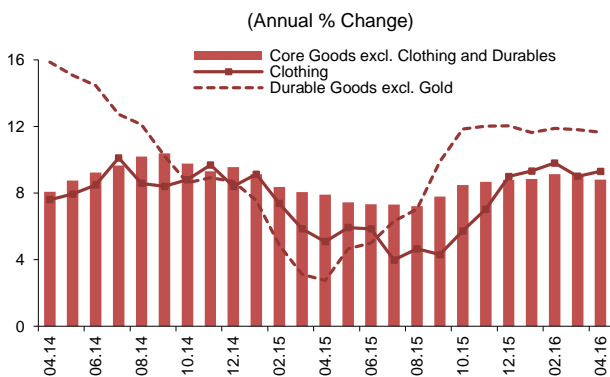
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witnessed accelerated monthly price increases. Transport services registered price hikes in April due mainly to airway transport. In the other services group, price increases were notable in household services, insurance and recreation and culture items. In short, despite the positive effects of food prices, annual inflation remained high in the services group, which was influenced by rigidities and wage-driven impacts.



Annual core goods inflation followed a flat course with 10.11 percent in April. The clothing group witnessed an uptick in annual inflation, but other groups saw a slight fall. In the durable goods group, monthly price increases proved remarkable in furniture and white goods, the cumulative inflation of which reached 6.72 and 3.98 percent, respectively in the first four months of the year. In spite of a slight decline, annual inflation in core goods excluding clothing and durables maintained a high level. Despite the recent stability in the Turkish lira, core goods inflation remained on a high track in April.



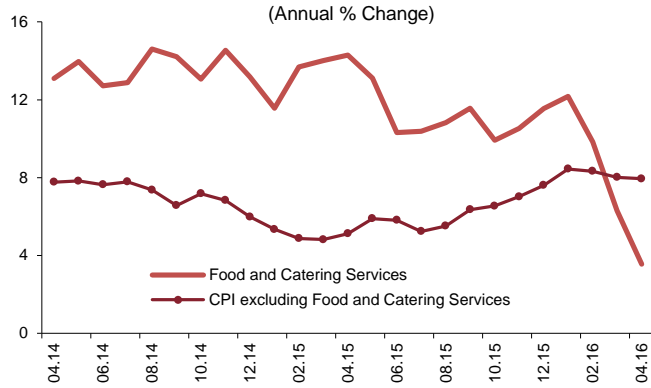
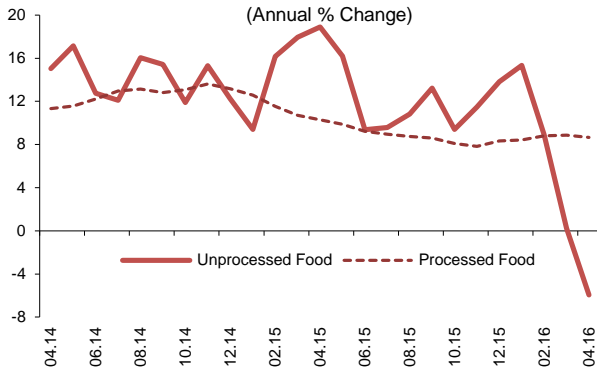
Energy prices crept up by 0.34 percent in April due to the rise in fuel prices by 1.12 percent parallel to the ongoing hikes in international oil prices. Meanwhile, bottled gas and solid fuel prices remained on a downward track. Against this background, annual energy inflation receded by 0.10 point to 1.74 percent.

Annual inflation in food and non-alcoholic beverages registered a notable slowdown in the last three months. Mainly stemming from prices of fresh fruits and vegetables, annual inflation in this group plummeted to 1.38 percent in April, hitting the lowest level in index history. The increasing supply of fruits and vegetables had a reducing effect on food prices. Moreover, red meat prices had been following a relatively mild course during the last couple of months on account of the enforced measures. Against these developments, annual unprocessed food inflation plunged to -5.94 percent in April. On the other hand, annual processed food inflation edged down by 0.18 point to 8.67 percent in this period. Prices of the bread and cereals group put a cap on a more favorable outlook, and persisting price hikes in non-alcoholic beverages proved notable.

