

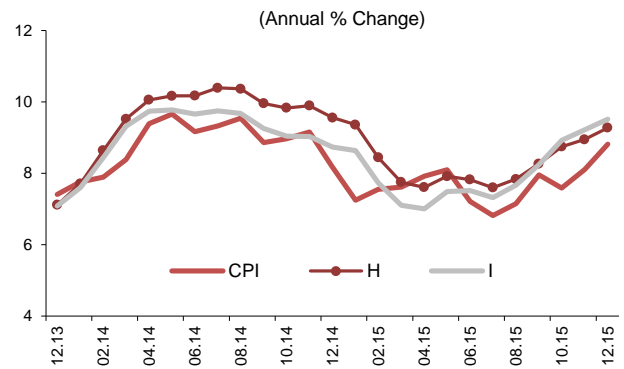
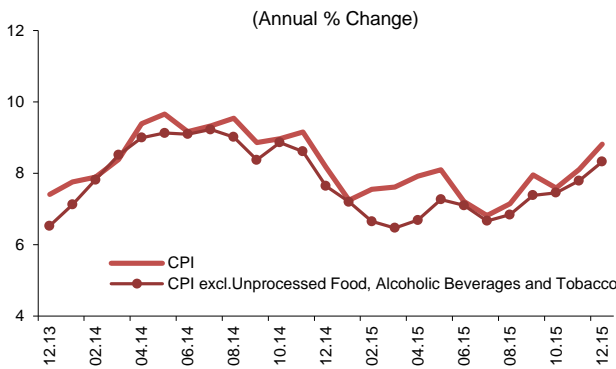
SUMMARY ...

In December, consumer prices edged up by 0.21 percent, and the annual consumer inflation rose by 0.71 point to 8.81 percent. This rise is attributed to the acceleration in unprocessed food prices and the base effect in energy prices. Meanwhile, the effects of the cumulative depreciation in the Turkish lira weakened, and core goods inflation remained on an uptrend. Moreover, services inflation maintained its high course. The annual inflation in core inflation indicators registered an increase, while the underlying trend thereof improved slightly. Adjustments introduced to some products with administered prices in early January may mount to 0.7 points in total.

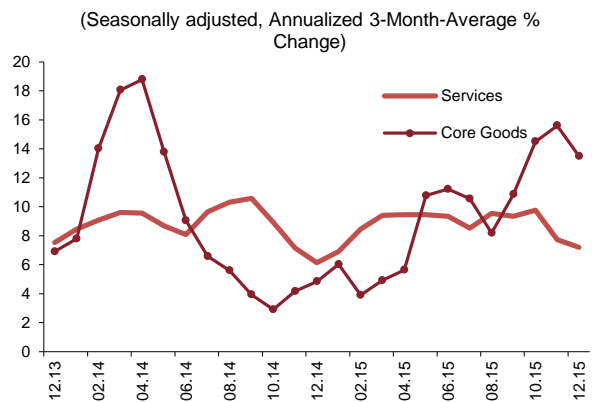
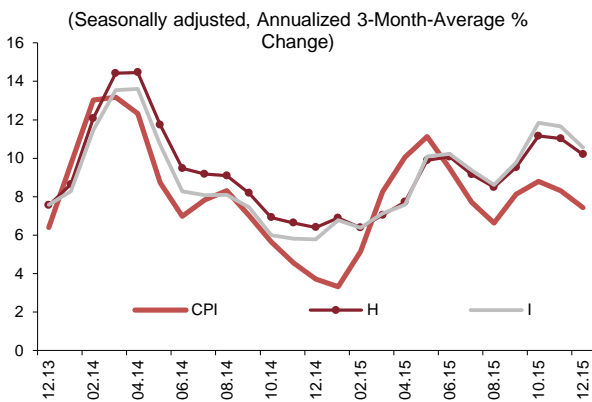
... EVALUATIONS ...

In December, consumer prices edged up by 0.21 percent, and the annual consumer inflation rose by 0.71 point to 8.81 percent. The annual rate of change in the SCA-H and SCA-I indices rose by 0.33 and 0.29 points month-on-month to 9.27 and 9.51 percent, respectively.

