

DECEMBER PRICE DEVELOPMENTS JANUARY 4, 2013

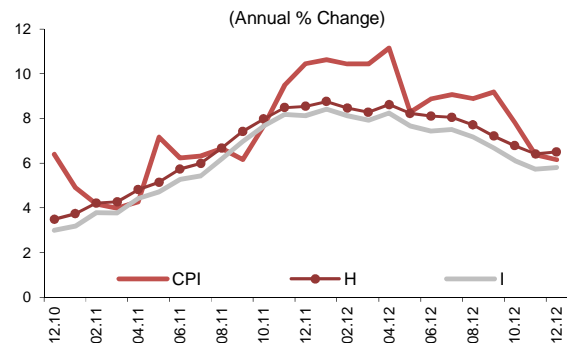
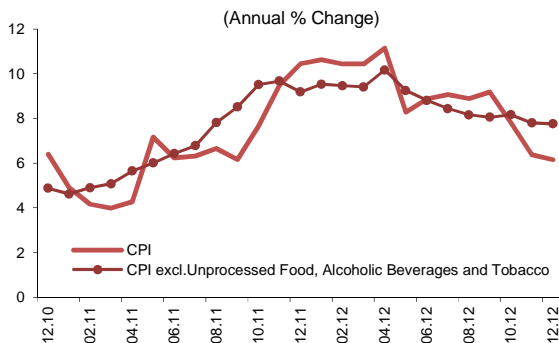
SUMMARY...

In December, consumer prices were up by 0.38 percent and annual inflation fell to 6.16 percent. Unprocessed food prices continued to support the fall in annual consumer inflation as also stated in the Summary of the Monetary Policy Committee Meeting. On account of the cost and demand side developments, the course of main inflation indicators remained mild. However, rising cigarette prices due to tax adjustments are expected to add around 0.8 percentage points to inflation in January.

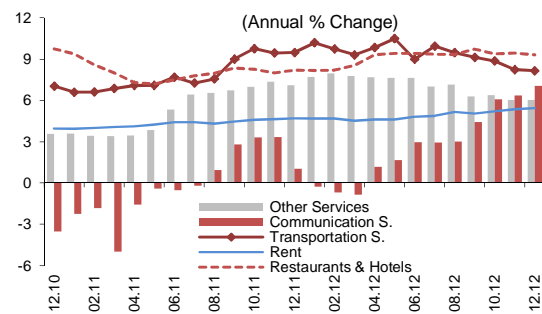
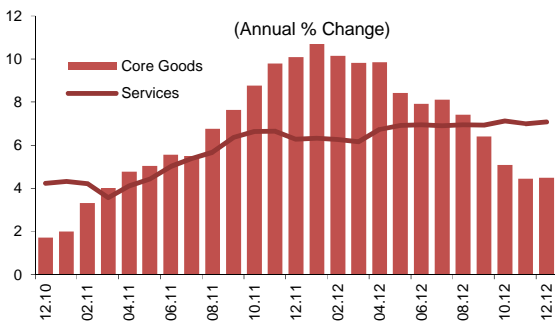
...EVALUATIONS...

In December, consumer prices were up by 0.38 percent and annual inflation fell to 6.16 percent. Thus, the lowest year-end consumer inflation of the last 44 years was registered. The rate of increase in the CPI excluding energy, unprocessed food, alcoholic beverages, tobacco and gold (SCA-H) edged up to 6.50 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) slightly rose to 5.81 percent year-on-year.

Contribution to the annual CPI inflation displayed a month-on-month decline in food and energy groups, while other subgroups did not exhibit a noticeable change. In the year-end, the largest contributor to the CPI inflation among subgroups became the energy group with 2.01 percentage points, which was followed by the services group with 1.90 percentage points. Contribution of the food group remained considerably below historical averages with 1.02 percentage points, while that of the core goods group stood at 1.19 percentage points. Alcoholic beverages, tobacco and gold group added merely 0.03 percentage points to the annual consumer inflation.

