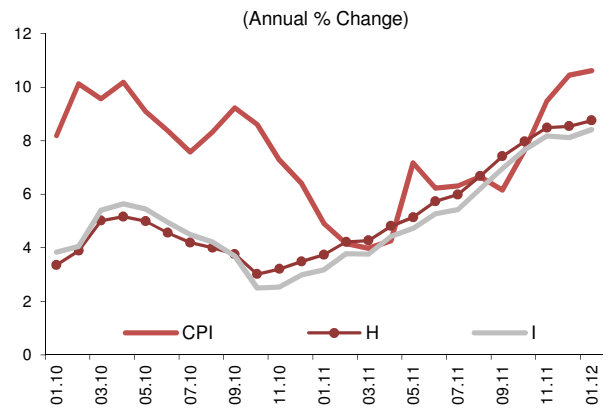
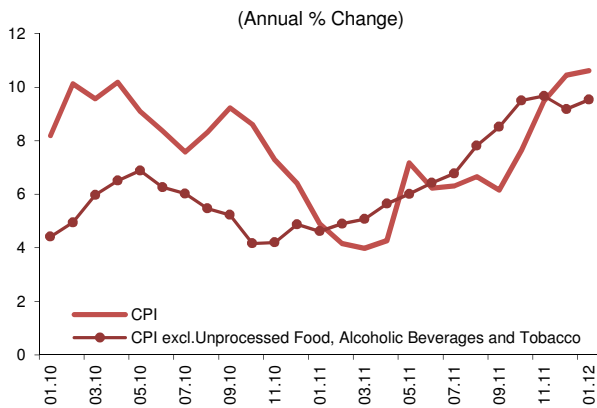


**SUMMARY...**

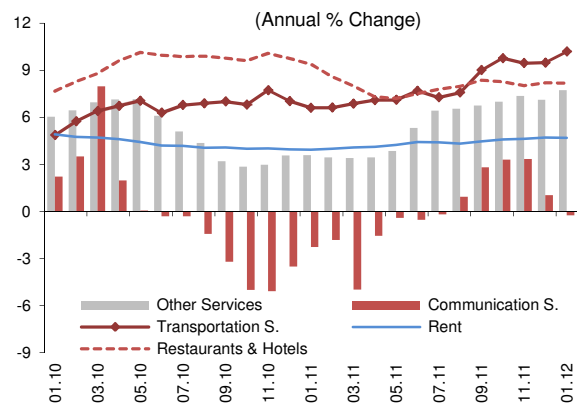
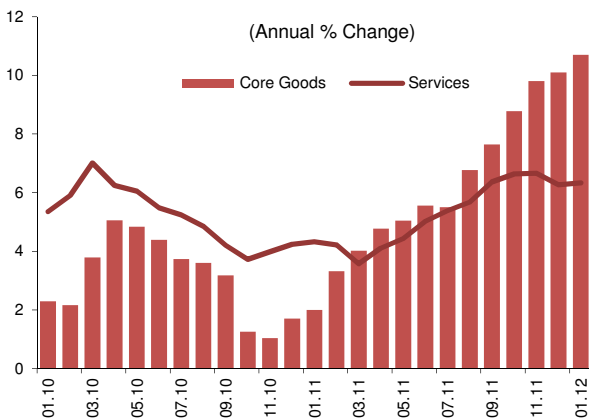
In January, consumer prices and annual inflation went up by 0.56 percent and 10.61 percent, respectively. While the lagged effects of exchange rate movements on core goods inflation continue, prices of services maintained their moderate course. As for the core inflation indicators, a downward trend is foreseen in the forthcoming period.

**...EVALUATIONS...**

In January, consumer prices and annual inflation went up by 0.56 percent and 10.61 percent, respectively. The rate of increase in the CPI excluding energy, unprocessed food, alcoholic beverages, tobacco and gold (SCA-H) rose to 8.76 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) went up to 8.42 percent year-on-year.



