

DECEMBER PRICE DEVELOPMENTS



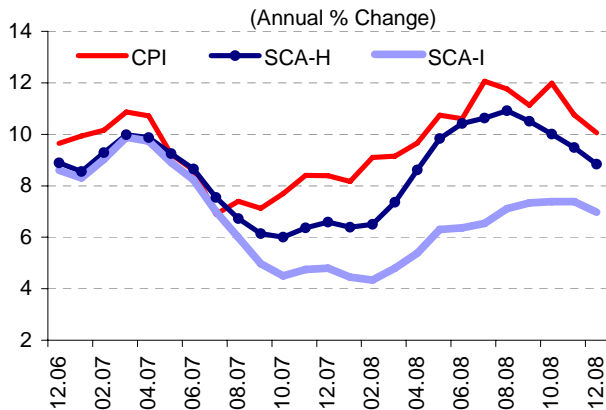
Central Bank of the Republic of Turkey

January 5, 2009

SUMMARY...

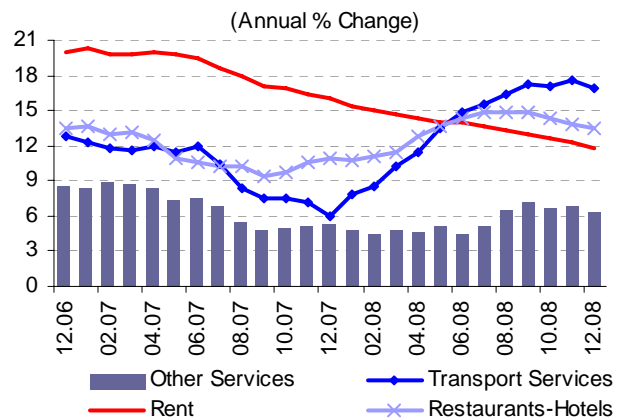
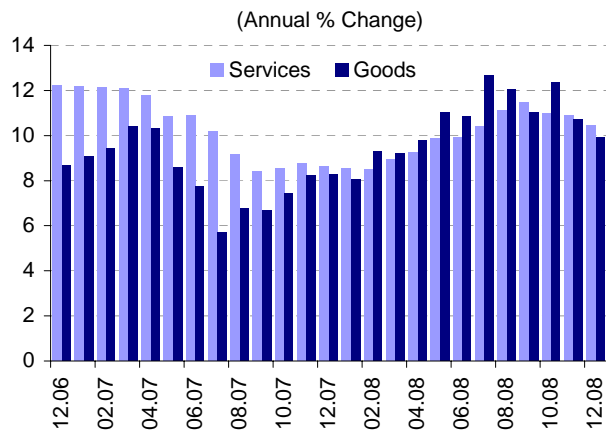
In December, consumer prices decreased by 0.41 percent, and inflation ended 2008 at 10.06 percent year-on-year. Price developments confirm that exchange rate changes had a quite minor impact in the short run. In addition, falling oil and other commodity prices continued to spur the downtrend in inflation. Given the continued softening in demand conditions, services prices decelerated further in a broader range. Core inflation indicators continue to offer a positive outlook. On balance, inflation is expected to edge further down in the upcoming period.

...EVALUATIONS...



In December, consumer prices dropped by 0.41 percent, pushing inflation down by 0.7 percentage points to an annual rate of 10.06 percent. The CPI index excluding energy, unprocessed food, alcoholic beverages, tobacco products and gold (SCA-H) was down 0.65 percentage points to 8.84 percent year-on-year. With a further exclusion of processed food prices, the index (SCA-I) was down to 6.97 percent year-on-year, compared to November.

Prices of goods dropped by 0.66 percent, while prices of services rose by 0.32 percent. Annual inflation decreased to 9.93 and 10.46 percent in goods and services, respectively.



With lower costs and weaker domestic demand, annual services inflation fell in December in all sub-categories. The sharp decline in processed food prices continues to have a favorable impact on catering prices, while plunging oil prices bring annual inflation in transport services down. Rent inflation moderated further by 0.4 percentage points in December, to 11.85 percent year-on-year. The rate of increase in services prices is expected to decelerate further in coming months.