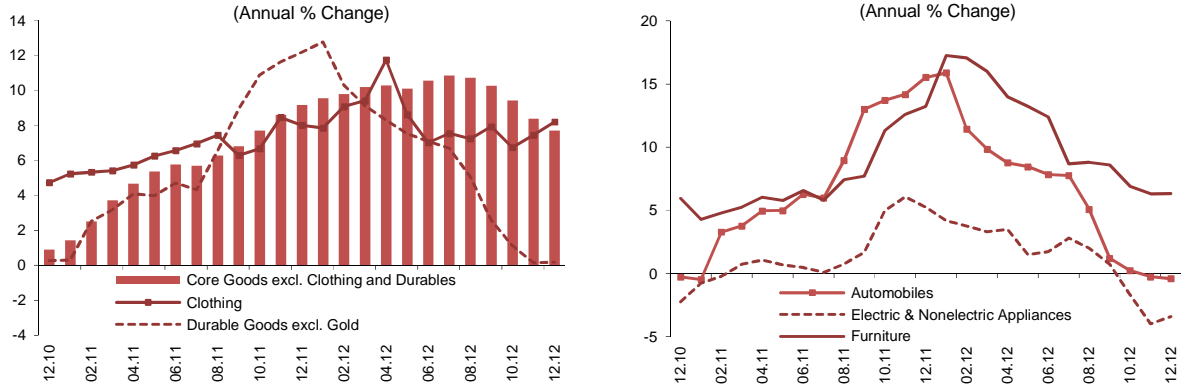


Prices of services went up by 0.37 percent, and the group's annual inflation remained virtually unchanged at 7.09 percent in December. Prices of communication services continued with a monthly rise due to the prices of mobile phone call rates. Annual inflation rates in communication services and rent went up, in contrast to the falling figures in restaurants and hotels and transport services. As a result, the seasonally-adjusted underlying trend and the diffusion index for the prices of services edged down, pointing that the course of prices of services remained mild in December.

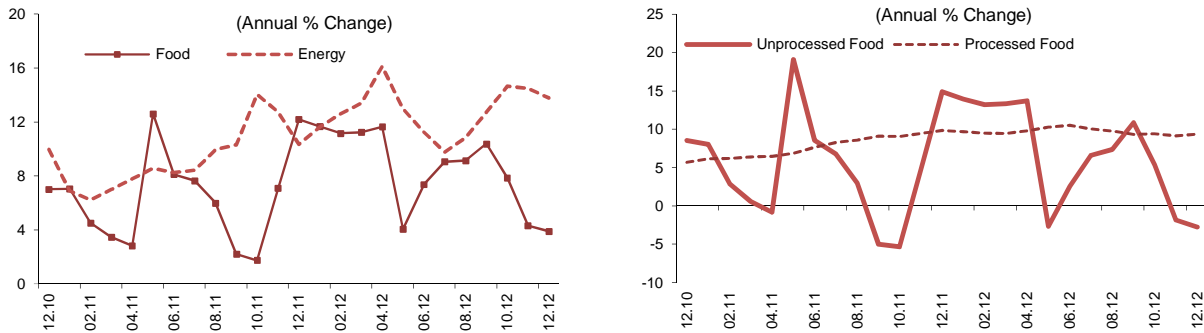


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As for the core goods group, annual inflation followed a flat course in December and closed the year at 4.5 percent. Seasonal sale in the clothing group stood below those of previous years, while durable goods prices maintained their November levels. The rate of monthly increase in core goods prices excluding clothing and durable goods continued to decline in December. Durable goods prices, which have been the main driver of the slowdown in the core goods inflation across the year, recorded an annual increase by 0.17 percent; however, prices in the clothing group went up by 8.2 percent in 2012.



In December, energy prices remained almost unchanged on a monthly basis, but went down by 0.69 percentage points to 13.79 percent year-on-year. In this period, on account of the cumulative effects of the decline in oil prices, domestic fuel oil prices decreased as well. Meanwhile, solid fuel prices continued to rise in December; still the rate of increase in the last three months remained below seasonal averages.



Annual inflation in food and non-alcoholic beverages group decreased to 3.90 percent, which was driven by the fall in annual unprocessed food inflation. Seasonally adjusted unprocessed food prices, which have been falling in the last two months, rose in December. Nevertheless, the group's annual inflation stood rather below the levels of previous periods with -2.78 percent. This was mainly attributed to the year-on-year decline in vegetable prices by 14.95 percent.

Monthly rate of price increase in the processed food group maintained its high course and the group's prices went up by 0.96 percent in December. In line with the course of domestic wheat prices, bread and cereals group continued with price increases, and the annual rate of increase in bread prices reached 15.43 percent. Meanwhile, prices of meat products and canned vegetable products registered an upsurge in December, in contrast to other subcategories that saw decelerating price increases. Consequently, annual processed food inflation went up to 9.37 percent in December.

