

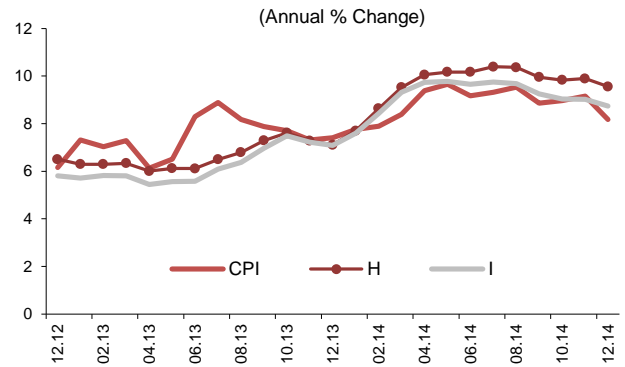
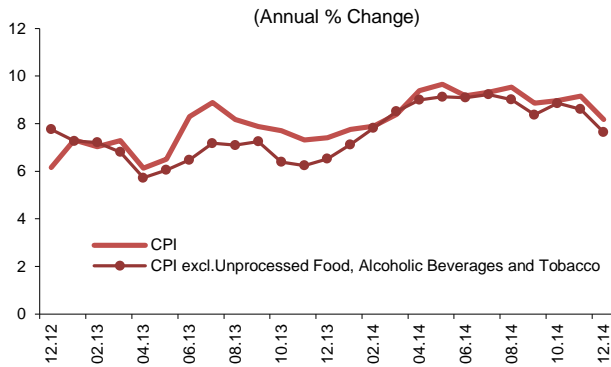
...SUMMARY ...

In December, consumer prices fell by 0.44 percent, bringing consumer inflation above the uncertainty band with 8.17 percent. The fall in inflation in this period spilled over into subgroups, most notably in the energy group. The decline in the underlying trend of inflation proved more evident in services, but remained limited in core goods. Accordingly, the underlying trend of core inflation indicators continued to improve in this period.

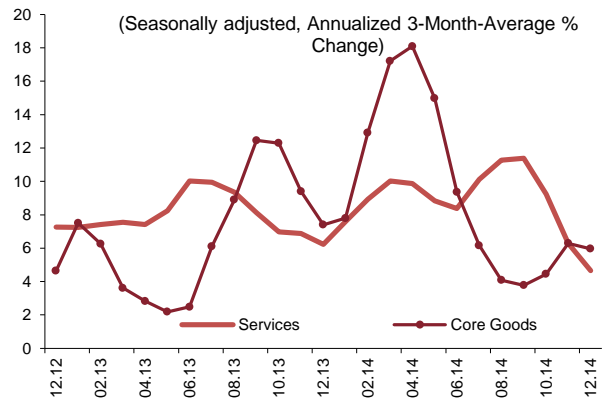
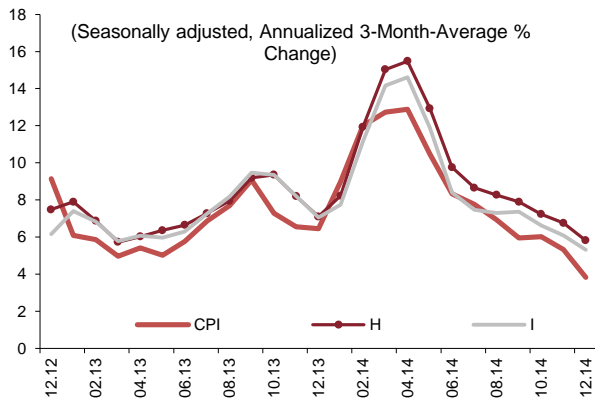
... EVALUATIONS ...

In December, consumer prices fell by 0.44 percent, and annual inflation receded to 8.17 percent. Thus, consumer inflation stood above the uncertainty band. The annual rate of increase in the SCA-H and SCA-I indices recorded a month-on-month decline to 9.55 and 8.73 percent, respectively.