Contributions of sub-groups to annual CPI inflation reveal an increase in food, energy and core goods groups by 0.34, 0.22 and 0.14 points respectively, in December. Contributions of other sub-groups did not exhibit a noticeable change.

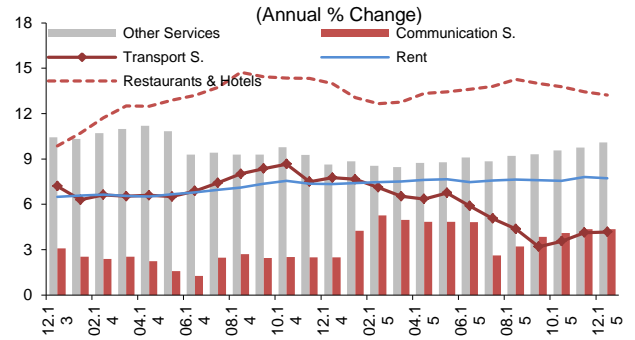
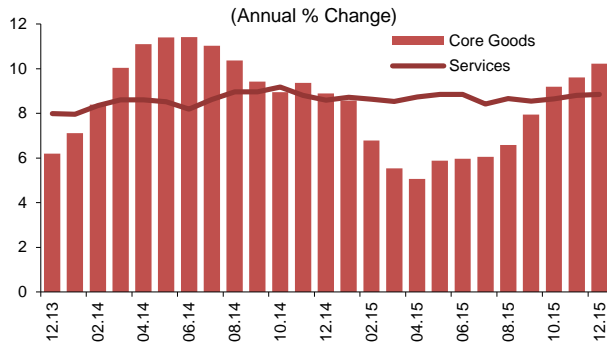


Seasonally-adjusted data in 3-month averages reveal that the underlying trend of core inflation indicators recorded a decline December. The underlying trend of the services inflation weakened further. Meanwhile, the underlying trend in core goods prices also declined amid the mitigated cumulative depreciation in the Turkish lira.

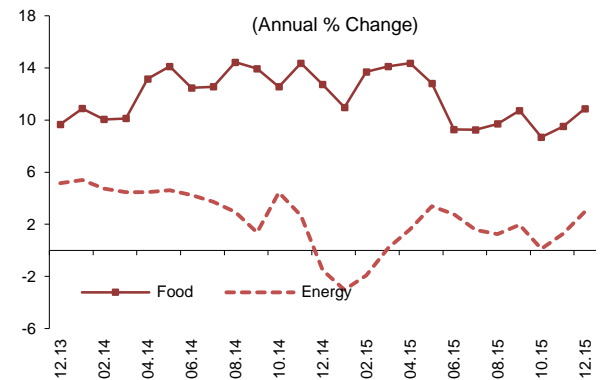
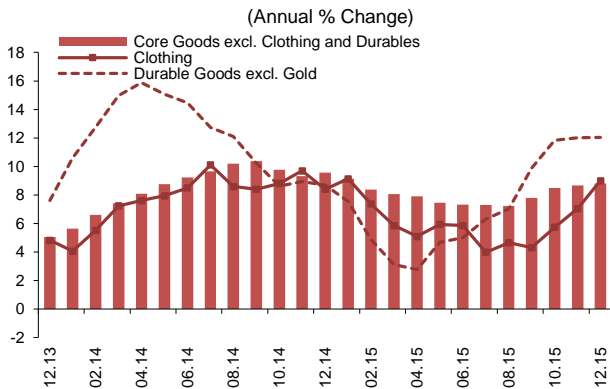


Prices of services increased by 0.22 percent on a monthly basis and the group's annual inflation crept up to 8.85 percent in December. Annual inflation decreased somewhat in the restaurants-hotels group and rents, remained flat in transport and communication services, and increased in the other services group in this period. Services prices have recorded the highest year-end increase since 2008. Having faced cost hikes across the year due to food prices and exchange

rate developments, this was led by the restaurants-hotels group (13.23 percent) in addition to other services (10.09 percent). Meanwhile, rents in 2015 increased at a larger rate than past years with 7.73 percent. On the other hand, curbed by the slowdown in oil prices, the annual inflation in transport services stood at 4.17 percent.



