

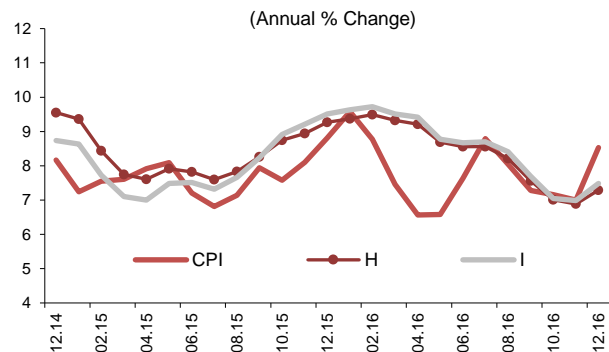
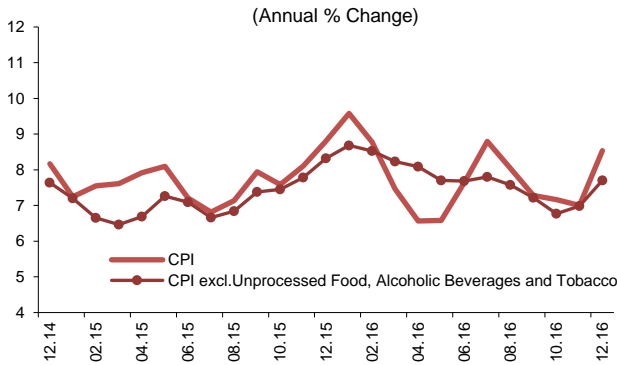
SUMMARY...

In December, consumer prices rose by 1.64 percent, and annual consumer inflation rose by 1.53 points to 8.53 percent. As stated in the Summary of the Monetary Policy Committee Meeting of December, annual food inflation increased on account of the unprocessed food group. Annual energy inflation maintained its uptrend amid the rising exchange rate and oil prices. What is more, the recent tax adjustments chiefly on tobacco products have put an evident upside pressure on inflation. The depreciation in the Turkish lira raised both the annual inflation and the underlying trend of core indicators in this period.

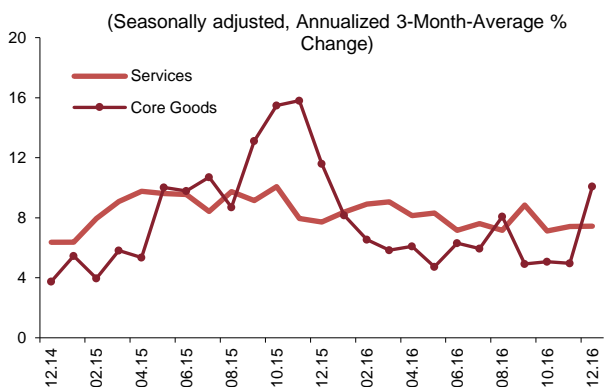
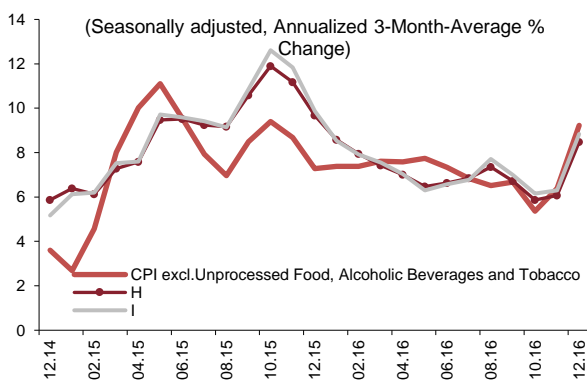
... EVALUATIONS ...

In December, consumer prices rose by 1.64 percent, and annual consumer inflation rose by 1.53 points to 8.53 percent. The annual rate of change in the H and I indices inched up by 0.4 and 0.5 points month-on-month to 7.29 and 7.48 percent, respectively.