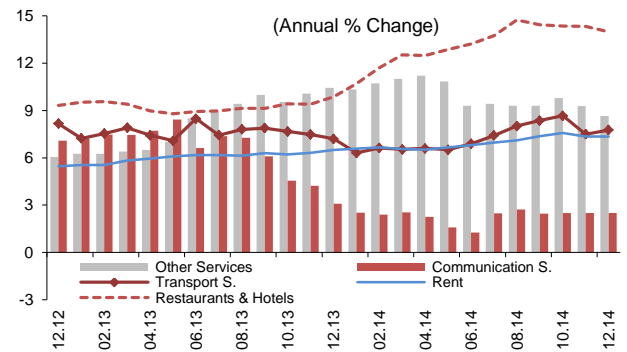
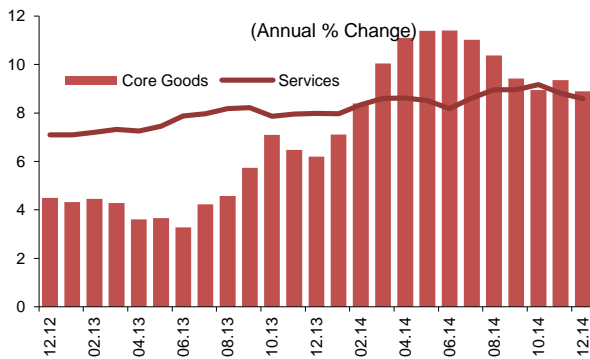
Across subgroups, the contribution of food and core goods groups to the annual CPI inflation decreased by 0.60 and 0.37 points in December. Similarly, the contribution of core goods and services groups to the annual CPI inflation in December edged down by 0.13 and 0.06 points, respectively on a monthly basis.



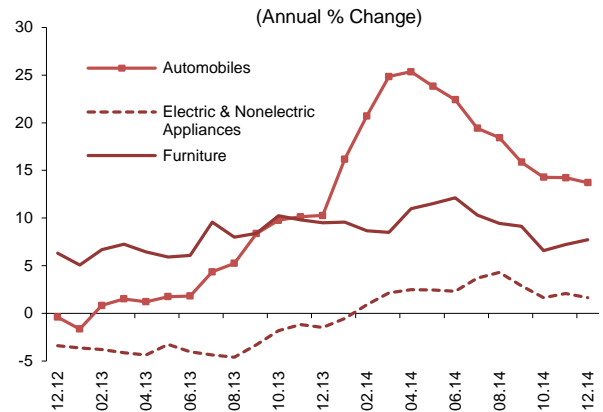
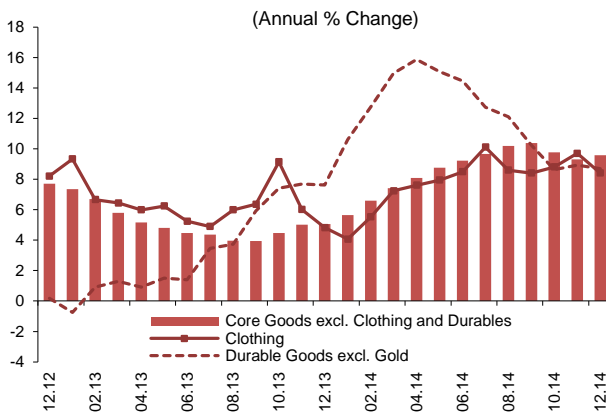
The underlying trends of inflation in quarterly averages indicate a continued improvement in core inflation indicators. The seasonally-adjusted data suggest a recurring rapid decline in the services group in this period, while the improvement in the underlying trend of core goods inflation remained limited.



Prices of services crept up by 0.18 points on a monthly basis and the group's annual inflation receded by 0.22 points to 8.59 percent in December. As in November, prices of services remained mild in this period. Positive effects of the decline in fuel prices continued in the prices of fuel-related prices of services, albeit limited compared to November. In fact, transport services followed a flat course and package tour prices remained on the decline. In addition, monthly inflation in rents and other services registered a weak outlook compared to the period before November. Despite the gradual decline in monthly inflation in the restaurants-hotels group in recent months, annual inflation remained high in this group at 13.98 percent.



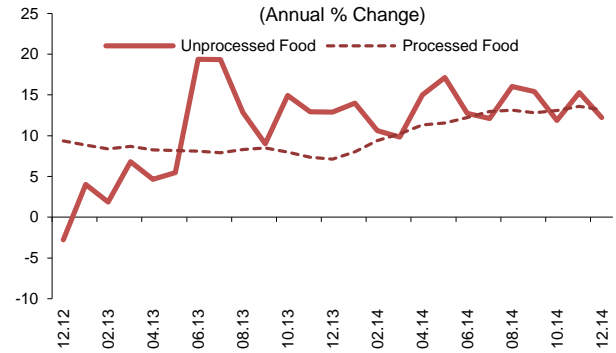
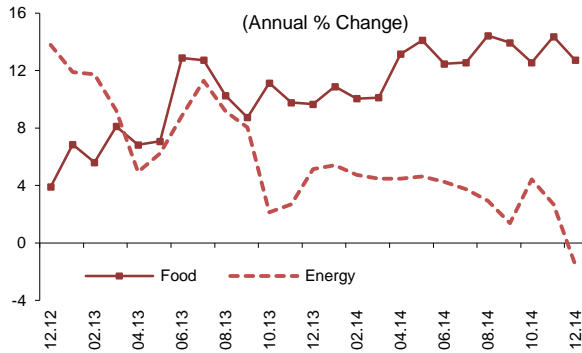
Annual core goods inflation edged down by approximately 0.5 point to 8.89 percent in December. This fall was driven by the prices of clothing and durable consumption goods. Prices of durable consumption goods fell by 0.30 points in December, and prices across the group registered a mild course. Thus, following the increase in November, the annual inflation in durable consumption goods settled on the downtrend, which appeared in May. Meanwhile, the clothing group saw higher seasonal discounts compared to previous years, pulling the annual inflation in clothing prices down approximately by 1.3 points. On the other hand, the downward track in annual inflation in core goods, excluding clothing and durables, paused in this period.