Annual core goods inflation increased by 0.61 points to 10.22 percent in December. Annual inflation remained flat in durable consumption goods, and increased in all other sub-groups in this period. Prices of durable consumption goods receded in December on account of automobile and furniture prices in December. Lagged effects of the exchange rate lingered on the prices of goods excluding clothing and durable goods, albeit at a slower rate, and the group's annual inflation reached 8.79 percent. Clothing prices receded below seasonal averages and the group's annual inflation remained on the rise with a more robust pace in December. All in all, December witnessed the ongoing effects of depreciation in the Turkish lira on core goods prices, despite some easing.



Energy prices fell by 0.22 percent in December, which was led by fuel prices that decreased by 1.55 percent amid the decline in international oil prices. Nevertheless, annual energy inflation rose by around 1.7 points to 2.96 percent due to the base effect. The persisting hikes in municipal water tariffs emerged as the leading factor that depressed the favorable outlook in energy inflation throughout 2015.

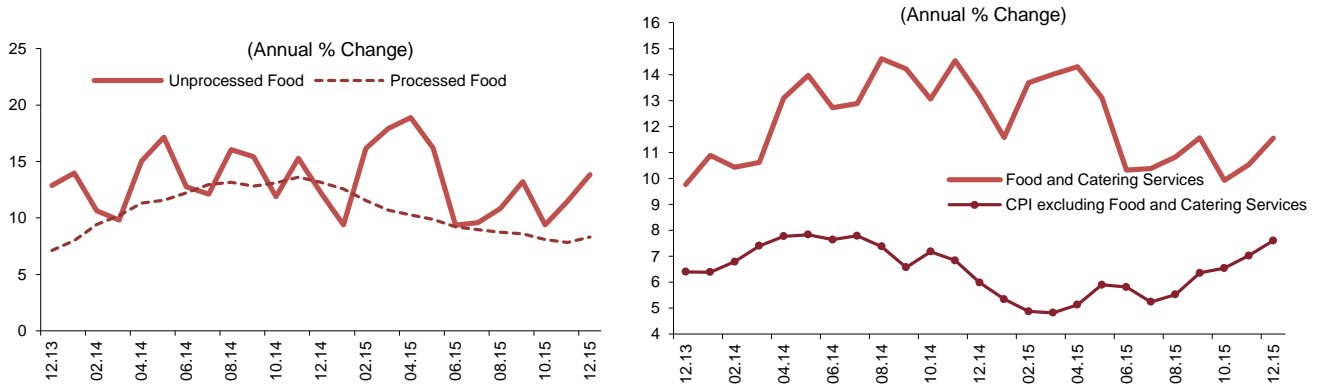
Annual inflation in food and non-alcoholic beverages increased by 1.35 point to 10.87 percent in December. The rise in food prices was mainly driven by unprocessed food prices that increased on account of vegetable prices. As the annual inflation in vegetables hit 23.32 percent, the annual unprocessed food inflation completed the year with 13.83 percent. Thus, the unprocessed food inflation has displayed a high trend of increase with 13 percent on average in the last three years. On the other hand, as in November, red meat prices registered a decline in December as well. Meanwhile, having trended downwards the entire year, the annual processed food inflation registered an uptick on account of the prices of fats-oils and the bread-cereals group in December. Pioneered by olive and sunflower oils, vegetable oil prices exhibited

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a notable increase in 2015. As a result, annual inflation in the processed food group rose by 0.5 points in December and closed the year with 8.33 percent.

The annual inflation in food and catering services hit 11.55 percent, while consumer inflation excluding food and catering services reached 7.61 percent in December.



Adjustments introduced to some products with administered prices in early January, mainly tobacco products and electricity, are likely to push prices upward to a remarkable extent. Initial forecasts indicate that this effect may be around 0.7 points under current circumstances. This effect may vary according to firms' pricing preferences and also does not include secondary effects.

