

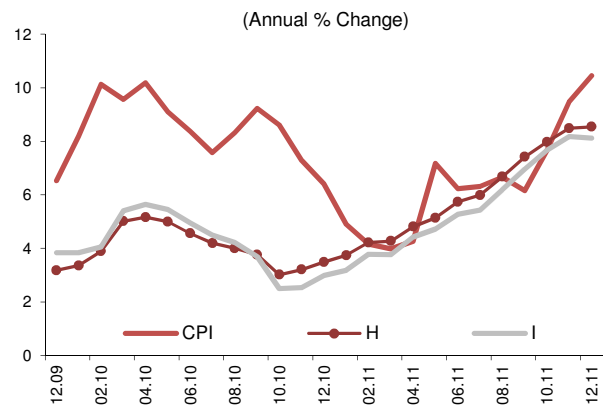
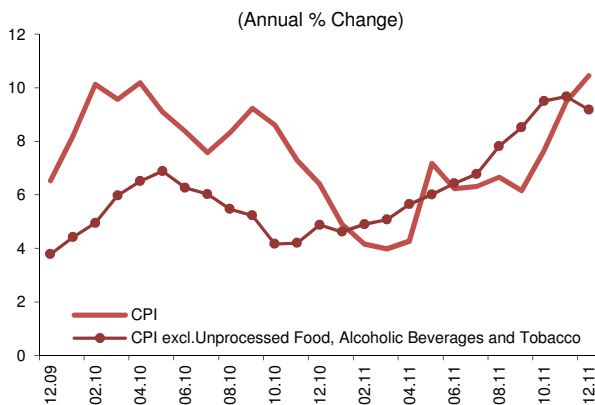
DECEMBER PRICE DEVELOPMENTS JANUARY 4, 2012

SUMMARY...

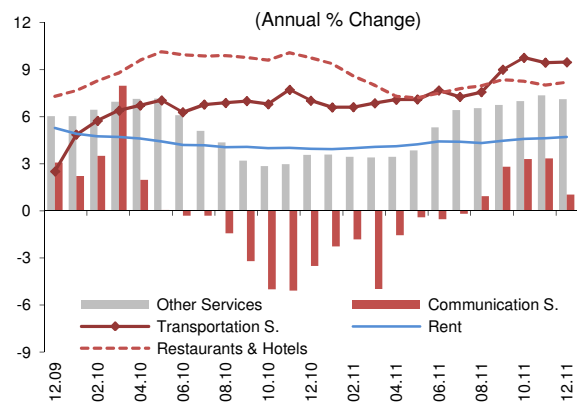
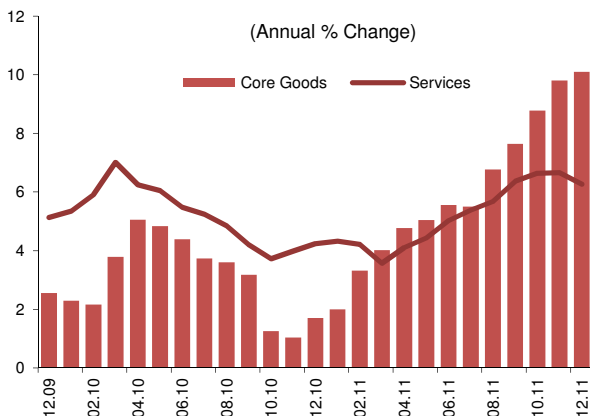
In December, consumer prices and annual inflation went up by 0.58 percent and 10.45 percent, respectively. This surge was mainly driven by the developments in unprocessed food prices as also stated in the Summary of the Monetary Policy Committee Meeting. Amid the lagged effects of exchange rate movements on core goods inflation, as prices of services maintained their moderate course, the uptrend in core inflation indicators came to a halt.

...EVALUATIONS...

In December, consumer prices and annual inflation went up by 0.58 percent and 10.45 percent, respectively. The rate of increase in the CPI excluding energy, unprocessed food, alcoholic beverages, tobacco and gold (SCA-H) rose to 8.54 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) declined to 8.12 percent year-on-year.