Energy prices fell by 1.86 percent in December. This was led by falling fuel and bottled gas prices by 5.61 and 2.04 percent, respectively, in line with the course of international oil prices. Thus, the group's annual inflation dropped by 4.22 points to -1.54 percent, the lowest level in the index's history. Parallel to the fall in oil prices, energy inflation may continue to decline next month stemming from fuel prices.

Annual inflation in the food and non-alcoholic beverages group decreased by 1.64 points to 12.73 percent. The seasonally-adjusted data indicated a decline for four consecutive months in the unprocessed food group, while the group's annual inflation, which recorded a fluctuating

course due to the base effect, receded to 12.24 percent. Meanwhile, the monthly inflation in processed food prices lost pace in December and the group's annual inflation stood at 13.16 percent. This recovery in processed food prices originated from meat and dairy products in addition to bread and cereals, while the high-rated increases continued in coffee and tea in addition to canned vegetables. Despite the partial improvement in processed food prices in December, annual inflation remained elevated across subgroups, particularly in meat products and the coffee-tea group.



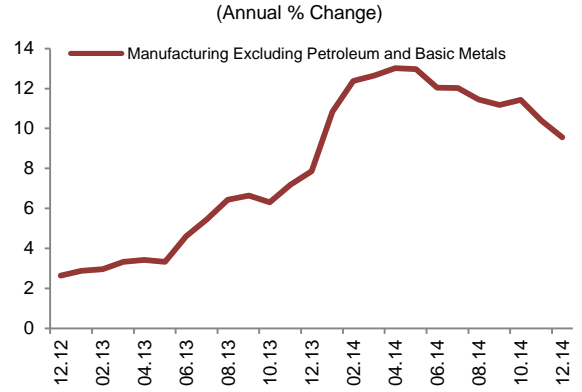
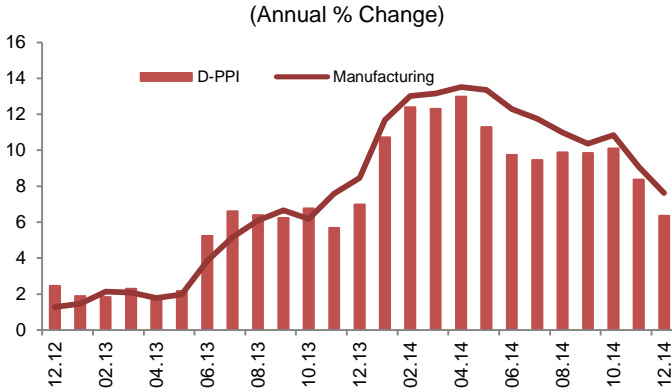
	Monthly Percent Change		Annual Percent Change	
	Dec.2014	Dec.2013	Dec.2014	Dec.2013
CPI	-0.44	0.46	8.17	7.40
1. Goods	-0.71	0.49	7.99	7.18
Energy	-1.86	2.35	-1.54	5.15
Food and nonalcoholic beverages	0.00	1.46	12.73	9.67
Unprocessed food	-0.37	2.33	12.24	12.88
Fresh fruits and vegetables	-2.48	0.58	10.86	7.86
Other unprocessed food	0.93	3.47	13.08	16.28
Processed food	0.33	0.73	13.16	7.11
Bread and cereals	0.46	0.92	14.83	9.71
Other processed food	0.26	0.61	12.15	5.54
Goods excluding energy and food	-0.79	-0.97	8.68	6.29
Core goods	-1.03	-0.61	8.89	6.20
Durable goods	-0.11	-0.20	8.69	6.19
Durable goods (excluding gold)	-0.30	-0.09	8.70	7.62
Alcoholic beverages and tobacco	-0.01	-2.66	7.67	10.52
Gold	3.83	-2.40	8.44	-15.96
2. Services	0.18	0.39	8.59	7.98
Rents	0.53	0.54	7.34	6.50
Restaurants and hotels	0.51	0.81	13.98	9.86
Transport	-0.01	-0.26	7.76	7.20
Communication	0.00	-0.01	2.50	3.09
Other*	-0.10	0.48	8.64	10.43
3. Core Measures				
CPI excluding unprocessed food, alcoholic beverages and tobacco	-0.48	0.42	7.64	6.52
SCA-H	-0.26	0.04	9.55	7.11
SCA-I	-0.38	-0.11	8.73	7.08

Source: TurkStat, CBRT.