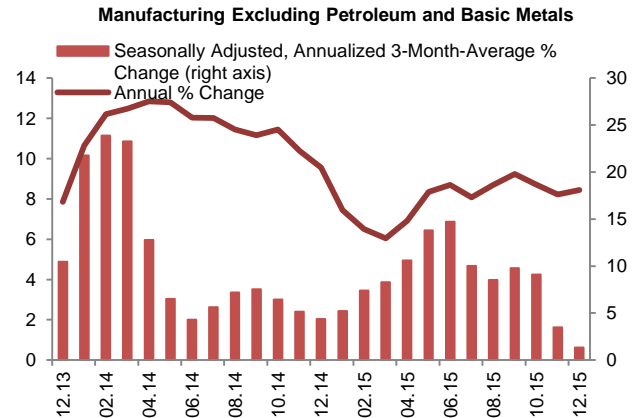
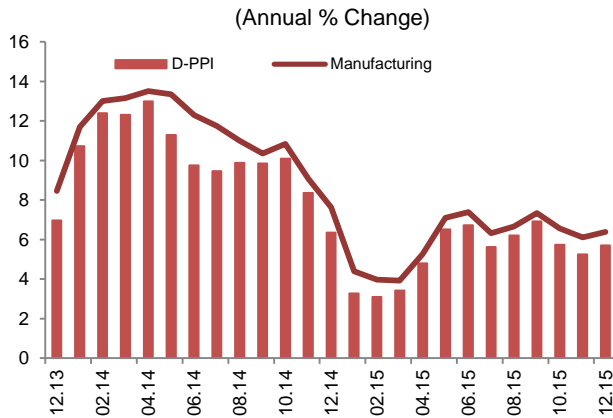
	Monthly Percent Change		Annual Percent Change	
	Dec.2015	Dec.2014	Dec.2015	Dec.2014
CPI	0.21	-0.44	8.81	8.17
1. Goods	0.20	-0.71	8.79	7.99
Energy	-0.22	-1.86	2.96	-1.54
Food and nonalcoholic beverages	1.24	0.00	10.87	12.73
Unprocessed food	1.73	-0.37	13.83	12.24
Fresh fruits and vegetables	3.75	-2.48	18.28	10.86
Other unprocessed food	0.58	0.93	11.37	13.08
Processed food	0.80	0.33	8.33	13.16
Bread and cereals	1.17	0.46	5.96	14.83
Other processed food	0.60	0.26	9.70	12.15
Goods excluding energy and food	-0.40	-0.79	9.61	8.68
Core goods	-0.48	-1.03	10.22	8.89
Durable goods	-0.26	-0.11	12.12	8.69
Durable goods (excluding gold)	-0.27	-0.30	12.05	8.70
Alcoholic beverages and tobacco	0.00	-0.01	5.68	7.67
Gold	-0.02	3.83	13.52	8.44
2. Services	0.22	0.18	8.85	8.59
Rents	0.45	0.53	7.73	7.34
Restaurants and hotels	0.33	0.51	13.23	13.98
Transport	0.03	-0.01	4.17	7.76
Communication	0.00	0.00	4.36	2.50
Other*	0.19	-0.10	10.09	8.64
3. Core Measures				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.01	-0.48	8.32	7.64
SCA-H	0.04	-0.26	9.27	9.55
SCA-I	-0.11	-0.38	9.51	8.73

Source: TurkStat, CBRT.