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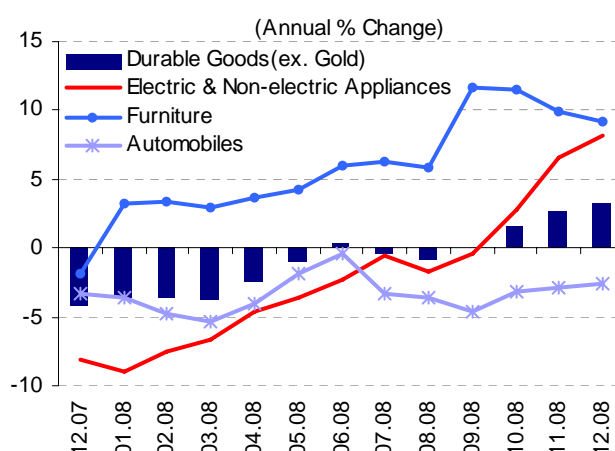
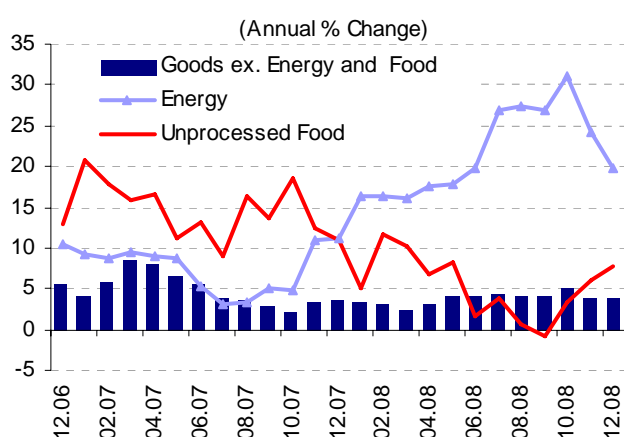


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Energy prices fell by 2.58 percent in December. The cumulative decline in crude oil prices exerted a stronger downward pressure on domestic fuel and bottled gas prices, which saw a sizable drop in December. Accordingly, energy price inflation dropped by around 11.2 percentage points to 19.81 percent year-on-year in two months. Energy inflation is expected to decrease further in 2009.

Prices of goods excluding energy and food continued to fall in December. As the sale season began earlier amid weaker demand, clothing prices went down by about 3.92 percent month-on-month, falling below their year-ago level. In the durables group (excl. gold), annual inflation picked up at a modest pace. Currently, aggregate demand conditions help to reduce the impact of weak Turkish lira on prices of durable goods.



Prices for durable goods (excl. gold) fell by 0.43 percent in December. Exchange rate changes had a partial impact on prices of electric and non-electric appliances, but barely affected prices of other goods. Amid softening in domestic and foreign demand, prices of automobiles and furniture dropped further by 1.26 and 0.68 percent, respectively. The slowdown in prices of automobiles hit 5.85 percent in six months.

	Monthly Percentage Change		Annual Percentage Change	
	December 2008	December 2007	December 2008	December 2007
CPI	-0.41	0.22	10.06	8.39
1. Goods	-0.66	0.05	9.93	8.29
Energy	-2.58	0.89	19.81	11.25
Unprocessed Foods	1.01	-0.64	7.87	10.99
Processed Food	0.04	1.27	15.46	12.95
Goods excl. Energy and Food	-0.74	-0.66	3.75	3.56
Durable Goods	0.11	-1.04	5.54	-3.34
ex. Gold	-0.43	-0.91	3.19	-4.21
Semi-Durable Goods	-2.38	0.15	11.54	7.86
Non-Durable Goods	0.42	0.23	9.99	11.69
2. Services	0.32	0.70	10.46	8.64
Rents	0.39	0.76	11.85	16.01
Restaurants and Hotels	0.23	0.57	13.44	10.87
Transport	0.49	1.16	16.89	5.93
Other	0.28	0.62	6.40	5.29

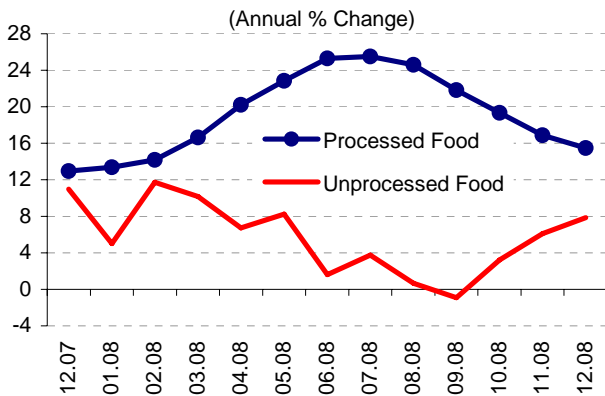
Source: TURKSTAT, CBRT.