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As a result of the apparent deceleration in food prices, annual inflation in food and catering services receded to 3.57 percent, while consumer inflation excluding food and catering services edged down to 7.95 percent in April.



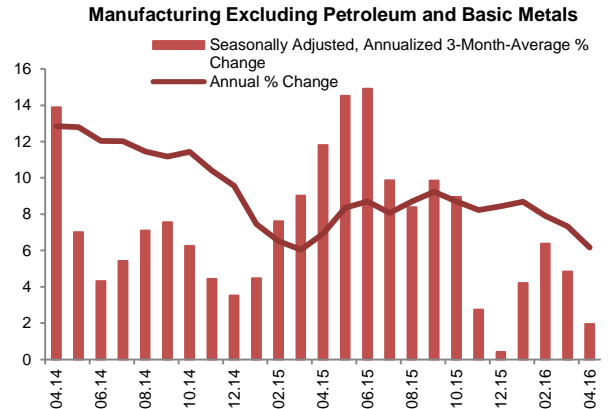
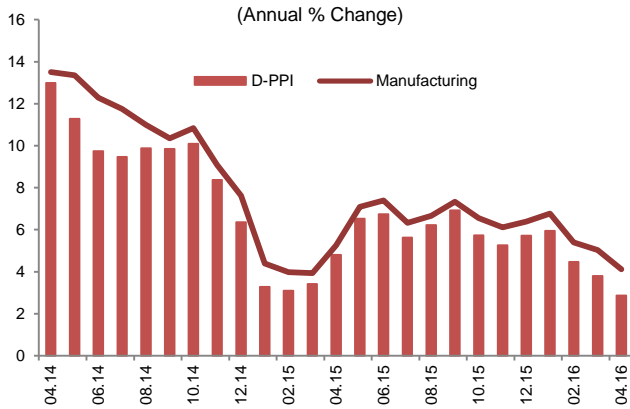
	Monthly Percent Change		Annual Percent Change	
	Apr.2016	Apr.2015	Apr.2016	Apr.2015
CPI	0.78	1.63	6.57	7.91
1. Goods	0.85	2.01	5.65	7.57
Energy	0.34	0.43	1.74	1.62
Food and nonalcoholic beverages	-1.48	1.63	1.38	14.36
Unprocessed food	-3.66	2.65	-5.94	18.88
Fresh fruits and vegetables	-9.89	2.10	-15.41	26.27
Other unprocessed food	0.65	3.01	0.53	14.74
Processed food	0.47	0.64	8.67	10.28
Bread and cereals	0.61	0.38	9.67	8.63
Other processed food	0.40	0.79	8.13	11.24
Goods excluding energy and food	2.77	2.96	10.63	5.02
Core goods	3.46	3.48	10.11	5.06
Durable goods	0.28	0.75	11.63	3.33
Durable goods (excluding gold)	0.43	0.57	11.65	2.76
Alcoholic beverages and tobacco	0.06	0.02	12.84	3.92
Gold	-2.07	3.90	11.00	14.20
2. Services	0.64	0.74	8.76	8.74
Rents	0.86	0.56	8.39	7.63
Restaurants and hotels	0.45	1.27	11.35	13.34
Transport	1.03	0.35	6.31	6.36
Communication	0.14	-0.11	2.30	4.84
Other*	0.70	0.93	10.59	8.73
3. Core Measures				
CPI excluding unprocessed food, alcoholic beverages and tobacco	1.43	1.57	8.09	6.68
H	1.68	1.78	9.21	7.60
I	1.94	2.03	9.41	7.00

Source: TurkStat, CBRT.