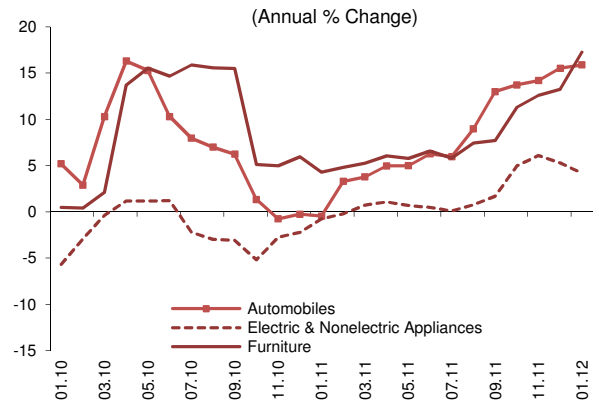
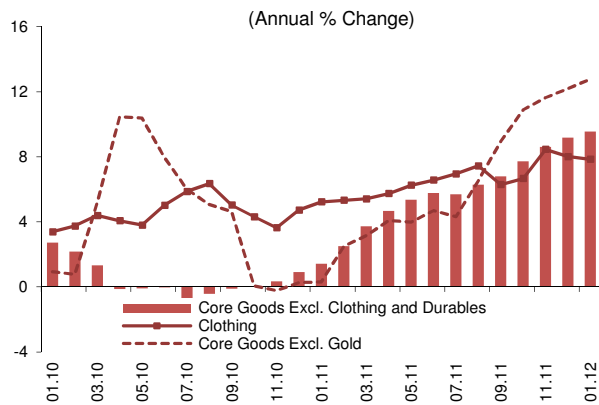
Prices of services rose by 0.94 percent in January, and annual services inflation edged up to 6.33 percent. Prices of transport services, which were pushed up by intra-city transport prices by 1.74 percent were instrumental in this. While the annual services inflation did not record a remarkable month-on-month change in rents and restaurants-hotels, it fell below the last year's figures in the communications group. Annual inflation in the services group excluding catering and transport went down to 4.89 percent. Seasonally-adjusted prices and the diffusion index indicate an ongoing mild course in the underlying trend of the services group.



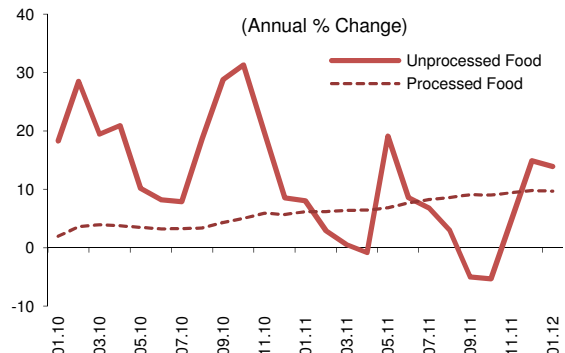
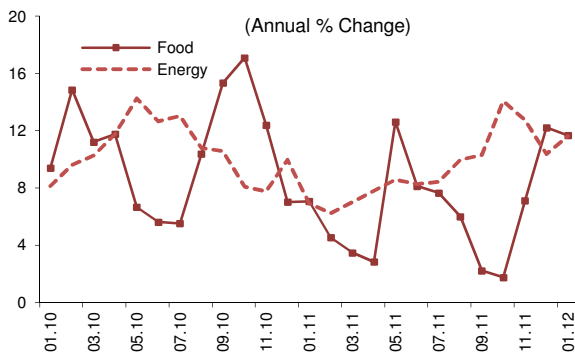
# JANUARY PRICE DEVELOPMENTS

# FEBRUARY 6, 2012

Annual rate of increase in core goods inflation rose by 0.61 percentage point to 10.70 percent. Lagged effects of exchange rate movements remained on the agenda through the prices of durable goods, pushing them up by 1.58 percent in January. This hike in durable goods was contributed mostly by the price increases in automobiles and furniture (3.27 and 1.82 percent, respectively). Annual inflation lost momentum on the clothing front, while it remained on the increase albeit at a slower pace in goods other than clothing and durable goods.



Energy prices were up 2.19 percent in January amid the increases in all subcategories. This was driven by the soaring municipal water tariffs coupled with a hike of 2.66 percent in fuel prices following the developments in international oil prices. Similarly, electricity and solid fuel prices were up by 1.02 and 2.86 percent, respectively. Consequently, annual energy inflation went up by 1.26 percentage points to 11.62 percent.



Prices of food and nonalcoholic beverages rose by 1.13 percent, and the group's annual inflation went down by 0.54 percentage points to 11.67 percent. Subsequent to a surge in the last quarter, unprocessed food prices followed a moderate course this month, which is led by a lower-rated increase in the prices of fresh fruits and vegetables compared to the past years' average as well as the decline in red meat prices. Thereby, the group's annual inflation went down to 13.92 percent.

Processed food prices were up 1.06 percent in January and this upward trend has spilled over into subcategories. Prices of bread and cereals accelerated in this period, contrary to the sustained deceleration in the prices of cheese and other dairy products. Similarly, processed

# JANUARY PRICE DEVELOPMENTS FEBRUARY 6, 2012

meat products and non-alcoholic beverages increased at a lower rate. Against this background, annual inflation in processed food prices decreased to 9.66 percent.