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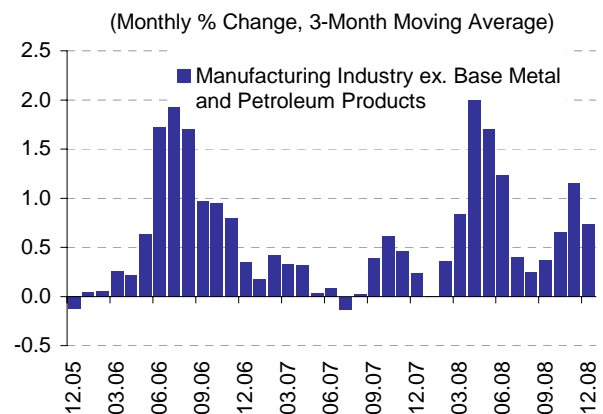
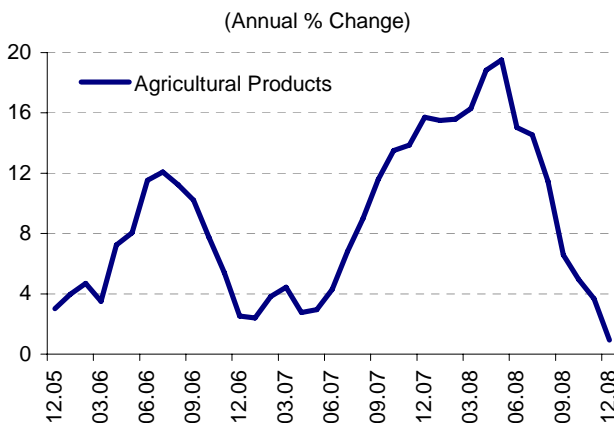
Despite falling processed food prices, the increase in unprocessed food prices drove annual inflation of food and non-alcoholic beverages up to 11.90 percent in December. Unprocessed food prices rose by 1.01 percent month-on-month to 7.87 percent year-on-year. Fresh fruit and vegetable prices dropped by 2.59 percent over the year, while other unprocessed food prices soared by 16.3 percent. The most striking price hike was seen in drought-hit rice and pulses, which rose by about 44 and 55 percent throughout 2008.

After a dramatic rise in the first half of 2008 due to steep increases in prices of bread and cereals, and solid and liquid fats, the annual inflation in processed food prices fell to 15.46 percent in December, registering a cumulative drop of about 10 percentage points in five months on the back of improved production and lower international prices. Inflation in processed food prices is expected to slow further in the upcoming period.

...PPI...

In December, PPI went down by 3.54 percent month-on-month and 4.1 percentage points down year-on-year to 8.11 percent. The slowdown in prices of agricultural products since mid-2008 continued into December.

Manufacturing industry prices decreased by 3.81 percent, mainly on account of lower commodity prices and falling prices for petroleum products and base metals. Besides, manufacturing industry prices excluding base metals and petroleum products also registered a decline of 0.57 percent.