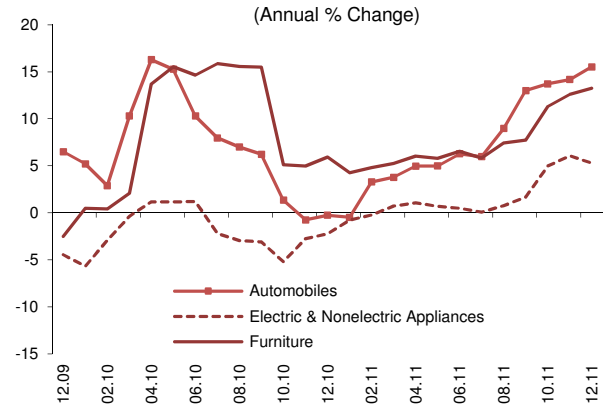
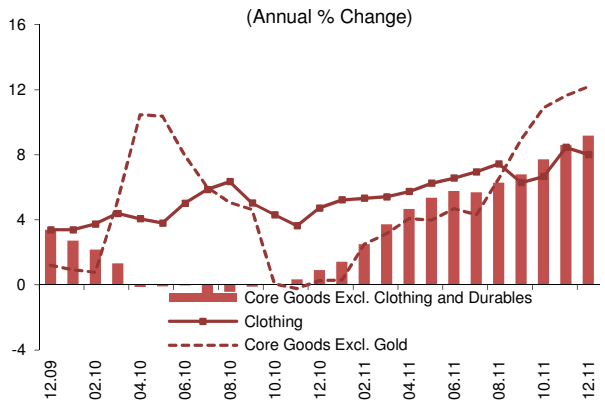


Prices of services rose by 0.29 percent in November, decreasing annual services inflation to 6.27 percent. While the annual services inflation edged up in rents and restaurants-hotels, it did not record a remarkable month-on-month change in transport services, but declined significantly in the communications group. Annual inflation in the services group excluding catering and transport materialized as 5 percent by the year-end. Seasonally-adjusted prices and the diffusion index indicate a slowdown in the underlying trend of the services group.



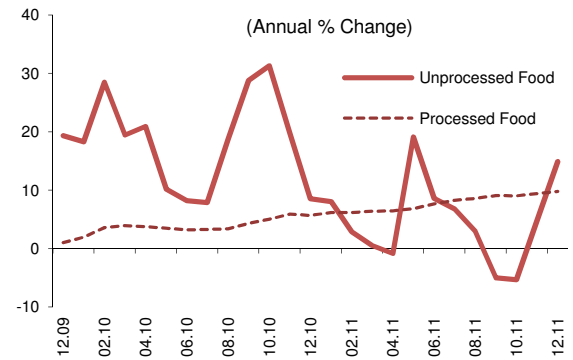
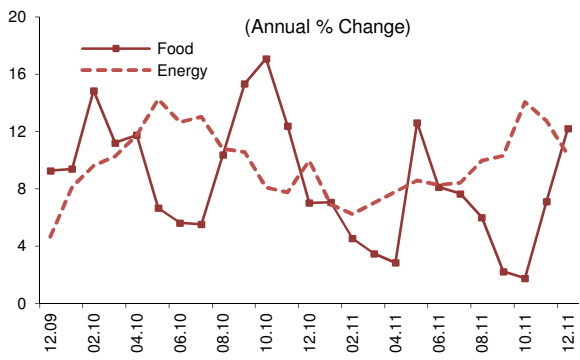
DECEMBER PRICE DEVELOPMENTS JANUARY 4, 2012

Annual rate of increase in core goods inflation rose by 0.29 percentage point and closed the year with 10.09 percent. The rise in group's annual inflation paced down. No significant change was recorded in the durable goods front (excluding gold), while monthly rate of sale in the clothing and footwear group posted a year-on-year increase. Prices of automobiles, white goods, and other electrical and non-electrical appliances posted a decrease. Meanwhile, furniture prices followed a relatively flat course in the last month of the year.



Energy prices were up 0.56 percent in December. This was driven by the soaring domestic oil prices amid the depreciation of the Turkish lira despite the decline in the solid fuel and international oil prices. Meanwhile, the prices of bottled gas and municipal water tariffs went up by 0.52 and 0.80 percent, respectively. Consequently, annual energy inflation went down by 2.38 percentage points to 10.36 percent due to the base effect.

Prices of food and nonalcoholic beverages rose by 1.97 percent, and the group's annual inflation went up to 12.21 percent by increasing 5.1 percentage points due to the low base of the unprocessed food group. Amid the high-rated price increases in vegetables, unprocessed food prices exceeded seasonal normals in December as was the case in November, surging by 3.34 percent. Thereby, the group's annual inflation rose by 10.15 percentage points and became 14.89 percent.



DECEMBER PRICE DEVELOPMENTS JANUARY 4, 2012

Processed food prices were up 0.73 percent in December. The upward trend in the prices of cheese and other dairy products in the last three months decelerated in December, while prices of non-alcoholic beverages and meat products continued to increase. Against this background, price hikes in processed food prices continued across sub-categories, while the group's annual inflation mounted to 9.82 percent with an increase by 0.38 percentage points.