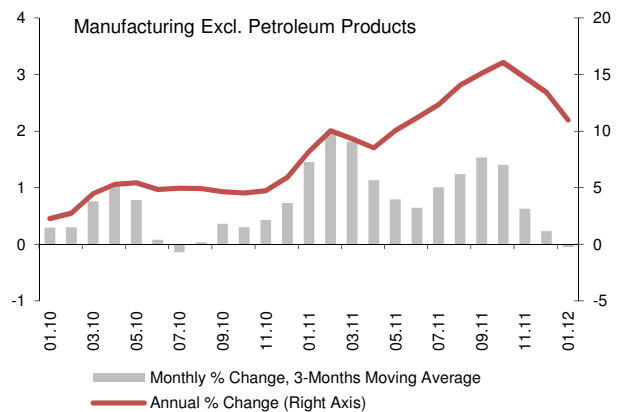
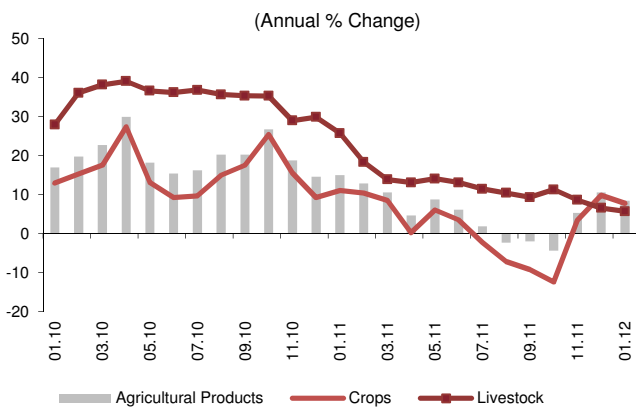
	Monthly Percent Change		Annual Percent Change	
	January 2012	January 2011	January 2012	January 2011
<b>CPI</b>	<b>0.56</b>	<b>0.41</b>	<b>10.61</b>	<b>4.90</b>
<b>1. Goods</b>	<b>0.43</b>	<b>0.24</b>	<b>12.17</b>	<b>5.09</b>
Energy	2.19	1.04	11.62	6.89
Food and nonalcoholic beverages	1.13	1.61	11.67	7.06
Unprocessed food	1.21	2.08	13.92	8.05
Fresh fruits and vegetables	2.88	6.14	21.59	11.17
Other unprocessed food	-0.07	-0.67	8.41	5.86
Processed food	1.06	1.21	9.66	6.17
Bread and cereals	1.59	1.67	8.08	5.62
Other processed food	0.75	0.95	10.52	6.49
Goods excluding energy and food	-0.94	-1.27	12.88	2.65
Core goods	-1.12	-1.66	10.70	2.00
Durable goods	1.42	1.10	14.89	2.30
Durable goods (excluding gold)	1.58	1.05	12.78	0.30
Alcoholic beverages and tobacco	0.02	0.00	18.53	2.15
Gold	-1.57	1.68	41.92	29.06
<b>2. Services</b>	<b>0.94</b>	<b>0.88</b>	<b>6.33</b>	<b>4.32</b>
Rents	0.35	0.37	4.69	3.94
Restaurants and hotels	0.75	0.76	8.19	9.38
Transport	1.74	1.08	10.20	6.60
Communication	0.00	1.30	-0.25	-2.26
Other*	1.55	0.97	7.73	3.59
<b>3. Core Measures</b>				
CPI excluding unprocessed food. alcoholic beverages and tobacco	0.50	0.18	9.53	4.62
SCA-H	0.15	-0.05	8.76	3.74
SCA-I	-0.08	-0.36	8.42	3.18

Source: TurkStat, CBRT.

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

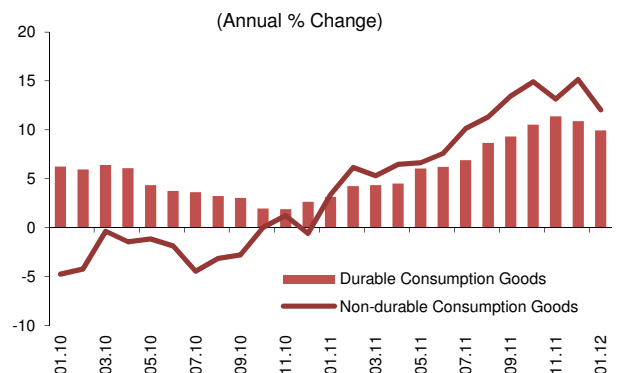
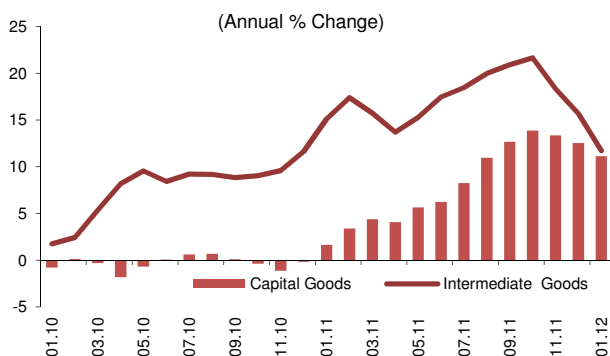
**...PPI...**

In January, producer prices were up by 0.38 percent and annual PPI inflation went down to 11.13 percent. Agricultural prices posted a relatively moderate increase, which also reflected on unprocessed food prices. Annual inflation in livestock and animal products maintained its downward trend in this period. Meanwhile, among the inputs for the manufacturing industry, sunflower prices continued to increase with a slower pace by 0.47 percent, whereas wheat and cotton prices went down by 0.36 and 3.91 percent, respectively.