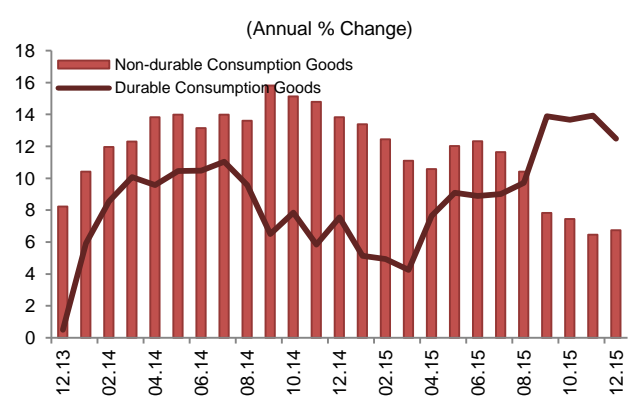
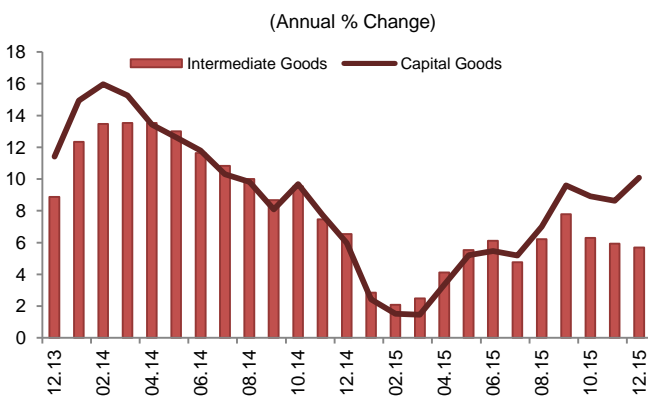
*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

...D-PPI...

Domestic producer prices edged down by 0.33 percent month-on-month, and the group's annual inflation rose by 0.46 point to 5.71 percent in December. Prices registered a decline in the manufacturing industry amid the favorable course of international commodity prices, chiefly oil. Meanwhile, annual inflation hit 6.38 percent in the manufacturing industry, and 8.44 percent in those excluding petroleum and basic metals.



According to the Main Industrial Groupings (MIGs), prices increased in non-durable consumption goods and capital goods, but decreased in durable consumption goods and intermediate goods in December. Falling prices in the manufacture of durable consumption goods were driven by consumer electronics. Prices of intermediate goods posted a month-on-month decline by 0.48 percent, which stemmed mainly from prices of steel products. The increase in manufacturing prices of capital goods was mainly led by machinery production prices. On the non-durable consumption goods front, the monthly price rise stemmed from food manufacturing prices, mainly meat and meat products. As a result, December witnessed mild cost pressures on consumer inflation.



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...TABLES

December CPI and Subcategories (Percent Change)					
	Weight	2015		2014	
		Monthly	Annual	Monthly	Annual
CPI	100	0.21	8.81	-0.44	8.17
Food and nonalcoholic beverages	24.25	1.24	10.87	0.00	12.73
Alcoholic beverages and tobacco	4.82	0.00	5.68	-0.01	7.67
Clothing and footwear	7.38	-1.98	8.99	-3.71	8.43
Housing	15.79	0.43	6.71	0.13	6.83
Household equipment	7.78	0.53	10.95	0.12	8.06
Health	2.57	0.14	7.16	0.13	8.62
Transport	15.38	-0.57	6.40	-1.78	2.07
Communication	4.38	-0.22	3.56	-0.11	1.61
Recreation and culture	3.54	-0.17	11.56	-0.01	5.68
Education	2.53	0.04	6.39	0.01	8.31
Restaurants and hotels	6.98	0.33	13.23	0.51	13.98
Miscellaneous goods and services	4.60	0.45	11.00	0.79	9.68

Source: TurkStat.

December D-PPI and Subcategories (Percent Change)					
	Weight	2015		2014	
		Monthly	Annual	Monthly	Annual
D-PPI	100	-0.33	5.71	-0.76	6.36
Mining	3.40	-1.92	-0.69	-1.55	1.02
Manufacturing	86.21	-0.27	6.38	-0.52	7.63
Manufacturing excl. petroleum products	83.24	0.02	7.28	-0.06	8.98
Manufacturing excl. petroleum products and basic metals	75.00	0.20	8.44	0.01	9.56
Electricity, gas, steam and air-conditioning supply	9.30	-0.52	0.19	-2.92	-3.56
Water supply	1.09	1.05	19.95	0.17	11.90
D-PPI (MIGs Classification)					
Intermediate Goods		-0.48	5.69	-0.25	6.53
Durable Consumption Goods		-0.17	12.48	1.10	7.55
Non-Durable Consumption Goods		0.56	6.73	0.30	13.82
Capital Goods		0.38	10.08	-0.93	5.97
Energy		-2.22	-2.57	-5.10	-7.64

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.