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	Monthly Percent Change		Annual Percent Change	
	Dec. 2012	Dec. 2011	Dec. 2012	Dec. 2011
CPI	0.38	0.58	6.16	10.45
1. Goods	0.38	0.68	5.82	11.97
Energy	-0.05	0.56	13.79	10.36
Food and nonalcoholic beverages	1.55	1.97	3.90	12.21
Unprocessed food	2.38	3.34	-2.78	14.89
Fresh fruits and vegetables	7.47	8.84	-6.79	25.45
Other unprocessed food	-0.96	-0.61	0.30	7.76
Processed food	0.96	0.73	9.37	9.82
Bread and cereals	1.57	0.58	12.09	8.17
Other processed food	0.58	0.81	7.77	10.73
Goods excluding energy and food	-0.33	-0.32	3.78	12.51
Core goods	-0.35	-0.39	4.49	10.09
Durable goods	-0.13	-0.10	0.02	14.53
Durable goods (excluding gold)	-0.02	-0.06	0.17	12.19
Alcoholic beverages and tobacco	0.01	-0.01	0.98	18.50
Gold	-2.16	-0.55	-2.73	46.60
2. Services	0.37	0.29	7.09	6.27
Rents	0.37	0.27	5.46	4.71
Restaurants and hotels	0.39	0.51	9.31	8.20
Transport	-0.01	0.07	8.16	9.48
Communication	1.10	0.43	7.08	1.04
Other*	0.15	0.15	6.04	7.12
3. Core Measures				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.15	0.19	7.76	9.18
SCA-H	0.21	0.12	6.50	8.54
SCA-I	0.02	-0.06	5.81	8.12

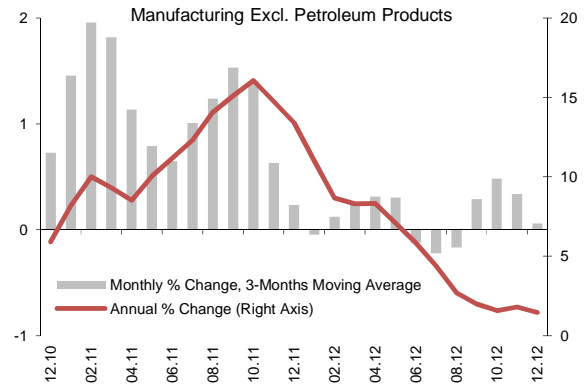
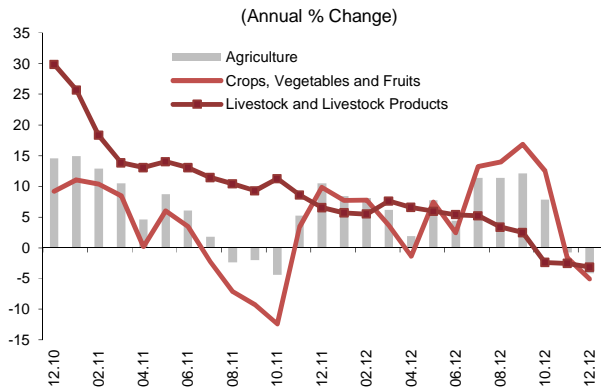
Source: TurkStat, CBRT.

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

...PPI...

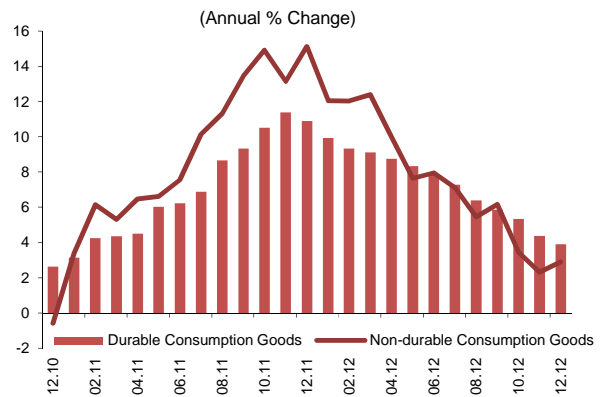
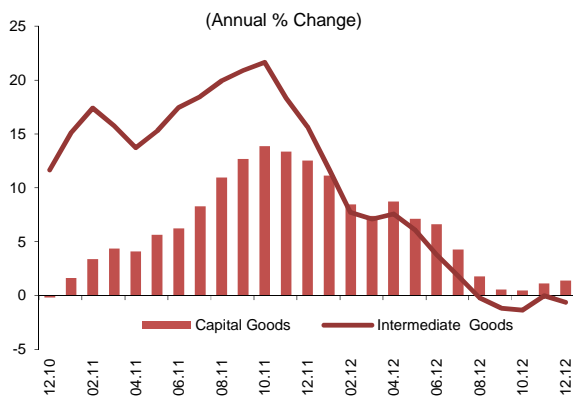
In December, producer prices fell by 0.12 percent owing to the decline in agricultural and industrial prices, and annual inflation went down by 1.15 percentage points to 2.45 percent. Seasonally adjusted agricultural prices continued to fall in this period. Among crops, month-on-month price decreases were remained in sunflower, while cotton prices maintained the flat outlook of the preceding two months. Livestock prices continued with a decline in December. Wheat prices, which have increased by 15.6 percent since May, kept the trend of high monthly increases despite a slowdown in December.