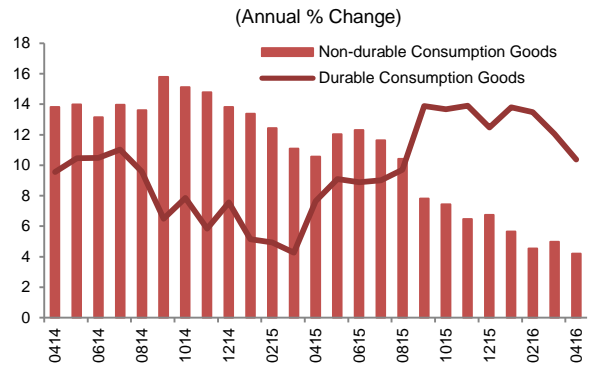
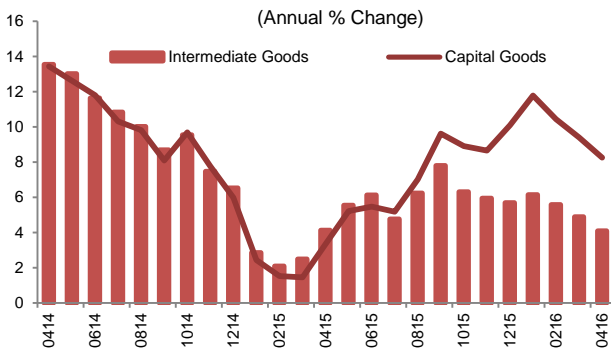
*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

...D-PPI...

Domestic producer prices rose by 0.52 percent month-on-month, and the group's annual inflation fell by 0.93 point to 2.87 percent in April due to the base effect. The monthly increase was shaped by rising international commodity prices, chiefly oil, while the stable course of the Turkish lira put a limit on this effect. Annual inflation fell to 4.11 percent in the manufacturing industry and to 6.16 percent in the manufacturing industry excluding petroleum and basic metals.



According to the Main Industrial Groupings (MIGs), prices of capital goods exhibited a slight fall in contrast to an increase in other subgroups in April. The uptick in intermediate goods (0.47 percent) was led by the prices of iron-steel products. In the non-durable consumption goods front, prices surged due to white meat prices. Falling prices in motor vehicles stood out in the manufacture of capital goods. Meanwhile, prices of durable consumption goods excluding jewelry were largely shaped by furniture prices. All in all, producer-driven cost pressures on consumer prices remained diminished in April.



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...TABLES

April CPI and Subcategories (Percent Change)					
	Weight	2016		2015	
		Monthly	Annual	Monthly	Annual
CPI	100	0.78	6.57	1.63	7.91
Food and nonalcoholic beverages	23.68	-1.48	1.38	1.63	14.36
Alcoholic beverages and tobacco	4.98	0.06	12.84	0.02	3.92
Clothing and footwear	7.43	12.60	9.32	12.30	5.15
Housing	15.93	0.37	6.59	0.41	8.21
Household equipment	8.02	0.70	10.38	1.35	6.79
Health	2.66	0.42	9.58	0.29	7.75
Transport	14.31	0.62	6.41	0.42	-0.52
Communication	4.42	0.29	1.77	-0.28	3.22
Recreation and culture	3.81	0.76	9.16	1.17	7.76
Education	2.56	0.87	6.93	0.88	7.88
Restaurants and hotels	7.47	0.45	11.35	1.27	13.34
Miscellaneous goods and services	4.73	0.22	11.25	1.24	9.90

Source: TurkStat.

April D-PPI and Subcategories (Percent Change)					
	Weight	2016		2015	
		Monthly	Annual	Monthly	Annual
D-PPI	100.00	0.52	2.87	1.43	4.80
Mining	3.50	1.37	-1.91	0.90	-1.94
Manufacturing	87.28	0.58	4.11	1.47	5.26
Manufacturing excl. petroleum products	84.65	0.53	5.23	1.39	6.54
Manufacturing excl. petroleum products and basic metals	75.61	0.28	6.16	1.39	6.92
Electricity, gas, steam and air-conditioning supply	8.13	-0.53	-8.14	1.25	1.22
Water supply	1.08	0.13	8.20	0.78	22.73
D-PPI (MIGs Classification)					
Intermediate Goods		0.47	4.08	1.25	4.12
Durable Consumption Goods		0.92	10.37	2.46	7.64
Non-Durable Consumption Goods		0.73	4.20	1.49	10.57
Capital Goods		-0.07	8.25	0.99	3.33
Energy		0.56	-10.34	1.64	-4.45

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.