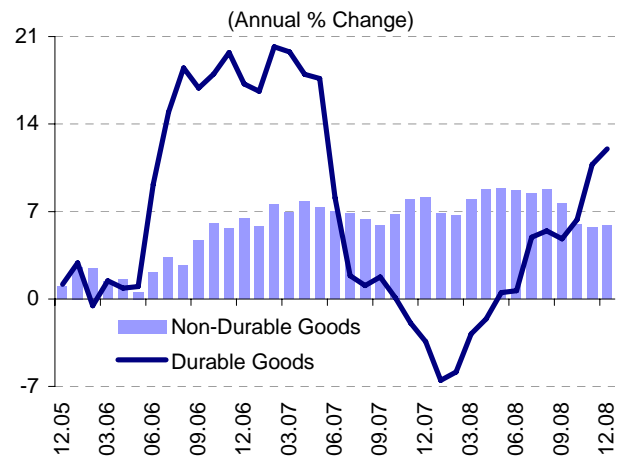
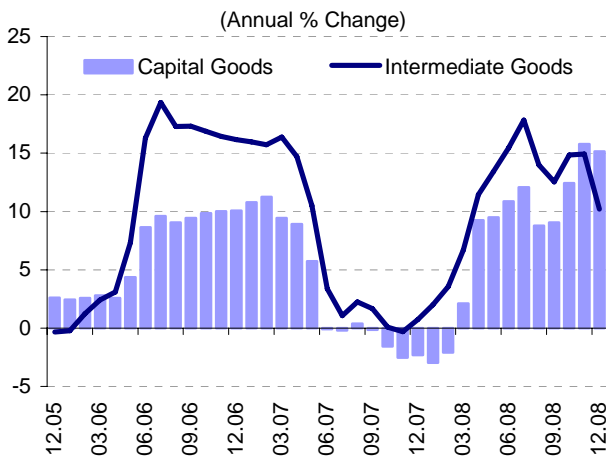
Industrial prices dropped by 3.69 percent on falling prices of intermediate goods, durable goods and energy. The monthly rise in prices of capital goods, on the other hand, was significantly less marked, compared with October and November.

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Changes in PPI based on MIGS Classification

Monthly Percentage Change

	Jan.08	Feb.08	Mar.08	Apr.08	May.08	Jun.08	Jul.08	Aug.08	Sep.08	Oct.08	Nov.08	Dec.08	Annual
Prices of intermediate goods	1.18	1.66	4.30	4.90	2.03	1.69	1.42	-2.58	-1.21	0.89	-0.57	-3.60	10.21
Prices of capital goods	0.44	1.23	2.84	6.71	-0.42	0.32	0.83	-2.54	0.04	2.48	2.33	0.20	15.15
Prices of durable goods	-2.00	0.90	2.74	0.75	2.60	-0.30	2.13	1.52	-0.38	1.43	2.94	-0.80	12.00
Prices of non-durable goods	-1.15	1.63	0.86	2.08	-0.33	0.02	-0.06	0.45	1.06	0.28	0.61	0.31	5.89
Energy prices	0.60	7.74	7.85	8.56	5.29	2.06	3.91	-6.19	-2.77	-0.03	-1.06	-12.18	12.25

Sources: TURKSTAT, CBRT.

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... TABLES

December CPI and Sub-Items (Percentage Change)					
	Weight	2008		2007	
		Monthly	Annual	Monthly	Annual
CPI	100	-0.41	10.06	0.22	8.39
Food and non-alcoholic beverages	28.63	0.48	11.90	0.36	12.03
Alcoholic beverages and tobacco	5.00	0.00	0.32	0.01	17.20
Clothing and footwear	8.07	-3.92	-1.54	-1.25	4.08
Housing	16.60	-0.53	22.88	0.97	11.48
Household equipment	7.42	0.59	10.37	0.19	4.17
Healthcare	2.54	-0.31	2.01	-0.67	0.85
Transport	12.59	-2.51	2.37	-0.08	5.26
Communication	4.30	0.51	5.74	1.46	-1.78
Recreation and culture	2.81	0.59	6.98	-0.43	-1.26
Education	2.24	-0.08	7.32	-0.05	5.96
Restaurants and hotels	5.64	0.23	13.44	0.57	10.87
Misc. goods and services	4.16	1.49	11.66	-0.60	5.08

Source: TURKSTAT

December PPI and Sub-Items (Percentage Change)					
	Weight	2008		2007	
		Monthly	Annual	Monthly	Annual
PPI	100	-3.54	8.11	0.15	5.94
Agriculture	19.84	-2.87	0.16	0.52	15.70
Industry	80.16	-3.69	10.07	0.06	3.78
Mining	1.62	-3.05	16.93	2.69	15.49
Manufacturing	73.33	-3.81	6.36	0.07	4.27
Energy	5.21	-2.67	60.28	-0.92	-5.59

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 of monthly inflation developments by the public during the period between the announcement of official price statistics and the Monetary Policy Committee meeting.