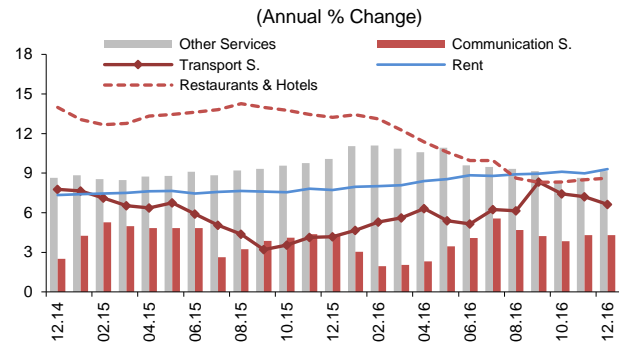
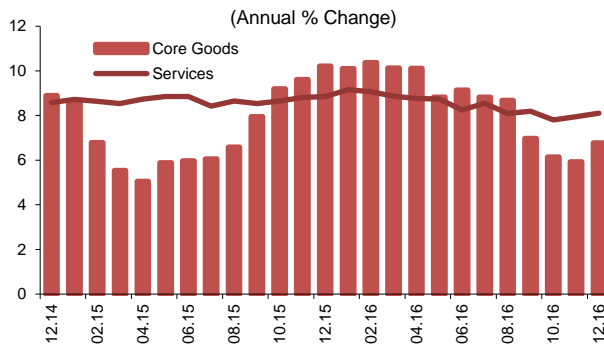
Contributions of sub-groups to annual CPI inflation reveal a month-on-month increase of 0.49, 0.44, 0.33 and 0.22 points from the food, alcohol-tobacco, energy and core goods groups, respectively. Meanwhile, the contribution of the services group remained relatively flat.



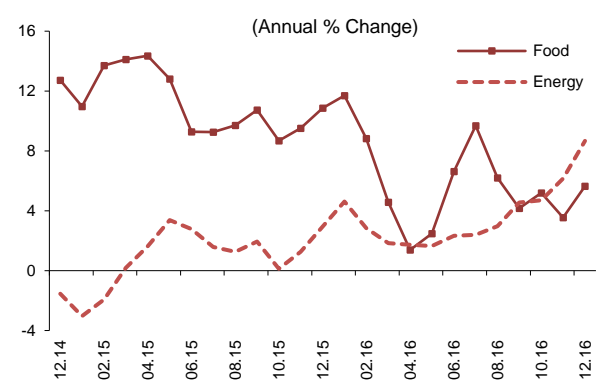
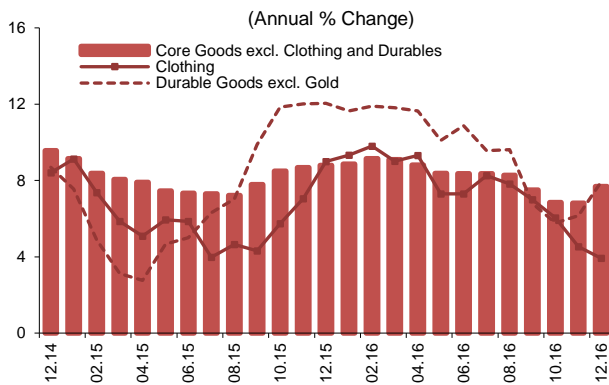
The underlying trend of inflation based on the seasonally-adjusted data in 3-month-averages reveals a notable deterioration in core inflation indicators. This was driven by the rise in the underlying trend of core goods due to the considerable depreciation in the Turkish lira. Meanwhile, the underlying trend of services followed a relatively flat course.



Prices of services increased by 0.38 percent on a monthly basis, while the group's annual inflation inched up by 0.17 points to 8.11 percent in December. Annual inflation decreased in transport services, remained flat in communication, but increased in other subgroups. Prices in transport services receded due to intercity highway transport services. The rate of monthly increase re-accelerated in rents, and annual inflation hit 9.30 percent. In the restaurants-hotels group, accommodation prices receded further parallel to the prospects for tourism, while prices remained on the increase in catering services. With regard to other services, care and maintenance of vehicles coupled with the umrah visit (posted a month-on-month increase by 8.16 percent) are responsible for price increases.