	Monthly Percent Change		Annual Percent Change	
	December 2011	December 2010	December 2011	December 2010
CPI	0.58	-0.30	10.45	6.40
1. Goods	0.68	-0.63	11.97	7.18
Energy	0.56	2.73	10.36	9.96
Food and nonalcoholic beverages	1.97	-2.66	12.21	7.02
Unprocessed food	3.34	-5.79	14.89	8.52
Fresh fruits and vegetables	8.84	-11.92	25.45	8.51
Other unprocessed food	-0.61	-1.37	7.76	8.53
Processed food	0.73	0.38	9.82	5.68
Bread and cereals	0.58	0.31	8.17	3.72
Other processed food	0.81	0.42	10.73	6.82
Goods excluding energy and food	-0.32	-0.29	12.51	6.09
Core goods	-0.39	-0.66	10.09	1.70
Durable goods	-0.10	0.10	14.53	1.99
Durable goods (excluding gold)	-0.06	-0.56	12.19	0.26
Alcoholic beverages and tobacco	-0.01	0.04	18.50	24.66
Gold	-0.55	7.48	46.60	24.27
2. Services	0.29	0.65	6.27	4.24
Rents	0.27	0.20	4.71	3.96
Restaurants and hotels	0.51	0.33	8.20	9.76
Transport	0.07	0.04	9.48	7.04
Communication	0.43	2.73	1.04	-3.51
Other*	0.15	0.38	7.12	3.57
3. Core Measures				
CPI excluding unprocessed food. alcoholic beverages and tobacco	0.19	0.64	9.18	4.88
SCA-H	0.12	0.07	8.54	3.49
SCA-I	-0.06	0.00	8.12	2.99

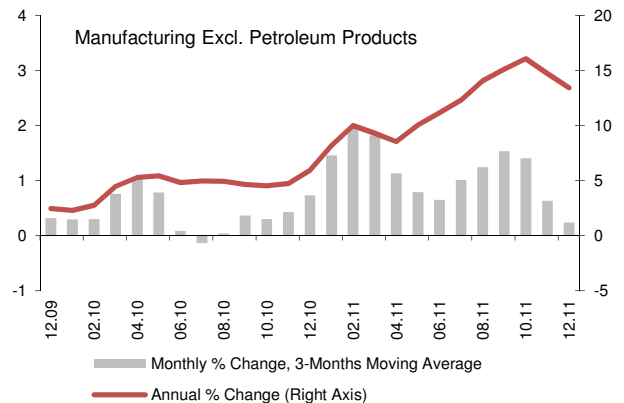
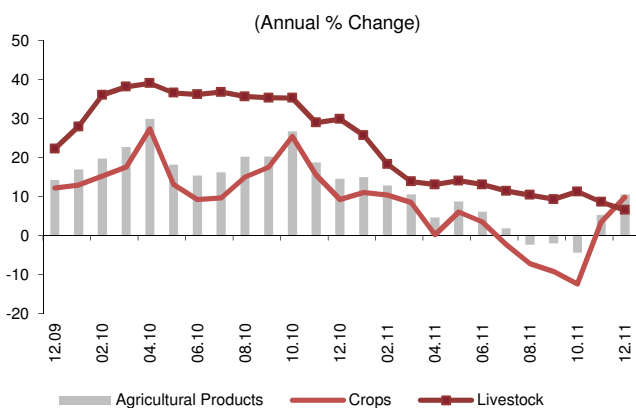
Source: TurkStat. CBRT.

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

DECEMBER PRICE DEVELOPMENTS JANUARY 4, 2012

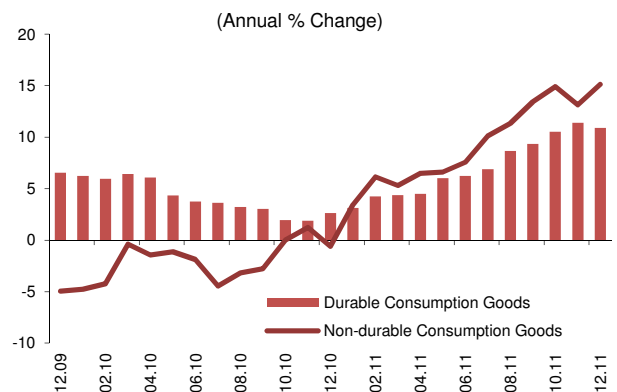
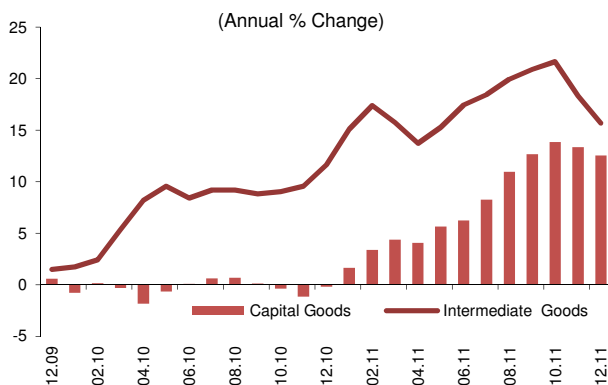
...PPI...