In the manufacturing industry, prices increased by 0.11 percent, while annual inflation declined to 12.08 percent. Producer prices of oil surged by 2.98 percent amid the international price developments, while the increase in base metal prices remained quite limited by 0.51 percent. Excluding oil and base metal prices, increases in manufacturing prices have not recorded a significant monthly change and the group's annual inflation decreased by 1.78 percentage points to 10.60 percent.

Main Industrial Groupings (MIGs) suggest that prices of intermediate goods and non-durable goods decreased, whereas those of capital goods and durable goods increased. Prices of intermediate goods and non-durable consumption goods went down amid the decline in the prices of textile manufacturing, and clothing by 0.16 and 0.27 percent, respectively. Motor vehicles provided the largest contribution to the 0.38 percent increase in the producer prices of capital goods, while the increases in the furniture and home utensils pushed the prices of durable goods up by 0.85 percent. In sum, price pressures driven by the manufacturing industry posted a notable slowdown in the last three months.



# JANUARY PRICE DEVELOPMENTS

# FEBRUARY 6, 2012

## ...TABLES

January CPI and Subcategories (Percent Change)					
	Weight	2012		2011	
		Monthly	Annual	Monthly	Annual
CPI	100	0.56	10.61	0.41	4.90
Food and nonalcoholic beverages	26.22	1.13	11.67	1.61	7.06
Alcoholic beverages and tobacco	5.21	0.02	18.53	0.00	2.15
Clothing and footwear	6.87	-7.88	7.84	-7.76	5.24
Housing	16.44	1.32	8.99	0.58	4.93
Household equipment	7.45	1.58	11.65	1.02	3.59
Health	2.29	0.09	0.15	0.28	0.97
Transport	16.73	2.06	12.90	1.44	4.63
Communication	4.60	-0.01	1.24	1.21	-1.81
Recreation and culture	2.98	0.83	7.45	-0.08	-2.13
Education	2.18	-0.05	6.38	0.04	4.22
Restaurants and hotels	5.63	0.75	8.19	0.76	9.38
Miscellaneous goods and services	3.40	1.79	17.63	1.37	6.71

Source: TurkStat.

January PPI and Subcategories (Percent Change)					
	Weight	2012		2011	
		Monthly	Annual	Monthly	Annual
PPI	100	0.38	11.13	2.36	10.80
Agriculture	17.21	0.97	8.44	2.92	14.95
Crops, fruits and vegetables	11.76	0.77	7.74	2.72	11.06
Livestock and animal products	4.73	0.22	5.69	1.04	25.69
Industry	82.79	0.26	11.71	2.25	9.93
Mining	3.09	1.42	16.77	4.02	10.03
Manufacturing	70.83	0.11	12.08	2.35	8.89
Manufacturing excluding petroleum	68.22	0.00	10.99	2.19	8.19
Manufacturing excluding petroleum and base metals	62.07	-0.05	10.60	1.56	5.73
Electricity, gas and water	8.87	1.07	6.75	0.72	20.28

Source: TurkStat, CBRT.

PPI by MIGS (Monthly Percent Change)														
	Jan.11	Feb.11	Mar.11	Apr.11	May.11	Jun.11	Jul.11	Aug.11	Sep.11	Oct.11	Nov.11	Dec.11	Jan.12	Annual
Intermediate goods	3.39	2.67	1.61	0.02	1.37	1.38	1.35	2.06	1.62	0.40	-1.63	0.50	-0.16	11.70
Capital goods	1.66	2.09	1.56	-0.99	0.91	0.66	2.02	2.31	1.59	0.59	-0.55	0.09	0.38	11.13
Durable goods	3.63	1.71	-0.52	0.62	0.92	1.04	0.71	1.58	2.04	2.53	-0.36	0.35	0.85	12.04
Nondurable goods	0.61	1.62	0.84	0.59	0.96	-0.33	0.91	1.39	1.36	1.25	0.91	0.28	-0.27	9.93
Energy	2.44	-1.04	2.25	-0.56	-2.12	0.67	1.11	4.43	2.33	2.61	1.20	1.66	1.85	15.18

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.