Annual core goods inflation rose by 0.84 points to 6.77 percent in December. Annual inflation declined in clothing, but increased in other sub-groups in this period. Annual clothing inflation remained on a downward trend also due to the downturn in domestic demand. On the other hand, prices of durable goods rose by 1.39 percent on a monthly basis due to the depreciation in the Turkish lira. Durable goods witnessed notable price increases in all sub-groups, chiefly white goods (3.52 percent). The rise in automobile prices is attributed to the rise both in the exchange rate and the SCT. What is more, core goods excluding clothing and durables also saw a notable monthly increase in prices. All in all, December was marked by an evident spillover of the depreciation in the Turkish lira into the prices of core goods, notwithstanding the curbing effect from domestic demand conditions.

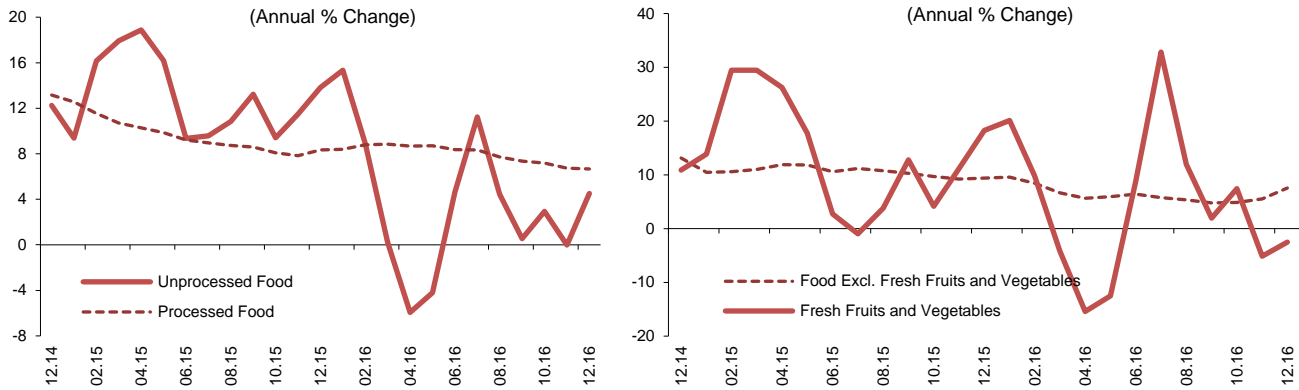


Energy prices rose by 2.15 percent in December. Due to soaring oil prices and the depreciation in the Turkish lira, fuel prices surged by 4.81 percent in this period and the cumulative price increase in the last four months amounted to 18.51 percent. Similarly, bottled gas and solid fuel prices registered a month-on-month increase by 2.17 and 3.53 percent, respectively. As a result, annual energy inflation increased by 2.52 points to 8.67 percent in December.

Annual inflation in food and non-alcoholic beverages increased by 2.10 points to 5.65 percent in December, which was mainly driven by the upsurge in seasonally-adjusted unprocessed food prices. On the other hand, sub-groups like white meat, legumes and eggs continued to record robust price increases, and annual inflation in these groups hit 16.01, 20.31 and 35.43 percent, respectively. Meanwhile, the monthly price increase in the processed food group gained pace, while the group's annual inflation remained almost flat with 6.67 percent.

DECEMBER PRICE DEVELOPMENTS

JANUARY 4, 2017



Tax increases in December pushed prices in the alcoholic beverages and tobacco group upwards by 7.33 percent, and the group's annual inflation hit 31.59 percent. Thus, the contribution of the alcohol-tobacco group to annual consumer inflation reached 1.57 points in 2016. As the price increases in tobacco products spread across the month, the effect of the tax rise will appear also in January, albeit being more limited.