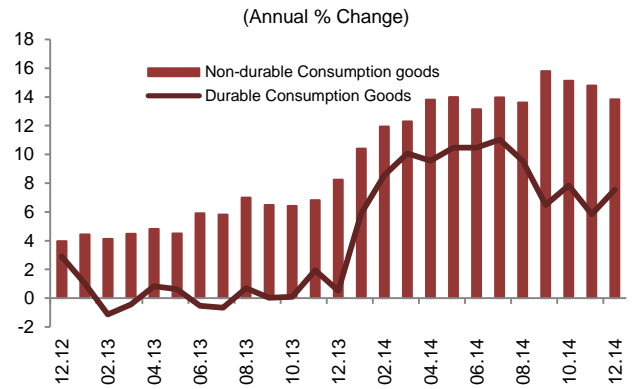
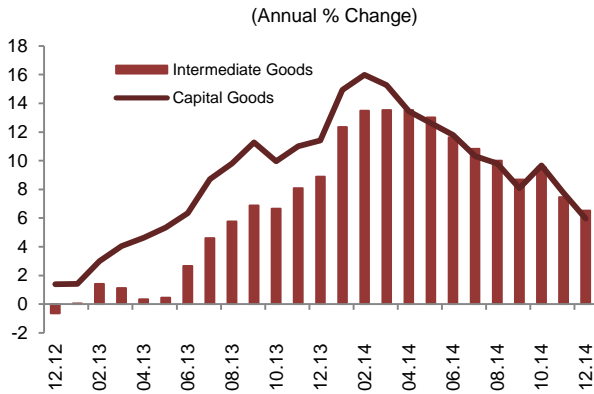
*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

...D-PPI...

Domestic producer prices fell by 0.76 percent and the group's annual inflation decreased by 2 points to 6.36 percent in December. Marked by the influence of the downtrend in international oil prices on producer prices, this period witnessed decreases in annual inflation in the manufacturing industry to 7.63 percent and to 9.56 percent in the manufacturing industry excluding petroleum and basic metals.



According to the Main Industrial Groupings (MIGs), prices of durable and non-durable consumption goods increased, whereas prices of intermediate and capital goods continued to fall. Accordingly, the main groups, excluding durable consumption goods, saw a decline in annual inflation. The decline particularly in oil prices alleviated the pressures driven by the manufacturing industry prices on consumer prices in December.



...TABLES

December CPI and Subcategories (Percent Change)					
	Weight	2014		2013	
		Monthly	Annual	Monthly	Annual
CPI	100	-0.44	8.17	0.46	7.40
Food and nonalcoholic beverages	24.45	0.00	12.73	1.46	9.67
Alcoholic beverages and tobacco	5.29	-0.01	7.67	-2.66	10.52
Clothing and footwear	7.17	-3.71	8.43	-2.58	4.87
Housing	16.41	0.13	6.83	0.89	4.84
Household equipment	7.52	0.12	8.06	0.19	5.95
Health	2.44	0.13	8.62	0.78	4.85
Transport	15.54	-1.78	2.07	1.10	9.77
Communication	4.70	-0.11	1.61	-0.13	1.20
Recreation and culture	3.36	-0.01	5.68	0.19	5.18
Education	2.26	0.01	8.31	0.01	10.05
Restaurants and hotels	6.58	0.51	13.98	0.81	9.86
Miscellaneous goods and services	4.28	0.79	9.68	-0.01	2.24

Source: TurkStat.

December D-PPI and Subcategories (Percent Change)					
	Weight	2014		2013	
		Monthly	Annual	Monthly	Annual
D-PPI	100	-0.76	6.36	1.11	6.97
Mining	3.97	-1.55	1.02	0.66	12.64
Manufacturing	85.93	-0.52	7.63	0.82	8.45
Electricity, gas, steam and air-conditioning supply	9.31	-2.92	-3.56	1.10	-11.16
Water supply	0.79	0.17	11.90	0.30	10.77

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.