In December, producer prices were up by 1 percent and annual PPI inflation mounted to 13.33 percent. Agricultural prices increased by 3.18 percent due to the price increases in vegetable products, which reflected on consumer prices as well. Among the inputs for the manufacturing industry, sunflower prices rose by 2.52 percent, whereas wheat and animal products maintained their mild courses. Meanwhile, the downtrend in cotton prices continued and prices went down by 43 percent in last year.



In the manufacturing industry, prices increased by 0.37 percent, while annual inflation declined to 14.59 percent. Soaring base metal prices by 2.42 percent was noticeable and the group's annual inflation became 24.3 percent by the year-end. Excluding oil and base metal prices, increases in manufacturing prices have remarkably lost pace during the last two months of the year.

Main Industrial Groupings (MIGs) suggest that prices of intermediate goods went up by 0.5 percent due to rising base metal prices. Despite the increases across the group, no significant change was seen in the prices of capital goods mainly owing to the decline in the prices of motor vehicles. The largest contributor to the 0.35 percent increase in producer prices of durable goods became radio, television and communication tools item, while the increases in the manufacturing of food and tobacco products led the prices of nondurable goods to rise by 0.28 percent.



DECEMBER PRICE DEVELOPMENTS JANUARY 4, 2012

...TABLES

December CPI and Subcategories (Percent Change)					
	Weight	2011		2010	
		Monthly	Annual	Monthly	Annual
CPI	100	0.58	10.45	-0.30	6.40
Food and nonalcoholic beverages	26.78	1.97	12.21	-2.66	7.02
Alcoholic beverages and tobacco	5.90	-0.01	18.50	0.04	24.66
Clothing and footwear	7.22	-2.17	7.98	-1.77	4.74
Housing	16.46	0.53	8.20	1.17	5.91
Household equipment	6.93	0.29	11.04	0.33	3.27
Health	2.40	-0.09	0.34	0.04	0.57
Transport	15.15	0.18	12.22	1.07	6.78
Communication	4.64	0.35	2.48	2.65	-3.22
Recreation and culture	2.70	0.79	6.49	0.25	-2.32
Education	2.32	-0.09	6.47	0.05	4.25
Restaurants and hotels	5.89	0.51	8.20	0.33	9.76
Miscellaneous goods and services	3.61	0.32	17.14	2.03	5.51

Source: TurkStat.

December PPI and Subcategories (Percent Change)					
	Weight	2011		2010	
		Monthly	Annual	Monthly	Annual
PPI	100	1.00	13.33	1.31	8.87
Agriculture	17.49	3.18	10.54	-1.76	14.52
Crops, fruits and vegetables	12.23	3.47	9.83	-2.59	9.20
Livestock and animal products	4.52	-0.48	6.56	1.44	29.85
Industry	82.51	0.57	13.92	2.00	7.70
Mining	3.10	0.13	19.77	1.80	7.11
Manufacturing	70.68	0.37	14.59	1.96	6.62
Manufacturing excluding petroleum	67.56	0.36	13.42	1.52	5.92
Manufacturing excluding petroleum and base metals	61.66	0.14	12.38	0.91	3.98
Electricity, gas and water	8.73	2.51	6.38	2.41	18.68

Source: TurkStat, CBRT.

PPI by MGS (Monthly Percent Change)														
	Dec.10	Jan.11	Feb.11	Mar.11	Apr.11	May.11	Jun.11	Jul.11	Aug.11	Sep.11	Oct.11	Nov.11	Dec.11	Annual
Intermediate goods	2.80	3.39	2.67	1.61	0.02	1.37	1.38	1.35	2.06	1.62	0.40	-1.63	0.50	15.67
Capital goods	0.81	1.66	2.09	1.56	-0.99	0.91	0.66	2.02	2.31	1.59	0.59	-0.55	0.09	12.55
Durable goods	-1.39	3.63	1.71	-0.52	0.62	0.92	1.04	0.71	1.58	2.04	2.53	-0.36	0.35	15.13
Nondurable goods	0.72	0.61	1.62	0.84	0.59	0.96	-0.33	0.91	1.39	1.36	1.25	0.91	0.28	10.90
Energy	4.27	2.44	-1.04	2.25	-0.56	-2.12	0.67	1.11	4.43	2.33	2.61	1.20	1.66	15.84

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.