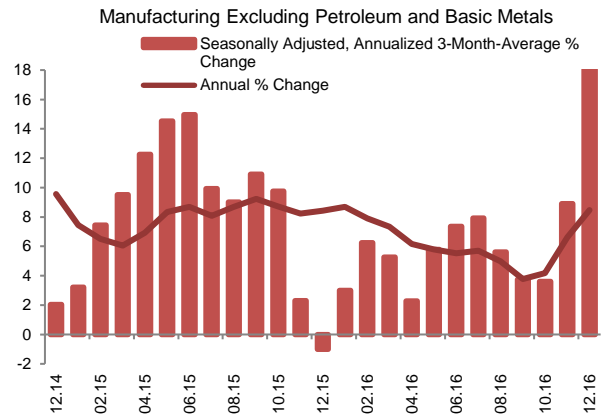
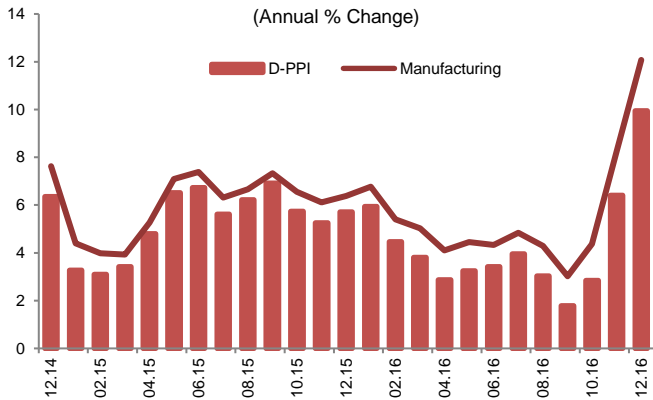
	Monthly Percent Change		Annual Percent Change	
	Dec.2016	Dec.2015	Dec.2016	Dec.2015
CPI	1.64	0.21	8.53	8.81
1. Goods	2.21	0.20	8.72	8.79
Energy	2.15	-0.22	8.67	2.96
Food and nonalcoholic beverages	3.29	1.24	5.65	10.87
Unprocessed food	6.34	1.73	4.52	13.83
Fresh fruits and vegetables	6.62	3.75	-2.52	18.28
Other unprocessed food	6.18	0.58	9.12	11.37
Processed food	0.75	0.80	6.67	8.33
Bread and cereals	0.56	1.17	8.41	5.96
Other processed food	0.85	0.60	5.72	9.70
Goods excluding energy and food	1.49	-0.40	10.97	9.61
Core goods	0.32	-0.48	6.77	10.22
Durable goods	1.26	-0.26	9.02	12.12
Durable goods (excluding gold)	1.39	-0.27	7.93	12.05
Alcoholic beverages and tobacco	7.33	0.00	31.59	5.68
Gold	-0.79	-0.02	28.52	13.52
2. Services	0.38	0.22	8.11	8.85
Rents	0.74	0.45	9.30	7.73
Restaurants and hotels	0.44	0.33	8.62	13.23
Transport	-0.51	0.03	6.63	4.17
Communication	0.00	0.00	4.29	4.36
Other*	0.64	0.19	9.15	10.09
3. Core Measures				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.68	0.01	7.70	8.32
H	0.41	0.04	7.29	9.27
I	0.35	-0.11	7.48	9.51

Source: TurkStat, CBRT.