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Industrial prices exhibited a slight fall in December due to developments in mining and energy prices. Manufacturing industry prices remained flat in this period amid the stable course of foreign exchange rates and practically unchanged commodity prices. Meanwhile, both petroleum products and base metal prices remained on a downward track in December. As for the industrial prices excluding oil and base metal, a flat course was observed.

Main Industrial Groupings (MIGS) suggest that capital and durable goods prices recorded an increase. In this period, capital goods prices rose due to the price hikes in machines intended for special and general use besides metal construction materials. As for the rise in durable goods prices, price hikes in the manufacture of motorcycles, bicycles and furniture were held responsible. In December, intermediate goods prices receded upon the fall in iron-steel prices; while nondurable goods prices decreased upon the fall in prices of meat and the products thereof. As a result, having recorded a historically-low increase by 1.27 percent in 2012, manufacturing industry prices pointed that cost effects on consumer prices have remained on a mild track.



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...TABLES

December CPI and Subcategories (Percent Change)					
	Weight	2012		2011	
		Monthly	Annual	Monthly	Annual
CPI	100	0.38	6.16	0.58	10.45
Food and nonalcoholic beverages	26.22	1.55	3.90	1.97	12.21
Alcoholic beverages and tobacco	5.21	0.01	0.98	-0.01	18.50
Clothing and footwear	6.87	-1.50	8.17	-2.17	7.98
Housing	16.44	0.24	11.37	0.53	8.20
Household equipment	7.45	0.21	5.89	0.29	11.04
Health	2.29	0.04	1.68	-0.09	0.34
Transport	16.73	-0.27	5.54	0.18	12.22
Communication	4.60	1.23	5.90	0.35	2.48
Recreation and culture	2.98	-0.17	1.98	0.79	6.49
Education	2.18	0.02	4.81	-0.09	6.47
Restaurants and hotels	5.63	0.39	9.31	0.51	8.20
Miscellaneous goods and services	3.40	0.10	8.66	0.32	17.14

Source: TurkStat.

December PPI and Subcategories (Percent Change)					
	Weight	2012		2011	
		Monthly	Annual	Monthly	Annual
PPI	100	-0.12	2.45	1.00	13.33
Agriculture	17.21	-0.39	-4.17	3.18	10.54
Crops, fruits and vegetables	11.76	-0.13	-5.05	3.47	9.83
Livestock and animal products	4.73	-1.11	-3.15	-0.48	6.56
Industry	82.79	-0.07	3.83	0.57	13.92
Mining	3.09	-0.33	5.49	0.13	19.77
Manufacturing	70.83	0.01	1.27	0.37	14.59
Manufacturing excluding petroleum	68.22	0.03	1.48	0.36	13.42
Manufacturing excluding petroleum and base metals	62.07	0.13	2.50	0.14	12.38
Electricity, gas and water	8.87	-0.46	23.64	2.51	6.38

Source: TurkStat, CBRT.

PPI by MIGS (Monthly Percent Change)														
	Dec.11	Jan.12	Feb.12	Mar.12	Apr.12	May.11	Jun.12	Jul.12	Aug.12	Sept.12	Oct.12	Nov.12	Dec.12	Annual
Intermediate goods	0.50	-0.16	-1.01	1.04	0.45	-0.02	-0.80	-0.58	0.02	0.64	0.21	-0.30	-0.12	-0.64
Capital goods	0.09	0.38	-0.36	0.57	0.21	-0.55	0.17	-0.22	-0.15	0.39	0.51	0.09	0.36	1.40
Durable goods	0.35	0.85	1.70	-0.19	-1.55	-1.21	1.32	-0.08	0.02	2.71	-0.09	-1.44	0.92	2.90
Nondurable goods	0.28	-0.27	1.06	0.64	0.26	0.56	-0.78	0.40	0.54	0.87	0.76	-0.03	-0.17	3.90
Energy	1.66	1.85	-3.17	0.44	0.59	-0.82	-0.52	-1.98	2.06	1.50	-0.93	18.27	-0.48	16.41

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.