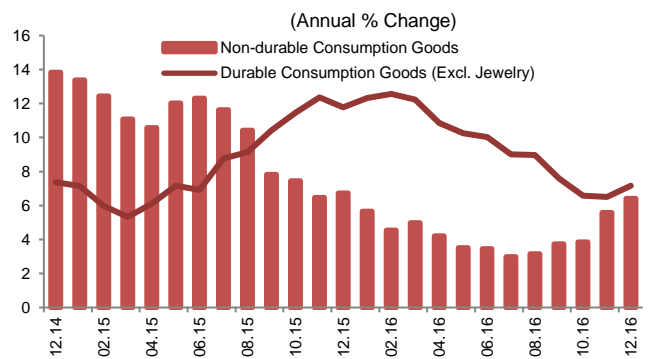
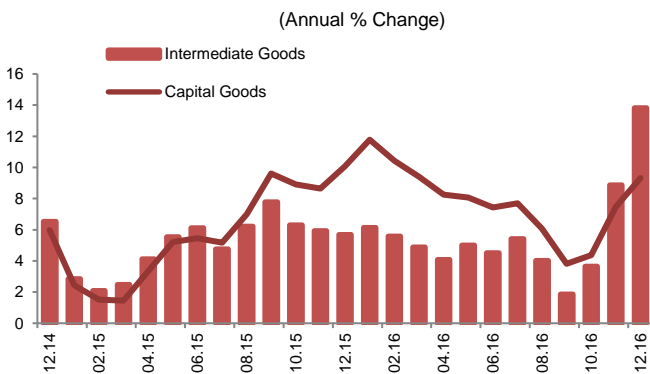
*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

... D-PPI ...

Domestic producer prices rose by 2.98 percent month-on-month, and the group's annual inflation increased by 3.53 points to 9.94 percent in December. This rise stemmed from the depreciated Turkish lira coupled with the hikes in international oil prices. Annual inflation reached 12.07 percent in the manufacturing industry and 8.46 percent in the manufacturing industry excluding petroleum and basic metals in this period.



According to the Main Industrial Groupings (MIGs), prices registered increases across all subgroups in December. Prices in intermediate goods rose (4.05 percent) due to basic metals and metal products, while capital goods saw rising prices amid price developments in metal construction products, general-purpose machinery, motor vehicles and the parts thereof. Prices of non-durable goods were determined by meat and meat products, while durable goods saw mild price increases. As a result, producer-driven cost pressures on consumer prices grew stronger in December especially due to the depreciation in the Turkish lira.



... TABLES

December CPI and Subcategories (Percent Change)					
	Weight	2016		2015	
		Monthly	Annual	Monthly	Annual
CPI	100	1.64	8.53	0.21	8.81
Food and nonalcoholic beverages	23.68	3.29	5.65	1.24	10.87
Alcoholic beverages and tobacco	4.98	7.33	31.59	0.00	5.68
Clothing and footwear	7.43	-2.55	3.98	-1.98	8.99
Housing	15.93	0.95	6.42	0.43	6.71
Household equipment	8.02	1.28	6.24	0.53	10.95
Health	2.66	0.66	9.73	0.14	7.16
Transport	14.31	1.97	12.36	-0.57	6.40
Communication	4.42	-0.14	3.18	-0.22	3.56
Recreation and culture	3.81	1.42	5.93	-0.17	11.56
Education	2.56	0.01	9.47	0.04	6.39
Restaurants and hotels	7.47	0.44	8.62	0.33	13.23
Miscellaneous goods and services	4.73	0.60	11.08	0.45	11.00

Source: TurkStat.

December D-PPI and Subcategories (Percent Change)					
	Weight	2016		2015	
		Monthly	Annual	Monthly	Annual
D-PPI	100.00	2.98	9.94	-0.33	5.71
Mining	3.50	-0.25	8.01	-1.92	-0.69
Manufacturing	87.28	3.26	12.07	-0.27	6.38
Manufacturing excl. petroleum products	84.65	2.73	10.83	0.02	7.28
Manufacturing excl. petroleum products and basic metals	75.61	1.93	8.46	0.20	8.44
Electricity, gas, steam and air-conditioning supply	8.13	1.35	-11.79	-0.52	0.19
Water supply	1.08	0.54	7.21	1.05	19.95
D-PPI (MIGs Classification)					
Intermediate Goods		4.05	13.83	-0.48	5.69
Durable Consumption Goods		0.15	11.75	-0.17	12.48
Durable Consumption Goods (Excl. Jewelry)		0.34	7.17	-0.29	11.78
Non-Durable Consumption Goods		1.35	6.41	0.56	6.73
Capital Goods		2.11	9.32	0.38	10.08
Energy		5.06	4.53	-2.22	-2.57

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.